

ANNUAL REPORT **TO THE** **DIRECTORS**



1954 **FEDERAL RESERVE BANK**
OF MINNEAPOLIS

I N D E X

Directors and Officers	1
Changes of Directors and Officers	6
Monetary and Credit Development	9
Assets	19
Liabilities	21
Departmental and Other Comments:	
Check Collection	25
Currency and Coin	30
Currency Verification and Destruction	35
Discount and Credit	35
Duplicating	37
Examination	37
Fiscal Agency	40
Noncash Collection	46
Personnel	46
Planning	53
Protection	54
Public Services	55
Purchasing	59
Research	59
Reserves (Member Bank)	61
Safekeeping	63
Wire Transfers	64
Capital Accounts	66
Dividends	69
Bank Premises	70
Earnings	72
Expenses	78

HEAD OFFICE DIRECTORS
AND MEMBER OF FEDERAL ADVISORY COUNCIL

DIRECTORS

Leslie N. Perrin, Chairman, and Federal Reserve Agent

Term Expires
December 31

Class A

Edgar F. Zelle, Chairman of the Board, First National Bank of Minneapolis, Minneapolis, Minnesota	1955
Harold N. Thomson, Vice President, Farmers and Merchants Bank, Presho, South Dakota	1956
Harold C. Refling, Cashier, First National Bank in Bottineau, Bottineau, North Dakota	1957

Class B

Homer P. Clark, Honorary Chairman of the Board, West Publishing Company, St. Paul, Minnesota	1955
J. E. Corette, President and General Manager, Montana Power Company, Butte, Montana	1956
Ray C. Lange, President, Chippewa Canning Company, Inc., Chippewa Falls, Wisconsin	1957

Class C

F. Albee Flodin, President and General Manager, Lake Shore Engineering Company, Iron Mountain, Michigan	1955
Leslie N. Perrin, Director, General Mills, Inc., Minneapolis, Minnesota	1956

MEMBER OF FEDERAL ADVISORY COUNCIL

Joseph F. Ringland, President, Northwestern National Bank, Minneapolis, Minnesota	1955
--	------

OFFICERS

O. S. Powell, President

A. W. Mills, First Vice President

E. B. Larson, Vice President

M. B. Holmgren, Assistant Cashier

Fiscal Agency

Securities:

Purchase and Sale

Withheld Federal Taxes

Commodity Credit Corporation

Currency Verification & Destruction

Government Coupons

H. G. McConnell, Vice President

R. K. Grobel, Chief Examiner

Bank Examination

Securities Exchange Act

Otis R. Preston, Vice President

Christian Ries, Assistant Vice President

Carl Bergquist, Assistant Cashier

Public and Bank Relations

Announcements

Circulars

Correspondence

Press Relations

M. H. Strothman, Jr., Vice President

George M. Rockwell, Assistant Cashier

Loans and Discounts

Industrial Loans

Regulation V Loans

Sigurd Ueland, Vice President & Counsel, Secretary

Legal

A. W. Johnson, Assistant Vice President

John Gillette, Assistant Cashier

Check Collection

Equipment Repairs

Ordinary Mail

Routing Symbol

OFFICERS (Contd.)

A. R. Larson, Assistant Vice President

Noncash Collection

Registered Mail

Securities:

Safekeeping

Vault

O. W. Ohnstad, Assistant Vice President

Accounting:

Expenditures

Monthly & Annual Directors' Reports

Building

Duplicating

Protection

Purchasing

Security Program

Telephone

Clement Van Nice, Assistant Vice President

Currency and Coin

M. O. Sather, Assistant Cashier

Accounting:

General Books and Member Bank Reserve Accounts

Transfer of Funds

Foreign Exchange Reports

Files and Old Records

M. E. Lysen, Operating Research Officer

Operating Letters

Operating Manuals

Planning:

Efficiency Studies

Equipment

Office Forms

Suggestions

Space Studies

F. L. Parsons, Director of Research

Oscar Litterer, Business Economist

Research

Statistics

Publications

Library

OFFICERS (Contd.)

F. J. Cramer, Personnel Officer

Personnel:

Personnel Maintenance

Retirement System

Social Security

Medical

Education and Welfare

Cafeteria

Office Boys and Pages

- - - -

K. K. Fossum, General Auditor

- - - -

C. W. Groth, Vice President

H. A. Berglund, Assistant Cashier

Assigned to Helena Branch

- - - -

HELENA BRANCH DIRECTORS

Carl McFarland, Chairman
George R. Milburn, Vice Chairman

	Term Expires <u>December 31</u>
George R. Milburn, Manager, N Bar Ranch, Grass Range, Montana	1955
A. W. Heidel, President, Powder River County Bank, Broadus, Montana	1955
Carl McFarland, President, Montana State University, Missoula, Montana	1956
J. Willard Johnson, Financial Vice President and Treasurer, Western Life Insurance Company, Helena, Montana	1956
Geo. N. Lund, Chairman of the Board and President, The First National Bank of Reserve, Reserve, Montana	1956

CHANGES IN DIRECTORATE

Charles W. Burges, Vice President and Cashier, Security National Bank of Edgeley, Edgeley, North Dakota, passed away on February 27. He had served as a Class A director of this bank since January 1, 1949. John W. Scott, President of the First State Bank of Gilby, Gilby, North Dakota, was elected to fill the unexpired term of Mr. Burges ending December 31, 1954.

Paul E. Miller, former Chairman of the Board of Directors of this bank prior to his nomination by President Eisenhower in July this year to serve a 14-year term on the Board of Governors of the Federal Reserve System, died on October 21.

Leslie N. Perrin was designated as Chairman of the Board of Directors and Federal Reserve Agent to succeed Paul E. Miller and was reappointed effective January 1, 1955.

At the annual election in November, Harold C. Refling, Cashier, First National Bank in Bottineau, Bottineau, North Dakota, was elected Class A director to succeed John W. Scott of Gilby, North Dakota. Ray C. Lange, President of the Chippewa Canning Company, Inc., Chippewa Falls, Wisconsin, was re-elected Class B director.

Our Board of Directors re-elected Joseph F. Ringland, President, Northwestern National Bank, Minneapolis, Minnesota, as Member of the Federal Advisory Council for 1955.

The Board of Governors redesignated Carl McFarland, President, Montana State University, Missoula, Montana, as Chairman and a director of our Helena Branch for a two-year term beginning January 1, 1955.

Our Board of Directors reappointed J. Willard Johnson, Financial Vice President and Treasurer, Western Life Insurance Company, Helena, Montana, and Geo. N. Lund, Chairman of the Board and President, The First National Bank of Reserve, Reserve, Montana, for two-year terms effective January 1, 1955.

CHANGES IN OFFICIAL STAFF

J. Marvin Peterson, Vice President and Director of Research, passed away on March 28.

In August, Franklin L. Parsons, Associate Director of Research since January 14, 1949, was named Director of Research by our Board of Directors.

Harold C. Core, Vice President in Charge of Personnel, retired on October 31 after 38 years of service at the bank. Effective November 1, Frederick J. Cramer was elected Personnel Officer.

Effective January 1, 1955, three new officers were elected by the Board of Directors. They are Carl Bergquist, Assistant Cashier, Oscar F. Litterer, Business Economist, and Roger K. Grobel, Chief Examiner.

MONETARY AND CREDIT DEVELOPMENT

Total spending by consumers, government and business in 1954 was only slightly less than adequate to provide full employment. The number of people looking for work, while lower than in 1950, was higher than in 1953 so that the actions of government and the monetary authorities were motivated to a large extent by a need to reduce unemployment.

Lower spending by the U.S. government occurred in response to a lessened need for military expenditures associated with the end of fighting in Korea. Also, the military buildup of recent years is nearing its goal in terms of weapons, airplanes, etc., so that purchases of such items have slowed; too, the changing character of warfare has influenced military buying.

Total business expenditures for capital were also slowed in 1954 despite higher spending for some important types of business capital. Lower spending for inventories gave rise to a liquidation of such capital while expenditures for producers' durable equipment, such as machinery, were also cut back from the 1953 rate.

Partly offsetting these reductions in the private investment sector was an increase in construction which brought this type of spending to the highest level in history. More private housing units, as well as more industrial and commercial facilities, were constructed in 1954 than in 1953. The boom in construction ran counter to the experience of most industries and constituted a major source of strength in the economy.

Not only were private expenditures for construction higher than ever before but so too were public expenditures for construction. New trans-

portation facilities, especially, were reflected by the gain from 1953 in public construction as highways and bridges were produced and improved to accommodate the growing number of automobiles on the roads. Schools, sewers, and other public wealth new to the landscape also contributed importantly to the quickened tempo of public works.

CONSUMERS FARED WELL

It is remarkable that despite the talk of economic distress which flooded the newspapers in 1954, the standard of living in the United States--the goods and services taken by consumers--was undiminished. More goods and services, in fact, were consumed than ever before; but with an enlarged population the level of consumption was maintained at the 1953 rate on a per capita basis.

The paradox of larger expenditures by consumers in the face of larger unemployment can be explained with reference to several developments. A reduction in federal taxes kept income after taxes up despite a drop of income before taxes owing to larger unemployment. Wage and salary rates moved upward so that income did not fall in proportion to employment. Also, unemployment insurance reserves were liquidated to finance benefits for unemployed workers, who received a larger total of such payments in 1954 than in any other year.

But additional spending by consumers and by state and local governments for construction was not sufficient to offset cutbacks by the federal government for national security and by business for inventories and durable equipment, so that total output in the economy declined from 1953 to 1954. Fewer people were required, of course, to produce less output.

The inadequacy of spending for a full employment level of output

prompted the monetary authorities, in concert with the federal government, to formulate policy with a view to the stimulation of spending; for when spending grows, business sales also grows, and employers are more likely to hire workers.

Spending by borrowers was encouraged with a substantial decline in the cost of credit which in turn was produced by a large addition to its supply; additional credit was supplied both by commercial banks and by savers through their intermediaries, such as insurance companies, savings and loan associations, mutual savings banks, and pension funds.

Despite a weakened demand for some types of loans in 1954, commercial bank credit grew faster than in any year since the end of World War II; this growth supplied America with the largest stock of money in history. The earning assets which were acquired by banks through credit expansion were mostly U.S. government securities. In contrast, during 1953, loans constituted the most important addition to commercial bank assets.

But the reserves of the banking system at the end of 1954 were lower than at the beginning. The ability to expand credit in the face of diminishing reserves arose from a reduction in the ratio of reserves to deposits which the banks are required by law to maintain. This reduction in reserve requirements was the most important measure taken by the monetary authorities to make credit more plentiful.

In the summer of 1954, reserve requirements against net demand deposits were lowered from 22 per cent to 20 per cent at central reserve city member banks, from 19 per cent to 18 per cent at reserve city member banks, and from 13 per cent to 12 per cent at country member banks. Requirements against time deposits were lowered from 6 per cent to 5 per cent at all member banks. Since member banks of the Federal Reserve System hold approxi-

mately 85 per cent of the nation's commercial bank deposits, the lending power of the banking system was greatly augmented.

Also, twice in 1954, the discount rate or cost of borrowing at Federal Reserve banks was lowered. In February the discount rate was dropped from 2 per cent to 1 $\frac{3}{4}$ per cent, in April from 1 $\frac{3}{4}$ per cent to 1 $\frac{1}{2}$ per cent. The reduction of discount rates was not, however, accompanied by more loan applications at Reserve banks; rather, the contrary was true, as member banks in need of cash had alternative sources of funds available to them at much lower interest rates than in 1953.

The decline of interest rates which attended the expanding supply of credit last year is best illustrated with reference to the market for U.S. government obligations, the valuation of which does not reflect the variable credit risk carried by other securities. Government bonds of the longest maturity declined in yield from 2.93 per cent early in the year to 2.58 per cent in the summer, as lenders bid up the price, competing for a limited supply. Short term governments, 91-day bills that is, fluctuated even more widely in yield from 1.5 per cent early in the year to less than .7 per cent in the summer. The yield on other governments traced a similar path.

Besides commercial banks, financial institutions in the market looking for investments included the intermediaries which channel the savings of individuals into the market for loans. The life insurance industry, for example, enjoyed such an inflow of cash that total assets owned grew faster than in 1953. The same was true for savings and loan associations for mutual savings banks and for pension funds. American savers provided these institutions the wherewithal to finance expeditions to the market in search of borrowers. The search, of course, helped to keep the market value of

loans (securities) high and the yields low.

More important, financial intermediaries accomplished a gigantic transfer of funds from owners of money unwilling to spend, to spenders anxious for loans. Without such transfers, total spending would have suffered, and the problem of unemployment would have been aggravated.

The identity of the net borrowers in our economy last year is fairly well known. Some lending and borrowing circumvents the principal financial institutions or is not publicized so that not all debt lends itself to accurate measurement. But the largest components of total debt in the United States can be measured. Such measurements indicate that total debt last year set a new record, as in other recent years.

Largest single borrower, of course, was the U.S. Treasury. The national debt rose by almost \$4 billion in 1954. Despite important cutbacks in federal spending, Treasury deficits continued as tax collections fell in response to reductions provided by the new tax law and in response to a shrunken base of taxable income. Legislation was passed during the year which lifted temporarily the \$275 billion limitation previously imposed by Congress on the size of Treasury debt.

U.S. government debt at the end of 1954 was not strictly comparable with the total of other years. To a greater extent than formerly, government agencies were operating on funds derived from their own borrowings rather than on Treasury funds. Except for this development, Treasury debt would be higher.

In addition to Treasury debt and the debt of federal government agencies, state and local government debt was issued in large volume during 1954. The increase in state and local debt outstanding was the largest in history, amounting to \$7 billion, or 25 per cent more than the 1953 increase. This statistic, of course, is directly related to the record level of public

works, mentioned earlier.

Individuals borrowing money to purchase homes added about the same amount to their debts as did state and local governments. In the first nine months of 1954 home mortgage debt was up by \$6.3 billion; this compares with a gain of \$5.9 billion in the comparable months of 1953. Near the end of 1954 the seasonally adjusted rate of home building was higher than in 1950 when more homes were built than in any other year. The construction of these new homes is one component of private capital formation which partly offset the decline in business inventories, another component.

An immense stimulus was provided to home building when Congress passed the Housing Act of 1954. This law lowered the down-payment and amortization rate requirements for government insured mortgage loans, thereby adding to the number of people who could qualify for such loans. Applications for mortgage insurance at the offices of the Federal Housing Administration subsequent to passage of the new legislation were more numerous than ever before.

Also, government insured and guaranteed mortgage loans were more attractive to lenders last year than in 1953. While interest rates on alternative investments were falling, the return on FHA and GI loans was unchanged making such loans relatively more attractive to investors.

In the capacity of consumers for items other than housing, individuals were less willing to incur debt last year. The total of consumer debt leveled off; it had been rising rapidly since the removal of Federal Reserve controls on such debt in May, 1952. Late in 1954, with the advent of a business recovery movement, consumer debt once again moved upward, possibly reflecting confidence that incomes could be maintained.

Corporations, too, were competing for lendable funds in 1954.

While a lower volume of corporate stocks and bonds was marketed than in 1953, it is likely that when all the figures are in, they will show an increase in corporation stocks and bonds outstanding approximating the addition to state and local debts.

It is not surprising to find corporate flotations falling when sales of the things corporations produce are falling. Too, the accumulation of business plant and equipment--the chief purpose of such flotations--has proceeded at such an uncommonly high rate since World War II that future needs for such capital may be less in proportion to total output than formerly.

The demand for short term business loans weakened in 1954. Much of this debt is incurred for inventory financing, and since inventory liquidation was the rule last year, there was a downward pressure on short term business debt. Reflecting this was the largest drop in commercial and industrial loans of banks since 1949, when inventory liquidation was also the rule.

With the major sources of supply and demand in the market for loans having been examined, the role of debt formation and monetary policy in the determination of spending is easier to appreciate. Without the stimulus to credit expansion provided by the Federal Reserve in 1954, interest rates would doubtless have been higher with the result that spending financed by borrowings would have been discouraged. The reluctance to borrow when interest rates are high was demonstrated in 1953 when many debt financed projects were abandoned owing to the high price charged by lenders or investors for accommodation.

Many such projects, delayed earlier, were undertaken in 1954 after the level of interest rates had fallen. Thus, the influence of the Federal Reserve System on the cost of credit served to discourage spending in early 1953, when the danger of inflation was great, and it served to stimulate spending in 1954, when the danger of deflation and unemployment from lack of spending

was present.

The level of unemployment which should be regarded as serious is a matter of controversy. The resolution of this controversy has serious implications for monetary and economic policy, since the danger that additional spending will produce inflation rises as the proportion of the labor force which is unemployed falls.

The remarkable stability of prices in America since a flexible monetary policy was adopted in 1951 is a tribute to the effectiveness of the central bank in providing an environment where spending is neither so great as to depreciate the dollar nor so small as to induce serious unemployment.

