Twelfth Annual Report

# Federal Reserve Bank of New York

For the Year Ended December 31, 1926

Federal Reserve Agent
Second Federal Reserve District

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# Contents

FEDERAL RESERVE BANK
OF NEW YORK

*New York, December 31, 1926*

SIRS:

I have the honor to submit herewith the twelfth annual report of the Federal Reserve Bank of New York, covering the year 1926.

Respectfully yours,

PIERRE JAY,
*Chairman and Federal Reserve Agent.*

FEDERAL RESERVE BOARD,
*Washington, D. C.*

# Twelfth Annual Report
# Federal Reserve Bank of New York

The operations of the Federal Reserve Bank of New York are so closely related to changes in the credit situation in this district, and particularly to changes in the money market that the business conducted by the bank can best be understood as a part of the broader picture of credit and money market conditions. This report will therefore be devoted largely to a review of the year's developments in finance, including a discussion of Federal Reserve operations at the points where they have influenced or been influenced by general credit developments.

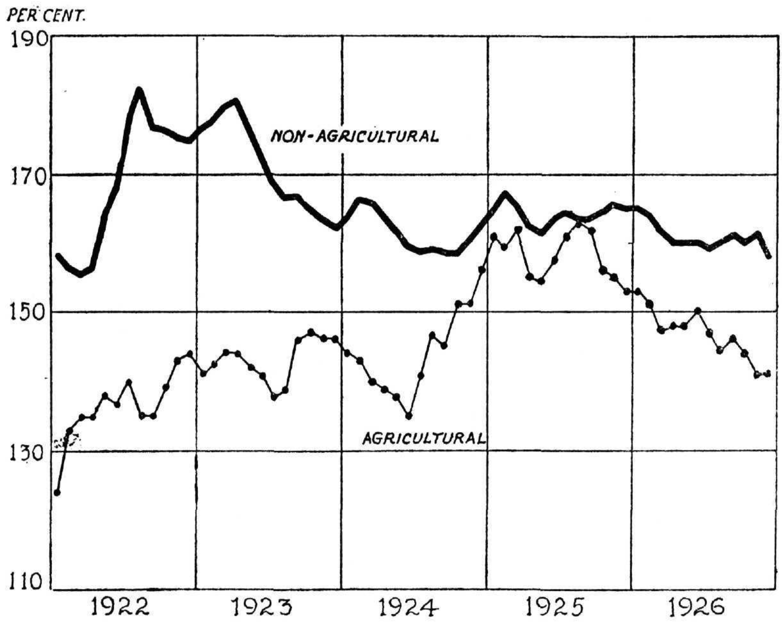
## Credit Conditions in 1926

The year 1926 was characterized by the rather unusual combination of very active business, declining commodity prices, and excellent business profits, together with comparatively small additions to the total volume of credit, and moderately easy money conditions.

The year 1925 had set many new records in production and trade but in many lines the 1926 figures were equal to or larger than those of 1925. Available figures for business activity in the second Federal Reserve district are shown in the following table.

BUSINESS ACTIVITY IN THE SECOND DISTRICT

| | 1925 | 1926 | Percent Change |
|---|---|---|---|
| Sales of 45 Department Stores | $ 418,023,000 | $ 434,199,000 | + 3.9 |
| Number of employees in over 1,600 New York State Factories (average for year) | 500,885 | 501,914 | + 0.2 |
| Farm Production, New York State | $ 314,000,000 | $ 267,000,000 | −15.0 |
| New Corporations formed in New York State | 24,703 | 25,388 | + 2.8 |
| Bank Debits, New York City | $313,373,000,000 | $339,055,000,000 | + 8.2 |
| Bank Debits, District outside of New York City | $ 16,995,000,000 | $ 18,188,000,000 | + 7.0 |
| Building Permits, New York City | $ 1,031,000,000 | $ 1,052,000,000 | + 2.0 |
| Building Permits in 62 cities in District outside of New York City | $ 361,000,000 | $ 393,000,000 | + 8.9 |

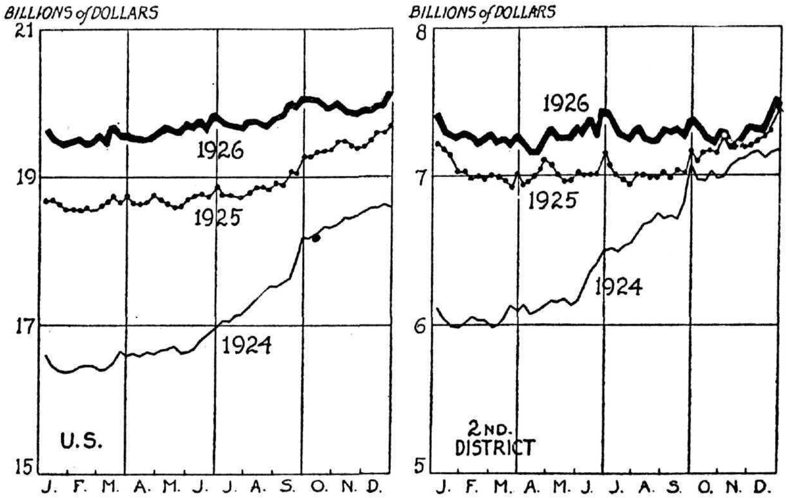



**1. Agricultural and Non-Agricultural Prices (U. S. Bureau of Labor Statistics Indexes; 1910-1914 average = 100 per cent)**

The movement of commodity prices during the year is shown in diagram 1. While the principal downward movement of prices has been in agricultural products, there was also some downward tendency in non-agricultural products, particularly in the spring.

Notwithstanding the very large volume of trade during the year, the total volume of credit employed showed comparatively little increase. The changes in the total loans and investments of reporting member banks in all districts and in the second district are shown by weeks in diagram 2.

The increase during the year in total loans and investments of these banks throughout the country was 400 million dollars, or 2 per cent, as compared with an increase of one billion, or 6 per cent, in 1925. In the second district the amount of credit employed has remained practically constant except for seasonal increases and decreases. There was a contrast in credit changes between New York City and the rest of the district. As the following table




**2. Total Loans and Investments of Reporting Member Banks in Principal Cities in the United States and the Second District.**

indicates, bank deposits tended to increase much more outside of New York City, than in the city itself.

Since net demand deposits decreased in New York City, where a reserve of 13 per cent is required, and since the entire growth was in time deposits against which the reserve requirement is only 3 per cent, the total increase in bank deposits in the district has caused practically no increase in required reserves.

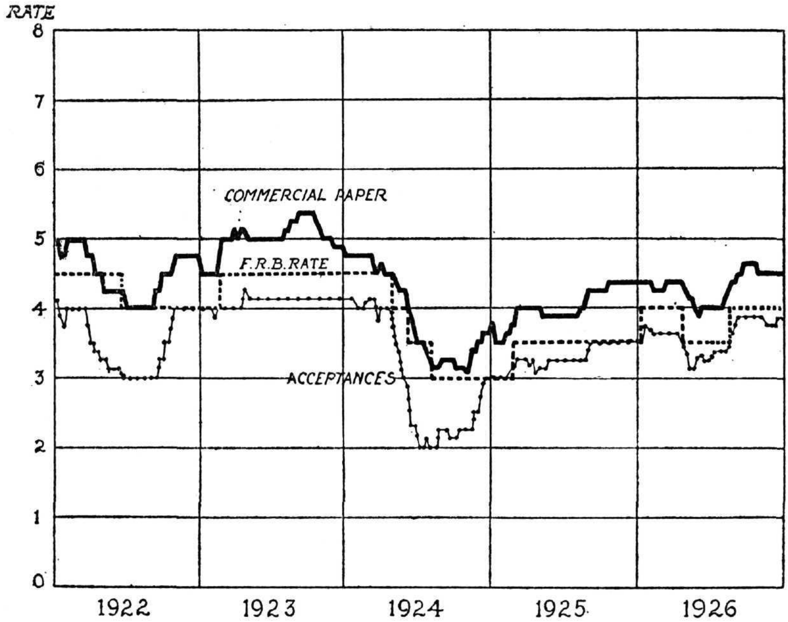
DEPOSITS IN ALL MEMBER BANKS IN SECOND FEDERAL RESERVE DISTRICT

(*in millions of dollars*)

| | New York City | | | Elsewhere | | | Total | | |
|---|---|---|---|---|---|---|---|---|---|
| | Net Demand | Time | Total | Net Demand | Time | Total | Net Demand | Time | Total |
| Nov. 25, 1925....... | 5,173 | 812 | 5,985 | 1,235 | 1,371 | 2,606 | 6,408 | 2,183 | 8,591 |
| Nov. 24, 1926....... | 5,097 | 929 | 6,026 | 1,266 | 1,501 | 2,767 | 6,363 | 2,430 | 8,793 |
| Change............ | −76 | +117 | +41 | +31 | +130 | +161 | −45 | +247 | +202 |

## The Year in the Money Market

The movement of money rates during 1926 may be thought of as a continuation of the tendencies of the previous year and a half, but with an important interruption of the movement in the spring and summer. The relationship of 1926 rates to the rates of preceding recent years is shown in diagram 3.




**3. Money Rates in New York: 4 to 6 Months Commercial Paper, 90-Day Acceptances, and the Discount Rate of Federal Reserve Bank of New York.**

In the autumn of 1926 money rates were generally higher than at any time since the early part of 1924. The higher level of rates was reached, however, only after a pronounced recession in the spring of 1926. This recession was caused by the coincidence of a number of factors making for easier money, including

1. Gold imports from Canada
2. A decline in brokers loans
3. Some lull in business activity and apprehensions as to the future
4. The purchase of 65 million dollars of Government securities by the Reserve Banks
5. The reduction of the discount rate of the Federal Reserve Bank of New York on April 23 from 4 per cent to 3½ per cent.

