



**President's Annual  
Report 1968**

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# FEDERAL RESERVE BANK OF PHILADELPHIA

PHILADELPHIA, PENNSYLVANIA 19101

OFFICE OF THE  
PRESIDENT

March 20, 1969

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

Life magazine in a recent special issue described 1968 as "the incredible year." While the past year here at the Bank could hardly be described as incredible, neither will it be remembered as a quiet one. It was a year of change. A year in which earlier plans were crystallized and new ideas formulated. It was a year in which, hopefully, this Bank increased its ability to serve the member banks of the Third District and the economy.

One of the major changes of 1968 was the initiation of the "lagged reserve" program. Because of amendments made to Regulation D, Reserves of Member Banks, a complete changeover in reserve maintenance procedures was effected. It is gratifying to report that member bankers cooperated to make the transition without a hitch.

A System steering committee appointed by the Board of Governors released its report on the Reappraisal of the Federal Reserve Discount Mechanism on July 15, 1968. Comments were invited from banks and other interested persons regarding the proposed redesign of the discount window. These comments are presently being reviewed and it is anticipated that a new Regulation A will be issued this year. Other proposals concerning bank protection (Regulation P) and truth in lending (Regulation Z) were considered during the year and efforts are being made now to insure awareness of the nature and extent of the new rules.

The addition of new computer equipment has enabled the Department of Collections to revise procedures for accepting partially presorted computerized deposits. Fine sorting is performed here at the Bank and the checks are ready for presentation to drawee banks in a matter of hours. This has made it possible for the department to handle an increase in volume of nearly 15% with no loss in processing time.

During the year it became increasingly apparent that because of separations and the changing nature of the work a realignment of the official staff was imperative. As a result major changes were effected at year's end. In all a total of 16 promotions were made, including the appointment of seven new members to the official family.

The Bank continued to pursue its long-established policy of seeking and employing qualified workers regardless of race. The black community, in particular, has been an excellent source of personnel.

In 1968, after a number of studies, it was decided that a new building will in all likelihood be necessary for the Bank properly to fulfill its duties and responsibilities in years to come. A tentative site has been chosen facing Independence Mall and the long and detailed process of planning and analysis which a project of this magnitude requires has begun.

*Karl R. Bopp*



**THIRD  
DISTRICT  
BUSINESS  
AND  
BANKING  
HIGHLIGHTS**

The past year was an exciting one in the Third District. Production, sales, wages and employment reached new highs. So did prices, unfortunately.

The labor market remained tight throughout the year. Unemployment in the District hovered just over the 3% mark, considerably below the national average of 3.6%.

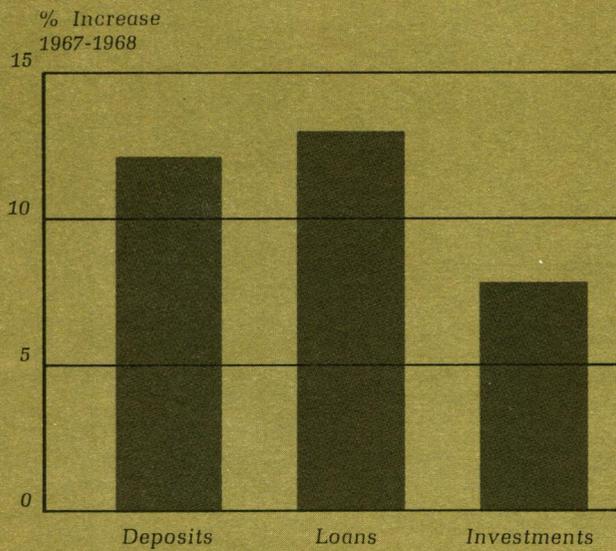
District workers may have felt the impact of higher prices a bit more than workers in some areas. Last year wages in the District climbed at a pace comparable with the national average, but there is still a gap of 4% between average earnings here and average earnings in the nation. This is explained, at least in part, by the fact that the average work-week in the District was somewhat shorter than the national average. Inflationary trends, however, were even more noticeable in the Philadelphia Metropolitan Area than in the nation as a whole. Consumer prices jumped three-quarters of a percentage point more than the national average.

Total deposits in Third District member banks rose almost as sharply as in 1967. Demand deposits increased about 11% as compared to 9% in 1967, and time deposits registered a solid 13% gain—nearly as much as last year's astonishing 15% rise.

Loan volume here increased 13%—a full percentage point higher than the national average growth. In comparing Third District member bank investment activity the increase was less pronounced—about 8% for the year in the District, and approximately 9% for the nation.

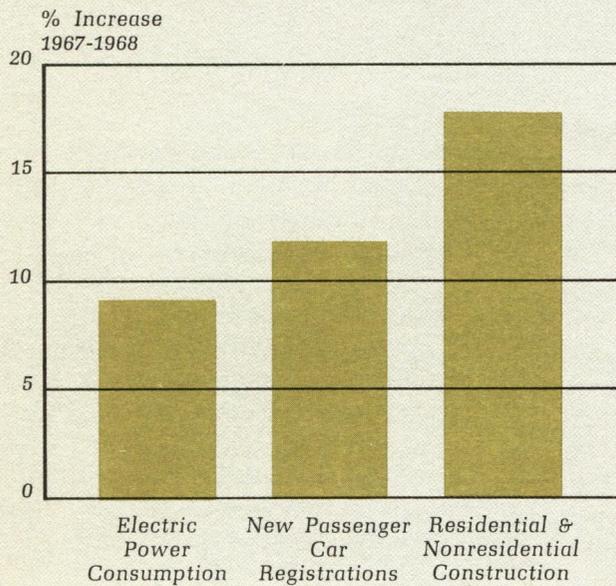
Looking back, 1968 can be scored a prosperous year. It was a record year by most measurements—a year of tremendous economic growth and expansion. Looking toward 1969 more of the same can be anticipated though the pace should be somewhat slower. But that old devil inflation must be wrestled if all our economic goals are to be achieved.

### THIRD DISTRICT BANKING AND FINANCE\*



\*Member Banks

### THIRD DISTRICT PRODUCTION AND SALES

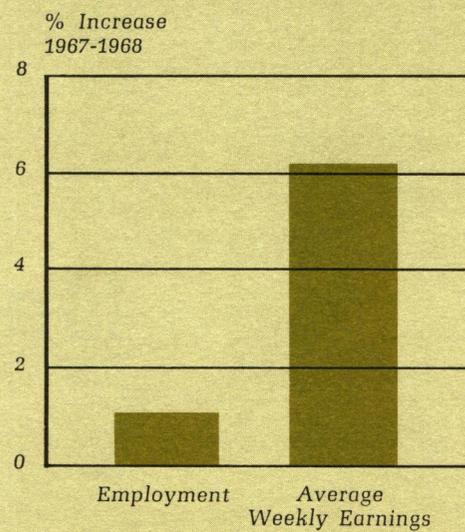


### THIRD DISTRICT LABOR MARKET CONDITIONS

#### UNEMPLOYMENT RATE



#### MANUFACTURING EMPLOYMENT AND EARNINGS



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 and functioning of appropriate adjustments; 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.

This department underwent a major "happening" in 1968. The Board of Governors amended Regulation D, Reserves of Member Banks, and initiated the "lagged reserve" program.

The main provisions of the new program call for:

1. Establishing a one-week reserve period for the so-called "country" banks instead of the two-week period. This now puts country banks on the same basis used for reserve city banks.
2. Using average deposits two weeks earlier in calculating the weekly average required reserve for the present period.
3. Using vault cash held two weeks earlier, together with average balances at the Federal Reserve Bank for the current week, in the computation of weekly average reserves held in satisfaction of the requirements.
4. Permitting either excesses or deficiencies averaging up to two percent of required reserves to be carried forward to the next reserve week.

Most bankers made the transition smoothly, but the new procedure with its one-week cycle and 2% carry-over has required the Reserve Analysis Division of the department to give even more concentrated attention to the member banks' maintained reserves.

