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# **President's Annual Report / Operations For The Year 1967**

## **Federal Reserve Bank of Philadelphia**





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# FEDERAL RESERVE BANK OF PHILADELPHIA

PHILADELPHIA, PENNSYLVANIA 19101



OFFICE OF THE  
PRESIDENT

The Board of Directors of the  
Federal Reserve Bank of Philadelphia, and  
Member Banks of the Third Federal Reserve District

March 21, 1968

Most operations of this Bank continued to grow in both volume and efficiency during 1967. Looking back, however, I am impressed, not so much by what happened during the year, but by what was planned. Many projects were seeded in 1967 that will have a vital effect on the ability of this Bank to serve the Third District economy in 1968 and beyond.

For example, several of our officers participated in a System-wide study which may lead to fundamental changes in the discount mechanism. In the Bank itself, we ordered two third-generation computers for delivery in 1968. One will be used jointly by the Data Processing and Research Departments and the other by the Department of Collections.

A committee of officers was appointed in September to study our present building and determine its adequacy to meet long-run needs. Meanwhile, plans were made to install a larger emergency generator and to rebuild the marble columns in the main office area. Important improvements in our security system, including the use of more sophisticated electronic devices, were designed in 1967 and should be operative in a few months.

The Government Securities and Safekeeping Department spent much of the year getting ready for the new book-entry method of issuing Government securities, which is scheduled for use in early 1968. The effectiveness of our planning has received special recognition from the Board of Governors and the Treasury.

We also intend to place increasing emphasis on our services to member banks and, in 1967, a new Bank Relations and Services Department was created for this purpose.

It gives me particular pleasure to note that many of our employees also are planning well for their future. About fifteen per cent of our entire work force now is attending job-related schools on their own time.

### THIRD DISTRICT BUSINESS AND BANKING HIGHLIGHTS

After a sluggish start the Third District economy was rolling in high gear at year's end. The tight labor market of last year showed some signs of easing in the early months of 1967 but by December new pressures were building.

A look at the 13 major labor areas in the District shows only one with greater than 6% unemployment. Of the remainder, six had unemployment rates between 1.5 and 2.9% and six others were in the 3.0 to 5.9% bracket.

Increased productivity wasn't quite able to offset higher wages and labor costs rose steadily during the year. In this environment the consumer price index for Philadelphia climbed about 3%.

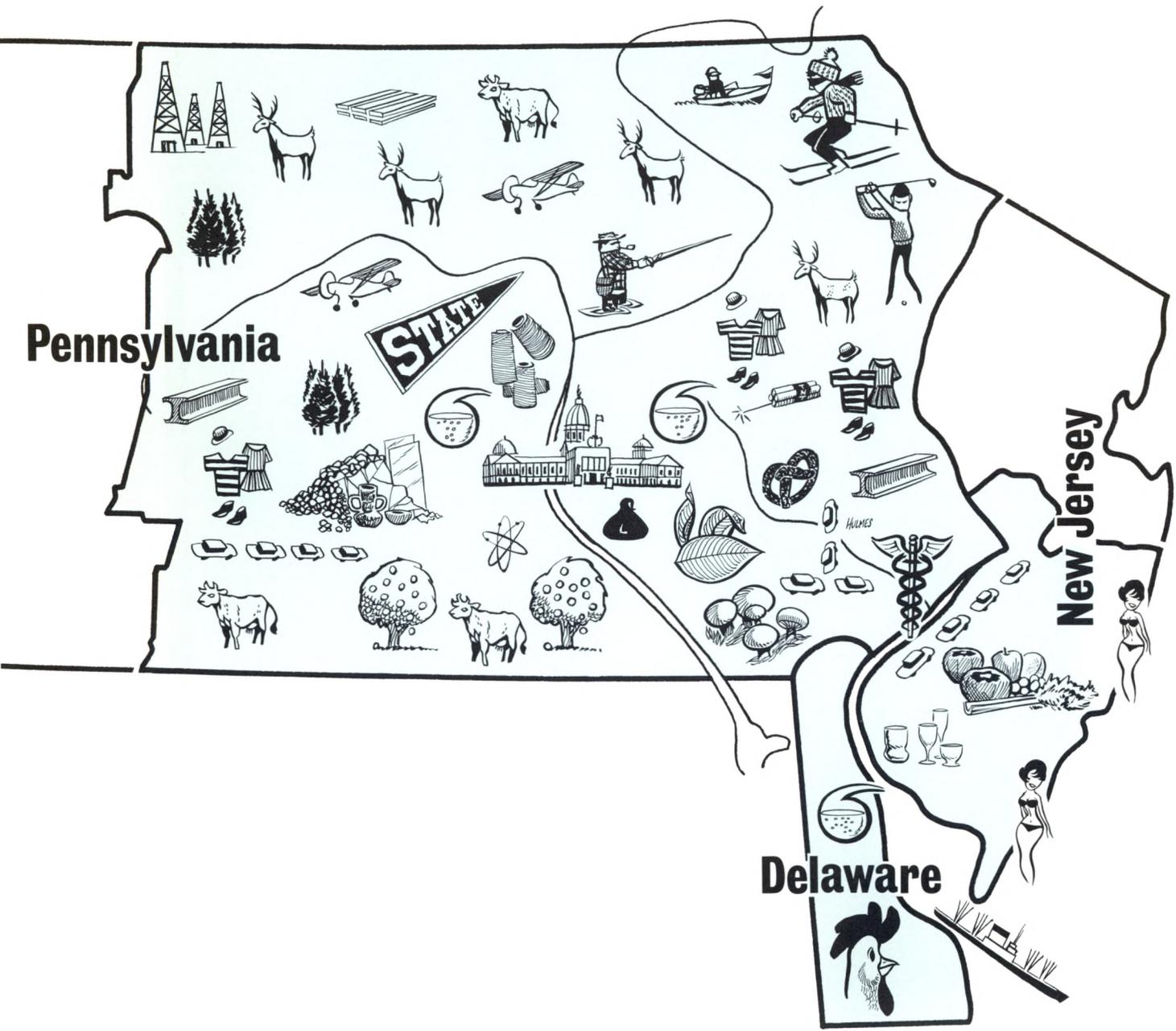
Construction turned in a strong performance in 1967. An overall rise of 8% reflected advances in both residential and nonresidential building. During the previous year, in comparison, housing starts dipped 12%.

Relatively easy money conditions coupled with a reduced loan demand enabled member banks to increase their investment portfolios and holdings of U. S. Governments and other securities swelled 21% during the year. Third District country member banks continued to be net sellers of federal funds. Reserve city banks, on the other hand, generally were frequent purchasers. The growing participation of member banks in the federal funds market along with easier money, were the major reasons for a reduction in borrowing at the discount window.

Member bank loan activity here, though brisk, failed to equal last year's growth rate. Even so, the District rate exceeded that of the Nation by more than 2%.

Whatever the causes—resistance to higher prices, favorable interest rates, uncertainty over Vietnam, taxes, and the economic outlook—people saved more in 1967 than in any other year in the past decade. Third District time deposits increased over 15% and demand deposits, too, rose sharply when compared to 1966—about 7%.

On entering 1968 the Third District economy appears to have a green light. Business and banking activities seem scheduled for another period of expansion.



**Pennsylvania**

**New Jersey**

**Delaware**

# DEPARTMENTAL REPORTS

## ACCOUNTING

*Accounting operations include maintenance of the Bank's general books, General Account of the Treasurer of the United States, expense and disbursement records of the Bank, and preparation, recording, and distribution of budget and expense data by function and department. Other operations include continuous analysis of member bank reserve accounts to insure compliance with System regulations; maintenance of member bank reserve account statement files; settlement of group and wire clearance plans; collection and reconciliation of payments received for checks sent to District country banks; reconciliation of accounts with other Reserve Banks; securing payments for services rendered Government agencies; and transfer of funds by wire and mail for member banks. In addition to operating the Bank's leased wire telegraph services, connected with the Board of Governors, all other Reserve Banks and Branches, and the Treasury, the Department utilizes commercial wire services, and a closed circuit teletypewriter system for receiving transfer requests from six Philadelphia banks.*

Bankers must have used sharper pencils in 1967. The number of reserve deficiencies was reduced approximately 24% which seems to indicate closer attention is being paid to reserve maintenance by member banks. From the members' point of view better reserve management cuts back excess reserve balances and puts idle funds to work.

Regulation D, Reserves of Member Banks, was amended by the Board of Governors on two occasions during the past year. In March required reserves on all savings and time deposits under \$5 million were reduced by one percentage point in a series of two steps. In December the required reserve on demand de-

posits in excess of \$5 million was increased by one-half of one percentage point for all member banks, effective January, 1968.

Wire transfers of funds showed greater activity again in 1967. The combination of outgoing, incoming, and intradistrict transfers of funds during the year added up to nearly a quarter of a million items—a new high.

To provide better service in this area our Operating Circular was amended to permit member banks to initiate transfer requests by telephone. With the same goal in mind an additional teletype machine was installed to receive transfers from Philadelphia banks.

While more and more of today's banking



The Account Adjustment Division of the Accounting Department traces errors, makes adjustments, and verifies entries to member bank reserve accounts. (Shown left to right are Carmen Marra, Carmela Puracchio, Phylis Halperin, and Agnes Boady.)

operations are processed by computer systems the human factor is still very much in evidence. The Adjustment Division processes a seemingly ever increasing volume of varied and complex adjustments.

In addition to traveling by wire, money moves throughout the country in various other ways: Reserve Bank cash letters, direct sendings, collection items, etc. Obtaining payment

is the prime interest of the Reserve Bank Reconciliation Division. Timeliness of payment is also important to eliminate unnecessary "float."

This Department is also custodian of the Bank's purse strings. Would you believe that net expenses of the Bank in 1967 showed an increase of less than one-half of one per cent over 1966?



The Reserve Reconciliation Division of the Accounting Department maintains member bank reserve account statement files and reconciles payments received for checks sent to District country banks and accounts with other Reserve Banks. (Margaret Garr, foreground, Henry Wright and Rachel Eastlack.)

	1967		1966	
	Number of items	Dollar Value (millions)	Number of items	Dollar Value (millions)
Transfers of Funds	247,814	\$219,815	232,991	\$192,718
Outgoing	79,516	89,680	76,826	82,282
Incoming	88,315	84,485	81,279	76,048
Intradistrict	79,983	45,650	74,886	34,388
Direct Sendings	456,825	\$ 48,863	428,862	\$ 44,659

## AUDIT

*The Audit Department is supervised by the Vice President and General Auditor, who is directly responsible to the Board of Directors through its Audit Committee. The Department conducts audits and examinations, reviews and appraises adequacy, soundness, and application of internal controls in other departments and functions of the Bank. The frequency and extent of audits and examinations conform with schedules approved by the Audit Committee of the Board of Directors. Reports of all audits, examinations, and special investigations are submitted to the Audit Committee monthly or more frequently if required by the Committee.*

Verifying the existence and accuracy of the assets and ascertaining the reliability of the accounting data are among the primary objectives of the Audit Department. Another very important function of the audit program is to assist management by furnishing objective appraisals of and recommendations on operations.

Procedures are reviewed with the goal of lessening risk by eliminating conditions that permit laxities and irregularities. Such reviews are an aid to the auditor as well as the operator for adequate controls reduce the exposure and require less audit attention.

