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TENTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1924



WM. W. HOXTON  
Chairman and Federal Reserve Agent

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**FEDERAL RESERVE BANK  
OF RICHMOND**

February 19, 1925.

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

**GENTLEMEN:**

I have the honor to submit herewith the Tenth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1924.

Respectfully,

**WM. W. HOXTON,**  
Chairman of the Board and  
Federal Reserve Agent.

**DIRECTORS AND OFFICERS OF  
THE FEDERAL RESERVE BANK OF RICHMOND  
For Year 1925**

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**Directors**

**Class A**

JOHN F. BRUTON, 1925,  
Wilson, N. C.  
L. E. JOHNSON, 1926,  
Alderson, W. Va.  
CHAS. E. RIEMAN, 1927,  
Baltimore, Md.

**Class B**

EDWIN C. GRAHAM, 1925,  
Washington, D. C.  
D. R. COKER, 1926,  
Hartsville, S. C.  
EDMUND STRUDWICK, 1927,  
Richmond, Va.

**Class C**

WM. W. HOXTON, 1926, Chairman of  
the Board, Richmond, Va.  
FREDERIC A. DELANO, 1927, Deputy  
Chairman, Washington, D. C.  
ROBERT LASSITER, 1925, Charlotte,  
N. C.

**OFFICERS**

GEORGE J. SEAY, Governor.  
CHAS. A. PEPLE, Deputy Governor.  
R. H. BROADDUS, Deputy Governor.  
J. S. WALDEN, JR., Controller.  
GEORGE H. KEESEE, Cashier.

WM. W. HOXTON, Chairman of the  
Board and Federal Reserve Agt.  
J. G. FRY, Assistant Federal Re-  
serve Agent.  
HUGH LEACH, Auditor.

ALBERT S. JOHNSTONE, Manager,  
Personnel and Service.  
JOHN T. GARRETT, Manager, Bank  
Relations Dept.  
C. V. BLACKBURN,  
THOMAS MARSHALL, JR.,  
W. W. DILLARD,  
EDWARD WALLER, JR.,  
GEORGE S. SLOAN,  
Assistant Cashiers.

**Counsel**

MAXWELL G. WALLACE

**Member Federal Advisory Council**

JOHN M. MILLER, JR., 1925,  
Richmond, Va.

**BALTIMORE BRANCH**

**Directors**

A. H. DUDLEY, 1925, Baltimore, Md.	WM. H. MATTHAI, 1925, Baltimore, Md.
LEVI B. PHILLIPS, 1925, Cambridge, Md.	EDMUND P. COHILL, 1926, Hancock, Md.
CARTER G. OSBURN, 1926, Baltimore, Md.	JOHN G. ROUSE, 1927, Baltimore, Md.
H. B. WILCOX, 1927, Baltimore, Md.	

**Officers**

A. H. DUDLEY, Managing Director.	M. F. REESE, THOMAS I. HAYS, Assistant Cashiers.
E. G. GRADY, Cashier.	HENRY SCHUTZ, Auditor.

# **TENTH ANNUAL REPORT**

## **FEDERAL RESERVE BANK OF RICHMOND**

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### **GENERAL BUSINESS CONDITIONS**

The year 1924 witnessed a large volume of trade in the Fifth Federal Reserve District. The total probably equalled the volume done in 1923, although all classes of business were not uniformly active. Business was good in most lines until April, exceeding the 1923 volume for the same period, but during the summer and early autumn months there was a decline which lasted until November. In November, however, there was a considerable improvement, and in December the volume of business in nearly every line exceeded the volume done in December 1923.

The outstanding influence making for business activity in 1924 was a continuation of the record breaking volume of construction work that had been noted in the District during 1923; the improved condition of the farmers as a result of good crops and prices in 1923 was also an important factor during the early months of the year.

Business in agricultural sections was comparatively better in the winter and spring than during the summer and fall. Early in the year many farmers had surplus funds from 1923, but as the 1924 season advanced crop prospects became decidedly problematical and farmers began restricting their buyings. In the industries, however, conditions improved during the latter half of the year, especially in textiles and mining, and in December trade reached a level distinctly above seasonal average.

Nineteen twenty-four was, however, an unsatisfactory year in agriculture in the Fifth District. The yields of nearly all leading crops were lower than in 1923, and prices, though higher for some products, were not high enough to counterbalance the decreased production. Cotton yield exceeded the 1923 yield in South Carolina by nearly 5 per cent, all of the increase occurring in the Piedmont counties, but dropped about 20 per cent in North Carolina and 27 per cent in Virginia. Cotton prices during the fall of 1924 averaged approximately 23 cents per pound in comparison with an average of about 30 cents during the fall of 1923, a decrease of \$35. per bale. In tobacco the decreases in financial returns were equally as marked in the two Carolinas. South Carolina's crop decreased approximately 45 per cent in 1924, and



the grades being exceptionally poor, prices were also noticeably lower. North Carolina tobacco brought better prices in 1924 than in 1923, but the increase was not nearly enough to compensate for a decrease in yield of 32 per cent in North Carolina. Virginia tobacco growers fared much better than those in the Carolinas, prices probably averaging high enough to balance decreased yield. The Virginia apple crop was much better in 1924 than in 1923, but cattle prices were unremunerative and many feeders suffered heavy losses. The corn crop in Virginia was exceedingly poor, and was not satisfactory in any other state in the District. Truck crops promised well at mid-season, but were disappointing in yield. Fortunately, the fall weather was favorable for late growth and harvesting in cotton, corn and tobacco and the yields were greater than predicted figures based on late summer conditions.

While cotton prices and yield in the Fifth District were both much lower in 1924 than in 1923, and payrolls were reduced in textile manufacturing and mining, total debits to individual accounts reported by clearing house banks in twenty-three cities of the District were only a little less in 1924 than in 1923. Condition reports of 75 member banks in thirteen leading cities of the Fifth District show increases during 1924 of approximately 3 per cent in demand deposits and 19 per cent in time deposits; partly as a result of the increases in deposits, rediscounts with the Federal Reserve Bank decreased 57 per cent. Loans and discounts for customers changed comparatively little during the year, increasing by 1.5 per cent, while investments in bonds and stocks increased 5 per cent.