In the department's transfer of funds operation, the combination of outgoing, incoming and intradistrict transfers during the year reached record highs, both in volume of items and dollar values. It was noted that there was a decided dip in the number of cash letters used for direct sendings to other Reserve Banks. More efficient computer operation in city banks resulted in more checks being sent—but on fewer letters.

## 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.

In 1968 audit activities were completed in accordance with the program approved by the Audit Committee of the Board of Directors at the first of the year. Ninety-one periodic audits, forty-six spot audits and one hundred and seventy-one proofs and verifications were made of the various departments and functions of the Bank. In connection with these activities over 10,000 confirmations of account balances and holdings were requested of banks and others who transacted business with this Bank. In addition, the department furnished approximately 2,800 lists of securities, confirmations and other data to member banks, supervisory authorities, accountants and other authorized individuals.

During the year, special procedural reviews were conducted in the Registered Mail Section and the Tellers Division of the Cash Department. Such reviews are made principally to aid in strengthening the internal controls and security safeguards, thereby reducing exposure and providing additional protection to the Bank and its employees.

Audit is cooperating with the Personnel Department in recruiting qualified college graduates to maintain its staff requirements and provide for an effective training program. On-campus interviews were made during 1968 with prospective candidates from many nearby colleges and universities. Five new staff members were appointed during the year and two assistant auditors resigned. Through the years the Audit Department has proven to be good training ground for preparing staff members to fill more responsible positions within the Bank. At the present time four of our operating officers have an audit background.

In September, the Board of Directors authorized a follow-up review of the audit function to be conducted by the accounting firm of Peat, Marwick, Mitchell & Co. An initial review of the Bank's audit function was made by this firm during the year 1963. The current review, begun in November 1968, is expected to be completed by March 1969.

Former members of the Audit Department, now Bank officers in other functions, gather for group picture. From left, Gene Lowe, Securities Officer, Norm Dash, Vice President, Al Kudelich and Al Spencer, Assistant Vice Presidents.



## 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.

At the close of 1968, 32 State member banks were subject to examination by the Bank Examination Department. Of these, 22 had trust departments; 10 operated one banking office and 22 had two or more offices. The total number of State member bank offices increased by 26 during the year to 307. Two of these were branch offices opened in London, England, by two State member banks.

All State member banks in the District were examined during 1968.

The number of State member banks decreased by three in 1968 as the result of the voluntary withdrawal from membership in the Federal Reserve System of two banks and the merger of one State member bank with a national bank.

During the year the number of national banks was reduced by nine. Five were merged or consolidated with other national banks and four were merged into insured State chartered nonmember banks.

The department processed one application under the Bank Merger Act in 1968, where the surviving bank would be a State member bank. Fifteen opinions were prepared 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 1968, although technically our examiners functioned in these examinations as direct representatives of the Board of Governors of the Federal Reserve System.

### DISTRICT MEMBER BANK STRUCTURE

	1968	1967
	<i>As of December 31</i>	
	<i>(Dollar amounts</i>	
	<i>in millions)</i>	
<b>STATE MEMBER BANKS</b>		
Number . . . . .	32	35
Assets of Commercial Departments . . . .	\$ 7,060	\$ 6,179
Assets of Trust Departments . . . . .	\$ 8,796 <sup>1</sup>	\$ 8,308 <sup>1</sup>
<b>NATIONAL BANKS</b>		
Number . . . . .	326	335
Assets of Commercial Departments . . . .	\$12,198	\$11,296

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

The emphasis on services of a technical nature to member banks, which began during 1967, became even more important during 1968 because of proposed changes in System regulations governing member bank operations.

Changes in Regulation D, affecting the method of calculating member bank reserves, took effect on September 12, 1968. To facilitate a smooth change-over in reserve maintenance procedures, members of this department and of the Accounting Department discussed details of the new "lagged reserve" accounting system with member bank operations personnel in a series of 18 workshop meetings around the District during the latter part of August.

During the last few months of the year, several other important regulatory changes were given special attention: proposed changes in the discount window (Regulation A), a proposed regulation concerning bank protection (Regulation P), and a proposed regulation governing information disclosure by all types of consumer lenders (Regulation Z). The bank visitation program was greatly intensified during the last quarter of the year in an effort to insure bankers' awareness of the nature and extent of these proposed changes. In addition, field representatives provided a point of contact with member bankers during this period, by which bankers could relay their suggestions and comments to appropriate people within the System. This feedback from bankers produced worthwhile suggestions which are currently under consideration by the Board of Governors.

A separate division within the Bank Relations and Services Department was organized to coordinate this Bank's



Bank Services Officer Sam Culbert (right) discusses results of bank visits with Bank Representative Jack Callaghan. Every member bank was visited in 1968.

efforts in connection with truth in lending. Requests for speakers on Regulation Z were accommodated for such organizations as the Pennsylvania Bankers Association, the Philadelphia Chamber of Commerce and the Trenton Chamber of Commerce.

The Functional Cost Analysis program continues to be a valuable adjunct to the department's services to member banks. During 1968, a simplified set of worksheets was introduced so that banks with deposits under \$10 million would be able to participate in the program without having to perform the more complex portions of the data collection task. Participation in the program in this District continues to average approximately 15% of the member banks. Nationally, over 1,000 member banks participated.

Every member bank in the District was visited at least once during the calendar year, and many banks were visited twice, because of the changes in regulations during the latter part of the year. Special-purpose visits were made during the year to banks which had operating problems of a specific nature necessitating our assistance. In all, 672 bank visits were made in 1968.

The 23rd annual series of 10 regional field meetings was held in the spring. More than 1,800 bankers and other guests in various areas throughout the District heard senior officers and economists of this Bank discuss economic and banking trends.

Members of the department represented the Bank at meetings, conferences, conventions and other gatherings of bankers throughout the District during the year.

## BUILDING

Last year an investigation of the Bank's physical condition was made by Day & Zimmermann, Inc., Engineers. The building was declared structurally sound but the report recommended that approximately one and one-quarter million dollars be spent immediately to put it in first-class condition.

The investigation considered only present operational requirements necessary for the current staff and existing equipment. It did not take into consideration any future expansion requirements. The report complimented our house-keeping and maintenance practices.

Early in 1968 flaws in the marble columns of the Bank's main office made a major repair job necessary. And a major repair job it was. The marble facing was removed and the columns then were rebuilt using a cinder block base. The entire operation was completed in approximately 14 weeks, during which time the Bank's senior officers were compelled to seek sanctuary in various nooks and crannies around the Bank.

During the year all windows on the first, second and mezzanine floors of the Bank were provided with wire screening as a security measure. Also, the job of installing new fluorescent lighting, illuminating panels and acoustical ceilings throughout the Bank was completed.

Two new emergency generators were installed—one for power, the other for lighting. The Bank is now equipped to cope with any power failure on a priority requirement basis.

Next the department's attention was turned toward giving the building a clean face. The job was completed during the fall including the installation of the latest in bird repellent equipment. But the birds are still with us.

Anyone have any suggestions as to how to repel a pigeon?

### DURING ALTERATIONS



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.

AFTER



## CASH

John Gaydosh seals coin bag after machine count has verified amount received from District bank. Cash Department personnel processed nearly 500 million coins in 1968.



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 incoming 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, securities, and certified mail.

Collecting coin is an increasingly popular pastime. The hobby does, however, create problems for the banking system. It isn't easy to satisfy public demand when large quantities of coin are removed from circulation by avid collectors. Recently, market forces compounded the problem of demand by raising the intrinsic value of silver coin. Speculators joined collectors in the rush to possess silver. The Treasury was forced to take steps that finally had significant impact in 1968.