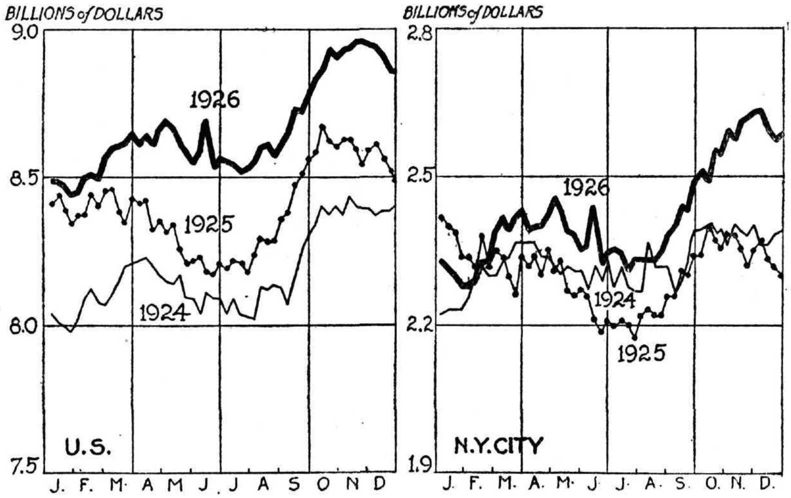
As the year progressed, however, the factors which had been influential in the gradual upward movement of rates during the preceding 18 months again became influential. After the middle of October there was again a tendency towards slightly easier credit conditions and slightly lower rates accompanying some lessening in industrial activity.

### USE OF CREDIT

As has been indicated the total loans and investments of banks in the second Federal Reserve district and especially in New York City have remained relatively more stable during the past two years and have shown less increase than total loans and investments of banks in other districts. But interesting changes have taken place between the different kinds of loans and investments, which constitute the aggregate.

### COMMERCIAL LOANS

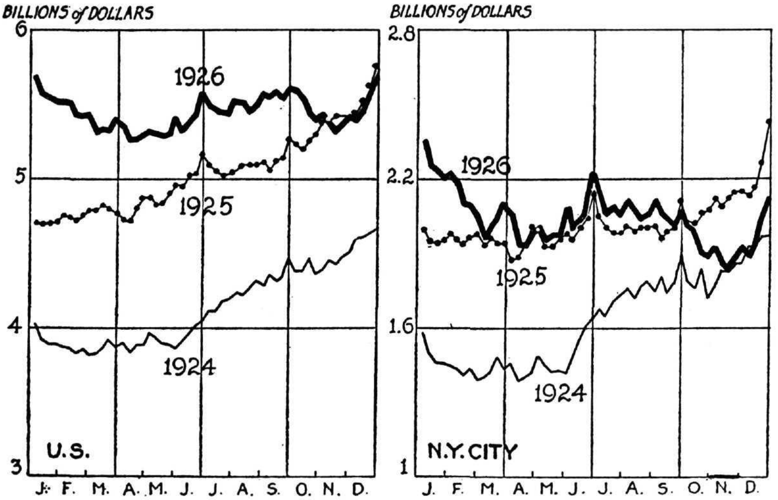
Reflecting a high state of business activity, the total of the items reported in the reporting member bank statements as loans and discounts "secured by United States Government obligations" and "all other loans and discounts," which consist largely of commercial loans, continued to expand both in New York City and in the country as a whole and the figures reached in the autumn of 1926 were the highest since 1921. The increase in the country as a whole is largely accounted for by the increase in New York City. These tendencies are illustrated in diagram 4.




4. Commercial Loans of Reporting Member Banks in Principal Cities.

## LOANS ON STOCKS AND BONDS

In contrast with the movement of commercial loans, loans on stocks and bonds in New York City were lower in the latter part of 1926 than in 1925. These figures are illustrated by diagram 5.

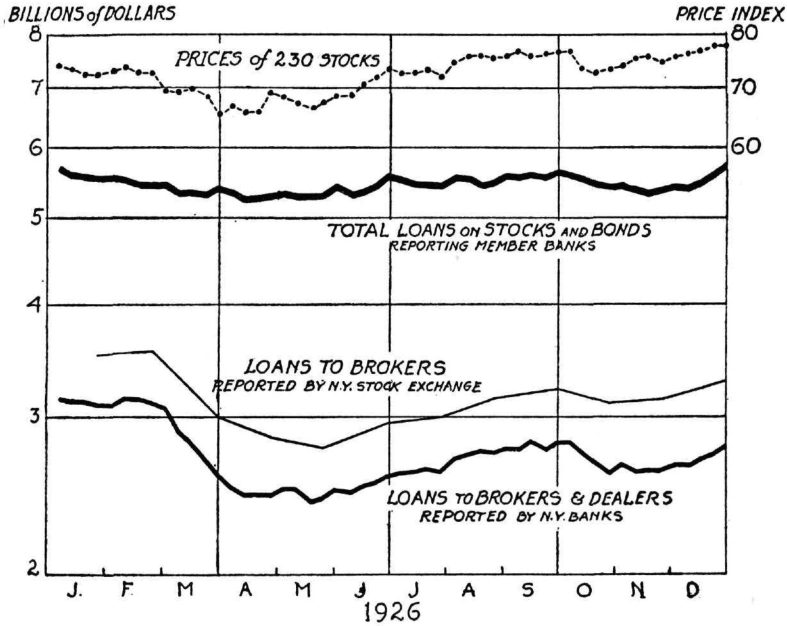



5. **Loans Secured by Stocks and Bonds—Reporting Member Banks in Principal Cities.**

The principal fluctuating element in loans on stocks and bonds of the reporting member banks is loans to brokers and dealers in securities in New York City. Such loans constitute about half of total reported loans on stocks and bonds. Through a series of reports inaugurated by the Federal Reserve Board in January 1926, there are now publicly available each week, figures for the loans to brokers and dealers by New York banks for their own account, for the account of their domestic correspondent banks, and for the account of others. There have also been made available by the New York Stock Exchange somewhat similar figures, but reported by the borrowers rather than the lenders of funds, and including the borrowings from private banking institutions as well as from member banks.[1] From these two series of data it now becomes possible to trace currently the movement of loans to brokers and dealers in securities. Diagram 6 shows these figures for 1926, in comparison with the total loans on stocks and bonds of the reporting member banks and with the movement of stock prices as shown by the index of the Standard Statistics Corporation.[2]

[1] There was also published in the Federal Reserve Bulletin for November 1926 a series of figures for loans to brokers which had been reported by the New York City banks to the Federal Reserve Bank of New York, from the fall of 1917 through January 1926.

[2] The index has been adjusted to a new scale to facilitate the comparison.



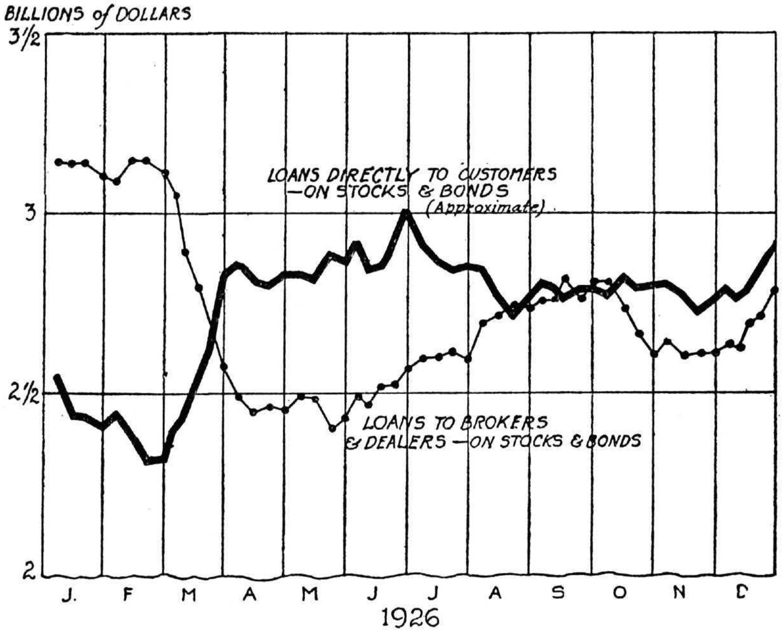

**6. Loans on Stocks and Bonds, and Stock Prices (Standard Statistics Index).**

These figures bring out a number of facts concerning the financing of purchases of securities. It may first be observed that the general movement of loans to brokers fluctuates closely with the prices of securities.

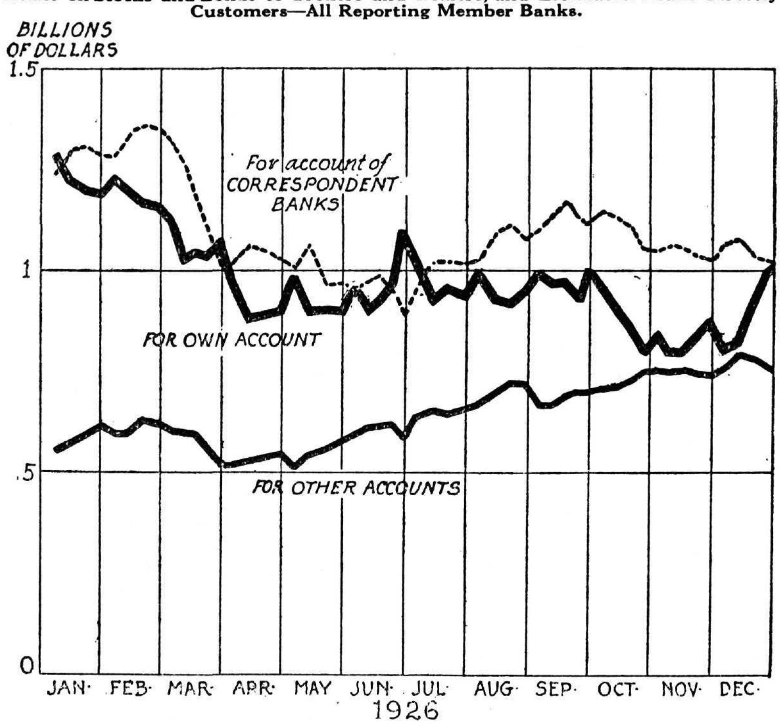
Another relationship which the figures reveal is the shifting from time to time between the carrying of securities by loans to brokers and carrying them by loans placed directly with member banks. By subtracting from the total loans on stocks and bonds of reporting member banks the loans which New York City banks are making to brokers and dealers for their own and other accounts, we secure a figure which represents roughly the amount of money loaned by banks directly to their customers for carrying securities or for other purposes where stock or bond collateral is required.[3] The movements of these two curves are shown in diagram 7.

The diagram shows that the decline in stock prices from the middle of February until April was accompanied by a shifting of loans from brokers to direct borrowing, but that on the other hand the rise in security prices from May to October was accompanied by the reverse type of movement.

