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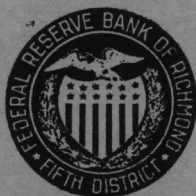
THIRTEENTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1927



WM. W. HOXTON  
Chairman and Federal Reserve Agent

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**FEDERAL RESERVE BANK  
OF RICHMOND**

February 24, 1928.

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

**GENTLEMEN:**

I have the honor to submit herewith the Thirteenth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1927.

Respectfully,

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

**DIRECTORS AND OFFICERS**  
**OF THE**  
**FEDERAL RESERVE BANK OF RICHMOND**  
**For Year 1928**

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**DIRECTORS**

**Class A**

JAMES C. BRASWELL, 1928,  
ROCKY MOUNT, N. C.  
  
L. E. JOHNSON, 1929,  
ALDERSON, W. VA.  
  
CHAS. E. RIEMAN, 1930,  
BALTIMORE, MD.

**Class B**

EDWIN C. GRAHAM, 1928,  
WASHINGTON, D. C.  
  
D. R. COKER, 1929,  
HARTSVILLE, S. C.  
  
EDMUND STRUDWICK, 1930,  
RICHMOND, VA.

**Class C**

WM. W. HOXTON, 1929,  
CHAIRMAN OF THE BOARD,  
RICHMOND, VA.  
FREDERIC A. DELANO, 1930,  
DEPUTY CHAIRMAN,  
WASHINGTON, D. C.  
ROBERT LASSITER, 1928,  
CHARLOTTE, N. C.

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**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 AGENT.

J. G. FRY,  
ASSISTANT FEDERAL RESERVE AGENT.

T. F. EPES,  
AUDITOR.

ALBERT S. JOHNSTONE,  
MANAGER, PERSONNEL AND SERVICE.  
JOHN T. GARRETT,  
MANAGER, BANK RELATIONS DEPT.

W. W. DILLARD,  
EDWARD WALLER, JR.,  
ASSISTANT CASHIERS.

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**COUNSEL**

MAXWELL G. WALLACE

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**MEMBER FEDERAL ADVISORY COUNCIL**

JOHN F. BRUTON, 1928,  
WILSON, N. C.

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**BALTIMORE BRANCH**  
**DIRECTORS**

A. H. DUDLEY, BALTIMORE, MD., 1928.  
LEVI B. PHILLIPS, CAMBRIDGE, MD., 1928.  
CARTER G. OSBURN, BALTIMORE, MD., 1929.  
H. B. WILCOX, BALTIMORE, MD., 1930.  
WM. H. MATTHAI, BALTIMORE, MD., 1928.  
EDMUND P. COHILL, HANCOCK, MD., 1929.  
NORMAN R. JAMES, BALTIMORE, MD., 1930.

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**OFFICERS**

A. H. DUDLEY, MANAGING DIRECTOR.  
M. F. REESE, CASHIER.  
THOMAS I. HAYS, ASSISTANT CASHIER.  
JOHN R. CUPIT, ASSISTANT CASHIER.

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**CHARLOTTE BRANCH**  
**DIRECTORS**

HUGH LEACH, CHARLOTTE, N. C., 1928.  
W. H. WOOD, CHARLOTTE, N. C., 1928.  
W. J. RODDEY, SR., ROCK HILL, S. C., 1929.  
ROBT. GAGE, CHESTER, S. C., 1930.  
JOHN LINDSAY MOREHEAD, CHARLOTTE, N. C., 1928.  
C. A. CANNON, CONCORD, N. C., 1929.  
JOHN A. LAW, SPARTANBURG, S. C., 1930.

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**OFFICERS**

HUGH LEACH, MANAGING DIRECTOR.  
W. T. CLEMENTS, CASHIER.

## **THIRTEENTH ANNUAL REPORT FEDERAL RESERVE BANK OF RICHMOND**

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### **GENERAL BUSINESS CONDITIONS**

The aggregate volume of business transacted in the Fifth Federal Reserve District in 1927 was moderately below the high level reached in 1926, although the tobacco and textile industries had a better year in the more recent period. Probably the chief factor which adversely affected business was the decline in construction work in the cities, which dropped approximately a third under the total for the preceding year. The building industry, which is an important factor in the general business and credit situation, also influences the volume of employment and pay rolls and consequently the activity of retail and wholesale trade. Manufacturing output of some industries is, in turn, influenced to some extent by the rate at which merchandise is passing through the channels of trade to the consumer.

