

THIRD ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK
OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1917



WASHINGTON
GOVERNMENT PRINTING OFFICE
1918

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LETTER OF TRANSMITTAL.

FEDERAL RESERVE BANK,
Richmond, Va., January 15, 1918.

SIR: I have the honor to submit herewith the third annual report of the Federal Reserve Bank of Richmond, covering the year ended December 31, 1917.

Respectfully,

CALDWELL HARDY,
Chairman and Federal Reserve Agent.

Hon. W. P. G. HARDING,
Governor, Federal Reserve Board,
Washington, D. C.

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THIRD ANNUAL REPORT OF THE FEDERAL RESERVE BANK OF RICHMOND.

This bank, with the other Federal Reserve Banks, as well as member banks of the entire system and country, has been called upon to extend its activities over a wide field in the service of the Government in the floating of bonds and certificates of indebtedness and in the handling of extensive national financing.

This country's entrance into the war necessitated the immediate raising of large sums of money, followed as early as practicable by more permanent financing. Under the war bill passed in April the early financing, as well as the later interim financing between bond issues hereafter referred to, was effected by certificates of indebtedness. The following table will give particulars as to these issues of certificates of indebtedness, showing the amount subscribed for and allotted in this district. The response in the district in subscriptions to these certificates was prompt and generous, particularly so when it is taken into consideration that the money was required largely during the crop planting and raising period, during which money is always particularly in demand.

Certificates of indebtedness.

Date.	Maturity.	Amount offered.	Rate.	Subscription.	Allotment.
1917.			<i>Pr. ct.</i>		
Mar. 31	June 29	\$50,000,000	2	\$2,000,000	\$2,000,000
Apr. 25	June 30	200,000,000	3	5,850,000	5,850,000
May 10	July 17	200,000,000	3	2,753,000	2,753,000
May 25	July 30	200,000,000	3½	2,768,000	2,000,000
June 8 .....	.....do.....	200,000,000	3½	4,027,000	3,600,000
Aug. 9	Nov. 15	300,000,000	3½	3,400,000	2,800,000
Aug. 28	Nov. 30	250,000,000	3½	8,932,000	7,235,000
Sept. 17	Dec. 15	300,000,000	3½	3,180,000	8,180,000
Sept. 26 .....	.....do.....	400,000,000	4	7,004,000	7,004,000
Oct. 18	Nov. 22	300,000,000	4	8,323,000	8,323,000
Oct. 24	Dec. 15	(1)	4	11,472,000	11,472,000
1918.					
Nov. 30	June 25	(1)	4	2,415,000	2,415,000
				62,124,000	58,632,000

¹ Limited amount.

Payments for the above certificates were made through this bank with remarkable facility and without disturbance to the finances of the district.

Following the early temporary financing through certificates of indebtedness, came the more permanent financing through the first issue of Liberty bonds. This necessitated a permanent organization of every force to be availed of in the financial campaign. That organization took the following form:

GENERAL SCHEME OF THE LIBERTY LOAN ORGANIZATION.

A district committee, with the governor of the Federal Reserve Bank as chairman, and consisting of the chairmen of the central Liberty loan committees of the several States.

State committees consisting of members from the various important sections of each State, acting with and through the central committee located in the capital of each State.

Local committees in all cities and banking places where it was possible to form such committees, consisting of representatives of all important industries of the place.

A Liberty loan bureau in each banking institution.

A publicity department connected with each State committee, with headquarters in the capital of each State.

A speakers' bureau located in the Federal Reserve city—Richmond—operated in connection with the speakers' bureau at Washington.

Each banking institution at the beginning of the campaign was advised of its proportionate amount of the loan based upon its resources.

In some cities the State committee divided the State into counties and a friendly rivalry between the sections was brought about, as well as a rivalry between the separate banking institutions.

In Richmond all members of the committees were assigned to solicit subscriptions from the customers of their respective institutions. Other members of the committees were assigned to the work of arousing interest on the part of members of their respective organizations as selling agents for the bonds.

The speakers' bureau carried the message through the theaters, churches, schools, factories, and other gathering places of people. A ladies' committee was authorized to operate booths in the large stores in the retail district and enlisted all the women's organizations of the city. Nearly all the banks adopted a club system for selling

bonds on the installment plan—payments of \$1 cash and \$1 each week thereafter for each \$50 bond.

A parade and mass meeting were arranged, the former embracing many societies and the school children of the city. At the mass meeting the public was invited, and the war situation was ably presented by one of our United States Senators.

Publicity was obtained by billboards, window hangers, distribution of circulars, stickers, etc., and a news article daily in each newspaper. Business houses contributed the advertising space. These same methods were urged in every locality throughout the district.

The amount of subscriptions asked for to the first Liberty loan at $3\frac{1}{2}$ per cent was \$2,000,000,000; the quota expected from this district was fixed at a minimum of \$80,000,000 and a maximum of \$100,000,000. The subscriptions amounted to \$109,737,100 and the allotment made was \$88,593,650. Payments required were 2 per cent with subscriptions and 18 per cent on June 28; 20 per cent on July 30; 30 per cent on August 15; 30 per cent on August 30.

While it required a wide and energetic campaign, reaching, so far as possible, every individual and family in the district, when the novelty of the appeal is taken into consideration, the large majority of our population having little or no information in regard to, or conception of, the necessities or conditions relating to the situation, the response might well be regarded as remarkable.

The effect of these subscriptions on banking institutions and their condition, and on the industries and commerce of the district, was apparently negligible. The bank deposits in the district more than held their own, and no interests, either agricultural, industrial, or commercial, suffered from lack of banking accommodations. It may be asserted with reasonable safety that the actual effect of this financing was far less than the first estimates placed upon it. It was manifestly impossible to determine accurately the cause for the increased banking accommodations asked for during the financing of these subscriptions, and while this accommodation in amount represented a considerably increased volume, the amount directly traceable to the Government financing was relatively limited, and the whole increase was small compared with the total amount of the financing.

The second Liberty loan at 4 per cent was offered on November 15. The quota for this district was fixed at a minimum of \$120,000,000 and a maximum of \$200,000,000. The amount subscribed for was \$201,212,500 and the allotments \$182,581,700. Payments required were 2 per cent with subscriptions and 18 per cent on November 15; 40 per cent on December 15; 40 per cent on January 15.

The bank's ownership of Treasury certificates and Government bonds on December 31 amounted to \$3,205,450, and operations in these securities are fully set forth in the following table:

Open-market operations.

Securities.	Balance Dec.31,1916.	Operations for the year 1917.		Balance Dec.31,1917.
		Purchases.	Sales.	
Liberty Loans:				
3½ per cent.....		\$183,800	\$140,900	\$42,900
4 per cent (second).....		1,698,950	1,657,500	41,450
Certificates of indebtedness:				
2 per cent.....		2,000,000	2,000,000	
3 per cent.....		259,000	259,000	
One-year Treasury notes, 3 per cent.....	\$1,070,000	1 899,000		1,969,000
United States conversion bonds, 3 per cent.....		1 900,100	900,100	
United States consuls, 2 per cent.....	1,392,450	521,750	1 999,100	915,100
United States Panamas, 2 per cent.....	800,000	237,000	1 800,000	237,000
Total.....	3,262,450	6,699,600	6,756,600	3,205,450

¹ Conversions.