The Treasury Department announced that the redemption of silver certificates in bullion would terminate in June 1968 and instructed Reserve Banks to withhold silver certificates from further circulation. This action triggered a rush by holders of certificates to procure silver bullion. Redemption centers in New York and San Francisco were swamped with requests. The flow of silver certificates in the denominations of \$1's, \$5's and \$10's into Reserve Banks dropped to a mere trickle and finally stopped entirely in the months before the June deadline.

Mint facilities were unable to handle the volume of mixed silver and clad coins received from the Reserve Banks for separation and the Reserve Banks were asked to help. New machines were developed capable of separating clad coin from unclad but, unfortunately, the equipment is not available in sufficient numbers to satisfy the needs of all the Feds. Here in Philadelphia this Bank had the use of one of the machines for two months during the year. The specially designed machine did an outstanding job and the silver coin was returned to the Philadelphia Mint to be converted into silver bars.

The supply of half dollars again failed to meet the demand in 1968 and rationing was strict in the Third District. District banks deposited a lesser volume of coin of all denominations with this Bank last year than in 1967. Shipments from U. S. mints did, however, permit this Bank to ship a larger volume of coin to District banks than in the previous year.

Department personnel also processed more currency in 1968 than in 1967. The volume shipped to District banks increased 6%; the volume received, 5%.

Counterfeiting, too, is an increasingly popular pastime. Improvement in graphic arts technology keeps upgrading the quality of the counterfeits thereby increasing the aspirin consumption of currency counting personnel. The number of counterfeits detected was considerably higher than in 1967—1,677 pieces representing a dollar value of \$22,502. Bogus \$10 bills were most popular.

In November 1968 the Treasury Department requested Reserve Banks to withhold all \$2 and \$5 United States notes from further circulation. This action was taken in preparation for the issuance of new \$100 United States notes since the total dollar amount of U. S. notes outstanding is limited by law.

## COLLECTIONS

During 1968 the Department of Collections concentrated mainly on improving services to member banks while getting the regular day-to-day volume processed.

The addition of a sixth printer to the 1979 Bank Transit Systems, and the acquisition of a 1419 check sorter to operate during night hours as a satellite to a 360 IBM Model 30 System used by the Department of Research, enabled this department to handle 14.6% more checks than in the previous year.

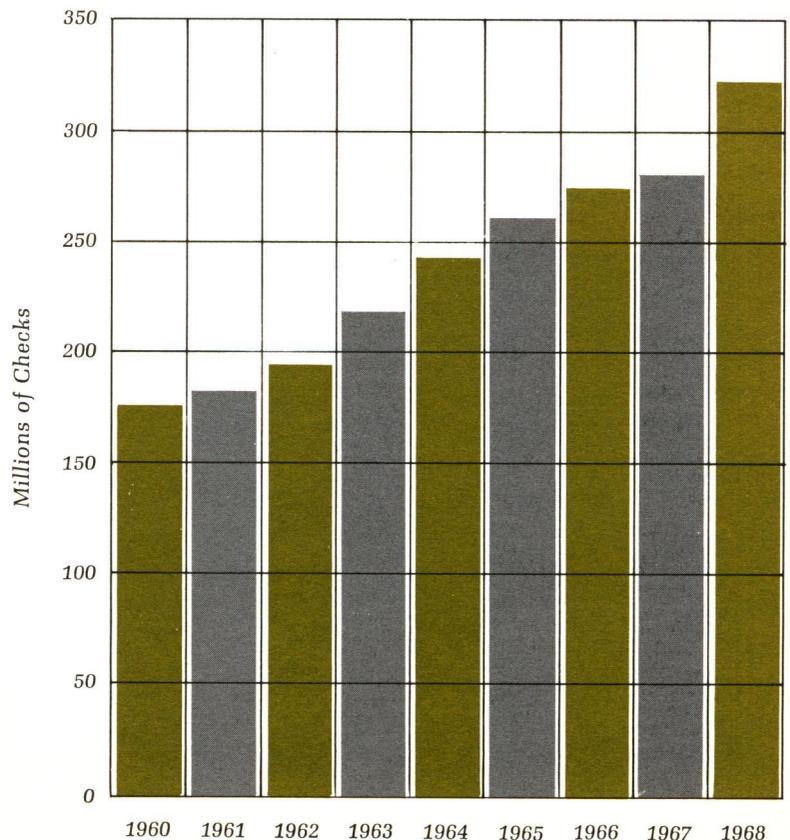
A revised procedure for accepting partially presorted, computerized deposits was instituted in May. Previously, checks had been fine sorted to Third District endpoints and deposited with this Bank in sealed packages. These deposits are now accepted as late as 1:00 a.m. in specially sorted groups for fine sorting and presentation to the drawee bank on the following morning.

The number of Third District country banks using service centers for demand deposit processing continued to grow throughout the year and the department, with proper authorization, cooperated fully with drawee banks in effecting the transition. At present, 144 District banks are using off-premises bookkeeping, an increase of 20% over 1967.

The volume of Federal Food Stamps redeemed rose to 22.6 million in 1968, an increase of more than 30% over the previous year. Now, 40 counties in the Third District are included in the program.

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.

**VOLUME OF CHECKS PROCESSED 1960-1968**



## 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.

The trend of member bank borrowing from this Bank during the year reflected money market conditions generally—up in the spring when conditions were moderately restrictive, down as credit eased in the summer, and up again to the year's peak in the closing months as conditions tightened.

Most advances were secured by direct obligations of the United States. However, somewhat greater use was also made of eligible paper and U. S. agency issues than in 1967. Year-end and interim financial statements of the commercial obligors on the eligible paper were analyzed by the Department.

The District's reserve city banks were net purchasers of substantial amounts of federal funds in most weeks during the year. At the same time, funds sold by country member banks in the District trended steadily upward. Both the highest weekly net purchases by the city banks and funds sold by country banks during '68 were about 70 per cent greater than '67 highs. Approximately 80 per cent of the District's country member banks participated in the federal funds market during the year.

The fluctuation in money market rates contributed to four discount rate changes during the year. The rate was changed from 4½ per cent to 5 per cent on March 18, to 5½ per cent on April 19, 5¼ per cent on August 23, and again to 5½ per cent on December 18.

On September 21, 1968, President Johnson signed Public Law 90-505, which amended Section 13 of the Federal Reserve Act. Direct obligations of, and obligations fully guaranteed as to principal and interest by, any agency of the United States, and municipal "warrants" that meet certain criteria are eligible as collateral for advances to member banks at this Bank's discount rate. On November 13, 1968, the Board of Governors issued an amendment to Regulation A for the purpose of implementing the new law.

The System steering committee appointed by the Board of Governors to reappraise and, where necessary, recommend redesign of Federal Reserve lending facilities released its report on the Reappraisal of the Federal Reserve Discount Mechanism. Comments were requested from banks and other sources regarding the proposed redesign of the discount window. These comments are presently being reviewed and it is anticipated that a new Regulation A will be issued in 1969.

Administration of the Foreign Credit Restraint Program was continued with no major problems during the year. Following an agreement between the governments of Canada and the United States in March 1968, claims on residents of Canada were excluded as covered assets under the program. The Board has indicated its intention to review the program in 1969 to determine whether additional flexibility for financing U.S. exports might be provided in the guidelines.

## DATA PROCESSING

Computer techniques have come a long way since computers were first installed in the Bank in 1961. This department kept pace with the rapid changes through the years but management was presented with new problems when the Bank ordered a new IBM 360 computer to be shared by Data Processing and the Department of Research.

It was decided that old programs and systems techniques should be avoided on the new "third generation" computer. In 1968 emphasis was placed on developing integrated systems concepts that would fully utilize the power and capabilities of the new computer. Actually, the "monster" is capable of doing three jobs at one time. For example, if the machine is used efficiently it can be expected to perform a complicated research problem while turning out two other more conventional accounting applications.

Continuing contacts are maintained with equipment manufacturers so that the department can keep current with new products. At the moment several studies are being conducted to determine how computing equipment can be better used in the area of communications.

