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TWELFTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1926



WM. W. HOXTON
Chairman and Federal Reserve Agent

**FEDERAL RESERVE BANK
OF RICHMOND**

February 14, 1927.

FEDERAL RESERVE BOARD,
Washington, D. C.

GENTLEMEN:

I have the honor to submit herewith the Twelfth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1926.

Respectfully,

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

**DIRECTORS AND OFFICERS OF
THE FEDERAL RESERVE BANK OF RICHMOND
For Year 1927**

Directors

Class A	Class B
CHAS. E. RIEMAN, 1927, Baltimore, Md.	EDMUND STRUDWICK, 1927, Richmond, Va.
JAMES C. BRASWELL, 1928, Rocky Mount, N. C.	EDWIN C. GRAHAM, 1928, Washington, D. C.
L. E. JOHNSON, 1929, Alderson, W. Va.	D. R. COKER, 1929, Hartsville, S. C.

Class C

WM. W. HOXTON, 1929, Chairman of
the Board, Richmond, Va.
FREDERIC A. DELANO, 1927, Deputy
Chairman, Washington, D. C.
ROBERT LASSITER, 1928, Charlotte,
N. C.

OFFICERS

GEORGE J. SEAY, Governor.	WM. W. HOXTON, Chairman of the Board and Federal Reserve Agent.
CHAS. A. PEPLE, Deputy Governor.	J. G. FRY, Assistant Federal Reserve Agent.
R. H. BROADDUS, Deputy Governor.	HUGH LEACH, Auditor.
J. S. WALDEN, JR., Controller.	
GEORGE H. KEESEE, Cashier.	

ALBERT S. JOHNSTONE, Manager,
Personnel and Service.
JOHN T. GARRETT, Manager, Bank
Relations Dept.

W. W. DILLARD,
EDWARD WALLER, JR.,
GEORGE S. SLOAN,
Assistant Cashiers.

Counsel

MAXWELL G. WALLACE

Member Federal Advisory Council

JOHN F. BRUTON, 1927
Wilson, N. C.

BALTIMORE BRANCH

Directors

A. H. DUDLEY, 1927, Baltimore, Md.	JOHN G. ROUSE, 1927, Baltimore, Md.
H. B. WILCOX, 1927, Baltimore, Md.	WM. H. MATTHAI, 1928, Baltimore, Md.
LEVI B. PHILLIPS, 1928, Cambridge, Md.	EDMUND P. COHILL, 1929, Hancock, Md.
CARTER G. OSBURN, 1929, Baltimore, Md.	

Officers

A. H. DUDLEY, Managing Director.	THOMAS I. HAYS, Assistant Cashier.
M. F. REESE, Cashier.	JOHN R. CUPT, Assistant Cashier.

TWELFTH ANNUAL REPORT FEDERAL RESERVE BANK OF RICHMOND

GENERAL BUSINESS CONDITIONS

Business continued in the Fifth Federal Reserve District in very large volume during 1926, and on the whole probably exceeded the volume of business transacted in 1925. Toward the end of the year trade showed a distinct tendency to decline from the previous high levels, but the decline was not drastic and did not appear to be due to any particular uneasiness as to the near future.

The volume of construction work undertaken in the Fifth District in 1926 was below that of 1925 in most of the cities, but there was a large volume of industrial construction in suburban and rural sections, and the value of contracts actually awarded in the District in 1926 exceeded that of 1925 by 1.4 per cent. This continuation of construction work played a leading part in keeping labor well employed, which in turn insured a large purchasing power on the part of the public.

Trade in 1926 exceeded that of the preceding year. Debits to individual, firm and corporation accounts in the District's leading cities set a new record, exceeding the debits of 1925 by more than half a billion dollars. Retail sales, as reflected by the business of thirty-one department stores in the Fifth District, were 3.0 per cent above 1925 sales. Wholesale trade, on the other hand, was in smaller volume in 1926 than in 1925 in nearly all lines for which statistics were available, but the decline was partly due to a generally lower price level last year, especially for cotton goods. Collections in 1926 were on the whole fairly satisfactory, but bad spots developed during the year as a result of unfavorable agricultural developments. There were fewer commercial insolvencies in the Fifth District last year than in 1925, and liabilities involved were also lower.

