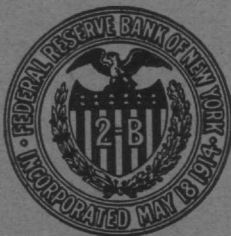


**Thirteenth Annual Report**

# **Federal Reserve Bank of New York**

**For the Year Ended December 31, 1927**



**Federal Reserve Agent  
Second Federal Reserve District**

**Thirteenth Annual Report**

**Federal Reserve Bank  
of New York**

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**Federal Reserve Agent  
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**FEDERAL RESERVE BANK  
OF NEW YORK**

*New York, February 2, 1928*

SIRS:

I have the honor to submit herewith the thirteenth annual report of the Federal Reserve Bank of New York, covering the year 1927.

Respectfully yours,

**GATES W. MCGARRAH,**  
*Chairman and Federal Reserve Agent.*

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

# Thirteenth Annual Report

## Federal Reserve Bank of New York

### The Year's Credit Changes

The statement of condition of the Federal Reserve Bank of New York at the year-end reflects at a number of points the unusual economic movements of the year. In particular, a large outflow of gold is reflected in a decrease in the bank's gold reserves and an increase in its total extensions of credit. Federal Reserve policy is reflected in an increase in holdings of Government securities. Some recession in business activity and an accompanying decrease in industrial payrolls is reflected in a decrease in Federal Reserve notes in circulation. An expansion in bank credit based in part on gold imports early in the year, together with moderately easy money conditions, is reflected in an increase in the reserve deposits of member banks.

The extent of these various changes is shown in the following summary of the principal items of the statement of condition. The figures shown are the average daily figures for the last week of each year rather than for the last day of the year, which is frequently subject to chance fluctuations.

PRINCIPAL RESOURCES AND LIABILITIES OF FEDERAL RESERVE BANK OF NEW YORK  
(Figures are averages for last 7 days of each year—In millions of dollars)

	1926	1927	Change
<i>Principal Resources</i>			
Gold Reserves.....	982	875	- 107
Bills and Securities:			
Loans to member banks.....	195	237	+ 42
Acceptances purchased.....	107	95	- 12
United States securities purchased.....	66	171	+105
Total bills and securities.....	368	503	+135
<i>Principal Liabilities</i>			
Federal Reserve notes in circulation.....	418	386	- 32
Deposits:			
Reserve deposits of member banks.....	870	960	+ 90
Government deposits.....	12	4	- 8
All other deposits.....	31	11	- 20
Total deposits.....	913	975	+ 62

## COMPARISON WITH THE RESERVE SYSTEM

One interesting fact with regard to the changes in condition of the Federal Reserve Bank of New York in the past year is that the year's changes for the System as a whole have in considerable measure been concentrated in New York, due probably to the fact that the major influence during the year has been the movement of gold, and most of the gold movement customarily flows through the Port of New York. The following table compares the changes shown above for the New York Bank with changes similarly computed for the Federal Reserve System as a whole. It indicates that in the case of gold reserves the New York Bank has shown an even larger loss than the total for the entire System, and correspondingly that member bank borrowing at the New York Bank provided more than its proportionate share of the increased requirement for credit which has resulted largely from gold exports. The increase in Government securities on the other hand (by arrangement between the Reserve Banks) has been more evenly distributed through the System, as has also the decrease in currency and the increase in reserve balances of member banks.

CHANGES FROM END OF 1926 TO END OF 1927 IN PRINCIPAL RESOURCES AND LIABILITIES  
OF ALL FEDERAL RESERVE BANKS COMBINED AND FEDERAL RESERVE BANK OF  
NEW YORK  
(Changes are based on average figures for last 7 days of each year—In millions of dollars)

	All Federal Reserve Banks	Federal Reserve Bank of New York
<i>Principal Resources</i>		
Gold reserves.....	— 70	—107
Bills and Securities:		
Loans to member banks.....	—139	+ 42
Acceptances purchased.....	+ 1	— 12
United States securities purchased.....	+287	+105
Total bills and securities.....	+148	+135
<i>Principal Liabilities</i>		
Federal Reserve notes in circulation.....	— 69	— 32
Deposits:		
Reserve deposits of member banks.....	+180	+ 90
Government deposits.....	— 21	— 8
All other deposits.....	— 22	— 20
Total deposits.....	+137	+ 62

The important changes shown by these statements are analyzed in further detail in succeeding paragraphs.

## CHANGES IN GOLD RESERVES

The gold movements of the year were larger than in any year since 1921. Most of these movements were centered in New York City and involved in one way or another the Federal Reserve Bank of New York. The year began with net imports (and a gain through changes in earmarking) of over \$100,000,000 in the first four months. In May and June there were two unusual operations in the purchase of \$62,000,000 of gold abroad to prevent its import into this country, and an increase of \$95,000,000 in the amount of gold set aside in the vaults of the Federal Reserve Bank of New York earmarked for foreign account. The gold purchased abroad was later sold, and in the last four months of the year a net amount of \$82,000,000 was set aside under earmark. In September there also began a gold export movement which by the end of December had exceeded imports in that period by \$141,000,000. The net effect of all these transactions was a net loss of more than \$150,000,000 of gold during the year, though this was partly offset in Reserve Bank holdings by some retirement of gold certificates from circulation and additions from domestic gold production; so that Federal Reserve gold holdings were reduced only \$70,000,000.

Gold movements are shown by months in the following table. The figures for exports and imports are for the country as a whole, though all but \$62,000,000 were made to or from New York. The earmarking operations were all at the Federal Reserve Bank of New York, which handles foreign accounts for the Reserve System.

## GAIN OR LOSS THROUGH GOLD MOVEMENTS\*

(In millions of dollars)

1927	Imports	Exports	Net Change Through Imports or Exports	Released from Earmark	Ear- marked	Net Change Through Earmarking	Total Change
January	\$ 59	\$ 15	\$+44	\$ 21	\$ 1	\$+ 20	\$+ 64
February	22	2	+20	5	2	+ 3	+ 23
March	17	6	+11	...	2	- 2	+ 9
April	15	3	+12	...	1	- 1	+ 11
May	34	2	+32	5	100	- 95	- 63
June	15	2	+13	...	1	- 1	+ 12
July	11	2	+ 9	3	3	.....	+ 9
August	8	2	+ 6	2	4	- 2	+ 4
September	13	24	-11	...	9	- 9	- 20
October	2	11	- 9	4	29	- 25	- 34
November	2	55	-53	2	42	- 40	- 93
December	10	78	-68	7	15	- 8	- 76
Total	\$208	\$202	\$+ 6	\$ 49	\$209	\$-160	\$-154