As 1955 opened, considerable evidence was present that output was rising, in contrast to a movement in the other direction a year earlier. More encouraging, the increments to output were not in the form of armament and such, which add nothing to the standard of living, but consisted of such things as autos and homes which make life more pleasant for everyone.

It is doubtful that the transition from a more nearly warlike economy to a more nearly peacelike economy could have been accomplished with much less disturbance than in fact occurred. While Americans produced less in 1954, they consumed more by allocating a lesser share of output to government and to private capital formation.

NINTH DISTRICT STATISTICS ENCOURAGING

The cutback in spending for defense and for other things was not without repercussions in the area served by the Minneapolis Federal Reserve Bank. But spending for the district's most important product--agricultural commodities--was well maintained with the result that economic conditions in the district compared favorably with the rest of the nation.

Sales at department stores, for example, moved up slightly in our area, while in the rest of the nation a slight decline was reported. Although the magnitude of these movements was not large, their direction does not suggest distress in the district.

Nor do the year-end statements of our banks suggest distress. In common with banks throughout the nation, members of the Federal Reserve Bank of Minneapolis saw their deposits and earning assets rise to the highest level in history during 1954. Also, the most recently tabulated profit and loss statements submitted by our members show the highest earnings ever.

A sample of district banks report that a larger dollar volume of checks was drawn in 1954 than in 1953; but the same was true in the rest of the nation with the result that bank resources in the district grew at approximately the same rate as was true elsewhere.

The average amount of loans held during the year moved up by a greater percentage--compared to the previous year--at district banks than at banks elsewhere. The opposite was true for holdings of investment securities. This development should make for earnings' comparisons favorable to district banks.

The demand for commercial and industrial loans was stronger here than in other districts; this strength accounted for much of the interdistrict difference in the behavior of total loans. Mortgage loans on residential property were granted in large amounts in the district, as well as in the rest of the country. The continued growth of mortgage loans at our banks is due in part to the high level of residential building activity reported by district communities.

The dollar value of building permits issued by a sample of such communities was 15 per cent higher in 1954 than in 1953. Gains were reported

in every state except North Dakota. Permits are issued for many kinds of work, but residential construction makes up an important part of the total.

Statistics of employment indicate that slightly fewer people were at work in the district during 1954 than a year earlier. On the iron range and at Duluth, employment suffered from a weakening in demand for products made of steel such as weapons and automobiles and farm machinery.

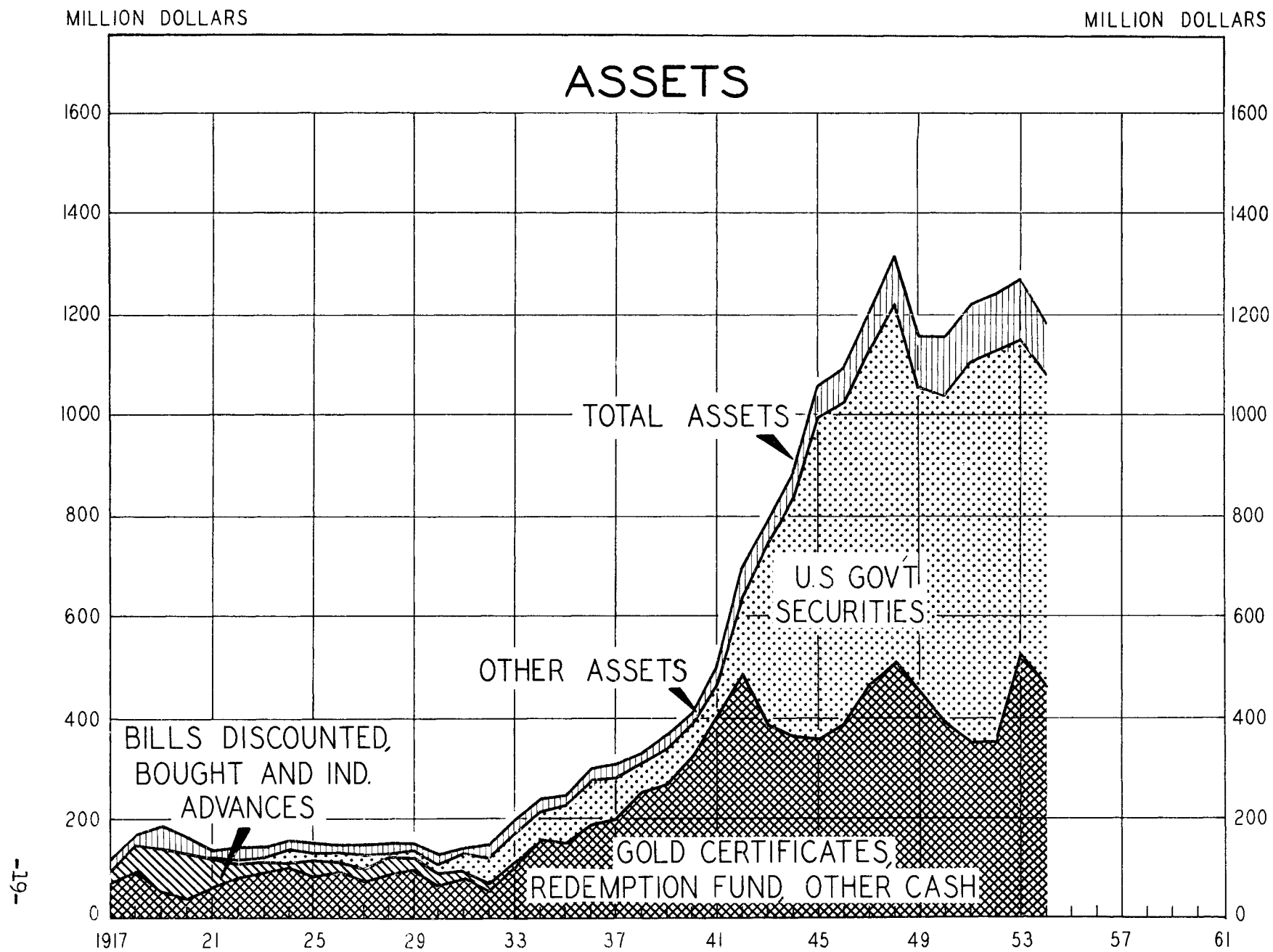
The government's cutback in expenditures for national security was felt in the Twin Cities as a large number of men was laid off at the local ordnance plant. But since our area is much less industrialized than other parts of the nation, the unemployment problem here was less serious than in many other parts of the nation.

Food processing, an important district activity, was aided by the large amount of products moving off the farms. The physical volume of grain produced was the third largest on record and cattle shipments may have established a new record.

Adverse weather conditions stunted agricultural production in a few district localities, but in general the weather was favorable. In contrast, serious damage to crops and livestock was produced by drought in other parts of the nation.

Price trends were not the same for everything produced on district farms. Cattle and wheat averaged somewhat higher in price during 1954 than in the previous year. Most other commodities averaged somewhat lower in price. Incomes on dairy farms in particular were pinched as the price support level for milk products was lowered.

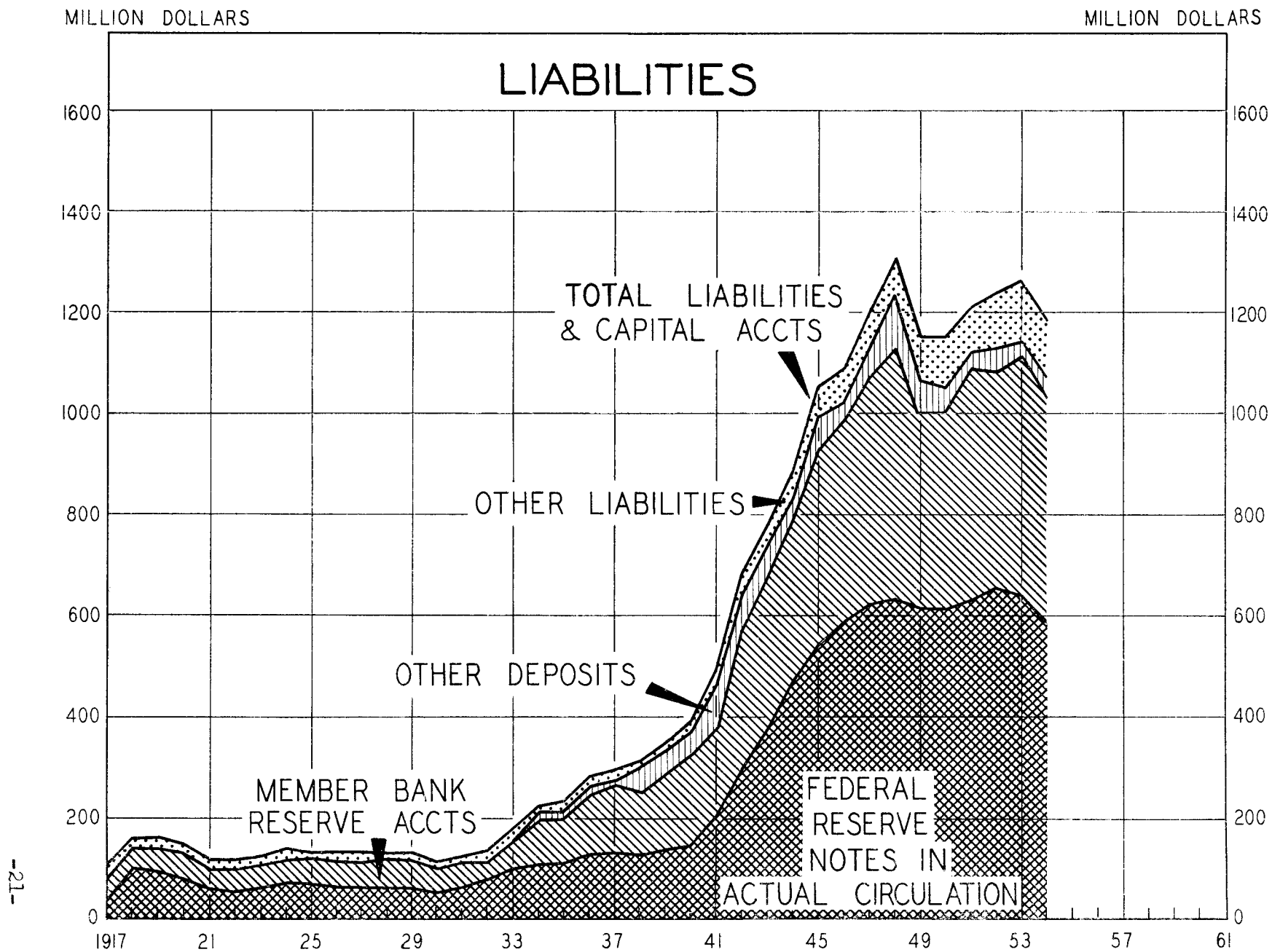
Estimates by the U.S. Department of Agriculture place cash farm income for the district approximately 4 per cent lower in 1954 than in 1953. A larger drop was estimated for farmers outside the district.



COMPARATIVE STATEMENT OF ASSETS

MINNEAPOLIS AND HELENA BRANCH COMBINED (Thousands of Dollars)

	<u>12-31-54</u>	<u>12-31-53</u>	Change from <u>12-31-53</u>
<u>Assets:</u>			
Cash Reserves:			
Interdistrict Settlement Fund	246,328	309,485	- 63,157
Gold Certificates with F.R. Agent	175,000	175,000	-
Redemption Fund - F.R. Notes	<u>24,644</u>	<u>25,562</u>	- 918
Total Gold Certificate Reserves	445,972	510,047	- 64,075
F.R. Notes of Other F.R. Banks	8,567	7,847	+ 720
Other Cash	8,848	7,658	+ 1,190
 Bills Discounted	 450	 1,350	 - 900
Foreign Loans on Gold	3,333	375	+ 2,958
Industrial Loans	96	99	-
U.S. Government Securities:			
Bills	53,215	64,080	- 10,865
Certificates of Indebtedness	340,909	143,558	+197,351
Notes	148,257	327,360	-179,103
Bonds	<u>68,802</u>	<u>89,868</u>	- 21,066
Total U.S. Government Securities	611,183	624,866	- 13,683
 Due from Foreign Banks	 1	 1	 -
Uncollected Items:			
Transit Items	97,867	106,767	- 8,900
Exchanges for Clearinghouse	2,908	4,831	- 1,923
Other Cash Items	<u>627</u>	<u>1,258</u>	- 631
Total Uncollected Items	101,402	112,856	- 11,454
 Bank Premises	 2,462	 2,473	 -
Less Reserve	<u>1,455</u>	<u>1,449</u>	+ 6
Bank Premises - Net	1,007	1,024	-
 Miscellaneous Assets:			
Fiscal Agency expense, reimbursable	190	136	+ 54
Interest Accrued	2,845	3,278	-
Premium on Securities	151	214	-
Deferred Charges	36	36	-
All Other Assets	<u>16</u>	<u>17</u>	-
Total Miscellaneous Assets	3,238	3,681	-
 Total Assets	 <u>1,184,097</u>	 <u>1,269,804</u>	 - 85,707



COMPARATIVE STATEMENT OF LIABILITIES

MINNEAPOLIS AND HELENA BRANCH COMBINED (Thousands of Dollars)

	<u>12-31-54</u>	<u>12-31-53</u>	Change from <u>12-31-53</u>
<u>Liabilities:</u>			
Federal Reserve Notes in Circulation	583,511	644,292	-60,781
<u>Deposits:</u>			
Member Bank - Reserve Accounts	443,527	468,968	-25,441
U.S. Treasurer - General Account	27,339	17,791	+ 9,548
Foreign	12,050	10,230	+ 1,820
Nonmember Bank - Clearing Accounts	458	1,382	- 924
Officers' Checks	142	153	- 11
Other Deposits	<u>1,716</u>	<u>2,314</u>	<u>= 598</u>
Total Deposits	485,232	500,838	-15,606
<u>Deferred Availability Items:</u>			
U.S. Treasurer - General Account	4,694	4,857	- 163
All Other	<u>81,744</u>	<u>91,665</u>	<u>= 9,921</u>
Total Deferred Availability Items	86,438	96,522	-10,084
<u>Miscellaneous Liabilities:</u>			
Unearned Discount	2	4	- 2
Discount on Securities	211	289	- 78
Sundry Items Payable	129	159	- 30
Suspended Credits	<u>5</u>	<u>251</u>	<u>= 246</u>
Total Miscellaneous Liabilities	347	703	- 356
Total Liabilities	1,155,528	1,242,355	-86,827
<u>Capital Accounts:</u>			
Capital Stock Paid In	6,360	5,952	+ 408
Surplus Fund - Section 7	16,918	16,219	+ 699
Surplus Fund - Section 13b	1,073	1,073	-
Reserve for Contingencies	<u>4,218</u>	<u>4,205</u>	<u>+ 13</u>
Total Capital Accounts	28,569	27,449	+ 1,120
Total Liabilities & Capital Accounts	1,184,097	1,269,804	-85,707

MINNEAPOLIS FEDERAL RESERVE BANK

Reflecting the continued growth of member banks in the Ninth District was a gain of almost 7 per cent in the capital stock account at the Minneapolis Federal Reserve Bank during 1954. The stock is issued to member banks as they enlarge the amount of their capital and surplus.

Notable among changes in the deposit accounts was a loss of member bank reserves which was only partly offset by additional balances in other accounts. As noted earlier, the reduction of reserve requirements made it possible for member banks to hold a larger amount of deposits with a lesser amount of reserves than formerly.

Outstanding notes issued by the Minneapolis Federal Reserve Bank declined in amount for the second consecutive year in 1954. Federal Reserve notes constitute the most important component of the nation's currency supply; the retirement of these notes accompanied a reduced demand for paper money by the public last year.

Also, legislation was passed in 1954 authorizing Reserve banks to pay out fit Federal Reserve notes without regard to the bank of issue. Deposits of fit notes issued by other Reserve banks were thus employed to fill some requests for currency, whereas formerly these notes were returned to the bank of issue. By the same token, Minneapolis notes were paid out by other Reserve banks. Unfit notes are destroyed and charged to the bank of issue.

A lower amount of securities was held at the end of the year than at the beginning. This change resulted from a System move to reduce bank reserves by liquidating investments. The expansionary effect of lower reserve requirements was thus partly offset. A shift from bonds and notes into certificates of indebtedness reflects a Treasury refunding exchange.

Earnings from government securities were lower in 1954 than in

1953, partly because a lesser average amount of securities was held and partly because the average rate of return was lower. Similarly, earnings from discounts and advances were lower because a lesser average amount was held than in 1953 and because the rate of interest charged for such accommodation was reduced twice early in 1954.

The continued high level of activity in the operating departments of the bank permitted only a small decline in expenses so that net earnings fell by almost as much as earnings from loans and investments.

With a larger number of shares outstanding, dividends on our stock were somewhat higher in 1954 than in 1953. Payments to the Treasury as interest on Federal Reserve notes and transfers to the bank's surplus account were both reduced.