During the year the problem of hiring and holding skilled programmers became acute. All employes of the Bank were given an opportunity to take an aptitude test to determine their potential in this field. Hopefully, our "home grown" crop will yield the talent that is so sorely needed.

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.

Key punch operators in Data Processing Department perforate cards for use in Bank's computer systems.



## EMERGENCY PLANNING

"Reconstruction" is the key word to Bank personnel engaged in emergency planning. At the Philadelphia Fed this involves the daily accumulation of entries, forms and computer print-outs; their enclosure in envelopes bearing specially printed labels identifying the contents and indicating the length of time the material is to be held; and finally, delivery to a central control point where they are dispatched by motor truck to the Bank's Relocation Office in Lewisburg, Pennsylvania.

At the Relocation Office, which is adequately stocked with food and supplies for an indefinite survival period, the new envelopes are filed while others whose retention time has expired are destroyed by incineration.

At least once each year employees from the Philadelphia Reserve Bank proceed to Lewisburg and test certain programs by reconstructing the records. At the same time a selected group of banks is asked to process test decks of currency and check collection transactions. In addition, four times each year outside accounting consultants reconstruct the Bank's balance sheet and related accounts.

All of this is done so that, should a national emergency render the Philadelphia office "kaput," the records at the Relocation Office can be used to reconstruct the Bank's balance sheet. These records would also provide selected detailed information on most of the Bank's activities.

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. Also, certain District banks have been designated Cash and Check Agents. They are authorized to distribute cash and clear checks in specified areas during a national emergency.

Emergency Planning assistants Wayne Hillborn (standing) and Tom O'Malley review Bank's instructions for emergency preparedness.



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.

## FEDERAL TAXES

In 1968 the Treasury Department instituted a new procedure for handling federal deposit forms. A supply of prepunched and preinscribed forms, with detachable stubs, was mailed to all taxpaying employers by the Internal Revenue Service. These forms are to be used by the taxpayer when making payments. Payments are forwarded to the Reserve Bank where they are processed and sent to the Treasury Department. Under this system the Reserve Banks no longer validate individual forms for return to the taxpayer.

The adoption of this new system has brought about many operating efficiencies. This, and other administrative changes made by the Treasury during the past year, have increased the volume of payments routed through the Philadelphia Fed by approximately 32%.

### SUMMARY OF TAX RECEIPTS

NUMBER OF RECEIPTS	1968	1967	1966
Withheld and Social Security Taxes .....	993,399	784,233	654,033
Corporate Income Taxes .....	50,254	2,731	—
Excise Taxes .....	11,457	11,207	8,414
Railroad Retirement Taxes .....	627	804	564
TOTAL .....	1,055,737	798,975	663,011

DOLLAR AMOUNTS OF RECEIPTS (in millions)	1968	1967	1966
Withheld and Social Security Taxes .....	\$4,082.1	\$2,958.0	\$2,969.2
Corporate Income Taxes .....	1,120.5	550.1	—
Excise Taxes .....	410.1	375.6	316.6
Railroad Retirement Taxes .....	82.4	51.4	62.2
TOTAL .....	\$5,695.1	\$3,935.1	\$3,348.0

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, corporate income taxes, 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.

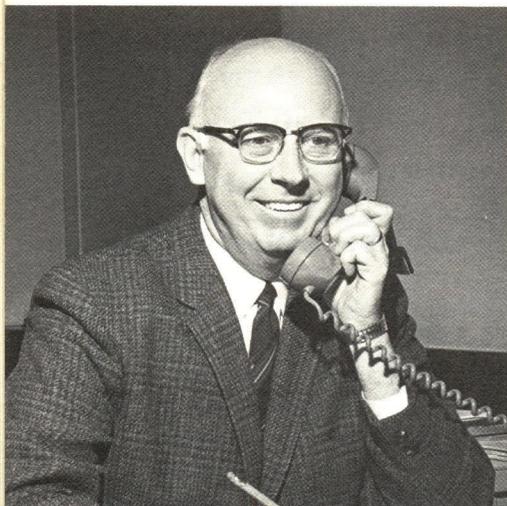
# YOU KNOW THE VOICE



Bob Sharpe (Government Securities and Safekeeping) processes matured bearer and registered Government securities.



Ed Lodge (Research) collects and disburses pertinent statistical data.



Dave Tracey (Government Securities and Safekeeping) buys and sells Government securities for member banks.



John Redington (Check Processing) determines accuracy of incoming member bank cash letters.



Mrs. Millie Powell (Check Adjustment and Control) processes large return items—\$1,000 and over.



Ed Kerns  
(Bank Examination)  
reviews accounting  
practices concerning  
member banks' official  
Report of Condition and  
Income and Dividend  
Report.



John Hogan  
(Check Adjustment and  
Control) makes  
adjustments to Fed's  
outgoing cash letters  
when necessary.



Virginia Lilley  
(Cash) takes telephone  
orders for coin  
and currency.



Henrietta Cooke  
(Public Information)  
responds to requests  
for Bank publications,  
films and tours.



Bud Watson  
(Government Securities  
and Safekeeping)  
explains procedures  
for redeeming and  
selling savings  
bonds and notes.



Ralph Springer  
(Audit)  
reconciles member bank  
reserve accounts.

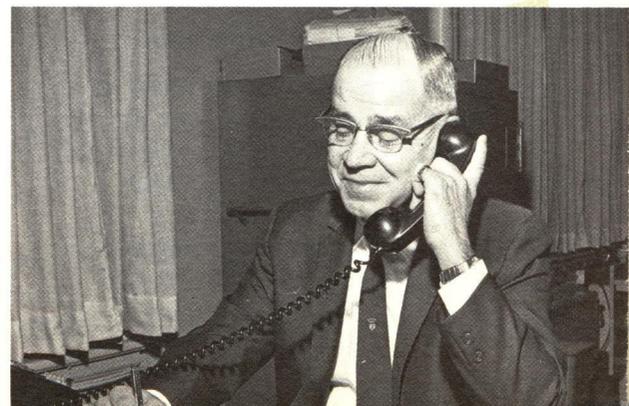


Jim Logan  
(Data Processing)  
answers questions relevant  
to Federal Taxes.



Tom Hannam  
(Cash) handles requests  
for halves and  
"new" currency.

Paul Kirn  
(Data Processing)  
resolves all Government  
check problems.



## GOVERNMENT SECURITIES AND SAFEKEEPING

Anne Blasioli explains operation of electrically operated file to Clister Williams. File houses cards containing complete portfolio of member bank securities in 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, maintain book-entry control of outstanding Treasury securities balances, 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 Savings 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 depositaries 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.

In 1968 the Treasury authorized a book-entry method of issuing Government securities by Reserve Banks. Nearly 50 per cent of member bank securities held in safekeeping at this Bank were converted to a book-entry basis during the year. The new procedure is less costly, more efficient, and promotes greater security than the former method of safekeeping physical documents.

It seems likely that the Treasury will amend its regulation to permit conversion of those Government securities owned by member banks in safekeeping with Reserve Banks, but held in escrow, to the book-entry method. This action would allow conversion of virtually all Government securities held in safekeeping in this Bank to a book-entry basis.

The financial community also took steps in 1968 to handle the increasing amount of paperwork in the securities market. In July a plan was approved to use a common language for securities identification as a standard within the securities industry. An eight-character CUSIP (Committee on Uniform Securities Identification Procedures) number was assigned to identify issuers of securities and their issues. A CUSIP directory is expected to be available on a subscription basis in early 1969.

In June the Treasury Department raised interest rates paid on certain United States Savings Bonds and Notes. At the same time provisions limiting the sale of Freedom Shares were eliminated. An individual may now purchase a Freedom Share along with a Series E bond from any qualified issuing agent. Partly because of this action, sales of Freedom Shares in the District rose from \$6,300,000 in 1967 to almost \$21,000,000 in 1968.

In October, President Johnson signed a bill that permits banks and other paying agents of United States Savings Bonds to redeem Freedom Shares. Formerly, only Reserve Banks and the Treasury could redeem the Freedom Shares.