There was a considerable amount of unemployment in the Fifth District in 1927, principally among building trades and industrial workers, and retail trade felt the effects seriously enough to drop moderately below the volume in 1926. Wholesale trade in most lines was also in smaller volume last year.

Commercial failures increased 12 per cent in number in 1927 over 1926 in the territory embraced in the Fifth Reserve District, and liabilities involved rose 45 per cent. Bituminous coal production decreased in the Fifth District last year, notwithstanding the fact that the strike in the union fields was a factor in sustaining production in the non-union mines in West Virginia. Debits to individual, firm and corporation accounts declined only slightly, but were probably influenced by frequent shifts of investment and speculative funds in stock market operations.

Textile mills in the Carolinas and Virginia did a considerably larger volume of business in 1927 than in 1926, and it was not quite so much of a hand-to-mouth character. Cotton consumed by Fifth District mills last year totaled 13 per cent more than in the preceding year. Manufacturers of tobacco products were busy in 1927, and operated full time. Several new plants were opened and others expanded their facilities.



On the whole, the year 1927 was more favorable than the preceding year in agricultural lines. The cotton crop of the district was nearly a fourth smaller than the 1926 crop, but prices last fall were much higher than the year before and cotton growers received more for the smaller crop. The yield was unevenly distributed, however, and about half of South Carolina had one of the smallest crops on record. The fruit crop was severely cut in 1927 by late frosts in the spring, but prices at harvesting time were excellent, and the growers did not suffer materially. The tobacco crops of the two Carolinas were very large, and the Virginia yield was good. Tobacco prices were remunerative. The farmers of the district raised larger crops of hay, corn, and other feed and food crops than in 1926, and in addition the crops of 1927 were economically grown. With the exception of the counties in lower South Carolina which are almost wholly dependent upon cotton, the year 1927 was a better than average year for agriculture.

### VOLUME OF BUSINESS

Credit demands of the member banks were smaller at the Federal Reserve Bank of Richmond in 1927 than in 1926, but the clearing operations, non-cash collections, current receipts and shipments, wire transfers of funds, and Fiscal Agency operations all increased materially over 1926. On the whole, the volume of business handled was the largest in the history of the bank.

The number of bills discounted or bought in 1927 declined 27.45 per cent in comparison with 1926, and the amount involved dropped 41.13 per cent. The volume of checks cleared through the Transit Department increased 4.82 per cent, but the aggregate amount involved declined 3.04 per cent. Non-cash collection items handled in 1927 increased 19.31 per cent in number and rose 13.87 per cent in amount. The number of pieces of currency received and counted increased 1.44 per cent and the amount rose eighty-four hundredths of 1 per cent, but the number of coins received and counted declined 3.17 per cent and the amount dropped 1.72 per cent. Wire transfers of money rose 1.52 per cent in number and 13.40 per cent in amount in comparison with 1926. Fiscal Agency work for the Federal Government, chiefly in connection with the redemption and refunding of the 2nd Liberty Loan, increased last year more than the work of any other department of the Bank, the number of U. S. Securities received, issued, redeemed, cancelled or exchanged increasing 132.65 per cent and the amount involved rising 248.87 per cent in comparison with the figures of 1926.

The following table shows the volume of work handled in the principal departments during the year 1927, as compared with the year 1926:

	1927	1926	Per Cent of Increases or Decreases
<b>BILLS DISCOUNTED AND BOUGHT:</b>			
Number .....	50,278	69,302	— 27.45
Amount .....	\$ 1,661,347,700	\$ 2,821,870,280	— 41.13
<b>CHECKS HANDLED BY TRANSIT DEPARTMENT:</b>			
Number .....	52,859,000	50,430,000	+ 4.82
Amount .....	\$13,502,105,000	\$13,924,751,000	— 3.04
<b>NON-CASH COLLECTIONS HANDLED:</b>			
Number .....	221,020	185,248	+ 19.31
Amount .....	\$ 278,156,347	\$ 244,284,493	+ 13.87
<b>CURRENCY RECEIVED AND COUNTED:</b>			
*Number of pieces.....	103,555,000	102,084,000	+ 1.44
*Amount .....	\$ 528,294,000	\$ 523,891,000	+ .84
<b>COINS RECEIVED AND COUNTED:</b>			
*Number of pieces.....	151,485,000	156,440,000	— 3.17
*Amount .....	\$ 15,078,000	\$ 15,342,000	— 1.72
<b>TELEGRAPHIC TRANSFERS OF FUNDS FOR MEMBER BANKS:</b>			
Number .....	115,336	113,614	+ 1.52
Amount .....	\$ 4,785,486,063	\$ 4,219,893,299	+ 13.40
<b>FISCAL AGENCY—U. S. SECURITIES RECEIVED, ISSUED, REDEEMED, CANCELLED OR EXCHANGED:</b>			
Number .....	186,931	80,349	+132.65
Amount .....	\$ 234,948,378	\$ 67,345,421	+248.87

\* New currency and coin not included.

## FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of earnings, expenses, dividends, and surplus account for the year 1927:

	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted .....	\$ 23,429,306	\$2,460	\$ 897,943	.0383
Bills Purchased .....	19,592,121	1,821	664,528	.0339
U. S. Securities Held.....	13,064,779	1,148	418,946	.0321
Penalties and Miscellaneous Earnings .....		287	104,885	
Totals.....	\$ 56,086,206	\$5,716	\$ 2,086,302	
Current Expenses .....			1,379,402	
Current Net Earnings.....			\$ 706,900	
Account of Reserves, Depreciations, etc. ....			209,189	
Net Earnings Available for Dividends, Surplus and Franchise Tax.....			\$ 497,711	
Dividends Paid .....			\$ 372,230	
Transferred to Surplus Account .....			125,481	
Franchise Tax to U. S. Government .....			\$ 497,711	

The gross earnings of the Federal Reserve Bank of Richmond for the year 1927 were \$2,086,302, as compared with \$2,429,017 for 1926, a decrease of \$342,715. The decrease was due to the greatly reduced borrowing in 1927 by member banks, earnings from rediscounts declining 46 per cent in comparison with earnings from rediscounts in 1926. For several years the percentage of earnings derived from the rediscount of paper for member banks has steadily declined, and in 1927 made up only 43 per cent of gross earnings, compared with 69 per cent in 1926, 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 1927 was .0353, the lowest rate for any year since 1917, when the rate was .0347.

Current expenses of the Federal Reserve Bank of Richmond totaled \$1,379,402 in 1927, a decrease of \$4,537 under the total of \$1,383,939 in 1926, and less than in any year since 1919, notwithstanding the additional expense incident to the opening of the Charlotte Branch. Current net earnings for 1927 totaled \$706,900, as compared with \$1,045,078 for 1926, a decrease of \$338,178. After the proper transfers from net earnings to reserve, depreciation and miscellaneous accounts and the payment of dividends to member banks on capital stock, there remained \$125,481 available for surplus

and franchise tax. The \$125,481 being insufficient to bring the surplus account up to 100 per cent of subscribed capital stock, as provided in the Federal Reserve Act, no franchise tax was paid to the U. S. Government for 1927.

## EXPENSES OF OPERATION IN 1927

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 a large majority 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 operation of the Federal Reserve Bank of Richmond for the year 1927, divided according to functions, were as follows:

### CURRENCY AND COIN

The cost of receiving and handling 144,932,738 pieces of currency aggregating \$655,405,000, of which 103,554,948 pieces had been in circulation and had to be sorted and counted; paying or shipping out 145,439,652 pieces of currency aggregating \$658,131,000; receiving and handling 160,488,062 pieces of coin aggregating \$15,793,000; paying or shipping out 161,288,847 pieces of coin aggregating \$15,653,000 was ..... \$114,363.46

The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to..... 113,815.88

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..... 79,829.61

Total Cost..... \$ 308,008.95

### LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 383 member banks: 38,109 notes aggregating \$1,500,300,000, were received, examined and discounted; 39,706 notes collateral to member

bank notes aggregating \$905,472,000 were received, examined, and handled; 4,888 pieces of marginal or excess collateral, aggregating \$12,819,000, were received, examined and handled; 12,169 banker's acceptances, aggregating \$159,807,000, were purchased in the open market; includes the cost of special handling accorded 7,119 notes aggregating \$79,140,000 paid before maturity and the unearned discount rebated; also includes the cost of credit investigations, securing and analyzing commercial and bank statements, maintaining credit files, etc. .... \$ 48,501.01

The cost of effecting 1,295 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$14,413,000 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 62,034 pieces aggregating \$486,034,000; shipping 71,054 pieces aggregating \$492,122,000; holding in our vaults throughout the year securities, deposited by member banks as collateral to discounts or for safe-keeping, ranging from \$47,100,000 to \$67,700,000 was ..... 11,300.04