DEPARTMENTAL AND OTHER COMMENTS

CHECK COLLECTION

During 1954 this department handled almost 100 million items. The total of 98,613,844 checks functioned was more than the combined total of all items handled in 1947 (46,542,000) and 1948 (49,742,000). There was an overall increase of 5.5% in volume and 6.1% in dollar amount over 1953.

The tables below show the number and amount of items processed during 1954 as compared with 1953:

		<u>Volume</u> (000 Omitted)		
	<u>1954</u>	<u>1953</u>	<u>No. of Items</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
Twin City Checks	14,112	13,916	+ 196	+ 1.4
Country Checks	58,840	54,423	+4,417	+ 8.1
Government Checks				
Paper	1,209	1,185	+ 24	+ 2.0
Card--Our District	10,114	10,059	+ 55	+ .5
Card--Other Feds	3,841	3,363	+ 478	+14.2
Return Items	732	637	+ 95	+14.9
Postal Money Orders	<u>9,771</u>	<u>9,865</u>	<u>- 94</u>	<u>- 1.0</u>
	98,619	93,448	+5,171	+ 5.5

		<u>Dollar Amount</u> (000 Omitted)		
	<u>1954</u>	<u>1953</u>	<u>Dollar Amount</u> <u>Inc. or Dec.</u>	<u>Percent of</u> <u>Inc. or Dec.</u>
Twin City Checks	\$14,310,063	\$13,466,145	\$+ 843,918	+ 6.3
Country Checks	9,425,263	8,797,941	+ 627,322	+ 7.1
Government Checks				
Paper	1,420,744	1,433,472	- 12,728	- .9
Card--Our District	878,948	890,048	- 11,100	- 1.3
Card--Other Feds	351,152	290,393	+ 60,759	+20.9
Return Items	105,166	82,867	+ 22,299	+26.9
Postal Money Orders	<u>158,462</u>	<u>159,387</u>	<u>- 925</u>	<u>- .6</u>
	\$26,649,798	\$25,120,253	\$+1,529,545	+ 6.1

The all-time record of checks handled on a single day for all classifications was set on December 8, 1954, when 477,380 items were functioned. The previous year's one-day high on March 9, 1953, numbered 457,789 items which figure was exceeded three times in 1954.

On December 14, 1954, the department processed 293,025 country checks for a new high total. The previous year's record made on November 17, 1953, for checks in this classification numbered 259,283 items, but that record was broken four times during 1954.

A new record of 68,550 Treasury punch card checks on other Federal Reserve banks was established on September 8, 1954, breaking the former record of 61,525 items set June 8, 1953.

Another new record included processing 3,425 return items on November 5, 1954, exceeding the former record of 3,156 items made September 15, 1953.

The department continued to correspond with Ninth District par banks on delayed remittances for cash letters which so far has resulted in all Minnesota par banks remitting promptly. In addition, letters were written to 72 nonpar banks which were slow in remitting in an effort to reduce float and encourage good banking practices. The only items sent to nonpar banks are those received by us which are direct obligations to the government. Other efforts to reduce float, some of which were initiated in recent years, are to process remittances for cash letters to within a few minutes of the clearing hour; to give special handling to Twin City items received in mixed one-day deferred cash letters; to put cash letters for all Michigan banks and some Minnesota and Wisconsin banks directly on trains leaving Minneapolis about 5:00 p.m.; and to reduce to a minimum the number of payment drafts sometimes received in exchange not immediately available.

As a result of these efforts, the daily float carried by this bank has been reduced as indicated in the following table:

Year	<u>No. of Items Handled</u>	<u>Dollar Amount of Items</u>	<u>Daily Average Float</u>
1951	70,249,648	\$23,026,511,000	\$25,600,000
1952	85,817,961	23,802,556,000	19,700,000
1953	93,447,385	25,264,498,000	16,700,000
1954	98,618,593	26,649,798,000	14,700,000

The float reduction was accomplished despite an increase in the number of banks closed Saturdays, now numbering 176; the granting of one-day deferment instead of two days to Twin City banks on direct sent cash letters to the Federal Reserve Bank of New York containing New York City items deposited with us prior to 2:30 p.m.; the change to one-day deferment from two days on items drawn on St. Louis and Seattle banks; and the increase in dollar amount and volume of items handled.

I.B.M. accounting machines used to process United States Treasury card checks were reduced from five to four new tabulators, and the number of sorters was stabilized at five. The number of tabulators used was reduced because the new machines will tabulate 150 checks per minute, whereas the old machines would tabulate only 125 checks per minute. Additional equipment will be needed as usual during the peak tax refund period.

The department continued to microfilm all outgoing country checks and return items as in previous years. The microfilms have not only proved to be of assistance to us in locating differences and tracing items in lost cash letters, but to banks, F.B.I., Secret Service and governmental agencies as attested by the numerous requests received for facsimilies and descriptions of checks. New model microfilmers were installed during the year which take pictures at the rate of 500 checks a minute compared to the old speed of 350 per minute. These machines will microfilm 12 to 13 thousand

checks per 100 feet of film, whereas the older type would microfilm 9 to 10 thousand per 100 feet.

Since 1952, the department has functioned with the following shifts: Day, Twilite, Nite, and Saturday. The department also maintains a constant training program of all its employees.

Postmasters' Deposits

The Treasury Department designated this bank as a depository for surplus funds of postmasters, and we have been accepting such deposits since July 2, 1954. Deposits originally were received from postmasters located in the entire Ninth Federal Reserve District, but since the first of the year, we handle deposits only from Minnesota, North Dakota, South Dakota and Montana.

The postmasters' deposits include checks, money orders, savings stamp albums, and currency, all of which are processed by this department after the currency has been removed. The Treasurer of the United States is credited daily for the account of the Post Office Department.

The table below indicates the totals of such deposits received during the last six months of 1954:

<u>Total No. Deposits</u>	<u>Total Amount All Deposits</u>	<u>No. Deposits Containing Cash</u>	<u>Total Amount Cash</u>
151,990	\$101,324,000	74,635	\$17,390,000

Check Routing Symbol

During 1954 our campaign was continued for the incorporation of the routing symbol on all checks of par remitting banks. A recent survey to determine our volume growth for the year shows that the Ninth District average is 96%, an increase of 4% over the previous year. The averages by

states in the Ninth District of checks bearing the symbol follow:

Michigan	95%	North Dakota	94%
Minnesota	95%	South Dakota	97%
Montana	96%	Wisconsin	96%

A survey of checks not bearing the symbol was conducted which resulted in over 800 letters being written directly to business concerns explaining the purpose of the symbol and asking cooperation in having it incorporated. Many personal calls by bank representatives of the check department were also made to banks and business establishments.

Check Standardization Program

During the year our aggressive campaign for check improvement and standardization was also continued. Our representatives assigned to promote this program have made personal contacts with business firms of all kinds--printers, banks and others. Checks were redesigned for many firms so that new checks would not be in the "problem check" category.

Many member and par banks in our district have authorized us to handle certain nonbank items as cash items. We recently wrote to 455 banks for a revised list of such items which those banks had authorized us to include in our cash letters. Shortly before the end of the year we visited a sample number of banks and found them very responsive and willing to cooperate in converting nonbank items into checks. In 1955 our efforts will be intensified and it is hoped that eventually most nonbank items will be eliminated.

In cooperation with the State Examiner of North Dakota, legislation similar to that enacted in Minnesota and Wisconsin has been proposed for presentation to the 1955 North Dakota Session of Legislature. Such legislation, if enacted, will require the use of checks rather than warrants

in disbursing municipal funds.

In South Dakota, legislation was passed in 1953 affecting municipal warrants, but suggested changes for clarifying the present law have been made for presentation to the 1955 legislature.

A similar proposal for legislation in Michigan was presented to the Michigan Bankers Association for sponsorship but no acknowledgment has been received as to any contemplated action.

A sponsor was not available in Montana and action for legislation will have to be deferred.

- - - -

CURRENCY AND COIN

Generally speaking, the work volume of the department during 1954 was about the same as that for 1953. Outgoing payments of currency and coin to member banks were down about 6 per cent (in terms of dollar value) from a year earlier, but incoming coin shipments from member banks were up about 11 per cent and, while incoming currency shipments from members were down \$21 million, or about 5 per cent, this reduction was almost entirely offset by the \$17.5 million in currency received in post office deposits after we began accepting such deposits on July 1. The number of bills sorted and counted during the year was within .5 per cent of the 1953 figure.

One operation which showed a sharp increase in volume for the second consecutive year was coin wrapping. This year's total of more than 96 million coins wrapped was 25 per cent above the 1953 total, which in turn was 39 per cent higher than 1952's volume.

Probably the most important development of the year in Currency and Coin operations was the amendment in July of the Federal Reserve Act to

allow Federal Reserve banks to pay out the Federal Reserve notes of other Reserve banks without penalty. The purpose of this legislation was to effect a saving in the cost of handling and shipping of such notes, necessary previous to the amendment, because they had to be returned to the bank of issue. The estimated annual savings to the twelve Reserve banks resulting from the elimination of this requirement is \$750 thousand and we estimate an annual savings to our own bank (not including the Helena branch) of \$14 thousand in shipping charges and \$7 thousand in labor. Total savings for the head office and branch should be over \$24 thousand a year.

Since the Ninth District gains Federal Reserve notes from other Federal Reserve banks over the amount of our notes lost to other districts to the extent of about \$34 million annually (based on 1953 figures), the amendment can be expected to reduce our total note circulation. This actually happened during the last half of 1954 with our circulation dropping from \$622 million on June 30 to \$584 million on December 31, although note circulation for the twelve Reserve banks as a whole showed a small increase.

The amendment also resulted in a piling up in our vaults of fit-for-use currency in large volume since we were now able to fill currency orders from member banks with notes which heretofore would have had to be returned to the bank of issue. In an effort to reduce this accumulation, we urged our member banks to use and order fit-for-use currency in preference to new currency whenever possible.

The legislation also accounted for the fact that our 1954 volume figures on fit notes of other Federal Reserve banks returned by us to them and our fit notes received by us from other Federal Reserve banks are not comparable with the corresponding 1953 figures. Except for possible minor amounts, these two categories will probably disappear from our statistical

reports for future years. The amendment also made it feasible for us to discontinue the shipments amounting to several million dollars a month of Federal Reserve Bank of Chicago notes direct to Milwaukee banks.

Another important development in our operations in 1954 was the taking over on July 1 of post office deposits. On that date we began accepting deposits from more than three thousand Ninth District postmasters. Deposits sent to us by registered mail, most of which contain cash, were sent to the currency and coin department for removal of such cash before being sent to the check collection department for further processing. A special section was set up in our currency sorting division to handle such deposits, and two new four-pocket currency counting machines, designed for either denominational sorting or our regular unit-count sort, were purchased along with other equipment to assist us in the job. Later, a third such sorting machine was purchased.

Opening and processing the cash from these deposits has proved to be an operation which fluctuates quite sharply in its day-to-day volume. On an average, however, the currency and coin department handled about 750 such deposits containing a total of \$135 thousand each working day.

In addition to the three four-pocket currency sorting machines purchased for the post office deposit operation, two new eight-pocket machines were added early in the year and a third coin wrapping machine, purchased late in 1953, was put into operation.

In April we were given permission to remove from our vaults and send to the Treasury Department for destruction \$21 million in unfit \$10 and \$20 Federal Reserve notes which we had held for about three years as an emergency currency reserve. In August we were allowed to destroy on our own premises \$1,800 thousand in unfit \$5 silver certificates, also

held as emergency reserve, and it is believed that permission will be given to destroy an additional \$3,100 thousand in \$1 silver certificates early in 1955. Destruction of the unfit reserve has been made possible by the building up of reserve supplies of new currency.

Coin shipments from the mints in 1954 were much fewer but larger in dollar amount per shipment than in 1953, and the total received by us for the year was somewhat less. With a larger return from member banks, however, the coin supply was ample even during the late summer and fall for the first time in several years. The mints continued to ship new nickels and pennies to us by truck, a method of shipment used for the first time in 1953, and for the first time we received several shipments of silver coins via armored car service.

Counterfeit bills discovered by our sorters totaled 90 for the year as compared with 72 in 1953, most of the increase representing \$5 counterfeit Federal Reserve notes which were much in evidence early in the year.

Finally a new, even though very minor, source of income for the bank emanated from the currency and coin department this year when we began selling our canceled postage stamps from incoming currency shipments to a local stamp dealer for a flat rate of \$300 a year.

Currency Paid Out

	<u>1954</u>	<u>1953</u>
1's and 2's	\$ 30,903,000	\$ 32,130,000
5's	45,492,000	48,519,000
10's	109,753,000	124,375,000
20's	106,993,000	115,316,000
50's	5,035,000	5,615,000
100's	18,005,000	18,989,000
500's	943,000	637,000
1,000's	1,221,000	1,253,000
5,000's	Ø	Ø
10,000's	30,000	Ø
	<u>\$318,375,000</u>	<u>\$346,834,000</u>

Outgoing Shipments
for Account of Member Banks

	<u>1954</u>		<u>1953</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency paid out	19,129	\$318,375,000	20,201	\$346,834,000
Currency shipped to Helena Branch and for other F.R. Banks	422	26,568,000	631	42,583,000
Coin paid out	<u>14,076</u>	<u>12,106,000</u>	<u>15,136</u>	<u>12,875,000</u>
	33,627	\$357,049,000	35,968	\$402,292,000
Fit-for-use F.R. Notes returned to other F.R. Banks		<u>21,581,000</u>		<u>55,498,500</u>
		\$378,630,000		\$457,790,500

Incoming Shipments
for Account of Member Banks

	<u>1954</u>		<u>1953</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Currency	21,797	\$392,010,000	22,314	\$413,040,000
Coin	<u>4,493</u>	<u>11,652,000</u>	<u>4,332</u>	<u>10,482,000</u>
	26,290	\$403,662,000	26,646	\$423,522,000
Our fit-for-use F.R. Notes recd. from other F.R. Bks.		26,551,000		43,919,200
Fit-for-use \$1's received from Helena Branch		875,000		750,000
Postmasters' deposits recd.	<u>97,566</u>	<u>17,504,000</u>	<u>Ø</u>	<u>Ø</u>
Total Cy. & Coin Recd.	123,856	\$448,592,000	26,646	\$468,191,200

Number & Amount of Pieces Handled

Currency

	<u>1954</u>		<u>1953</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Bills recd. & counted	64,592,019	\$429,708,000	64,855,637	\$456,961,856
Bills rehandled	4,851,697	85,040,000	6,865,569	97,450,960
Bills hand verified	<u>19,038,797</u>	<u>219,785,500</u>	<u>16,418,834</u>	<u>207,837,325</u>
	88,482,513	\$734,533,500	88,140,040	\$762,250,141

Coin

	<u>1954</u>		<u>1953</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Coins recd. & counted	125,741,015	\$ 11,451,000	108,742,228	\$ 9,649,224
Coins rehandled	485,220	61,621	345,475	110,467
Coins wrapped	<u>96,398,000</u>	<u>8,359,500</u>	<u>76,913,500</u>	<u>6,227,325</u>
	222,624,235	\$ 19,872,121	186,001,203	\$ 15,987,016

Amount of Coin Received
From U.S. Mints

<u>1954</u>	<u>1953</u>
\$1,743,500	\$1,982,900

Number of Unfit Bills Forwarded to Treasurer
of the United States, Washington, D.C., and
delivered to the Destruction and Verification
Unit at Federal Reserve Bank of Minneapolis
for redemption

	<u>1954</u>	<u>1953</u>
Number of pieces	28,522,890	30,959,201

- - - -

CURRENCY VERIFICATION AND DESTRUCTION

Last spring the operation of our currency verification and destruction unit was turned over to the noncash department and has continued under that supervision during the year. Our volume is light--less than 2 million pieces a month, and for that reason the noncash collection clerks could be used for the operation. Ten of them were assigned to the unit with two clerks working each day on rotating shifts.

Last fall a currency shredder was installed to destroy the currency by shredding and burning. Previously the bundles of canceled currency were burned in the incinerator.

During the year the unit verified and destroyed 21,144,300 bills.

- - - -

DISCOUNT AND CREDIT

A total of 61 banks in head office territory borrowed an aggregate of \$879,580,500 in 1954, all of which was secured by United States government obligations. All but \$55,630,500 of this amount was borrowed

by Twin City banks. Advances on governments in 1953 aggregated \$2,735,943,000 to 63 banks. Nine banks in Montana borrowed \$66,320,000 through the Helena Branch in 1954, \$51,746,000 less than in 1953. The highest amount outstanding to member banks in this district was \$49,095,000 on April 16, 17 and 18, 1954. This figure included the borrowings of 21 banks.

Our bank's participation in foreign loans on gold in the year totaled \$8,100,000.

Only three applications for industrial loans under Section 13b of the Federal Reserve Act were received during the year. These applications aggregated \$250,000. Two of the applications were declined and one for \$125,000 was approved.