The year 1926 was favorable for the leading industries of the District, with the exception of textile milling, and even

this line did a very large volume of business. Cotton consumption last year by Fifth District mills was considerably above that of 1925. Operation on a falling market for raw material was very difficult, and profits were reported small, but retail trade was good, tire manufacturers were busy, and the demand for cotton products was therefore large in the aggregate. The buying was largely of a hand-to-mouth variety, however, which kept the mills puzzled all the time. Lumber mills and brick yards profited by the large construction program, and operated fully without any burdensome accumulation of stock. Tobacco factories ran full time, and several large plants materially increased their facilities. The coal industry of the District had a very unusual year. During the early months of 1926 the anthracite strike greatly increased the demand for bituminous coal, and during the rest of the year there was an extraordinary demand for export and bunker coal as a result of the long British strike.

The results of farming operations in the Fifth District were very spotted in 1926. The cotton crop of the District was larger than in 1925, but the drastic price decline was much greater than the increase in yield. As a consequence, the money income from cotton was many millions of dollars less in 1926 than in 1925. The section suffering most was northern and western South Carolina, where two dry summers in succession reduced cotton yields to such a low point that many farmers made little more than sufficient cotton to pay for the fertilizer used under the crop. In eastern South Carolina and in much of North Carolina the seriousness of the situation arising from the low cotton prices was ameliorated by a fairly good tobacco crop which sold for high prices. In Virginia the few counties dependent upon cotton were hard hit, and dark tobacco brought very low prices, but the bright tobacco yield and price were above those of 1925. The fruit crop of the District was one of the largest on record, and truck crops were fairly satisfactory in yield. Maryland agricultural returns were probably less than in 1925, growers of canning crops particularly having had an unsuccessful year.

VOLUME OF BUSINESS

The physical volume of business handled by the Federal Reserve Bank of Richmond in 1926 was somewhat larger than that of 1925 in the chief departments of the Bank, and in general was the largest in the history of the Bank. The following table shows the volume of work handled in the principal departments during the year 1926, as compared with the year 1925:

	1926	1925	Per Cent of Increase or Decrease
BILLS DISCOUNTED AND BOUGHT:			
Number	69,302	75,715	— 8.47
Amount	\$ 2,821,870,280	\$ 2,314,263,396	+ 21.93
CHECKS HANDLED BY TRANSIT DEPARTMENT:			
Number	50,430,000	48,171,677	+ 4.69
Amount	\$13,924,751,000	\$14,038,542,000	— .81
NON-CASH COLLECTIONS HANDLED:			
Number	185,248	201,136	— 7.90
Amount	\$ 244,284,493	\$ 236,341,688	+ 3.36
CURRENCY RECEIVED AND COUNTED:			
*Number of pieces.....	102,084,000	93,233,000	+ 9.49
*Amount	\$ 523,891,000	\$ 482,560,000	+ 8.56
COINS RECEIVED AND COUNTED:			
*Number of pieces.....	156,440,000	147,919,000	+ 5.76
*Amount	\$ 15,342,000	14,910,000	+ 2.90
TELEGRAPHIC TRANSFERS OF FUNDS:			
Number	113,614	106,317	+ 6.86
Amount	\$ 4,219,893,299	\$ 3,975,049,800	+ 6.16
FISCAL AGENCY—U. S. SECURITIES RECEIVED, ISSUED, REDEEMED, CANCELLED OR EXCHANGED:			
Number	56,839	83,361	—31.81
Amount	\$ 86,879,571	\$ 93,542,822	— 7.12

— Denotes decrease in 1926.

* New currency and coin not included.

The number of bills discounted or bought in 1926 declined 8.47 per cent in comparison with 1925, but the amount involved rose 21.93 per cent. The volume of checks cleared through the Transit Department increased 4.69 per cent, but the aggregate amount involved declined eighty-one hundredths of 1 per cent. Non-cash collection items handled in 1926 declined 7.90 per cent in number but rose 3.36 per cent in amount. The numbers of pieces of currency and coin received

and counted increased 9.49 and 5.76 per cent, respectively, and the amounts involved rose by 8.56 per cent and 2.90 per cent. Wire transfers of money rose 6.86 per cent in number and 6.16 per cent in amount in comparison with 1925. Fiscal Agency work for the Federal Government declined more than any other activity of the Bank, the number of U. S. securities received, issued, redeemed, cancelled or exchanged decreasing 31.81 per cent in 1926 and the amount involved declining 7.12 per cent.

FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of earnings, expenses, dividends, and surplus account for the year 1926:

	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted.....	\$ 41,911,417	\$4,593	\$ 1,676,456	.0400
Bills Purchased.....	10,531,500	1,025	374,177	.0355
U. S. Securities Held.....	7,833,881	716	261,475	.0334
Penalties, Miscellaneous Earnings, and Foreign Loans on Gold.....		320	116,909	
Totals	\$ 60,276,798	\$6,654	\$ 2,429,017	
Current Expenses.....			1,383,939	
Current Net Earnings.....			\$ 1,045,078	
Account of Reserves, De- preciation, etc.			317,433	
Net Earnings Available for Dividends, Surplus and Franchise Tax.....			\$ 727,645	
Dividends Paid.....			\$ 363,957	
Transferred to Surplus Account			279,216	
Franchise Tax Paid to Government			84,472	
			\$ 727,645	

The gross earnings of the Federal Reserve Bank of Richmond for the year 1926 were \$2,429,017, as compared with \$2,182,460 for 1925, an increase of \$246,557. The increase was due entirely to increased holdings of U. S. securities and bankers' acceptances purchased, the average volume of rediscounts last year being lower than in 1925. For several years the percentage of earnings derived from the discount of paper for member banks has steadily declined, and in 1926 made up only 69 per cent of gross earnings, compared with

79 per cent in 1925, 86 per cent in 1924, and 93 per cent in 1923. The average rate of earnings on all earning assets during 1926 was .0384, practically the same as .0383 in 1925, which was the lowest average rate since 1917.

The Bank's current expenses in 1926 were \$1,383,939, a decrease of \$67,675 under the total of \$1,451,614 incurred for expenses in 1925, and less than in any year since 1919, while current net earnings for 1926 totaled \$1,045,078, as compared with \$730,846 for 1925, an increase of \$314,232. After the proper transfers had been made from the \$1,045,078 of net earnings to reserve, depreciation and miscellaneous accounts, dividends to member banks on capital stock, and to surplus account, there remained \$84,472 available for payment to the Federal Government on account of Franchise tax. No payments were made on this account in either 1925 or 1924.

EXPENSES OF OPERATION IN 1926

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; pay checks and warrants drawn on the Treasury of the United States; exercise the functions of Sub-treasuries in the supply, exchange, and redemption of currency and coin; effect the par clearance of checks on more than 85 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 1926, divided according to functions, were as follows:

CURRENCY AND COIN

The cost of receiving and handling 147,457,263 pieces of currency aggregating \$641,792,000, of which 102,084,000 pieces had been in circulation and had to be sorted and counted; paying or shipping out 145,554,230 pieces of currency aggregating \$635,049,000; receiving and handling 164,142,377 pieces of coin aggregating \$16,067,000; paying or shipping out 160,795,917 pieces of coin aggregating \$15,551,000 was\$115,655.30

The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to..... 104,466.12

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 Washington, and the shipping charges on fit F. R. notes between the Bank and other Federal Reserve banks amounted to..... 60,868.94

Total Cost \$ 280,990.36

LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 430 member banks: 61,683 notes aggregating \$2,732,649,000, were received, examined and discounted; 62,409 notes collateral to member bank notes aggregating \$1,338,900,000 were received, examined and handled; 8,515 pieces of marginal or excess collateral, aggregating \$29,816,000, were received, examined and handled; 7,619 banker's acceptances, aggregating \$89,221,000, were purchased in the open market, examined and handled; includes the cost of special handling accorded 7,503 notes aggregating \$90,878,000 paid before maturity and the unearned discount rebated; also includes the cost of credit investigation, securing and analyzing commercial and bank statements, maintaining credit files, etc..... \$ 52,823.49

The cost of effecting 1,185 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$7,870,000 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 30,863 pieces aggregating \$150,801,000; shipping 36,103 pieces aggregating \$165,056,000; holding in our vaults throughout the year securities, deposited by member banks as collateral to discounts or for safe-keeping, ranging from \$55,520,000 to \$73,107,000; was..... 11,944.45

Total Cost \$ 64,767.94

TRANSIT AND COLLECTIONS

Handling and collecting 48,951,000 checks, aggregating \$13,754,829,000 cost..... \$196,241.45

Receiving, examining, paying and listing according to Treasury regulations 1,479,000 government checks, aggregating \$169,922,000, and shipping them to Washington cost..... 5,946.75

Handling 947,527 checks aggregating \$68,936,000 returned unpaid for various reasons cost.. 19,476.01

Handling 185,248 non-cash collection items (maturing notes, drafts, coupons, etc.) aggregating \$244,284,000 cost..... 31,697.30

Total Cost \$ 253,361.51

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 \$15,041,156,000 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 113,614 aggregating \$4,219,893,000.

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

The accounting and other expenses in connection with closed or suspended banks.