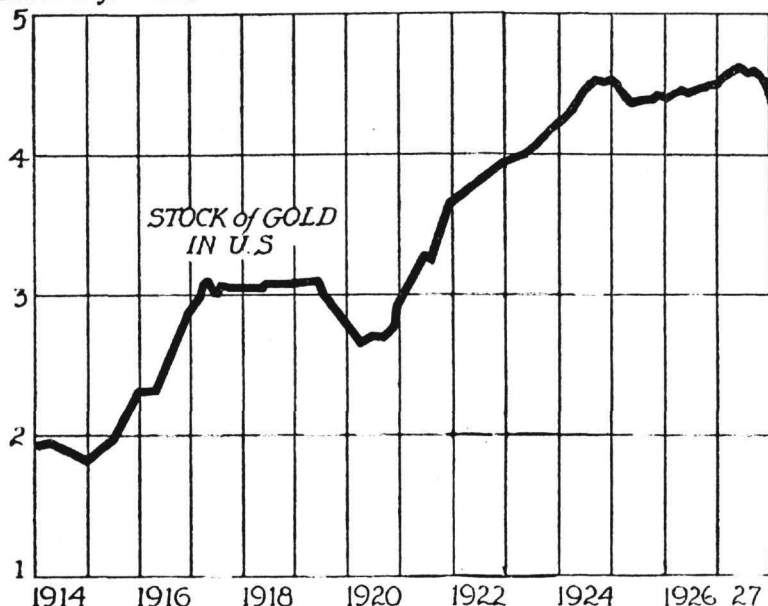
\* Excludes \$62,000,000 in gold purchased abroad during May and June and later sold.

The following table shows the principal sources of imports and the destinations of exports.

Net Imports From		Net Exports To	
Great Britain.....	\$31,000,000	Argentina.....	\$62,000,000
Canada.....	33,000,000	Brazil.....	34,000,000
Australia.....	22,000,000	Germany.....	14,000,000
France.....	11,000,000	Poland.....	5,000,000
Japan.....	20,000,000	China and Hong Kong.....	5,000,000
Chile.....	7,000,000	Belgium.....	2,000,000
Netherlands.....	7,000,000	British Malaya.....	3,000,000
Ecuador.....	2,000,000	India.....	3,000,000
Peru.....	2,000,000	Uruguay.....	2,000,000
		Venezuela.....	1,000,000
		Sweden.....	1,000,000

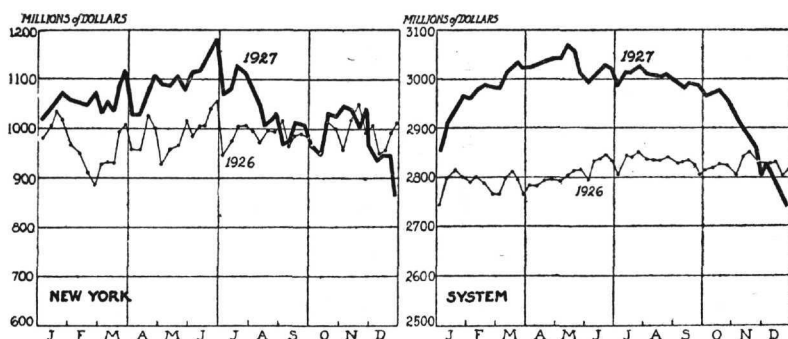
The net loss of gold in 1927 brings the country's gold stock down to the level of 1925 and well below the level of late 1924. The accompanying diagram of the gold stock shows that there have been comparatively minor changes since the autumn of 1924 in contrast with a vigorous import movement up to then.

*BILLIONS of DOLLARS*



1. The loss of gold at the end of the year brought the country's gold stock to the level of 1925 and considerably below that of late 1924

The effects of the year's gold movements upon the gold reserves of the Federal Reserve Bank of New York and of the whole Federal Reserve System are shown in the following diagram.



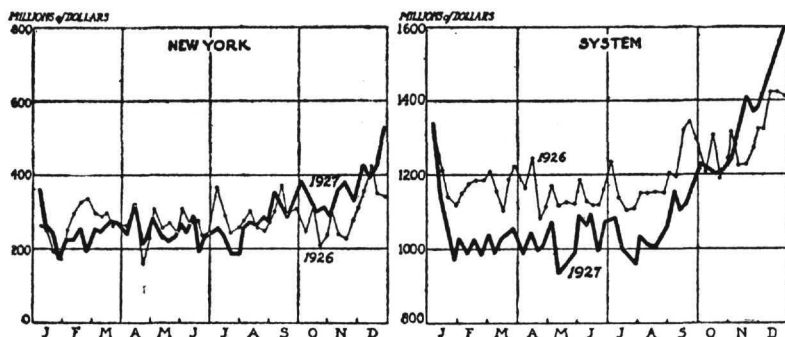
2. A comparison of gold reserves for the New York Bank and for the System indicates that the decline in gold reserves for the System was concentrated in New York

For the first seven months of the year the gold reserves of the New York Bank were substantially higher than in 1926 but after the discount rate was reduced, early in August, there was a decline in gold reserves which continued, with some interruptions, until the end of the year and resulted in a net reduction of approximately \$200,000,000. The first hundred million of this decline was due principally to a movement of funds from New York to other districts in which higher discount rates were maintained for a time. A return movement occurred subsequently, but was more than offset by heavy gold exports and earmarking transactions; so that the decline continued to the end of the year. At the end of the year the gold reserves of the bank were \$100,000,000 under the figure for the end of 1926.

A comparison of the reserves of the New York Bank and of the System indicates that all of the decline occurring in gold reserves for the System as a whole was concentrated in New York where all of the earmarking took place and most of the exports. The gold reserves of Federal Reserve Banks do not fully reflect the loss of gold during the year, due to the retirement from circulation of about \$40,000,000 of gold certificates which were absorbed in the System's gold reserves.

#### TOTAL BILLS AND SECURITIES

The total amount of credit extended by the Federal Reserve Bank of New York followed very much the same course as in 1926, until the last quarter of the year when the volume of credit was increased to provide banks with the resources to meet the drain of gold exports. At the end of the year the total bills and securities, or total earning assets, of the bank were larger than at any time since June 1921.