Total Cost ..... \$ 59,801.05

#### TRANSIT AND COLLECTIONS

Handling and collecting 51,232,000 checks, aggregating \$13,313,177,000 cost ..... \$188,913.55  
 Receiving, examining, paying and listing according to Treasury regulations 1,627,000 government checks, aggregating \$188,928,000, and shipping them to Washington cost ..... 5,691.45  
 Handling 973,508 checks aggregating \$63,958,000 returned unpaid for various reasons cost.. 15,089.26  
 Handling 221,020 non-cash collection items (maturing notes, drafts, coupons, etc.), aggregating \$278,156,000 cost ..... 30,390.58

Total Cost ..... \$ 240,084.84

#### ACCOUNTING

This function includes:

The general books, capital stock records, issuing and recording official checks, and the detail daily 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 \$15,678,000,000 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 115,336 aggregating \$4,785,486,000.

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..... \$ 117,002.17

#### 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 1,189,827 government coupons aggregating \$11,670,000 cost.....\$ 4,673.91

Fiscal Agency work for the U. S. Government principally relating to the issue of 27,647 pieces of government securities amounting to \$105,830,000; the redemption of 117,694 pieces amounting to \$93,007,000; the exchange and transfer of 42,193 pieces amounting to \$46,498,000; the redemption of war savings and thrift stamps, 9,129 pieces amounting to \$10,200; 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 \$34,300,000 to \$86,500,000, cost..... 32,194.60

Total Cost.....\$ 36,868.51

Reimbursed by the Treasury Department..... 14,847.13

Net Cost to the Bank..... \$ 22,021.38

#### GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

Official salaries and supervisory expenses.....\$116,809.55

Directors' fees and traveling expenses..... 7,245.26

Governors', Federal Reserve Agents' and Federal Advisory Council conferences..... 1,076.17

Our proportion of the expenses of the Federal Reserve Board ..... 40,173.14

Operation of the banking houses at Richmond, Baltimore and Charlotte (includes salaries of superintendent, mechanics, firemen, janitors, elevator operators, etc., and rent, light and power, heat, taxes, fire insurance, repairs and alterations, etc.) ..... 111,041.13

The provision of personnel..... 20,253.43

Legal expenses ..... 7,720.38

Maintaining the general audit of the Bank and Branches ..... 23,964.75

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.....	49,905.73
Bank relations work; visiting, and advising, and conferences with member and non-member banks .....	20,614.45
Handling incoming and outgoing ordinary and registered mail .....	22,780.78
Protection—Salaries of special officers and watchmen, and other protective services.....	48,403.09
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.....	65,910.40
Shipping charges (postage and insurance) on securities .....	2,659.95
Postage on ordinary mail.....	65,202.84
Insurance—Employees' group life, Employees' fidelity, Bankers' blanket bond and burglary, Workmen's compensation, Fire—equipment and supplies, and Automobile.....	20,244.24
<b>Total Cost.....</b>	<b>\$ 624,005.29</b>
<b>Total Operating Expense* .....</b>	<b>\$1,370,923.68</b>

\* NOTE: The total Operating Expense during 1927 was \$8,478.79 less 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 purchased during the year and charged to the Current Expense account, over the amount of such supplies actually used during the year and charged to the proper functions in the above statement of Operating Expenses.

## DISCOUNT OPERATIONS

The Federal Reserve Bank of Richmond discounted paper totaling \$1,500,330,256 for member banks in 1927, as compared with \$2,732,649,373, in 1926, a decrease of approximately 45 per cent. The average amount of paper under discount is a better measure of the actual credit extended to member banks than the total volume of discounts for the year, since the amount is swollen by repeated offerings of very short time paper. The daily average was \$23,417,517 in 1927 and \$41,855,268 in 1926, a decrease of about 44 per cent during the later year. The banks in all of the six geographical divisions in the district used reserve bank credit less extensively in 1927 than in 1926. The following table shows by states the daily average amount of paper under discount at the



Richmond Bank during the year 1927, and in comparison with 1926:

States	1927	1926	Per Cent of Increase or Decrease
Maryland .....	\$ 4,422,399	\$ 5,464,527	—19.07
District of Columbia.....	636,169	1,799,481	—64.65
Virginia .....	7,306,535	12,858,552	—43.18
West Virginia .....	2,668,291	4,421,710	—39.65
North Carolina .....	5,472,248	12,101,601	—54.78
South Carolina .....	2,911,875	5,209,397	—44.10
Fifth District .....	\$23,417,517	\$41,855,268	—44.05

Of the total volume of 1927 discounts, 45.42 per cent was secured by Government obligations, and the remaining 54.58 per cent was made up of member banks' notes largely secured by customers' paper eligible for rediscount or of unsecured rediscounts of customers' notes. In 1926, 54 per cent of all discounts was secured by Government obligations, while 46 per cent was otherwise secured or unsecured.