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

Total Cost

\$ 121,514.17

FISCAL AGENT OF THE UNITED STATES

Services rendered as Fiscal Agent of the U. S. Government:

Receiving, proving and crediting to banks, preparing schedules, cancelling and shipping to Washington 1,223,087 government coupons aggregating \$13,253,000 cost\$ 4,235.69

Fiscal Agency work for the U. S. Government principally relating to the issue of 5,725 pieces of government securities amounting to \$26,584,000; the redemption of 7,446 pieces amounting to \$21,884,000; the exchange and transfer of 36,344 pieces amounting to \$29,755,000; the redemption of war savings and thrift stamps 40,562 pieces amounting to \$155,800; 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 \$40,894,000 to \$80,487,000, cost 31,594.13

Total Cost\$ 35,829.82

Reimbursed by the Treasury Department..... 6,852.90

Net Cost to the Bank.....

\$ 28,976.92

GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

Official salaries and supervisory expenses.....\$115,187.37

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Directors' fees and traveling expenses.....	6,624.85
Governors', Federal Reserve Agents' and Federal Advisory Council conferences.....	1,027.92
Our proportion of the expenses of the Federal Reserve Board	38,059.76
Operation of the banking houses at Richmond and Baltimore (includes salaries of superin- tendent, mechanics, firemen, janitors, elevator operators, etc., and light and power, heat, tax- es, fire insurance, repairs and alterations, etc.)	119,661.83
The provision of personnel.....	18,565.39
Legal expenses	11,929.72
Maintaining the general audit of the Bank and Branch	25,998.17
Work of the Federal Reserve Agent's Depart- ment, 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 vari- ous statistical data, etc.	50,042.65
Bank relations work: visiting, and advising and conferences with member and non-member banks	29,085.07
Handling incoming and outgoing ordinary and registered mail	22,082.77
Protection—Salaries of special officers and watchmen, and other protective services.....	46,639.44
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, oper- ating duplicating processes, salaries of gen- eral office boys, operation of automobile trucks, and repairs to equipment.....	65,764.55
Shipping charges (postage and insurance) on securities	2,284.05
Postage on ordinary mail.....	60,992.56
Insurance—Employee's group life, Employees' fidelity, Bankers' blanket bond and burglary, Workmen's Compensation, Fire—equipment and supplies, and Automobile.....	20,736.26
Total Cost	\$ 634,692.36
Total Operating Expense*	\$1,384,303.26

* NOTE: The total Operating Expense during 1926 was \$364.36 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 Federal Reserve Bank of Richmond discounted paper totaling \$2,732,649,373 for member banks in 1926, as compared with \$2,265,228,332 in 1925, but the average amount of outstanding credit to members during the later year was really smaller than in the earlier year. The average amount of paper under discount each day is a better measure of the actual credit 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; frequent offerings of short time paper will of course swell the aggregate discounts. The daily average amount of paper under discount was \$41,855,268 in 1926 and \$43,053,947 in 1925, a decrease last year of 2.78 per cent. District of Columbia, West Virginia and South Carolina banks used reserve bank credit more extensively in 1926 than in 1925, while Maryland, Virginia and North Carolina banks discounted less than in the previous year. The following table shows by states the daily average amount of paper under discount at the Federal Reserve Bank of Richmond during the year 1926, and in comparison with 1925:

States	1926	1925	Per Cent of Increase or Decrease
Maryland	\$ 5,464,527	\$ 5,505,460	— .74
District of Columbia.....	1,799,481	1,271,282	+41.55
Virginia	12,858,552	14,379,139	—10.57
West Virginia	4,421,710	3,853,092	+14.76
North Carolina	12,101,601	13,823,088	—12.45
South Carolina	5,209,397	4,221,886	+23.39
Fifth District.....	\$41,855,268	\$43,053,947	— 2.78

Of the total volume of 1926 discounts, 53.67 per cent were secured by Government obligations, 40.60 per cent were otherwise secured, and only 5.73 per cent were unsecured, as compared with approximately 64 per cent secured by Government obligations in 1925, 28 per cent otherwise secured, and 8 per cent unsecured. As in 1925, a large proportion of the borrowing in 1926 was done by city banks, which accounts for the small percentage of unsecured paper offered for discount. This is of course a natural situation, since the reserve deposits of banks in cities having more than 25,000 inhabitants constitute 65 per cent of all reserve deposits. In proportion to reserve deposits, the smaller towns and cities borrowed most.

