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Fifteenth Annual Report

Federal Reserve Bank of New York

For the Year Ended December 31, 1929

Federal Reserve Agent
Second Federal Reserve District

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Contents

FEDERAL RESERVE BANK
OF NEW YORK

New York, February 25, 1930

SIRS:

I have the honor to submit herewith the fifteenth annual report of the Federal Reserve Bank of New York, covering the year 1929.

Respectfully yours,

GATES W. MCGARRAH,
Chairman and Federal Reserve Agent.

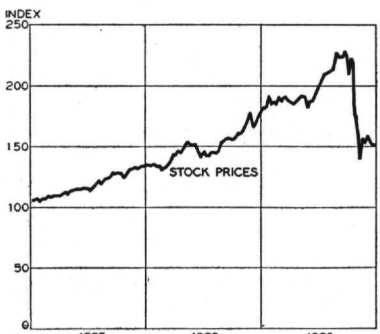
FEDERAL RESERVE BOARD,
Washington, D. C.

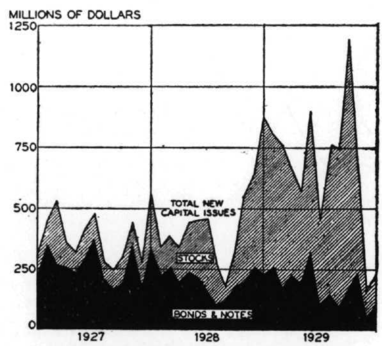
Fifteenth Annual Report
Federal Reserve Bank of New York

During 1929 the policy of the Federal Reserve Bank of New York was determined largely with reference to three major developments—an almost insatiable demand for credit for the security markets; a severe credit disturbance arising in connection with a drastic liquidation in stocks; and, in the last two months of the year, a business recession.

The first nine months of the year in the money market saw largely a continuation of influences at work in 1928. With some interruptions, prices of stocks rose vigorously under the impetus of a country-wide, and in fact a world-wide, demand. This rise in stock prices was accompanied by larger issues of new securities than in any preceding year. The rise in prices and the volume of new issues created an extraordinary demand for credit beyond the amount required by the country's business.

To prevent an excessive expansion of credit the Reserve System continued further the operating policies begun early in 1928. In the spring discount rates were raised in a number of the interior districts, bringing the discount rate to a uniform 5 per cent throughout the System. System holdings of Government securities were further reduced from $240,000,000 in the early part of the year to $140,000,000 in June. Holdings of bankers acceptances by the Reserve Banks were largely reduced between January and July, and as a result of these changes it became necessary for member banks to assume more largely the responsibility for the amount of Federal Reserve credit in use. Total discounts of the Federal Reserve System were increased from about $800,000,000 in January to over $1,100,000,000 in July, and borrowings of the New York City banks alone at the Federal Reserve Bank of New York rose from about $100,000,000 to



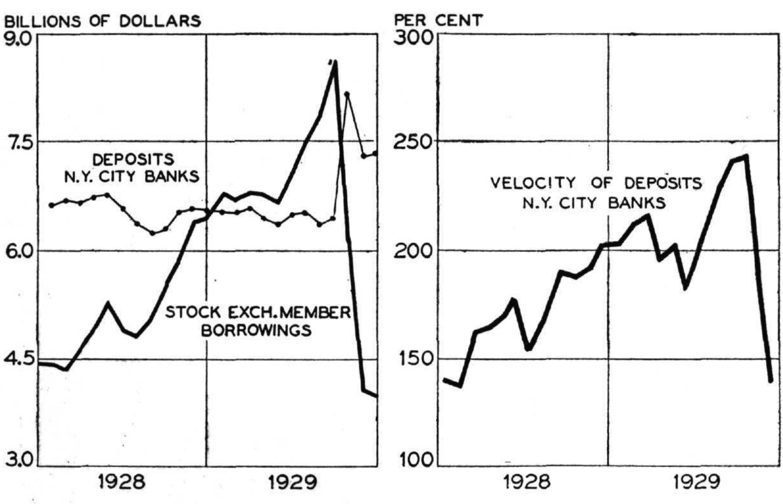


Stock prices and new stock issues rose rapidly in the first nine months of 1929, continuing the tendencies of 1928, but declined abruptly in the last quarter

over $300,000,000. For a number of weeks from February to May the directors of the Federal Reserve Bank of New York voted an increase in the discount rate from 5 per cent to 6 per cent. This increase was not approved by the Federal Reserve Board.

The steps taken were not wholly successful in checking the expansion in bank credit. The additional demands for credit in the security markets were met largely, however, in other ways than by increases in bank credit, principally through a more active use of the available credit outstanding. One of the methods by which this was brought about was by a continued extension of the practice which had been growing in previous years on the part of corporations and individuals of lending money to brokers through the banks acting as agents. Some years ago almost the entire amount of brokers loans was made by banks, but by the spring of 1929 more than half of the reported brokers loans were being made by others than banks. It was lending of this sort which provided the huge growth in loans to brokers during 1928 and 1929. These loans, as the diagram below shows, did not increase the amount of bank deposits, but were accompanied by an increase in the activity or velocity of deposits which enabled them to effect a larger volume and value of transactions. By their more active use, the available bank deposits were made to serve the purpose ordinarily achieved only by an actual increase in the amount of bank deposits.

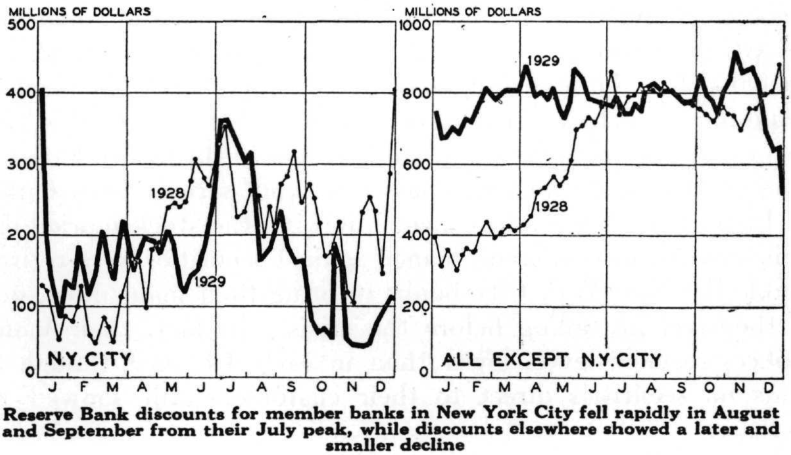
In some measure this large increase in loans by others than banks took the control of brokers loans away from the New York City



The large increase and subsequent rapid liquidation of borrowings by members of the New York Stock Exchange was not accompanied by corresponding changes in the amount of deposits in New York City banks, but rather by a rise and fall in the activity of bank deposits

banks and from the Federal Reserve Bank. It was true, however, that the market was only able to secure these funds from other lenders by paying very high rates. It might be presumed, perhaps, that under more normal circumstances these high rates would have the effect of checking speculative enthusiasm. But the market of 1929, encouraged by business prosperity, large industrial profits, and other evidences of economic progress, was not easily discouraged.