New operating techniques, including the widespread use of electronic data process-

ing, have created complex operations that demand flexible and imaginative auditing programs. An auditor today should have technical knowledge, informed judgment, and a broad outlook, not restricted by tradition.

Obtaining and retaining individuals with these attributes was one of the most challenging tasks the Audit Department faced during 1967 according to Vice President and General Auditor William Metz. He says: "Audit systems are only as efficient as the auditor and his staff who are charged with their responsibility and maintenance. To grow to its ultimate stature, internal auditing will need men capable of living up to its rising standards."

### AUDIT ACTIVITY—1967

Periodic Audits	70
Spot Audits	39
Proofs and Verifications	224
Confirmations Requested by Audit	13,300
Confirmations Furnished to Others	2,650



Bank auditors Peter Roberts (left) and Doug Spotts (center) discuss a settlement with Charles Sullivan, Jr., during an audit of checks in process of collection. The Audit Department conducted 109 periodic and spot audits within the Bank in 1967.

## BANK EXAMINATION

*It is the policy of this Bank to conduct an examination, in cooperation with the respective State banking authorities, of every State member bank in the District during each calendar year. The field work of the Bank Examination Department also includes (1) examinations of nonmember banks applying for membership, (2) examinations for the Federal Reserve Board of Edge Act Corporations located in this District, (3) investigations of applications of State member banks for branch offices, (4) examination of off-premises data processing service centers under the provisions of the so-called "Bank Service Corporation Act," and (5) investigations in connection with applications to merge, consolidate or purchase assets and assume liabilities. Supervisory responsibilities of the Department include processing of applications for mergers when the surviving bank is a State member bank, rendering of opinions to the Board of Governors of the Federal Reserve System on competitive factors in connection with mergers when the surviving bank is a national or State nonmember insured bank, processing of reports regarding criminal violations, processing of applications to form Edge Act Corporations, and providing information on regulations issued by the Board of Governors of the Federal Reserve System.*

*Since July 1, 1967, the Board of Governors delegated to the Federal Reserve Banks authority to approve certain applications; the chief activity under delegated authority has been approvals of applications by State member banks to establish branches.*

*The Department also does certain analytical work on various reports and statistical data and does the initial processing of adjustments in member bank holdings of Federal Reserve Bank stock.*



Chief Examining Officer Jim Giacobello and Examining Officer Len Markford (standing) discuss examining procedures with visitor Nakorn Borwornsin, Bank Examiner from Bank of Thailand, Bangkok, Thailand.

At the close of 1967, 35 State member banks were subject to examination by our Bank Examination Department. Of these, 23 had trust departments; 15 operated one banking office and 20 had two or more offices. The total number of State member bank offices increased by 22 during the year to 290.

All State member banks in the District were examined during 1967.

The number of State member banks in the District decreased by one during 1967 as a result of the merger of one State member bank with an insured nonmember State bank.

Over the year the number of national banks was reduced by fifteen. Twelve were merged or consolidated with other national banks and three merged into State nonmembers.

The Department processed two applications under the Bank Merger Act in 1967, where the surviving bank would be a State member bank. We also prepared 24 opinions on the competitive factors involved in merger proposals where the surviving institutions would

be national or insured nonmember State banks.

There are four Foreign Financing (Edge Act) Corporations in this District. All of them have affiliated corporations. The corporations and affiliates were examined by the Department in 1967, although technically our examiners functioned as direct representatives of the Board of Governors of the Federal Reserve System.

Although not intended as a training ground for bank executives the Department has, over the years, made a contribution toward maintaining the quality of bank management throughout the Third District. Nearly a score of former examiners now hold key official positions in commercial banks in the area.

And in this Bank William Metz, vice president and general auditor, Jack Besse, assistant vice president, Walter Brobyn, assistant general counsel, and Sam Culbert, Jr., bank services officer, are former members of the Bank Examination Department.

### DISTRICT MEMBER BANK STRUCTURE

	1967	1966
	As of December 31 (Dollar amounts in millions)	
<b>State Member Banks</b>		
Number	35	36
Assets of Commercial Departments	\$ 6,179	\$ 5,366
Assets of Trust Departments	\$ 8,308 <sup>1</sup>	\$ 8,117 <sup>1</sup>
<b>National Banks</b>		
Number	335	350
Assets of Commercial Departments	\$11,296	\$10,139

<sup>1</sup> Based on book values which usually are substantially less than real values.

## BANK RELATIONS AND SERVICES

*Objectives of the Bank Relations and Services function are to maintain liaison with member banks and banking associations and groups concerning services, operations, and policies of this Bank and the System. Activities include (1) annual visits to all Third District country banks, (2) special bank visits upon request, (3) circulation internally of reports on a county-by-county basis covering bank visits, (4) annual field conferences, (5) participation in meetings of banking groups and associations, (6) preparation of special reports, charts, and ratios for member banks, and (7) providing an annual Functional Cost Analysis program for member banks.*

Services . . . This was the keynote for 1967. Not only was the Department's name changed to include the word Services but Samuel J. Culbert, Jr., was appointed Bank Services Officer. It is becoming more apparent that member banks have definite need for more and better technical assistance services.

Department personnel are being trained to improve the scope of our services. Use of computer equipment is stressed. New uniform accounting procedures and reporting requirements have been studied so that a greater variety of assistance can be offered to members.

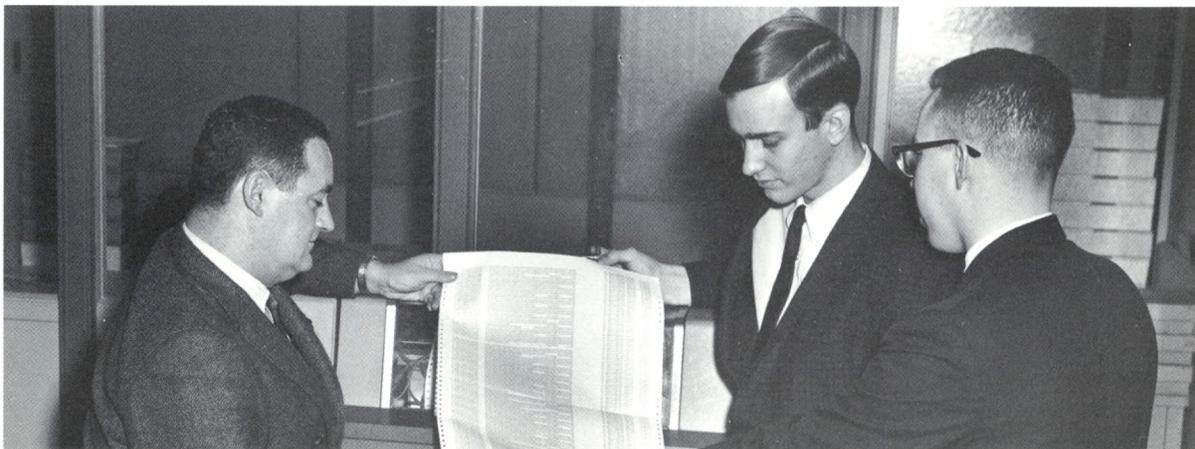
The Functional Cost Analysis program was streamlined in 1967 to reduce the amount of work participating banks must perform. This program has become increasingly popular with member bankers who desire an analysis of their operations by function, year-to-year internal measurements, and comparisons of their functions with other banks of similar size.

Emphasis on technical assistance in no way curtailed the Department's other activities.

During the year each country bank was visited at least once by a field representative. These bank visits are becoming increasingly technical in nature. Bankers visited are shown trend charts of their deposits, loans, investments, etc., which have been prepared at our Bank immediately prior to the visit. Further discussion of problem areas is arranged with "experts" in various departments of this Bank. Ratio studies concerning nonearning assets are also presented for consideration.

We assume from continued capacity attendance that our regional field meetings are well received by District bankers. In 1967, the Bank's 22nd annual series of meetings attracted a total of 1,884 guests. As in the past, officers of the Bank presented views on current economic developments and Federal Reserve policy.

Members of the Department missed few, if any, opportunities to attend bank-sponsored meetings, conferences, conventions, and similar gatherings throughout the District.



Bank Services Officer Sam Culbert (left) reviews Functional Cost Analysis program data with technical assistants Glenn Manthorpe (center) and Chuck Soule. Fifty-one member banks participated in the program during 1967.

*The Building Department is responsible for the care, cleaning, operation, maintenance, and alteration of the physical plant, including rented space. Its staff maintains and operates air-conditioning and other mechanical equipment, repairs and fabricates special devices for other departments, and does painting work throughout the Bank. Plant maintenance and service personnel operate on a 24-hour schedule.*

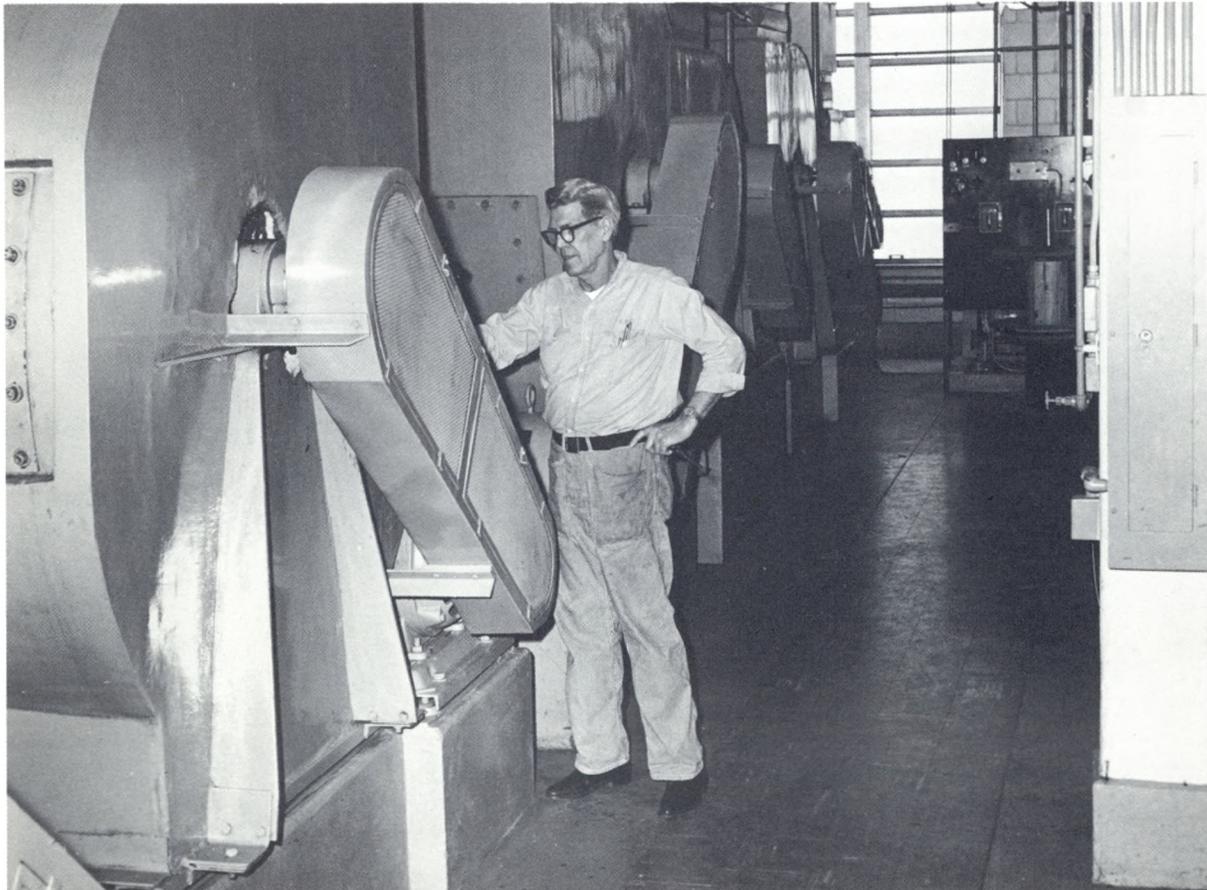
The majesty of ancient cathedrals, the charm of primeval castles, and the rustic simplicity of antique farm houses could hardly be recaptured in modern design. Fascinating as old buildings may be to look at, they present myriad problems to those responsible for their condition.