On December 31, 1926, the total of discounted paper held

by the Bank was \$23,508,830. In addition to the paper under discount at the end of the year, the Bank held \$12,796,334 in bankers' acceptances purchased from member banks and in the open market, and \$7,416,900 in Government securities, bringing the total of earning assets on December 31st up to \$43,722,064, in comparison with total earning assets amounting to \$56,056,135 held on December 31, 1925.

Four hundred and thirty member banks discounted paper with the Federal Reserve Bank of Richmond at some time in 1926, and at the end of the year 208 of the 589 member banks were being accommodated.

The discount rate at the Bank on all classes of eligible paper was 4 per cent throughout 1926, at which point the rate was set on June 14, 1924.

ACCEPTANCES

Trade acceptances amounting to \$1,882,759 were discounted for member banks in 1926, compared with \$3,747,151 of the same class of paper discounted in 1925 and \$9,038,994 in 1924. However, the volume of trade acceptances discounted by the reserve bank cannot be taken as a measure of the extent to which trade acceptances were used, the amount received by the Federal Reserve Bank depending upon the necessity for rediscounting as well as upon the volume of trade acceptances held by member banks.

The Federal Reserve Bank of Richmond purchased a total of \$89,220,905 of bankers' acceptances in 1926, of which \$31,709,202 were bought from member banks, \$49,464,466 from dealers and non-member banks, and \$8,047,237 from other reserve banks. In 1925, this Bank purchased acceptances amounting to \$15,151,148 from member banks and \$33,883,915 from dealers, a total of \$49,035,063.

CHECK COLLECTIONS

The Transit Department handled 50,430,000 cash items in 1926, totaling in amount \$13,924,751,000, compared with 48,171,677 items and an amount totaling \$14,038,542,000 handled in 1925. Thus the number of items handled last year was 2,258,323 more than in 1925, and greater than in any other year, but the amount handled in 1926 declined \$113,791,000 from 1925. This is accounted for in part at least by the lower price level. With a larger number of items and a smaller total value, the average amount of each item dropped to \$276 last year in comparison with \$291 during 1925. The number of items handled each working day in 1926 was 166,987, amounting to \$46,108,447, compared with 159,509 items totaling \$46,485,238 handled daily in 1925. Of the 50,430,000 items handled in 1926, 4,246,000 were forwarded

to other Federal reserve banks and branches, and 1,479,000 were drawn on the Treasurer of the United States.

Cash letters forwarded direct to other Federal reserve banks and branches by member banks in the Fifth District, for collection and credit to the accounts of the sending banks at the Federal Reserve Bank of Richmond, numbered 221,764, totaling in amount \$2,188,709,800, as compared with 197,448 cash letters amounting to \$1,902,666,600 sent direct to other districts in 1925. The use of direct routing of cash items has grown steadily for several years, this method resulting in a saving of transit time in securing credit to reserve accounts.

GOLD SETTLEMENT FUND

The Federal Reserve Bank of Richmond received \$7,522,-223,000 from Federal reserve banks and other sources through the Gold Settlement Fund in 1926, while it paid out \$7,518,-933,000. The excess of receipts over disbursements resulted in a net increase for the year of \$3,290,000, leaving a balance of \$27,242,000 in the Fund at the close of business December 31, 1926. This is a graphic illustration of the magnitude of exchange settlements through that marvelous mechanism.

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

(000 omitted)				
District	Receipts from	Payments to	Total Settlements	Percentage of Total
Boston	\$ 179,819	\$ 172,707	\$ 352,526	3.43
New York	2,462,651	2,491,252	4,953,903	48.18
Philadelphia	785,204	811,210	1,596,414	15.53
Cleveland	648,455	576,649	1,225,104	11.92
Atlanta	526,255	428,786	955,041	9.29
Chicago	308,484	367,533	676,017	6.57
St. Louis	116,527	165,001	281,528	2.74
Minneapolis	15,623	8,541	24,164	.24
Kansas City	35,370	33,943	69,313	.67
Dallas	38,059	18,232	56,291	.55
San Francisco	49,917	40,877	90,794	.88
Totals.....	\$5,166,364	\$5,114,731	\$10,281,095	100.
Settlements between Head Office and Branch:				
Richmond	\$1,135,519	\$1,054,752	\$2,190,271	
Baltimore	1,054,752	1,135,519	2,190,271	
Totals.....	\$7,356,635	\$7,305,002	\$14,661,637	

The percentages of settlements with New York, Philadelphia, Chicago, Kansas City and San Francisco were higher in 1926 than in 1925, while the percentages with all other districts decreased last year. We received more than we paid to Boston, Cleveland, Atlanta, Minneapolis, Kansas City, Dallas and San Francisco, while we paid to more than we received from New York, Philadelphia, Chicago and St. Louis. Settlements with all districts except Minneapolis were in larger amounts in 1926 than those of 1925.