Early in August the Federal Reserve Bank of New York adopted a policy under which the normal demand for a seasonal increase in credit for agriculture and the autumn trade might be accommodated while at the same time avoiding if possible excessive or unnecessary credit expansion. On August 9 the discount rate of the New York Bank was raised from 5 to 6 per cent, and at the same time the Bank's buying rate for bankers acceptances was reduced from 5¼ to 5⅛ per cent for the ninety day maturity, bringing the bill rate from a position slightly above the open market rate to one corresponding with the open market rate. In the following eight weeks holdings of bankers acceptances by the Federal Reserve System increased by about $250,000,000 and as a consequence the borrowings of the New York City banks from the Federal Reserve Bank of New York were reduced from about $300,000,000 to below $100,000,000. This reduction in borrowings by the New York City banks proved fortunate since it placed those banks in a position to advance funds freely when the collapse of the stock market brought with it an emergency demand for credit, and it prepared the way for a more rapid easing of money conditions after that time than would otherwise have been possible. There was no corresponding reduction in discounts of banks in other Federal Reserve Districts, however, and no immediate easing in credit throughout the country; in fact money rates rose in the six weeks following August 9.



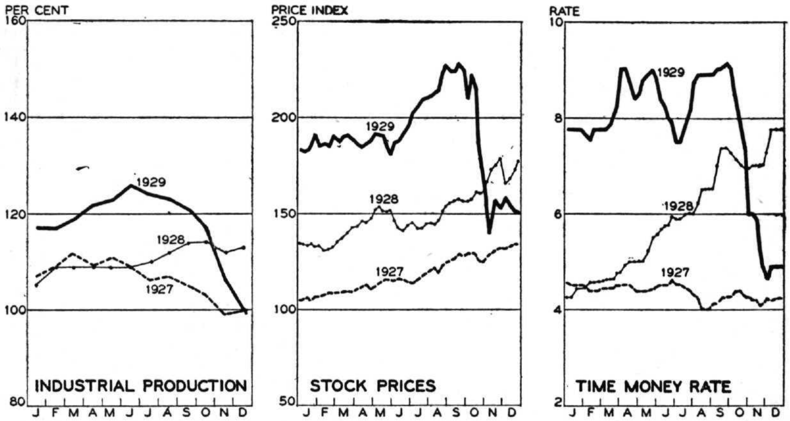
Reserve Bank discounts for member banks in New York City fell rapidly in August and September from their July peak, while discounts elsewhere showed a later and smaller decline

But the autumn brought with it an abrupt reversal of the credit trends of the first half year and, in fact, of 1928 as well. In early October, after some decline in stock prices but before the severe break, money rates had already begun to be easier in New York and the foreign exchanges had begun to strengthen, probably reflecting some return flow of funds to Europe. But more drastic changes in credit accompanied the sharp decline in stock prices of the last week in October and the first two weeks in November. From a credit point of view the dominant factor in this change was the instability of loans made to brokers by lenders other than banks. As stock prices broke under force of the dumping on the market of successive layers of inadequately margined stock, and as rumors were circulated of a possible closing of the Stock Exchange, these lenders other than banks became fearful as to the safety and availability of their funds and asked the banks acting as their agents to call these loans. Within a week a total of $1,400,000,000 of these loans was withdrawn from the market. In addition, out-of-town banks called about $700,000,000 of such loans, a considerable part of which probably represented loans for their customers. This huge withdrawal of funds was only prevented from adding a serious money shortage to a security panic by the willingness and capacity of the New York City banks to replace with their own funds the loans withdrawn, relying upon the assurance that they could depend upon the availability of Federal Reserve credit. In this way the New York banks were called upon in a single week to increase their loans and investments by $1,400,000,000. Since the deposits of these banks increased correspondingly, their required reserves with the Federal Reserve Bank also increased proportionately and they were suddenly required to find more than $200,000,000 of additional reserve funds. It was at this point that the Federal Reserve Bank aided its members in meeting this huge demand by purchasing 120 million dollars of Government securities, in two days when the situation was most critical. Thus the banks found it necessary to meet only a part of the increased demand for credit by additional borrowing and they were able to furnish the funds needed without any increase in the money rate. The emergency demand for funds passed without serious disturbance.

In the period of readjustment following the stock market crisis, sufficient amounts of credit loaned against securities were retired to enable the New York City banks to bring their loans down nearly to the level prevailing before the crisis. In fact, their loans to brokers reached levels lower than in early October, though their loans on securities direct to their customers still showed some increase.

With the reduction in the speculative demand for credit, indicated by a decline of over $4,500,000,000 in the total of brokers loans, the principal obstacle to more normal credit conditions was removed, and a continuous easing in money rates took place, facilitated by further large purchases of Government securities by the Reserve Banks, and successive reductions in the discount rate of the Federal Reserve Bank of New York from 6 per cent to 5 per cent on November 1 and from 5 to 4½ per cent on November 15, and subsequently by reductions from 5 to 4½ per cent by the Federal Reserve Banks of Boston, Atlanta, Chicago, Kansas City, and San Francisco. By December 31 total discounts at the Federal Reserve Banks had been reduced to $632,000,000 and the discounts of the New York City banks to $113,000,000, despite the year-end demand for funds, and net gold exports and earmarkings of over $100,000,000.