Ever since fiscal operations were merged to establish the Government Securities and Safekeeping Department about a year ago, insufficient space and inadequate work unit traffic control has plagued department personnel. In 1968 plans were initiated to streamline operations. Allocation of space for specific functions, redesign of work flow systems and a general "face lifting" were recommended and approved. The new look should be evident in 1969.

## GUARDS

Armed members of the guard force maintain around-the-clock surveillance of Bank premises. They are excellent marksmen. Periodic competitive pistol matches help keep them proficient. Over 50 per cent of the guards participating in a pistol qualification course held at the Bank during 1968 achieved "expert" rating.

The Bank also keeps abreast of modern protective equipment and devices that can be used to safeguard personnel and property. In 1968, for example, new features were added to the security program. Electrically operated overhead steel doors were installed at main Bank entrances. In an emergency they can be sealed in a few seconds from the guard control office. An exterior guard post was enclosed in a bullet-proof glass structure with gun port openings. Pneumatic and electrical locks were installed in other vital areas of the Bank to improve internal security.

Rapid communication is a necessity in coping with an emergency. The guard control office obtained a 30-watt transmitting and receiving radio during the year that permits communication to certain Bank automobiles within a 25-mile radius of the Bank. Four mobile audio units—walkie-talkies—are used by guard personnel in conjunction with a Public Address system for internal communication.

In 1968 work was begun on the installation of a modern, single electronic console panel that will encompass all Bank monitors and alarm systems. Future plans call for moving the guard control office to a more strategic location within the Bank.

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.

## PERSONNEL

Members of the 50 Year Club. From left, Tom Maguire, Marian Boyd, Charles Austin and Bill Kelly.



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 employee and supervisory development and education are among its other major responsibilities.

The tight labor market had considerable impact on this department throughout the year. Turnover within the Bank climbed to 22.8%. At the same time the expanding work load made necessary a 7% increase in the size of the staff. Because of these factors the difficult job of finding and screening applicants became even more demanding.

Over the years the Bank has sought qualified personnel from within the black community of the Philadelphia Metropolitan Area. This policy continued to bear fruit in 1968, and helped greatly in enabling the Bank to fill its needs. The Bank again participated in "Operation Native Son" and also conducted recruiting programs in eleven area colleges. Growth, and rapid changes in the nature of the work here at the Bank has greatly increased the opportunity for advancement of personnel.

Again in 1968 the Bank took justifiable pride in the number of its employees attending institutions of higher learning on their own time. Forty-one members of the staff completed courses at the American Institute of Banking, 40 completed courses at colleges and other educational institutions and 27 attended resident banking courses and management seminars.

A study of the Bank's Job Evaluation Program, begun the previous year, was completed in May 1968. Revisions in the program now permit a better internal alignment of jobs, additional grades, and greater flexibility. In addition, at the end of the year, the Bank's Board of Directors approved a 5% salary increase for all nonofficer employees. These changes, along with a bit of "icing on the cake" in the form of a more liberal vacation policy, an improved retirement plan and the acquisition of two very pretty nurses have helped the Bank to attract new employees and to keep those we already have happier.

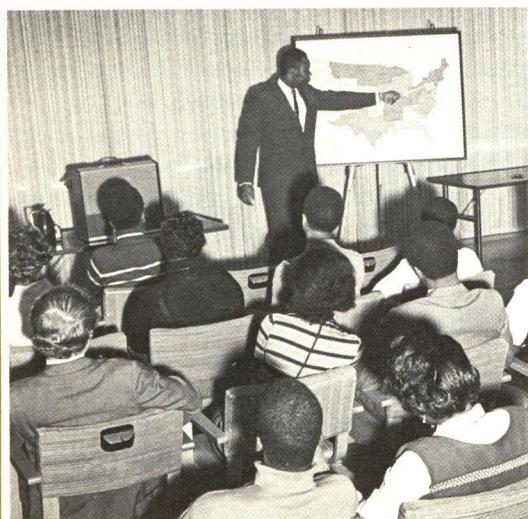
During the year the department conducted two highly successful campaigns. For the seventh consecutive year the Bank exceeded its assigned quota for the United Fund Torch Drive and was included on the honor roll for Torchlighter firms. Also, participation in the Share-in-Freedom Campaign of the U.S. Savings Bond Division of the Treasury Department brought the number of our employees taking part in the Payroll Savings Plan to 60%.

Something new has been added. The Bank now has a "50 Year Club." At the annual Pioneer (25 year club) dinner, four members were officially installed.

Bill Kelly, oldest employe in the System in point of service, retired in 1964 after 50 years plus. Charley Austin and Tommy Maguire retired in 1968 and Marian Boyd will retire in February 1969. All were with the Bank a full half-century, the first three were associated primarily with the Accounting Department while Marian devoted her entire career to "Transit," now the Department of Collections. Looking around the Bank we found another dozen eligible to become club members should they decide to remain with the Bank until they reach age 65.

## PUBLIC INFORMATION

Obadiah Craig explains geographical distribution of Federal Reserve Districts to group touring the Bank. In 1968 the Bank was host to nearly 2,600 visitors.



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.

Much of the work of this department is concerned with explaining to the public the purposes and functions of the Federal Reserve System. A number of books and pamphlets have been written for this purpose. This material is made available to the general public and is also channeled into high school and college classrooms throughout the nation.

Last year 110,000 copies of our regular publications including *Defending the Dollar*, *Quest for Stability*, *Monetary Policy: Decision-Making, Tools, and Objectives*, were sent out on request. This figure includes several hundred copies of the *Federal Reserve Bank on Record* and *A Half-Century of Federal Reserve Policymaking*, both of which were made available without charge in 1968 for the first time.

The *Series for Economic Education*, designed to "tell it like it is," continues to enjoy great popularity. In 1968 about one and one-half million copies of the pamphlets were distributed bringing total circulation to seven million plus.

Tours of the Bank were not quite so popular as in previous years because the vault and currency areas were declared "off limits" to other than banker tourists. The effect of this security measure was compensated to some extent by the preparation of slides showing activity in these areas. The slides are viewed as a supplement to the tour. Even so, approximately 2,600 persons toured the Bank during the year.

Last year it was decided that the System film, *Money on the Move*, should be updated. Three inserts were made and certain older sections were deleted. This was a rather lengthy process, for it was necessary to stagger the revision so that copies of the film could be available in sufficient quantity to meet the steady demand for showings.

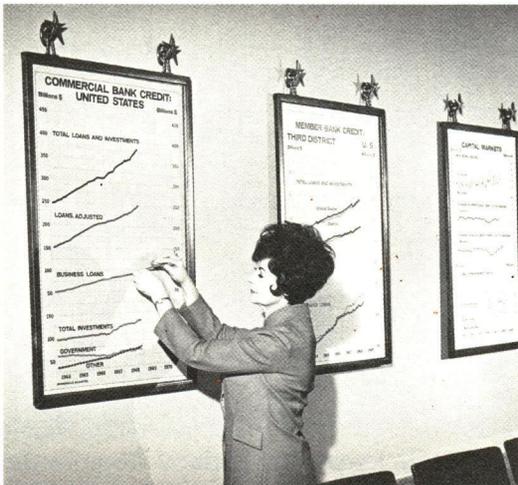
Seminars, jointly sponsored by the Bank and various state colleges, were held in late November and early December. These seminars are an excellent vehicle for reaching hundreds of college professors. The meetings, as usual, presented opportunity for lively discussion and, in some instances, heated debate.

In all, 103 talks were given by Bank personnel during the year. A part of the public knows the Federal Reserve through its speakers. Perhaps even more important is the insight gained by the speaker of how System policy is being interpreted. Dining with a group whose interests are varied gives excellent opportunity for direct discussion, as does the question period following most talks.