In addition to this, the bank held on December 31 member bank collateral notes to the amount of \$4,170,060 and notes of other parties indorsed by member banks to the amount of \$5,294,639, all of which were secured by United States bonds and certificates of indebtedness.

Our fiscal agency department having charge of the conduct of Liberty loan operations has required the supervision of several of our officers and heads of our departments. Twenty additional employees have been permanently engaged in this work, and 27 more added to the general force. In addition to this, at the height of the campaign many others were temporarily employed. Two of the large audit companies of the city also loaned us many of their expert accountants. The entire expenditure reported for reimbursement in connection with the campaign in the first Liberty loan was \$23,700, the entire amount having been reimbursed to us by the Treasury Department. The total expenditure estimated in connection with the campaign in the second Liberty loan is about \$60,000, some bills not having yet been put into final shape. None of this has yet been reimbursed to us by the Treasury Department.

The amount of member banks collateral notes and notes of other parties indorsed by member banks and secured by United States bonds and certificates of indebtedness reached nearly \$9,500,000 on December 31. This indicates the growing extent to which the bank has been called on to extend assistance up to this date in financing bond subscriptions. The natural inference is that as the final payments become due on the last subscriptions and further anticipated issues are offered to the public, the bank will continue to play an increasingly important part in the loans. Increased efforts will con-

tinue to be necessary to distribute bonds among private investors in order that excessive demand upon the resources of the bank and its members may be minimized as far as possible, and interference with the process of supplying the regular demands through commercial channels be avoided.

BANK ACTIVITIES DURING THE YEAR.

The increase in member banks' deposits (reserves) from \$25,000,000 to \$45,000,000, partly due to a change in the law affecting reserve requirements and partly to the expansion of members' own deposits, coupled with the growth in loans and bills purchased from \$7,000,000 to over \$42,000,000, are striking illustrations of the growth of wealth and the volume of business within the district. Our loans have been confined entirely to the district except a purchase of \$5,000,000 short-time bankers' acceptances from one of the other Federal Reserve Banks. The increase of something over \$300,000 in capital stock is due chiefly to subscriptions from important State banks and trust companies which have recently joined the system, and to substantial additions to surplus of several member banks.

The following comparative balance sheet of the bank, as of December 31, 1916 and 1917, shows a growth of nearly \$100,000,000 in its resources between the dates mentioned:

Comparative balance sheets (condensed).

	Dec. 31, 1917.	Dec. 31, 1916.
ASSETS.		
Cash:		
Gold reserve.....	\$62,342,094.65	\$24,532,111.00
Legal tender, silver, etc.....	164,264.85	64,938.40
Total reserve.....	62,506,359.50	24,597,049.40
Other cash and cash items.....	597,613.72	1,708,107.87
Total cash.....	\$63,103,973.22	\$26,305,157.27
Depository banks (see contra-U. S. Treasurer special).....	24,424,683.36	.....
Transit items (deferred—net).....	2,395,561.04	179,491.01
Overdrafts.....	50,074.18	5,078.46
Productive assets:		
Loans and bills purchased.....	42,812,846.02	7,213,968.08
Municipal warrants.....	.....	60,750.00
United States securities.....	3,205,450.00	3,262,450.00
Par values.....	46,018,296.02	10,537,168.08
Deduct:		
Reserve for depreciation..... \$50,000.00	.....	.....
Unearned discount, etc..... 100,264.38	.....	.....
	150,204.38	20,310.96
Add accrued interest receivable.....	45,868,091.64	10,516,857.12
	21,575.24	4,033.20
Liquid values.....	45,889,666.88	10,520,890.32
Real estate, furniture, and equipment.....	309,065.24	133,475.77
Deferred charges.....	43,221.74	14,034.57
	352,286.98	147,510.34
	<u>136,216,245.66</u>	<u>37,158,127.40</u>

Comparative balance sheets (condensed)—Continued.

	Dec. 31, 1917.	Dec. 31, 1916.
LIABILITIES.		
Deposits:		
United States Government.....	\$2,253,761.15	\$3,059,731.73
Members.....	45,356,855.67	25,450,515.49
Cashier's checks, etc.....	192,256.97	2,718.22
	\$47,802,873.79	\$28,512,965.44
United States Treasury, special (see, contra, depositary banks).....	24,424,683.36	
Other Federal Reserve Banks (net).....	3,644,461.78	1,457,347.26
Federal Reserve notes outstanding (net)...	56,563,805.00	3,830,000.00
Liability to shareholders:		
Capital stock.....	3,663,950.00	3,346,150.00
Surplus.....	116,471.73	
Undivided profits.....		11,664.70
	3,780,421.73	3,357,814.70
	136,216,245.66	37,158,127.40

The expense account of the bank is set forth in the following table:

Comparative expense accounts (exclusive of transit expense).

	1917	1916
Current:		
Federal Advisory Council.....	\$431.60	\$150.00
Assessment Federal Reserve Board expense.....	14,255.60	11,743.48
Directors—		
Fees.....	3,020.00	3,760.00
Per diem allowances.....	1,230.00	1,840.00
Traveling expense.....	1,806.49	2,505.38
Legal.....	500.00	1,425.00
Salaries—		
Officers.....	33,199.96	31,427.97
Clerical staff.....	35,303.55	26,789.12
Watchmen.....	700.00	648.33
Miscellaneous.....	1,882.23	1,774.23
Traveling.....	668.67	406.93
Conferences—		
Governors.....	336.78	1,444.78
Federal Reserve agents.....	168.37	320.89
Telephone.....	685.33	391.31
Telegraph.....	657.22	225.79
Postage.....	5,209.57	3,408.91
Expressage.....	4,115.55	779.71
Rent (including outside vaults).....	5,807.00	6,084.00
Taxes and fire insurance.....	2,629.24	
Fidelity insurance.....	2,202.16	1,498.85
Light, heat, and power.....	820.14	901.11
Printing and stationery.....	9,723.02	3,576.79
Repairs and alterations.....	11,295.63	44.78
Miscellaneous.....	4,683.25	3,160.58
Total current.....	141,094.62	104,257.94
Cost of Federal Reserve notes.....	62,529.60	18,247.82
Depreciation of building and equipment.....	54,161.45	3,713.95
Total.....	257,785.67	126,219.71

1 Credit.

2 Debit.

While expenses show large increases, gross earnings for the year show an increase from \$312,000 to \$770,000, productive assets from \$10,500,000 to \$46,000,000, and net earnings from \$186,000 to \$462,000.

The current expense increases are only moderate when the increased volume of business is taken into consideration. The major increases were for repairs and alterations of \$11,000 to the building purchased for the use of our Baltimore branch, to be opened early

in 1918. Federal Reserve notes outstanding have increased during the year from \$20,000,000 to \$60,000,000, and the increased cost is \$44,000. Depreciation on building and equipment for the year of \$54,000 represents depreciation in the property purchased for our proposed new building facing Capitol Square, the old buildings on the property having been removed. It also includes equipment (adding and printing machines, typewriters, etc.), and a portion of the cost of a new vault of moderate size in our present quarters. The removal of this vault to the new building when erected is contemplated.