[3] The computation is not precise because the two sets of loan figures do not cover exactly the same lenders.



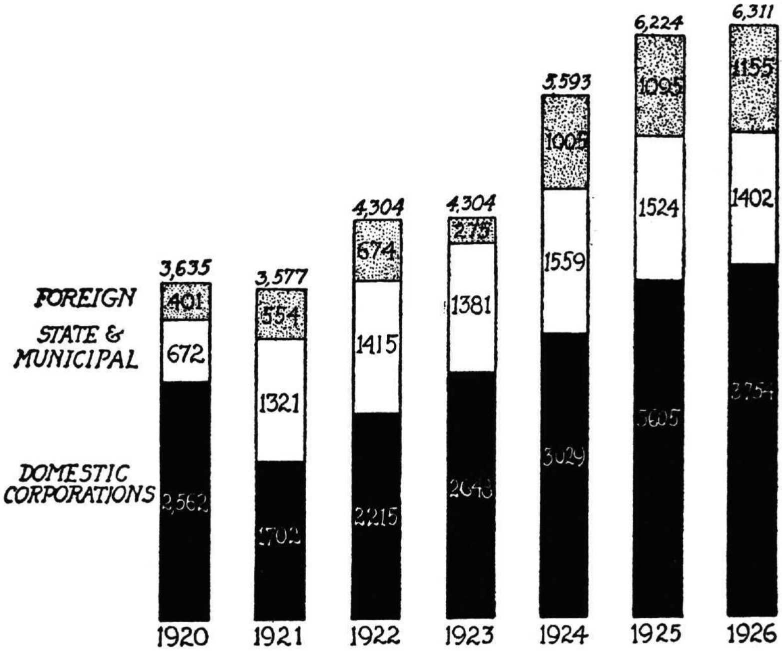

7. **Loans on Stocks and Bonds to Brokers and Dealers, and Estimated Loans Directly to Customers—All Reporting Member Banks.**




8. **Loans to Brokers and Dealers Placed by New York City Weekly Reporting Member Banks.**

A further tendency during the year in brokers loans has been a tendency for loans by New York City banks for their own account and the account of their domestic correspondent banks to decline, whereas loans for account of others increased during the year. These changes are shown in diagram 8.

In connection with the reduction since early in the year in loans to brokers and dealers, it may be noted that in the course of the year there has been a considerable increase in the total volume of securities dealt in. Issues of new securities in 1926 were larger than in any previous year. The amounts and character of these issues are shown in the accompanying diagram.




**9. New Capital Issues by Types of Borrowers, Refunding Issues Excluded.**
**(in millions of dollars)**
**Source—*Commercial and Financial Chronicle***

A natural result of this large volume of new issues has been an increase in the number of issues listed on the New York Stock Exchange and available potentially as collateral for loans, as is shown by the following figures from the records of the New York Stock Exchange. The change in number of shares reflects stock dividends as well as new issues.

LISTINGS ON NEW YORK STOCK EXCHANGE

STOCKS

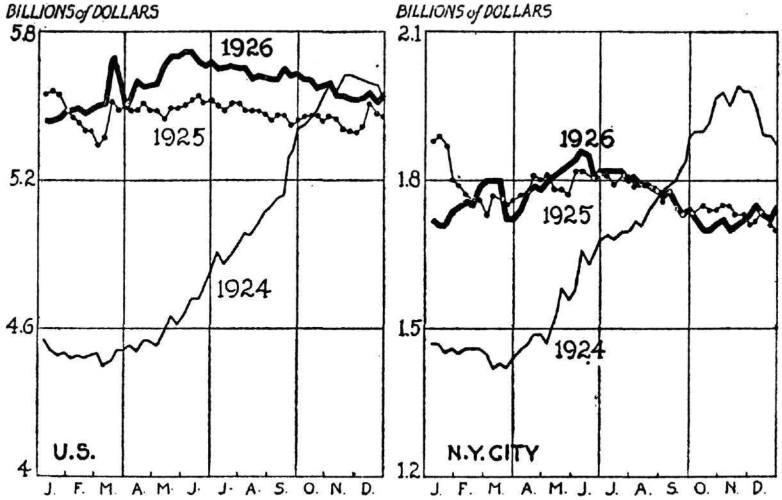
| | Issues | Shares | Market Value |
|---|---|---|---|
| January 1, 1926 | 1,043 | 491,615,837 | $34,489,227,125 |
| January 1, 1927 | 1,081 | 585,641,222 | 38,376,162,138 |
| Increase | 38 | 94,025,385 | $ 3,886,935,013 |

BONDS

| | Issues | Values | |
|---|---|---|---|
| | | At Par | At Market |
| January 1, 1926 | 1,367 | $36,995,089,533 | $35,509,211,458 |
| January 1, 1927 | 1,420 | 37,900,053,650 | 37,167,607,468 |
| Increase | 53 | $ 904,964,117 | $ 1,658,396,010 |

BANK INVESTMENTS

The changes in the investment holdings of New York City banks and of reporting member banks in all principal centers are shown in the following diagram.




10. **Investments of Reporting Member Banks in Principal Cities.**

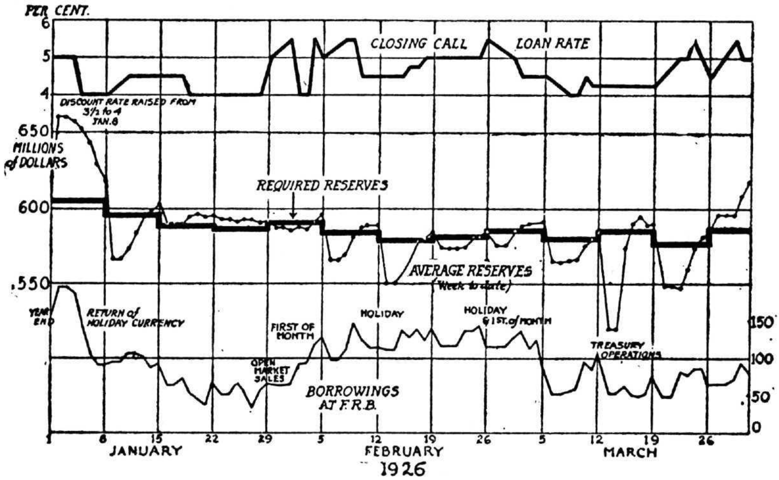
They indicate that, as the demand for funds for commercial uses has tended to increase during the year, the investment holdings of the banks in all centers have had but little net increase, and the investments of banks in New York City which felt most directly the demands for additional credit, have had no growth.

## MOVEMENT OF RESERVE FUNDS

Back of the changes in the use of credit in the money market during 1926, described above, the analysis shows certain underlying forces which have been at work. The amount of funds which the banks are prepared to lend or invest depends in the last analysis upon the condition of their reserves. For the banks as a whole, the condition of reserves in turn depends upon four principal factors: (1) international gold movements, (2) domestic currency requirements, (3) changes in reserve requirements arising from increases or decreases in deposits, and (4) changes in the volume of Reserve Bank credit in use arising either from borrowings of member banks or from open-market operations of the Reserve Banks. There are a number of other minor factors which influence reserve funds, but in the main these are the principal influences. If the reserves of the banks generally are being diminished through gold exports or withdrawals of currency the banks ordinarily do not finance an increase, or even maintain the same amount of credit, without a rise in interest rates; and, conversely, if bank reserves are being supplemented by gold imports or return of currency from circulation, the banks find themselves in a position to make further credit advances without a rise in interest rates.

A little more than two years ago a series of studies was inaugurated by the Federal Reserve Bank of New York for the purpose of analyzing more closely the day to day influences affecting bank reserves. Since practically all of the financial operations which have an influence upon bank reserves are reflected on the books of the Federal Reserve Banks, and it is therefore possible to trace the principal changes that are taking place in the demand for and supply of funds. With the aid of these analyses the accompanying diagrams have been prepared showing for each quarter of 1926 the day to day changes in the reserves of 23 of the largest New York City banks, the amount of borrowing by principal New York City banks at the Federal Reserve Bank, and the closing call loan rate, together with a notation as to the causes which were operating at different times to bring about the more important changes shown.

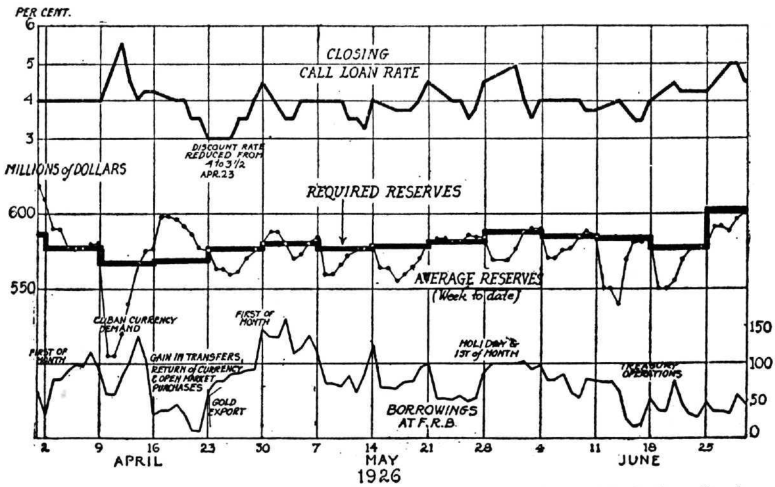
An inspection of these diagrams indicates that there have been a number of regular weekly, monthly, quarterly, and holiday move-



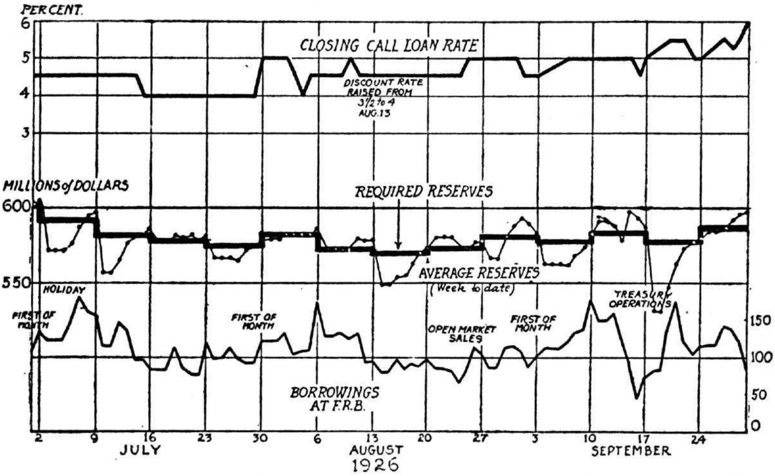

**11a. Call Money Rates and Reserves and Borrowings of New York City Banks. First Quarter**

ments of funds and a number of unusual causes which have influenced bank reserves, borrowing from the Reserve Bank, and money rates.