On December 31, 1927, the total of discounted paper held by the Bank was \$25,424,125. In addition to the paper under discount at the end of the year, the Bank held \$48,837,224 in bankers' acceptances purchased from member banks and in the open market, and \$12,451,700 in Government securities, bringing the total of earning assets on December 31st up to \$86,713,049, in comparison with total earning assets amounting to \$43,722,064 held on December 31, 1926.

Three hundred eighty-three member banks discounted paper with the Federal Reserve Bank of Richmond at some time in 1927, and at the end of the year 162 of the 569 member banks were being accommodated.

The discount rate at the Bank on all classes of eligible paper was 4 per cent from January 1, 1927, to August 16th, on which date the rate was lowered to 3½ per cent, remaining at that figure the balance of the year.

## ACCEPTANCES

Trade acceptances amounting to \$1,030,421 were discounted for member banks in 1927, compared with \$1,882,759 of the same class of paper discounted in 1926 and \$3,747,151, in 1925. 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 Bank depending upon the necessity for rediscounting as well as upon the volume of trade acceptances held by member banks. The decrease in acceptances dis-

counted last year in comparison with 1926 was almost exactly the same in percentage as the decline in total discounts.

The Federal Reserve Bank of Richmond purchased a total of \$161,017,444 of bankers' acceptances in 1927, of which \$49,941,797 were bought from member banks, \$89,363,781 from dealers and non-member banks, \$1,210,832 in sterling bills through the Bank of England, and \$20,501,034 from other reserve banks. In 1926, this Bank purchased bankers' acceptances amounting to \$31,709,202 from member banks, \$49,464,466 from dealers, and \$8,047,237 from other reserve banks, a total of \$89,220,905.

### CHECK COLLECTIONS

The Transit Department handled 52,859,000 cash items in 1927, totaling in amount \$13,502,105,000, compared with 50,430,000 items and an amount totaling \$13,924,751,000 handled in 1926. Thus the number of items handled last year was 2,429,000 more than in 1926, and greater than in any other year, but the amount handled in 1927 declined \$422,646,000 from 1926. With a larger number of items and a smaller total value, the average amount of each item dropped to \$255 last year in comparison with \$276 during 1926. The average number of items handled each working day in 1927 was 175,030, amounting to \$44,708,957, compared with 166,987 items totaling \$46,108,447 handled daily in 1926. Of the 52,859,000 items handled in 1927, 4,387,000 were forwarded to other Federal reserve banks and branches, and 1,627,000 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 229,954, totaling in amount \$2,207,073,100, as compared with 221,764 cash letters amounting to \$2,188,709,800 sent direct to other districts in 1926. 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 \$7,835,874,000 from Federal reserve banks and other sources through the Gold Settlement Fund in 1927, while it paid out \$7,842,305,000. The excess of disbursements over receipts resulted in a net decrease for the year of \$6,431,000, leaving a balance of \$20,811,000 in the Fund to the credit of this Bank at the close of business December 31, 1927.

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 .....	\$ 164,887	\$ 186,608	\$ 351,495	3.30
New York .....	2,716,601	2,726,734	5,443,335	51.18
Philadelphia .....	776,237	786,731	1,562,968	14.70
Cleveland .....	640,381	572,192	1,212,573	11.40
Atlanta .....	437,488	406,694	844,182	7.94
Chicago .....	316,999	345,396	662,395	6.23
St. Louis .....	123,396	184,842	308,238	2.90
Minneapolis .....	16,048	5,525	21,573	.20
Kansas City .....	32,217	29,481	61,698	.58
Dallas .....	40,449	27,126	67,575	.64
San Francisco .....	54,223	44,723	98,946	.93
<b>Totals.....</b>	<b>\$5,318,926</b>	<b>\$5,316,052</b>	<b>\$10,634,978</b>	<b>100.</b>
<b>Settlements between Head Office and Branches:</b>				
Richmond .....	\$1,229,355	\$1,123,046	\$ 2,352,401	
Baltimore .....	1,078,566	1,182,375	2,260,941	
Charlotte .....	48,309	50,809	99,118	
<b>Totals.....</b>	<b>\$7,675,156</b>	<b>\$7,672,282</b>	<b>\$15,347,438</b>	