The total amount of industrial advances (current) outstanding on our bank's books on December 31, 1954, was \$96,070.86. These funds were being utilized by (1) a wholesale and retail grocery business, (2) a manufacturer of automotive parts and (3) a packer and shipper of fresh vegetables.

In 1954, advances totaling \$24,914,816.19 were made by financing institutions under Regulation V; \$17,540,700 advanced was guaranteed by the Department of the Air Force, \$1,688,450 by the Department of the Army, \$5,260,666.19 by the Atomic Energy Commission and \$425,000 by the Department of the Navy.

Loans actually outstanding under guarantee agreements at the year end aggregated \$400,000 for the Air Force (guaranteed portion \$360,000); \$367,000 for the Army (guaranteed portion \$290,370); and \$5,260,516.19 for the Atomic Energy Commission (guaranteed portion \$4,997,490.38).

Three applications for guaranteed loans totaling \$7,846,000 were received during 1954, one of which was approved, one declined and one withdrawn by the applicant.

One guarantee agreement for \$7,100,000 was executed in 1954.

- - - -

DUPLICATING

Total production by all duplicating equipment for the past two years is given in the following table:

<u>Machine</u>	1954 <u>Number of</u> <u>Forms</u>	<u>Total No. of</u> <u>Copies Run</u>	1953 <u>Number of</u> <u>Forms</u>	<u>Total No. of</u> <u>Copies Run</u>
Ditto	689	43,373	660	63,234
Mimeograph	2,120	513,890	2,766	676,726
Multigraph	924	490,410	1,037	560,310
Multilith	2,199	3,907,980	1,366	4,845,455
Photostat		<u>2,783</u>		<u>4,079</u>
Total	5,932	4,958,436	5,829	6,149,804

These figures show a substantial decrease in work produced, due in a large part to the increasing use of snap-out and continuous forms, which, of course, are purchased from outside firms. As a result of this decreased volume, the number of clerks in the department was reduced during 1954 from a total of 16 early in the year to 13 at the end of the year. The major portion of the work was again done on the multilith machines, because of their greater efficiency.

Work of the addressograph section in 1954 was slightly less than the previous year--about 4,400 envelopes and 4,200 miscellaneous forms being addressed daily.

- - - -

EXAMINATION

There were on December 31, 1954, one hundred thirty state member banks in this district. A regular examination of each of the state member banks was made and a second examination was made of two of those banks.

As of the end of the year, thirteen state member banks were exercising trust powers. Nine other state member banks are not exercising their trust powers. Sixty-three national banks held permits to exercise full or limited trust powers.

The examinations by this department in the various states were as follows:

	<u>State Banks</u>	<u>Holding Company Affiliates</u>
Michigan	14	-
Minnesota	28	2
Montana	45	-
North Dakota	2	-
South Dakota	27	-
Wisconsin	<u>16</u>	<u>=</u>
	132	2

There are four holding company affiliates which are residents of this district. They are Bank Shares Incorporated, First Bank Stock Corporation, Northwest Bancorporation, and Fidelity Securities and Investment Company, Inc. It is the policy to examine the three first-mentioned holding company affiliates biennially.

No applications for membership in the Federal Reserve System were received from state banks.

Four calls for a report of condition of each member bank were issued. All member banks were also required to submit semiannual reports of earnings and dividends.

One application for fiduciary powers was received, from the American National Bank, St. Cloud, Minnesota, but that application was withdrawn.

Application of the Northfield National Bank, Northfield, Minnesota, to relinquish its fiduciary powers was approved.

Of the two applications for national charters referred to us by

the Board of Governors of the Federal Reserve System and which were pending at the end of 1953, one application was abandoned and the other, with preliminary approval by the Comptroller of the Currency, is still pending.

Five applications for national bank charters were referred to us during 1954 by the Board of Governors for recommendation. Charters were issued to two, one has the preliminary approval of the Comptroller of the Currency, and the other two applications are pending.

One state member bank submitted for approval an application for establishment of a branch. The application was conditionally approved by the Board of Governors but the branch has not yet been established.

One hundred ninety-two applications for adjustment of holdings of Federal Reserve Bank stock were received from member banks. Stock was issued to two new members. One application for total surrender of stock was received.

Bank Changes in 1954
(Per Stock Book Records)

Total number of member banks in the district 1/1/54	472
National banks organized	2
State banks admitted	<u>0</u>
	474
 National banks absorbed by nonmember state banks	 <u>1</u>
 Total number of member banks holding stock in the Federal Reserve Bank of Minneapolis at the end of the year	 473

The total membership at the close of the year was divided into 343 national banks and 130 state banks.

- - - -

FISCAL AGENCY

Each week during the year 1954, the Treasury Department offered Treasury bills for cash and in exchange for maturing bills. We processed tenders as follows:

<u>Number Received</u>	<u>Subscribers</u>	<u>Amount</u>	<u>Accepted</u>
4,304	5,689	\$798,839,000	\$751,478,000

There were also two offerings of Tax Anticipation Treasury bills during the year for which we processed tenders as follows:

<u>Bills Dated</u>	<u>Due</u>	<u>Number Received</u>	<u>Subscribers</u>	<u>Amount</u>	<u>Accepted</u>
3/22/54	6/24/54	65	79	\$19,858,000	\$17,528,000
4/27/54	6/18/54	<u>153</u>	<u>153</u>	<u>56,086,000</u>	<u>30,478,000</u>
		218	232	\$75,944,000	\$48,006,000

The lowest average yield on the bills during the year was .616% on the bills dated June 10, 1954. The highest average yield during the year was 1.336% on the bills dated January 14, 1954.

The Treasury Department made the following cash offerings of United States Government securities, other than Savings bonds:

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Amount</u> (000 Omitted)	<u>Allotted</u>
1 7/8% Treasury Notes. Series A-1959 Dated 5/17/54, Due 2/15/59	642	189	\$164,354	\$37,603
1% Treasury Certificates of Indebtedness Series C-1955 (Tax Anticipation) Dated 8/2/54, Due 3/22/55	334	39	167,254	70,020
1 5/8% Treasury Notes Series B-1957 Dated 10/4/54, Due 5/15/57	653	91	162,781	87,476
	<u>1,629</u>	<u>319</u>	<u>\$494,389</u>	<u>\$195,099</u>

The Treasury Department during 1954 offered the following securities
in exchange for maturing or called securities:

<u>Issue</u>	<u>Subscriptions for Banks</u>	<u>Subscriptions for Others</u>	<u>Allotted in Full</u>
1 5/8% Treasury Certificates of Indebtedness Series A-1955 Dated 2/15/54, Due 2/15/55	562	164	\$ 96,390,000
2 1/2% Treasury Bonds of 1961 Dated 2/15/54, Due 11/15/61	1,682	543	262,884,000
1 1/8% Treasury Certificates of Indebtedness Series B-1955 Dated 5/17/54, Due 5/17/55	671	181	73,809,000
1 7/8% Treasury Notes of Series A-1959 Dated 5/17/54, Due 2/15/59	254	73	55,943,000
1 1/8% Treasury Certificates of Indebtedness Series D-1955 Dated 8/15/54, Due 8/15/55	355	173	50,054,000
2 1/8% Treasury Bonds of 1960 Dated 8/15/54, Due 11/15/60	754	165	108,176,000
1 1/8% Treasury Certificates of Indebtedness Series D-1955 (Additional Issue) Dated 8/15/54, Due 8/15/55	10	28	1,817,000
1 1/4% Treasury Certificates of Indebtedness Series E-1955 Dated 12/15/54, Due 12/15/55	401	136	54,875,000
2 1/2% Treasury Bonds of 1963 Dated 12/15/54, Due 8/15/63	1,185	467	192,310,000
	<u>5,874</u>	<u>1,930</u>	<u>\$896,258,000</u>

The Commodity Credit Corporation during 1954 made the following cash offerings of Certificates of Interest, through the Federal Reserve banks, for which we received and allotted subscriptions as follows:

<u>Issue</u>	<u>Subscriptions from Banks</u>	<u>Subscriptions from Others</u>	<u>Amount</u>	<u>Allotted</u>
2 1/8% CCC Certificates of Interest Dated 2/2/54, Due 8/2/54	202		\$105,038,000	\$21,921,000
1 5/8% CCC Certificates of Interest Dated 11/12/54, Due 8/1/55	300		154,949,000	45,009,000
	<u>502</u>		<u>\$259,987,000</u>	<u>\$66,930,000</u>

The Reconstruction Finance Corporation during 1954 offered, for cash through the Federal Reserve banks, 3 1/2% Certificates of Interest dated April 5, 1954, in the Reconstruction Finance Loan Pool. We received and allotted subscriptions as follows:

<u>Subscriptions from Banks</u>	<u>Others</u>	<u>Amount</u>	<u>Allotted</u>
193	-	\$7,750,000	\$4,095,000

As of December 31, 1954, 1,260 banks with 110 branches and 33 other organizations, in our district, were qualified to act as paying agents for Series A through E Savings bonds and Armed Forces Leave bonds. Two hundred eighteen of these agents are also qualified to pay matured Series F and G bonds. During 1954 these agents paid bonds as follows:

<u>Series</u>	<u>Pieces</u>	<u>Redemption Value</u>
A through E and matured F and G Armed Forces Leave Bonds paid by agents and our bank	2,314,988	\$161,728,187.86
	2,281	475,336.50

Effective as of August 1, 1954, the Federal Reserve banks do not verify the transmittal letters submitted by paying agents covering paid Savings bonds. We make immediate payment to the paying agent for the total

amount as shown on the transmittal letter. Each transmittal letter and the bonds pertaining thereto are then shipped to the Chicago Branch of the Treasury Department for processing. After verification, the department makes all adjustments for errors in the agents' transmittal letters through the Federal Reserve Bank of the district in which the agent is located.

The paying agents in our district were reimbursed for paying Savings bonds of Series A through E and Armed Forces Leave bonds, during the first three quarters in 1954, in the amount of \$233,282.10 for 1,691,817 pieces. Paying agents are not reimbursed for paying matured Series F and G bonds.

During the year, we paid United States Savings bonds submitted to us for payment directly to the owners as follows:

<u>Series</u>	<u>Pieces</u>	<u>Redemption Value</u>
A through E, J and matured G (Paid before release of registration)	124,526	\$68,868,329.28
		<u>Maturity Value</u>
A through K (Paid after release of registration)	23,787	\$20,238,855

As of December 31, 1954, there were 1,401 qualified issuing agents for Series E Savings bonds in this district, of which 1,282 were banks. These issuing agents were consigned bonds and reported sales as follows:

<u>Shipments</u>	<u>Pieces</u>	<u>Amount (Maturity Value)</u>
10,252	1,381,615	\$194,741,475
<u>Number of Sales Reports Received</u>	<u>Pieces Issued</u>	<u>Amount (Issue Price)</u>
22,479	1,318,100	\$137,926,726

Our bank issued United States Savings bonds during 1954 as follows:

<u>Series</u>	<u>No. of Applications</u>	<u>No. of Pieces</u>	<u>Issue Price</u>
E	300,182	313,401	\$10,069,801
H	19,892	41,939	46,566,500
J	3,181	10,673	13,448,988
K	<u>5,011</u>	<u>10,604</u>	<u>28,587,000</u>
	328,266	376,617	\$98,672,289

During the year 1954 we reissued for all purposes 135,088 Savings bonds with a maturity value of \$29,368,230.

Our safekeeping department handled United States Savings bonds during the year 1954 for the account of individuals and organizations other than banks as follows:

Number of pieces received for safekeeping	20,912
Number of pieces released from safekeeping	25,765
Total pieces held in safekeeping as of 12/31/54	222,598

As of December 31, 1954, 1,180 banks in this district were qualified as "Depositories for Public Moneys".

Number of active Treasury Tax and Loan Accounts, Class A	942
Number of active Treasury Tax and Loan Accounts, Class B	<u>75</u>
	1,017
Aggregate total deposits for the year	\$943,407,101.18
Total deposits in Treasury Tax and Loan Accounts on 12/31/54	\$111,734,972.50

On December 31, 1954, there were 714 banks in this district qualified to act as "Depositories for Federal Taxes". During 1954 we received from these qualified depositories and direct from taxpayers a total of 218,216 depository receipt cards representing deposits for the following taxes:

Withheld Income and Federal Insurance Contributions Act Taxes	\$385,508,298.93
Railroad Retirement Act Taxes	22,447,714.44
Excise Taxes	<u>68,812,583.84</u>
	\$476,768,597.21

The Fiscal Agency occupies space on the bank floor, in the sub-basement and the annex. There were 89 employees in the department on December 31, 1954, as compared with 103 employees on December 31, 1953.

Commodity Credit Corporation

There are 871 agencies in this district qualified to make CCC loans and to service such loans. According to the Minneapolis office of the Commodity Credit Corporation, 304 of these agencies were active in 1954.

We paid 257,239 sight drafts drawn by these agencies during the year.

We handled 118,639 collection items for the CCC. We issued 41,953 Treasury checks on disbursement schedules received from the CCC totaling \$725,697,996.47.

We cleared 103,299 checks totaling \$290,207,300.32 deposited by the CCC lending agencies.

There were 3 full-time employees in this division as of December 31, 1954.

Reconstruction Finance Corporation

Commercial banks service all pool loans under \$500,000. When the banks receive payments for the principal and interest on these loans, they remit to us and we credit the payments to the Federal Reserve Bank of Chicago as Fiscal Agent of the RFC. During the year 1954, we received 744 such loan payments totaling \$922,246.49.

- - - -

NONCASH COLLECTION

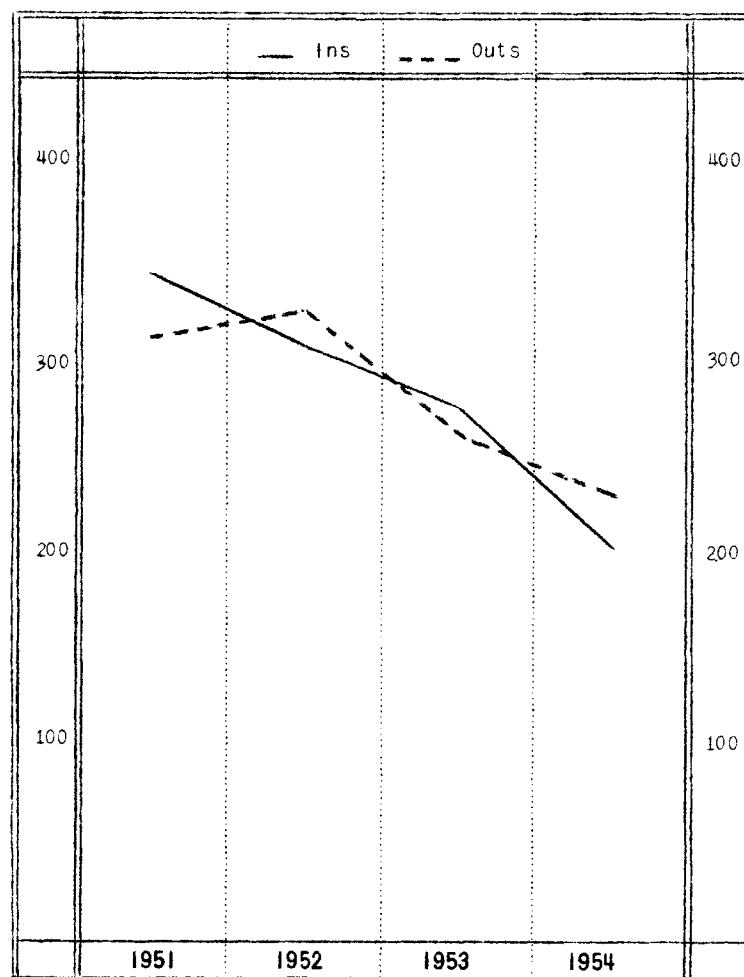
	<u>Number</u>	<u>Change from 1953</u>	<u>Amount (000 Omitted)</u>	<u>Amount Change from 1953 (000 Omitted)</u>
City Collections*	912,771	+51,828	\$790,239	\$+97,313
Country Collections	34,844	- 397	24,313	- 5,227
Security Collections	205,076	+30,551	16,011	+ 2,289
Government Coupons (direct and indirect)	264,079	-68,990	32,140	494