Of the regular influences, one of the most important is the movement of currency. Every week when payrolls are made up and preparations are made for week-end expenditures, member banks come to the Reserve Bank and draw currency. The consequence is that on Thursday, Friday, and Saturday there is almost always a net withdrawal of funds from the Reserve Bank, which amounts on the average to about 12 to 15 million dollars for the three days. The currency which is paid out in payrolls on Saturday finds its way back into the banks promptly on Monday and Tuesday,

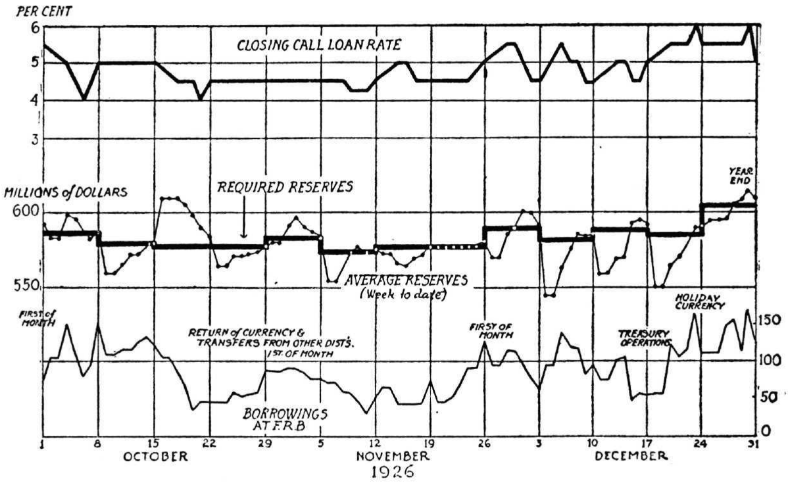



**11b. Call Money Rates and Reserves and Borrowings of New York City Banks. Second Quarter**




**11c. Call Money Rates and Reserves and Borrowings of New York City Banks. Third Quarter**

and the banks in turn bring the currency back to the Reserve Bank, so that there is usually a net receipt of 12 or 15 million dollars on Monday, Tuesday, and Wednesday. This regular weekly movement of currency is, of course, not limited to New York but takes place throughout the country and probably amounts, for the country as a whole, to a net payment into circulation of about 50 million dollars in the second half of the week, and the return from circulation of about the same amount in the first half of the week. Some of the banks in other districts instead of borrowing from their local Reserve Bank in order to take care of the week-end demand for currency, draw upon their New York balances, and thus the New




**11d. Call Money Rates and Reserves and Borrowings of New York City Banks. Fourth Quarter**

York market is affected not only by local currency movements but by currency movements throughout the country.

The weekly withdrawal of currency is not the only important regular currency movement. There are also withdrawals preceding and deposits following every holiday, and the semi-monthly payroll dates. Certain of these movements are from time to time obscured by changes in business or by the particular day of the week on which the semi-monthly payroll dates happen to fall, and other changing circumstances. So it is not possible to trace with exactness the influence of all the forces.

The general nature of some of these currency movements in the New York district is shown in the accompanying table, which gives the daily net receipts or payments of currency at the Federal Reserve Bank of New York for the second and third quarters of 1926.

DAILY NET CURRENCY MOVEMENT IN NEW YORK CITY TO OR FROM THE FEDERAL RESERVE BANK OF NEW YORK

(+ indicates deposits in the Reserve Bank and − withdrawals from the Reserve Bank)
(*in millions of dollars*)

| Week Beginning | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|---|---|---|---|---|---|---|
| Apr. 5 | + 5.4 | +11.7 | + 6.7 | − 2.5 | − 4.5 | − 1.3 |
| 12 | + 3.0 | + 7.7 | + 3.3 | − 8.7 | − 8.0 | − 2.0 |
| 19 | + 2.6 | + 8.3 | + 4.1 | − 7.0 | − 5.2 | − 1.0 |
| 26 | + 1.5 | + 5.9 | + 3.5 | −10.8 | −13.7 | − 3.8 |
| May 3 | + 0.1 | + 8.1 | + 6.5 | − 5.7 | − 5.5 | − 0.3 |
| 10 | + 3.5 | + 9.3 | + 3.9 | − 9.1 | − 9.7 | − 2.2 |
| 17 | + 0.8 | + 7.8 | + 5.8 | − 6.8 | − 7.2 | − 0.9 |
| 24 | + 2.6 | + 6.3 | + 2.9 | −13.5 | −12.4 | − 4.0 |
| 31 | Holiday | + 0.7 | + 7.2 | − 5.2 | − 5.4 | + 0.4 |
| June 7 | + 6.1 | + 9.8 | + 5.0 | − 5.5 | − 7.1 | − 1.3 |
| 14 | − 0.3 | + 3.7 | + 3.0 | − 7.7 | − 6.8 | − 1.6 |
| 21 | + 3.2 | + 7.7 | + 4.1 | − 7.5 | − 8.2 | − 1.2 |
| 28 | − 0.9 | + 1.6 | − 1.2 | −14.8 | −14.0 | − 0.8 |
| July 5 | Holiday | + 4.5 | +12.8 | − 0.8 | − 4.1 | + 1.0 |
| 12 | + 4.0 | +10.0 | + 3.6 | − 7.8 | − 6.3 | − 2.1 |
| 19 | + 0.8 | + 6.7 | + 4.3 | − 7.5 | − 7.2 | − 1.2 |
| 26 | + 1.1 | + 6.5 | + 0.8 | −10.5 | − 9.6 | − 3.8 |
| Aug. 2 | − 4.6 | + 5.5 | + 3.2 | − 8.7 | − 7.2 | − 0.3 |
| 9 | + 2.2 | + 7.2 | + 3.1 | − 9.8 | − 9.3 | − 2.6 |
| 16 | − 0.7 | + 4.6 | + 3.2 | − 8.8 | − 8.2 | − 0.6 |
| 23 | + 2.3 | + 7.0 | + 3.4 | − 9.2 | − 7.7 | − 1.3 |
| 30 | − 2.3 | − 1.8 | + 3.9 | −11.1 | − 8.2 | − 1.8 |
| Sept. 6 | Holiday | + 0.8 | + 7.9 | − 6.0 | − 4.5 | + 0.6 |
| 13 | + 3.2 | + 8.4 | + 2.2 | − 8.3 | − 6.3 | − 0.4 |
| 20 | + 1.5 | + 7.5 | + 4.4 | − 6.2 | − 6.0 | − 0.3 |
| 27 | − 8.5 | + 5.6 | − 0.9 | −13.5 | −11.4 | − 2.7 |
| Average... | + 1.2 | + 6.2 | + 4.2 | − 8.2 | − 7.8 | − 1.4 |

It will be noticed that the weekly movement is exceedingly regular. The first three days of the week regularly bring an inflow of currency and the last three days an outflow. The extra demand for currency which accompanies holidays is also shown and a careful reading of the table will reveal the effect of the semi-monthly payrolls. Larger withdrawals than receipts shown by the averages are due to the fact that the period covered was one when currency in circulation was increasing, due partly to seasonal causes.

It is generally recognized that there is a regular tendency for money rates to be firmer at the beginning and end of the month than at the middle of the month. These recent studies appear to indicate that currency requirements may be as great a factor in this monthly movement as dividend payments, payments of first of the month accounts, or other transactions of that sort, which involve bank credit rather than currency. The effect on bank reserves of a payment of currency is ten times as great, on the average, as a corresponding increase or decrease in the demand deposits of banks, because the withdrawal of 100 dollars of currency reduces reserves 100 dollars, whereas an increase of 100 dollars in demand deposits only involves on the rough average, an increase of about 10 dollars in bank reserves.

The effects of the different currency movements which we have been describing may be traced in diagrams on pages 16—17. It will be noted from these diagrams that bank borrowings tend to be higher at the close of the week than at the beginning of the week. This is due in part to the larger requirements for currency at the close of the week and is also due in part to the adjustment of bank reserves at the end of the week. The heavier borrowings and higher call rates at the end of each month, together with effects of holiday currency withdrawals are also clearly indicated on the diagrams.

## QUARTERLY TAX PERIODS

On the fifteenth day of March, June, September, and December, the diagrams show the effects of the quarterly Treasury financing. The typical operations at these periods and the effects on the money market were so fully described in the 1924 annual report of this bank that the description is not repeated here. The comment may perhaps be made, however, that the procedure in connection with these very large movements of funds at tax periods has now been so regularized that very large shifts of funds take place at those times without any considerable effect upon the market, as is indicated by the comparatively steady level of call money rates during these periods.

### CUBAN CURRENCY DEMAND

In tracing the movement of bank reserves, of borrowing, and of money rates during the year certain unusual occurrences leave their mark upon the figures. A brief but interesting movement of this sort occurred in the second week of April. The chart shows that at that time the reserves of the New York City banks were rapidly reduced more than 50 million dollars, and there followed a sharp increase in call rates, and an increase in borrowing at the Reserve Bank. These changes were due to a sudden demand for currency in Cuba. On April 10 and 12, certain of the New York City banks, for their own account and the account of Canadian banks having branches in Cuba, transferred currency to Cuba through the Federal Reserve Banks. This involved their drawing upon their reserves at the New York bank and receiving currency in Cuba. The amount of such transfers on these two dates alone amounted to about 40 million dollars and accounted for the changes shown for that period in diagram 11b.

### GOLD MOVEMENTS

A more important influence upon the bank reserve position was a reversal in 1926 of the direction of gold movement. In 1925 there had been net exports of $134,000,000 of gold. In 1926 there were imports of nearly $100,000,000. Imports were particularly heavy in the first three months of the year and were a factor in reduced borrowing at the Reserve Bank and easier money in March and April.