Industrial conditions were spotty during 1924. Depressed conditions existed in textile mills and some other industries were not prosperous. Coal mines, due to an overdevelopment in the number of mines, operated only part time, although the total output was relatively large. Canning factories found supplies of vegetables scarce in the fall, and conditions in the oyster business were unsatisfactory. Collections were slow during the fall, and both the number of bankruptcies and the total of liabilities involved were greater during 1924 than in 1923. On the other hand, building construction in 1924 exceeded that in 1923 in both number of permits and total valuation; tobacco factories ran practically full time, lumber mills were kept busy, and labor experienced only seasonal idleness.

As the year closed, conditions indicated the probability of good business in the District except in the lower half of South Carolina where excessive rains last summer brought about a virtual crop failure, with resulting slowness in collections and a marked increase in the number of insolvencies.

## VOLUME OF BUSINESS

The following table shows the volume of work handled in the principal departments of the Bank during the year 1924, as compared with the year 1923:

	1924	1923	Per Cent of Increase or Decrease
<b>BILLS DISCOUNTED AND BOUGHT:</b>			
Number .....	77,019	78,524	— 1.92
Amount .....	\$ 1,367,175,358	\$ 2,921,330,152	—53.20
<b>CHECKS HANDLED BY TRANSIT DEPARTMENT:</b>			
Number .....	46,779,081	47,226,755	— 0.95
Amount .....	\$13,254,632,000	\$13,111,823,500	1.09
<b>NON-CASH COLLECTIONS HANDLED:</b>			
Number .....	204,536	203,919	0.30
Amount .....	215,934,386	\$ 233,433,485	— 7.50
<b>CURRENCY RECEIVED AND COUNTED:</b>			
Number of pieces.....	94,155,000	80,985,000	16.26
Amount .....	\$ 482,854,000	\$ 440,247,000	9.68
<b>COIN RECEIVED AND COUNTED:</b>			
Number of pieces.....	161,693,000	186,736,000	—13.41
Amount .....	\$ 14,585,000	\$ 14,000,000	4.18
<b>TELEGRAPHIC TRANSFERS OF FUNDS:</b>			
Number .....	96,378	84,565	13.97
Amount .....	\$ 3,287,811,530	\$ 2,747,662,426	19.66
<b>FISCAL AGENCY—U. S. SECURITIES RECEIVED, ISSUED, REDEEMED, CANCELLED OR EXCHANGED:</b>			
Number .....	137,341	775,971	—82.30
Amount .....	\$ 126,474,371	\$ 219,499,208	—42.38

— Denotes decrease; other figures show gains.

A comparison of the items included in the above table shows that the actual physical volume of business handled by the Bank during 1924 was approximately the same as in 1923 except in the Fiscal Agency Department, in which Department

a decrease in Treasury financing and comparatively few savings certificates to be redeemed greatly reduced the volume of work. The number of bills discounted and bought declined 1.92 per cent and the number of checks handled by the Transit Department dropped nearly 1 per cent, but the number of non-cash items handled by the Collection Department increased three-tenths of 1 per cent and the number of pieces of currency received and counted rose 5.5 per cent. The number of coins received and counted declined 12.85 per cent during 1924, but the number of wire transfers of funds increased 13.97 per cent.

### FINANCIAL RESULTS OF OPERATIONS

The gross earnings of the Bank for the year 1924 were \$2,210,240, as compared with \$2,878,896 for 1923, a decrease of \$668,656. Approximately 86 per cent, or \$1,905,118 of the total gross earnings resulted from the discount of paper for member banks, as compared with 93 per cent of gross earnings derived from the same source in 1923. The average rate of earnings on all earning assets during 1924 was .0423, as compared with .0444 during 1923, the average rate for 1924 being the lowest since 1919.

Current expenses of the bank were \$1,537,834, as compared with \$1,551,156 for 1923, a decrease of \$13,322, while current net earnings for 1924 were \$672,406, as compared with \$1,327,741 for 1923, a decrease of \$655,335. The decrease resulted chiefly from the decline in the volume of reserve bank credit desired by member banks during 1924, but a lower discount rate during the latter half of the year also contributed to some extent to the decrease in earnings. After paying dividends to member banks and deducting depreciation and reserves for specific purposes there remained available for surplus \$28,540. No payment was made on account of Franchise tax.

The following is a condensed statement of earnings, expenses, dividends and surplus accounts for the year 1924:

	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted.....	\$44,070,027	\$5,205	\$ 1,905,118	.0431
Bills Purchased.....	1,142,107	131	47,787	.0417
U. S. Securities.....	4,736,555	450	164,559	.0346
Penalties, Miscellaneous Earnings, and Foreign Loans on Gold.....	.....	253	92,776	.....
Totals.....	\$49,948,689	\$6,039	\$ 2,210,240	.....
Current Expenses.....	.....	.....	1,537,834	.....
Current Net Earnings....	.....	.....	\$ 672,406	.....

	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Net Deductions from Earnings, Account of Reserves, Depreciation, etc. ....			\$ 292,615	
Net Earnings Available for Dividends, Surplus and Franchise Tax.....			379,791	
Dividends Paid.....			351,251	
Transferred to Surplus Account .....			28,540	
			\$ 379,791	

### EXPENSES OF OPERATION IN 1924

The expenses of Federal reserve banks are incurred in the exercise of functions prescribed by law, which involve the rendering of services directly to the United States Treasury and to member banks, and through member banks indirectly to the entire business community—agricultural, industrial, and commercial.

Federal reserve banks—furnish an elastic currency; afford means of rediscounting commercial and agricultural paper; act as fiscal agents of the U. S. Treasury Department and War Finance Corporation; pay checks and warrants drawn on the Treasury of the United States; exercise the functions of subtreasuries in the supply, exchange, and redemption of currency and coin; effect the par clearance of checks on approximately 90 per cent of the banks of the country; collect for member banks maturing notes, drafts, etc.; effect the transfer of funds by telegraph and mail, and make daily settlement between all Federal reserve districts; and perform other public services.