NON-CASH COLLECTIONS

The Collection Department of the Bank handled 185,248 non-cash items for member banks in 1926, having an aggregate value of \$244,284,493, as compared with 201,136 items amounting to \$236,341,688 handled in 1925. These items were notes, acceptances, drafts and securities.

WIRE TRANSFER OPERATIONS

Wire transfers of money, which are made for member banks without cost to them, are facilitated by the operation of the private leased wire connecting all Federal reserve banks and branches, and the Federal Reserve Board. Member banks used our facilities for transferring funds by wire 113,614 times in 1926, the total amount so transferred being \$4,219,893,299, as compared with 106,317 transfers aggregating \$3,975,049,800 made in 1925. There were 92,385 telegrams sent or received over the private wire during 1926.

NOTE ISSUES

The flow of Federal reserve notes into and out of circulation followed seasonal trends in 1926, gradually declining from the first of the year to July, and then rising to the high point of the year in December. Except for April, the average amount in circulation each month during 1926 was greater than in 1925 through September, but during October, November and December the average amount outstanding in 1926 was considerably below the average amount outstanding during the corresponding three months of the previous year. The fall expansion was less extensive in 1926 than in 1925, probably due chiefly to a smaller amount of cash being necessary to move the cotton crop of the Carolinas and Virginia, and to a lower price level. The average daily circulation in 1926 was \$77,631,423, as compared with \$78,026,007 in cir-

ulation throughout 1925, a decline of \$394,584 in spite of the fact that during eight months of 1926 the average amount outstanding was above the amount for the same months of 1925. On December 31, 1926, the volume of notes in actual circulation totaled \$84,320,380, as compared with \$93,111,750 on December 31, 1925.

CURRENCY AND COIN SERVICE

The Federal Reserve Bank of Richmond received \$458,354,554 in currency and coin from member banks in 1926, and \$34,590,392 from non-member banks. Shipments to member banks during the year totaled \$430,530,758, and \$7,294,149 were sent to non-members. The total amount of currency and coin received from or shipped to member and non-member banks in 1926 was \$930,769,853, a sum \$77,855,109, or 9.1 per cent, in excess of total shipments in 1925.

In shipments of currency and coin to or from member banks, the reserve bank defrays all shipping charges and insurance. It also pays the charges on remittances from non-member banks in settlement for cash letters, but all other shipments to or from non-member banks are made at the expense of the non-members involved in the transactions. Such other shipments are usually of the nature of Subtreasury transactions.

RESERVE POSITION

The ratio of cash reserves to deposit and note liabilities combined was lower every month last year than in 1925 except in May, July, September and December. The highest monthly average of the year was 73.98 per cent in December, and the lowest was 56.15 per cent in June. The December figure coincided with the point at which loans to member banks were lowest, and the June average coincided with the period of maximum loans. The average ratio for the year 1926 was 64.24 per cent, as compared with 67.56 per cent in 1925.

Average daily deposits totaled \$70,482,552 in 1926 and \$67,878,628 in 1925; average daily note circulation was \$77,631,423 in 1926 and \$78,026,007 in 1925; and daily average cash reserves totaled \$95,146,374 last year and \$98,569,739 the preceding year. Deposits averaged highest in November and lowest in June; note circulation was highest in December and lowest in July; and cash reserves were highest in December and lowest in June. The high and low months for both deposits and note circulation were the same as in 1925, but

the high and low points for cash reserves were reached in January and July in 1925, respectively.

CHANGES IN MEMBERSHIP

Membership in the Federal Reserve System in the Fifth District declined during 1926 from 607 banks to 589 banks. Four banks joined the System during the year, but 22 members were lost through liquidations or mergers, a net decrease of 18 members. At the end of 1926 there were 533 National bank members and 56 State bank members in the District. The 56 State bank members had 35 branches at the end of the year. Increased capital and surplus, with the new member banks, added 7,503 shares of stock of the reserve bank to the members' holdings during 1926, while liquidations, mergers and withdrawals deducted 5,465 shares, a net gain of 2,038 shares during the year. On December 31, 1926, the shares in this Bank owned by member banks numbered 121,888, as compared with 119,850 shares held on December 31, 1925. Thus the net increase in the paid-up capital of the Bank during 1926 was \$101,900.