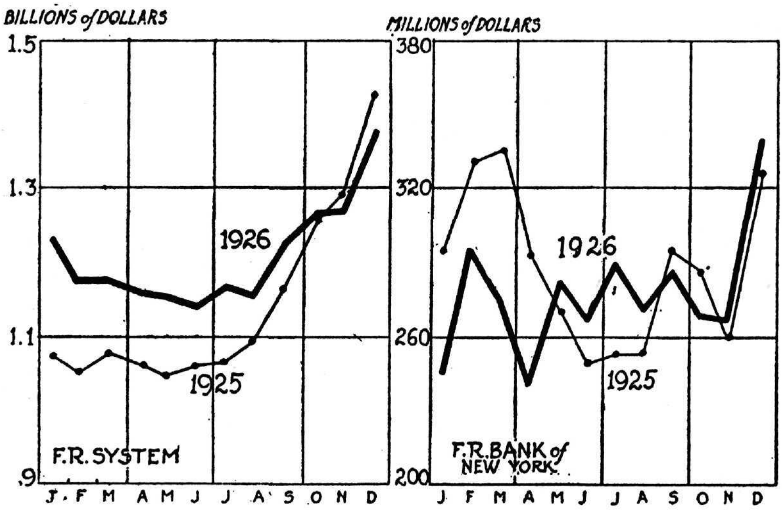
The country's imports and exports of gold during the year are shown in the following table. The movement to and from Canada directly reflected fluctuations in the exchanges, but most of the other movements were of special character and bore only an indirect relation to the exchanges and the relative position of money rates in this country and abroad. As elements in the reversal of direction of gold movement between 1925 and 1926 three important facts may well be borne in mind. The first is that in 1925 India had imported about $200,000,000, of which nearly $60,000,000 came from the United States; whereas in 1926 she imported somewhat less than $100,000,000, shipments from the United States being negligible. The second is that although German gold imports amounted to about $150,000,000 in both 1925 and 1926, in the former year about one-half came from the United States and in the latter about one-third, a correspondingly heavier demand falling on London, where, owing to the position of the exchanges, gold could be purchased more cheaply than in New York. The third fact is that Australia, which in 1925 imported over $25,000,000 from the United States, in 1926 exported over $50,000,000 to the United States.

GOLD MOVEMENTS DURING 1926
(*in millions*)

| | Imports from | Exports to |
|---|---|---|
| Canada | $82 | $42 |
| Australia | 51 | .. |
| Germany | .. | 48 |
| Mexico | 24 | 6 |
| Chile | 21 | .. |
| Japan | 14 | .. |
| Other countries | 21 | 20 |
| Total | $213 | $116 |

EASIER MONEY IN AUTUMN

After the middle of October there was a tendency towards easier money rates and reduced borrowing at the Reserve Bank. While this easing was partly seasonal in nature, it also reflected a lessened demand for credit from the security markets and some reduction in currency requirements for payrolls. There was not only a lessened credit and currency demand in New York City, but there were considerable transfers of funds to New York from other parts of the country. In the statistics of the Federal Reserve System the change which took place is perhaps best shown in total holdings of bills and securities, representing the total amount of Federal Reserve credit in use. During the first 9 months of the year these total bills and securities had been running




**12. Total Bills and Securities of All Federal Reserve Banks and the Federal Reserve Bank of New York.**
**(Average daily figures each month).**

about 50 to 100 million dollars larger than in 1925, but in October and November they dipped under the 1925 line and stayed there for the balance of the year. The total bills and securities held by the System and by the New York bank are shown in diagram 12.

## Discount and Open Market Policy

There were three changes in 1926 in the discount rate of the Federal Reserve Bank of New York as follows:

January 8—Increase from 3½ to 4 per cent
April 23—Decrease from 4 to 3½ per cent
August 13—Increase from 3½ to 4 per cent

The increase in January occurred at a time when production and trade were very active. It followed an increase in open market money rates and a considerable general increase in the volume of credit, particularly credit employed in the security markets.

The rate decrease in April occurred when there was some hesitation in business and apprehension as to the future. It followed some reduction in open market money rates and some decline in the volume of credit in use in the second district.

The increase in August occurred when business was very active. It followed an increase in open market money rates and in the volume of Federal Reserve credit in use.

The buying rates for bankers acceptances at which the bank stood ready to purchase prime bankers acceptances from member banks and dealers continued to follow closely the prevailing open market rates. The buying rates in force at different times, during the year were as follows:

| Date of Change | 1–15 days | 16–30 days | 31–45 days | 46–60 days | 61–90 days | 91–120 days | 121–150 days | 151–180 days |
|---|---|---|---|---|---|---|---|---|
| *Jan. 1, 1926 | 3¼ | 3¼ | 3¼ | 3⅜ | 3⅜ | 3½ | 3¾ | 3¾ |
| Jan. 8, 1926 | 3½ | 3½ | 3½ | 3⅝ | 3⅝ | 3¾ | 4 | 4 |
| Apr. 27, 1926 | 3⅛ | 3¼ | 3¼ | 3¼ | 3½ | 3½ | 4 | 4 |
| May 20, 1926 | 3⅛ | 3⅛ | 3¼ | 3¼ | 3¼ | 3½ | 4 | 4 |
| May 21, 1926 | 3⅛ | 3⅛ | 3¼ | 3¼ | 3¼ | 3⅜ | 3¾ | 3¾ |
| Aug. 16, 1926 | 3⅜ | 3⅜ | 3⅜ | 3½ | 3½ | 3⅝ | 4 | 4 |
| Aug. 23, 1926 | 3⅜ | 3½ | 3½ | 3¾ | 3¾ | 3¾ | 4 | 4 |
| Sept. 1, 1926 | 3½ | 3½ | 3½ | 3¾ | 3¾ | 3¾ | 4 | 4 |

* In effect on

Open market operations, which consist—as far as they reflect policy—of purchases and sales of Government securities, are handled as a System matter by an Open Market Investment Committee composed of the governors of five of the Reserve Banks, acting with the approval of the Federal Reserve Board and the boards of directors of all twelve Reserve Banks. Operations in 1926 consisted of the sale of 50 millions of Government securities in the latter part of January and in February, the purchase of 65 millions in the early part of April, and the sale of 75 millions between the 11th of August and the 13th of September.

The sale in the latter part of January was the sequel to a temporary purchase of 50 millions of securities in December. The effect of the whole operation was to offset somewhat the tendency towards tight money in the last week of December and conversely to offset somewhat the tendency towards very easy money as currency returned from circulation in January. The January sale, moreover, gave added effectiveness to the rate increase of the New York Bank.

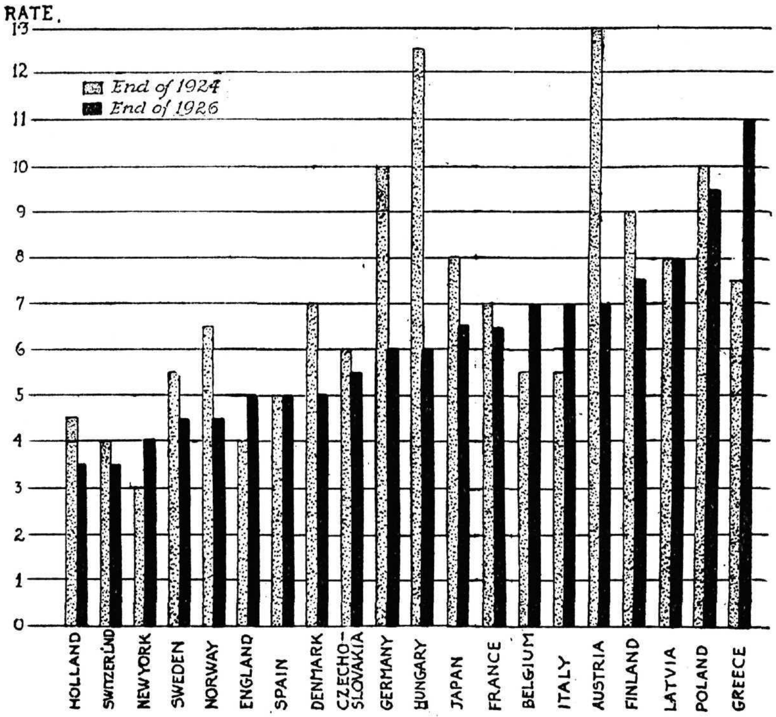
The purchase of securities in April, occurring simultaneously with transfers from the interior, and following gold imports, enabled member banks in New York City to liquidate temporarily much of their indebtedness at the Reserve Bank, and preceded the decrease in rate.

The sale of securities in August took the form in part of sales to the Treasury, which in turn restored its balance at the Reserve Banks by calling funds from all depository banks. The payment for the securities thus in effect was drawn from banks in all districts rather than directly from banks in New York City as is the case when securities are sold in the New York market. The effect was to offset gold imports being received at that time, to increase somewhat member bank indebtedness at the Reserve Banks, and thus to add something to the effectiveness of the rate increase in New York.

## Foreign Relations

The year 1926 has been on the whole a year of improvement in European monetary matters and there has been progress toward the return to more stable conditions. Notwithstanding serious labor disturbances which greatly reduced export trade, Great Britain maintained its monetary position with less loss of gold and a firmer exchange than in the preceding year, and particularly towards the end of the year money rates tended to be easier.

In other European money markets the gradual return over the past two years to a more nearly normal situation is perhaps best indicated by the movement of central bank rates, which is shown in the following diagram.




**13. Discount Rates of Foreign Banks of Issue at the end of 1924 and the end of 1926.**

Available figures indicate that the reduction which has taken place in this period in open market money rates is as great as the reduction in discount rates of banks of issue. In a number of the important European money centers rates for short term money are now distinctly low and funds are also much more readily available for the domestic purchase of security issues. The evidence is that the acute shortage of liquid capital which existed in certain European countries not many months ago has now passed.

It is still too early to discover what the effects of this important change will be upon our money market. One would expect some lessening of the pull from abroad upon American funds. But the factors in the situation are many and complex.

## STABILIZATION OF THE BELGIAN CURRENCY

After a long period of careful preparation the stabilization plan of the Belgian Government became effective on October 25. The value of the franc was fixed by decree at a gold value, amounting to about 2.781 cents. For international purposes a new unit of account was created, the belga, equivalent to five paper francs, with a fixed value of 0.209211 grams of fine gold or about 13.904 cents.