The details of comparative profit and loss accounts for this and the previous year are shown in the following tables:

Comparative profit and loss accounts, dividends, and undivided profits.

	1917	1916
Gross earnings:		
On loans and investments.....	\$716,340.78	\$286,697.84
Profits on United States securities sold.....	16,711.75	12,527.84
Service charges (net over transit expense).....	4,386.69	1,033.17
Penalties for deficiencies in reserve.....	31,362.02	12,390.39
Miscellaneous.....	1,207.69	142.25
	\$770,008.93	\$312,791.49
Deduct—		
Expenses.....	257,785.67	126,219.71
Reserve for depreciation.....	50,000.00	
	307,785.67	126,219.71
Net profit for the year.....	462,223.26	186,571.78
Balance in undivided profits Jan. 1.....	11,664.70	23,015.26
	473,887.96	209,587.04
Dividends paid:		
1 per cent—Nov. 16, 1914, to Dec. 31, 1915.....		30,387.65
6 per cent—Jan. 1, 1916, to Oct. 31, 1916.....		167,534.69
6 per cent—Nov. 1, 1916, to June 30, 1917.....	135,690.71	
6 per cent—July 1, 1917, to Dec. 31, 1917.....	105,253.79	
	240,944.50	197,922.34
Balance.....	232,943.46	11,664.70
Deduct—		
Franchise tax paid to United States Government.....	116,471.73	
Carried to surplus account.....	116,471.73	
	232,943.46	
Balance of undivided profits, Dec. 31.....		11,664.70

This indicates that after charging off liberally on our building site, equipment, etc., paying dividends to our members in full at 6 per cent to December 31, and laying aside a reserve for depreciation, there remained \$232,943 of undivided profits. The Federal Reserve Act provides that, after the payment of expenses and dividends in full to date, all remaining earnings shall be paid to the United States as a franchise tax, except that one-half of such earnings shall be paid into a surplus fund until it amounts to 40 per cent of the paid-in capital stock of the bank. Under this provision of the law one-half of the above earnings—\$116,471—has been carried to surplus account and the other half paid to the United States Government as a franchise tax.

The following table giving the daily averages of member banks' deposits and of United States Government deposits for 1916-17 will be of interest and give evidence of the growth of banking resources in the district:

Deposits—Daily averages by months; 1917 compared with 1916.

Month.	Member banks.		United States Government.	
	1917	1916	1917	1916
January.....	\$26,023,616.67	\$11,199,805.77	\$1,940,979.43	\$5,658,432.64
February.....	23,719,944.94	11,483,882.66	1,460,930.46	6,328,866.43
March.....	26,255,281.88	11,545,076.04	4,086,850.04	6,420,260.32
April.....	25,649,251.37	11,536,144.10	1,188,082.41	6,875,443.03
May.....	25,600,111.52	13,249,437.88	3,468,857.52	6,346,514.23
June.....	28,290,347.84	14,901,902.86	7,979,110.88	7,191,234.58
July.....	33,950,883.34	15,956,127.43	10,375,597.34	8,671,597.44
August.....	37,060,405.42	16,330,973.91	5,148,718.32	3,320,534.36
September.....	36,922,969.42	16,615,271.11	3,310,445.18	2,968,816.83
October.....	40,217,988.13	20,013,963.91	3,466,750.03	3,594,049.51
November.....	42,282,302.89	23,466,288.63	11,646,835.94	2,921,533.37
December.....	43,673,086.54	25,486,796.81	11,607,529.73	2,845,368.45
Year.....	31,704,936.90	15,999,616.04	5,524,462.85	5,014,378.72

This growth of business is further illustrated by the following table showing the volume of discounts of over \$400,000,000 during the current six months. Bankers' acceptances to the amount of \$58,000,000 were purchased in addition to these discounts.

Discounts during the year 1917.

	Maturities as of date of acquisition.					
	15 days and less.	16 to 30 days.	31 to 60 days.	61 to 90 days.	Over 90 days.	Total.
Notes.....	\$104,652,137.05	\$8,233,035.22	\$16,006,334.97	\$19,162,471.99	\$1,295,537.41	\$149,349,516.64
Member banks' collateral notes..	245,024,635.04	.....	.....	.....	.....	245,024,635.04
Trade acceptances.	108,166.29	417,560.99	1,229,721.65	1,405,000.35	.....	3,160,449.28
Commodity paper.	546,212.04	1,019,084.71	1,437,422.62	683,365.71	.....	3,686,085.08
Bill of lading drafts	1,747,294.11	.....	.....	.....	.....	1,747,294.11
Total.....	352,078,444.53	9,669,680.92	18,673,479.24	21,250,838.05	1,295,537.41	402,967,980.15

Of this total over one-half is represented by member banks' collateral notes having less than 15 days to run. This illustrates the importance of the facilities extended member banks for short loans. The handling of large transactions, necessitating frequently the temporary use of large sums, is economically facilitated by means of these short loans.

The moderate rates at which these large transactions have been handled are set forth in the following table and are a further illustration of the liberal facilities extended to members by the bank.

Discount rates current for the year 1917.

Classification.	Effective Jan. 1, 1917, unchanged since Oct. 1, 1916.	Effective Apr. 23, 1917.	Effective May 25, 1917.	Effective Nov. 5, 1917.	Effective Nov. 30, 1917.
Member banks' collateral notes:					
Secured by customers' notes.....	3½	3½	3½	3½	4
Secured by United States securities.....			3½	3½	3½
Commercial paper:					
15 days or less.....	4	3½	3½	3½	4
16 to 90 days.....	4	4	4	4	4½
Agricultural and live stock paper:					
15 days or less.....	4	3½	3½	3½	4
16 to 90 days.....	4	4	4	4	4½
91 days to 6 months.....	4½	4½	4½	4½	4½
Notes secured by United States securities:					
15 days or less.....			3½	3½	3½
16 to 90 days.....			3½	3½	4
Commodity paper:					
15 days or less.....	3½	3½	3½	3½	4
16 to 90 days.....	3½	3½	3½	4	4½
Trade acceptances:					
60 days or less.....	3½	3½	3½	3½	4
61 days to 90 days.....	3½	3½	3½	3½	4

The following table shows the productive assets acquired during the year, analyzed as to class and rates. The amount of discounts held under each rate is shown with the average number of days each amount has to run. The total of \$42,800,000 has an average of only 23 days to run, which gives a forcible illustration of the very liquid condition in which the bills of the bank are kept.

Productive assets acquired during the year 1917, classified as to rates.

	2 per cent.	3 per cent.	3½ per cent.	3½ per cent.	3½ per cent.	3½ per cent.
United States Government securities.....	\$2,768,750.00	\$250,000.00				\$638,800.00
Warrants.....						115,000.00
Bankers' acceptances.....		30,492,613.73	\$2,078,049.37	\$3,456,933.96	\$1,537,878.97	18,698,692.81
Commodity paper.....						3,566,960.08
Trade acceptances.....						2,492,327.34
Bill of lading drafts.....						755,058.48
Unsecured notes.....						10,543,960.43
Notes secured by:						
Merchandise.....						2,500.00
United States securities.....						24,049,078.61
Member bank collateral notes secured by:						
United States securities.....						30,313,922.05
Customers' notes.....						206,108,999.99
Total.....	2,768,750.00	30,751,613.73	2,078,049.37	3,456,933.96	1,537,878.97	297,285,289.79
Owned Dec. 31, 1917:						
United States Government securities.....	1,152,100.00	1,960,000.00				42,900.00
Loans and bills.....			1,332,840.58	100,000.00	596,521.36	18,248,155.93
Average unexpired term in days.....			26	36	21	23

Productive assets acquired during the year 1917, classified as to rates—Continued.