Our Bank consists of four buildings joined together; the oldest was built in the 19th century and the youngest dates back to the early 1930's. These vintage structures have their charm but they require continuous maintenance and updating. Problems must be

anticipated and corrected before they get out of hand.

While performing a routine check of the Bank building, Adam Arnold, head of the Building Department, noticed cracks and bulges at the top of one of the marble columns that beautify the Bank's main office. Further investigation revealed the facing was separating from the structural cores of this column and others, as well. This potentially dangerous situation called for major repairs; which are now in progress.

During the year firefighting apparatus was



Ira Tull of the Building Department tests tension of a fan belt on one of the Bank's ventilating systems. These systems, which have run continuously for the past 14 years, require constant surveillance.

surveyed and modernized. New fluorescent lighting, illuminating panels, and acoustical ceilings were installed in many parts of the Bank. A fireproof, bulletproof door was put in to protect the Bank's Ludlow Street loading platform. A raised floor and electrical and air-conditioning conduits were installed to accommodate new and heavier computer "hardware." A new larger emergency generator is planned—a need that became apparent during the citywide power failure last June—together with an additional electric substation.

Partly because of structural antiquity, house-keeping costs had grown over the years until the Bank's position in the System was out of

line. A committee was formed to investigate and make recommendations. An important result of the committee's work is an attitude of cost-consciousness among Building Department personnel. Costs were reduced and our System ranking improved during the year.

A combination of death and retirement removed both senior and junior officers in charge of the Building from Bank service in 1967. Larry Murdoch, Jr., vice president and secretary, is now senior officer in charge of the Department. Russell Connor, appointed assistant secretary in June, was named building officer in November.



Building Department's Carmen DeStefano installs new, plastic diffuser in Research Department. This diffuser and a new type of fluorescent lamp provide greater safety and better lighting than those formerly used.

*The Cash Department maintains an inventory of Federal Reserve notes, Treasury currency, and coin to meet demands of banks in the Third Federal Reserve District. Currency and coin move into and out of circulation through banks in response to increases and decreases in public demand. All bank orders for cash are charged, and all cash shipments are credited, to member bank reserve accounts. The Post Office Division of the Cash Department operates under United States Postal Regulations by contract agreement. It processes incoming and outgoing registered mail containing coin, currency, and securities, and certified mail.*

According to Harry Roeder, who stoutly bore the undeserved title of “vice president in charge of the coin shortage” for many trying months, coin flowed freely in 1967. The Mint wasn’t quite able to cope with continued strong demand for half dollars but “halves” were the only coins rationed during the year.

With an eye toward anticipating and preventing future coin shortages the Bureau of the Mint in late 1967 initiated a program to improve forecasting of coin needs. Reserve Banks were asked to select commercial banks that are large users of coin and have these banks report each month a 15-month projection of the coin they expect to require. These reports, in turn, are used by the Reserve Banks in estimating and reporting their own coin needs to the Mint’s Coin Management Division.

Last spring the Treasury announced that after June, 1968 silver certificates would no longer be redeemed in bullion. As a result the volume of silver certificates redeemed by us for face value dropped dramatically. Apparently, holders either plan to purchase bullion before the deadline or are selling the fast disappearing certificates to collectors.

The Treasury Department also advised the Reserve Banks that as of January 1, 1968, all unfit Federal Reserve notes up to and including \$100 denominations would be verified and destroyed by the Reserve Banks. Prior to this announcement the Reserve Banks were authorized to destroy only notes of \$10 denomination or less.

Federal Reserve Agent Willis J. Winn, who also is Chairman of the Bank’s Board of Directors, had a busy year. He and his assistants authorized the issuance of \$698 million in Federal Reserve currency in 1967 and held an inventory of \$472 million Federal Reserve notes at year’s end. The agent issues currency as re-

quested by the Cash Department and it must be collateralized with gold and securities before it is circulated.

Cash Department activity increased from 1966 in all categories save one. Counterfeit notes detected in incoming deposits dropped slightly in number and dollar volume.



Cash Department’s Henry Martino (left) and Frank Lewandowski assemble “fit” currency for redistribution to member banks. Notes have been sorted from member bank shipments.

**COIN INVENTORY**

Year-end	(Millions)
1967	\$8.0
1966	6.1
1965	4.2

## COLLECTIONS

*Federal Reserve Banks provide, on a nationwide basis, a system for the clearing and collection of checks and other cash items, and for the collection of noncash items such as drafts with documents attached, coupons, and securities. Fast processing and presentation of MICR qualified cash items and checks are achieved by the efficient use of automated reading and sorting equipment.*

*The Department of Collections also handles and processes return items, adjustment of cash letters, food stamp coupons, and claims for refunds on previously paid items.*

*These services are extended directly to member banks and agencies of the Federal Government.*

Business as usual might best describe the Department of Collections in 1967. This "team" has set such high efficiency standards in the past that reporting last year as usual is much the same as saying the Green Bay Packers had an ordinary season in the National Football League.

The volume of checks processed increased, as it has almost every year, but improved facilities and procedures made it possible to handle the heavier workload with approximately the same number of employees.

Philadelphia banks speeded the collection of Third District country checks by sending about 25 per cent more items in sealed packages. This improvement became possible when the Department of Collections extended the close-out for carrier service approximately one and one-half hours for several key routes.

As more country banks use one variety of off-premise bookkeeping or another our "intercept" program continues to expand rapidly. The program permits the Department, when properly authorized, to send cash letters of Third District country banks direct to the correspondent bank or service center for demand deposit processing. At present 120 Third District banks are using this speed-up service and volume has tripled in the past two years.

Early in 1967 area bankers expressed concern that the September 1 deadline for handling checks as noncash items on which the routing symbol-transit number of the payor bank had not been pre-printed or post encoded might prove a hardship. It was thought the number of items slowed in collections or returned to the sending banks might be drastically increased. Fears, however, proved groundless. The number of unacceptable checks has been practically nil.

At year's end 29 counties in the Third District were participating in the Federal Food Stamp program and nearly 18 million food stamps were processed by the Department during the year. This figure, a 100 per cent gain over 1966, should increase again next year because many additional counties have applied to participate in the program.



Supervisor Herb Dietrich of the Collections Department sorts checks for carrier runs throughout the District. The Bank sent checks by carrier service to 500 District banks in 1967.



Supervisor Bob Shaw of the Collections Department explains equipment operation to Diane DiNardo as Loretta Gonnella processes Food Stamp Coupons. Twenty-nine counties in the District participated in the Food Stamp Program in 1967.

### VOLUME OF OPERATIONS

	1967		1966	
	Number of Items (Millions)	Dollar Value	Number of Items (Millions)	Dollar Value
City Checks	63.9	\$ 43,503.8	61.0	\$42,052.0
Country Checks	216.9	50,526.0	213.1	46,417.9
Subtotals	280.8	\$ 94,029.8	274.1	\$88,469.9
Drafts on This Bank	—	3,624.8	—	3,586.4
Return Items	2.6	392.7	2.5	366.5
Government Checks	32.7	7,982.9	30.8	6,993.0
Postal Money Orders	17.3	247.7	18.2	254.4
Totals	333.4	\$106,277.9	325.6	\$99,670.2
Noncash Items	0.8	\$ 1,103.9	0.8	\$ 827.3
Food Stamp Coupons	17.4	\$ 23.3	9.8	\$ 12.7

## CREDIT DISCOUNT

*Federal Reserve Banks are empowered to supply funds under prescribed conditions to member banks through extension of credit. The Credit-Discount Department administers loans to member banks. It is also responsible for administration of defense production loans on behalf of Government agencies guaranteeing the loans under the Regulation V Program, and for the administration of the Foreign Credit Restraint Program. In addition, the Department maintains records of the earning assets of the Bank and of the accruals and income thereon, including participations in the System Open Market Account, holdings of Foreign Currencies and Foreign Loans on Gold.*

Relatively easy money conditions during much of 1967 were reflected in reduced discount window activity at this Bank.

Country banks in the Third District continued to increase their participation in the federal funds market, usually as sellers. This helped potential borrowers at the window find accommodation in the federal funds market instead.

Though fewer in number, borrowing banks were served with a minimum of red tape. Telephone requests again accounted for 70% of all advances made. This Bank's policy of accepting telephone requests is becoming more important to member banks as mail deliveries lag.

The discount rate was reduced from  $4\frac{1}{2}\%$  to 4% on April 7, 1967—the first change since late 1965. The reduction was in line with declines in market rates. On November 21, 1967, the rate was raised back to  $4\frac{1}{2}\%$ . The action was influenced by the British Government's decision to devalue the pound.

The Discount Committee in December approved the practice that any rebate of un-

earned discount or interest shall be made at the same rate as the rate charged on the original advance.

Changes designed to better adapt the discount mechanism to current conditions were studied throughout the year. Officers of the Bank have been actively engaged in this Systemwide reappraisal which will continue into 1968.

Administration of the Foreign Credit Restraint Program was continued with the assistance of the Department of Research. Reporting banks and nonbank financial institutions cooperated in a satisfactory manner and no major problems developed during the year. Although revised guidelines for the program liberalized reporting requirements, the U. S. Balance of Payments problem will require close supervision under the new guidelines.

In June, representatives of the Department attended the Collateral Evaluation School established by the Board of Governors in Washington. The program proved to be highly informative and key Department personnel will enroll at future sessions.



Credit-Discount Department's Bernie Beck answers member banker's questions about borrowing, aided by Assistant Vice President Al Spencer (standing) and Phil Delphey. The Department accommodated 79 member bank requests for 363 advances in 1967.

#### LENDING ACTIVITY

	1967	1966
Number of Advances to Member Banks	363	889
Dollar Value (Thousands)	\$322,959	\$1,806,298
Number of Member Banks Accommodated	79	135

## DATA PROCESSING

*The Data Processing Department is primarily a service unit for other departments of the Bank. It takes source documents from these departments and transcribes them into punch cards that may be sorted, counted, and recorded by electronic and mechanical equipment. It then produces desired information and necessary records.*

Back in 1961 the Bank installed its first computer and in less than one year virtually all tabular operations were converted. In 1967 the Bank ordered a new, more sophisticated computer complex with a larger memory capacity, greater speed, and more accessories. A major effort of the Department during the year was devoted to evaluating and selecting the computer and planning for its installation.