The expenses of conducting the operations of the Federal Reserve Bank of Richmond for the year 1924, divided according to functions, were as follows:

#### CURRENCY AND COIN

The cost of receiving and handling 141,166,000 pieces of currency aggregating \$607,525,000, of which 94,154,820 pieces had been in circulation and had to be sorted and counted; paying or shipping out 138,595,000 pieces of currency aggregating \$590,312,000; receiving and handling 167,631,000 pieces of coin aggregating \$15,144,000; paying or shipping out 169,614,000 pieces of coin aggregating \$14,431,000 was .....\$123,809.36

The shipping charges on currency and coin to and from out-of-town members amounted to.... 91,267.14

Assessments by the Treasury Department to cover the cost of printing and maintaining an adequate supply of new Federal reserve notes and the cost of redeeming and destroying Federal reserve notes and Federal reserve bank notes unfit for circulation plus the shipping charges thereon between the Bank and Wash-

ington, and the shipping charges on fit Federal reserve notes between the Bank and other Federal reserve banks amounted..... 74,137.64

Total Cost ..... \$ 289,214.14

## LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 463 member banks. 76,508 notes aggregating \$1,357,776,000, were received, examined and discounted; 7,437 pieces of marginal or excess collateral, aggregating \$25,127,000, were received, examined and handled; 511 bankers' acceptances, aggregating \$9,399,000, were purchased in the open market, examined and handled; also includes the cost of credit investigations, securing and analyzing commercial and bank statements, maintaining credit files, etc. .... \$ 67,930.08

The cost of effecting 1,610 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$10,108,000, and the cost of receiving, verifying and holding securities pledged as collateral to notes, and for safe-keeping, and maintaining the proper records thereof, as follows: receiving from outside sources 31,819 pieces aggregating \$177,072,000; shipping 52,263 pieces aggregating \$203,790,000; holding in our vaults throughout the year securities ranging from \$47,000,000 to \$80,000,000; was ..... 10,397.79

Total Cost ..... \$ 78,327.87

## TRANSIT AND COLLECTIONS

Handling and collecting 45,429,000 checks, aggregating \$13,102,000,000 cost.....\$272,800.63

Receiving, examining, paying and listing according to Treasury regulations 1,350,000 government checks, aggregating \$153,000,000, and shipping them to Washington cost..... 8,015.52

Handling 837,000 checks aggregating \$64,000,000 returned unpaid for various reasons cost..... 25,840.31

Handling 204,500 non-cash collection items (maturing notes, drafts, coupons, etc.) aggregating \$216,000,000 cost..... 40,422.28

Total Cost ..... \$ 347,078.74

## ACCOUNTING

This function includes:

The general books, capital stock records, issuing and recording official checks, and the detail transcript of the general account of the Treasurer of the United States.

The member bank accounts—both reserve accounts and deferred accounts—and the calculation of deficiencies in reserve, if any, and the assessments of penalties for deficiencies as

prescribed by law.

The accounts with other Federal reserve banks, and the operation of the Gold Settlement Fund through which \$11,701,000,000 was received from and paid to other Federal reserve banks and branches, the Treasurer of the United States and the Federal Reserve Agent.

The transfers of funds for account of member banks of which there were 96,378 aggregating \$3,288,000,000.

The accounting involved in making all the expenditures of the Bank.

The accounting in connection with closed or suspended banks.

Planning new accounting forms and systems and making changes in old forms as the need therefore arises.

Total Cost .....

\$ 123,370.37

### FISCAL AGENT OF THE UNITED STATES

Services rendered as Fiscal Agent of the U. S. Government and the War Finance Corporation:

Receiving, proving and crediting to banks, preparing schedules, cancelling and shipping to Washington 1,624,000 government coupons aggregating \$15,422,000, cost .....\$ 5,029.17

Fiscal agency work for the U. S. Government principally relating to the issue of 8,867 pieces of government securities amounting to \$39,498,000; the redemption of 13,344 pieces amounting to \$27,788,000; the exchange and transfer of 76,879 pieces amounting to \$56,666,000; the issue of Treasury Savings Securities 3,117 pieces aggregating \$803,000; the redemption of war savings and thrift stamps 254,829 pieces amounting to \$1,129,000; the receipt of subscriptions and payments for new issues, the handling of the war loan depository accounts, the custody of a stock of securities ranging from \$57,000,000 to \$100,000,000, and the conduct, from January 1st to July 1st when it was discontinued, of the Treasury Department's publicity program in connection with the treasury saving securities; cost..... 55,043.36

Work in connection with the advances made by the War Finance Corporation; the custody of the notes and the collateral therewith (notes, warehouse receipts, etc.); forwarding notes for collection, substituting new for old collateral, etc.; and keeping appropriate records; cost ..... 8,804.27

Total Cost .....\$ 68,876.80

Reimbursed by the Treasury Department and the War Finance Corporation..... 25,854.85

Net cost to the Bank .....\$ 43,021.95

# GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

Official salaries and supervisory expenses.....	\$ 97,525.46
Directors' fees and traveling expenses.....	7,540.87
Governors', Federal Reserve Agents' and Federal Advisory Council conferences.....	697.75
Our proportion of the expenses of the Federal Reserve Board .....	35,008.62
Operation of the banking houses at Richmond and Baltimore (includes salaries of superintendent, mechanics, firemen, janitors, elevator operators, etc., and light and power, heat, taxes, fire insurance, repairs and alterations, etc.) .....	116,600.18
The provision of personnel.....	19,771.61
Legal expenses .....	10,217.31
Maintaining the general audit of the Bank.....	45,744.56
Work of the Federal Reserve Agent's Department, including issuance of Federal reserve notes, custody of collateral therefor, custody of reserve stock of Federal reserve notes, the examination of member banks, preparing and publishing the Monthly Review of Business and Agricultural Conditions, assembling various statistical data, etc. ....	67,286.46
Bank relations work, visiting, advising and conferring with member and non-member banks..	35,266.70
Handling incoming and outgoing ordinary and registered mail .....	24,349.01
Protection—Salaries of special officers and watchmen, and other protective services.....	46,081.34
Other general services, including purchasing of supplies and equipment, operating the office supplies and stationery stock room, telephone service, filing and caring for old records, operating duplicating processes, salaries of general office boys, operation of automobile trucks, and repairs to equipment.....	62,576.02
Shipping charges on securities.....	2,377.42
Postage on ordinary mail.....	70,734.93
Insurance—Employees' group life, Employees' fidelity, Workmen's Compensation, Casualty and general liability, Fire—equipment and supplies, and automobile.....	21,621.24
Total Cost .....	\$ 663,399.48
Total Operating Expense*.....	\$1,544,412.55