*Includes grain drafts

- - - -

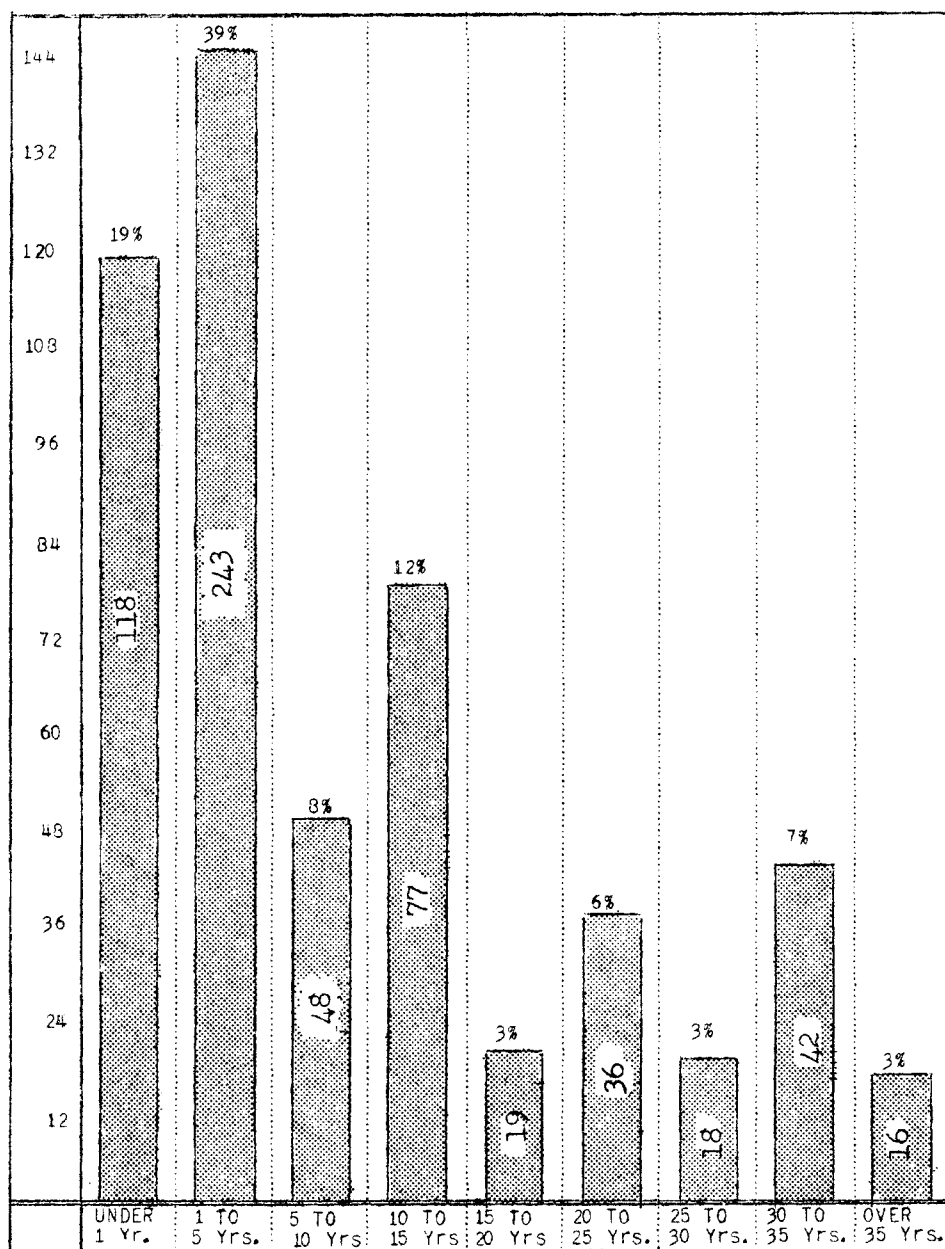
PERSONNEL

The employment picture in 1954 showed a noticeable change as compared to the last few years. While the number of applicants in the labor market was not overly abundant, we were fortunate in obtaining good clerical help and were more selective in filling openings as they occurred. The total number of employees on our staff showed a slight decrease due to less turnover and the fact that some of the work previously performed here for the Treasury Department is now being handled at the Federal Reserve Bank of Chicago. The total number of employees at the end of the year was 617 as compared with 649 at the end of last year. Separations for the year totaled 234 and accessions totaled 202. The following chart shows the ins and outs for the last four years:



This chart indicates a decrease in turnover as compared to the previous year.

The following chart shows the relationship between the number of employees on the staff and the per cent in each length of service group. One hundred and thirty-one employees, representing 22% of our staff, have been with us 15 years or longer.



As in previous years the Personnel Development Committee continued to recommend employees for participation in various schools and training programs. The following is a summary of Personnel Development activities in 1954.

I - Outside Educational Programs

The bank sent two additional men to the Central States School of

Banking at Madison, Wisconsin, and one additional man to the Graduate School of Banking at Rutgers University in 1954, making total enrollment in the three-year courses at the two schools six and three, respectively. We also had one man enrolled in the second year class of the Agricultural Credit School at Iowa State College. This school offers a two-year course.

Our Personnel Officer was enrolled in a two-weeks' course in Personnel Administration conducted by the National Industrial Conference Board.

In addition to regular American Institute of Banking classes, attendance at which is entirely voluntary, the Personnel Development Committee made specific recommendations for certain A.I.B. classes with the result that seven employees completed a Problems of Supervision course, four completed a Job Instruction Training course, and five completed a course in Effective Bank Letters.

Seven employees were enrolled in a four months' course in letter writing offered by the Hower Letter Improvement Service of St. Louis, Missouri. Four employees completed the Dale Carnegie course in Effective Speech and Human Relations during the year, and two economists from our research department are attending University courses relating to their work. Four of our auditors were enrolled in an auditing course at the University. Two of our employees also attended a one-day work simplification clinic at the University.

II - In Bank Training Programs

One employee from our Helena Branch spent two weeks training at the Head Office during the year, being enrolled in our Short Course in Central Banking for one week and assigned to other training for the second week. One of our officers spent four weeks at the Helena Branch for training purposes and as vacation relief.

One of our senior employees spent the entire year on a training assignment traveling with the Board of Governors' examining staff.

In addition to these assignments, the Personnel Development Committee followed its regular practice of recommending to the Personnel Committee the names of employees who, it was believed, would benefit from special assignments such as committee work, calls on banks as field representatives, tour guides, Short Course instructors, and work for such organizations as the Red Cross and Community Chest.

III - Commercial Bank Training

During 1954 eight of our senior employees were sent to commercial banks for a week's training in commercial bank procedures and operations. Of these, six had previously spent a week or more in other banks and two were assigned for the first time.

During April the department head and administrative assistant attended the 12th Annual Industrial Relations Conference at the University of Minnesota, Center for Continuation Study. The theme of the conference was "Twenty Year Box-Score of Industrial Relations".

The seventh annual high school Counselor - Coordinator Luncheon was held in February. Topics discussed at this meeting included starting rates for June graduates, rates paid for cooperative part-time high school students, and the number of high school graduates who will enter the labor force in June. As we have done in previous years, we employed six part-time cooperative high school students in the fall.

Our experience in the last few years concerning A.I.B. membership and enrollments has shown a steady increase. In 1954 we had 260 members, including 35 new members. Of this number there were 137 enrollments in the various classes. The 52nd A.I.B. National Convention in Los Angeles was

attended by three employees of the bank staff as delegates. Also, two employees from the research department represented the Minneapolis Chapter at the convention in a debate contest against winners from other sections of the country. They were selected to represent this area by virtue of their debate victories over the other chapter cities in this area. One of our debate representatives was also nominated to the A.I.B. National Debate Committee.

In order to keep abreast of salary levels in other local organizations as compared to similar positions in our firm, we have continued our practice of having representatives of the personnel department attend meetings of personnel organizations such as National Office Management Association, Twin City Bank Personnel Group, and Personnel Surveys, Inc., and also participated in salary surveys with these local organizations.

The Vice President in Charge of Personnel and the department head attended the Annual Conference of Personnel Officers of the Federal Reserve Banks which was held in Richmond, Virginia, on May 3, 4 and 5. Topics on the agenda included the current employment situation and trends, salaries, hours and overtime, fringe benefits, training and testing, and suggestion plans. In connection with salaries, method and time of payment were discussed. Of the twelve Federal Reserve banks, six pay by cash and six by check; six pay on a semimonthly basis and six biweekly. We have continued our policy of paying semimonthly by cash.

There were two major changes in our vacation policy during 1954.

(1) An extra day of vacation is granted when, during an employee's vacation period, there falls a holiday which reduces the employee's work week by one day had he not been on vacation. (2) If an employee in good standing, who is entitled to a vacation under the existing vacation schedule, resigns before

taking the vacation to which he is entitled, he receives in lieu thereof pay for each month of service (or major fraction thereof) subsequent to November of the preceding year on the following basis:

<u>Employee entitled to</u>	<u>Days pay in lieu of</u>
Two weeks	1 per month
Three weeks	1 1/2 per month
Four weeks	2 per month

If an employee elects to split his vacation, the portion of vacation taken is deducted from the number of days figures on the above basis.

Because of the continued interest shown by mothers of our new employees at the Mother and Daughter Luncheons, they were continued in 1954. During the year, 33 mothers attended the luncheons with a tour of the bank following. A picture was taken of the mother and daughter in the daughter's department and a print was sent to the mother.

A two-colored illustrated manual, "You and Your Job at the Fed", was prepared and distributed to employees. Purpose of the booklet was to give the staff a better understanding of what the bank seeks to accomplish in carrying out its personnel program and how it affects each employee. It outlines the bank's personnel policies, benefits, and educational and social activities and specifically explains credit union facilities, suggestion plan, recreation room, library, twenty year club, formal sick leave plan, vacation policy, and other practices of interest to staff members.

For several years we have had a group polio policy at the bank; however, this year the staff was offered a new Group Special Diseases Policy. This new plan, providing a \$10,000 maximum reimbursement, covers the employee and each eligible member of his or her household in cases of polio, diptheria, spinal meningitis, smallpox, leukemia, encephalitis, and tetanus. Family

coverage under this plan costs \$10.80 and individual coverage \$5.40 for two years. One hundred and seventy-four employees took advantage of this Group Special Diseases Policy.

Ninety-three employees had claims under Blue Cross in the first nine months for a total of \$13,310.81. Of this amount, \$11,461.40 or 86% was reimbursed to the employees.

At a Presidents' Conference held in the latter part of the year, it was agreed to proceed with the plan under which retired employees may pay for Blue Cross-Blue Shield hospital and surgical coverage on a group basis by authorizing monthly deductions from their retirement allowance. We have 45 retirees who are eligible to participate. Even though this plan will not become effective until April 1, 1955, arrangements have been completed with our local Blue Cross-Blue Shield representative, and eligible retirees have been contacted by letter and furnished authorization and enrollment forms.

For the 18th year we continued our employee suggestion system. This year, 49 suggestions were submitted, 16 were accepted and \$153 was awarded.

- - - -

PLANNING

During 1954, the planning department made extensive surveys of the production and unit costs of all principal departments. In those few instances where the production per man hour or unit costs were not favorable in comparison with other Federal Reserve head offices, it was determined that adequate reasons were evident for such relatively higher costs or lower production per man hour.

The planning department assisted during the year in the installation of new equipment and systems in the general ledger and proof divisions of the

accounting department, the government check division of the check collection department, the currency verification and destruction division of the non-cash collection department, and the handling of post office deposit operations.

Extensive surveys were conducted for System Committees and information, comments and suggestions furnished in response to the questionnaires received. A detailed analysis was made of the report of the Joint Committee on Check Collection System to the American Bankers Association, Association of Reserve City Bankers and the Conference of Presidents of the Federal Reserve Banks and comments, criticisms and suggestions were submitted to the Committee on Collections and Accounting of the Presidents' Conference.

Numerous studies of space requirements of various departments have been made and plans for conducting operations during the period of construction in restricted space within the bank building and in rented space are now being considered.

The planning department considers employees' suggestions and makes recommendations to the Personnel Committee for the acceptance or rejection of such suggestions. Forms are reviewed prior to purchasing and new forms are designed by the department. The department supervises the distribution of operating letters and supplements to the banks.

- - - -

PROTECTION

Three guards left the employ of the bank during 1954, and two new guards were hired to fill two of these vacancies. As of December 31, 1954, the personnel of the protection department was as follows:

1 superintendent
4 sergeants
23 guards (one acting as chauffeur)

The information clerk issued 1,792 passes to outsiders who wished to visit upper floors of the bank during the year; 1,567 work cards were issued to outside workmen, canteen employees, etc.

At the request of the bond department, 627 guard escorts were furnished.

One hundred three were admitted by memorandum and after-hours passes turned in to the guard office after hours.

- - - -

PUBLIC SERVICES

The objective of the public services department of the Federal Reserve Bank of Minneapolis and like departments in all other Federal Reserve banks, is to promote a better understanding of the Federal Reserve System. The progress toward the achievement of this objective cannot be measured statistically but the experience of this bank has been that the activities engaged in by the public services department have a general acceptance both by bankers and by the general public.

Necessarily, most of the work of the department is with bankers of the district. During 1954, no new programs were embarked upon, but activities previously tried were again used.

On April 26 and 27, the second Assembly for Member Bank Directors and Officers was held. To this meeting, as to the original meeting held in 1951, were invited the managing officers and selected directors of member banks. A final analysis of the attendance figures indicates that about 20 per cent of the audience were directors which percentage is encouraging but still calls for additional effort in future years to attract more directors to these meetings. The program sought to bring to the attention of the audience

current economic and monetary problems and from the comments made by those who attended, the remarks of the speakers were well accepted.

This bank's most direct effort to acquaint representatives of our member banks with the work of the Federal Reserve continued to be the Short Course in Central Banking. During 1954, nine sessions were held for 150 representatives of member banks. At the close of the Short Course season in May, a questionnaire was sent to all the 1954 registrants and the replies to this questionnaire indicate that after seven years the personnel of our bank who show the registrants the work of our operating departments continue to hold the attention of the groups.

Other meetings sponsored by this bank included the Money and Banking Workshop held the first Saturday in May and the Examiners' Conference held the last of November. These meetings, while not strictly for the banking fraternity, sought through the content of their program to bring to the attention of their audience current monetary and economic problems. As in past years, the Workshop was attended by teachers of money and banking in the colleges of the Ninth District. The Examiners' Conference was attended by the working force of the FDIC, the national bank examiners, the banking departments of the states in the district, and our own examining force. Both of these meetings seem to have reached an attendance average of between 100 and 120 each year.

Continuing our effort to acquaint the men in our bank with the bankers throughout the district, an attempt was made to have each bank in the district called on at least once during the year. Unfortunately, death, resignations, illnesses, and pressure of work by those assigned to call on banks resulted in two sections of the district not being visited in 1954. In addition to calls on banks, our bank is represented at the annual conven-

tions of all the state associations, at as many of the group meetings as possible, and at meetings of national associations of bankers.

Other work of the department concerns itself more with the general public than with bankers. Again, however, any effort used in connection with services offered by our bank is directed toward the banks in the first instance rather than toward schools or business interests.

Our movie, "The Federal Reserve Bank and You", is undoubtedly the best medium used by this bank in the promotion of an understanding of the Federal Reserve. Originally released in 1951, a concerted effort was made then through banks and schools in the Ninth District to have the film shown in schools and to other interested groups. After this initial effort, no other definite promotion of the film was made until in the spring of 1954 when the department began writing to the bankers in all areas in which the film had not been shown in the last two years. The response to this effort was immediate and requests for the use of the film showed a decided upturn. At the end of December 1954, the film had been shown to Ninth District audiences totaling 233,882, a gain of 33,027 persons during the year. This figure compares with an audience total of 5,385 for the year 1953. In addition, the department received requests for other films included in our library. Most of the requests are for the film produced by the Encyclopedia Britannica for the Board of Governors entitled "The Federal Reserve System". This film was shown to audiences totaling 4,076 persons during 1954. During the school year, the film produced by Richmond entitled "Your Money's Worth" is in constant demand by college teachers of economics. We also receive occasional requests for the Cleveland film, "A Day at the Federal Reserve Bank of Cleveland", and the Richmond film, "Soil Conservation Pays".

In connection with movies, the opening of television stations in

cities throughout the Ninth District resulted in requests by some of these stations for films suitable for telecast. After checking the legal technicalities, we found that our film, "The Federal Reserve Bank and You", could be and was released to various television stations for use. Unfortunately, we were not able to offer these stations a selection of films inasmuch as the other films in our library had not been cleared for use by commercial broadcasting stations.

Throughout the years, the bank has on repeated occasions offered to assist instructors in their teaching. One of our publications which has appealed particularly to mathematics instructors in high schools is the booklet, "Your Money and the Federal Reserve System". During the year, we filled 747 requests for 9,468 copies of this booklet. In addition, we mailed to schools and interested individuals 2,766 copies of the revised edition of "The Federal Reserve System, Its Purposes and Functions".

The research specialists and officers of the bank have over the years achieved a reputation of having at their disposal facts on the economic situation not generally available to the general public. As a result, representatives of our bank are called on to address bankers and other groups. During 1954, representatives of this bank spoke to 116 audiences totaling 12,756 persons.

In addition to activities which might possibly be classified as educational, the public services department is called on quite often to assist banks in other ways. During recent years, many of the banks in the district have become more public-relations minded and in an effort to improve their relations in their particular area have held open houses, participated freely in local celebrations, and cooperated with their local school groups in bringing to the people in their area a better understanding of banking.