Proposals of two manufacturers were considered before the Department determined which third-generation computer complex would best serve Bank needs now and in the foreseeable future. Planning for the physical

installation of the complex required reorganizing the Department's equipment and workflow.

Departmental supervisors and programmers performed considerable maintenance on our computer systems during the year to provide more diversified applications and greater variety of services. Data processing techniques are constantly evaluated to expedite work demands of other departments in the Bank.

Members of the Department also devoted a great deal of time during the year to establishing techniques that isolate components of float for a Systemwide study.



Research Department programmer Susan Case places disk pack containing program operating system on disk drive as Grace Hamilton (seated) dials program into IBM 360 computer console.

## EMERGENCY PLANNING

*The Federal Reserve System, in participation with other Government agencies and departments, has been assigned certain responsibilities in the formulation of emergency financial and stabilization policies including, but not limited to, programs for continuity of its operations and the Nation's banking system under emergency conditions. As a part of basic System planning, this Bank maintains a Relocation Office to which copies of vital records are sent daily. Emergency operating programs have been developed for essential functions and are under continuous review.*

Each day, in the wee early hours of the morning, a carrier leaves the Federal Reserve Bank and proceeds to Lewisburg, Pennsylvania. He is delivering vital records of the previous day's activities to our Relocation Office in the basement of Roberts Hall on the campus of Bucknell University. The site was selected because it was far removed from possible military or industrial targets.

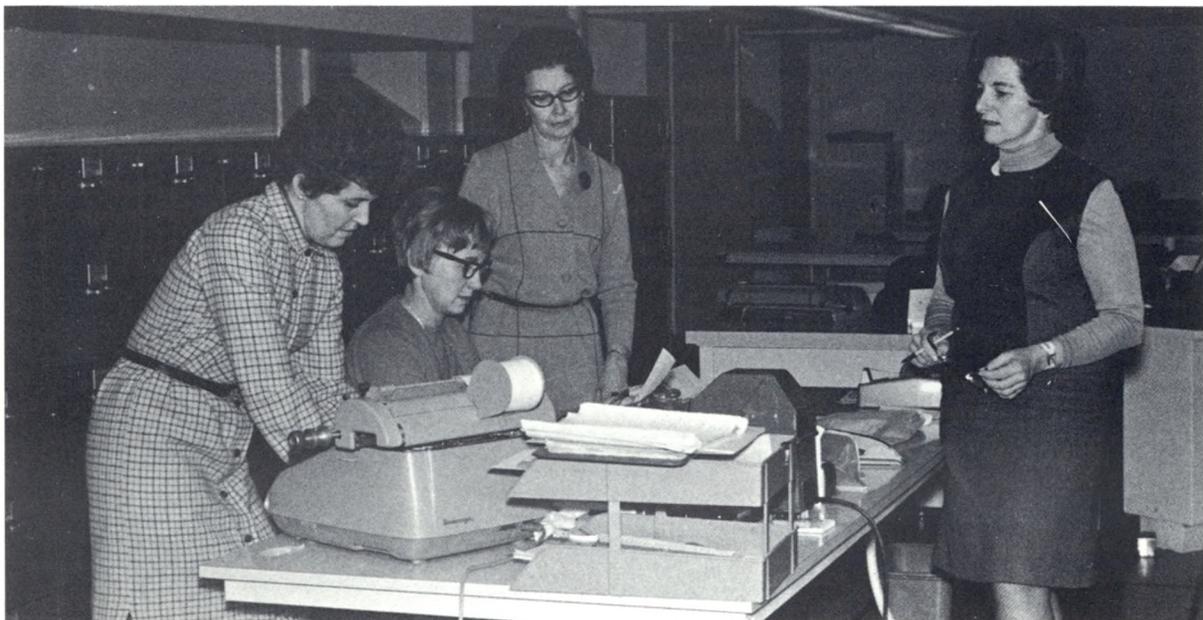
The records are processed by a group of part-time employes under the guidance of an office supervisor. Four times each year accounting consultants reconstruct this Bank's balance sheet and related accounts.

At least once every year employes of this Bank visit the Relocation Office to test various aspects of the emergency operating program. In 1967, for example, the System's Open Market Account was reconstructed from the

records available in Lewisburg. "Test decks" of checks and currency transactions were also distributed to selected banks in the District for processing in accordance with emergency instructions. Subsequent review of the tests disclosed very few errors.

Why do we do all this? The System has the responsibility of insuring the continuity of Federal Reserve operations and the Nation's banking system under emergency conditions.

All Third District banks have been issued manuals of emergency instructions on how to conduct daily transactions with the Fed in the event of an emergency. In addition, certain District banks have been designated Cash and Check Agents. They will distribute cash and clear checks in specified areas during a national emergency.



Supervisor Lois Geiger (right) and Frances Gallicano, Doris Martin, and Dorothy Reish review data sent from our Philadelphia headquarters to Bank's relocation center in Lewisburg.

## FEDERAL TAXES

*Federal Reserve Banks, as Fiscal Agents of the United States, are authorized to accept tax funds either from employers directly or through qualified commercial banks. These tax funds represent withheld income taxes of employes, Social Security taxes of employers and employes, Railroad Retirement taxes, and certain excise taxes. Regulations and forms are supplied to banking institutions and receipt forms are supplied to employers.*

In February, 1967, the Internal Revenue Service lowered its requirement for semi-monthly deposit of withheld Social Security and income taxes from \$4,000 to \$2,500. This change increased the number of receipts the Department processed by 20 per cent over 1966.

The Internal Revenue Service also changed its method of collecting and crediting certain corporate and individual income taxes. Formerly, the Service sorted large checks it received in payment of income taxes and sent them to Reserve Banks for collection. The Reserve Banks then credited a portion of each check to the depository bank's Treasury Tax and Loan Account by special draft. In April the special draft procedure was discontinued.

In March the Internal Revenue Service supplied a new Federal Tax Deposit Form 503 to accompany corporate and individual tax payments made to Reserve Banks or deposited in commercial banks. A detachable stub now becomes the taxpayer's receipt, eliminating the need to return validated depository receipts and making tax collection more efficient and economical.

The Internal Revenue Service is distributing a new Federal Tax Deposit Form for each class of federal taxes which is to be used for the first 1968 payment. The prepunched and preinscribed forms, with a detachable stub, will be sent to each taxpayer at the address indicated on his previous tax returns.

### SUMMARY OF TAX RECEIPTS

	1967		1966	
	Number of Receipts	Dollar Value (Millions)	Number of Receipts	Dollar Value (Millions)
<b>Total</b>	798,975	\$3,935.1	663,011	\$3,348.0
Withheld and Social Security Taxes	786,964	3,508.1	654,033	2,969.2
Excise Taxes	11,207	375.6	8,414	316.6
Railroad Retirement Taxes	804	51.4	564	62.2



Ronald Sheldon (left) and Melvin Cooper prepare to run Federal Tax receipts through processing equipment. Machines that count, sort, print, select and perform many other operations are in constant use during the day in our Data Processing Department.

**"25 YEAR CLUB AT PLAY"**



The Pioneer Club enjoying its 22nd annual dinner and show at the Benjamin Franklin Hotel. About 20% of the bank staff has 25 years or more of service.

# When We're Not Working

**"AND THEY SING, TOO"**



The choral group sings at Christmas and social activities during the year.

**"NOT EVEN A NIBBLE"**



Our Fishing Club, known as the "Anglers" is very active. Half a dozen trips a year are supplemented by monthly meetings where strategy is discussed. Catches are usually small but the stories are big.

**"HE DUBBED IT"**



Golf outings are popular with Fed employees. Duffers are welcome. Scores ranged from 82 to 162 last time around.

**"AND LET A WINNER LEAD THE WAY"**



Talented artist Ann Blasioli accepting an award from Bill James and Olga Matuck. Our annual art show is one of the high spots in the year's activities.

**"DID ANYONE BRING THE FILM?"**



Diane James poses prettily while members of the Camera Club prepare to shoot.

**"WHY DOESN'T SOMEBODY LOOK AT THE PINS?"**



The girls' bowling teams are always in the thick of the fight for Financial League laurels. The men's teams—well, better luck next year.

**"A LONG OUT"**



Our Bernie Beck was voted the Financial League's most valuable player in 1967. Here Bernie backs a rival outfielder against the fence with a long drive.

## GOVERNMENT SECURITIES AND SAFEKEEPING

*As Fiscal Agents of the United States, Federal Reserve Banks sell new issues of Treasury marketable securities to the general public, conduct refunding operations, exchange and transfer bonds and notes, pay Government and agency coupons, and maintain Treasury Tax and Loan Accounts. Reserve Banks are authorized to issue, reissue, and redeem United States Savings Bonds and Retirement Plan Bonds, to issue and reissue United States Notes, and to process and pay Armed Forces Leave Bonds. Reserve Banks qualify commercial banks and others as issuing agents of Series E Savings Bonds and of savings notes, and as paying agents of Series A through E bonds and of matured Series F, G, J, and K bonds.*

*Reserve Banks also act as depositories for securities owned by member banks. All securities are serviced as to collection of interest, redemptions, and exchanges. Purchase or sale of any Government security can be made through Reserve Banks by member banks without charge.*

The year 1967 was a pivotal one for fiscal agency operations. After months of planning, the United States Savings Bond Department and the Government Bond and Custody Department merged in order to achieve greater efficiency and to centralize operations on a single floor. The new Department was rechristened, Government Securities and Safekeeping.

During 1967 members of the Department contributed to the acceptance of a book entry method of issuing Government securities by presenting the proposed procedure to Treasury and System officials. The Treasury authorized use of the book entry method by all Reserve Banks, effective January, 1968. This method eliminates certain manual tasks and reduces expensive protective measures.

During 1967 the Department abolished unwieldy Depositary and Custody documents used in the safekeeping of securities by Operating Circular 12B. The circular explains terms and conditions of custody and itself constitutes a legal agreement. Depositing banks merely certify that they have read and understand the terms and conditions in the circular. The new procedure will become effective in early 1968.

By the end of 1967, virtually all member banks in the Third District had authorized the Department to place restrictive endorsements on securities in safekeeping when these securities are presented for payment within the Third District. The endorsement, which eliminates the need to insure shipments, saved member banks several thousands of dollars during the past year.

Continuing its decentralization plan, the Treasury authorized Reserve Banks to issue registered Treasury Bonds or Notes effective January, 1968. Reserve Banks are also authorized to redeem registered Government bonds and bonds submitted in payment of estate taxes, and to exchange registered bonds for coupon bonds. Localizing these tasks have cut processing time from weeks to days.

In 1967 the Treasury invited large volume issuing agents of United States Savings Bonds to report their sales on magnetic tape. This procedure will speed processing of bond sales data and result in other economies.

Certain regular purchasers of Series E bonds were rewarded in May when the Treasury offered them "Freedom Share" notes bearing 4.74 per cent interest and maturing in four years and six months. A Freedom Share can be purchased only with the simultaneous purchase of a Series E bond under payroll savings plan or through a bond-a-month plan and annual purchases by any one individual are limited to \$1,350. Sales in the District started slowly, but picked up rapidly in the latter half of the year.