The percentages of settlements with New York, St. Louis, Dallas and San Francisco were higher in 1927 than in 1926, the chief increase being in the percentage of business transacted with New York, which comprised more than half the total of all settlements. We received more from than we paid to Cleveland, Atlanta, Minneapolis, Kansas City, Dallas and San Francisco, while we paid more to than we received from Boston, New York, Philadelphia, Chicago and St. Louis. Settlements with the New York, St. Louis, Dallas and San Francisco districts were larger last year than in 1926, but the settlements with the other seven districts were smaller in 1927. The total for all districts was approximately half a billion dollars larger in 1927 than in the preceding year, nearly all of the increases occurring in the settlements between Richmond and New York.

### NON-CASH COLLECTIONS

The Collection Department of the Bank handled 221,020 non-cash items for member banks in 1927, having an aggre-

gate value of \$278,156,347, as compared with 185,248 items amounting to \$244,284,493 handled in 1926. 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 wires connecting all Federal reserve banks and branches, and the Federal Reserve Board. Member banks used our facilities for transferring funds by wire 115,336 times in 1927, the total amount so transferred being \$4,785,486,063, as compared with 113,614 transfers aggregating \$4,219,893,299 made in 1926. There were 100,125 telegrams sent or received over the private wire during 1927.

### NOTE ISSUES

The flow of Federal reserve notes into and out of circulation followed a seasonal trend in 1927, gradually declining from an average of \$78,623,183 in January to \$59,001,742 in August, and then rising to the high point of the year in December, when the average was \$79,830,211. The average amount of circulation was smaller in all months of 1927 than in the corresponding months of 1926. The low point of the year, reached in August, was \$12,390,557 less than the low average reached in July 1926, and the average for the twelve months of 1927 was \$8,377,345 less than the monthly average in 1926. Average circulation in 1927 totaled \$69,254,078, compared with an average of \$77,631,423 in actual circulation in 1926. On December 31, 1927, the volume of notes in actual circulation totaled \$77,404,985, as compared with \$84,320,380 on December 31, 1926.

### CURRENCY AND COIN SERVICE

The Federal Reserve Bank of Richmond received \$475,-116,717 in currency and coin from member banks in 1927, and \$33,588,755 from non-member banks. Shipments to member banks during the year totaled \$444,946,287, and \$6,588,319 were sent to non-members. The total amount of currency and coin received from or shipped to member and non-member banks in 1927 was \$960,240,078, a sum \$29,470,225, or 3.17 per cent, in excess of total shipments in 1926.

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 concerned in the transactions. Such other shipments are usually of the nature of Subtreasury transactions.

### RESERVE POSITION

During each of the first eight months of 1927, the ratio of cash reserves to deposit and note liabilities combined was higher than during the corresponding month of 1926, but in September the Bank largely increased its purchases of bankers' acceptances and Government securities, which reduced its cash holdings, with the result that during the last four months of the year the reserve ratio was lower than during the last four months of 1926. Holdings of open market paper and Government securities last year influenced the reserve ratio more than in the preceding year, discounts for member banks in 1927 making up a much smaller percentage of total earning assets than is usually the case. Combined holdings of acceptances and Government securities averaged approximately \$20,500,000 during the first eight months of 1927, but in the last four months the average holding of the same class of paper was about \$57,000,000. At the same time, the average monthly holdings of discounts for members rose only about \$3,000,000. The highest monthly average reserve ratio of the year was 77.79 per cent in March, and the lowest was 45.82 per cent in October. The October figure coincided with the point at which loans to member banks were highest, but the March average did not coincide with the period of minimum loans, which was in August. The average ratio for the year 1927 was 64.79 per cent, as compared with 64.24 per cent in 1926.

Average daily deposits totaled \$73,460,724 in 1927 against \$70,482,552 in 1926; average daily note circulation was \$69,254,078 in 1927 and \$77,631,423 in 1926; and daily average cash reserves totaled \$92,461,309 last year and \$95,146,374 the preceding year. Deposits averaged highest in November and lowest in March; note circulation was highest in December and lowest in August; and cash reserves were highest in January and lowest in October.