In an effort to be helpful to bankers who require assistance along any of these lines, the department has built up a file on the activities which have proved successful by other banks and has made this file available to any bank which requests it. In addition, banks have been offered the use of the two currency displays of our bank and the counterfeit display furnished us by the Secret Service.

- - - -

PURCHASING

A total of 2,817 items were purchased by the department during 1954, a reduction of 225 from 1953. There were 11,190 items requisitioned from the stockroom in 1954, an increase of 1,193 over the previous year.

Although operating expenses of our suppliers rose somewhat during 1954, intensive competition prevented them from passing these increases along to us in most cases. As a result, there were no material price changes for most supplies during the year.

- - - -

RESEARCH

The research department entered into a cooperative arrangement with the U.S. Department of Labor to collect building permit statistics. This will enlarge the scope of our statistics and permit more accurate analysis of new construction. The new arrangement will eliminate duplication of effort in the securing of data.

Several new special research projects were started during the year. Among these are a study of the paper and pulp industry of the Ninth District; a symposium of farm departments in country banks; and an inventory of regional

economic information.

Several special research projects are in the planning stage for 1955. These include:

- The Migration of Industry Into and Out of the District
- The Importance of Foreign Trade to District Industry
- Natural Gas Supplies and Prospects in this District
- Prospects for a Chemical Industry in the District
- Analysis of Residential Building and Mortgage Credit.

During 1954 the research department conducted four special economic surveys at the request of the Board of Governors. These were:

- Speculative Activity in the Current Inventory Situation
- Current Monetary and Credit Developments in the District
- Current Financial Position of District Farmers
- Current Credit Terms in Consumer Financing.

A new feature in the Monthly Review publication was a series of articles called "industry sketches". These are short, usually one-page articles relating to a specific industry within the Ninth District. A list of these articles appearing in 1954 is as follows:

- An Industry in Granite
- Black Hills Beryl
- Gas Processing at Dakota Oil Fields
- Uranium Discoveries in the Black Hills Area.

The Monthly Review mailing list had 433 additions during the year and 198 deletions to bring the total circulation at the year-end to 7,494. During 1954, continued emphasis was placed on improving the Review with respect to content, literary quality, technical correctness and attractiveness.

The Farm News circulation decreased from 14,592 to 11,612 during the year. The decline in circulation is attributable to the fact that beginning in April 1954 subscribers receiving bulk shipments in excess of 25 copies per month were charged for the excess at the rate of 3 cents per copy.

Public relations continued to be an important by-product of the

research department's operations. Numerous special requests for economic and statistical information were received from bankers, businessmen and others. Staff members filled 102 speaking engagements before a combined audience of 12,800 persons. One radio address was given. Staff members attended many professional meetings in order to keep abreast of current economic developments.

During the year, increased use was made of the department's library facilities. A regular mimeographed monthly list of new library acquisitions was inaugurated during the year. This list is circulated within the bank to keep the staff informed of new library material. Plans have been formulated for the reinauguration of a monthly Library Letter to district bankers and others starting in January 1955.

- - - -

RESERVES

Reserve requirements, which had been unchanged since June 24, 1953, were reduced by the Board of Governors on June 21, 1954, such change to be effected on a gradual basis over a period of six weeks, as shown by the table below:

<u>Bank Classification</u>	<u>Net Demand Deposits</u>			<u>Time Deposits</u>		
	<u>From</u>	<u>To</u>	<u>Effect. Date</u>	<u>From</u>	<u>To</u>	<u>Effect. Date</u>
Country	13%	12%	8/ 1/54	6%	5%	6/16/54
Reserve City	19	18	7/29/54	6	5	6/24/54
Central Reserve City	22	21	6/24/54	6	5	6/24/54
Central Reserve City	21	20	7/29/54			

The Board of Governors approved the action of the Federal Reserve Bank of Minneapolis in decreasing the discount rate from 2% to 1 3/4% on February 5, 1954, and again from 1 3/4% to 1 1/2% on April 29, 1954. Since

penalties are computed on the amount of the deficiency at the rate of 2% above the current discount rate, the reduction lowered the penalty rate from 4% to 3 3/4% and then to 3 1/2%.

During the year 1954, penalties for deficiencies in reserves assessed at the Head Office showed a decrease of 10.4% in amount and a slight increase in number. Assessed penalties for Helena Branch showed a decrease of 50.3% in amount and a slight decrease in number.

Penalties for deficiencies in reserves at the Head Office which were waived increased 34.3% in amount with a slight increase in number and at Helena Branch decreased 24% in amount and increased slightly in number.

Eighty-six per cent of the amount and 40% of the number of all penalties waived for the year were waived under the Board's rule which allows a deficiency in one period to be offset by excess in the following period, provided that such deficiency does not exceed 2% of the bank's required reserve. The large reserve city banks in the Twin Cities and Helena accounted for 73% of the amount and 44% of the number of penalties waived under this rule.

Ten per cent of the amount and 13% of the number of penalties waived were waived under the rule which permits a penalty to be waived for a deficiency of not more than 5% of a member bank's required reserve provided that a penalty has not been waived under that rule within a two-year period.

Only 4% of the amount and 47.8% of the number of all penalties waived for the year were waived under the rule which applies to penalties not in excess of \$5.00.

During 1954, 79 banks were penalized for a total of 116 times compared with 68 banks for 122 times in 1953.

The following is a comparative report by states of penalties for

deficiencies in reserves during 1954 and 1953:

	<u>Penalties Assessed</u>				<u>Penalties Waived</u>				<u>Banks Affected</u>			
									<u>Assessed</u>	<u>Waived</u>		
	<u>1954</u>		<u>1953</u>		<u>1954</u>		<u>1953</u>		1954	1953	1954	1953
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>	<u>No.</u>
Michigan	7	\$ 410.16	14	\$ 600.20	23	\$ 113.72	25	\$ 244.48	7	6	14	16
Minnesota	44	1,304.93	33	1,556.89	145	6,709.58	146	4,585.88	31	25	72	75
North Dakota	8	170.26	6	190.34	23	269.25	25	388.27	7	2	16	13
South Dakota	16	539.68	12	400.47	34	433.35	28	233.09	8	8	22	20
Wisconsin	3	230.02	8	214.18	20	88.60	22	214.70	3	5	12	16
Head Office												
Totals	78	\$2,655.05	73	\$2,962.08	245	\$7,614.50	246	\$5,666.42	56	46	136	140
Helena												
Branch	38	\$1,999.50	49	\$4,022.39	67	\$1,055.09	61	\$1,392.59	23	22	26	31
Combined	116	\$4,654.55	122	\$6,984.47	312	\$8,669.59	307	\$7,059.01	79	68	162	171

- - - -

SAFEKEEPING

<u>Accounts:</u>	<u>12/31/54</u>	<u>12/31/53</u>	<u>Inc. or Dec.</u>
	(In thousands of dollars)		
Securities held in safekeeping (not pledged)	\$ 983,613	\$ 899,654	\$+ 83,959
Securities pledged to secure public deposits	398,522	350,202	+ 48,320
*Securities pledged to secure Government deposits	14,665	22,214	- 7,549
**Securities pledged to secure Treasury Tax and Loan Account	250,769	217,930	+ 32,839
***Securities held as collateral for discount and advances	27,070	35,980	- 8,910
Securities held for other Federal Reserve banks	25		25
Securities held as collateral to Consignment Account - U.S. Savings bonds, Series E		22	22
Securities held for Public Housing Administration	<u>1,674,664</u>	<u>1,702</u> \$1,527,704	<u>1,702</u> \$+146,960

*Includes \$ 2,365,000 held by Commercial banks
 **Includes \$31,184,000 held by Commercial banks and other
 Federal Reserve banks
 ***Includes \$15,000,000 held by Commercial banks

The table below shows comparative volume figures for 1954 and 1953.

	<u>1954</u>	<u>1953</u>	<u>Inc. or Dec.</u>
Receipts issued	10,654	8,406	+ 2,248
Pieces received	80,470	65,662	+14,808
Withdrawals handled	12,445	9,810	+ 2,635
Pieces delivered	78,588	69,650	+ 8,938
Transfers from one account to another	10,252	9,621	+ 631
Coupons clipped	290,116	289,507	+ 609
Custodian receipts issued	1,994	1,256	+ 738

- - - -

WIRE TRANSFERS

Prior to July 1, 1953, we had no private wire facilities between here and the Helena Branch. All of the wire volume to or from Helena was over TWX or Western Union. Currently, all wires to or from Helena are transmitted over our new leased wire system while it is open and thereafter over Western Union. This resulted in a decrease in TWX activity for wires sent from 2,156 in 1953 to 7 in 1954 and in wires received over TWX from 1,970 in 1953 to 870 in 1954. This volume of incoming wires over TWX at present consists primarily of incoming messages from member banks requesting transfers of funds.

Although the volume on TWX was greatly reduced, this equipment provides us with "stand-by" equipment for use in case our leased wire system is out of order.

The tables shown on the following page reflect a comparison of activities in this division for the year 1953 and 1954.

Transfer of Funds
Dollar Totals
(000 Omitted)

	<u>1954</u>	Change from <u>1953</u>
Transfers to other Federal Reserve districts	6,120,604	+1,307,467
Transfers from other Federal Reserve districts	7,420,950	+1,180,269
Intra-District transfers	<u>2,560,826</u>	<u>- 85,468</u>
	16,102,380	+2,402,268

Number of Transfers Made

Transfers to other Federal Reserve districts	15,992	+1,232
Transfers from other Federal Reserve districts	18,130	+1,376
Intra-District transfers	<u>12,513</u>	<u>- 285</u>
	46,635	+2,323

Number of Telegrams Sent

Private wire	26,595	+1,150
Western Union	2,864	- 173
TWX	<u>7</u>	<u>-2,149</u>
	29,466	-1,172

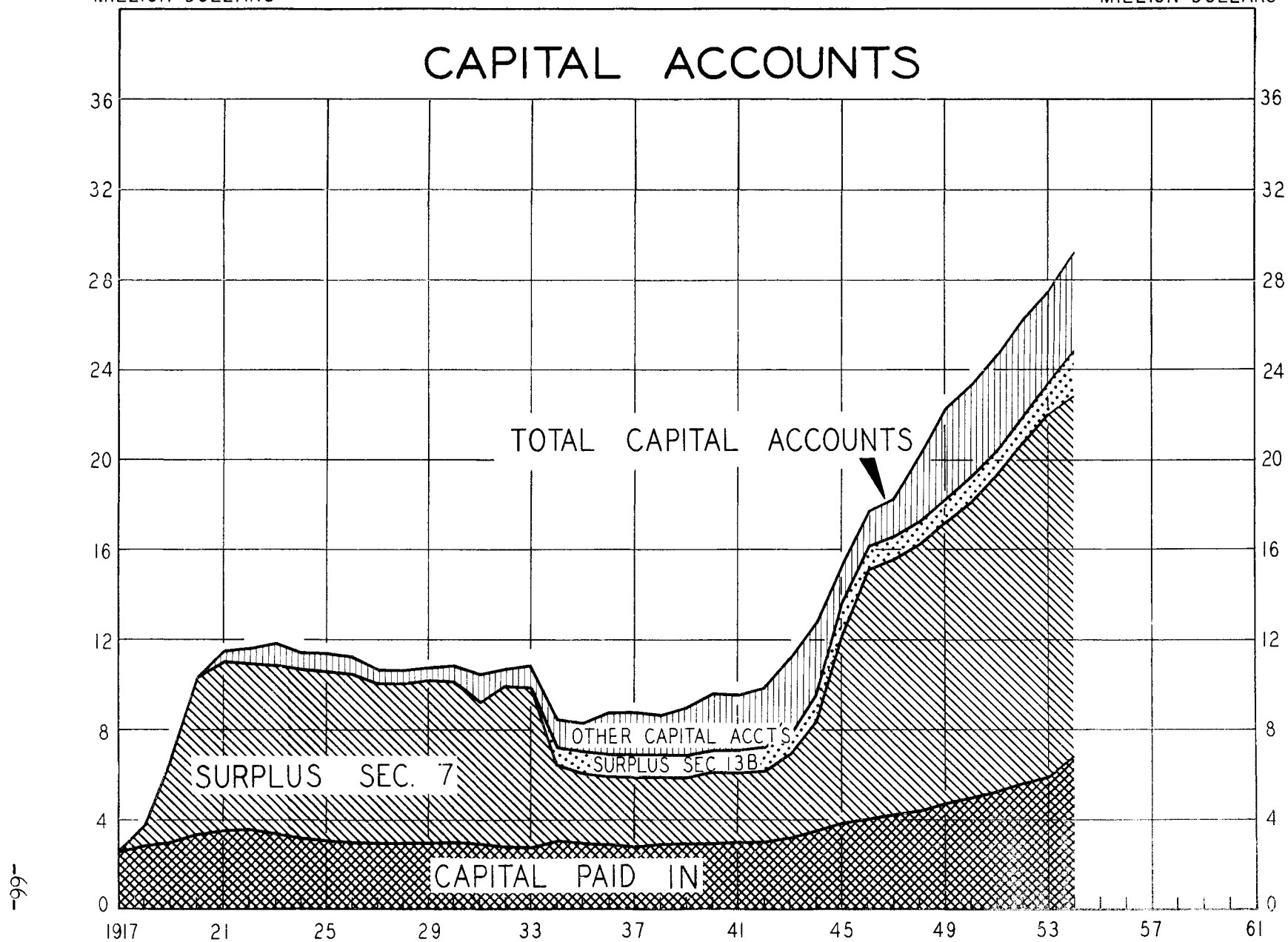
Number of Telegrams Received

Private wire	34,382	- 375
Western Union	4,861	+ 572
TWX	<u>870</u>	<u>-1,100</u>
	40,113	- 903
Number of telegrams coded by us	19,858	-1,931
Number of telegrams decoded by us	26,774	- 460

MILLION DOLLARS

MILLION DOLLARS

CAPITAL ACCOUNTS



CAPITAL ACCOUNTS

CAPITAL STOCK paid in totaled \$6,360 thousand on December 31, 1954, an increase of \$408 thousand during the year.

SURPLUS ACCOUNTS. Surplus (Section 7) was increased \$699 thousand on December 31, 1954, which brings the total to \$16,918 thousand; Surplus (Section 13b) remained unchanged at \$1,073 thousand.

RESERVES FOR CONTINGENCIES. No change was made in the reserve of \$1 million set aside for losses in excess of the blanket bond coverage, the reserve of \$500 thousand earmarked for losses not covered by the Loss Sharing Agreement or the special reserve for contingencies of \$2,476 thousand.

The reserve for registered mail losses totaled \$242 thousand as of December 31, 1954. This is an increase of \$13 thousand during the year.

The table below reflects the change made in reserve for registered mail losses during 1954:

Reserve for registered mail losses beginning of year 1954	\$228,714.36
Credit:	
Annual addition based on 2¢ per \$1,000 of total shipments of \$671,441,442 for 12-month period Dec. 1, 1953 through Nov. 30, 1954	<u>13,428.83</u>
Reserve for Registered Mail Losses, Dec. 31, 1954	\$242,143.19

The following table shows currency and coin shipments made during the twelve-month period December 1, 1953 to November 30, 1954, which were the basis for the addition to the registered mail loss reserve:

	1954 (000 Omitted)	1953 (000 Omitted)
<u>Registered or Insured Mail and Express</u>		
New F.R. currency from Washington	\$138,020	\$103,980
Fit F.R. notes to bank of issue	30,684	61,325
Currency and coin between Minneapolis and Helena	3,130	3,163
Other currency and coin outgoing - Minneapolis and Helena	211,552	221,618
Other currency and coin incoming - Minneapolis and Helena	<u>288,055</u>	<u>294,435</u>
	\$671,441	\$684,521

The disposition of 1954 net earnings and the changes made in the surplus accounts are shown below:

Net Earnings		\$7,351,078.10
Dividends Paid	\$ 365,162.76	
Paid U.S. Treasury (Interest on F.R. Notes)	6,287,237.02	<u>6,652,399.78</u>
		\$ 698,678.32

- - - -

Surplus (Section 7) December 31, 1953	\$16,219,368.01
Transferred from Earnings 1954	<u>698,678.32</u>
Surplus (Section 7) December 31, 1954	\$16,918,046.33

- - - -

Valuation Allowances for Losses on Industrial Loans

Beginning of year 1954	\$6,240.00
Reductions	<u>300.00</u>
Total - Dec. 31, 1954	\$5,940.00

- - - -

DIVIDENDS

As of December 31, 1954, capital stock held by member banks totaled \$6,360,250, on which accrued dividends totaling \$365,162 were paid. This year's dividend payment is again the largest for any single year in the history of the bank and when combined with previous years' payments, brings the aggregate total to \$8,352,007.