Purchasers of Retirement Plan Bonds will get new benefits in 1968. Under amendments to the Keogh Act of 1962, self-employed persons will be able to deduct from their taxes the full amount (to maximum \$2,500) set aside from earned income for retirement purposes. Formerly, they could deduct only half of the amount.



Ileen Thomas of the Government Securities and Safekeeping Department shows how card records can replace cumbersome marketable securities. Book entry method of issuing government securities becomes effective in 1968.

#### MARKETABLE SECURITIES

	1967 (Millions)	1966 (Millions)
Securities in Custody 12/31	\$3,652	\$3,156
Delivered Subscriptions	2,156	2,323
Redemptions	3,967	4,228

#### ISSUED and REDEEMED SAVINGS BONDS

	1967 (Thousands)	1966 (Thousands)
Issued (price)		
Series E Bonds	\$359,280	\$358,646
Series H Bonds	37,132	49,737
Redeemed (value)		
Series A-E Bonds	334,400	319,500
Series F & G Bonds	500	908
Series H, J, & K Bonds	50,175	60,500

## GUARDS

*The Guard Department is responsible for safeguarding Bank property and personnel. Under supervision of a Captain, Lieutenant, and four Sergeants, armed guards man posts strategically located throughout the Bank. The Department also supervises the use of Bank automobiles.*

Visitors to the receiving section of the Department of Collections may not know it but they now are on candid camera, so to speak. As an additional security measure two new TV cameras were installed in 1967, and everything that goes on in this vital area is seen on monitor screens in our guard control office. Six important areas within the Bank are now under constant surveillance by television.

In 1967 plans were made to install a new highly sophisticated electronic control panel incorporating all monitors and alarm systems with some new hush-hush features. The way it looks now the entire guard control office will be moved from the first floor to more spacious and secure quarters on the second.

For the seventh consecutive year our guards' pistol team was runner-up in the Eastern

Pennsylvania Police League. Being second like Avis, we try harder. For example, a competitive shooting program has been activated within the Guard Department and scores are improving. Just wait until next year.

Guard management and personnel attended numerous meetings and seminars conducted by the Police Chiefs Association, the Securities Officers Association, and the American Society of Industrial Security throughout the year. According to all reports the sessions proved to be highly informative.

The Bank's internal alarm and security system was improved in 1967 by the addition of various equipment specifically designed to cope with civil disorders and any other new-type emergencies that may arise.



Sergeant Art Hall of our Guard Force scans control monitor. Six vital areas in the Bank are televised to insure constant surveillance.

*The Personnel Department administers Bank policies and programs of employment, job classification, and salary administration, together with payroll operations, including Retirement System and Social Security matters. Employee counseling, the direction of the cafeteria, the Medical Division, and employe and supervisory development and education are among its other major responsibilities.*

The lot of a personnel officer is not always a happy one in today's labor market. Not only does the demand for management personnel exceed the supply, but there is a shortage of skilled clerical people throughout the Third District and perhaps the entire Nation.

Personnel Officer William James has managed to sleep fairly well at night, however. It's true he has gotten a bit gray on top in recent years, but he is fortunate in having a few things going for him that would be considered a blessing in most shops.

For example, 20% of all employes have been with the Bank for a quarter century or more. This means that despite a total turnover of just under 20% a year, we can rely on a stable nucleus of about 165 "old pros."

A formal job evaluation plan first was developed for the Bank in 1946. The objective was to provide a sound basis for ranking jobs according to difficulty and responsibility.

While no major problems had developed in the program, it was decided a fresh look at the job evaluation method was in order. Members of the Bank staff under the guidance of an outside consultant worked on the project throughout the year and every job is being re-examined. The project is expected to be completed in the spring of 1968.

Two significant changes in the benefits of the Retirement System were made on July 1, 1967. Retirement allowances were granted without full actuarial discounts to certain qualified active members retiring prior to age 65. Allowances to qualified retirees and surviving annuitants were supplemented on a schedule ranging from 6% to 34% depending on the date of retirement. These expanded benefits were funded from unallocated reserves of the Retirement System.

During the year 108 employes took advantage of the opportunity to further their educa-



Members of the Bank's Job Evaluation Committee appear pleased with results following periodic meeting. Committee's task is to rank bank employe jobs according to difficulty and responsibility for internal alignment.

tion at Bank expense. This includes attendance at American Institute of Banking, other schools and colleges, and special banking schools.

In order to help reduce the shortage of skilled clerical people in center city Philadelphia, the Bank joined with nine other firms in training unemployed girls. With guidance of the Urban League 26 girls were selected for the program and all but one are now employed. The Philadelphia school system expressed interest in expanding this program for next year.

Incidentally, girls, take note. For the first time in many years the number of male employes in this Bank exceeds the number of female employes.

On the agenda for 1968 the Bank will participate in the Business Experience Education Program which provides work opportunities for school youth while permitting them to complete their education. The program aims to motivate good school performance, while giving paid work experience and training in bank operations.

“Operation Native Son,” a program that keeps local residents attending out-of-town

colleges informed of job opportunities in the Philadelphia area, bore fruit in 1967. Dozens of applicants applied for positions within the Bank.

At year’s end the number of unfilled personnel requisitions was only slightly higher than December, 1966 despite a tightening labor market.

#### EMPLOYMENT FIGURES

	1967	1966
Full Time Employes 12/31	823	842
Appointments	146	153
Separations	165	162
Annual Turnover Rate	19.7%	19.1%



A new pioneer in 1967, First Vice President Bob Hilkert is congratulated by Pioneer President John Brenner (center) and Bank President Karl Bopp. An employe with 25 years' service is eligible to join Bank's Pioneer Club.

*This function provides the business community and the public at large with information about the Federal Reserve System and its policies, this Bank, and the District and national economies. In cooperation with other departments, officers and staff members write articles, deliver speeches, organize seminars, and represent the Bank at various conferences. Improvement of economic education in local high schools and colleges is a major objective. Public Information personnel prepare and distribute press releases emanating from the Bank and maintain personal liaison with communications media. Guided tours of the Bank are conducted on a regular basis.*

Artemus Ward, an American humorist, once said that with most people "it ain't ignorance that does the damage, it's knowing so many things that ain't so."

This Bank feels that better public understanding of the Federal Reserve should be promoted through education. Most programs of the Public Information Department, therefore, place emphasis on describing purposes and functions of this Bank and of the System in general. Policy goals and actions are explained whenever an opportunity to talk to the public arises.

The Department appreciates the necessity of tailoring its approach to the public at the proper level of sophistication. Thus, our public information program is many faceted and varied, using different media and techniques.

In 1967 the Department hosted nearly 3,000 visitors who wished to tour the Bank and become better acquainted with its operations. Students accounted for the bulk of our visitors and, on the whole, they showed a genuine interest in banking and proved to be surprisingly knowledgeable. Let us hope that approaching maturity with its divergent interests does not dim their enthusiasm.

Recognizing the need for an easily read publication to provide a better understanding of current economic issues, the Bank initiated its Series for Economic Education in 1962. After six years and ten pamphlets, the series remains popular. Last year, nearly 1.5 million copies were distributed, raising the total number in circulation to almost 6 million.

The *Business Review*, the Bank's more sophisticated monthly publication, enjoys an ever growing mailing list which now stands at 14,000 names. Review articles are not confined to monetary and banking matters, but include a wide range of subjects which contribute in a

broad way toward a better understanding of the economy.

Both the Series for Economic Education and *Business Review* are available free of charge to readers outside, as well as within, the Third District. Some other publications also available upon request are *Defending the Dollar*, *The Quest for Stability*, and *Monetary Policy: Decision-Making, Tools, and Objectives*.

During the autumn of the year the Bank again sponsored seminars at Bloomsburg, Trenton, Millersville, and West Chester State Colleges. Approximately 150 college economics teachers attended these meetings in order to exchange ideas with this Bank's economists and each other.

*Money on the Move*, the System's "GWTW," was viewed by a combined audience of approximately 20,000 within the District in 434 separate showings during the year.

Taking the risk that the question might be asked, "Who's minding the store?" the Department reports that 173 speeches were made during the year by Philadelphia Fed men who also attended a total of 898 System and other meetings.

Have briefcase—will travel.



Tour guide Obadiah Craig of the Public Information Department explains vault structure to visitors. The Bank was host to nearly 3,000 visitors in 1967.

## RESEARCH

*The principal functions of the Department of Research are to provide basic data and analyses needed in the formulation and evaluation of Federal Reserve policy, to keep abreast of national and international developments, to analyze regional growth within the District, to study financial markets and the techniques of central banking, to maintain a cooperative liaison with the financial, business, academic, and civic community, and to contribute to the public's understanding of monetary policy and the workings of the economy.*

The Department explored such diverse areas as bank deposits, the location of corporate headquarters, municipal bond markets, and hydrospace during the year. The findings were communicated through the Bank's *Business Review* and internal System memoranda, speeches, outside publications, and special conferences.

In addition, staff members participated in a System study dealing with the discount mechanism, which has proposed redesign of the Reserve Banks' lending operations. The Department also assisted in System surveys dealing with automation in banks, the growth of bank credit cards, and state and local government financing during periods of tight money.

Our economists acquired an important new duty in 1967. They began to investigate the impact of bank mergers on existing institutions, business firms, and consumers. The idea is to provide more information on which to base recommendations on merger applications by member banks.

The Department also cooperated with the Greater Philadelphia Movement and Penjerdel in a major study of the economic interdependence of the Philadelphia metropolitan area. This work should provide a model for continuing study of this and other areas.

Dave Eastburn, vice president in charge of the research function, was designated a member of the Governor's Economic Advisory Council (Pennsylvania) during the year. Willis Winn, Chairman of the Board of Directors of this Bank, also chairs the Council.

A committee of professors was formed in 1967 to further research on monetary policy and to strengthen the Bank's relationship with District universities. The group will commission research projects by faculty members and graduate students.

Computers continue to play an increasing role in the work of the Research Department. A larger, more powerful and more versatile computer was ordered during the year for concurrent use by Research and the Data Processing Department.



Dave Eastburn, Vice President in charge of Research, and Sheldon Stahl, Research Officer and Economist, discuss **Business Review** edition with Art Director Don Hulmes. Bank's monthly publication is supplied free of charge upon request.

*The Vault Department is responsible for the custody and servicing of United States Government and other securities and the storing of currency and coin. Dual control and in some cases triple control measures are employed to provide maximum security. Coupons are cut at interest periods according to instructions. Deposits and withdrawals are permitted only upon receipt of authorized instructions from originating departments.*

Our Vault Department is popular with visitors. Students, the general public, and, yes, even bankers always seem impressed by the immense wealth contained there. Currency in the vaults can exceed \$1 billion on any given day. In addition we have custody of up to \$14 billion in negotiable securities.

Students studying American History sometimes leave the vault with first-hand knowledge of an obscure, but interesting fact: former President Woodrow Wilson's portrait appears on a \$100,000 Gold Certificate.