An international loan of $100,000,000 was offered by the Belgian Government in England, Holland, Sweden, Switzerland, and the United States, one-half of the total being offered in the United States. The proceeds of this loan were turned over by the Government to the National Bank of Belgium to be applied in reducing the State's indebtedness to the bank, which was further diminished by the application to the same end of the profits arising from the revaluation of the bank's existing reserves, hitherto carried at their prewar value.

As a part of the plans for the stabilization of the Belgian currency, the Federal Reserve Bank of New York, in association with other Federal Reserve Banks, indicated its readiness to cooperate with the Belgian bank of issue, the Banque Nationale de Belgique, by participating with other banks of issue in credit arrangements under which the Federal Reserve Bank of New York agreed, if desired, to purchase up to a total amount of ten million dollars of prime commercial bills from the Banque Nationale de Belgique. In these arrangements the Federal Reserve System acted in collaboration with the Central Banks of Austria, England, France, Germany, Holland, Hungary, Japan, and Sweden.

The credit arrangement made by this bank on behalf of all the Federal Reserve Banks with the National Bank of Belgium was the principal new development in the relations with foreign banks of issue. A loan on gold which had been made to the Bank of Poland was entirely repaid during the year. This bank continued to carry on the usual correspondent relationships with foreign banks of issue, which consisted principally of the maintenance of balances here, the investment of funds in Government securities or bankers acceptances, and the earmarking of gold.

## Bank Changes in 1926

Two tendencies in banking organization in the district are worthy of note; first, an increase in the number of new banks and second, a tendency toward bank consolidations.

The changes in the number and kind of banks in the district are shown in the following table. Notwithstanding the consolidations which have taken place, there has been an increase of 16 in the number of national banks in the district and an increase of 37 in the state banks and trust companies of which 17 were additions to member banks, and 20 to nonmember banks.

NUMBER OF MEMBER AND NONMEMBER BANKS IN SECOND FEDERAL RESERVE DISTRICT AT END OF YEAR

| Type of Bank | December 31, 1925 | | | December 31, 1926 | | |
|---|---|---|---|---|---|---|
| | Members | Non Members | Per cent Members | Members | Non Members | Per cent Members |
| National Banks | 734 | ... | 100 | 750 | ... | 100 |
| State Banks* | 55 | 235 | 19 | 57 | 232 | 20 |
| Trust Companies | 91 | 156 | 37 | 106 | 179 | 37 |
| Total | 880 | 391 | 69 | 913 | 411 | 69 |

* Exclusive of savings banks.

In the country as a whole the total number of commercial banks declined in five years from about 29,000 to about 26,500, or a reduction of about 9 per cent largely due to failures and mergers. There has been no such change in this district because there have been few bank failures, but the growth in number of banks had been comparatively slow in recent years until recent months when growth has been more rapid.

CHANGES IN FEDERAL RESERVE MEMBERSHIP IN SECOND DISTRICT DURING 1926

| | |
|---|---|
| Total membership beginning of year | 880 |
| Active | |
| Increases: | |
| National Banks Organized | 35 |
| Conversion of nonmember banks | 1 |
| Admission of state banks | 16 |
| Total increases | 52 |
| Decreases: | |
| Conversion of national banks to nonmember | 7 |
| Withdrawal of state banks | 0 |
| Total decreases | 7 |
| Net active increases | 45 |
| Passive | |
| Decreases: | |
| Member banks combined with other members | 12 |
| Insolvencies | 0 |
| Net passive decreases | 12 |
| Net final increase | 33 |
| Total membership end of year | 913 |

In 1926 the membership of the Federal Reserve System in this district reached its highest point, due partly to an increase in the number of banks and partly to a movement among state institutions toward membership. The changes in membership are set forth in detail in the foregoing table. The changes are divided into two types—active changes which reflect the choice of banks as to membership, and passive changes which result from mergers, liquidations, etc.

It will be noted from the foregoing table that there have been 12 mergers or consolidations of member banks in the district, most of which have occurred in New York City and other large centers. There have also been a number of cases of member banks absorbing nonmember banks. Two important consequences to the general banking situation result from the tendency toward bank mergers during the past generation. One consequence is the greater concentration of banking resources, and the second is an increase in branch banking within city limits. The greater concentration of banking resources is perhaps most vividly illustrated in the case of New York City. Certain of the principal facts are set forth in the following table, which gives the situation at intervals since 1889.

CHANGES IN NUMBER AND RESOURCES OF COMMERCIAL BANKS IN NEW YORK CITY SINCE 1889†
*(dollar figures in millions)*

| | Number of banks | Total Resources all banks | Resources 10 largest banks | Percent of 10 largest to total | Average resources all banks | Average resources 10 largest banks |
|---|---|---|---|---|---|---|
| 1889 | 142 | $1,028 | $ 343 | 33 | $ 7 | $34 |
| 1900 | 152 | 2,111 | 766 | 36 | 14 | 77 |
| 1914 | 129 | 3,911 | 1,850 | 47 | 30 | 185 |
| 1920 | 123 | 8,441 | 4,530 | 54 | 69 | 453 |
| 1926 | 143 | 10,370 | 6,098 | 59 | 73 | 610 |

† Exclusive of savings banks.

The number of banks operating in Greater New York has shown practically no net change during the entire 37 years. There were 142 banks operating in 1889 and there are now 143, and the distribution of these banks between national banks, state banks, and trust companies is approximately the same as it was a generation ago. Thus the mergers in this period have not actually diminished the number of banks in operation. There have been new banks organized rapidly enough to offset mergers, but not rapidly enough to keep pace with the growth of population, so that each bank now serves a larger population.

The greater concentration of banking resources is illustrated by the figures for the total resources of the 10 largest banks in the city. These resources amounted to $343,000,000 in 1889 and $6,098,000,000 in 1926, and showed a much more rapid growth than the resources of all banks. In fact, in 1889 the resources of the 10 largest banks amounted to 33 per cent of the total commercial banking resources of the city, whereas on June 30, 1926, they amounted to 59 per cent. This tendency toward the greater concentration of banking power is in keeping with the experience of the older European countries.

Somewhat similar changes have taken place in other large cities of the district as shown in the following table for the years 1889 and 1926.

CHANGES IN NUMBER AND RESOURCES OF COMMERCIAL BANKS IN FOUR CITIES SINCE 1889†

| | Number of Banks | | Resources all Banks (*in millions*) | | Resources 3 Largest (*in millions*) | | Percent 3 Largest to all | |
|---|---|---|---|---|---|---|---|---|
| | 1889 | 1926 | 1889 | 1926 | 1889 | 1926 | 1889 | 1926 |
| Albany | 10 | 5 | $20 | $143 | $11 | $134 | 55 | 94 |
| Buffalo | 13 | 7 | 31 | 461 | 13 | 408 | 42 | 89 |
| Rochester | 9 | 8 | 16 | 245 | 8 | 139 | 50 | 57 |
| Newark | 11 | 28 | 19 | 336 | 8 | 166 | 42 | 49 |

† Exclusive of savings banks.

This concentration of resources has been accompanied by a growth in the number of branches and banking offices, in addition to the parent banks. The growth in the number of banks in the district having additional offices of any kind and the number of such offices is given approximately for the past 39 years in the following table compiled from replies to questionnaires sent to all banks in the district having branches. The method used in arriving at the figures was to classify by year of establishment the branches in operation as of June 30, 1926, and accumulate the figures from year to year. This method does not take into account the branches that were discontinued prior to June 30, 1926.

NUMBER OF BANKS WITH BRANCHES AND NUMBER OF BRANCHES IN OPERATION IN SECOND FEDERAL RESERVE DISTRICT ON JUNE 30, EACH YEAR*
(Branches discontinued prior to June 30, 1926, not included)

| Year | New York City | | Buffalo | | All other in New York State | | New Jersey in Second Federal Reserve District | | Total all cities in Second Federal Reserve District | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Banks with Branches | No. of Branches | Banks with Branches | No. of Branches | Banks with Branches | No. of Branches | Banks with Branches | No. of Branches | Banks with Branches | No. of Branches |
| 1888 | 1 | 1 | .... | .... | .... | .... | .... | .... | 1 | 1 |
| 1889 | 1 | 1 | .... | .... | .... | .... | 1 | 1 | 2 | 2 |
| 1890 | 1 | 1 | .... | .... | .... | .... | 1 | 1 | 2 | 2 |
| 1891 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1892 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1893 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1894 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1895 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1896 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1897 | 1 | 1 | .... | .... | .... | .... | 2 | 2 | 3 | 3 |
| 1898 | 1 | 1 | .... | .... | .... | .... | 3 | 3 | 4 | 4 |
| 1899 | 3 | 6 | .... | .... | .... | .... | 3 | 3 | 6 | 9 |
| 1900 | 3 | 9 | .... | .... | .... | .... | 3 | 3 | 6 | 12 |
| 1901 | 6 | 20 | .... | .... | .... | .... | 3 | 3 | 9 | 23 |
| 1902 | 8 | 30 | .... | .... | .... | .... | 3 | 3 | 11 | 33 |
| 1903 | 14 | 44 | .... | .... | 1 | 1 | 3 | 3 | 18 | 48 |
| 1904 | 16 | 50 | .... | .... | 1 | 1 | 3 | 3 | 20 | 54 |
| 1905 | 16 | 57 | .... | .... | 1 | 1 | 3 | 3 | 20 | 61 |
| 1906 | 19 | 73 | .... | .... | 1 | 1 | 3 | 3 | 23 | 77 |
| 1907 | 20 | 82 | .... | .... | 1 | 1 | 3 | 3 | 24 | 86 |
| 1908 | 20 | 86 | .... | .... | 1 | 1 | 3 | 3 | 24 | 90 |
| 1909 | 21 | 91 | .... | .... | 2 | 2 | 3 | 3 | 26 | 96 |
| 1910 | 23 | 94 | .... | .... | 2 | 2 | 3 | 3 | 28 | 99 |
| 1911 | 24 | 98 | .... | .... | 2 | 2 | 3 | 3 | 29 | 103 |
| 1912 | 26 | 105 | .... | .... | 2 | 2 | 3 | 3 | 31 | 110 |
| 1913 | 27 | 115 | .... | .... | 2 | 2 | 4 | 4 | 33 | 121 |
| 1914 | 27 | 123 | .... | .... | 2 | 2 | 7 | 9 | 36 | 134 |
| 1915 | 29 | 130 | .... | .... | 2 | 2 | 11 | 16 | 42 | 148 |
| 1916 | 29 | 136 | 1 | 2 | 2 | 2 | 11 | 16 | 43 | 156 |
| 1917 | 30 | 145 | 1 | 5 | 2 | 2 | 11 | 16 | 44 | 168 |
| 1918 | 30 | 152 | 1 | 5 | 2 | 2 | 11 | 16 | 44 | 175 |
| 1919 | 31 | 158 | 2 | 11 | 4 | 4 | 11 | 16 | 48 | 189 |
| 1920 | 33 | 173 | 2 | 20 | 7 | 7 | 11 | 16 | 53 | 216 |
| 1921 | 36 | 192 | 4 | 28 | 9 | 11 | 11 | 16 | 60 | 247 |
| 1922 | 38 | 212 | 5 | 32 | 9 | 12 | 11 | 17 | 63 | 273 |
| 1923 | 42 | 242 | 5 | 47 | 13 | 18 | 11 | 17 | 71 | 324 |
| 1924 | 46 | 274 | 5 | 49 | 15 | 22 | 11 | 17 | 77 | 362 |
| 1925 | 53 | 315 | 5 | 53 | 17 | 25 | 11 | 17 | 86 | 410 |
| 1926 | 57 | 365 | 5 | 62 | 18 | 30 | 11 | 17 | 91 | 474 |