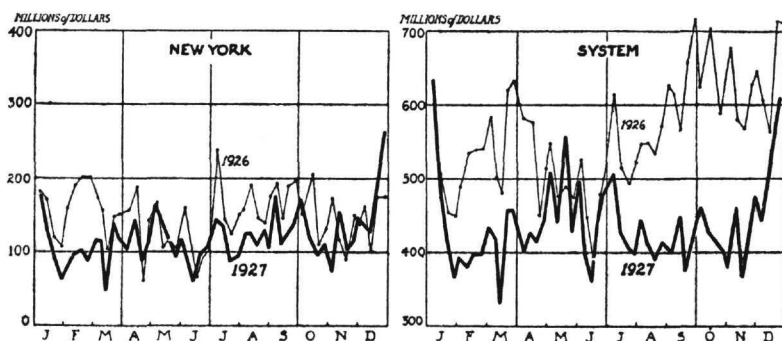


3. Total Bills and Securities followed much the same course as in 1926, except for an increase at the end of the year to provide banks with funds to meet gold exports

For the System, as a whole, total credit extensions were considerably less than in 1926, until the last quarter of the year, reflecting gold imports and the reduction in currency requirements. In the last quarter of the year, however, the total volume of Reserve Bank credit extended increased to new high levels since October 1921, reflecting largely the loss of gold, although reflecting in part also a rapid expansion of loans and investments of member banks which led to an increase in their requirements for reserves. As the loss of gold toward the end of the year was largely concentrated in New York, so the additional demand for credit due to gold exports, as has been indicated, fell particularly upon New York and a large part of the increase in the total volume of Federal Reserve credit in use took the form of an increase in the total bills and securities of the Federal Reserve Bank of New York.

#### BILLS DISCOUNTED

The volume of bills discounted by the New York Reserve Bank during 1927 was not far different from the volume in 1926 although the figures tended to be slightly lower in the spring of the year and in the late summer. For the System as a whole, however,



4. Bills discounted for member banks in the New York district were close to the volume of 1926, while the discounts for the System were substantially lower

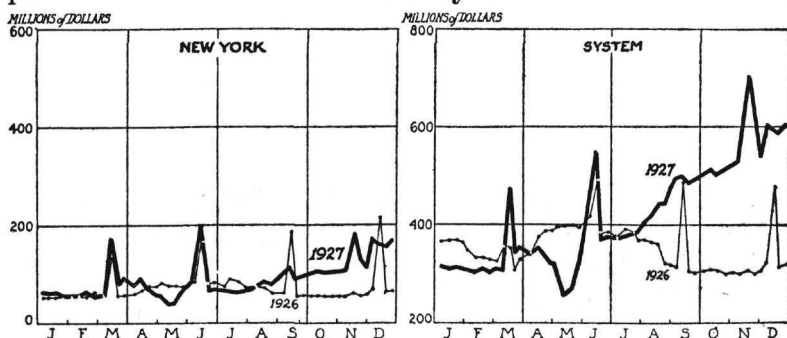
bills discounted were substantially lower than in 1926 during the major part of the year. A part of this reduction may be ascribed to the smaller aggregate demand for Federal Reserve credit until late in the year, but a part of it also reflected an increase in holdings of Government securities by the Reserve Banks which placed funds in the hands of the member banks which they employed to liquidate indebtedness at the Reserve Banks. Although most of the securities were purchased in the New York market the principal liquidation of indebtedness took place in the interior districts. The extent of liquidation by banks in interior districts as compared with the New York district is indicated by the following table of the average amounts of bills discounted at the several Federal Reserve Banks for the month of October 1927, compared with October 1926.

(In thousands of dollars)

	October 1926	October 1927	Change	Per Cent Change
Boston.....	42,180	33,290	- 8,890	-21.1
New York.....	164,579	126,862	-37,717	-22.9
Philadelphia.....	49,918	38,425	-11,493	-23.0
Cleveland.....	70,386	43,720	-26,666	-37.9
Richmond.....	45,664	28,888	-16,776	-36.7
Atlanta.....	55,681	25,999	-29,682	-53.3
Chicago.....	89,224	36,483	-52,741	-59.1
St. Louis.....	42,163	21,484	-20,679	-49.0
Minneapolis.....	11,145	2,672	- 8,473	-76.0
Kansas City.....	12,455	15,730	+ 3,275	+26.3
Dallas.....	19,451	7,151	-12,300	-63.2
San Francisco.....	62,720	43,709	-19,011	-30.3

#### GOVERNMENT SECURITIES HELD

The United States Government securities held by the Federal Reserve Bank of New York increased during 1927 from approximately \$65,000,000 to \$170,000,000, an increase which was roughly proportional to the increase for the System as a whole.



5. Government security holdings of the Federal Reserve Bank of New York and all Federal Reserve Banks increased in the second half of the year and furnished the market with much of the funds needed to replace gold exports



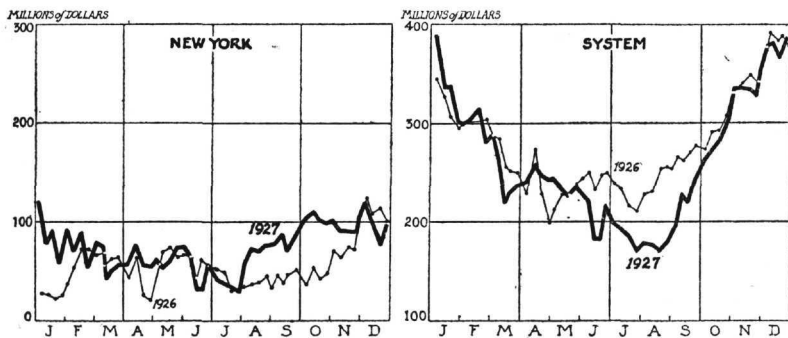
These increases in security holdings represented largely a joint purchase of securities by all the Reserve Banks. The principal transactions in Government securities in the System account were as follows:

- Sales of \$65,000,000— Early in May to offset the effect on the money market of purchases of gold abroad.
- Purchases of \$100,000,000—Between early in May and early in June to offset the earmarking of gold for foreign account.
- Purchases of \$ 79,000,000—Between the first of June and the middle of August in connection with reductions in discount rates at a number of the Federal Reserve Banks.
- Purchases of \$ 60,000,000—Between late August and early October for the purpose of offsetting sales of Federal Reserve holdings abroad.
- Purchases of \$ 45,000,000—During the latter part of October and early November, offsetting in part the effect of gold exports and earmarkings.

The other changes in security holdings shown by the diagram represented either temporary accommodation to the Treasury Department through the purchase of special one-day certificates of indebtedness to provide funds to redeem maturing securities, or accommodation given to dealers in Government securities through the purchase of securities under sales contract, by the terms of which dealers agree to repurchase the securities within a period of fifteen days.