Distribution of 1954 and 1953 Dividends

<u>State</u>	<u>1954</u>		<u>1953</u>		<u>Change</u>
	<u>No. of Banks</u>	<u>Dividend Paid</u>	<u>No. of Banks</u>	<u>Dividend Paid</u>	
Michigan	40	\$ 18,730.12	40	\$ 18,039.60	\$+ 690.52
Minnesota	206	234,870.03	205	225,257.90	+ 9,612.13
Montana	83	39,407.96	82	37,797.50	+ 1,610.46
North Dakota	40	21,896.80	41	20,998.06	+ 898.74
South Dakota	62	30,276.15	62	27,942.26	+ 2,333.89
Wisconsin	<u>42</u>	<u>19,981.70</u>	<u>42</u>	<u>18,738.80</u>	<u>+ 1,242.90</u>
	473	\$365,162.76	472	\$348,774.12	\$+16,388.64

TABLE OF DIVIDENDS PAID SINCE ORGANIZATION

1914		1935	\$ 185,448.45
1915		1936	179,052.04
1916	\$ 57,719.87 <u>a/</u>	1937	174,057.31
1917	363,894.19 <u>b/</u>	1938	174,231.27
1918	168,102.97	1939	174,905.39
1919	180,186.21	1940	177,400.58
1920	195,870.65	1941	179,789.68
1921	211,657.03	1942	183,336.33
1922	213,774.01	1943	190,924.19
1923	212,732.68	1944	206,158.74
1924	202,827.98	1945	221,686.96
1925	193,559.46	1946	238,372.30
1926	187,609.25	1947	253,251.30
1927	180,726.51	1948	262,776.22
1928	181,202.86	1949	272,831.22
1929	184,029.92	1950	294,034.00
1930	184,445.39	1951	314,934.23
1931	180,454.53 <u>c/</u>	1952	327,905.73
1932	175,494.80	1953	348,774.12
1933	171,568.89	1954	<u>365,162.76</u>
1934	181,117.51		\$8,352,007.53

a/ For period November 1, 1914 through June 30, 1915.

b/ For period July 1, 1915 through December 31, 1917.

c/ \$134,649.67 withdrawn from Surplus to pay dividend.

BANK PREMISES

There was no change in the book value of the Head Office and Branch bank buildings during 1954. The normal depreciation of 2% was taken on both buildings. Both the book value and reserve for depreciation of Head Office fixed machinery and equipment were reduced \$11,081 to reflect release of two turbo generators. An additional reduction of \$31,893 was made in depreciation of Head Office fixed machinery and equipment to reflect costs of converting two of our oil furnaces to gas. This reduction has been partially offset by a normal monthly depreciation of \$5,249.49, or \$20,998.16 to date.

The only principal change in repairs and alterations during 1954 was a revision of the air conditioning system in the currency and coin department.

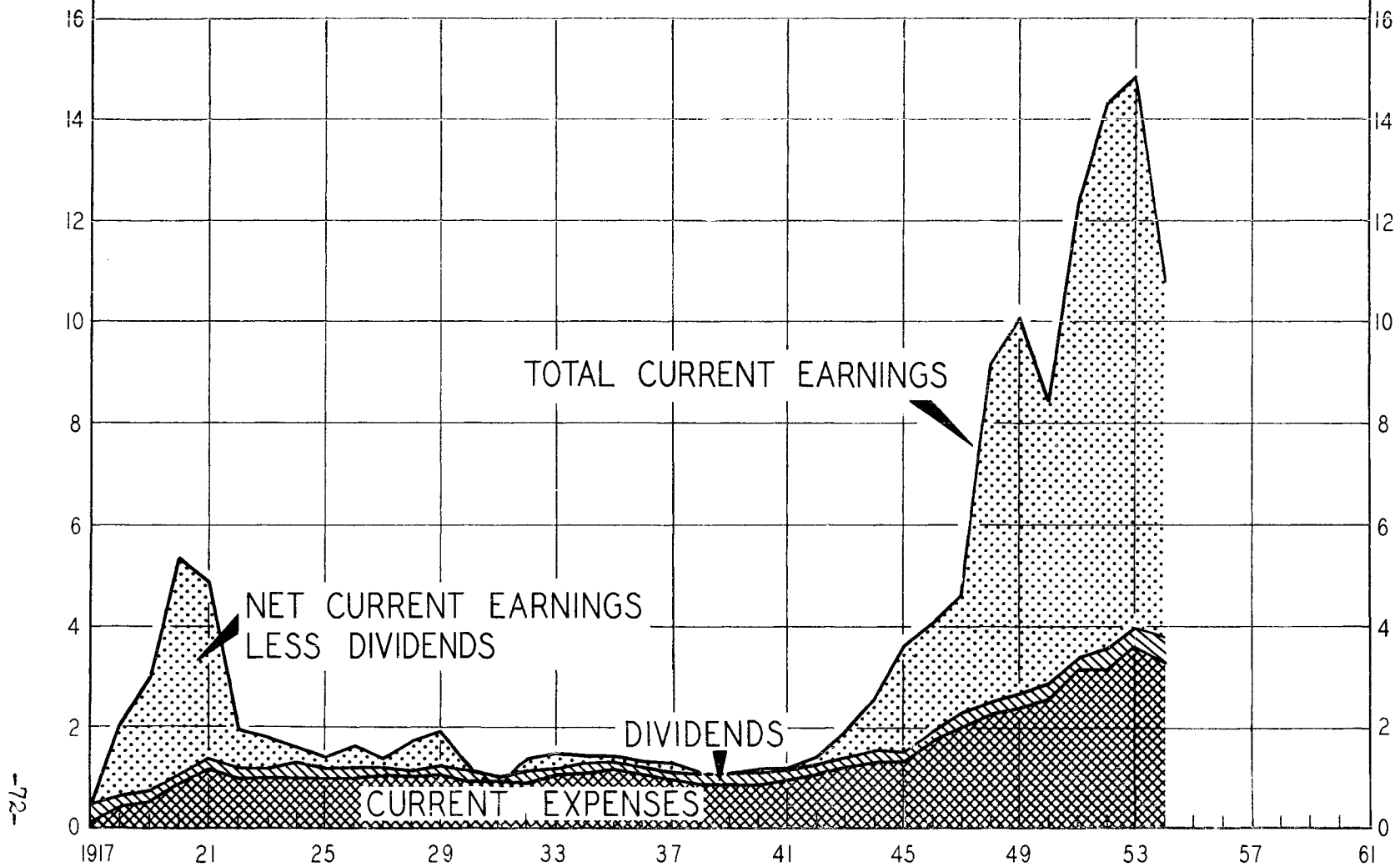
BANK PREMISES

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>BANK BUILDING:</u>			
Gross Book Value:			
Beginning of 1954	\$1,384,281.50	\$1,283,281.50	\$101,000.00
Additions during year	-	-	-
Deductions during year	-	-	-
End of Year	\$1,384,281.50	\$1,283,281.50	\$101,000.00
<hr/>			
Allowance for Depreciation:			
Beginning of 1954	\$ 771,192.48	\$ 744,302.76	\$ 26,889.72
Depreciation	27,685.56	25,665.60	2,019.96
End of Year	\$ 798,878.04	\$ 769,968.36	\$ 28,909.68
<hr/>			
Net book value December 31, 1954	\$ 585,403.46	\$ 513,313.14	\$ 72,090.32
<hr/>			
<u>FIXED MACHINERY AND EQUIPMENT:</u>			
Gross Book Value:			
Beginning of 1954	\$ 678,227.34	\$ 641,025.35	\$ 37,201.99
Additions during year	-	-	-
Deductions during year	11,081.00	11,081.00	-
End of Year	\$ 667,146.34	\$ 629,944.35	\$ 37,201.99
<hr/>			
Allowance for depreciation:			
Beginning of 1954	\$ 678,227.34	\$ 641,025.35	\$ 37,201.99
Deductions during year	42,974.00	42,974.00	-
Depreciation	20,998.16	20,998.16	-
End of Year	\$ 656,251.50	\$ 619,049.51	\$ 37,201.99
<hr/>			
Net book value December 31, 1954	\$ 10,894.84	\$ 10,894.84	-
<hr/>			
<u>LAND:</u>			
Net book value December 31, 1954	\$ 410,520.66	\$ 400,520.66	\$ 10,000.00
<hr/>			
<u>TOTAL BANK PREMISES:</u>			
Net book value December 31, 1954	\$1,006,818.96	\$ 924,728.64	\$ 82,090.32
<hr/>			

MILLION DOLLARS

MILLION DOLLARS

NET EARNINGS



-72-

NET EARNINGS & PROFITS

	<u>1954</u>	<u>Change from 1953</u>
Total current earnings	\$10,835,415	\$-4,033,492
Net expenses	<u>3,488,741</u>	<u>= 115,533</u>
Current net earnings	\$ 7,346,674	\$-3,917,959
Additions to current net earnings:		
Profit on sales of U.S. Government securities (net)	\$14,804	\$- 46,225
All other	<u>3,431</u>	<u>+ 3,358</u>
Total additions	\$18,235	\$- 42,867
Deductions from current net earnings:		
Reserve for registered mail losses	\$13,429	\$- 261
Additional payment of fees to architect for project not carried out		4,250
Payment of supplemental allowance for social security and disability benefits per Retirement System letter 3-20-53		- 71,052
All other	<u>402</u>	<u>= 7,724</u>
Total deductions	\$13,831	\$- 83,287
Net additions to current net earnings	\$ 4,404	
Net deductions from current net earnings	<u> </u>	\$+ 40,420
Net earnings and profits	\$ 7,351,078*	\$-3,877,539

*For disposition of profits see page No. 68

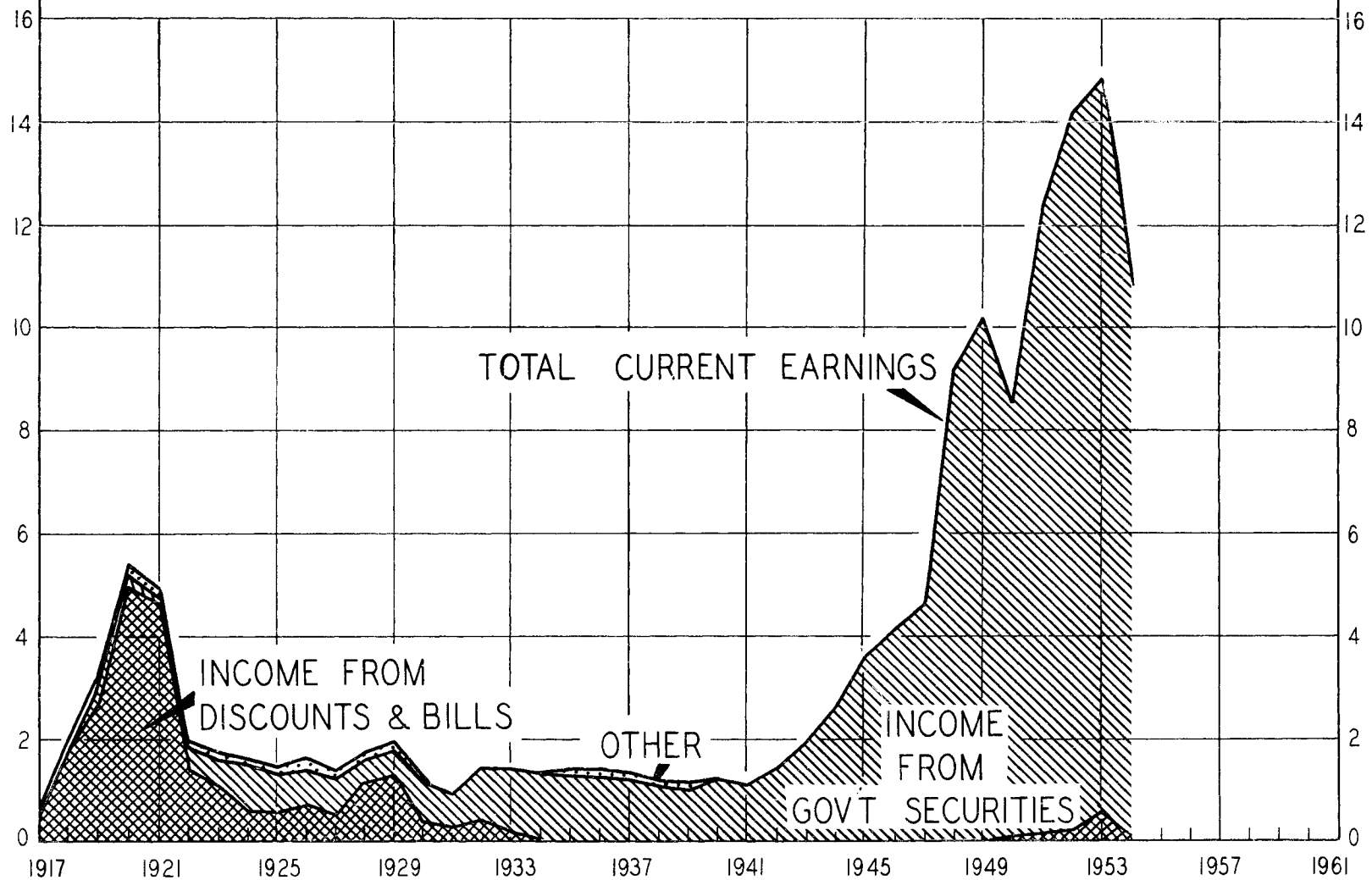
The table below gives a breakdown of Profit and Loss during 1954:

	<u>Total</u>	<u>Head Office</u>	<u>Helena Branch</u>
<u>Additions to Current Net Earnings:</u>			
Profit on U.S. Government securities sold, net	\$14,804.16	\$14,804.16	
Profit on mutilated currency and coin	25.65	16.91	\$ 8.74
Difference between actual and estimated expense for December 1953	105.61	105.61	
Reduction in valuation allowance on industrial loan - Clear Lake Creamery and Produce Co., Clear Lake, S. Dak.	300.00	300.00	
Sale of two turbo generators to Land O'Lakes Creameries, Minneapolis, Minn.	<u>3,000.00</u>	<u>3,000.00</u>	<u> </u>
Total Additions	\$18,235.42	\$18,226.68	\$ 8.74
- - - -			
<u>Deductions from Current Net Earnings:</u>			
Reserve for Registered Mail Losses	\$13,428.83	\$13,428.83	
Discount on Foreign Currency and Coin	.13	.13	
Loss on counterfeits	70.22	70.22	
Difference account	<u>331.84</u>	<u>308.65</u>	\$ <u>23.19</u>
Total Deductions	\$13,831.02	\$13,807.83	\$ 23.19
Net Additions to Current Net Earnings	\$ 4,404.40	\$ 4,418.85	\$ -14.45

MILLION DOLLARS

MILLION DOLLARS

GROSS EARNINGS



EARNINGS

Earnings during 1954 totaled \$10.8 million, a decrease of \$4 million from 1953 due mainly to the following:

1. Daily average participation in System holdings of U.S. Government securities decreased 15% in 1954, or \$103 million. Also, holdings of bonds and notes decreased \$21 million and \$179 million respectively, during the year, but the decrease was nearly offset by an increase of \$197 million in certificates. Since the certificates yield a lower return than the bonds and notes released, earnings dropped. The net result of these changes accounted for 90% of the \$4 million decrease in earnings.

2. Decreases in the discount rate from 2% to 1 3/4% on February 5 and then to 1 1/2% on April 29, as well as a reduction in the daily average holdings of discounts and advances to \$6.9 million from \$27.3 million accounted for the balance of the reduction in earnings.

The following tables show the sources of earnings for the year, average earning rates for 1954, and holdings of securities as of December 31, 1954, with comparisons.