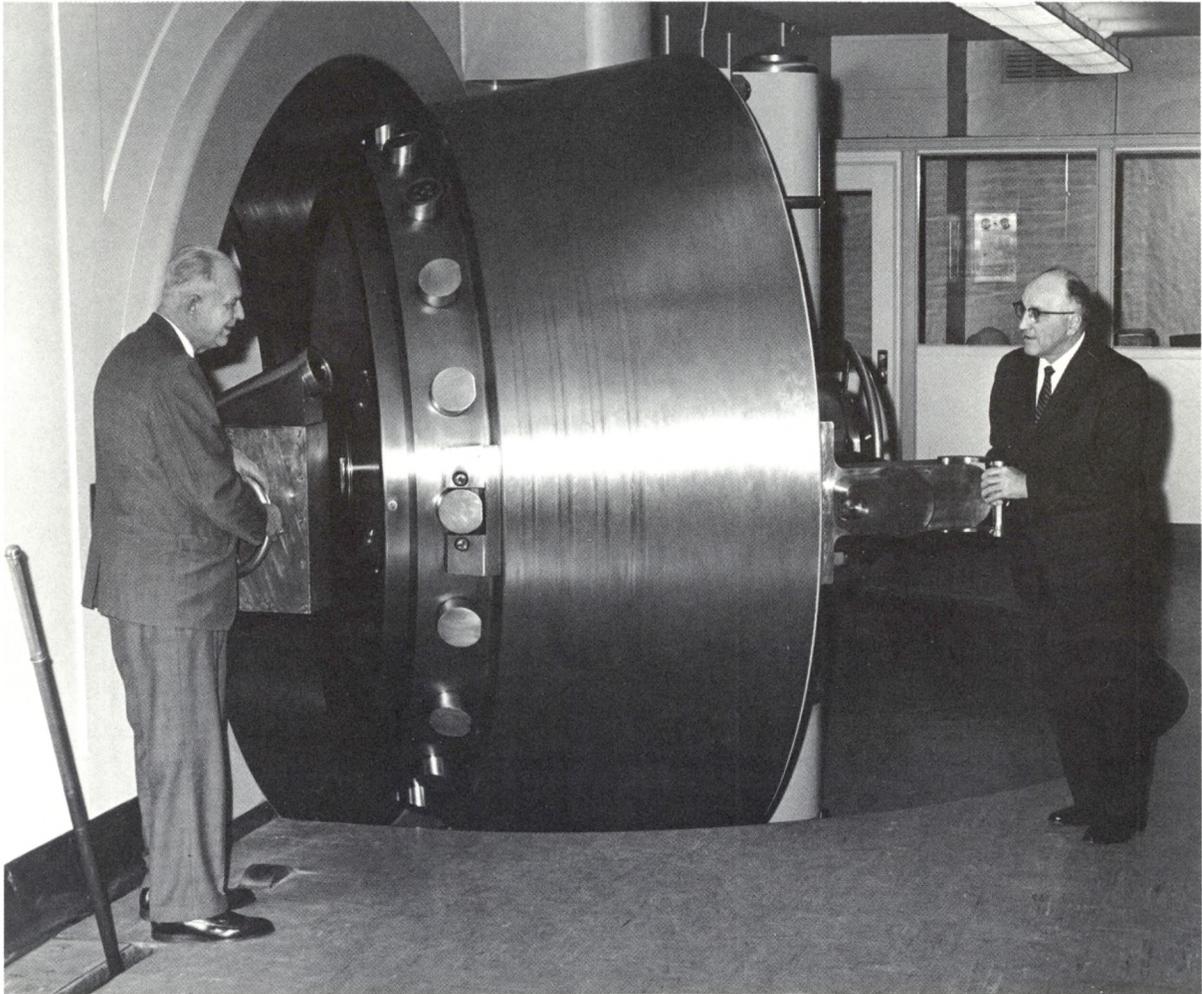
Visitors are also impressed by the extensive protective measures we employ in the Department. A closed-circuit television system, monitored by the guard control center, scans everything that goes on in the foyer between the two vaults. Armed guards patrol the foyer at all

times. The vaults' walls, ceilings, and floors are made of concrete reinforced with steel which contain alarms sensitive to vibration and piercing. Each vault is "suspended" by steel I beams, permitting a lighted space beneath that can be observed through a series of mirrors. A 50-ton circular steel door seals the entrance to one vault; a rotary steel unit weighing 80 tons secures the other.

Vault Department personnel are subject to strict security measures. All are long-service Bank employees who have earned excellent reputations for integrity and ability. Efficiency and accuracy are a must. In 1967, for example, Department personnel cut without loss a record 2.3 million coupons from securities housed in the vaults in addition to myriad other tasks involving daily issue and receipt of coin and currency.

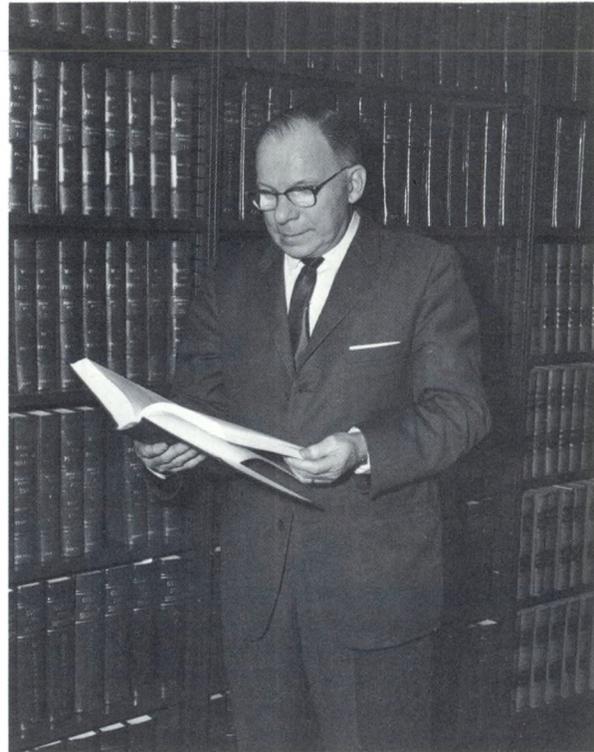
**VAULT INVENTORY**

	<b>1967</b> (Millions)	<b>1966</b> (Millions)
<b>Total</b>	<b>\$15,047.8</b>	<b>\$15,593.7</b>
Unissued Government Securities Stock	10,863.5	11,764.4
Securities Held for Banks	3,637.6	3,138.5
All Other Securities	19.6	25.5
Unissued Federal Reserve Notes Held for Federal Reserve Agent	471.9	620.7
Vault Tellers Cash	55.2	44.6



Vault Department Head John Brenner observes as Assistant Department Head Clarence Brehm demonstrates how easily the perfectly balanced 50-ton steel door to the vault can be closed.

## OTHER DEPARTMENTS



Assistant Counsel Walt Brobyn, of the Legal Department, seeks precedent in the Bank's Law Library which is well stocked with reference works on banking law and Federal Reserve regulations.



Bill Kennedy loads unfit notes, each "cancelled" by four holes, onto elevator for delivery into gas-fired incinerator. Final step is to sift the ashes, to make certain all notes are fully consumed. The Currency Verification Unit destroyed over 440 million dollars in currency in 1967.



Dietitian Mary Alice Schwinhart supervises preparation of meals by members of the cafeteria staff. Nearly 600 meals are served daily in the Bank employees' cafeteria. (Clockwise, Gertrude Tarka, Ethel Kauffman, Mary Alice, and Anna Hart.)



Printing Department's Barbara Gerkenmeyer observes as Dot Keys puts final touch to chart. Our Printing Department can perform all phases of the printing process including composition, platemaking, printing, and bindery operations on the premises.



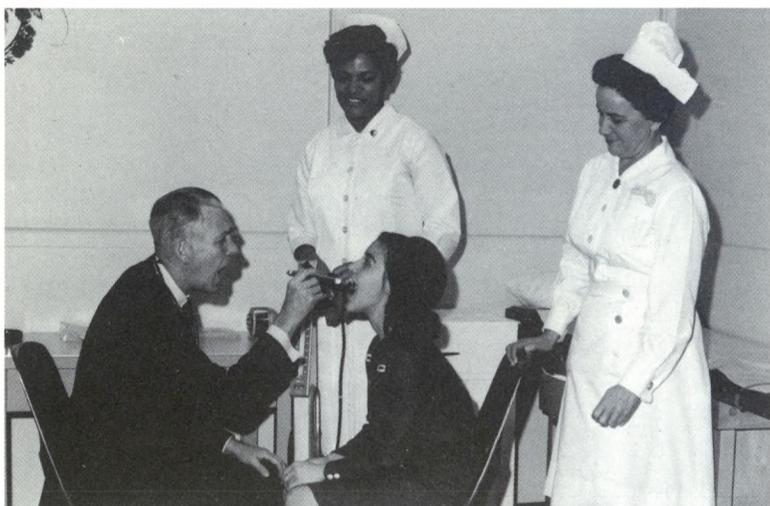
Purchasing Agent Art Masland approves requisition form prepared by Dot Loos. The Purchasing Department acquires equipment, supplies, and services necessary to conduct the Bank's business.



Filing Department Head Nora Shakespeare answers inquiry with help from Frances Fritz. The Filing Department processes, maintains, and destroys certain Bank records. It also codes, sorts, and safekeeps documents relating to the purchase, redemption, and reissue of United States Savings Bonds.



Bank's telephone operators Betty Thiel and Helene Rowinski (rear) place calls. The Telephone Department places outgoing calls and assigns priority to private wire calls. Nearly 250 thousand message units were used in 1967.



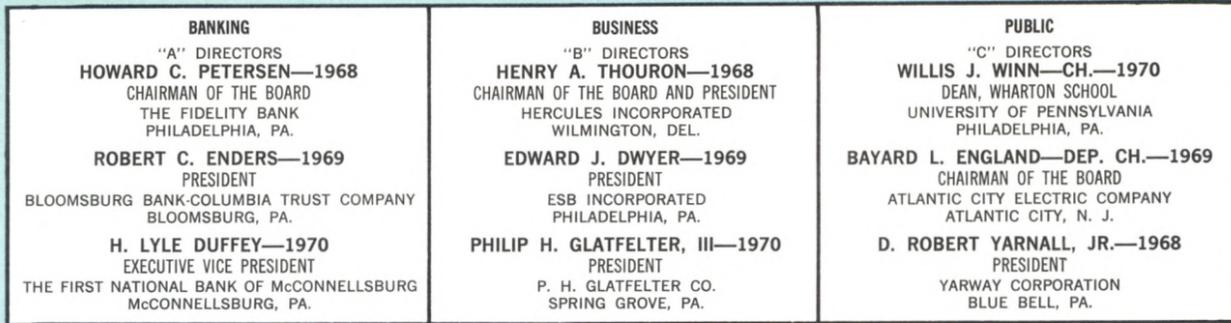
Bank physician Albert J. Snyder examines employe Angela Emanuele's throat as nurses Camille Smith (center) and Mary Hunter observe. The Medical Department gives each new employe a physical examination in addition to treating minor aches and pains and on-the-job injuries.