#### BILLS PURCHASED

The course of bills purchased both by the Federal Reserve Bank of New York and by the Federal Reserve System followed in 1927 very much the same course as in 1926. At times there was a slight increase over 1926, but in general the amounts held were little larger despite the fact that the volume of bills outstanding in the market during the past autumn was between two and three hundred million dollars larger than during the autumn of 1926, and about the largest yet attained in this market. Thus the Federal Reserve Banks held during 1927 a somewhat smaller proportion of the total acceptances outstanding than in 1926. With money somewhat easier during



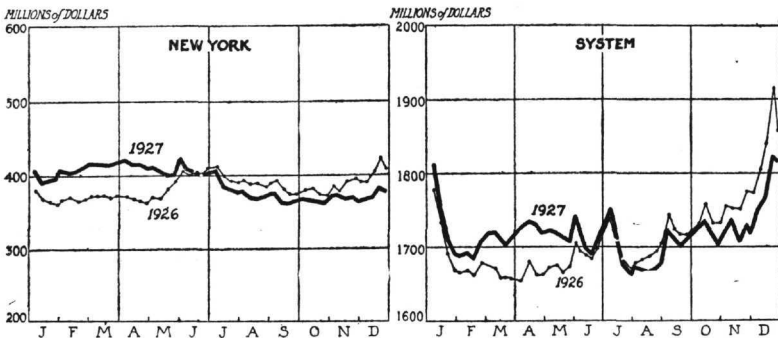
6. Bills held by the Reserve Banks in 1927 were no larger than in 1926 despite a considerably larger volume of bills outstanding

the past year the market for acceptances was somewhat better, particularly the market made by foreign funds in this market. The rates at which this bank stood ready to purchase prime bills from member banks and dealers during the year were as follows:

Date Put Into Effect	1-15 days	16-45 days	46-90 days	91-120 days	121-150 days	151-180 days
January 1, 1927	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{3}{4}$	$3\frac{3}{4}$	4	4
July 29, 1927	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$	$3\frac{3}{4}$	$3\frac{3}{4}$
August 5, 1927	3	$3\frac{7}{8}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{4}$	$3\frac{3}{4}$
August 22, 1927	3	3	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{3}{4}$	$3\frac{3}{4}$

## FEDERAL RESERVE NOTES

A decline in the amount of Federal Reserve notes in circulation reported both for the Federal Reserve Bank of New York and for the System reflected a decrease in the total amount of money in circulation, which was after the first four months of the year about



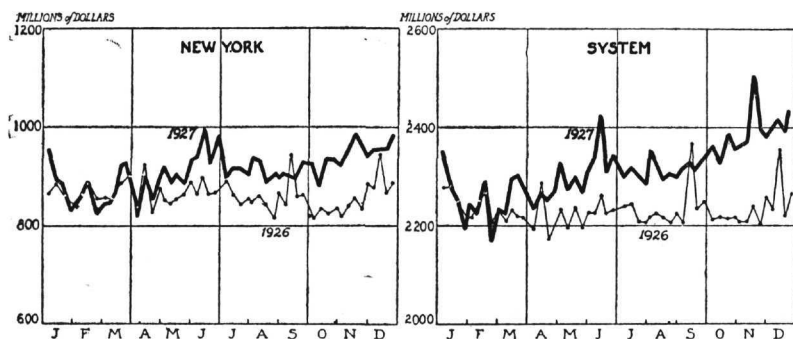
7. Federal Reserve notes in circulation decreased during the second half of 1927 reflecting some reduction in business activity and in payrolls

\$60,000,000 under 1926. This decrease was only partly in the form of Federal Reserve notes as the amount of gold certificates outstanding was also reduced by about \$40,000,000 on the average. These reductions are explainable by reference to the data for trade and employment, and particularly the data for payrolls of industrial establishments which in December were reported by State and Federal authorities as 5 to 7 per cent smaller than in the corresponding month in 1926.

## MEMBER BANK DEPOSITS

In the course of the year the reserve deposits of member banks increased about \$90,000,000 in the New York district and about \$180,000,000 for all districts. Since the member banks are required by law to maintain these deposits with the Reserve Banks in fixed

percentages of their own net demand and time deposits, and since the member banks almost never maintain reserve deposits in any considerable excess over the amounts legally required, an increase in this item is an indication of an increase in bank deposits in an amount somewhat proportionate to the increases in reserve deposits.

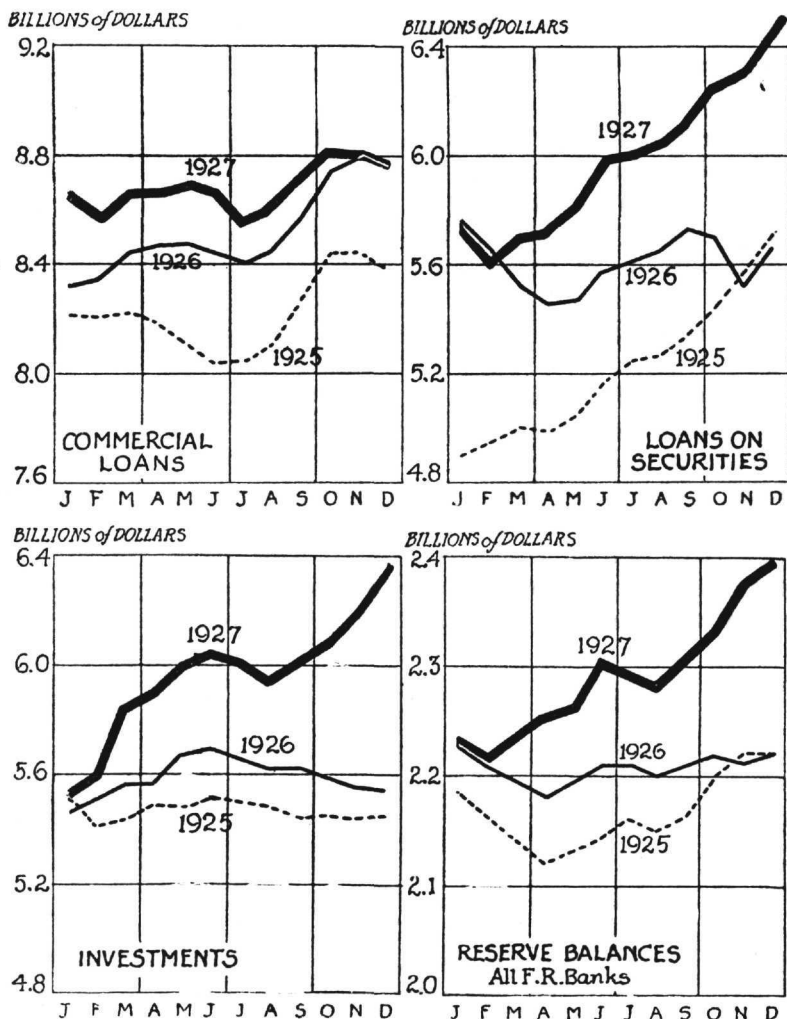


8. Reserve deposits of member banks increased considerably in 1927 accompanying a large increase in bank credit

The available figures in fact indicate that, accompanying a rapid expansion of loans and investments during the course of the year, the time and net demand deposits of member banks increased about \$2,500,000,000 and it is probable that the deposits of non-member banks showed a somewhat similar proportional increase so that the total increase of bank deposits for the country as a whole, during 1927, was in the neighborhood of \$3,500,000,000 or 7 per cent. In view of the somewhat restricted volume of trade during the year it seems clear that this increase in credit was in excess of the increase in the ordinary requirements of business. This presumption is borne out by such analysis of the figures as is possible from the data reported by the so-called reporting member banks which are about 660 of the larger member banks in principal centers. The major facts reported by these banks are illustrated in the accompanying diagram.