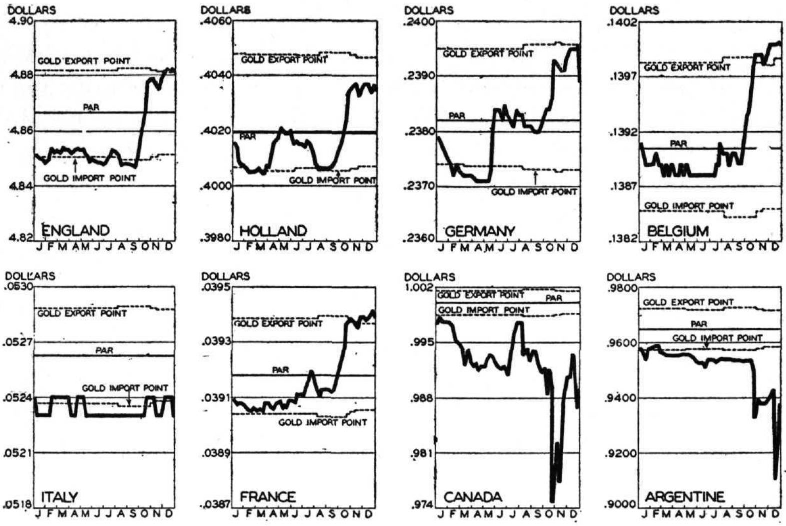
As the year drew to a close it was clear that business activity was declining, as indicated by reductions in industrial production, car loadings, bank debits to individual account, factory employment, and commodity prices. This decline in business activity was an important consideration in the steps taken by the Federal Reserve Bank of New York toward easier money conditions.



Unusually rapid declines in industrial activity, in stock prices, and in money rates occurred in the latter part of 1929

Foreign Exchanges and Gold Movements

The combination of reduced foreign borrowing through capital issues in this country, and the attraction of high money rates and rapidly rising security prices in this market put heavy pressure upon the foreign exchanges during the first three quarters of 1929, and a substantial inflow of gold occurred. The first gold receipts were from Canada, and were partly seasonal, but, as one section of the accom-



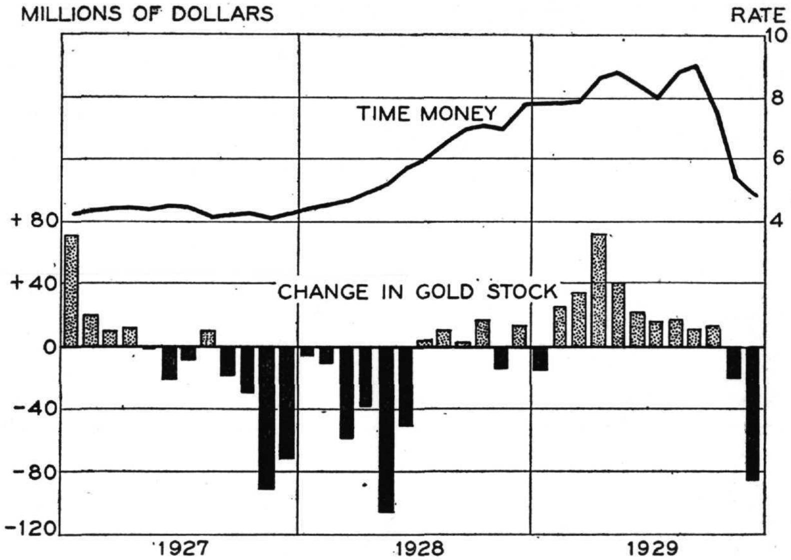
Foreign exchanges at New York were generally weak during much of 1929, with accompanying gold imports, but in September and October rose rapidly and gold exports followed. (Indicated gold points represent estimated levels at which gold exports or imports would be profitable)

panying diagram indicates, Canadian exchange did not show the usual rally in the spring. After gold shipments from Canada had reached a rather substantial amount, the shipments to the United States virtually ceased, although Canadian exchange declined far below the theoretical gold import point to this country.

The next important receipts of gold were from England and Germany. The flow from England was checked after an advance in the Bank of England discount rate and in open market rates in London in February, but shipments from Germany continued into May until a total of $47,000,000 had been received.

An inflow of gold from Argentina also started in the spring of 1929, and shipments continued intermittently during most of the remainder of the year. These gold shipments, however, did not raise the Argentine exchange above the gold import point to New York, and late in the year after shipments had been made also to London, Paris, and other European centers, the Argentine National Conversion Office discontinued gold payments.

Renewed gold shipments from London also occurred in the summer, and, after London had lost large amounts of gold to Berlin and Paris also, a second one per cent advance in the Bank of England rate to 6½ per cent was made and an accompanying rise in London open market rates occurred in September. A strong recovery in sterling and other European exchanges began at about that time.



An outflow of gold in the latter part of 1929 followed a decline in money rates at New York from the high levels which had been a factor tending to draw gold from other countries during the preceding year

The break in the stock market and easing of money rates, together with some disturbance in foreign security markets, which tended to draw funds home, all accentuated the recovery in the exchanges to a point where several advanced above the levels at which gold shipments from New York became profitable. As a result the gold flow was reversed, and about half of the net amount of gold gained from other countries during the first ten months of 1929 was exported or earmarked for foreign account during November and December. France received the largest shipments from New York, but there were gold exports also to England, Germany, Poland, Sweden, and Switzerland. The following table summarizes the principal gold movements of the year, by country of source or destination, and the table on the next page shows the gold movements by months.

Imports From		Exports To	
Argentina	$72,500,000	France	$65,400,000
England	62,400,000	England	21,100,000
Germany	46,800,000	Switzerland	10,000,000
Canada	73,900,000	Poland	5,000,000
Australia	4,900,000	Germany	2,400,000
Colombia	5,300,000	Sweden	1,300,000
Bolivia	3,600,000		

Net Gain or Loss of Gold Through Imports, Exports, and Earmarkings
(In millions of dollars)

1929	Through Net Gold Imports or Exports	Through Earmarkings	Total
January	+47.1	−65.0	−17.9
February	+25.5	......	+25.5
March	+24.8	+ 7.5	+32.3
April	+23.1	+48.6	+71.7
May	+23.6	+16.1	+39.7
June	+30.2	− 7.5	+22.7
July	+34.7	−22.0	+12.7
August	+18.4	− 1.0	+17.4
September	+17.6	− 6.6	+11.0
October	+17.5	− 4.5	+13.0
TOTAL	+262.5	−34.4	+228.1
November	−23.2	+ 1.0	−22.2
December	−64.4	−22.0	−86.4
TOTAL	−87.6	−21.0	−108.6
NET TOTAL	+174.9	−55.4	+119.5

The return flow of funds to other countries in the latter part of 1929, which was accompanied by strength in foreign exchanges and resulting gold exports, caused a reversal of interest rates abroad, especially in Europe. Three reductions of ½ per cent each were made in the Bank of England rate within 6 weeks, and there were accompanying reductions in the official discount rates of central banks of a number of other countries.