\*NOTE: The total Operating Expense during 1924 was \$6,578.44 more than the total amount of expenditures charged to the Current Expense account of the Bank during the year. The difference represents the excess of office supplies, printing and stationery, and postage actually used during the year and charged to the proper functions in the above statement of Operating Expenses, over the amount of such supplies purchased during the year and charged to Current Expense account.



## DISCOUNT OPERATIONS

The total amount of paper discounted and purchased during 1924 was \$1,367,175,358, as compared with \$2,921,330,152 discounted and purchased in 1923, a decrease of \$1,554,154,194, or 53.20 per cent, but the number of individual notes and acceptances handled decreased only 1.92 per cent, dropping from 78,524 in 1923 to 77,019 in 1924. The average amount of each note handled decreased from \$37,203 in 1923 to \$17,751 in 1924. The wide discrepancy in the declines in total volume of discounts and the actual number of notes handled is interesting, and is probably due to three factors. In a period of quiet, cautious business the average note runs lower in value than in more active periods, and in addition a large number of member banks reduced their holdings of Government securities during 1924, and consequently in borrowing from the Reserve Bank they rediscounted their customers' notes instead of borrowing on their own single short time notes secured by Government obligations. Finally, the large city banks borrowed comparatively little in 1924, and since their notes are usually much larger than the country bank notes, this decrease in the need for reserve bank credit shows more noticeably in the total amount of discounts than in the number of notes discounted.

A larger proportion of the paper discounted in 1924 was unsecured or was secured otherwise than by Government securities than in 1923. Of the total volume of 1924 discounts, 72.25 per cent were secured by Government obligations, 5.93 per cent were otherwise secured, and 21.90 per cent were unsecured, as compared with 86.73 per cent secured by Government obligations in 1923, 0.54 per cent otherwise secured, and only 12.73 per cent unsecured.

The average daily amount of discounts held by the Reserve Bank is a much better indicator of the actual credit being extended to member banks than the total volume of discounts for the year, the latter figure being too much influenced by the class of paper offered and the length of time for which the money is borrowed.

The average daily amount of discounts held by the Federal Reserve Bank of Richmond during the year is shown in the following table by states, and in comparison with 1923:

States	1924	1923	Per Cent of Increase or Decrease
Maryland .....	\$ 4,832,822	\$11,458,893	—57.82
District of Columbia.....	1,385,542	4,641,750	—70.15
Virginia .....	15,483,037	20,827,525	—25.66
West Virginia .....	6,547,399	5,309,506	23.31
North Carolina .....	11,399,777	13,328,397	—14.47
South Carolina .....	4,370,342	4,035,706	8.29
Fifth District.....	\$44,018,919	59,601,777	—26.14

— Denotes decrease; other figures show gains.



The daily average amount of outstanding accommodation to member banks during 1924 was at its highest point in April, \$59,255,000, from which point it gradually declined to a daily average of \$29,000,193 in December.

On December 31, 1924, the Bank held under discount paper aggregating \$33,548,106, of which approximately 35 per cent represented advances made to member banks on their own promissory notes for a period of fifteen days or less, and secured by Government obligations. At the close of the year 251 of the 624 member banks were discounting, while during the year 463 banks were accommodated.

The discount rate of  $4\frac{1}{2}$  per cent, which had been established on April 14, 1922, was reduced uniformly on all classes of paper to 4 per cent on June 14, 1924, this rate still being in force at the close of the year.

### **BANKERS' ACCEPTANCES**

Bankers' acceptances amounting to \$285,000 were rediscounted for member banks during 1924 at the regular  $4\frac{1}{2}$  and 4 per cent rates for commercial paper, while acceptances aggregating \$9,398,993 were purchased in the open market at rates varying from  $4\frac{3}{8}$  per cent to 3 per cent, of which 98.7 per cent were bought from acceptance dealers. On December 31, 1924, the Bank held bankers' acceptances aggregating \$1,486,012, all of which had been purchased in the open market.

The average rate of earnings on acceptances in 1924 was .0417, as compared with .0427 for the year 1923.

### **TRADE ACCEPTANCES**

A larger volume of trade acceptances was discounted for member banks during 1924 than during 1923, the totals being \$9,038,994 and \$7,768,070, respectively. At the close of business December 31, 1924, the Bank held \$462,028 of this class of paper.

The volume of trade acceptances discounted by the Federal Reserve Bank cannot be taken as a measure of the extent to which acceptances were used, the amount received by the Federal Reserve Bank depending upon the necessity for rediscounting as well as upon the volume of acceptances held by member banks. It is believed, however, that the advantages of this class of paper are becoming widely recognized, with a resulting increase in the use of acceptances.

### **CHECK COLLECTIONS**

The Transit Department handled 46,779,081 cash items during 1924, aggregating \$13,254,632,000 representing a decrease of 447,674 in the number of items handled but an in-

crease of \$142,806,500 in total amount as compared with 1923. The daily average number of items handled in 1924 was 153,879, amounting to \$43,600,763, compared with a daily average of 156,900 items, aggregating \$43,560,875 handled in 1923. The average amount of each check handled increased from \$278 in 1923 to \$283 in 1924. Of the 46,779,081 items handled during the year, 3,875,491 were forwarded to other Federal reserve banks and branches and 1,350,067 were drawn on the Treasurer of the United States.