* Exclusive of savings banks.

## Reports of Operation

**As complete statistics of the operations of each Reserve Bank are published in the annual report of the Federal Reserve Board, detailed figures of the operations of this bank are omitted from this report, with the exception of the following pages showing the statement of condition at the beginning and end of the year, the income and disbursements during the year, and a table showing the volume of operations in principal departments, including the Buffalo Branch.**

STATEMENT OF CONDITION

| Resources | Dec. 31, 1926 | Dec. 31, 1925 |
|---|---|---|
| Cash Reserves held by this bank against its deposits and note circulation: | | |
| Gold held by the Federal Reserve Agent as part of the collateral deposited by the bank when it obtains Federal Reserve notes. This gold is lodged partly in the vaults of the bank and partly with the Treasurer of the United States | $282,987,466.59 | $329,996,016.59 |
| Gold redemption fund in the hands of the Treasurer of the United States to be used to redeem such Federal Reserve notes as are presented to the Treasury for redemption | 15,197,976.79 | 13,516,129.74 |
| Gold and gold certificates in vault | 439,891,808.03 | 331,225,694.40 |
| Gold in the gold settlement fund lodged with the Treasurer of the United States for the purpose of settling current transactions between Federal Reserve districts | 223,474,611.35 | 254,226,803.87 |
| Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits) | 22,523,994.00 | 27,256,282.00 |
| Total cash reserves | $984,075,856.76 | $956,220,926.60 |
| Non-reserve cash consisting largely of National bank notes, and minor coin | $15,893,779.00 | $16,966,978.42 |
| Loans and Investments: | | |
| Loans to member banks: | | |
| On the security of obligations of the United States | $146,539,450.00 | $197,709,000.00 |
| By the discount of commercial or agricultural paper or acceptances | 37,935,764.92 | 35,234,620.12 |
| Acceptances bought in the open market | 101,443,211.79 | 42,019,937.59 |
| United States Government bonds, notes, and certificates of indebtedness | 58,863,750.00 | 57,199,050.00 |
| Foreign loans on gold | ............... | 2,106,000.00 |
| Total loans and investments | $344,782,176.71 | $334,268,607.71 |
| Miscellaneous Resources: | | |
| Bank premises | $16,276,254.61 | $16,617,060.69 |
| Checks and other items in process of collection | 188,450,357.86 | 170,992,612.34 |
| All other miscellaneous resources | 1,788,471.18 | 4,162,451.27 |
| Total miscellaneous resources | $206,515,083.65 | $191,772,124.30 |
| Total resources | $1,551,266,896.12 | $1,499,228,637.03 |

| LIABILITIES | Dec. 31, 1926 | Dec. 31, 1925 |
|---|---|---|
| NOTES IN CIRCULATION: | | |
| Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper.................... | $416,874,122.50 | $393,036,812.50 |
| Total notes in circulation.............. | $416,874,122.50 | $393,036,812.50 |
| DEPOSITS: | | |
| Reserve deposits maintained by member banks as legal reserves against the deposits of their customers...................... | $835,959,724.96 | $847,248,505.07 |
| United States Government deposits carried at the Reserve Bank for current requirements of the Treasury........................ | 498,341.80 | 3,183,106.57 |
| Other deposits including foreign deposits, deposits of nonmember banks, etc.. ..... | 34,844,167.75 | 11,282,630.44 |
| Total deposits ........................ | $871,302,234.51 | $861,714,242.08 |
| MISCELLANEOUS LIABILITIES: | | |
| Deferred items, composed mostly of uncollected checks on banks in all parts of the country. Such items are credited as deposits after the average time needed to collect them elapses, ranging from 1 to 8 days.................................. | $162,884,891.11 | $150,262,580.52 |
| All other miscellaneous liabilities........... | 2,142,447.92 | 1,856,109.53 |
| Total miscellaneous liabilities.......... | $165,027,339.03 | $152,118,690.05 |
| CAPITAL AND SURPLUS: | | |
| Capital paid in, equal to 3 per cent. of the capital and surplus of member banks..... | $36,449,250.00 | $32,394,500.00 |
| Surplus—That portion of accumulated net earnings which the bank is legally required to retain................................ | 61,613,950.08 | 59,964,392.40 |
| Total capital and surplus.............. | $98,063,200.08 | $92,358,892.40 |
| Total liabilities........................ | $1,551,266,896.12 | $1,499,228,637.03 |

## INCOME AND DISBURSEMENTS

The following table shows the income and disbursements for the years 1926 and 1925. Total earnings in 1926 were nearly $400,000 larger than in 1925, due partly to the higher rate of discount and higher bill rates prevailing during most of the year. Expenses of current bank operations again were slightly smaller than the preceding year, notwithstanding a continued increase in the volume of operations of the bank. The net income for the year was sufficient to pay the 6 per cent dividend on capital stock provided by the Federal Reserve Act, and to add $1,649,500 to the surplus, which under the law must be increased by all net income after dividends until it is equal to the total subscribed capital stock of the bank. The total subscribed capital stock of the bank is now $72,898,500, the total paid in capital stock $36,449,250, and the surplus after this year's payment $61,613,950.08. The capital increases each year as the bank resources of the district increase, since member banks are required to subscribe to an amount of Federal Reserve stock equal to six per cent of their own capital and surplus, and to pay in one-half of the amount subscribed.

| | 1926 | 1925 |
|---|---|---|
| EARNINGS: | | |
| From loans to member banks and paper discounted for them | $5,836,835.57 | $5,188,505.53 |
| From acceptances owned | 2,001,668.33 | 1,469,858.04 |
| From United States Government obligations owned | 2,379,546.18 | 2,984,698.11 |
| Other earnings | 382,917.47 | 574,111.85 |
| Total earnings | $10,600,967.55 | $10,217,173.53 |
| ADDITIONS TO EARNINGS: | | |
| For sundry additions to earnings, including income from Annex Building | $174,366.14 | |
| DEDUCTIONS FROM EARNINGS: | | |
| For current bank operation. (These figures include most of the expenses incurred as fiscal agent of the United States) | $5,991,459.59 | $6,006,571.11 |
| For Federal Reserve Currency, mainly the cost of printing new notes to replace worn notes in circulation, and to maintain supplies unissued and on hand, and the cost of redemption | 429,981.88 | 318,630.63 |
| For depreciation, self-insurance, and other reserves, etc | 604,143.98 | 788,673.37 |
| Total deductions from earnings | $7,025,585.45 | $7,113,875.11 |
| Net income available for dividends, additions to surplus, and payment to the United States Government | $3,749,748.24 | $3,103,298.42 |
| DISTRIBUTION OF NET INCOME: | | |
| In dividends paid to member banks, at the rate of 6 per cent on paid-in capital | $2,100,190.56 | $1,888,195.73 |
| In additions to surplus—The bank is required by law to accumulate out of net earnings, after payment of dividends, a surplus amounting to 100 per cent of the subscribed capital; and after such surplus has been accumulated to pay into surplus each year 10 per cent of the net income remaining after paying dividends | 1,649,557.68 | 1,215,102.69 |
| Any net income remaining after paying dividends and making additions to surplus (as above) is paid to the United States Government as a franchise tax. No balance remained for such payments in 1926 or 1925. | | |
| Total net income distributed | $3,749,748.24 | $3,103,298.42 |

### VOLUME OF OPERATIONS

The following table indicates that the volume of operations in the principal departments of the bank has generally continued to increase during the year.

| Number of Pieces Handled | 1926 | 1925 | 1924 |
|---|---|---|---|
| Bills discounted: | | | |
| Applications | 16,249 | 15,528 | 12,452 |
| Notes discounted | 35,660 | 36,272 | 39,622 |
| Bills purchased in open market for own account | 76,466 | 63,037 | 61,453 |
| Currency received and counted | 605,280,000 | 554,123,000 | 512,097,000 |
| Coin received and counted | 1,129,027,000 | 981,654,000 | 917,181,000 |
| Checks handled | 155,488,000 | 143,175,000 | 136,853,000 |
| Collection items handled: | | | |
| United States Government coupons paid | 10,783,000 | 12,156,000 | 14,055,000 |
| All other | 2,064,000 | 2,040,000 | 2,429,000 |
| United States securities—issues, redemptions, and exchanges by fiscal agency department | 1,572,000 | 2,048,000 | 4,009,000 |
| Transfers of funds | 329,000 | 294,000 | 293,000 |
| Amounts Handled | | | |
| Bills discounted | $17,242,348,000 | $17,067,799,000 | $7,030,842,000 |
| Bills purchased in open market for own account | 1,437,565,000 | 1,160,605,000 | 1,077,399,000 |
| Currency received and counted | 3,925,170,000 | 3,539,722,000 | 3,177,027,000 |
| Coin received and counted | 380,569,000 | 268,129,000 | 114,281,000 |
| Checks handled | 93,068,875,000 | 88,241,217,000 | 68,678,871,000 |
| Collection items handled: | | | |
| United States Government coupons paid | 296,577,000 | 311,647,000 | 332,369,000 |
| All other | 2,065,742,000 | 2,085,032,000 | 1,873,743,000 |
| United States securities—issues, redemptions, and exchanges by fiscal agency department | 2,635,722,000 | 2,960,523,000 | 3,526,342,000 |
| Transfers of funds | 44,392,474,000 | 38,821,282,000 | 35,182,641,000 |

### ELECTION OF DIRECTORS

In the autumn Robert H. Treman, President of the Tompkins County National Bank of Ithaca, N. Y., and Theodore F. Whitmarsh, President of Francis H. Leggett & Company, New York, were re-elected as directors, each for a term of three years from January 1, 1927, by the member banks of Group 2, that is, banks having capital and surplus not exceeding $1,999,000 and not below $201,000. Mr. Treman has been a class A director since 1914 representing the banks, and Mr. Whitmarsh a class B director since 1924 representing the business interests of the district. Out of 316 banks in group 2, 236 banks voted and of these, 218 cast votes for Mr. Treman, and 219 for Mr. Whitmarsh. Charles Van Winkle, of Rutherford, New Jersey, who was also nominated for class A director, received 18 votes, and Frank D. Clearman, of Belleville, New Jersey, a class B nominee, received 17 votes.