	3½ per cent.	3¼ per cent.	4 per cent.	4½ per cent.	Total.
United States Government securities.....			\$2,305,950.00		\$5,962,500.00
Warrants.....					115,000.00
Bankers' acceptances.....	\$454,510.27	\$1,397,380.87			58,116,059.98
Commodity paper.....			119,125.00		3,686,085.08
Trade acceptances.....			668,121.94		3,160,449.28
Bill of lading drafts.....			992,235.63		1,747,294.11
Unsecured notes.....			106,434,776.64	\$5,836,430.80	122,815,157.87
Notes secured by:					
Agricultural products.....			275,461.58	299,847.16	575,308.74
Live stock.....			6,980.89		6,980.89
Merchandise.....			10,000.00		12,500.00
United States securities.....			1,890,490.53		25,939,569.14
Member bank collateral notes secured by:					
United States securities.....					30,313,922.05
Customers' notes.....			8,601,713.00		214,710,712.99
Total.....	454,510.27	1,397,380.87	121,304,855.21	6,136,277.96	467,161,540.13
Owned Dec. 31, 1917:					
United States Government securities.....			41,450.00		3,205,450.00
Loans and bills.....	191,727.05	1,397,380.87	16,575,520.39	4,370,699.84	42,812,846.02
Average unexpired term in days.....	17	61	13	39	23

The volume of paper handled is almost wholly determined by the terms of the paper, whether of short or long maturities, and the following table will show daily averages of outstanding bills for the entire year, and will indicate the average continuous service rendered.

Daily averages of productive assets for the year 1917.

Classification.	Commodity.	Trade acceptances.	Bankers' acceptances.		Member bank collateral notes.
			Foreign.	Domestic.	
United States securities.....					\$608,293.24
Agricultural products.....	\$402,623.93	\$8,521.18			
Live stock.....					
Merchandise.....					
Customers' notes.....					2,248,983.37
Nonmember bank.....					
Total collateral.....	402,623.93	8,521.18			2,857,276.61
Unsecured.....		406,737.89	\$5,017,198.22	\$1,218,258.46	
Total loans.....	402,623.93	415,259.07	5,017,198.22	1,218,258.46	2,857,276.61
Warrants.....					
United States bonds.....					
Grand total.....	402,623.93	415,259.07	5,017,198.22	1,218,258.46	2,857,276.61

Classification.	Notes.	United States bonds and investments.	Combined	Held by	
				Federal Reserve agent.	Bank.
United States securities.....	\$538,928.86		\$1,147,222.10	\$1,147,222.10	
Agricultural products.....	71,658.56		482,803.67	432,645.09	\$50,158.58
Live stock.....	1,306.17		1,306.17	1,249.73	56.44
Merchandise.....	2,732.90		2,732.90	2,595.90	137.00
Customers' notes.....			2,248,983.37	1,361,328.85	887,654.52
Nonmember bank.....	19,396.05		19,396.05	19,396.05	
Total collateral.....	634,022.54		3,902,444.26	2,984,437.72	938,006.54
Unsecured.....	6,410,846.15		13,053,040.72	12,526,260.52	526,780.20
Total loans.....	7,044,868.69		16,955,484.98	15,490,698.24	1,464,786.74
Warrants.....		\$15,791.78	15,791.78		15,791.78
United States bonds.....		3,672,427.81	3,672,427.81		3,672,427.81
Grand total.....	7,044,868.69	3,688,219.59	20,648,704.57	15,490,698.24	5,153,006.33

The productive assets owned December 31, 1917, are again analyzed in the following table, which gives the volume of paper maturing within 15 days and later maturity periods, from which it will be seen that over \$24,000,000 out of the total of \$42,000,000 had less than 15 days to run at the close of business December 31. This gives another forcible illustration of the extreme liquidity of the larger portion of the bank's paper.

Analysis of productive assets as of close of business Dec. 31, 1917.

CLASSIFICATION.	Commodity.	Trade acceptances.	Bankers' acceptances.		Member bank collateral notes.
			Foreign.	Domestic.	
United States securities.....					\$4,171,060.00
Agricultural products.....	\$97,400.00				
Total collateral.....	97,400.00				4,171,060.00
Unsecured.....		\$1,057,053.93	\$8,935,465.95	\$4,220,660.76	
Total loans.....	97,400.00	1,057,053.93	8,935,465.95	4,220,660.76	4,171,060.00
Grand total.....	97,400.00	1,057,053.93	8,935,465.95	4,220,660.76	4,171,060.00
MATURITIES.					
Within 15 days.....	15,150.00	231,346.50	1,812,773.36	1,186,947.43	4,171,060.00
16 to 30 days.....	41,500.00	260,327.35	4,104,215.69	554,688.00	
31 to 60 days.....	40,750.00	437,722.37	1,728,437.26	1,689,568.21	
60 to 90 days.....		127,657.71	1,290,039.64	789,450.12	
Grand total.....	97,400.00	1,057,053.93	8,935,465.95	4,220,660.76	4,171,060.00

CLASSIFICATION.	Notes.	United States bonds and investments.	Combined.	Federal Reserve agent.	Bank.
United States securities.....	\$5,294,639.88		\$9,465,699.88	\$9,465,699.88	
Agricultural products.....	291,070.16		388,470.16	388,470.16	
Bill of lading drafts.....	92,344.97		92,344.97	92,344.97	
Nonmember bank.....	707,956.00		707,956.00	707,956.00	
Total collateral.....	6,386,011.01		10,654,471.01	10,654,471.01	
Unsecured.....	17,945,194.37		32,158,375.01	32,158,375.01	
Total loans.....	24,331,205.38		42,812,846.02	42,812,846.02	
United States bonds.....		\$3,205,450.00	3,205,450.00		\$3,205,450.00
Grand total.....	24,331,205.38	3,205,450.00	46,018,296.02	42,812,846.02	3,205,450.00
MATURITIES.					
Within 15 days.....	16,967,056.89		24,384,334.18	24,384,334.18	
16 to 30 days.....	1,244,820.00		6,205,549.04	6,205,549.04	
31 to 60 days.....	4,965,373.47		8,861,851.31	8,861,851.31	
60 to 90 days.....	1,141,207.52		3,348,363.99	3,348,363.99	
Over 90 days.....	12,747.50	3,205,450.00	3,218,197.50	12,747.50	3,205,450.00
Grand total.....	24,331,205.38	3,205,450.00	46,018,296.02	42,812,846.02	3,205,450.00

The following table compiled by quarters gives the volume of paper in pieces and by amount, the daily average, the annual rate earned, the amount of discount earned during each period, and the rebates on anticipated payments with the resulting earnings.

Productive assets with earnings and averages, 1917.