Commercial loans, the item carried in the reports as "All other Loans and Discounts," which is presumed to be predominantly commercial, have shown but slight if any increase during the year. But on the other hand bank investments and loans on stocks and bonds have each increased about \$900,000,000 for these banks. Thus the increases in credit during the year have been utilized largely for financial rather than directly for business operations. It is not possible to trace how far such an increase in the use of credit finds its way indirectly into business use of one kind or another and how far it is merely absorbed in the increased prices of securities or properties. It may safely be said, however, that the increase in the

volume of credit during the past year has been more rapid than can ordinarily be utilized by the regular growth in the volume of the country's business.



9. The expansion in credit during 1927 as shown by the Reporting Member Banks took the form of loans on securities and increased investments rather than commercial loans

While in general the state of business appears to be sound and there do not appear, for example, to be abnormal industrial inventories, there have been a number of developments in the course of the year which would appear to deserve careful scrutiny. These developments include a very large increase in bank loans to brokers and dealers in securities, an unusual amount of speculation in bank

stocks particularly, and what appears to be excessive activity in the organization of companies to purchase bank stocks, and a disposition to establish many new banks.

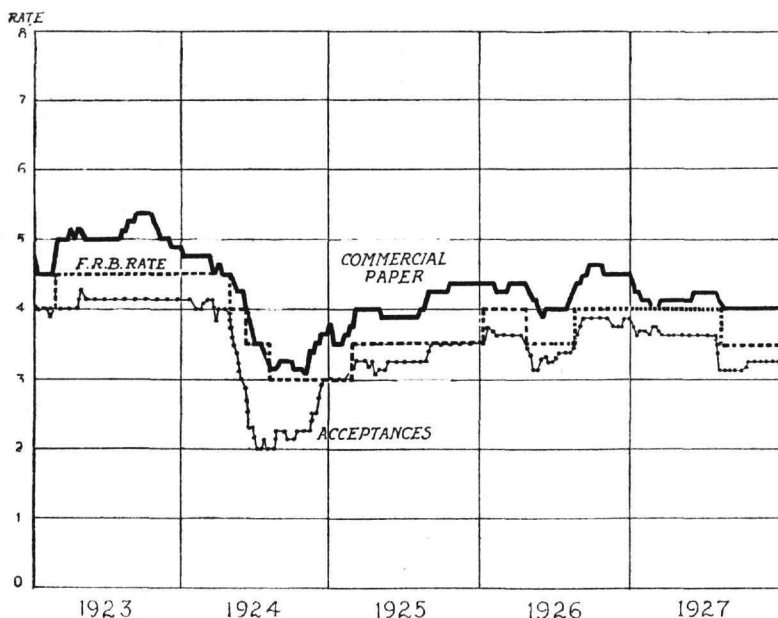
## Bank Policy

Federal Reserve policy in this district found its principal expression in a reduction in the discount rate of the bank from four per cent to three and a half per cent on August 5, and in changes in the holdings of Government securities.

The reduction in discount rate was made at a time when domestic business was beginning to show some recession and the financial position of Europe was such that considerable financial stringency was threatened by the continuance of a four per cent discount rate in New York. A general increase in interest rates in Europe during the fall season would undoubtedly have restricted foreign purchases of American farm products.

The purchases of Government securities in the course of the year were made in part to offset the effect on the money market of earmarking and exports of gold, and in part were made in connection with the change of discount rate.

The reduction in discount rate by this bank and by other Reserve Banks and purchases of Government securities in July and August were followed by strength in the exchanges of various coun-



10. Money rates in New York tended to be easier during the second half of 1927

tries and a reversal of the gold movement from net imports to net exports.

Diagram 10 shows the course of the discount rate and the open market rates on commercial paper and acceptances in New York.

### Foreign Relations

Two definite steps were taken during the year by the Federal Reserve Bank of New York and the other Reserve Banks in furtherance of the general return of the countries of Europe to the gold standard.

The Federal Reserve Bank of New York in association with all other Federal Reserve Banks participated in the credit arrangements granted by various banks of issue to the Bank Polski, the Polish bank of issue, in furtherance of the plans which were completed for the stabilization of the Polish currency. Under the terms of these arrangements the Federal Reserve Bank of New York agreed, if desired, to purchase from the Bank Polski up to a total of five and a quarter million dollars of prime commercial bills.

The Italian Government on December 22 announced the establishment of its currency on a gold exchange basis and the legal revaluation of the lira in terms of gold.

In accordance with the practice followed in other European countries when returning to a gold basis and to ensure the maintenance of monetary stability, the Banca d'Italia entered into a credit arrangement with the principal banks of issue for \$75,000,000 or its equivalent. A separate credit was arranged by the Banca d'Italia with certain private bankers aggregating about \$50,000,000 or its equivalent. In connection with the credit arranged by banks of issue the Federal Reserve Bank of New York, in association with other Federal Reserve Banks, agreed, if desired, to purchase from the Banca d'Italia up to a total of \$15,000,000 of prime commercial bills.

During the course of the year similar credit arrangements which had been made in 1925 with the Bank of England and in 1926 with the National Bank of Belgium expired. In neither case had any use of the credit arrangements been made, though their presence undoubtedly added to the assurance with which those countries undertook their return to the gold standard.