On December 31, 1926, Pierre Jay resigned his position as class C director and Chairman of the Board and Federal Reserve Agent, to accept an appointment as American Member of the Transfer Committee under the Dawes Plan, leaving two years of his term as director unexpired. At their meeting on December 16, the directors adopted the following minute with reference to Mr. Jay's resignation.

> From the date of its organization, more than twelve years ago, Pierre Jay has served the Federal Reserve Bank of New York as Chairman of the Board and Federal Reserve Agent. He is now resigning to become the American Member of the Transfer Committee under the Dawes Plan.
>
> As an officer of the bank and as a representative of the Federal Reserve Board he has achieved a unique position as a wise councillor and a tactful leader.
>
> He has presided at the meetings of the directors with dignity and a sympathetic understanding of varying points of view. He has contributed to the discussions a comprehensive knowledge of the affairs of the bank, and a clear insight into its problems.
>
> In the broad field of policy he has exerted, by his scholarly analysis of Federal Reserve problems and his quiet diplomacy, a large influence upon the recorded decisions and the unwritten tradition of the Federal Reserve System.
>
> Through his writing and speaking he has made a valuable contribution in the interpretation of the Federal Reserve System to the public.
>
> By his personal charm and his kindliness he has endeared himself to all his associates.
>
> To Pierre Jay, unselfish servant of the public interest, statesman of finance, and kindly friend, we, the directors of the Federal Reserve Bank of New York, express our appreciation of the service he has rendered, our regret at his leaving us, and our confidence that he will find the satisfaction of great accomplishment in his new and important work.

On December 31, 1926, the term of William Lawrence Saunders of Plainfield, N. J., as class C director and Deputy Chairman expired, and at their meeting on January 13 the directors passed the following resolution:

> Upon the retirement of Mr. William Lawrence Saunders as a class C director and Deputy Chairman, his associates on the board desire to express their appreciation of the unselfish and effective service which he has rendered during the past ten years.
>
> Distinguished as an engineer, inventor, and industrial executive he has given liberally of his time and energy to the affairs of the bank, and his broad knowledge and experience, coupled with sound judgment and tact, have enabled him to make a large contribution to the determination of its policy. The directors and officers will miss greatly his wise counsel and kindly personality.

On January 13, 1927, Owen D. Young, of New York City, was appointed by the Federal Reserve Board as a class C director for a three-year term and Deputy Chairman of the Board for 1927 to fill the position made vacant by the retirement of Mr. Saunders. In order to accept this appointment, Mr. Young resigned his position as a class B director of the bank, an office to which he was elected for a second term of three years by member banks of Group 1 in the autumn of 1925. An election to fill the vacancy thus created is now being held.

On February 10, 1927, the Federal Reserve Board announced the appointment of Gates W. McGarrah of New York City as class C director to fill Mr. Jay's unexpired term and designated him Chairman of the Board and Federal Reserve Agent. Mr. McGarrah will enter upon the duties of this office on May 1, 1927.

Two directors at the Buffalo Branch were appointed during 1926. Frederick B. Cooley, President of the New York Car Wheel Company, Buffalo, was appointed by the Federal Reserve Board on December 17 for a term of three years beginning January 1, 1927, to succeed James H. McNulty, deceased. Harry T. Ramsdell, Chairman of the Manufacturers & Traders Trust Company, Buffalo, was reappointed for a term of three years from January 1, 1927. Walter W. Schneckenburger continued as Managing Director. The Branch has seven directors of whom four are appointed by the Bank and three by the Federal Reserve Board.

### MEMBER OF ADVISORY COUNCIL

At a meeting of the board of directors held on January 28, 1926, James S. Alexander of New York City, was elected a member of the Federal Advisory Council from the second Federal Reserve district for the year 1926, to succeed Paul M. Warburg who had served as a member of the Council for five years. On January 6, 1927, Mr. Alexander was reelected for the year 1927.

### OFFICERS AND STAFF

During the year 1926 the following members of the official staff resigned to accept other positions:

January 31—George B. Roberts, Manager, Reports Department.
July 31—Howard M. Jefferson, Manager, Personnel Department.
September 30—Adolph J. Lins, Manager, Credit and Discount Department.

Laurence H. Hendricks, Controller of the Fiscal Agency Function, has tendered his resignation effective January 31, 1927.

Through readjustments in the departmental organization no additions were made during the year to the official staff except that on July 1, Herbert S. Downs, formerly a special representative of the bank, was appointed Manager of the Bank Relations Department.

The total staff of the bank was practically the same size at the end as at the beginning of the year, 2,446 as compared with 2,447 a year before. These figures include the staff of the Buffalo Branch.

# DIRECTORS AND OFFICERS

## December 31, 1926

| Class | Group | DIRECTORS | Term Expires Dec. 31 |
|---|---|---|---|
| A | 1 | JACKSON E. REYNOLDS, New York City<br>President, First National Bank | 1928 |
| A | 2 | ROBERT H. TREMAN, Ithaca, N. Y.<br>President, The Tompkins County National Bank | 1926 |
| A | 3 | DELMER RUNKLE, Hoosick Falls, N. Y.<br>President, Peoples National Bank | 1927 |
| B | 1 | OWEN D. YOUNG, New York City<br>Chairman, General Electric Company | 1928 |
| B | 2 | THEODORE F. WHITMARSH, New York City<br>President, Francis H. Leggett & Company | 1926 |
| B | 3 | SAMUEL W. REYBURN, New York City<br>President, Associated Dry Goods Corporation and Lord & Taylor | 1927 |
| C | | PIERRE JAY, New York City, *Chairman* | 1928 |
| C | | W. L. SAUNDERS, Plainfield, N. J., *Deputy Chairman*<br>Chairman, Ingersoll-Rand Company | 1926 |
| C | | CLARENCE M. WOOLLEY, New York City<br>Chairman, American Radiator Company | 1927 |

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### MEMBER OF FEDERAL ADVISORY COUNCIL

JAMES S. ALEXANDER

Chairman, National Bank of Commerce in New York

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### FEDERAL RESERVE AGENT'S FUNCTION

PIERRE JAY, *Federal Reserve Agent*

W. RANDOLPH BURGESS
*Assistant Federal Reserve Agent*

CARL SNYDER
*General Statistician*

HERBERT S. DOWNS, *Manager, Bank Relations Department*

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### GENERAL OFFICERS

BENJ. STRONG, *Governor*

J. HERBERT CASE, *Deputy Governor*
LOUIS F. SAILER, *Deputy Governor*

GEORGE L. HARRISON, *Deputy Governor*
EDWIN R. KENZEL, *Deputy Governor*

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L. RANDOLPH MASON, *General Counsel*
JESSE HOLLADAY PHILBIN, *Secretary and Assistant General Counsel*

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EDWARD L. DODGE, *General Auditor*

## SENIOR OFFICERS

RAY M. GIDNEY
*Controller of Loans*

ARTHUR W. GILBART,
*Controller of Cash and*
*Controller of Collections*

LAURENCE H. HENDRICKS,
*Controller of Fiscal Agency Function*

J. WILSON JONES,
*Controller of Administration*

LESLIE R. ROUNDS,
*Controller of Accounts*

## JUNIOR OFFICERS

DUDLEY H. BARROWS,
*Manager, Administration Department*

CHARLES H. COE,
*Manager, Check Department*

JAY E. CRANE,
*Manager, Foreign Department*
*and Assistant Secretary*

EDWIN C. FRENCH,
*Manager, Cash Department*

WALTER B. MATTESON,
*Manager, Securities Department*

ROBERT M. O'HARA,
*Manager, Bill Department*

JAMES M. RICE,
*Manager, Accounting Department*

STEPHEN S. VANSANT,
*Manager, Safekeeping Department*

I. WARD WATERS,
*Manager, Collection Department*

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# BUFFALO BRANCH

| DIRECTORS | *Term Expires Dec. 31* |
|---|---|
| FRANK W. CRANDALL<br>President, National Bank of Westfield, Westfield, N. Y. | 1928 |
| ARTHUR HOUGH, BATAVIA, N. Y.<br>President, Wiard Plow Company | 1927 |
| JOHN A. KLOEPFER, Buffalo<br>President, Liberty Bank of Buffalo | 1928 |
| ELLIOTT C. MCDOUGAL, Buffalo<br>President, Marine Trust Company | 1927 |
| JAMES H. MCNULTY, *Chairman*<br>President, Pratt and Lambert, Inc., Buffalo | 1926 |
| HARRY T. RAMSDELL, Buffalo<br>Chairman, Manufacturers and Traders Trust Company | 1926 |
| WALTER W. SCHNECKENBURGER, *Managing Director* | 1926 |

### Officers

WALTER W. SCHNECKENBURGER,
*Managing Director*

HALSEY W. SNOW, JR.
*Cashier*

CLIFFORD L. BLAKESLEE,
*Assistant Cashier*

ELMER L. THEOBALD,
*Assistant Cashier*