Quarterly periods, 1917.	Volume of investment operations.		Daily averages, holdings.		Days in period.	Annual rate income on earned (actual).
	Items.	Amount.	Items.	Balances current.		
Jan. 1 to Mar. 31.....	3,345	\$33,679,716.17	37	\$11,818,978.88	90	3.28
Apr. 1 to June 30.....	7,236	81,446,432.97	80	19,117,894.00	91	3.17
July 1 to Sept. 30.....	7,990	123,044,054.72	87	21,289,594.24	92	3.54
Oct. 1 to Dec. 31.....	5,215	228,991,336.27	56	30,139,924.38	92	3.63
Total.....	23,786	467,161,540.13	65	20,643,704.57	365	3.47

Quarterly periods, 1917.	Discount and interest.				Sundry profits.			Total earnings of productive assets.
	Earned (actual).	Minimum charges.	Anticipations.	Total.	Profits on sales of United States securities.	Penalties for deficiency in reserve.	Miscellaneous.	
Jan. 1 to Mar. 31....	\$94,675.06	5.56	95.33	\$94,775.95	\$16,711.75	\$5,982.70	\$58.18	\$117,528.58
Apr. 1 to June 30....	153,075.82	9.72	104.62	153,190.16	5,793.43	138.96	138.96	159,122.55
July 1 to Sept. 30....	191,954.81	8.71	203.00	192,166.52	8,153.79	415.81	415.81	200,736.12
Oct. 1 to Dec. 31....	275,879.68	4.11	324.36	276,208.15	11,432.10	594.74	594.74	288,234.99
Total.....	715,585.37	28.10	727.31	716,340.78	16,711.75	31,362.02	1,207.69	765,622.24

This includes penalties which we are compelled under the law to charge members for deficiencies in reserve, and we would urge members to give this matter careful consideration. Demands for funds can be much more economically met by rediscounting at our moderate current rates than by impairing reserves, thus creating deficiencies on which we are required to charge 2 per cent above the current rate for 90-day paper, but not less than 6 per cent per annum.

The productive assets are again analyzed by quarters in the following table, giving distribution by States, and showing the number of banks in each State accommodated at each different period.

Productive assets acquired—Distribution by States, 1917.

	Jan. 1 to Mar. 31.		Apr. 1 to June 30.		July 1 to Sept. 30.	
	Banks.	Amount.	Banks.	Amount.	Banks.	Amount.
Maryland.....	12	\$9,080,017.27	17	\$21,525,542.79	17	\$23,307,621.93
District of Columbia.....	3	648,951.65	4	701,934.17	4	1,116,057.16
Virginia.....	20	11,099,707.69	44	45,146,407.24	48	81,967,017.92
West Virginia.....	1	3,900.50	1	10,200.00	3	267,148.31
North Carolina.....	30	5,160,343.11	48	7,122,200.02	49	8,152,249.12
South Carolina.....	42	4,913,046.45	54	6,681,128.75	56	7,629,760.28
Other Federal Reserve Banks.....						
Discounts and bills purchased.....		30,905,966.17		81,187,432.97		122,439,854.72
Warrants purchased.....		15,000.00				100,000.00
United States securities purchased.....		2,758,750.00		259,000.00		504,200.00
Total.....	108	33,679,716.17	168	81,446,432.97	177	123,044,054.72

Productive assets acquired—Distribution by States, 1917—Continued.

	Oct. 1 to Dec. 31.		Total period.		Balance as of Dec. 31.
	Banks.	Amount.	Banks.	Amount.	
Maryland.....	31	\$22,837,696.57	32	\$76,750,878.56	\$10,239,075.98
District of Columbia.....	6	1,035,131.91	7	3,502,094.89	437,412.53
Virginia.....	54	151,464,357.05	71	289,677,489.90	18,649,937.43
West Virginia.....	9	1,533,686.70	11	1,814,935.01	549,350.64
North Carolina.....	37	13,057,207.44	59	33,491,999.69	6,172,265.08
South Carolina.....	29	31,604,760.02	65	50,828,695.50	4,505,727.36
Other Federal Reserve Banks.....	1	5,017,946.58	1	5,017,946.58	2,259,077.00
Discounts and bills purchased.....		226,550,786.27		461,084,040.13	42,812,846.02
Warrants purchased.....				115,000.00	
United States securities purchased.....		2,440,550.00		5,962,500.00	3,205,450.00
Total.....	167	228,991,336.27	246	467,161,540.13	46,018,296.02

Virginia shows the largest volume of bills discounted, this being partly due to the fact that our members in Richmond have found it convenient to avail of, to a large extent, frequent loans running from 1 to 15 days.

The following table on clearing operations gives full details as to number of items, amounts, averages, and costs:

Clearing operations for the year.

	Number of items.	Amount.	Daily averages, 304 business days.		Average amount per item.	Equivalent cost per \$1,000, with service charge at $1\frac{1}{2}$ cents per item.
			Number of items.	Amount.		
Government cheques.....	81,040	\$24,119,000	266	\$79,339	\$298	No charge made.
Through Richmond Clearing House.....	339,677	882,652,100	1,117	2,903,461	2,598	Do.
Total free.....	420,717	906,771,100	1,383	2,982,800	2,157	
On other points in district No. 5.....	4,726,700	1,439,595,700	15,548	4,735,512	305	4 11/100 cents.
On points in other Federal Reserve districts.....	540,863	1,057,582,700	1,780	3,478,890	1,955	64/100 cents.
Total service.....	5,267,563	2,497,178,400	17,328	8,214,402	474	2 64/100 cents.
Grand total.....	5,688,280	3,403,949,500	18,711	11,197,202	599	2 09/100 cents on grand total.

Disbursements for transit department, \$51,186.57. Cost per item on total handled, 0.90 cent. Cost per item subject to service charge, 0.97 cent. Cost per \$1,000 on total handled, 1.50 cents. Cost per \$1,000 subject to service charge, 2.04 cents. Service charge per item, 1.25 cents.

This volume of business is constantly increasing, and as our members are becoming more familiar with our methods, we anticipate increasingly extensive use of the facilities which we offer them.

FEDERAL RESERVE BANK AND MEMBER BANKS.

The following table analyzing capital stock for the year gives comparison with December 31, 1916, showing additions and reduc-

tions in the number of banks by States, with a resulting membership of 530 as against 520 at the close of 1916, and an increase of capital from \$3,346,150 to \$3,663,950:

Capital stock—Analysis for the year 1917.

	Maryland.		District of Columbia.		Virginia.		West Virginia.		North Carolina.		South Carolina.		Total.	
	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.
Balance Dec. 31, 1916.....	96	16,065	15	8,098	145	19,055	104	8,463	81	7,570	79	7,672	520	66,923
Additional allotments on increases of capital or surplus of members.....	...	1,029	...	26	...	1,506	...	233	...	391	...	227	...	3,413
Reductions on decreased capital or surplus of members.....	96	17,094	15	8,124	145	20,561	104	8,696	81	7,961	79	7,899	520	70,336
	...	...	...	...	...	...	...	30	...	126	...	29	...	185
Additions to memberships during the year.....	96	17,094	15	8,124	145	20,561	104	8,666	81	7,835	79	7,870	520	70,151
	2	2,160	...	...	8	1,152	2	87	1	21	5	130	18	3,549
Liquidations during the year.....	98	19,254	15	8,124	153	21,713	106	8,753	82	7,856	84	8,000	538	73,700
	1	20	...	...	2	213	3	151	1	15	1	22	8	421
Balance Dec. 31, 1917.....	97	19,234	15	8,124	151	21,500	103	8,602	81	7,841	83	7,978	530	73,279

The number of national bank and State bank stockholders, distributed by States, the amount of stock held in each State, and the dividends paid thereon are shown in the following table:

Capital stock and dividends.