In addition to the above, member banks in the Fifth District forwarded direct to other Federal reserve banks and branches for collection and credit to the member banks' account with this Bank, 184,895 cash letters, containing items amounting to \$1,622,449,677, as compared with 176,970 cash letters sent direct to other districts in 1923, amounting to \$1,680,471,380.

The cost of this immense volume of check clearings, aggregating \$14,877,080,000, is absorbed by the Federal Reserve Bank, and has resulted in a great saving to the banks and the public.

### NON-CASH COLLECTIONS

The Collection Department of the Federal Reserve Bank of Richmond handled 204,536 items, aggregating \$215,964,386, for member banks in 1924, composed of notes, acceptances, drafts and securities. Approximately 81 per cent of the items were paid.

Collection items drawn payable in other districts may be forwarded by member banks direct to the Federal reserve bank or branch located in the district in which the items are payable, provided permission to forward items in this manner is first obtained from the Federal Reserve Bank of Richmond. By forwarding items direct, reports of payment or non-payment are expedited and about 40 per cent of our member banks making use of our Collection Department have availed themselves of this privilege.

### GOLD SETTLEMENT FUND

Receipts from Federal reserve banks and other sources through the Gold Settlement Fund in 1924 amounted to \$5,839,535,000, compared with \$6,507,784,000 in 1923, while payments made by the Federal Reserve Bank of Richmond aggregated \$5,861,775,000 as against \$6,494,439,000 in 1923. The excess of disbursements over receipts resulted in a net decline for the year of \$22,240,000, leaving a balance of \$18,723,000 in the Fund at the close of business December 31, 1924.

The following table shows the total receipts from and payments to other Federal reserve banks on account of daily clearings, including Federal reserve note clearings, with percentages of the total:

(000 omitted)				
Districts	Receipts	Payments	Total Settlements	Percentage of Total
Boston .....	\$ 139,629	\$ 153,035	\$ 292,664	3.44
New York.....	1,995,478	1,963,444	3,958,922	46.46
Philadelphia .....	645,879	724,126	1,370,005	16.08
Cleveland .....	603,910	526,280	1,130,190	13.26
Atlanta .....	390,981	345,434	736,415	8.64
Chicago .....	277,323	292,148	569,471	6.68
St. Louis .....	107,207	154,849	262,056	3.08
Minneapolis .....	14,250	11,233	25,483	.30
Kansas City.....	27,168	25,617	52,785	.62
Dallas .....	32,495	21,260	53,755	.63
San Francisco .....	38,550	30,626	69,176	.81
Totals.....	\$4,272,870	\$4,248,052	\$ 8,520,922	100.00
Settlements between Head Office a n d Branch:				
Richmond .....	\$ 795,564	\$ 690,140	\$ 1,485,704	
Baltimore .....	690,140	795,564	1,485,704	
Totals.....	\$5,758,574	\$5,733,756	\$11,492,330	

It is interesting to note that 46.46 per cent of the total settlements between this bank and other Federal reserve banks were made with New York, Philadelphia following second with 16.08 per cent and Cleveland third with 13.26 per cent. The smallest settlement was with Minneapolis, amounting to only three-tenths of 1 per cent of the year's total.

### WIRE TRANSFER OPERATIONS

Member banks increased their use of the Bank's facilities for transferring funds by wire during 1924, the total number of transfers so made exceeding those of any previous year. A total of 96,378 transfers were made, amounting to \$3,287,-811,530, in comparison with 84,565 transfers totaling \$2,747,-662,426 made in 1923, an increase in number of transfers during 1924 amounting to 13.97 per cent and in amount aggregating 19.66 per cent. This service for member banks, which is provided without cost to them, is facilitated by the operation of the private leased wire connecting all Federal reserve banks and branches, and the Federal Reserve Board. There were 98,172 telegrams sent and received over the private wire during 1924.

## NOTE ISSUES

The movement of Federal reserve note circulation followed seasonal trends very closely in 1924, but there was less expansion in the volume of notes outstanding during the fall months than is usually the case. From a daily average of \$94,556,672 in circulation in January the volume of notes outstanding declined to an average of \$69,549,881 in August and then gradually rose to \$89,592,134 for December, the yearly average being \$80,303,751. The daily average circulation during every month after January was lower in 1924 than in 1923, and on December 31, 1924, the amount outstanding was only \$87,578,810, in comparison with \$104,158,260 outstanding at the end of 1923 and \$101,146,680 at the end of 1922.

## CURRENCY AND COIN SERVICE

Currency and coin amounting to \$446,766,365 was received from member and non-member banks during the year, and there was paid and shipped to banks during the same period \$383,635,387, making a total of \$830,401,752 received from and paid to banks, an increase of 5.49 per cent over the total amount handled during 1923.

The cost of shipping currency and coin to and from member banks is absorbed by the Federal Reserve Bank. The Bank also pays the cost of shipments by non-member banks in settlement for cash letters, but the expense of all other shipments to and from non-member banks is borne by the banks involved.

## RESERVE POSITION

The reserve ratio of this Bank followed the normal curve during 1924, declining while crops were being planted in the spring and rising later in the year as agricultural products came on the market. The ratio of cash to combined note and deposit liabilities declined from a daily average of 70.87 per cent in January to 59.56 per cent in April, and then gradually rose to a daily average of 83.51 per cent in December, the highest of the year. Each month from April to December averaged higher than the preceding month except September, when withdrawals of funds for crop marketing caused the reserve ratio to decline approximately one point under the August average. The yearly average was 71.33 per cent, compared with 62.45 per cent in 1923.