BANK RELATIONS DEPARTMENT

During 1926 the members of the Bank Relations Department made 424 visits to member banks and 186 visits to non-members, a total of 610 visits. In general, the work done in 1926 was divided into two distinct parts. The first half of the year was chiefly devoted to bank relations work strictly, but the latter half was almost entirely given over to special cases as they developed. Some banks were visited a number of times. Many meetings were held with Boards of Directors. Much attention was given directly to collections from failed member banks, especially in South Carolina, with results that justified the time and expense expended.

During the year the Department made an analysis of the method used by member banks in computing reserve requirements, which enabled the Bank to correct some irregularities that had existed prior to the analysis.

One or more representatives of the Relations Department attended all bankers' conventions held in the Fifth District in 1926, and a number of group meetings were also attended. Frequent visits to Washington were made, for conferences with the Chief National Bank Examiner and other officials of the Comptroller's office in reference to certain National banks in the District. The cordial relations maintained with the Comptroller's office were mutually helpful.

BANK EXAMINATION DEPARTMENT

The Examination Department consists of four examiners, a clerk, and one stenographer, under the personal supervision of the Assistant Federal Reserve Agent.

Continuing the policy adopted in 1923, the Examination Department chiefly concerned itself during 1926 with credit investigations of member banks, making formal examinations only in cases of banks applying for membership in the Federal Reserve System. The investigations covered every credit line of importance in the banks under consideration, and have proven satisfactory. Nearly all investigations were made in co-operation with State Banking Departments, with which cordial relations have been maintained.

Examinations and credit investigations were made during 1926 as follows:

	Banks	Branches
Credit investigations made at time bank was being examined by State Bank Examiners.....	66	18
State banks examined in connection with their applications for membership.....	1	
Special investigation of State bank in connection with application for membership.....	1	
Independent credit investigations of National banks.....	1	
Total.....	69	18

STOCKHOLDERS' ANNUAL MEETING

The stockholders of the Federal Reserve Bank of Richmond held their second annual meeting on April 14, 1926. Among those present were George R. James, of the Federal Reserve Board; Carter Glass, U. S. Senator from Virginia and Ex-Secretary of the Treasury; W. P. Folger, Chief National Bank Examiner for the Fifth Federal Reserve District; eight Directors of this Bank, all Directors of the Baltimore Branch, and 156 delegates representing 120 member banks. Mr. Henry M. Victor, of Charlotte, N. C., who was elected Chairman at the first stockholders' meeting in 1925, presided, and Wm. W. Hoxton, Chairman of the Board, welcomed the delegates to Richmond. Addresses were delivered by Chairman Victor, George R. James, of the Federal Reserve Board, Senator Carter Glass, and George J. Seay, Governor of this Bank. Opportunity for general discussion was offered. New officers for 1926-1927 were elected as follows: Chairman, Charles M. Gohen, First-Huntington National Bank, Huntington, W. Va.; Vice-Chairman, John Poole, Federal-American National Bank, Washington, D. C.; and Secretary, George H. Keesee, Federal

Reserve Bank of Richmond. Chairman Victor was made an ex-officio member for one year of the Advisory Committee, and six new members were chosen for two year terms.

INTERNAL ORGANIZATION

The Board of Directors held twelve regular meetings in 1926. In the annual fall election, member banks in Group 3 re-elected L. E. Johnson, of Alderson, W. Va., as a Class A director, and the banks in Group 2 re-elected D. R. Coker, of Hartsville, S. C., as a Class B director. The Federal Reserve Board reappointed Wm. W. Hoxton as a Class C director. All of these gentlemen will serve three years from January 1, 1927. The Board redesignated Wm. W. Hoxton as Chairman of the Board and Federal Reserve Agent for the year 1927, and also redesignated Frederic A. Delano as Deputy Chairman.

The Board of Directors, at the December meeting, re-elected John F. Bruton, President of the First National Bank of Wilson, N. C., as the representative on the Federal Advisory Council for the Fifth District, and designated James C. Braswell, of Rocky Mount, N. C., as alternate to attend the meetings of the Council whenever Colonel Bruton for any reason may not be able to be present.

There were no changes in the official personnel at the Head Office or at the Baltimore Branch in 1926. During the year 1926, the total number of employees of the Federal Reserve Bank of Richmond, including the Baltimore Branch, decreased from 576 to 541, a net decrease of 35, of whom 21 were at Richmond and 14 at Baltimore. Of the 541 officers and employees at Richmond and Baltimore on December 31, 1926, the salaries of 14 employees were reimbursed to the Bank compared with 13 persons so paid of the 576 employees on the rolls at the end of 1925.