Acceptance Market in 1929

The amount of bills outstanding through the acceptance market showed an even larger increase in 1929 than in the two preceding years, and by December 31, had reached a total volume of $1,700,000,000 which was considerably larger than at any preceding time. To some extent this increase in bills may represent the attraction of business to New York because of relatively favorable rates in New York during the autumn, and it may also reflect in part the shifting of some business from direct borrowing at banks to financing through the acceptance market, in addition to the usual growth of acceptance business. The acceptance capacity of the New York City banks has been considerably increased in recent months by increases in their capital funds.

Not only has the bill market increased in size during the year, but it has exhibited increasing independence of the Reserve Banks. At the beginning of the year Reserve Bank holdings of bills were nearly $500,000,000, or 38 per cent of the total amount of bills outstanding. Reserve Bank holdings declined rapidly to a low point of $61,000,000 in July. This decline was in conformity with a policy of seeking to diminish the open market holdings of Reserve Banks and place increasing responsibility for the amount of Federal Reserve credit in use upon the member banks. To this end the buying rate for bills was maintained relatively high, as indicated by the following table of bill buying rates.

Changes in Minimum Buying Rate of Federal Reserve Bank of New York for 90 day Bankers Acceptances and Open Market Rate in Effect on Same Dates

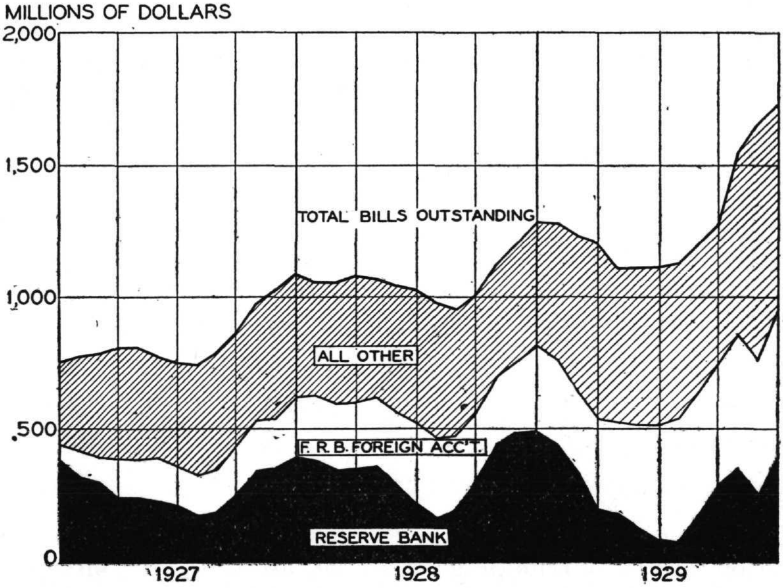
Date Effective	Federal Reserve Bank Buying Rate (Indorsed Bills)	Open Market Rate (Unindorsed Bills)
January 4, 1929	4¾*	4¾
January 21, 1929	5	5
February 15, 1929	5⅛	5¼–5⅜
March 21, 1929	5⅜	5½
March 25, 1929	5½	5⅝
July 11, 1929	5¼	5⅛
August 9, 1929	5⅛	5⅛
October 25, 1929	5	4¾
November 1, 1929	4¾	4⅝
November 15, 1929	4¼	4⅛
November 22, 1929	4	3¾–3⅞

*Changed from 4½ per cent.

The success of the Reserve System, however, in effecting a reduction in its bill holdings may be ascribed in considerable measure to largely increased takings of bills by European investors, and particularly by European central banks of issue having funds to employ in this market. This increased demand represented in part a shift of these funds from investment in Government securities to investment in bills, due partly to relatively high bill rates and partly to a growing preference of a number of banks of issue for investments of a commercial rather than governmental type.

During the autumn, System bill holdings increased considerably, due in part to some modification of Federal Reserve policy favorable to the taking of bills. This increase ceased abruptly, however, with the break in the stock market at the end of October. Many business corporations and others who at that time withdrew funds from the stock market sought temporary employment of these funds in some other form. As a consequence there was an unusual demand for bankers acceptances and short Government securities, and the bill holdings of the Federal Reserve System declined instead of increasing as is usual at that time of year. At the end of November, System holdings amounted to only $256,000,000, or less than 16 per cent of the total volume of bills outstanding, a smaller proportion than at the corresponding period in any recent year.

The accompanying diagram shows the changes during the past three years in Reserve Bank bill holdings, holdings of bills by the Federal Reserve Banks for account of foreign correspondents, and all other bills outstanding.

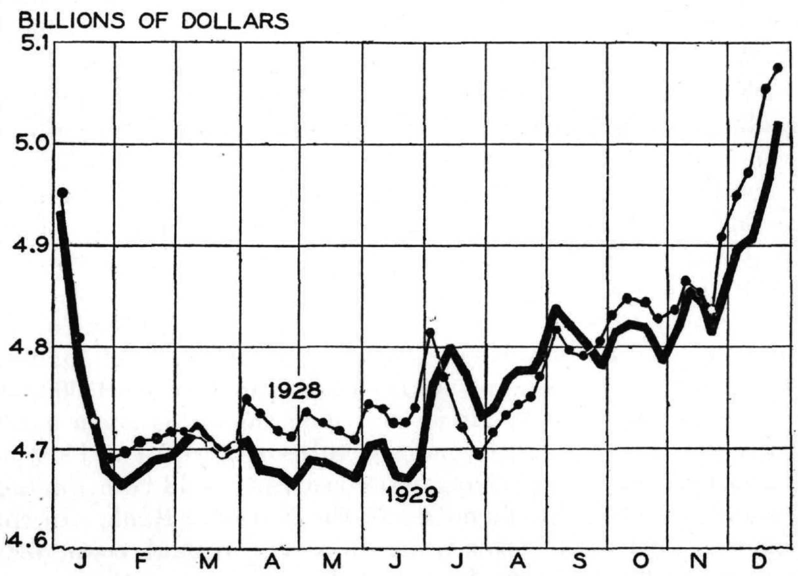


The total volume of outstanding bankers acceptances reached in 1929 a new high level, but the proportion held by Reserve Banks declined to a smaller percentage than in any previous year