Average daily deposits fluctuated from a low of \$62,477,280 in May to a high of \$68,159,706 in December, the average for the year being \$65,230,830 in comparison with the daily average of \$63,510,341 in 1923. Federal reserve note circulation declined steadily from a daily average of \$94,555,672 in January to

\$69,549,881 in August, rising thereafter to \$89,592,134 in December. Daily circulation averaged \$80,303,751 in 1924, as compared with \$88,187,848 in 1923. Cash reserves swung downward from a daily average of \$115,161,810 in January to \$84,292,139 in May, and then back up to \$131,743,895 in December, the highest average for any month since the organization of the Bank. The daily average reserves totaled \$103,806,997 during 1924, as compared with \$94,731,422 in 1923.

### **CHANGES IN MEMBERSHIP**

During 1924 five new National banks were organized in the Fifth Reserve District and became members of the Reserve System, while 6 banks withdrew their membership, 3 banks were absorbed in mergers and 3 liquidated, a net decline of 7 in the number of member banks. On December 31, 1924, there were 624 member banks in the Fifth District, of which 560 were National banks and 64 were State banks or trust companies. The member State banks and trust companies had 28 branches at the end of 1924.

Although there was a decrease in the number of member banks during 1924, the aggregate stock subscriptions increased from 116,318 shares to 117,995 shares, the net increase in the paid-up capital of the Bank amounting to \$83,850.

### **BANK RELATIONS DEPARTMENT**

A total of 698 official visits were made by members of this department during the year, and continued development took place in the work of bringing the banks in closer touch with the Federal Reserve System through the Federal Reserve Bank of Richmond. Due to conditions prevailing, quite a number of the visits were special cases. In this phase of the work valuable assistance was rendered to individual banks and important information obtained for officers of this Bank.

In the latter part of the year a representative of this department was assigned to the Baltimore Branch, to perform the necessary functions in the Branch territory.

One or more representatives were present at each State banking convention during the year and several group meetings were attended.

### **BANK EXAMINATION DEPARTMENT**

The personnel of the Examination Department consists of five examiners, a clerk and two stenographers, under the supervision of the Assistant Federal Reserve Agent.

Since May 1, 1923 this Department has engaged principally in credit investigations of member banks and few formal

examinations were made in 1924. These investigations cover every line of importance in the banks under consideration, and have proven of great value to the Credit Department and the Discount Committee in passing upon paper offered for rediscount. Nearly all of our investigations have been made in co-operation with State Banking Departments, with which the most cordial relations have been maintained.

Examinations and credit investigations were made during the year as follows:

	Banks	Branches
Credit investigations made at time bank was being examined by State Bank Examiners.....	89	36
Independent credit investigations of State member banks..	3	
State banks examined in connection with their application for merger .....	2	
Independent credit investigations of National banks.....	3	
Credit investigations made at time bank was being examined by National Bank Examiners.....	3	
Special visits .....	3	
Total.....	103	36

### PAR COLLECTIONS

In our report for 1923 we referred to the decision of the Supreme Court of the United States in the North Carolina injunction suit, which arose under an act passed by the legislature of North Carolina, entitled "An Act to Promote the Solvency of State Banks." In rendering its decision as to the constitutionality of the act, the Supreme Court laid down certain principles governing the receipt and collection of checks, which were set forth in our report for 1923. In that report we also stated that "This bank has adopted the policy of refusing to handle checks upon any non-member state bank which refuses to remit at par, and at the direction of the Federal Reserve Board has discontinued all agents other than banks for the purpose of making collections at par." It was also pointed out that this policy had resulted in some increase in the number of non-par banks in this district, the situation as of December 31st being that in Maryland and the District of Columbia all banks were par; in West Virginia there were three non-member state banks which refused to remit at par; in Virginia, thirty-seven; in North Carolina, three hundred and ten; in South Carolina, two hundred and eighty-nine; making a total in the District of six hundred and thirty-nine.

On July 10, 1923, the Federal Reserve Board issued Regulation J, Series of 1923, with the notification that it would supersede Regulation J, Series of 1920, on August 15, 1923. Prior to the latter date, however, all Federal reserve banks were notified that Regulation J, Series of 1923, was suspended



until further notice, and it was not until May of 1924 that Regulation J, Series of 1924, was issued, superseding Regulation J, Series of 1920. The new Regulation J, which became effective May 9, 1924, contains the following provision:

"SECTION III. (3) No Federal Reserve Bank shall receive on deposit or for collection any check drawn on any non-member bank which cannot be collected at par in funds acceptable to the Federal Reserve Bank of the District in which such non-member bank is located."

Therefore, while during the first part of 1924 the Federal Reserve Bank of Richmond was declining to handle only checks drawn upon non-member banks that would not remit at par, after the promulgation of Regulation J, Series of 1924, steps were taken to eliminate, as rapidly as possible, from the par list all non-member banks that were unable or unwilling to remit at par in funds satisfactory to the Federal Reserve Bank of Richmond.

Satisfactory funds are defined to be drafts drawn by the remitting bank upon one or more of its correspondents so located that such drafts can be collected by the Federal Reserve Bank on the day of receipt, or at most one day after receipt. The term "satisfactory funds" also includes checks bearing the Immediate Credit Symbol of the Fifth Federal Reserve District, and remitting non-member banks of course have the privilege of remitting, when necessary, by the shipment of currency at the expense of the Federal Reserve Bank of Richmond.

The limitation of "satisfactory funds" to funds collectible on the day of receipt, or at most one day after receipt, is logical from at least two points of view. First, the volume of float carried by the Federal Reserve Bank is manifestly less than would be the case if remittances were allowed to be made by means of drafts requiring two or more days after receipt for collection. Second, the insistence upon remittance in funds collectible on the day of receipt, or at most one day after receipt, has enabled the Federal Reserve Bank in every case to receive from the non-member bank in exchange for checks drawn upon the non-member bank, cancelled by it, and charged to customers' accounts, bank drafts which can in every case be collected upon presentation or returned dishonored to the Federal Reserve Bank. This is not the case when non-member bank A is allowed to remit by means of its draft on another bank B, which draft in turn must be forwarded to B for remittance by means of its own draft on a third bank, C.