BALTIMORE BRANCH

There are 155 member banks in the territory served by the Baltimore Branch, which comprises the State of Maryland and thirty counties in northern West Virginia.

The actual number and amount of all transactions of the Baltimore Branch are included in the aggregate volume reported by the Head Office. Due to an increase in the number of checks handled by the Transit Department, the physical volume of business conducted through the Branch during 1926 was larger in the aggregate than in 1925, although a smaller number of transactions were handled in several departments. The number of employees at the Branch, including officers,

decreased from 176 on December 31, 1925, to 162 at the close of 1926.

The working conditions at the Baltimore Branch were not changed during the year 1926, the operations being conducted in three separate buildings. However, a resolution was passed by Congress in April 1926, which authorized the Federal Reserve Bank of Richmond to invest not exceeding \$1,025,000 of its funds in a building for its Baltimore Branch for the conduct of its entire operations. Substantial progress had been made at the close of 1926 in the development of the plans and specifications for the building, and it is expected that the actual construction will begin within a few months.

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 1926:

Name of Bank	Location	Date Granted
The Franklin National Bank.....	Washington, D. C.....	10-20-26
First National Bank.....	Cumberland, Md.....	11- 3-26
First National Bank.....	Snow Hill, Md.....	3-23-26
The Towson National Bank.....	Towson, Md.....	4-21-26
Peoples National Bank.....	Bedford, Va.....	10-28-26
First National Bank.....	Crewe, Va.....	5-18-26
First National Bank of Emporia.....	Emporia, Va.....	9-15-26
National Bank of Fairfax.....	Fairfax, Va.....	11- 2-26
First National Bank of Farmville.....	Farmville, Va.....	4- 8-26
Rockingham National Bank.....	Harrisonburg, Va.....	9- 2-26
First National Bank.....	Martinsville, Va.....	1-28-26
Virginia National Bank.....	Norfolk, Va.....	1-19-26
The Citizens National Bank.....	Orange, Va.....	8-23-26
Old Point National Bank.....	Phoebus, Va.....	11-30-26
Shenandoah Valley Nat'l Bank (x).....	Winchester, Va.....	11-30-26
McDowell County National Bank.....	Welch, W. Va.....	1-28-26
The First National Bank.....	Williamson, W. Va.....	11- 2-26
First National Bank.....	Asheboro, N. C.....	3-23-26
First National Bank.....	Monroe, N. C.....	9- 2-26
First National Bank.....	Reidsville, N. C.....	3- 9-26
The South Carolina National Bank.....	Charleston, S. C.....	5-24-26
Peoples-First National Bank.....	Charleston, S. C.....	5-11-26
First National Bank (†).....	Springfield, S. C.....	11- 2-26
The National Bank of Sumter.....	Sumter, S. C.....	6- 2-26
Nat'l Bank of Charlottesville (x).....	Charlottesville, Va.....	12- 7-26

(x) Supplementary powers.

(†) Guardian of Estates.

FISCAL AGENCY OPERATIONS

The volume of work done by the Federal Reserve Bank of Richmond as Fiscal Agent of the United States was smaller

in 1926 than in 1925 in every branch of the work. There were only two issues of Treasury Certificates of Indebtedness and one issue of Treasury Bonds during 1926. Total subscriptions in the Fifth District amounted to \$97,622,000, of which \$34,553,900 was allotted. Including deliveries, redemptions and exchanges of Certificates of Indebtedness, Treasury Notes and Treasury Bonds, 13,722 pieces, amounting to \$58,228,100 were handled during the year. The exchange, conversion, transfer and redemption of Liberty Bonds, Victory notes, Farm Loan Bonds and Federal Intermediate Credit Bank Debentures required the handling of 36,783 pieces, amounting to \$28,495,650. War Savings securities redeemed and prepared for redemption numbered 6,334 Certificates (40,562 stamps), with a cash value of \$155,821.

An analysis of the United States Treasurer's general account with the Bank shows that on January 1, 1926, the Treasurer had a balance of \$1,674,781. Receipts for the credit of the Treasurer during the year totaled \$764,147,309, while disbursements totaled \$765,088,400, leaving a balance due the Treasurer on December 31, 1926, of \$733,690.

NOTE

For a more complete statistical presentation of the operations of the Federal Reserve Bank of Richmond during 1926, the reader is referred to the tables in Part II of the Annual Report of the Federal Reserve Board for 1926.