	Number of members.			Shares allotted.	50 per cent of par of allotments paid.	6 per cent dividends paid.	
	National.	State.	Total.			From Nov. 1, 1916, to June 30, 1917.	From July 1 to Dec. 31, 1917.
Maryland.....	95	2	97	19,224	961,700	33,203.95	26,529.13
District of Columbia.....	14	1	15	8,124	406,200	16,224.38	12,186.00
Virginia.....	147	4	151	21,500	1,075,000	38,772.56	30,521.15
West Virginia.....	102	1	103	8,602	430,100	16,921.05	12,728.44
North Carolina.....	81	...	81	7,841	392,050	15,210.44	11,537.91
South Carolina.....	78	5	83	7,978	398,900	15,358.33	11,751.16
Total.....	517	13	530	73,279	3,663,950	135,690.71	105,253.79

The amendment to the Federal Reserve Act passed in June reduced the reserves required to be carried by member banks to 7 per cent against demand deposits and 3 per cent against savings accounts, 10 per cent being required in reserve cities against demand deposits, but all of these reserves are required to be carried with the Federal Reserve Bank. Banks are not now being required to carry reserves in their own vaults, but are left free to use their own judgment as to the amount of their cash needs at home and the character of

them. Under these conditions, Federal Reserve notes are available instead of legal tender and gold certificates. Member banks and many State banking institutions have freely sent in gold and gold certificates, which has caused a largely increased demand for the use of Federal Reserve notes, and the amount of such notes outstanding increased during the year about \$40,000,000.

Relations with member banks have been cordial, and during the eventful year we have had their loyal support and cooperation. The effectiveness of the system and the impracticability of doing without it are universally recognized. It remains only to bring about the final establishment of a universal par collection plan (which will remove the necessity for balances at central points for the purpose of clearing the numerous State bank items) to round out the system to the complete satisfaction of all members.

The discount facilities offered by the bank, and the established fact that these can be relied upon with assurance, have been a general source of confidence to the officers of our member banks, in regard to which we are constantly receiving gratifying expressions. While the present unusual and in some respects trying conditions are fully recognized, the bygone doubts of the adequacy of our banking facilities have been replaced by a feeling of confidence. We are glad to express the belief also that there are few cases in which there is any marked disposition to overtrade; the character of loans is becoming more varied, better scattered, and therefore more liquid. Cooperation in the securing of credit statements is increasing, the necessity for and advantage of obtaining them being more fully recognized both by the banks and their borrowers.

The irregularity in mails, we regret to report, is more frequent, due to inadequate postal facilities, aggravated by congested traffic conditions on the railroads. These facilities, which appear to have been inadequate in normal times, have been swamped under existing war conditions.

During the year the following banks have been authorized to act as trustee, executor, administrator, and registrar of stocks and bonds: First National Bank, Hyattsville, Md.; National Bank of Rising Sun, Rising Sun, Md.; First National Bank, Appalachia, Va.; First National Bank, Danville, Va.; Union National Bank, Clarksburg, W. Va.; National Bank of New Bern, New Bern, N. C.

FEDERAL RESERVE BANK AND STATE BANKS AND TRUST COMPANIES.

On January 1, 1917, we had six State bank members, with aggregate resources of \$7,800,000.

The general attitude of State bank officers has apparently been more friendly than heretofore, evidenced chiefly by a frank admis-

sion, almost universally, that the Federal Reserve System has been the salvation of the country—agriculturally, commercially, and financially—and that the State banks indirectly have been the beneficiaries in this to the same extent practically that members of the system have shared in it. They say frankly they would be unwilling to see former conditions restored. Financially, their attitude is that while they might be willing to come in as members, notwithstanding some loss of interest which they now get on balances, they are unwilling to forego the present returns from exchange charges. They are satisfied to enjoy the stability and prosperity and the profits arising from such conditions, due to the operation of the Federal Reserve System, but want to retain every source of profit which existed under the old system. They admit they want their items cleared at par. They are carrying at central points for this purpose considerable balances on which they are receiving a low rate of interest, whereas, these balances could be more profitably employed in regular loans, provided they could clear all items at par through the Federal Reserve Bank. Many express a willingness to become members “if all the others would come in,” thus establishing a universal par clearing plan, but each one hesitates about being the first and alone in going “over the top.” Notwithstanding this, we have received during the year applications from nine State banks and trust companies, of which seven were admitted up to December 31, their resources aggregating over \$27,000,000.

We have had many inquiries as to membership, have sent out considerable literature on the subject and had lengthy personal discussions and correspondence. We have the assurance of several additional applications, and are discussing membership with others, who have the matter under consideration. In this connection, with the approval of the Federal Reserve Board, our board has authorized the report of examinations of the State banking departments in this district to be accepted, in connection with the application of State banks and trust companies for membership. Some institutions which desire to join are conducting lines of business which are not regarded as altogether desirable in association with regular banking, and action as to membership hinges upon the possibility of elimination of these lines. While the movement for membership is not in such volume as is desirable, the interest in the question of membership is gratifying and encouraging.

With reference to the admission of a State bank as a member of the Federal Reserve system, the Federal Reserve Act provides that—

No applying bank shall be admitted to membership in a Federal Reserve Bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act.

The limit of minimum capital is fixed by the national banking act as follows: In cities or towns not exceeding 3,000 inhabitants, \$25,000. In cities or towns exceeding 3,000, but not exceeding 6,000 inhabitants, \$50,000. In cities or towns exceeding 6,000, but not exceeding 50,000 inhabitants, \$100,000. In cities exceeding 50,000 inhabitants, \$200,000.

Out of approximately 1,500 State banks and trust companies located in the fifth district about 500 are eligible to membership under this provision of the act. Of the remaining banks about 200 are sufficiently well provided with surplus to enable them to qualify under the capital-stock requirement without the contribution of additional capital by stockholders by the simple expedient of transferring a certain amount from surplus fund to capital stock. We can see, therefore, that out of the 1,500 State institutions in this district approximately one-half are qualified or could easily qualify for membership in the system.

While a number of the larger and more substantial State institutions have been admitted to membership, or have applications pending, quite a large number of qualified institutions (or institutions which could qualify) have not done so. A number of these institutions, as well as a number of State banks that are unable to meet the capital requirements requisite for membership, have cooperated with the Federal Reserve system, at least as far as the collection system is concerned, but they are not cooperating in such a way as to strengthen the resources and increase the lending power of the system, as they would by participation as full members of the system.

Since many of these institutions are depending upon (member bank) correspondents with whom balances are carried by them, for a large part if not all, of the accommodation which they require, and since these correspondents are in many cases borrowing more largely from the Federal Reserve Bank than they would be required to borrow, were it not for this dependence, the nonmember State institutions are really occupying the position of liabilities rather than assets of the Federal Reserve system.