Change in the Currency

An unusual temporary influence upon credit conditions during the year was a change in Federal Reserve and United States currency which involved the substitution of new and smaller sized notes for the old notes. The new sized notes were first put into circulation in limited amounts on the 10th of July. There was immediately a considerable curiosity demand for them which resulted in an increase of about $100,000,000 in the total amount of currency in circulation. Whereas the total, due probably to the increased use of checks for payrolls, had been running substantially under the figures for a year previous, the additional curiosity demand brought the total above the 1928 figures, as shown in the diagram below. The additional demand for currency could be met only by an increase in Federal Reserve credit, and since most of this took the form of increases in the discounts of member banks, it was a far from negligible influence toward tightening the money market during July and August. After August the demand for the new notes began to subside, and by the end of the year the currency circulation was again less than in the corresponding period of 1928. The substitution of the smaller sized currency for the old currency was a gradual process since there was on hand a considerable amount of the old currency which could not be scrapped immediately without considerable wastage. It was not until January 1, 1930 that issues of the old sized currency in denominations up to $100 were discontinued.

Aside from the effects on the money market, the mechanics of issuing the new currency was one of the features of the operations of the Reserve Banks during the year, and the added expense of building up a supply of new currency appears in this bank's statement of expenses. Over a term of years considerable savings to the Reserve Banks will result from reduced costs of paper, printing, and shipping for the new small sized currency.



Currency circulation in the United States during 1929 was in general somewhat smaller than in 1928, but curiosity demand for the new small sized currency caused a substantial, though temporary, increase in July

Foreign Relations

As in previous years this bank continued during 1929 to extend its relationships with foreign central banks, and to cooperate with those institutions through the exchange of information respecting credit conditions and by the performance of the customary banking services. In acting as correspondent for foreign central banks, the most important service rendered by the bank continued to be the investment of their funds in this market in bankers acceptances and short term United States Government securities.

Between June 1928 and May 1929 the dollar investments of the central banks handled by this bank decreased as a consequence of the movement of foreign funds to New York which weakened the foreign exchanges and made it necessary for a number of these central banks to use part of their balances in New York in support of their exchanges. On the other hand from last spring to the end of 1929 their investments made through this institution increased, probably reflecting some reverse movement of foreign monies away from New York. Nevertheless, at the end of the year they were still under their average level in the first half of 1928, when the strain upon the exchanges had not yet made itself acutely felt. As has been pointed out above in the discussion of the acceptance market, there was an appreciable shift from Government securities to bills in the investments of foreign central banks, this shift accounting in part for the ease with which the Reserve System was able to reduce its portfolio in the earlier half of the year.

During the past year this bank established relations with the central banks of Bulgaria, Latvia, and Roumania and in addition to those institutions it now has more or less active relations with the central banks of Australia, Austria, Belgium, Colombia, Czechoslovakia, England, Finland, France, Germany, Greece, Hungary, Italy, Japan, Java, Netherlands, Norway, Poland, South Africa, Sweden, Switzerland, and Yugoslavia.

In February 1929 the Roumanian Government, acting in concert with the National Bank of Roumania and a group of private bankers which undertook the issue of a stabilization loan of $101,000,000, passed a monetary law by virtue of which the leu is given a gold content equivalent to slightly under 6/10ths of one cent and is made convertible on the gold exchange standard into gold coin, bullion, or gold exchange bills at the option of the National Bank. In connection with this stabilization program a central bank cooperative credit of $25,000,000, to run for a period of twelve months, was extended to the National Bank by fourteen banks of issue. The Reserve System participated therein to the extent of $4,500,000, agreeing to buy bills endorsed by the National Bank of Roumania up to this total amount. The National Bank of Roumania did not find it necessary to avail itself of this credit during the year 1929.

Also in February 1929, the Governor of the National Bank of Czechoslovakia announced that an arrangement had been concluded with the Government of the Czechoslovak Republic to pass legislation stabilizing the Czech crown at a mint parity of roughly 2.96¼ cents and making this unit legally convertible on the gold exchange standard. Appropriate legislation to this effect came into force on November 27, 1929.

On November 21, 1929, the Imperial Japanese Government announced that the embargo on the export of gold from Japan, which had been in effect since 1917, would be lifted on January 11, 1930, and the yen would, as of that date, reassume its place among the currencies convertible into gold. Although the Japanese Government, acting through the Yokohama Specie Bank Ltd., arranged for the extension of private credits totaling some $50,000,000 in New York and London, the Bank of Japan did not deem it necessary to obtain aid abroad for the effecting of the program of stabilization.

The final step in the program of monetary reform in Bolivia, which had been proceeding for some time, was the transformation of the Bank of the Bolivian Nation on July 1, 1929, into a bank of issue under the name, Central Bank of Bolivia, and the coming into force of a monetary law endowing the boliviano with a mint parity of 36.5 cents and making it convertible into gold coin, bullion, or gold exchange bills at the option of the Central Bank of Bolivia.

The central bank credit arranged for the Bank of Poland in 1927 and renewed in 1928, in which the Federal Reserve Banks participated, expired in October 1929. The continued adequacy of the Polish central bank's reserve position rendered it unnecessary for that bank to make use of the credit.