The Bank's monthly publication, *Business Review*, has increased its circulation to nearly 20,000. A pamphlet on consumer credit was prepared during the year and will be ready for distribution early in 1969. A revision of the pamphlet, *How to Interpret Federal Reserve Reports*, is scheduled for early completion. Also, a study was started in 1968 to ascertain the feasibility of introducing the use of videotape in the Bank for training and security purposes.

## RESEARCH

Mary McClay updates charts in Bank's board room where pertinent indices are displayed for directors and officers.



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 banking and financial markets and the theory and 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 work of the Research Department concentrates primarily on the policy responsibilities of the System for the regulation of money and credit. Continuing efforts are directed at the collection and analysis of information that assists in policy determination.

During the past year, new and improved information was obtained through regular statistical reports, special surveys, and interviews with the business community, and progress was made in improving the time schedule on availability of data for policy use. A survey on State and Municipal Borrowing Experience was completed and a semi-annual series on Real Estate Mortgage Warehousing was established. Information bearing on member bank reserve positions was improved, consolidated, and handled faster as a result of System-wide procedural changes. Similar improvements are scheduled for other data programs.

Department economists contributed to Open Market briefing sessions, made presentations to this Bank's Board of Directors, served on System committees, and participated in System research studies. They also worked with government and civic agencies in the District, addressed various business and educational groups, and handled many requests for information as well as conducting basic research studies.

Although results of research take many forms, a significant amount appears in the *Business Review*, the monthly publication of the department. Readership of the *Business Review* increased during the year, and an analysis of the mailing list indicates a shift in readership away from manufacturing and toward education, civic, and research categories. This shift coincides with the change in subject matter to more analytical type articles. A recent study of requests for back issues indicates that business, academic, banking, and government account for 90 per cent of the requests, in the order named, with business equal to the other three combined.

The department participated with District universities and colleges in a Research Fellowship Program. Grants were made available to graduate students and faculty members to conduct research on subjects related to monetary policy. Results are nearing completion on the four projects approved under this program.

Research operations benefitted significantly from the installation last January of an IBM 360/30 computer replacing the former 1401 equipment. This acquisition was the first step in a planned program to upgrade and integrate computer equipment throughout the Bank so that all operations can benefit from the power and flexibility of "third generation" equipment and the staff can keep pace technically with developments in the area of automation and communications.

## VAULT

Elaborate security measures protect the wealth in the Bank's vault. Armed guards, a monitored closed-circuit television system, burglary alarms and steel doors are among some of the formidable protective devices used to insure the safety of valuables held in custody. In 1968 a further precautionary step was taken by curtailing certain group tours and limiting the size of other group tours of the vault. This action, while unfortunate, was necessary to minimize further the vault's vulnerability to assault in view of its cramped layout and facilities.

Extensive repairs were made in the north vault interior for safety purposes during the year. Columns were installed to support the massive ceiling plates. A number of steel money chests attached to compartment walls, and two of the walls themselves, were removed to relieve pressure on the vault ceiling and to enlarge certain compartments.

Conversion to a book-entry method of issuing Government securities reduced significantly the dollar volume of securities held in safekeeping for member banks. Despite the decline, coupons processed by the department rose 10 per cent above 1967. This was because District banks increased the number of municipal and corporate securities of small denominations held for safekeeping. In fact, department personnel processed a record 2.5 million coupons during the year.

Ed Bates (seated) and George Hughes clip coupons from securities owned by member banks.



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.

## OTHER DEPARTMENTS



General Counsel  
Jim Vergari (seated)  
and Assistant Counsel  
Hiliary Holloway discuss  
System regulation in  
Bank's law library.

**CAFETERIA** The employees' cafeteria is a popular place in the Bank. Nutritious meals at reasonable prices are served to more than 600 people daily. Dietitian Mary Alice Schwinhart has a problem, however. Several experienced staff members retired in 1968 and she is having difficulty finding specialists in the culinary art to fill the void.

**CURRENCY VERIFICATION UNIT** Some people in the Bank have the unpleasant task of burning money. After currency unfit for further circulation has been counted and cancelled by perforation in the Cash Department, it is verified by the Currency Verification Unit and fed into the Bank's gas-fired incinerator. In a few hours the incinerator consumes about half a million notes. In 1968 nearly \$600 million in unfit currency was destroyed by this method at the Bank.

**FILING** The Filing Department helps process, maintain and destroy Bank records. Despite extensive use of computers that has reduced the amount of paperwork created by daily transactions, almost three-quarters of a million documents have been handled by this department in the past five years. And would you believe—just about anything you might be looking for can be produced at a moment's notice.

**LEGAL** The Legal Department, staffed by an Assistant Counsel and his secretary and supervised by the General Counsel as chief legal officer, carries on a vital activity here in the Bank. The responsible role of the Federal Reserve in the monetary system leaves no margin for error.

It has been said that a corporate legal department practices preventive law; this is true in the Federal Reserve Bank as well. A large part of the work involves the interpretation of Federal and state banking statutes and rules and regulations of the Board of Governors, and the preparation of opinions concerning their applicability to particular situations arising in any department of the Bank. Occasionally new legislation is promulgated, such as the recent Truth in Lending Act, which requires detailed study to determine its implications for and effect on the operations of the Bank. In addition, the many contracts and agreements entered into by this Bank for services performed by others must be prepared or reviewed.

Bob Wetz (Printing) is shown with platemaker that made more than 18,000 masters during the year. Printing Department personnel printed over 9 million impressions using offset printing in 1968.



Bank employees enjoy lunch in Bank's cafeteria that seats 270 persons. In 1968 the cafeteria staff served an average of 650 meals daily.



**LIBRARY** In addition to providing daily service to the Bank's Department of Research, the library staff answers requests for information from bankers, businessmen and the public. Each year inquiries increase, requiring constant updating of the library's facilities. In 1968 many revisions were made to keep abreast with developments in the national and international monetary fields. Bank librarian Doris Zimmermann is also participating in the Federal Reserve System committee for coordinating information in the System's fourteen libraries.

**MEDICAL** Each new employe is given a physical examination and regular Bank employes are required to be examined and pronounced fit by the Medical Department before returning to work after an absence. In 1968 nearly 13,000 such examinations and treatments for minor ailments were rendered by medical personnel. Despite the high incidence of influenza during the year this does seem a bit "much" and we can't help but wonder whether the charming bedside manner of our doctor and nurses is an influence.

**PRINTING** The Bank's Printing Department is equipped to perform practically any task connected with the printing process "on premise." In 1968 a new electronic typesetter was acquired that is faster and more versatile than equipment formerly used. It also affords superior quality work. A copying machine, with sorters, was also installed to help eliminate small, costly printing tasks. To assure greater speed and volume of offset printing, a new Photo Direct Platemaker has been ordered that will be delivered early in 1969.

**PURCHASING** In June the Purchasing Department moved to more spacious quarters and acquired a visible records file. Coded cards in the file permit rapid identification and location of the extensive inventory of Bank-owned equipment. The supply division of the department stores and distributes Bank publications, forms and supplies. In 1968, about 1.8 million copies of Bank publications were distributed by supply personnel.

**TELEPHONE** That friendly voice you hear when you dial the Philadelphia Fed belongs to one of three telephone operators at the Bank who place all calls and assign priority to private wire calls. More incoming calls were received during 1968 than ever before in the department's history. A record 260,000 message units were used in 1968.

# FEDERAL RESERVE BANK OF PHILADELPHIA

## BOARD OF DIRECTORS

### BANKING

#### "A" DIRECTORS

**ROBERT C. ENDERS - 1969**  
PRESIDENT  
Bloomsburg Bank-Columbia Trust Company  
Bloomsburg, Pa.

**H. LYLE DUFFEY - 1970**  
EXECUTIVE VICE PRESIDENT  
The First National Bank of McConnellsburg  
McConnellsburg, Pa.

**HAROLD F. STILL, JR. - 1971**  
PRESIDENT  
Central-Penn National Bank of Philadelphia  
Philadelphia, Pa.

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PRESIDENT  
ESB Incorporated  
Philadelphia, Pa.