Total Current Earnings
(Minneapolis and Helena Combined)

	<u>1954</u>	Change from <u>1953</u>
Discounts and advances	\$ 117,587	\$- 423,121
Foreign loans on gold	27,216	+ 21,182
Industrial loans	5,134	- 445
U.S. Govt. securities - System account	10,679,996	-3,628,619
Deficient reserve penalties	4,655	- 2,330
All other:		
Clearinghouse fines	230	+ 78
Commissions earned on Bankers' accept- ances purchased for foreign correspondents	399	- 435
Interest received on past due indus- trial loan	<u>198</u>	<u>+ 198</u>
	\$10,835,415	\$-4,033,492

Average Earning Rates

	<u>1954</u>	Change from <u>1953</u>
Discounts and advances	1.695%	-.284%
Foreign loans on gold	1.557	-.370
Industrial loans	5.128	+.218
U.S. Govt. securities - System account	1.765	-.255
Average rate for above accounts	1.764	-.255

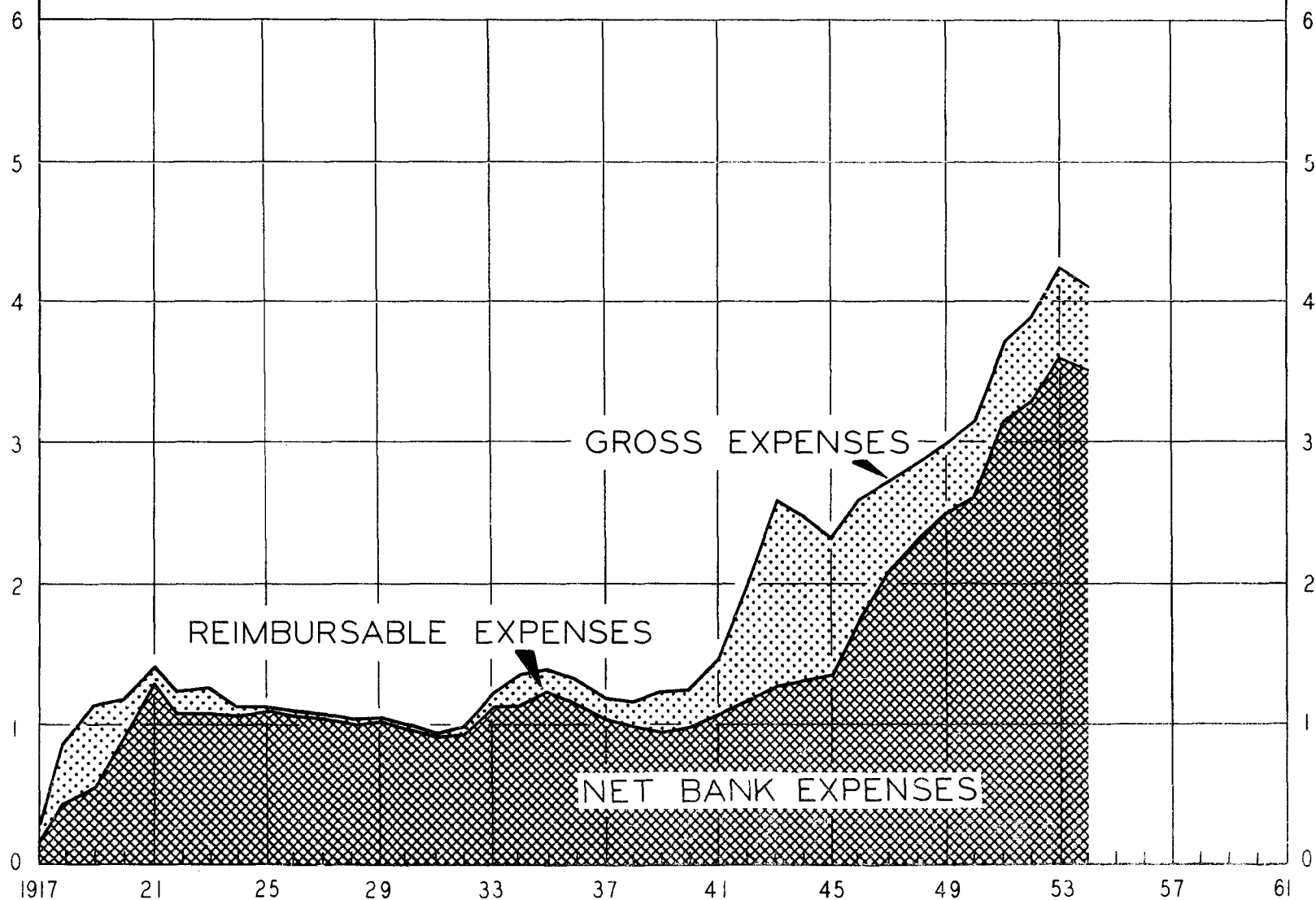
Participation in System Open Market Account
(In thousands of dollars)

	<u>12-31-54</u>	Change from <u>12-31-53</u>
Bills	\$ 53,215	\$- 10,865
Certificates	340,909	+197,351
Notes	148,257	-179,103
Bonds	<u>68,802</u>	<u>- 21,066</u>
	\$611,183	\$- 13,683

MILLION DOLLARS

MILLION DOLLARS

EXPENSES



COMPARATIVE STATEMENT OF NET CURRENT EXPENSES

	<u>Head Office 1954</u>	<u>Helena Branch 1954</u>	<u>Combined 1954</u>	<u>Combined 1953</u>
Salaries:				
Officers	\$ 222,397	\$ 21,863	\$ 244,260	\$ 241,117
Employees	1,552,214	158,760	1,710,974	1,678,709
Fees:				
Directors	6,200	4,060	10,260	9,865
Federal Advisory Council	1,275	-	1,275	1,050
Other	3,255	144	3,399	3,385
Retirement Contributions:				
F.R. Retirement System	117,591	11,832	129,423	127,390
Supplemental Death Benefit	6,075	680	6,755	8,207
Social Security	29,296	3,128	32,424	24,109
Traveling Expenses:				
Directors	6,489	3,005	9,494	7,966
Federal Advisory Council	782	-	782	732
Other	48,954	5,835	54,789	59,466
Postage and Expressage:				
Original Shipments of F.R. Currency	31,902	-	31,902	30,442
Redemption of F.R. Currency	6,192	1,469	7,661	19,150
Other	346,023	73,139	419,162	400,909
Telephone and Telegraph	22,283	6,286	28,569	29,524
Printing, Stationery & Supplies	91,978	10,570	102,548	133,040
Insurance	26,775	2,947	29,722	31,763
Taxes on Real Estate	95,424	4,726	100,150	99,497
Depreciation	46,664	2,020	48,684	27,801
Light, Heat, Power & Water	31,015	2,960	33,975	33,562
Repairs & Alterations	11,292	3,311	14,603	69,408
Rent	51,344	22	51,366	52,067
Furniture & Equipment:				
Purchases	35,130	2,049	37,179	93,530
Rentals	131,424	17,849	149,273	142,835
Assessment for Expenses of Board of Governors	105,500	-	105,500	103,700
Federal Reserve Currency:				
Original Cost	116,086	-	116,086	184,996
Cost of Redemption	9,483	-	9,483	9,156
All Other	100,239	3,185	103,424	78,357
Total Expense	\$3,253,282	\$339,840	\$3,593,122	\$3,701,733
Less Undistributed Recoveries	99,941	4,440	104,381	97,459
Net Current Expenses	\$3,153,341	\$335,400	\$3,488,741	\$3,604,274

NONREIMBURSABLE EXPENSE

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$3,153,341	\$-114,514
Helena Branch	<u>335,400</u>	<u>- 1,019</u>
	\$3,488,741	\$-115,533

Net changes in the various subdivisions of the expense accounts
at the Head Office and Branch are distributed as follows:

SALARIES

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$1,774,611	\$+30,840
Helena Branch	<u>180,623</u>	<u>+ 4,568</u>
	\$1,955,234	\$+35,408

Merit and other salary adjustments account for the increase. In 1954 the Head Office had a yearly average of 634 employees compared with 650 in 1953. Helena Branch averaged 55 employees in 1954 compared with 56 in 1953.

FEEES - DIRECTORS

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$ 6,200	\$+200
Helena Branch	<u>4,060</u>	<u>+195</u>
	\$10,260	\$+395

There were eleven meetings held in 1954.

FEEs - FEDERAL ADVISORY COUNCIL

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$1,275	\$+225

Our council member attended seven local and five out-of-town meetings in 1954.

FEEs - OTHER

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$3,255	\$+ 5
Helena Branch	<u>144</u>	<u>+ 9</u>
	\$3,399	\$+14

No important change occurred in this account.

RETIREMENT CONTRIBUTIONS

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$117,591	\$+1,947
Helena Branch	<u>11,832</u>	<u>+ 86</u>
	\$129,423	\$+2,033

Retirement System contributions are at the rate of seven per cent of the employee's yearly salary. The amount absorbed is in direct relation to increases or decreases in salary costs.

SUPPLEMENTAL DEATH BENEFIT

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$6,075	\$-1,452
Helena Branch	<u>680</u>	<u>-</u>
	\$6,755	\$-1,452

In 1954 the special assessment was \$232 to adjust the contract year compared with \$1,718 in 1953. The rate in 1954 was reduced to .417 per hundred compared with .515 in 1953.

SOCIAL SECURITY

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$29,296	\$+7,509
Helena Branch	<u>3,128</u>	<u>+ 806</u>
	\$32,424	\$+8,315

Social Security contributions are at the rate of two per cent on the first \$3,600 of each person's salary. The amount absorbed is in relation to the payroll.

TRAVEL - DIRECTORS

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$6,489	\$+1,285
Helena Branch	<u>3,005</u>	<u>+ 243</u>
	\$9,494	\$+1,528

A portion of the increase is due to the June meeting held in Michigan.

TRAVEL - FEDERAL ADVISORY COUNCIL

	<u>1954</u>	Change <u>from 1953</u>
Head Office	\$782	\$+50

In 1954 our council member attended five out-of-town meetings.
In 1953 four meetings were attended.

TRAVEL - OTHER

	<u>1954</u>	Change <u>from 1953</u>
Head Office	\$48,954	\$-3,844
Helena Branch	<u>5,835</u>	<u>833</u>
	\$54,789	\$-4,677

The decrease in Head Office travel is accounted for as follows:

	<u>1954</u>	<u>1953</u>
Bank Examination	\$25,175	\$25,482
Public Services	13,455	12,835
Travel on general bank business (schools, con- ventions, conferences, etc.)	<u>10,324</u>	<u>14,481</u>
	\$48,954	\$52,798

POSTAGE AND EXPRESSAGE
Original Shipments
F.R. Currency

	<u>1954</u>	Change <u>from 1953</u>
Head Office	\$31,902	\$+1,460

This represents shipping charges on Federal Reserve currency from

Washington to Minneapolis and Helena. During 1954 we received notes totaling \$128,120,000.

POSTAGE AND EXPRESSAGE
Redemption
F.R. Currency

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$6,192	\$-10,028
Helena Branch	<u>1,469</u>	<u>- 1,461</u>
	\$7,661	\$-11,489

This account covers shipping charges on unfit Federal Reserve notes to Washington and postage on fit notes to issuing Reserve banks. In July 1954 the law prohibiting a Federal Reserve bank from paying out notes of another Reserve bank was repealed. Part of the decrease is the result of savings under the new law.

POSTAGE AND EXPRESSAGE
Other

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$346,023	\$+ 9,857
Helena Branch	<u>73,139</u>	<u>+ 8,396</u>
	\$419,162	\$+18,253

The increase is due to larger volume of checks handled and a rate increase in parcel post, second and third class mail.

TELEPHONE AND TELEGRAPH

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$22,283	\$+1,039
Helena Branch	<u>6,286</u>	<u>-1,994</u>
	\$28,569	\$- 955

A portion of the decrease is due to changing the Branch wire system from TWX to a private wire.

PRINTING, STATIONERY AND SUPPLIES

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$ 91,978	\$-32,296
Helena Branch	<u>10,570</u>	<u>+ 1,804</u>
	\$102,548	\$-30,492

Most of the items in this account are recurring, the requirements each year reflecting the decreases or increases. Supplies totaling \$6,600 carried in the 1954 stock of supplies were paid for in 1953.

INSURANCE

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$26,775	\$-2,248
Helena Branch	<u>2,947</u>	<u>+ 207</u>
	\$29,722	\$-2,041

The decrease in insurance is due to refunds received on Blue Cross and Blue Shield group hospital and surgical insurance based on quarterly experience reports.

TAXES ON REAL ESTATE

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$ 95,424	\$+ 64
Helena Branch	<u>4,726</u>	<u>+589</u>
	\$100,150	\$+653

The Head Office tax rate remained at 149 mills.

DEPRECIATION

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$46,664	\$+20,998
Helena Branch	<u>2,020</u>	<u>- 115</u>
	\$48,684	\$+20,883

In addition to the normal depreciation of two per cent per annum on our building, \$20,998 was set up in reserve for depreciation of fixed machinery and equipment and partially offsets a charge of \$31,893 made to our reserve account during the year for the replacement of boilers and conversion from oil to gas.

LIGHT, HEAT, POWER AND WATER

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$31,015	\$+ 77
Helena Branch	<u>2,960</u>	<u>+336</u>
	\$33,975	\$+413

There was no important change in the total expense for the year.

REPAIRS AND ALTERATIONS

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$11,292	\$-43,052
Helena Branch	<u>3,311</u>	<u>-11,753</u>
	\$14,603	\$-54,805

Most of this decrease offsets the increase in 1953 which covered the cost of remodeling the public services offices, and transposing the lighting system. The largest single expense in 1954 was for air conditioning in the currency department costing \$3,281.

RENT

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$51,344	\$-695
Helena Branch	<u>22</u>	<u>-6</u>
	\$51,366	\$-701

There was no important change in this account during the year.

FURNITURE AND EQUIPMENT
Purchases

	<u>1954</u>	<u>Changes from 1953</u>
Head Office	\$35,130	\$-54,243
Helena Branch	<u>2,049</u>	<u>-2,108</u>
	\$37,179	\$-56,351

The machine purchases in 1954 were not as large as in 1953. The following principal purchases were made in 1954:

3 currency counting machines	\$7,178
571 steel transfer cases	5,181
General Ledger machine	4,909
1 Shredomatic	4,096
Typewriters	965

FURNITURE AND EQUIPMENT
Rentals

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$131,424	\$+6,724
Helena Branch	<u>17,849</u>	<u>- 286</u>
	\$149,273	\$+6,438

In April 1953 we started paying extra shift rental for use of IBM equipment for after regular working hours. The 1954 figures include a full year's expense for this item as compared with a partial year's expense in 1953 and accounts for \$1,200 of the equipment rental increase. In July 1954 we started processing postmasters' deposits and the IBM equipment rental for this activity during 1954 was approximately \$1,000. In addition, a small part of the increase is due to changing models on check department IBM machines from an 801 Model renting for \$77.50 to an 802 Model renting for \$100.00.

BOARD ASSESSMENT

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$105,500	\$+1,800

This represents amounts paid to the Board of Governors of the Federal Reserve System to cover its general expenses. The basis for our

assessment for 1954 and 1953 are shown below:

	<u>1954</u>	<u>1953</u>
<u>First Half</u>		
Capital Stock	\$ 5,952,400	\$ 5,719,300
Surplus (Section 7)	16,219,368	15,131,297
Surplus (Section 13b)	<u>1,072,621</u>	<u>1,072,621</u>
	\$23,244,389	\$21,923,218
Assessment Rate	.00214	.00216
Total Assessment for First Half	\$49,700	\$47,400
<u>Second Half</u>		
Capital Stock	\$ 6,072,550	\$ 5,806,750
Surplus (Section 7)	16,219,368	15,131,297
Surplus (Section 13b)	<u>1,072,621</u>	<u>1,072,621</u>
	\$23,364,539	\$22,010,668
Assessment Rate	.00239	.00256
Total Assessment for Second Half	\$55,800	\$56,300
Total Assessment for Year	\$105,500	\$103,700

FEDERAL RESERVE CURRENCY

	<u>1954</u>	<u>Change from 1953</u>
Original Cost	\$116,086	\$-68,910
Cost of Redemption	<u>9,483</u>	<u>+ 327</u>
	\$125,569	\$-68,583

Original cost covers bank's pro rata share of expenses of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency for the year 1954.

ALL OTHER

	<u>1954</u>	<u>Change from 1953</u>
Head Office	\$100,239	\$+25,147
Helena Branch	<u>3,185</u>	<u>- 80</u>
	\$103,424	\$+25,067

The large items in 1954 which did not appear in 1953 follow:

Holabird, Root & Burgee (consultants)	\$11,248
Sewer line from building to Nicollet	4,000
C. F. Haglin & Sons	1,295
Engineering Service - well installation	450

A portion of the above will be set up in our building account when it is started.

COMBINED REIMBURSABLE EXPENDITURES OR RECOVERIES

<u>Account of</u>	<u>1954</u>	<u>Change from 1953</u>
Public Debt	\$465,763	\$-30,492
Federal Taxes	27,031	+ 1,291
Department of the Army	1,866	+ 399
Department of the Navy	815	- 114
Department of the Air Force	1,017	+ 110
Atomic Energy Commission	725	+ 725
Commodity Credit Corporation	14,424	+ 3,494
F.R.B. Chicago, Fiscal Agent for R.F.C.	499	+ 499
Federal Farm Mortgage Corporation	22	- 26
Federal Land Banks	374	+ 145
Federal Intermediate Credit Banks	96	+ 40
Central Bank for Cooperatives	4	- 12
Housing and Home Finance	24	+ 24
Federal Home Loan Banks	40	- 29
Federal Public Housing Administration	5	+ 5
Federal National Mortgage Association	34	+ 34
Coin Wrapping services	14,720	+ 2,424
Processing Post Office Money Orders	34,915	- 7,180
Destruction of Unfit U.S. Currency	6,343	+ 3,005
Miscellaneous	32,484	+ 3,252
Profit and Loss - over-estimate of Reimbursable Expenses	<u>1,843</u>	<u>+ 1,949</u>
	\$603,044	\$-20,457

The single important change occurred in Public Debt expense, due in part to a reduction in equipment rental and reduction in personnel.