Membership Changes in 1929

Due to a considerable number of mergers and consolidations of member banks during the past year, the number of member banks in this district was slightly smaller at the end of 1929 than a year previous. There were no withdrawals from membership nor any insolvencies among members. The following tables show the number of member and nonmember banks classified according to their charters, and indicate causes of 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, 1929			December 31, 1928		
	Members*	Non-Members	Per Cent Members	Members*	Non-Members	Per Cent Members
National Banks......	769	0	100	775	0	100
State Banks**........	42	205	17	49	220	18
Trust Companies.....	120	199	38	114	190	37
Total...........	931	404	70	938	410	70

*In actual operation at end of year.
**Exclusive of savings banks.

CHANGES IN FEDERAL RESERVE MEMBERSHIP IN SECOND DISTRICT DURING 1929

Total membership beginning of year..................................	938
Increases:†	
National banks organized..	22
Conversion of nonmember banks to National......................	2
Admission of State banks and Trust Companies....................	8
Total Increases..	32
Decreases:	
Member banks combined with other members.......................	30
Conversion of National banks to nonmember State banks...........	2
Absorbed by nonmembers	7
Withdrawals..	0
Insolvencies...	0
Total Decreases..	39
Net decrease..	7
Total membership end of year..	931

†In addition to figures shown in this table, 14 nonmember banks were absorbed by members during the year.

During the year there was a continuation of the tendency toward a concentration of banking resources, accompanied by the further establishment of branches in cities. The accompanying tables show the progress of these tendencies. Due largely to mergers the number of banks in the district operating branches has decreased from 134 on June 30, 1928 to 128 on June 30, 1929, but the number of branches has been increased from 652 to 747, as shown in the table on page 19.

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)

June 30	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
1927.....	63	418	4	59	25	45	20	34	112	556
1928.....	58	469	5	62	29	52	42	69	134	652
1929.....	53	533	4	71	28	59	43	84	128	747

*Exclusive of savings banks.

The effect of bank mergers on the banking situation in particular cities is shown in the two tables below. In New York City the number of banks decreased during the year, and on December 31, was 126 as compared with 143 at the end of 1926. The ten largest banks in New York City now hold 70 per cent of the banking resources of the city, as compared with 59 per cent in 1926, and 33 per cent in 1889. The ten largest banks now have average resources of over one billion dollars.

Similar figures are given for Albany, Buffalo, Rochester, and Newark, and show a continued tendency to concentration in those centers.

CHANGES IN NUMBER AND RESOURCES OF COMMERCIAL BANKS IN NEW YORK CITY SINCE 1889*

(Dollar figures in millions)

End of year	Number of banks	Total resources all banks	Resources 10 largest banks	Per cent 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
1929..........	126	14,710	10,298	70	117	1,030

*Exclusive of savings banks.

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

	Number of banks			Resources all banks (*in millions*)			Resources 3 largest banks (*in millions*)			Per cent 3 largest banks to all banks		
End of year.	1889	1926	1929	1889	1926	1929	1889	1926	1929	1889	1926	1929
Albany.....	10	5	5	$20	$143	$138	$11	$134	$128	55	94	93
Buffalo.....	13	7	8	31	461	601	13	408	582	42	89	97
Rochester...	9	8	7	16	245	285	8	139	195	50	57	68
Newark.....	11	28	25	19	336	394	8	166	237	42	49	60

†Exclusive of savings banks

Operating Statistics

Complete statistics of the operations of each Reserve Bank are published in the annual report of the Federal Reserve Board; therefore, detailed figures of the operations of this bank are omitted from this report, except for the following statement of condition and statement of income and disbursements during the year, together with a table showing the volume of operations in principal departments, including the Buffalo Branch.

STATEMENT OF CONDITION

Resources	Dec. 31, 1929	Dec. 31, 1928
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	$238,593,918.26	$198,684,435.65
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	16,813,705.22	20,143,971.71
Gold and gold certificates in vault	339,616,539.21	355,489,488.96
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	154,835,138.11	142,380,038.48
Legal tender notes, silver, and silver certificates in the vaults of the bank (available as reserve only against deposits)	50,382,220.00	22,040,487.00
Total cash reserves	$800,241,520.80	$738,738,421.80
Non-reserve cash consisting largely of National bank notes, and minor coin	$12,946,493.58	$23,448,743.37
Loans and Investments:		
Loans to member banks:		
On the security of obligations of the United States	$127,012,250.00	$349,156,350.00
By the discount of commercial or agricultural paper or acceptances	44,746,515.44	114,823,824.23
Acceptances bought in the open market	191,745,088.72	152,413,222.32
United States Government bonds, notes, bills, and certificates of indebtedness	239,205,400.00	49,377,400.00
Other securities	7,150,000.00	....
Total loans and investments	$609,859,254.16	$665,770,796.55
Miscellaneous Resources:		
Bank premises	$ 15,663,777.65	$ 16,087,269.97
Checks and other items in process of collection	220,003,280.94	195,086,461.94
All other miscellaneous resources	3,500,931.32	990,931.34
Total miscellaneous resources	$239,167,989.91	$212,164,663.25
Total resources	$1,662,215,258.45	$1,640,122,624.97

Liabilities	Dec. 31, 1929	Dec. 31, 1928
Currency in Circulation:		
Federal Reserve notes in actual circulation, payable on demand. These notes are secured in full by gold, and discounted and purchased paper	$318,970,747.00	$354,182,618.25
Federal Reserve notes in circulation	$318,970,747.00	$354,182,618.25
Deposits:		
Reserve deposits maintained by member banks as legal reserves against the deposits of their customers	$985,790,644.26	$970,894,567.47
United States Government deposits carried at the Reserve Bank for current requirements of the Treasury	5,851,460.29	8,497,390.46
Other deposits including foreign deposits, deposits of nonmember banks, etc.	12,727,457.81	9,384,907.24
Total deposits	$1,004,369,562.36	$988,776,865.17
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 7 days	$187,720,689.22	$172,070,145.45
All other miscellaneous liabilities	3,851,995.58	3,687,141.30
Total miscellaneous liabilities	$191,572,684.80	$175,757,286.75
Capital and Surplus:		
Capital paid in, equal to 3 per cent of the capital and surplus of member banks	$67,301,450.00	$50,123,950.00
Surplus—That portion of accumulated net earnings which the bank is legally required to retain	80,000,814.29	71,281,904.80
Total capital and surplus	$147,302,264.29	$121,405,854.80
Total liabilities	$1,662,215,258.45	$1,640,122,624.97

INCOME AND DISBURSEMENTS

The table on the next page shows the income and disbursements for the years 1929 and 1928. Total earnings for the year 1929 were about $800,000 larger than in 1928; an important factor in this increase was the higher level of money rates prevailing during most of the year. Accompanying the increase in the volume of operations in most departments of the bank, current bank operating expenses were slightly higher than in the preceding year. As previously indicated, the expense of printing currency was larger than usual because of the change to a smaller sized currency. On the other hand the 1928 currency expense had been much less than usual as stocks of large sized currency were allowed to run off. The increase in the dollar amount of dividends reflected a large increase in the paid in capital of the bank, due to increases in the capital and surplus of member banks, which are required by law to subscribe to Reserve Bank stock equal to 6 per cent of their own capital and surplus, of which one half has been paid in. The bank's surplus was increased by $8,700,000, to $80,000,000.