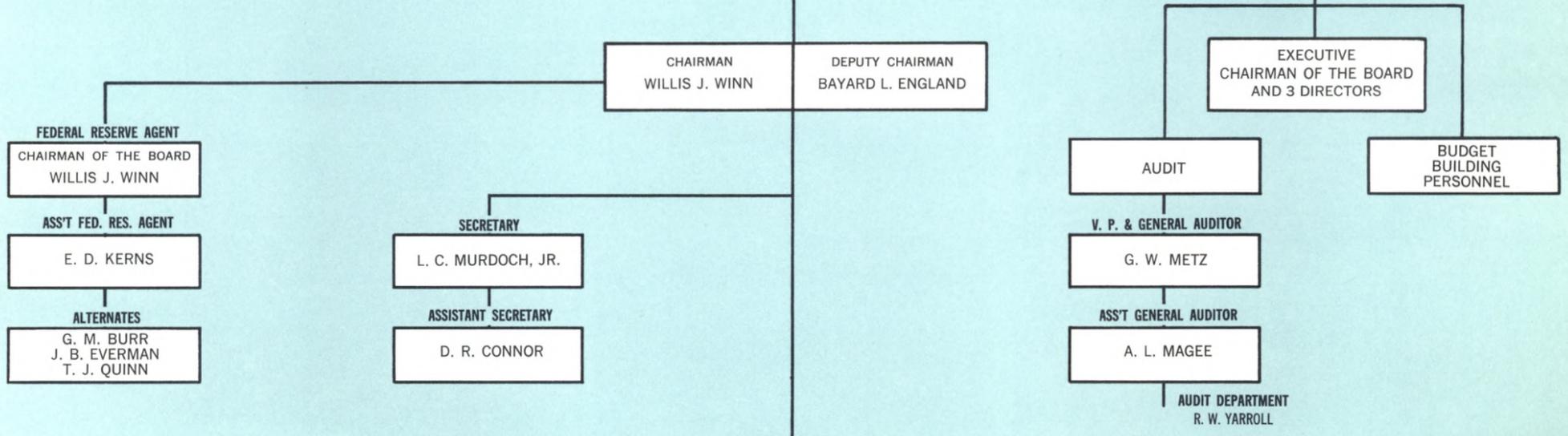
Librarian Doris Zimmermann helps Research Assistant Sue Robinson gather data as Barbara Turnbull checks card catalogue in Bank's 10,000 volume library. Information is made available to bankers, students, and the general public.

# Federal Reserve Bank of Philadelphia

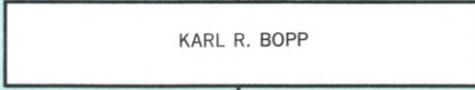
## BOARD OF DIRECTORS



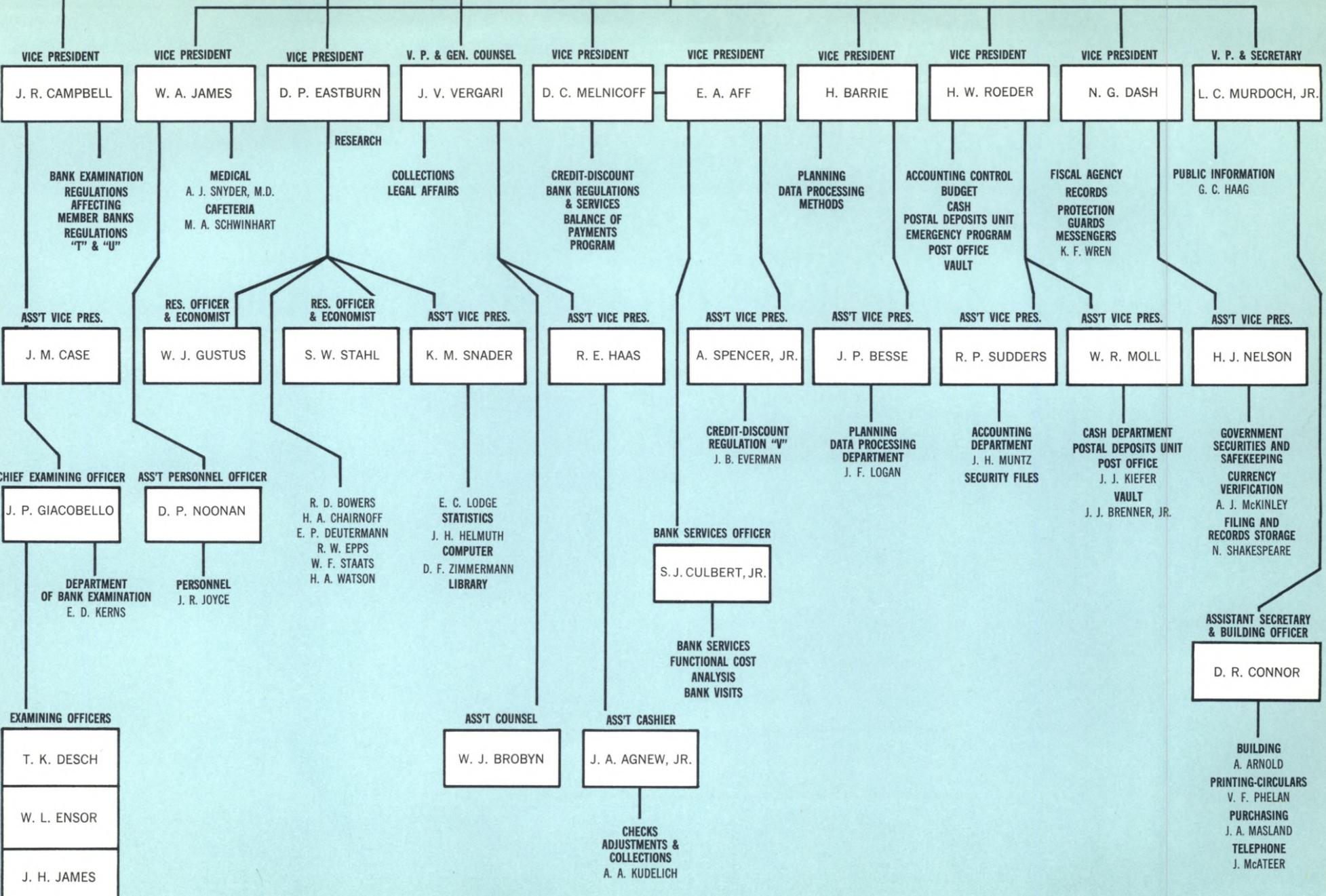
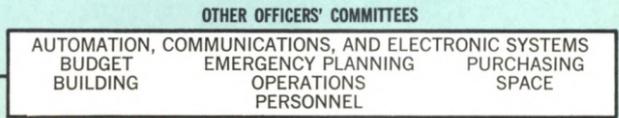
### COMMITTEES OF THE BOARD



## PRESIDENT



## FIRST VICE PRESIDENT



## DIRECTORS



*Chairman*  
**WILLIS J. WINN**  
 Dean, Wharton School of Finance and Commerce  
 University of Pennsylvania  
 Philadelphia, Pa.



*Deputy Chairman*  
**BAYARD L. ENGLAND**  
 Chairman of the Board  
 Atlantic City Electric Company  
 Atlantic City, N. J.



**H. LYLE DUFFEY**  
 Executive Vice President  
 The First National Bank of McConnellsburg  
 McConnellsburg, Pa.



**HOWARD C. PETERSEN**  
 Chairman of the Board  
 The Fidelity Bank  
 Philadelphia, Pa.



**EDWARD J. DWYER**  
 President  
 ESB Incorporated  
 Philadelphia, Pa.



**HENRY A. THOURON**  
 Chairman of the Board and President  
 Hercules Incorporated  
 Wilmington, Del.



**ROBERT C. ENDERS**  
 President  
 Bloomsburg Bank-Columbia Trust Company  
 Bloomsburg, Pa.



**D. ROBERT YARNALL, JR.**  
 President  
 Yarway Corporation  
 Blue Bell, Pa.



**PHILIP H. GLATFELTER, III**  
 President  
 P. H. Glatfelter Co.  
 Spring Grove, Pa.



*Member of Federal Advisory Council*  
**HAROLD F. STILL, JR.**  
 President, Central-Penn National Bank  
 of Philadelphia, Philadelphia, Pa.



Officers' Council meets in the Board room.

KARL R. BOPP, President  
 ROBERT N. HILKERT, First Vice President

EDWARD A. AFF, Vice President  
 HUGH BARRIE, Vice President  
 JOSEPH R. CAMPBELL, Vice President  
 NORMAN G. DASH, Vice President  
 DAVID P. EASTBURN, Vice President  
 WILLIAM A. JAMES, Vice President  
 DAVID C. MELNICOFF, Vice President  
 G. WILLIAM METZ, Vice President and General Auditor  
 LAWRENCE C. MURDOCH, JR., Vice President and Secretary  
 HARRY W. ROEDER, Vice President  
 JAMES V. VERGARI, Vice President and General Counsel  
 JACK P. BESSE, Assistant Vice President  
 JOSEPH M. CASE, Assistant Vice President  
 WARREN J. GUSTUS, Research Officer and Economist  
 RALPH E. HAAS, Assistant Vice President  
 WARREN R. MOLL, Assistant Vice President

HENRY J. NELSON, Assistant Vice President  
 KENNETH M. SNADER, Assistant Vice President  
 ALBERT SPENCER, JR., Assistant Vice President  
 SHELDON W. STAHL, Research Officer and Economist  
 RUSSELL P. SUDDERS, Assistant Vice President  
 JAMES P. GIACOBELLO, Chief Examining Officer  
 THOMAS K. DESCH, Examining Officer  
 WILLIAM L. ENSOR, Examining Officer  
 JACK H. JAMES, Examining Officer  
 LEONARD E. MARKFORD, Examining Officer  
 JAMES A. AGNEW, JR., Assistant Cashier  
 WALTER J. BROBYN, Assistant Counsel  
 D. RUSSELL CONNOR, Assistant Secretary and Building Officer  
 SAMUEL J. CULBERT, JR., Bank Services Officer  
 A. LAMONT MAGEE, Assistant General Auditor  
 DAVID P. NOONAN, Assistant Personnel Officer

## COMMITTEES

*A number of internal committees have been formed to make certain decisions and determine policies. In addition, several larger groups of officers and employes meet regularly to discuss problems and exchange information. Many senior officers of the Bank also serve on Federal Reserve System committees which set policies and help solve problems for the Reserve Banks as a group.*

### IN THE BANK

You've heard the old story about a camel being a horse that was designed by a committee. Indeed, there are things committees can't do well—creative work, for example. But committees can bring together divergent backgrounds, skills, and experiences and focus them on common problems. As a result, committee decisions often are sounder than if made by a single individual.

This Bank makes frequent use of committees in areas where the interests of a number of departments are concerned or where several different points of view are desirable.

In addition to the intrabank committees listed below, the Officers' Council, consisting of all officers, meets from time to time to discuss subjects of general importance. The Department Heads of the Bank get together regularly to exchange views and information. Prior to each Federal Open Market Committee meeting, the Staff Policy group of officers and economists convenes to appraise the latest economic indicators and advise President Bopp on current business developments.

### SYSTEMWIDE

At least four times each year the chief executive officers of all Reserve Banks meet in Washington. This Conference of Presidents makes decisions on operational and administrative matters of more than local interest. Reserve Bank vice presidents serve on the many working subcommittees of the Conference.

The Federal Open Market Committee consists of the seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four other Reserve Bank presidents serving on a rotating basis. The Federal Open Market Committee determines much of the Nation's monetary policy. In 1968, President Bopp will be an alternate member.