### CHANGES IN MEMBERSHIP

Membership in the Federal Reserve System in the Fifth District declined during 1927 from 589 banks to 569 banks. Two banks joined the System during the year, both newly organized institutions, but 22 members were lost through liquidations or mergers, a net decrease of 20 members. At the end of 1927 there were 517 National bank members and



52 State bank members in the district. Increased capital and surplus and the subscriptions of new member banks, added 7,489 shares of stock of the reserve bank to the members' holdings during 1927, while liquidations, mergers and withdrawals deducted 4,332 shares, a net gain of 3,157 shares during the year. On December 31, 1927, the shares in this Bank owned by member banks numbered 125,045, as compared with 121,888 shares held on December 31, 1926. The net increase in the paid-up capital of the Bank during 1927 was \$157,850, notwithstanding the loss of 20 member banks.

### **BANK RELATIONS DEPARTMENT**

The work of the Bank Relations Department for the year 1927 was curtailed somewhat in comparison with previous years, only 129 visits being made. The number of visits, however, is not a fair indication of the importance of the work accomplished. Many of the visits reported for this period were made in special cases which consumed a great deal of time.

The Bank Relations Department of this Bank was formally organized in February, 1922, from which date through the year 1927 total visits to member and non-member banks in this district were thirty-five hundred and seventeen. The district, therefore, has been well covered, and it was the judgment of the executive officers of the Bank that the work for 1927 be confined principally to special cases.

As in former years, one or more representatives of this Department attended each State banking convention held in the district throughout the year. Representatives were also present at a number of group meetings held by the various State banking associations.

It is intended within the coming year to resume normal activities among banks in this district, undertaking to visit, within the year 1928, all member banks if practicable. It has always been our practice to visit non-member banks located in the same town with member banks whenever the occasion presents itself.

### **BANK EXAMINATION DEPARTMENT**

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

During 1927, the Examination Department made independent examinations and assisted in examinations made by State and National bank examiners, but continuing the policy adopted in 1923, the Department concerned itself chiefly with

credit investigations of member banks. These investigations covered every credit line of importance in the banks under consideration, and have proven satisfactory. Nearly all investigations were made at the time the banks were under examination by State examiners, with whom cordial relations have been maintained.

Examinations and credit investigations were made during 1927 as follows:

	Banks	Branches
Credit investigations made at time banks were being examined by State bank examiners.....	53	22
Special credit investigations made at time bank was being examined by State bank examiners.....	1	
Independent examination of State member bank.....	1	1
Examination of State member banks in which our examiners participated .....	7	4
Examination of National banks in which our examiners participated .....	1	
Credit investigation of non-member bank in connection with application of State member bank for permission to merge .....	1	
Special visits .....	2	2
Totals.....	66	29

### STOCKHOLDERS' ANNUAL MEETING

The stockholders of the Federal Reserve Bank of Richmond held their third annual meeting at the bank on May 13, 1927. Governor Lynn R. Talley, of the Federal Reserve Bank of Dallas, was a guest, and 140 representatives of 115 member banks attended. In addition, all directors of both the Federal Reserve Bank of Richmond and of the Baltimore Branch were in attendance. Mr. Charles M. Gohen, of Huntington, W. Va., General Chairman, presided over the meeting, and Mr. Wm. W. Hoxton, Chairman of the Board, welcomed the delegates to Richmond and the Bank. Addresses were delivered by Chairman Gohen, George J. Seay, Governor of the Bank, Lynn P. Talley, Governor of the Federal Reserve Bank of Dallas, and Maxwell G. Wallace, Counsel for the Federal Reserve Bank of Richmond. Victor B. Deyber, of Washington, read the report of the Advisory Committee. Opportunity for general discussion was offered after each address. After a resolution changing the titles of General Chairman and Vice-Chairman to President and Vice-President, respectively, had been offered and adopted, new officers for 1927-1928 were elected as follows: President, John Poole, Federal-American National Bank, Washington, D. C.; Vice-President, C. E. Tiffany, Fauquier National Bank, Warrenton, Va.; and Secretary, George H. Keesee, Federal Reserve Bank of Richmond. Six new members of the Advisory Committee were chosen for two year terms.