	1929	1928
EARNINGS:		
From loans to member banks and paper discounted for them	$12,492,641.58	$12,210,526.66
From acceptances owned	3,522,642.34	3,482,648.63
From United States Government obligations owned	2,459,162.69	2,421,172.24
Other earnings	839,832.62	368,694.55
Total earnings	$19,314,279.23	$18,483,042.08
ADDITIONS TO EARNINGS:		
For sundry additions to earnings, including income from Annex Building	$546,927.82	$97,168.96
DEDUCTIONS FROM EARNINGS:		
For current bank operation. (These figures include most of the expenses incurred as fiscal agent of the United States)	$6,313,909.95	$6,192,386.68
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	738,555.41	251,878.14
For depreciation, self-insurance, other reserves, losses, etc.	545,518.11	1,117,513.57
Total deductions from earnings	$7,597,983.47	$7,561,778.39
Net income available for dividends, additions to surplus, and payment to the United States Government	$12,263,223.58	$11,018,432.65
DISTRIBUTION OF NET INCOME:		
In dividends paid to member banks, at the rate of 6 per cent on paid-in capital	$3,544,314.09	$2,743,724.61
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	8,718,909.49	8,274,708.04
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 1929 or 1928.	....	....
Total net income distributed	$12,263,223.58	$11,018,432.65

VOLUME OF OPERATIONS

The following table indicates that the volume of operations in the principal departments of the bank increased generally during the year 1929 continuing the trend of previous years. Reserve Bank operations reflect closely the year-to-year growth in the country's banking activity. The largest increases in 1929 occurred in the two largest departments in point of volume of work—the Money Department and the Check Department.

	1929	1928
Number of Pieces Handled		
Bills discounted:		
Applications	20,151	18,318*
Notes discounted	49,705	38,056
Bills purchased in open market for own account	94,335	95,845
Currency received and counted	709,940,000	666,298,000
Coin received and counted	1,574,002,000	1,341,373,000
Checks handled	190,373,000	177,303,000*
Collection items handled:		
United States Government coupons paid	5,567,000	7,602,000
All other	2,600,000	2,615,000
United States securities—issues, redemptions, and exchanges by fiscal agency department	514,000	1,504,000
Transfers of funds	445,000	402,000
Amounts Handled		
Bills discounted	$23,602,022,000	$24,791,838,000
Bills purchased in open market for own account	1,999,130,000	2,018,463,000*
Currency received and counted	5,285,713,000	4,347,922,000
Coin received and counted	821,479,000	668,085,000
Checks handled	156,641,846,000	115,192,020,000*
Collection items handled:		
United States Government coupons paid	237,610,000	250,025,000
All other	2,690,034,000	2,808,748,000*
United States securities—issues, redemptions, and exchanges by fiscal agency department	3,155,408,000	3,985,049,000
Transfers of funds	67,426,244,000	55,469,947,000

*Revised

Changes in Directors and Officers

At a regular election in the fall of 1929, Thomas W. Stephens, president of the Bank of Montclair, of Montclair, New Jersey, was unanimously elected by member banks in Group 2 as a Class A director, for a term of three years, beginning January 1, 1930, to succeed Robert H. Treman, president of the Tompkins County National Bank of Ithaca, New York, whose term expired December 31, 1929.

Mr. Treman had been a director of the bank continuously since its inception in 1914, representing the member banks in Group 2, and for a period of three years from 1916 to 1919, served as Deputy Governor. Mr. Treman had requested that his name be not considered for renomination. The directors passed the following resolution upon his retirement:

"For more than fifteen years, from the date of its organization until now, Robert H. Treman has served continuously as a director of the Federal Reserve Bank of New York. His term of service has been longer than that of any other director. For more than three years, from July, 1916, to November, 1919, he was also senior deputy governor of the bank. These years include a period of one year when, due to absence of the governor of the bank because of ill-health, he was the executive head of the institution. These years covered as well the entire period of this country's participation in the World War.

"Mr. Treman has made an important contribution to the establishment, growth and achievement of the Federal Reserve Bank of New York. On the board of directors, his wide and general knowledge, his close acquaintance with changing business and banking conditions, and his balanced judgment have contributed to every important decision of policy, and so have aided largely in the development of Federal reserve banking principles and practices.

"During the period when he was senior deputy governor of the bank it grew from a small bank with about one hundred employes to an institution with three thousand employes, capable of handling the huge task of war financing for the government. Its extensions of credit increased from a few million dollars to a billion dollars. In this period of rapid growth and new and great undertakings Mr. Treman performed with marked distinction the difficult tasks which were his.

"His personality, demonstrated ability, and unfailing kindness, courtesy, and consideration won the respect and esteem of the bankers of the second district and the confidence and affection of all of his associates in the bank.

"On the occasion of the termination of his active connection with the direction of the bank his associates on the board of directors wish to record their great appreciation of the unselfish and effective service Mr. Treman has rendered not only to the bank but through it, to the country, and wish to express enduringly in this minute their high regard and affection for him."

Theodore F. Whitmarsh, chairman of the board of Francis H. Leggett & Company, whose term as a Class B director expired on December 31, 1929, was unanimously reelected by member banks in Group 2, for a term of three years from January 1, 1930.

The Federal Reserve Board reappointed Owen D. Young as a Class C director of the bank for a term of three years from January 1, 1930, and redesignated him as a Deputy Chairman of the Board.