By becoming members of the system they would, through their capital subscriptions and reserve deposits, increase the resources of the Federal Reserve Bank, and add to its strength and lending power. By remaining out of the system they constitute an element of weakness in our financial structure instead of adding to its strength.

FEDERAL RESERVE BANK AND THE PUBLIC.

Our relations with the public through member banks and by direct contact have been cordial, and on every hand we hear universal expression that the Federal Reserve system has been a balance wheel

which has stabilized and aided agricultural and commercial developments and aided in bringing unmeasured prosperity to the district. The Government and its representatives have the cordial support and cooperation of every interest in the district, with an increasing resolution to carry our participation to a successful conclusion in behalf of world-wide freedom.

FEDERAL RESERVE BANK AND NOTE ISSUES.

The following table gives the interdistrict movement of Federal Reserve notes for the year, indicating the extent to which these notes travel abroad throughout the country as illustrated by the amounts and the district from which they are returned for redemption.

Interdistrict movement in Federal Reserve notes for the year ended Dec. 31, 1917.

Federal Reserve Bank of—	Fives.		Tens.		Twenties.	
	Received from.	Returned to.	Received from.	Returned to.	Received from.	Returned to.
Boston.....	\$55,920	\$12,250	\$32,350	\$32,070	\$98,080	\$3,980
New York.....	1,042,325	197,750	1,155,130	345,260	1,071,000	263,240
Philadelphia.....	185,505	65,500	247,000	130,640	280,500	126,780
Cleveland.....	16,810	16,750	29,680	36,910	45,660	77,640
Atlanta.....	264,500	94,750	304,000	100,450	265,500	67,820
Chicago.....	72,500	4,960	98,000	22,230	106,000	30,980
St. Louis.....	28,100	6,150	41,400	14,000	44,380	13,000
Minneapolis.....	3,610	5,250	4,810	26,480	7,080	12,000
Kansas City.....	4,450	8,750	6,990	11,990	5,700	12,000
Dallas.....	58,580	6,500	14,910	13,680	12,940	12,920
San Francisco.....	2,695	2,610	111,200	1,890	61,620	7,500
Total.....	1,734,995	421,210	2,095,470	735,610	1,998,460	627,860

Federal Reserve Bank of—	Fifties.		Hundreds.		Total.	
	Received from.	Returned to.	Received from.	Returned to.	Received from.	Returned to.
Boston.....	\$19,750	\$1,200	\$7,800	\$1,000	\$263,900	\$50,500
New York.....	213,450	28,350	198,400	158,500	3,680,305	993,100
Philadelphia.....	57,500	11,150	27,500	2,600	798,005	336,670
Cleveland.....	8,350	11,400	600	2,500	101,100	145,200
Atlanta.....	20,350	2,500	8,100	3,000	862,450	268,520
Chicago.....	29,600	13,050	5,900	57,400	312,000	128,610
St. Louis.....	6,600	1,000	1,600	100	122,080	34,250
Minneapolis.....	1,400	350	100	300	17,000	44,390
Kansas City.....	1,250	1,400	600	100	18,990	34,240
Dallas.....	1,900	650	1,000	.....	89,330	33,750
San Francisco.....	6,500	1,300	3,000	900	185,015	14,200
Total.....	366,650	72,350	254,600	226,400	6,450,175	2,063,430

The following table gives the denominations and aggregate amounts of Federal Reserve notes received since the organization of the bank, the amounts on hand, and the aggregate amounts returned to the Comptroller of the Currency for destruction. Over \$60,000,000 was in the hands of the public at the close of the year, as compared with

\$20,000,000 outstanding December 31, 1916. In accordance with a suggestion from the Federal Reserve Board, this bank has authorized the maintaining of a reserve supply of unissued Federal Reserve notes at a minimum of \$40,000,000 and a maximum of \$61,000,000.

Number of Federal Reserve notes, by denominations and aggregate amounts, received, issued by the bank, and returned to the comptroller since organization and on hand at close of business Dec. 31, 1917.

	Number of notes.					Aggregate amount.
	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	
Received from comptroller	3,388,000	2,564,000	1,336,000	104,000	36,000	\$78,100,000
Received from Federal Reserve Bank ..	280,000	213,500	98,250	14,200	2,800	6,490,000
Received from Treasurer of United States (fit notes)	2,860	1,270	220	44	20	35,600
Received by comptroller from Treasurer of United States for destruction and credit of Federal Reserve agent's account (unfit notes):						
From other Federal Reserve Banks ..	16,100	7,000	2,475			200,000
Direct from reporting Federal Reserve Banks and from other sources	1,132,569	494,295	181,431	15,875	2,617	15,289,865
Total.....	4,819,529	3,280,065	1,618,376	134,119	41,437	100,115,465
Issued to Federal Reserve Bank	3,638,860	2,706,770	1,426,470	110,244	34,820	82,785,600
Returned to Comptroller of the Currency for destruction, including notes returned by United States Treasurer for credit of Federal Reserve agent's account	1,148,669	501,295	183,906	15,875	2,617	15,499,865
Notes on hand at end of month	32,000	72,000	8,000	8,000	4,000	1,840,000
Total.....	4,819,529	3,280,065	1,618,376	134,119	41,437	100,115,465
Actually destroyed, per Washington certificates	1,140,917	496,359½	182,751	15,739	2,599	15,370,050
In hands of public (including Federal Reserve Banks)	2,215,063	1,995,640½	1,145,249	80,261	29,401	60,889,950
In hands of Federal Reserve agent	32,000	72,000	8,000	8,000	4,000	1,840,000
Total received from comptroller ...	3,388,000	2,564,000	1,336,000	104,000	36,000	78,100,000

NOTE.—Present cost of Federal Reserve notes:

	Per M pieces.	Per \$1,000.
At Washington	\$9.14	\$0.87
Postage to Richmond .....	.81	.08
Insurance .....	.53	.05
Total.....	10.48	1.00

A supply of Federal Reserve notes is maintained at the bank in the custody of the Federal Reserve agent. These notes are shipped to him by the Federal Reserve Board upon his request, are receipted for jointly by him and a representative of the bank, and are kept under the joint control of himself and the bank. Under this arrangement, they are always promptly available for use under the provisions of the Federal Reserve act. Notes and bills discounted held by the Federal Reserve agent as security for Federal Reserve notes are indorsed by him 10 days in advance of maturity to the Federal

Reserve Bank for collection for his account, and are accounted for to him by the bank as they mature.

Federal Reserve notes have been issued during the year in considerable amounts in exchange for gold, but chiefly for the use of member banks in exchange for notes and bills discounted for them. An increase of \$40,000,000 in the amount outstanding is tangible evidence of the credit facilities extended to member banks, and through them to the business interests of the district. The abundant security for these Federal Reserve notes placed by the bank in the hands of the Federal Reserve agent (the representative of the Federal Reserve Board) in the shape of notes discounted and gold, makes them absolutely good, to say nothing of the fact that the Federal Reserve notes are the direct obligations of the Government. The law provides that the amount of gold held as reserve for these notes shall be not less than 40 per cent, and the bank is always, therefore, in a position promptly to redeem its notes whenever they are presented.