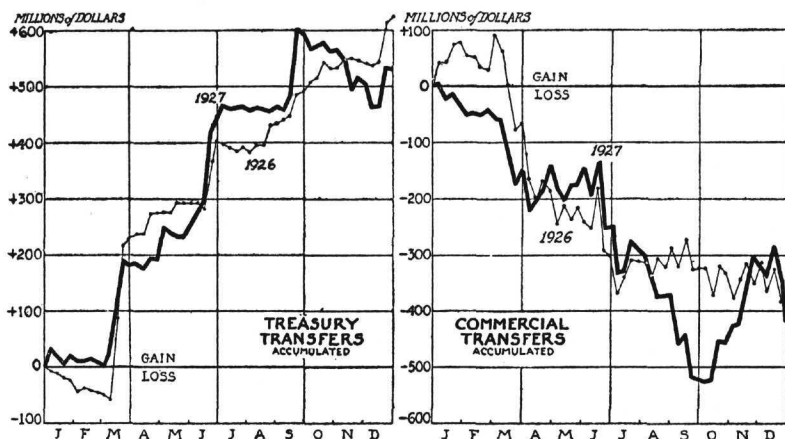
In general, the conclusion of 1927 finds the financial, business, and social condition of the countries of Europe more nearly normal

than at any time since the War. All of the major countries, with the exception of France, have effected legal stabilization of their currencies, and the French monetary position is vastly improved from a year ago and de facto stabilization of the franc has been achieved for a number of months. Business and trade are more active throughout Europe and unemployment is reduced.

## Movement of Funds To and From the New York Money Market

In recent years studies have been carried on by this bank to determine in general the sources of funds coming into the market and the distribution of funds withdrawn from the money market. Since practically all inter-district transfers and settlements are now made through the gold settlement fund of the Federal Reserve System, and since practically all currency and gold movements are at least recorded in one form or another on the books of the bank, it has been possible from the records of this bank to make a broad classification of the movements of funds to and from the New York banks, which constitute the immediate source of supply of funds used in the money market.

The largest movements of funds during 1927 were the movements to and from other districts. These are illustrated in the following diagram. It shows that both in 1926 and 1927 there was an accumulative movement of Treasury funds to New York amounting to 500 or 600 million dollars, which was largely offset by other transfers, designated on the diagram as "commercial transfers," from New York totaling around 400 millions.



11. Transfers of funds to New York by the Treasury to cover the redemption of maturing securities and interest payments were made in 1927 as in previous years, but were largely offset by withdrawals of funds by commercial banks in other districts



Ordinarily, about two-thirds of every issue of United States Government securities, especially the short-term issues, finds its way to New York by the time it matures, whereas the proportion of Federal income taxes collected in this district is about one-third of the total for the country. Consequently, Treasury disbursements to redeem maturing obligations regularly exceed receipts within the district at tax periods, and the balance must be met by transferring a part of the proceeds of tax collections in other districts to New York. To replace the funds transferred by the Treasury, commercial banks in other districts withdraw funds from New York after each tax period. These funds which are withdrawn from New York probably represent, among other things, the proceeds of securities sold or matured in this district and the payments for merchandise exported through New York.

The short-term fluctuations in these "commercial" transfers appear to be closely connected with currency requirements in other districts. There is a perceptible tendency for outward transfers to be made in the latter half of the week when currency for weekly payrolls and other purposes is withdrawn from the banks, and for transfers to New York to be made in the early part of each week accompanying the return of currency from circulation. These transfers to and fro are reflected in the amount of funds employed in New York by out-of-town banks in the form of call loans.

The third principal group of inter-district transfers represents settlements between Federal Reserve Banks for bill and security transactions. When purchases of bills or securities are made in this market for the account of other Reserve Banks, payment to the New York Bank is made through the gold settlement fund, and when bills or securities from the holdings of other Reserve Banks mature in New York, the return payment similarly is made through the fund. Apparently due to maturities in New York of bills and securities purchased in other districts, the general tendency of these Reserve Bank settlements seems to be to withdraw moderate amounts from New York.

The two other principal movements of funds which affect the position of banks in this district are increases and decreases in the amount of currency in circulation within the district, and exports, imports, and earmarking of gold. These have been discussed earlier in this report.



## Membership Changes in 1927

In 1927, membership of the Federal Reserve System in this district, continued the growth of the preceding year. The organization of new banks has again been the principal factor in this result and fewer National banks have been converted into State nonmembers. There was a larger number of mergers and consolidations among the member banks, which accounted for the majority of the decreases. No loss in membership occurred due to insolvencies or state bank withdrawals.

The accompanying tables set forth the number of banks in the Second District classified according to their charters, whether National or State, and give also an analysis of the causes which brought about changes in membership during the year.

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

Type of Bank	DECEMBER 31, 1927			DECEMBER 31, 1926		
	Members	Non-Members	Per Cent Members	Members	Non-Members	Per Cent Members
National Banks. ....	771	0	100	750	0	100
State Banks*.....	55	225	20	57	232	20
Trust Companies. ....	111	186	37	106	179	37
Total. ....	937	411	70	913	411	69

\* Exclusive of savings banks.

CHANGES IN FEDERAL RESERVE MEMBERSHIP IN SECOND DISTRICT DURING 1927

Total membership beginning of year. ....	913
Increases:	
National Banks Organized. ....	28
Conversion of nonmember banks to National. ....	4
Admission of State banks. ....	9
Total increases. ....	41
Decreases:	
Conversion of National bank to nonmember. ....	1
Member banks combined with other members. ....	16
Withdrawals. ....	0
Insolvencies. ....	0
Total decreases. ....	17
Net increase. ....	24
Total membership end of year. ....	937

## 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, 1927	Dec. 31, 1926
<b>CASH RESERVES</b> 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. ....	\$320,067,446.59	\$282,987,466.59
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. ....	17,171,916.69	15,197,976.79
Gold and gold certificates in vault. ....	372,076,393.63	439,891,808.03
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. ....	159,285,227.90	223,474,611.35
Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits). ....	24,598,953.00	22,523,994.00
<b>Total cash reserves. ....</b>	<b>\$893,199,937.81</b>	<b>\$984,075,856.76</b>
Non-reserve cash consisting largely of National bank notes, and minor coin. ....	\$20,923,803.11	\$15,893,779.00
<b>LOANS AND INVESTMENTS:</b>		
Loans to member banks:		
On the security of obligations of the United States. ....	\$230,800,050.00	\$146,539,450.00
By the discount of commercial or agricultural paper or acceptances. ....	50,537,894.62	37,935,764.92
Acceptances bought in the open market. ....	97,652,134.74	101,443,211.79
United States Government bonds, notes, and certificates of indebtedness. ....	181,479,900.00	58,863,750.00
<b>Total loans and investments. ....</b>	<b>\$560,469,979.36</b>	<b>\$344,782,176.71</b>
<b>MISCELLANEOUS RESOURCES:</b>		
Bank premises. ....	\$15,881,823.71	\$16,276,254.61
Checks and other items in process of collection. ....	193,847,416.29	188,450,357.86
All other miscellaneous resources. ....	6,104,632.87	1,788,471.18
<b>Total miscellaneous resources. ....</b>	<b>\$215,833,872.87</b>	<b>\$206,515,083.65</b>
<b>Total resources. ....</b>	<b>\$1,690,427,593.15</b>	<b>\$1,551,266,896.12</b>