The Federal Reserve Board redesignated Gates W. McGarrah as Chairman of the Board and Federal Reserve Agent for the year of 1930.

The Federal Reserve Board reappointed Frederick B. Cooley, president of the New York Car Wheel Company of Buffalo, New York, as a director of the Buffalo Branch for a term of three years from January 1, 1930.

The Federal Reserve Board appointed George G. Kleindinst, president of the Liberty Bank of Buffalo, as a director of the Buffalo Branch to fill the unexpired term ending December 31, 1931, of Edward A. Duerr, formerly Chairman of the Community National Bank of Buffalo, who resigned as a director of the Branch.

The board of directors of this bank appointed Lewis G. Harriman, president of the M & T Trust Company of Buffalo, as a director of the Buffalo Branch for a term of three years from January 1, 1930, to succeed Harry T. Ramsdell, resigned, formerly honorary chairman, M & T Trust Company, Buffalo.

Effective May 15, 1929, Walter W. Schneckenburger, managing director of the Buffalo Branch, resigned to accept a position as Vice President of the Seaboard National Bank of New York City, and effective on the same date, Robert M. O'Hara, formerly manager of the Bill Department of the bank, was appointed Managing Director of the Buffalo Branch to succeed Mr. Schneckenburger. The directors also reappointed Mr. O'Hara as Managing Director of the Buffalo Branch for the year 1930.

MEMBER OF FEDERAL ADVISORY COUNCIL

The directors at their meeting on January 2, 1930, reelected William C. Potter, President of the Guaranty Trust Company of New York, as the member of the Federal Advisory Council from the Second Federal Reserve District for the year 1930.

CHANGES IN OFFICERS AND STAFF

On May 17, 1929, Robert M. Morgan, formerly Chief of the Loan Application Division, was appointed Manager of the Bill Department.

On September 30, 1929, Stephen S. Vansant, formerly Manager of the Government Bond & Safekeeping Department, resigned to accept a position with the National City Bank of New York.

At the end of the year, the following changes were made in the official personnel of the bank:

Walter S. Logan, formerly General Counsel, was appointed Deputy Governor and General Counsel.

Jay E. Crane, formerly Assistant Deputy Governor and Secretary, was appointed Deputy Governor and Secretary.

James M. Rice, formerly Manager of the Accounting Department, was appointed Assistant Deputy Governor.

Wesley W. Burt, formerly Chief of the Planning Division, was appointed Manager of the Accounting Department.

DIRECTORS AND OFFICERS

January 1, 1930

DIRECTORS

Class	Group		Term Expires Dec. 31
A	1	CHARLES E. MITCHELL, New York City Chairman, National City Bank of New York	1931
A	2	THOMAS W. STEPHENS, Montclair, N. J. President, Bank of Montclair	1932
A	3	DELMER RUNKLE, Hoosick Falls, N. Y. Chairman, Peoples National Bank of Hoosick Falls, N. Y.	1930
B	1	WILLIAM H. WOODIN, New York City President, American Car & Foundry Company	1931
B	2	THEODORE F. WHITMARSH, New York City Chairman, Francis H. Leggett & Company	1932
B	3	SAMUEL W. REYBURN, New York City President, Lord & Taylor	1930
C		GATES W. MCGARRAH, New York City, *Chairman*	1931
C		OWEN D. YOUNG, New York City, *Deputy Chairman* Chairman, General Electric Company	1932
C		CLARENCE M. WOOLLEY, Greenwich, Conn. Chairman, American Radiator and Standard Sanitary Corporation	1930

MEMBER OF FEDERAL ADVISORY COUNCIL

WILLIAM C. POTTER

President, Guaranty Trust Company of New York

FEDERAL RESERVE AGENT'S FUNCTION

GATES W. MCGARRAH, *Federal Reserve Agent*

W. RANDOLPH BURGESS, *Assistant Federal Reserve Agent*

HERBERT S. DOWNS, *Assistant Federal Reserve Agent and Manager, Bank Relations Department*

WILLIAM H. DILLISTIN, *Assistant Federal Reserve Agent*

CARL SNYDER, *General Statistician*

HAROLD V. ROELSE, *Manager, Reports Department, and Assistant Secretary*

EDWARD L. DODGE, *General Auditor*

GENERAL OFFICERS

George L. Harrison, *Governor*

J. Herbert Case, *Deputy Governor*

Jay E. Crane, *Deputy Governor and Secretary*

Arthur W. Gilbart, *Deputy Governor*

Edwin R. Kenzel, *Deputy Governor*

Walter S. Logan, *Deputy Governor and General Counsel*

Leslie R. Rounds, *Deputy Governor*

Louis F. Sailer, *Deputy Governor*

Charles H. Coe,
Assistant Deputy Governor

Ray M. Gidney,
Assistant Deputy Governor

J. Wilson Jones,
Assistant Deputy Governor

Walter B. Matteson,
Assistant Deputy Governor

James M. Rice, *Assistant Deputy Governor*

JUNIOR OFFICERS

Dudley H. Barrows,
Manager, Administration Department

Wesley W. Burt,
Manager, Accounting Department

Edwin C. French,
Manager, Cash Department

Robert F. McMurray,
Manager, Collection Department

Jacques A. Mitchell,
Manager, Loan and Discount Dept.

Robert M. Morgan,
Manager, Bill Department

William A. Scott,
Manager, Foreign Department

I. Ward Waters,
Manager, Government Bond and Safekeeping Department, and Manager, Check Department

BUFFALO BRANCH

DIRECTORS	*Term Expires Dec. 31*
Frederick B. Cooley President, New York Car Wheel Company, Buffalo	1932
Lewis G. Harriman President, M & T Trust Company, Buffalo	1932
Arthur G. Hough President, Wiard Plow Company, Batavia, N. Y.	1930
George G. Kleindinst President, Liberty Bank of Buffalo	1931
George F. Rand President, Marine Trust Company, Buffalo	1930
John T. Symes President, Niagara County National Bank and Trust Company, Lockport, N. Y.	1931
Robert M. O'Hara, *Managing Director*	1930

OFFICERS

Robert M. O'Hara,
Managing Director

Halsey W. Snow, Jr.,
Cashier

R. B. Wiltse,
Assistant Manager

Clifford L. Blakeslee,
Assistant Cashier