The new requirement that remittance be made in satisfactory funds was not put into effect abruptly, but all non-member

remitting banks that were not already in the habit of remitting in satisfactory funds were put upon notice as promptly as possible, and each such bank was given a reasonable time in which to arrange for satisfactory remittances or to have its name removed from the par list. At the end of April, 1924 (just before Regulation J, Series of 1924, became effective), there were in the Fifth Federal Reserve District 665 non-member non-par banks, and by the end of the year the number had increased to 715. The following table shows the number of par banks, the number of non-par banks, and the total number of all banks in each state on April 30, 1924 and December 31, 1924:

	Par Banks	Non-Par Banks	Total Banks
District of Columbia:			
April 30, 1924.....	51	0	51
December 31, 1924.....	47	0	47
Maryland:			
April 30, 1924.....	262	0	262
December 31, 1924.....	261	0	261
Virginia:			
April 30, 1924.....	466	60	526
December 31, 1924.....	434	89	523
West Virginia:			
April 30, 1924.....	305	4	309
December 31, 1924.....	298	10	308
North Carolina:			
April 30, 1924.....	237	318	555
December 31, 1924.....	195	349	544
South Carolina:			
April 30, 1924.....	131	283	414
December 31, 1924.....	126	267	393
Fifth District:			
April 30, 1924.....	1,452	665	2,117
December 31, 1924.....	1,361	715	2,076

## INTERNAL ORGANIZATION

The Board of Directors held thirteen meetings in 1924, twelve regular monthly meetings and a special meeting on October 23rd. The attendance of Directors was as follows:

4 Directors attended 13 meetings  
 2 Directors attended 12 meetings  
 2 Directors attended 11 meetings  
 1 Director attended 9 meetings

In the annual fall election, member banks in Group 1 re-elected Charles E. Rieman as a Class A Director, and Edmund Strudwick as a Class B Director, both to serve for a term of three years from January 1, 1925.

The Federal Reserve Board redesignated Wm. W. Hoxton as Chairman of the Board and Federal Reserve Agent for the year



1925. Frederic A. Delano was redesignated Deputy-Chairman of the Board for 1925.

At the December meeting of the Board, John M. Miller, Jr., President of the First National Bank of Richmond, was re-elected as the member of the Federal Advisory Council for the Fifth District, and L. E. Johnson of Alderson, W. Va., was chosen as alternate to attend the meetings of the Council in the event that Mr. Miller is unable to be present.

Changes in the official personnel at the head office and the Baltimore Branch, during the calendar year 1924, were as follows:

E. G. Grady, formerly Controller of Accounts at Richmond, was made Cashier of the Baltimore Branch March 1, 1924, to fill the vacancy caused by the resignation of Charles H. Wyatt who had served as Cashier of the Branch since its organization in March, 1918. R. H. Lee, Assistant Federal Reserve Agent at the head office, resigned as of September 30th to accept a position with one of the member banks of Richmond. As of November 1st, Charles N. Duley, formerly Assistant Federal Reserve Agent at the Baltimore Branch, was appointed to the non-official position of Manager of Personnel and Service. As of August 31st, F. McC. Leeke, formerly Assistant Cashier of the Baltimore Branch, resigned.

The following table summarizes the changes in personnel at both the head office and the Baltimore Branch during the calendar year 1924. From this table it will be noted that on December 31, 1924, the officers and employees whose salaries were paid by the Bank numbered 644, as compared with 697 as of December 31, 1923, this being a decrease of 53 which occurred entirely at the Richmond office. The employees for whose salaries the Bank is reimbursed by the agencies named in the table decreased from 41 to 19, this reduction of 22 taking place almost entirely at the Richmond office. The total number of officers and employees as at the close of the year was 663, compared with 738 on the corresponding day the previous year, making a total reduction of 75.

PERSONS WHOSE SALARIES ARE PAID BY THE BANK:	Dec. 31 1923	Dec. 31 1924	Net Change	
			Number	Per Cent
Richmond Office:				
Male .....	254	228	—26	—10.2
Female .....	242	215	—27	—11.2
Total .....	496	443	—53	—10.7
Baltimore Branch:				
Male .....	85	91	6	7.1
Female .....	116	110	— 6	— 5.2
Total .....	201	201	.....	.....

PERSONS WHOSE SALARIES ARE PAID BY THE BANK:	Dec. 31 1923	Dec. 31 1924	Net Change	
			Number	Per Cent
Both Offices combined:				
Male .....	339	319	—20	— 5.9
Female .....	358	325	—33	— 9.2
Total.....	697	644	—53	— 7.6
PERSONS FOR WHOSE SALARIES THE BANK IS REIMBURSED:				
Fiscal Agency Department (Reim- bursed by the Treasury Depart- ment of the U. S.):				
Male .....	*9	2	— 7	—77.8
Female .....	16	7	— 9	—56.3
Total.....	25	9	—16	—64.
War Finance Corporation (Reim- bursed by the Corporation):				
Male .....	4	2	— 2	—50.
Female .....	5	....	— 5	—100.
Total.....	9	2	— 7	—77.8
Cafeteria (Reimbursed from In- come of Cafeteria):				
Male .....	2	2	.....	.....
Female .....	5	6	1	20.
Total.....	7	8	1	14.3
By all three agencies:				
Male .....	15	6	— 9	—60.
Female .....	26	13	—13	—50.
Total.....	41	19	—22	—53.7
Grand Totals:				
Male .....	354	325	—29	— 8.2
Female .....	384	338	—46	—12.
Total.....	738	663	—75	—10.2

— Denotes decrease; other figures show gains.

\* Includes one employee at the Baltimore Branch.

### BALTIMORE BRANCH

There are 466 banking offices, of which 159 are member banks, in the territory served by the Baltimore Branch, which comprises the State of Maryland and the following thirty counties in northern West Virginia:

Barbour  
Berkley  
Braxton  
Calhoun

Hardy  
Harrison  
Jackson  
Jefferson

Morgan  
Nicholas  
Pendleton  
Pleasants

Taylor  
Tucker  
Upshur  
Webster

Doddridge  
Gilmer  
Grant  
Hampshire

Lewis  
Marion  
Mineral  
Monongalia

Preston  
Randolph  
Ritchie  
Roane

Wirt  
Wood

The physical volume of business as well as the dollar amount of transactions conducted through the Baltimore Branch during the year 1924 was larger than in any previous year. This applies particularly to the volume of currency and coin handled, the number of checks collected, and transfers of funds effected by the Branch during 1924. The actual number and amount of all transactions of the Branch are included in the aggregate volume reported by the Bank. While the volume of transactions materially increased during the year, the number of employees, including officers, decreased from 203 on January 1, 1924, to 201 at the close of the year, of whom 110 were women and 91 men.