Officers of this Bank also serve on the System Research Advisory Committee, the System Retirement Committee, and other ad hoc groups formed for specific tasks.

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## OUR MEMBERSHIP ON SYSTEM COMMITTEES

KARL R. BOPP, President  
Steering Committee, Fundamental Reappraisal of the Discount Mechanism  
Conference of Presidents  
Committees of the Conference of Presidents:  
Chairman, Committee on Bank and Public Relations  
Committee on Collections  
Committee on Fiscal Agency Operations  
Trustee (Ex Officio), Retirement System of the Federal Reserve Banks:  
Investment Committee of the Retirement System

ROBERT N. HILKERT, First Vice President  
 C.O.P., Subcommittee on Personnel  
 Retirement System of the Federal Reserve Banks:  
 Retirement Committee

EDWARD A. AFF, Vice President  
 C.O.P., Subcommittee on Bank Services

HUGH BARRIE, Vice President  
 C.O.P., Subcommittee on Methods and Automation

NORMAN G. DASH, Vice President  
 C.O.P., Subcommittee on Fiscal Agency Operations  
 Alternate, Insurance Committee

DAVID P. EASTBURN, Vice President  
 System Research Advisory Committee:  
 Committee on Banking and Credit Policy  
 C.O.P., Subcommittee on Bank Supervision and Legislation  
 C.O.P., Ad Hoc Subcommittee to Study Regionalism

DAVID C. MELNICOFF, Vice President  
 Secretariat, Fundamental Reappraisal of the Discount Mechanism  
 C.O.P., Chairman, Subcommittee on Bank and Public Relations  
 C.O.P., Ad Hoc Subcommittee to Review District and Branch  
 Boundary Lines

G. WILLIAM METZ, Vice President and General Auditor  
 Conference of General Auditors:  
 Standing Committee  
 C.O.P., Ad Hoc Subcommittee to Study More Effective Use of  
 Vault Space

LAWRENCE C. MURDOCH, JR., Vice President and Secretary  
 System Research Advisory Committee:  
 Committee on Education and Publications  
 C.O.P., Liaison Officer, Subcommittee on System Purchasing  
 Procedures

HARRY W. ROEDER, Vice President  
 C.O.P., Subcommittee on Currency and Coin  
 C.O.P., Ad Hoc Subcommittee to Study Extension of  
 Reserve Bank Services Across District or  
 Branch Boundaries

JAMES V. VERGARI, Vice President and General Counsel  
 C.O.P., Subcommittee on Collections  
 C.O.P., Subcommittee on Improving the Payments Mechanism  
 Insurance Committee:  
 Executive Committee of the Insurance Committee  
 Subcommittee of Counsel of the Insurance Committee

KENNETH M. SNADER, Assistant Vice President  
 System Research Advisory Committee:  
 Committee on Current Reporting Series  
 Committee on Computers in Research

WARREN J. GUSTUS, Research Officer and Economist  
 System Research Advisory Committee:  
 Committee on Business Analysis

SHELDON W. STAHL, Research Officer and Economist  
 System Research Advisory Committee:  
 Committee on Financial Analysis

EMERSON M. SEWARD, Audit Department  
 Trustee, Retirement System of the Federal Reserve Banks

*Note: C.O.P. indicates Conference of Presidents*

## INTRABANK COMMITTEES

### AUTOMATION, COMMUNICATIONS, AND ELECTRONICS SYSTEMS COMMITTEE

J. V. VERGARI, *Chairman*  
H. BARRIE  
L. C. MURDOCH  
H. W. ROEDER  
K. M. SNADER

### BUILDING COMMITTEE

L. C. MURDOCH, *Chairman*  
D. P. EASTBURN  
D. C. MELNICOFF  
H. W. ROEDER  
J. V. VERGARI

### BUDGET COMMITTEE

H. W. ROEDER, *Chairman*  
R. P. SUDDERS, *Secretary*  
H. BARRIE  
D. C. MELNICOFF  
L. C. MURDOCH  
J. V. VERGARI

### DISCOUNT COMMITTEE

K. R. BOPP, *Chairman*  
A. SPENCER, *Secretary*  
E. A. AFF  
J. R. CAMPBELL  
D. P. EASTBURN  
R. N. HILKERT  
D. C. MELNICOFF  
J. V. VERGARI

### EMERGENCY PLANNING COMMITTEE

H. W. ROEDER, *Chairman*  
R. P. SUDDERS, *Secretary*  
E. A. AFF  
J. R. CAMPBELL  
N. G. DASH  
L. C. MURDOCH  
J. V. VERGARI

### JOB EVALUATION COMMITTEE

E. G. BATTISTA, *Chairman*  
C. P. BREHM  
A. A. KUDELICH  
S. W. LINTON  
J. F. LOGAN  
J. A. MASLAND  
D. P. NOONAN  
E. M. SEWARD  
K. M. SNADER

### OPERATIONS COMMITTEE

J. V. VERGARI, *Chairman*  
J. P. BESSE, *Secretary*  
H. BARRIE  
N. G. DASH  
R. E. HAAS  
H. W. ROEDER

### PERSONNEL COMMITTEE

R. N. HILKERT, *Chairman*  
W. A. JAMES, *Secretary*  
N. G. DASH  
L. C. MURDOCH  
H. W. ROEDER  
J. V. VERGARI

### PURCHASING COMMITTEE

L. C. MURDOCH, *Chairman*  
H. J. NELSON, *Secretary*  
H. BARRIE  
N. G. DASH

### SPACE COMMITTEE

L. C. MURDOCH, *Chairman*  
W. A. JAMES, *Secretary*  
H. BARRIE  
N. G. DASH  
H. W. ROEDER

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**FIFTY-THIRD ANNUAL STATEMENT  
OF THE FEDERAL RESERVE BANK  
OF PHILADELPHIA**

## COMPARISON OF EARNINGS AND EXPENSES

<i>Current Earnings:</i>	<b>1967</b>	<b>1966</b>
From U. S. Government securities .....	\$ 110,223,545.60	\$ 95,513,283.30
From discounts and advances and miscellaneous sources .....	1,439,853.33	1,862,289.49
Total current earnings .....	<u>111,663,398.93</u>	<u>97,375,572.79</u>
<i>Net Expenses:</i>		
Operating expenses (after deducting reimbursable or recoverable expenses) .....	8,742,162.60	8,501,070.34
Federal Reserve currency .....	1,016,559.87	1,294,992.91
Assessments for expenses of the Board of Governors .....	567,000.00	483,300.00
Total net expenses .....	<u>10,325,722.47</u>	<u>10,279,363.25</u>
<b>Current Net Earnings</b> .....	<b>101,337,676.46</b>	<b>87,096,209.54</b>
<i>Additions to current net earnings:</i>		
Profit on sales of U.S. Government securities (net) .....	39,599.98	—
Miscellaneous non-operating income .....	77,499.09	93,123.26
Total additions .....	<u>117,099.07</u>	<u>93,123.26</u>
<i>Deductions from current net earnings:</i>		
Loss on sales of U. S. Government securities (net) .....	—	127,323.86
Miscellaneous non-operating expenses .....	1,638.49	2,618.92
Total deductions .....	<u>1,638.49</u>	<u>129,942.78</u>
<i>Net deductions (additions)</i> .....	<u>115,460.58</u>	<u>36,819.52</u>
Net earnings before payment to U. S. Treasury .....	<u>101,453,137.04</u>	<u>87,059,390.02</u>
Dividends Paid .....	1,853,711.26	1,790,166.93
Paid to U. S. Treasury (interest on Federal Reserve notes) .....	97,702,875.78	84,885,673.09
Transferred to Surplus .....	1,896,550.00	383,550.00
	<u>\$ 101,453,137.04</u>	<u>\$ 87,059,390.02</u>

## COMPARATIVE STATEMENT OF CONDITION

<b>ASSETS</b>		
	<b>Dec. 31, 1967</b>	<b>Dec. 31, 1966</b>
<b>GOLD CERTIFICATE RESERVES:</b>		
Gold certificate account .....	\$ 560,612,533.50	\$ 698,901,939.93
Redemption fund — Federal Reserve notes .....	101,189,381.16	96,258,341.16
<b>Total Gold Certificate Reserves</b> .....	661,801,914.66	795,160,281.09
<b>FEDERAL RESERVE NOTES OF OTHER FEDERAL RESERVE BANKS</b> .....		
	48,727,515.00	48,058,230.00
<b>OTHER CASH</b> .....		
	8,609,606.96	6,772,654.79
<b>LOANS AND SECURITIES:</b>		
Discounts and advances .....	1,430,000.00	545,000.00
United States Government securities .....	2,525,715,000.00	2,289,202,000.00
<b>Total Loans and Securities</b> .....	2,527,145,000.00	2,289,747,000.00
<b>OTHER ASSETS:</b>		
Cash items in process of collection .....	631,426,294.03	541,949,515.85
Bank premises .....	2,433,366.22	2,509,967.86
All other .....	98,935,196.36	64,123,234.72
<b>TOTAL ASSETS</b> .....	3,979,078,893.23	3,748,320,884.31
<b>LIABILITIES</b>		
<b>NOTE LIABILITIES:</b>		
Federal Reserve notes .....	2,444,267,528.00	2,305,966,989.00
<b>DEPOSITS:</b>		
Member bank — reserve accounts .....	853,005,524.48	896,032,697.06
United States Government .....	76,536,105.32	504,908.06
Foreign .....	7,280,000.00	8,640,000.00
All other .....	26,459,844.51	8,599,445.59
<b>Total Deposits</b> .....	963,281,474.31	913,777,050.71
<b>OTHER LIABILITIES:</b>		
Deferred availability cash items .....	493,310,625.51	456,784,718.25
All other .....	14,567,965.41	11,933,926.35
<b>TOTAL LIABILITIES</b> .....	3,915,427,593.23	3,688,462,684.31
<b>CAPITAL ACCOUNTS:</b>		
Capital paid in .....	31,825,650.00	29,929,100.00
Surplus .....	31,825,650.00	29,929,100.00
<b>TOTAL LIABILITIES AND CAPITAL ACCOUNTS</b> .....	\$3,979,078,893.23	\$3,748,320,884.31

## CAPITAL STOCK ACCOUNT

(Representing amount paid in, which is 50% of amount subscribed)  
 (Dollar amounts in thousands)

	<u>1967</u>		<u>1966</u>		<u>1965</u>	
	<u>Shares</u>	<u>Dollar Amount</u>	<u>Shares</u>	<u>Dollar Amount</u>	<u>Shares</u>	<u>Dollar Amount</u>
Paid in—January 1 . . . . .	598,582	\$29,929	590,911	\$29,545	582,283	\$29,114
Issued during year:						
To new member banks . . . . .	...	...	...	...	495	25
Increases in Capital and Surplus . . . . .	40,073	2,004	15,210	761	22,449	1,122
Cancelled during year:						
Mergers, absorptions and other cessations of membership . . . . .	1,946	97	7,523	376	14,265	713
Surrender of stock through reduction of capital and surplus . . . . .	196	10	16	1	51	3
Paid in—December 31 . . . . .	<u>636,513</u>	<u>\$31,826</u>	<u>598,582</u>	<u>\$29,929</u>	<u>590,911</u>	<u>\$29,545</u>