**PHILIP H. GLATFELTER, III - 1970**  
PRESIDENT  
P. H. Glatfelter Co.  
Spring Grove, Pa.

**HENRY A. THOURON - 1971**  
PRESIDENT  
Hercules Incorporated  
Wilmington, Del.

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#### "C" DIRECTORS

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DEAN, WHARTON SCHOOL  
University of Pennsylvania  
Philadelphia, Pa.

**BAYARD L. ENGLAND - DEP. CH. - 1969**  
CHAIRMAN OF THE BOARD  
Atlantic City Electric Company  
Atlantic City, N. J.

**D. ROBERT YARNALL, JR. - 1971**  
PRESIDENT  
Yarway Corporation  
Blue Bell, Pa.

### COMMITTEES OF THE BOARD

EXECUTIVE  
CHAIRMAN OF THE BOARD  
AND 3 DIRECTORS

AUDIT

V. P. & GENERAL AUDITOR

G. W. METZ

ASS'T GENERAL AUDITOR

A. L. MAGEE

R. W. Yarroll

BUDGET  
BUILDING  
PERSONNEL

CHAIRMAN  
WILLIS J. WINN

DEPUTY CHAIRMAN  
BAYARD L. ENGLAND

FEDERAL RESERVE AGENT

CHAIRMAN OF THE BOARD  
WILLIS J. WINN

ASS'T FED. RES. AGENT

E. D. KERNS

ALTERNATES

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T. J. QUINN  
H. A. RICKERT, JR.

SECRETARY

W. F. STAATS

PRESIDENT

KARL R. BOPP

OFFICERS' COUNCIL

OFFICERS'  
DISCOUNT COMMITTEE

FIRST VICE PRESIDENT

ROBERT N. HILKERT

OTHER OFFICERS' COMMITTEES

BUDGET AND PURCHASING  
BUILDING AND SPACE  
EMERGENCY PLANNING

OPERATIONS AND INFORMATION  
SYSTEMS  
PERSONNEL

SENIOR  
VICE PRESIDENT

J. R. CAMPBELL

SENIOR  
VICE PRESIDENT

D. P. EASTBURN

SENIOR V. P.  
& GENERAL COUNSEL

J. V. VERGARI

SENIOR  
VICE PRESIDENT

D. C. MELNICOFF



## OFFICERS

## PROMOTIONS



Joseph R. Campbell

Karl R. Bopp	<i>President</i>
Robert N. Hilbert	<i>First Vice President</i>
Joseph R. Campbell	<i>Senior Vice President</i>
David P. Eastburn	<i>Senior Vice President</i>
David C. Melnicoff	<i>Senior Vice President</i>
James V. Vergari	<i>Senior Vice President and General Counsel</i>
Edward A. Aff	<i>Vice President</i>
Hugh Barrie	<i>Vice President</i>
Norman G. Dash	<i>Vice President</i>
Ralph E. Haas	<i>Vice President</i>
William A. James	<i>Vice President</i>
G. William Metz	<i>Vice President and General Auditor</i>
James A. Agnew	<i>Assistant Vice President</i>
Jack P. Besse	<i>Assistant Vice President</i>
Joseph M. Case	<i>Assistant Vice President</i>
D. Russell Connor	<i>Assistant Vice President</i>
Alexander A. Kudelich	<i>Assistant Vice President</i>
Warren R. Moll	<i>Assistant Vice President</i>
Henry J. Nelson	<i>Assistant Vice President</i>
Kenneth M. Snader	<i>Assistant Vice President</i>
Albert Spencer, Jr.	<i>Assistant Vice President</i>
Russell P. Sudders	<i>Assistant Vice President</i>
James P. Giacobello	<i>Chief Examining Officer</i>
Thomas K. Desch	<i>Examining Officer</i>
William L. Ensor	<i>Examining Officer</i>
Jack H. James	<i>Examining Officer</i>
Leonard E. Markford	<i>Examining Officer</i>
Warren J. Gustus	<i>Economic Adviser</i>
William F. Staats	<i>Secretary and Senior Economist</i>
Sheldon W. Stahl	<i>Senior Economist</i>
Mark H. Willes	<i>Senior Economist</i>
Samuel J. Culbert, Jr.	<i>Bank Services Officer</i>
George C. Haag	<i>Public Information Officer</i>
Hiliary H. Holloway	<i>Assistant Counsel</i>
Eugene W. Lowe	<i>Securities Officer</i>
A. Lamont Magee	<i>Assistant General Auditor</i>
David P. Noonan	<i>Assistant Personnel Officer</i>



David P. Eastburn



David C. Melnicoff



James V. Vergari



Ralph E. Haas



James A. Agnew



D. Russell Connor



Warren J. Gustus



Sheldon W. Stahl

**APPOINTMENTS**



Alexander A. Kudelich



Albert Spencer, Jr.



William F. Staats



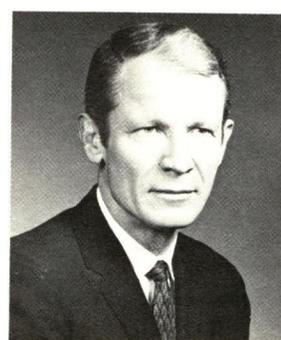
Mark H. Willes



George C. Haag



Hiliary H. Holloway



Eugene W. Lowe

## OFFICERS' COMMITTEES

### BUDGET AND PURCHASING COMMITTEE

H. Barrie, *Chairman*  
R. P. Sudders, *Secretary*  
D. R. Connor  
N. G. Dash  
D. C. Melnicoff  
K. M. Snader  
J. V. Vergari

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H. H. Holloway, *Secretary*  
H. Barrie  
D. R. Connor  
N. G. Dash  
D. P. Eastburn  
W. A. James  
J. V. Vergari

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A. Spencer, Jr., *Secretary*  
E. A. Aff  
J. R. Campbell  
D. P. Eastburn  
W. J. Gustus  
R. N. Hilkert  
D. C. Melnicoff  
J. V. Vergari

### EMERGENCY PLANNING COMMITTEE

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R. P. Sudders, *Secretary*  
E. A. Aff  
D. R. Connor  
N. G. Dash  
J. V. Vergari

### OPERATIONS AND INFORMATION SYSTEMS COMMITTEE

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J. P. Besse, *Secretary*  
E. A. Aff  
H. Barrie  
N. G. Dash  
R. E. Haas  
K. M. Snader

### PERSONNEL COMMITTEE

R. N. Hilkert, *Chairman*  
W. A. James, *Secretary*  
J. R. Campbell  
N. G. Dash  
D. C. Melnicoff  
J. V. Vergari

## DIRECTORS



Board of Directors of the Federal Reserve Bank of Philadelphia. Seated, from left, H. Lyle Duffey, Executive Vice President, The First National Bank of McConnellsburg; Deputy Chairman Bayard L. England, Chairman of the Board, Atlantic City Electric Company; Chairman Willis J. Winn, Dean, Wharton School, University of Pennsylvania; Harold F. Still, Jr., President, Central-Penn National Bank of Philadelphia; and D. Robert Yarnall, Jr., President, Yarway Corporation. Standing, from left, Edward J. Dwyer, President, ESB Incorporated; Robert C. Enders, President, Bloomsburg Bank-Columbia Trust Company; and Henry A. Thouron, President, Hercules Incorporated. Absent: Philip H. Glatfelter, III, President, P. H. Glatfelter Company.

Member of Federal Advisory Council.  
George H. Brown, Jr., Chairman of the Board,  
Girard Trust Bank.



Director. Philip H. Glatfelter, III,  
President, P. H. Glatfelter Company.



## PUBLICATIONS

### **MONETARY POLICY: DECISION-MAKING, TOOLS, AND OBJECTIVES**

52 pages. A collection of articles dealing with such topics as the relation between government and the central bank, how policy decisions are made, guides to monetary policy, administration of open market operations and the discount window, and the problem of conflicting objectives.