The working conditions in the Baltimore Branch building, at the corner of South and Redwood Streets, have been seriously congested in all departments for several years and during the year 1924 it became imperative to secure relief. Space was leased in the Hearst Tower Building, at the corner of Baltimore Street and Guilford Avenue, and the Transit Department moved to that building on June 15, 1924. Consequently, the operations of the Branch are now being conducted in three separate buildings, the Money Department occupying the quarters of the former U. S. Subtreasury in the Custom House at the corner of Gay and Water Streets.

### FIDUCIARY POWERS

Applications of the following National banks for permission to exercise fiduciary powers under authority of Section 11 (k) of the Federal Reserve Act, as amended, were approved during the year:

Name	Location	Powers Granted
Commercial National Bank.....	Washington, D. C.....	(a) 2-1-24
Citizens National Bank.....	Baltimore, Md.....	(b) 5-21-24
Alexandria National Bank.....	Alexandria, Va.....	(b) 8-7-24
First National Bank.....	Blackstone, Va.....	(b) 6-4-24
Citizens National Bank.....	Covington, Va.....	(d) 5-27-24
Loudoun National Bank.....	Leesburg, Va.....	(b) 3-25-24
First National Bank.....	Newport News, Va.....	(d) 8-14-24
First National Bank.....	Norton, Va.....	(b) 1-30-24
Planters & Merchants Nat'l Bank.....	South Boston, Va.....	(d) 6-12-24
First National Bank.....	Waynesboro, Va.....	(b) 8-29-24
Citizens National Bank.....	Charleston, W. Va.....	(b) 5-27-24
Merchants Nat'l Bank of W. Va.....	Clarksburg, W. Va.....	(b) 3-11-24
Concord National Bank.....	Concord, N. C.....	(b) 12-2-24
First National Bank.....	Gastonia, N. C.....	(b) 10-28-24
First National Bank.....	Wadesboro, N. C.....	(b) 6-29-24
Merchants & Planters Nat'l Bank.....	Gaffney, S. C.....	(b) 8-14-24

(a) Authorized to act when not in contravention of State or local law, as: Trustee, Executor, Administrator, Registrar of Stocks and Bonds,

Guardian of Estates, Assignee, Receiver, Committee of Estates of Lunatics.

(b) Authorized to act when not in contravention of State or local law, as: Trustee, Executor, Administrator, Registrar of Stocks and Bonds, Guardian of Estates, Assignee, Receiver, Committee of Estates of Lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with National banks are permitted to act under the laws of the State in which the bank is located, the exercise of such rights to be subject to the provisions of the Federal reserve act and the Regulations of the Federal Reserve Board.

(c) Application amended to include all powers under (a).

(d) Application amended to include all powers.

## MONTHLY REVIEW OF BUSINESS AND AGRICULTURAL CONDITIONS

The Federal Reserve Agent continued his Monthly Review of Business and Agricultural Conditions during the year, stressing as in the past the business indicators which best reflect the trend of conditions in the Fifth District. During 1924 the number of co-operating agencies and firms increased in several instances, but no important change was made in the subject matter or arrangement of the material. In December the retail reporting service was changed so as to give the co-operating stores percentage averages more quickly than previously, but this change did not effect the printed Review. The new retail report has met with much favor from leading retailers of the District. The Monthly Review is sent upon request to persons having need of such information as is contained therein. Copies go to nearly all the states in this country and to several foreign countries.

## FISCAL AGENCY OPERATIONS

The volume of work done by the Federal Reserve Bank of Richmond in its capacity as Fiscal Agent of the United States Government decreased greatly during 1924. The Government put out only three issues of Certificates of Indebtedness and one issue of Treasury Bonds during the year, in comparison with six issues of Certificates and two of Bonds sold in 1923. Total subscriptions in the Fifth District to the 1924 issues amounted to \$99,326,000, of which \$38,562,000 was allotted. Including deliveries, redemptions and exchanges, Certificates of Indebtedness and Treasury Bonds numbering 18,732 pieces, amounting to \$82,985,000, were handled during the year.

The exchange, conversion, and redemption of Liberty Bonds, Victory Notes and Farm Loan Bonds required the handling of 80,374 securities, amounting to \$41,556,789. Treasury Savings Certificates numbering 3,117, with a cash value of \$803,220, were sold during the year, while the Government savings certificates redeemed and prepared for redemption

numbered 38,241 (254,829 stamps) with a cash value of \$1,129,161. Interest coupons from United States securities numbering 1,624,236, aggregating \$15,421,990, were paid by the Bank during the year, and charged to the account of the Treasurer of the United States.

The analysis of the United States Treasurer's general account with us for the year 1924 shows total receipts amounting to \$681,549,899, total disbursements \$679,095,574, and a credit balance at the close of business December 31, 1924, amounting to \$2,454,325.

### **WAR FINANCE CORPORATION**

This Bank continued to act as Fiscal Agent for the War Finance Corporation during 1924, but very few advances were made during the year and the volume of work handled decreased greatly. The chief work of the department in 1924 was the collection of maturing loans and collateral notes. By the close of the year the amount outstanding and due the Corporation in the Fifth District had been reduced to \$983,999.26.

On January 6, 1925, all the records and securities in the Richmond office were transferred to the Federal Reserve Bank of Atlanta by direction of the War Finance Corporation.

### **NOTE**

In lieu of the statistical tables formerly published as Part II in our Annual Report, the reader is referred to the Tables in Part II of the Annual Report of the Federal Reserve Board for 1924.