INTERNAL MANAGEMENT OF THE BANK.

The growth in the transactions of the bank has necessitated during the year an increase in the number of officers, members of the staff, and other employees from 63 to 110, and even with this increase, it has been necessary for a large majority of the officers, staff, and force to work overtime. This has involved constant night work for weeks at a time. The service has been rendered cheerfully and ungrudgingly. The chief cause for this overtime work has been due to the difficulty of securing efficient help, which has been greatly in demand, this demand to a considerable extent being due to the draft to direct Government activities and indirectly to the large volume of business placed by the Government with large manufacturers and producers. Women are discharging a growing percentage of bank work, just as they are doing in many industrial lines, and lack of training has naturally had to be overcome. Of the entire bank force of 110, 49 are women. The difficulty of securing experienced men as heads of departments for the purpose of giving this necessary training has been a leading phase of the situation, but by earnest cooperation of all employed, the situation has been satisfactorily solved, and our force to-day is better rounded, better equipped, more efficient, and better qualified than ever before to discharge its duties and responsibilities. Some further adjustments are necessary, particularly with the view for providing the necessary force for opening our Baltimore branch early in the new year.

At the beginning of the year Mr. James A. Moncure was reappointed class C director for a period of three years, and reappointed

deputy chairman and deputy Federal Reserve agent. In accordance with amendments to the Federal Reserve act passed in June, the office of deputy Federal Reserve agent was abolished and Mr. Moncure's appointment to this position terminated. He was reappointed on July 25 deputy chairman for the remainder of the year.

At the opening of the year, Mr. Caldwell Hardy was reappointed chairman of the board and Federal Reserve agent.

The following officers were reelected for the year 1917:

Mr. George J. Seay, governor; Mr. Charles A. Peple, deputy governor; Mr. George H. Keesee, cashier and secretary of the board and executive committee. Mr. J. W. Norwood was reelected member of the Federal Advisory Council and attended meetings of the Federal Advisory Council held in February, April, September, and November.

On May 17, the bank was designated as fiscal agent for the United States and the activities of the bank under this appointment are elsewhere reported.

The establishment of a branch bank at Baltimore was authorized by our board after due consideration, and received the approval of the Federal Reserve Board. A committee, consisting of Messrs. Seay, Bruton, and Hardy, was appointed by our board with authority to procure satisfactory banking quarters for the branch at Baltimore, and the building of the former National Mechanics Bank of Baltimore (which was consolidated with the Merchants National Bank) has been acquired for the Baltimore branch at a cost of \$200,000. The necessary alterations and improvements are being made and it is anticipated that the branch will be opened early in the new year.

Deputy Governor Peple and Auditor Cadwallader visited some months ago the Federal Reserve Bank of Atlanta and the New Orleans branch, with a view to studying the methods there in use and formulating plans for the organization of our proposed branch.

In May, a plan for inter-reserve rediscounting was inaugurated by the Federal Reserve Banks, at the suggestion of the Federal Reserve Board. This was done with the view to mobilizing resources at the point of the greatest demand, through the cooperation of those of the Federal Reserve Banks having at the time the largest amount of available resources. Under this arrangement, our bank bought during the past few months from one of the other Federal Reserve Banks \$5,000,000 of bankers' acceptances.

In June Mr. Thomas Marshall, jr., and Mr. C. V. Blackburn were appointed assistant cashiers. Mr. Marshall has special charge of correspondence in regard to discounts, and Mr. Blackburn is in charge of our transit department.

In July Mr. M. F. H. Gouverneur, class C director, resigned, owing to his removal from the district, creating a vacancy to be filled by appointment by the Federal Reserve Board.

BANK BUILDING.

Our main quarters, at 1109 East Main Street, are inadequate and anything but modern. Although we are occupying five floors in the building, the extension of our activities under the appointment as fiscal agent for the United States Government necessitated our acquiring the street floor and basement of the adjoining building, 1107 East Main Street, in addition to which we have rented the main banking room of 1016 East Main Street, the building formerly occupied by the Richmond Banking & Trust Co. Our need for vault space increased to such an extent that we were unable to secure the necessary space among the other banks, to say nothing of the inconvenience and risk of transporting securities back and forth, and we recently had completed and installed a new and modern vault of moderate size in the fiscal agent department. This has proven of invaluable service and simplified to a marked degree our difficulties in this direction. The removal of this vault to our proposed new building at the corner of Ninth and Franklin Streets, facing Capitol Square, is contemplated.

Having acquired last year the site referred to above, we proceeded early in the year with specifications for a competition for designs for the proposed new building, the competition being under the direction of Mr. Waddy B. Wood, of Washington, D. C. Eight architects, or firms, entered the competition and the designs were submitted in April. After a careful consideration of all plans by a jury of award, consisting of three of our officers and directors and two prominent architects, a design was selected which was made by Messrs. Sill, Buckler & Fenhagen of Baltimore, to whom was awarded a contract for the plans for the building. Messrs. Carneal & Johnston, with A. C. Bossom, of New York, associate, were awarded the second prize of \$500, and Messrs. Parker, Thomas & Rice, of Baltimore, were awarded the third prize of \$250. The plans were selected by the jury without knowledge as to the author.

The architectural design for the building has been completed, the details of the interior have received much consideration and study and it is hoped to have the whole design completed at an early date. The functions of the bank are new and unusual, necessitating much study and consideration in arranging the interior details. Thomas Bruce Boyd (Inc.), engineers, of New York, have been engaged in conjunction with our architects on these details, and it is hoped to construct an attractive and monumental building, well adapted to the use of the bank.

GENERAL.

The activities of the Government in the district at Charleston, W. Va., Norfolk, Cape Henry, and the adjacent waters in Virginia,

and Army and aviation camps at different points, have become an active factor and element in the development of the district. The expenditure of vast sums in connection with these developments has stimulated the demand for material and labor. The maintenance of them in the future will put in circulation in the district large sums for labor and supplies.

Parties in this district desiring farm loans should apply to the Federal Land Bank at Baltimore if located in Virginia, West Virginia, Maryland, and the District of Columbia, and to the Federal Land Bank at Columbia if located in South Carolina and North Carolina.

There has been but one small and unimportant member bank failure in the district during the year.

It is noted that some of our packing houses maintaining large distributing plants throughout the country, including this district, are arranging lines of credit with our member banks predicated apparently upon balances carried with these member banks. This indicates a desire to finance in the district the approximate volume of their business therein. The pursuit of this method will distribute their financing more evenly throughout the country instead of its being concentrated at the location of their main office, and we regard it as a healthy sign.

Earnings and expenses for the year have been satisfactory, as indicated by a payment to the Government of over \$116,000—one-half of our undivided profits to date. This result was reached through the extension of liberal accommodation to our member banks at minimum prevailing rates. A moderate proportion of our loans to member banks have no doubt been due to Government financing, and the amount of this will no doubt be maintained and probably increased as other loans are issued. Even in the event, however, of peace and the curtailment or elimination of further Government financing, we anticipate that the normal business activities of the district will make a demand on us for loans, which will maintain our earning power on a satisfactory basis.

The developments in the district have been highly satisfactory and the general outlook is favorable.