### **THE QUEST FOR STABILITY**

54 pages. Five essays describing efforts to achieve an efficient monetary system in the United States. The first two essays give a historical review of U. S. monetary developments, the third explains the major tools of Federal Reserve policy, the fourth describes the role of fiscal and debt management policies, and the last discusses the limitations and interrelations of monetary and fiscal policy.

### **DEFENDING THE DOLLAR**

27 pages. A persistent deficit in our balance of international payments has resulted in substantial drains on our gold reserve. This problem is discussed in this pamphlet.

### **SERIES FOR ECONOMIC EDUCATION**

A series of pamphlets that will attempt to describe our business system as it actually operates. The booklets are dedicated to the idea that if what is taught is different from what actually takes place, then there is danger of ending up with text-book economics quite separate and apart from the living thing. Titles to date: The Price System, Unemployment in Prosperity—Why?, The Mystery of Economic Growth, Gold, Automation, The New Poverty, The Balance of Payments, The National Debt, and Inflation and/or Unemployment.

### **ACHIEVING**

**ADMINISTRATIVE COMPETENCE**—19 pages

### **BUSINESS REVIEW**

About 15 pages. Includes articles on credit and business conditions and one page of statistics of general interest. Published monthly.

### **MONETARY POLICY: IS THE MONEY SUPPLY ALL THAT MATTERS?**

Reprint of January 1966 Business Review article by C. J. Anderson. A succinct summary of the current status of monetary theory.

### **MAINSPRINGS OF GROWTH**

109 pages. A collection of articles on the structure and future of the Philadelphia Metropolitan Area.

### **THE FEDERAL RESERVE ON RECORD**

By David P. Eastburn—Readings on current issues from statements by Federal Reserve officials. 263 pages.

### **A HALF-CENTURY OF FEDERAL RESERVE POLICYMAKING, 1914-1964**

By Clay J. Anderson—Traces the development of central banking thought and policies during the first fifty years of the Federal Reserve System. Based on official proceedings of meetings of various policymaking groups. 191 pages.

### **50 YEARS OF THE FEDERAL RESERVE ACT**

20 pages. A chronicle of the major changes in the Federal Reserve Act in the 50-year span, 1913-1963. Special emphasis is placed on tracing the evolution of the role of the Federal Reserve System along with the changing economic environment. A handy synopsis of changes in the structure and powers of the System is included.

### **HOW TO INTERPRET FEDERAL RESERVE REPORTS**

40 pages. Explains how Federal Reserve banking reports are used to analyze financial and economic developments.

Fifty-Fourth  
Annual Statement  
of the  
Federal Reserve  
Bank  
of Philadelphia



## COMPARISON OF EARNINGS AND EXPENSES

	1968	1967
<b>CURRENT EARNINGS:</b>		
From U. S. Government securities .....	\$ 136,299,631.06	\$ 110,223,545.60
From discounts and advances and miscellaneous sources .....	4,604,275.39	1,439,853.33
Total current earnings .....	140,903,906.45	111,663,398.93
 <b>NET EXPENSES:</b>		
Operating expenses <i>(after deducting reimbursable or recoverable expenses)</i> .....	9,584,109.40	8,742,162.60
Federal Reserve currency .....	1,384,812.91	1,016,559.87
Assessments for expenses of the Board of Governors ...	749,900.00	567,000.00
Total net expenses .....	11,718,822.31	10,325,722.47
<b>Current Net Earnings</b> .....	<b>129,185,084.14</b>	<b>101,337,676.46</b>
 <b>ADDITIONS TO CURRENT NET EARNINGS:</b>		
Profit on sales of U. S. Government securities <i>(net)</i> .....	40,879.36	39,599.98
Miscellaneous non-operating income .....	426,673.50	77,499.09
Total additions .....	467,552.86	117,099.07
 <b>DEDUCTIONS FROM CURRENT NET EARNINGS:</b>		
Miscellaneous non-operating expenses .....	8,869.37	1,638.49
Total deductions .....	8,869.37	1,638.49
Net additions .....	458,683.49	115,460.58
Net earnings before payment to U. S. Treasury .....	129,643,767.63	101,453,137.04
Dividends Paid .....	1,933,570.76	1,853,711.26
Paid to U. S. Treasury <i>(interest on Federal Reserve notes)</i> .....	126,754,046.87	97,702,875.78
Transferred to Surplus .....	956,150.00	1,896,550.00
	\$ 129,643,767.63	\$ 101,453,137.04

## COMPARATIVE STATEMENT OF CONDITION

	<b>Dec. 31, 1968</b>	<b>Dec. 31, 1967</b>
<b>ASSETS</b>		
<b>GOLD CERTIFICATE RESERVES:</b>		
Gold certificate account .....	\$ 494,257,793.64	\$ 560,612,533.50
Redemption fund—Federal Reserve notes .....	—	101,189,381.16
Total Gold Certificate Reserves .....	494,257,793.64	661,801,914.66
<b>FEDERAL RESERVE NOTES OF</b>		
OTHER FEDERAL RESERVE BANKS .....	35,063,655.00	48,727,515.00
OTHER CASH .....	4,901,516.20	8,609,606.96
<b>LOANS AND SECURITIES:</b>		
Discounts and advances .....	100,000.00	1,430,000.00
United States Government Securities .....	2,810,204,000.00	2,525,715,000.00
Total Loans and Securities .....	2,810,304,000.00	2,527,145,000.00
<b>OTHER ASSETS:</b>		
Cash items in process of collection .....	634,903,044.39	631,426,294.03
Bank premises .....	2,358,817.56	2,433,366.22
All other .....	257,665,905.93	98,935,196.36
<b>Total Assets</b> .....	<b>4,239,454,732.72</b>	<b>3,979,078,893.23</b>
 <b>LIABILITIES</b>		
<b>NOTE LIABILITIES:</b>		
Federal Reserve notes .....	2,615,922,686.00	2,444,267,528.00
<b>DEPOSITS:</b>		
Member bank—reserve accounts .....	991,103,096.04	853,005,524.48
United States Government .....	522,375.94	76,536,105.32
Foreign .....	11,660,000.00	7,280,000.00
All other .....	13,321,161.21	26,459,844.51
Total Deposits .....	1,016,606,633.19	963,281,474.31
<b>OTHER LIABILITIES:</b>		
Deferred availability cash items .....	520,862,792.23	493,310,625.51
All other .....	20,499,021.30	14,567,965.41
Total Liabilities .....	4,173,891,132.72	3,915,427,593.23
<b>CAPITAL ACCOUNTS:</b>		
Capital paid in .....	32,781,800.00	31,825,650.00
Surplus .....	32,781,800.00	31,825,650.00
<b>Total Liabilities and Capital Accounts</b> .....	<b>\$4,239,454,732.72</b>	<b>\$3,979,078,893.23</b>

**CAPITAL  
STOCK  
ACCOUNT**

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

	1968		1967		1966	
	SHARES	DOLLAR AMOUNT	SHARES	DOLLAR AMOUNT	SHARES	DOLLAR AMOUNT
<b>Paid in-January 1</b>	<b>636,513</b>	<b>\$31,826</b>	<b>598,582</b>	<b>\$29,929</b>	<b>590,911</b>	<b>\$29,545</b>
ISSUED DURING YEAR:						
Increases in Capital and Surplus .....	23,026	1,151	40,073	2,004	15,210	761
CANCELLED DURING YEAR:						
Mergers, absorptions and other cessations of membership .....	3,886	194	1,946	97	7,523	376
Surrender of stock through reduction of capital and surplus .....	17	1	196	10	16	1
<b>Paid in-December 31</b>	<b>655,636</b>	<b>\$32,782</b>	<b>636,513</b>	<b>\$31,826</b>	<b>598,582</b>	<b>\$29,929</b>