LIABILITIES	Dec. 31, 1927	Dec. 31, 1926
<b>NOTES IN CIRCULATION:</b>		
Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by gold and discounted and purchased paper.....	\$390,343,496.50	\$416,874,122.50
Total notes in circulation.....	\$390,343,496.50	\$416,874,122.50
<b>DEPOSITS:</b>		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers.....	\$1,009,922,990.27	\$835,959,724.96
United States Government deposits carried at the Reserve Bank for current requirements of the Treasury.....	1,565,311.84	498,341.80
Other deposits including foreign deposits, deposits of nonmember banks, etc.....	12,761,471.57	34,844,167.75
Total deposits.....	\$1,024,249,773.68	\$871,302,234.51
<b>MISCELLANEOUS LIABILITIES:</b>		
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.....	\$170,612,489.82	\$162,884,891.11
All other miscellaneous liabilities.....	1,905,036.39	2,142,447.92
Total miscellaneous liabilities.....	\$172,517,526.21	\$165,027,339.03
<b>CAPITAL AND SURPLUS:</b>		
Capital paid in, equal to 3 per cent of the capital and surplus of member banks.....	\$40,309,600.00	\$36,449,250.00
Surplus—That portion of accumulated net earnings which the bank is legally required to retain.....	63,007,196.76	61,613,950.08
Total capital and surplus.....	\$103,316,796.76	\$98,063,200.08
Total liabilities.....	\$1,690,427,593.15	\$1,551,266,896.12

## INCOME AND DISBURSEMENTS

Gross income for the year 1927 was about the same as in 1926. A decrease of \$1,200,000 in earnings from loans to member banks was offset by increased earnings from acceptances and United States Government securities purchased.

Expenses of current bank operation again were smaller than in 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 six per cent dividend of \$2,327,000 on capital stock, provided by the Federal Reserve Act, and to add \$1,393,000 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 is now

\$80,619,200, the total paid-in capital stock \$40,309,600, and the surplus after this year's payment \$63,007,196. 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.

	1927	1926
<b>EARNINGS:</b>		
From loans to member banks and paper discounted for them.....	\$4,614,110.43	\$5,836,835.57
From acceptances owned.....	2,558,080.10	2,001,668.33
From United States Government obligations owned.....	2,960,562.64	2,379,546.18
Other earnings.....	515,005.63	382,917.47
<b>Total earnings.....</b>	<b>\$10,647,758.80</b>	<b>\$10,600,967.55</b>
<b>ADDITIONS TO EARNINGS:</b>		
For sundry additions to earnings, including income from Annex Building.....	\$126,074.48	\$174,366.14
<b>DEDUCTIONS FROM EARNINGS:</b>		
For current bank operation. (These figures include most of the expenses incurred as fiscal agent of the United States).....	\$5,955,030.69	\$5,991,459.59
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.....	517,139.84	429,981.88
For depreciation, self-insurance, and other reserves, etc.....	581,061.33	604,143.98
<b>Total deductions from earnings.....</b>	<b>\$7,053,231.86</b>	<b>\$7,025,585.45</b>
<b>Net income available for dividends, additions to surplus, and payment to the United States Government.....</b>	<b>\$3,720,601.42</b>	<b>\$3,749,748.24</b>
<b>DISTRIBUTION OF NET INCOME:</b>		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital.....	\$2,327,354.74	\$2,100,190.56
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.....	1,393,246.68	1,649,557.68
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 1927 or 1926.		
<b>Total net income distributed.....</b>	<b>\$3,720,601.42</b>	<b>\$3,749,748.24</b>

## VOLUME OF OPERATIONS

The two largest operations of the Reserve Banks in point of volume are the payment and receipt of currency and the collection of checks and non-cash items. Upon these two operations taken together more than half of the staff of the New York Reserve Bank is engaged. During 1927, the volume of work in these two major functions in the New York Reserve Bank continued to increase. There were increases in other functions as well. Bills purchased increased considerably over the preceding year, due to unusual activity in the bill market. A large increase in transactions in United States Government securities, which totaled over five billion dollars in 1927, reflected the refunding of the Second Liberty Loan bonds. The principal decrease in operations was in bills discounted, reflecting somewhat smaller loans to member banks. The following table shows the volume of principal operations for the past two years both in items and in dollar amounts.

	1927	1926
Number of Pieces Handled		
Bills discounted:		
Applications.....	14,525	16,249
Notes discounted.....	31,024	35,660
Bills purchased in open market for own account.....	99,238	76,466
Currency received and counted.....	640,967,000	605,280,000
Coin received and counted.....	1,189,801,000	1,129,027,000
Checks handled.....	168,724,000	155,488,000
Collection items handled:		
United States Government coupons paid. ....	9,931,000	10,783,000
All Other.....	2,259,000	2,064,000
United States securities—issues, redemptions, and exchanges by fiscal agency department.....	2,196,000	1,572,000
Transfers of funds.....	355,000	329,000
Amounts Handled		
Bills discounted.....	\$13,854,347,000	\$17,242,348,000
Bills purchased in open market for own account.....	1,975,505,000	1,437,565,000
Currency received and counted.....	4,159,821,000	3,925,170,000
Coin received and counted.....	588,422,000	380,569,000
Checks handled.....	100,206,587,000	93,068,875,000
Collection items handled:		
United States Government coupons paid. ....	250,622,000	296,577,000
All Other.....	2,385,753,000	2,065,742,000
United States securities—issues, redemptions, and exchanges by fiscal agency department.....	5,219,626,000	2,635,722,000
Transfers of funds.....	50,898,108,000	44,392,474,000

## CHANGES IN DIRECTORS

On January 13, 1927, Owen D. Young resigned his position as a Class B director and was appointed by the Federal Reserve Board as a Class C director for a three-year term and Deputy Chairman of the Board for one year to succeed W. L. Saunders whose term had expired. At a special election by the member banks in Group 1, that is, those having a capital and surplus above \$1,999,000, to fill the unexpired term of Mr. Young as Class B director until December 31, 1928, William H. Woodin, President of the American Car & Foundry Company, New York, was elected and took office on April 7, 1927.

On February 10, 1927, it was announced by the Federal Reserve Board that Gates W. McGarrah had been appointed Class C director, Chairman of the Board, and Federal Reserve Agent. Mr. McGarrah assumed the duties of office on May 2, 1927.

Clarence M. Woolley was reappointed by the Federal Reserve Board to serve as Class C director for three years, beginning January 1, 1928. As the result of an election held during October and November Delmer Runkle, Class A director, and Samuel W. Reyburn, Class B director, were reelected to succeed themselves as directors, each for a term of three years beginning January 1, 1928, by the member banks of Group 3, those banks having capital and surplus below \$201,000.

At the Buffalo Branch, Edward A. Duerr, President of the Community National Bank, Buffalo, was appointed by the Federal Reserve Board to fill the unexpired term of John A. Kloefer, deceased, and Arthur Hough was reappointed by the Federal Reserve Board as a director for a three-year term beginning January 1, 1928, and was elected Chairman of the Board for one year. Elliott C. McDougal was reappointed by the Federal Reserve Bank of New York for a term of three years, beginning January 1, 1928. The Managing Director of the Buffalo Branch, Walter W. Schneckenburger, was reappointed for the ensuing year.

## MEMBER OF ADVISORY COUNCIL

On January 5, 1928, James S. Alexander of New York City, was reelected by the Board of Directors of this bank to serve as a member of the Advisory Council for the current year.

## OFFICERS AND STAFF

The changes which took place in the official staff of the bank during 1927, were as follows:

Herbert S. Downs was appointed Assistant Federal Reserve Agent, in addition to his office as Manager of the Bank Relations Department, effective February 11, 1927, and on October 1, William H. Dillistin returned to the bank as Assistant Federal Reserve Agent, after an absence of nearly two years, during which he was Vice President of a member bank.

Laurence H. Hendricks, Controller of the Fiscal Agency Function, resigned January 31, 1927, and Jesse Holladay Philbin, Assistant General Counsel and Secretary, resigned as of April 30, 1927.

It was announced in January 1928, that the office of Controller had been abolished and that of Assistant Deputy Governor had been created. Arthur W. Gilbert, formerly Controller of Cash and Collections, and Leslie R. Rounds, formerly Controller of Accounts, were appointed Deputy Governors. Ray M. Gidney, formerly Controller of Loans, J. Wilson Jones, formerly Controller of Administration, Jay E. Crane, formerly Manager of the Foreign Department, and Walter B. Matteson, formerly Manager of the Securities Department, were appointed Assistant Deputy Governors. Jay E. Crane also was appointed Secretary. Harold V. Roelse, formerly Chief of the Reports Division, was appointed Manager of the Reports Department and William A. Scott, formerly Chief of the Foreign Department, was appointed Manager of the Foreign Department.

Elmer L. Theobald, Assistant Cashier of the Buffalo Branch, has resigned, effective February 15, 1928. R. B. Wiltse has been appointed Assistant Manager, effective February 23, 1928.

## DIRECTORS AND OFFICERS

January 1, 1928

<i>Class</i>	<i>Group</i>	<b>DIRECTORS</b>	<i>Term Expires Dec. 31</i>
A	1	JACKSON E. REYNOLDS, New York City . . . . . President, First National Bank	1928
A	2	ROBERT H. TREMAN, Ithaca, N. Y. . . . . President, The Tompkins County National Bank	1929
A	3	DELMER RUNKLE, Hoosick Falls, N. Y. . . . . President, Peoples National Bank	1930
B	1	WILLIAM H. WOODIN, New York City . . . . . President, American Car & Foundry Company	1928
B	2	THEODORE F. WHITMARSH, New York City . . . . . President, Francis H. Leggett & Company	1929
B	3	SAMUEL W. REYBURN, New York City . . . . . President, Lord & Taylor	1930
C		GATES W. MCGARRAH, New York City, <i>Chairman</i> . . . . .	1928
C		OWEN D. YOUNG, New York City, <i>Deputy Chairman</i> . . . . . Chairman, General Electric Company	1929
C		CLARENCE M. WOOLLEY, Greenwich, Conn. . . . . Chairman, American Radiator Company	1930

## MEMBER OF FEDERAL ADVISORY COUNCIL

JAMES S. ALEXANDER

Chairman, National Bank of Commerce in New York

## FEDERAL RESERVE AGENT'S FUNCTION

GATES W. MCGARRAH, *Federal Reserve Agent*W. RANDOLPH BURGESS, *Assistant Federal  
Reserve Agent*WILLIAM H. DILLISTIN, *Assistant Federal  
Reserve Agent*HERBERT S. DOWNS, *Assistant Federal Re-  
serve Agent and Manager, Bank Rela-  
tions Department*CARL SNYDER, *General Statistician*HAROLD V. ROELSE, *Manager, Reports  
Department*EDWARD L. DODGE, *General Auditor*



## GENERAL OFFICERS

BENJ. STRONG, *Governor*J. HERBERT CASE, *Deputy Governor*GEORGE L. HARRISON, *Deputy Governor*LESLIE R. ROUNDS, *Deputy Governor*LOUIS F. SAILER, *Deputy Governor*EDWIN R. KENZEL, *Deputy Governor*ARTHUR W. GILBART, *Deputy Governor*

RAY M. GIDNEY

*Assistant Deputy Governor*

J. WILSON JONES,

*Assistant Deputy Governor*

JAY E. CRANE

*Assistant Deputy Governor and Secretary*

WALTER B. MATTESON

*Assistant Deputy Governor*L. RANDOLPH MASON, *General Counsel*

## JUNIOR OFFICERS

DUDLEY H. BARROWS,

*Manager, Administration Department*

CHARLES H. COE

*Manager, Loan and Discount Department*

EDWIN C. FRENCH

*Manager, Cash Department*

ROBERT F. McMURRAY

*Manager, Collection Department*

ROBERT M. O'HARA

*Manager, Bill Department*

JAMES M. RICE

*Manager, Accounting Department*

WILLIAM A. SCOTT

*Manager, Foreign Department*

STEPHEN S. VANSANT

*Manager, Government Bond and Safe-keeping Department*

I. WARD WATERS

*Manager, Check Department*

## BUFFALO BRANCH

## DIRECTORS

*Term  
Expires  
Dec. 31*

FRANK W. CRANDALL

*President, National Bank of Westfield, Westfield, N. Y.*

1928

ARTHUR HOUGH, *Chairman**President, Wiard Plow Company, Batavia, N. Y.*

1930

EDWARD A. DUERR

*President, Community National Bank, Buffalo*

1928

ELLIOTT C. McDUGAL

*Chairman, Marine Trust Company, Buffalo*

1930

FRED B. COOLEY

*President, New York Car Wheel Company, Buffalo*

1929

HARRY T. RAMSDELL

*Chairman, Manufacturers and Traders Trust Company, Buffalo*

1929

WALTER W. SCHNECKENBURGER, *Managing Director*

1928

## OFFICERS

WALTER W. SCHNECKENBURGER

*Manager Director*

CLIFFORD L. BLAKESLEE

*Assistant Cashier*

HALSEY W. SNOW, JR.

*Cashier*

ELMER L. THEOBALD

*Assistant Cashier*