## INTERNAL ORGANIZATION

The Board of Directors held twelve regular meetings in 1927. In the annual fall election, member banks in Group 1 re-elected Chas. E. Rieman, of Baltimore, Md., as a Class A director, and the same banks also re-elected Edmund Strudwick, of Richmond, Va., as a Class B director. The Federal Reserve Board reappointed Frederic A. Delano, of Washington, D. C., as a Class C director. All of these gentlemen will serve three years from January 1, 1928. The Board redesignated Wm. W. Hoxton as Chairman of the Board and Federal Reserve Agent for the year 1928, 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 Charles E. Rieman, of Baltimore, as alternate.

There were several changes in the official personnel of the Bank in 1927. On August 31st, George S. Sloan, Assistant Cashier at the Richmond office, resigned to accept a position with a member bank in Baltimore, of which he has since become a Vice-President. Upon the opening of the Charlotte Branch of the Federal Reserve Bank of Richmond on December 1st, Hugh Leach was transferred from Auditor at the Head Office to Managing Director of the new Branch, and W. T. Clements, of the Bank Relations Department, was made Cashier at Charlotte. Travis F. Epes, previously Manager of the Discount Department at Richmond, succeeded Mr. Leach as Auditor.

During the year 1927 there was a decrease of 42 in the total number of persons employed at the Head Office and a decrease of 4 at the Baltimore Branch. The Charlotte Branch, which opened on December 1st, had at the close of the year a force of 59 persons, of whom 28 had been transferred from the Richmond office and are included in the decrease in Richmond employees already mentioned. The total number of officers and employees at Richmond and Baltimore was 541 at the beginning of 1927, and on December 31, 1927, the personnel at Richmond, Baltimore and Charlotte numbered 554, an increase of only 13 persons, notwithstanding the operation of an additional branch at the end of the year.

## BALTIMORE BRANCH

The territory served by the Baltimore Branch comprises the State of Maryland and thirty counties in northern West Virginia. There are 155 member banks and 258 non-member

banks in the Baltimore territory. All of the non-member banks are on the par list.

The actual number and amount of all transactions of the Baltimore Branch are included in the aggregate volume reported by the Federal Reserve Bank of Richmond. The physical volume of business conducted through the Branch during 1927 was larger than in any preceding year, due particularly to the increase in the number of checks handled. Although the volume of business handled through the Baltimore Branch has shown a substantial increase from year to year, the number of employees at the Branch, decreased from 162 on December 31, 1926, to 157, including 4 officers, at the close of 1927.

The operations of the Baltimore Branch are conducted in three separate buildings and the working conditions did not change during 1927. However, acting under the authority of a resolution passed by Congress in April, 1926, contracts were awarded early in 1927 by the Federal Reserve Bank of Richmond for the construction of a new building for the Baltimore Branch suitable for the convenient conduct of its operations. At the close of 1927 the architects estimated that the new building was 60 per cent completed and it is confidently expected that the Branch will occupy its new building within a few months.

### CHARLOTTE BRANCH

During the current year the application of the Board of Directors of the Federal Reserve Bank of Richmond for permission to establish a branch at Charlotte, North Carolina, was approved by the Federal Reserve Board, and the branch was formally opened for business on December 1st.

The territory assigned to the branch by the Board of Directors of the parent bank embraces thirty-four counties in North Carolina and twenty-one counties in South Carolina, as follows:

#### NORTH CAROLINA

Alexander	Jackson
Alleghany	Lincoln
Ashe	Macon
Avery	Madison
Buncombe	McDowell
Burke	Mecklenburg
Cabarrus	Mitchell
Caldwell	Polk

#### SOUTH CAROLINA

Abbeville	Lexington
Aiken	McCormick
Anderson	Newberry
Cherokee	Oconee
Chester	Pickens
Edgefield	Richland
Fairfield	Saluda
Greenville	Spartanburg

## NORTH CAROLINA

## SOUTH CAROLINA

Catawba	Rowan	Greenwood	Union
Cherokee	Rutherford	Lancaster	York
Clay	Stanly	Laurens	
Cleveland	Swain		
Gaston	Transylvania		
Graham	Union		
Haywood	Watauga		
Henderson	Wilkes		
Iredell	Yancey		

There are located in the territory seventy member banks and twenty-eight par remitting non-member banks.

The reserve accounts of member banks in the Charlotte Branch territory are kept on the books of the Charlotte Branch, and all of the customary functions which are performed by branches of Federal reserve banks are conducted at the Branch. Discount offerings of member banks in the branch territory are submitted to and handled at the Head Office; member banks located in the city of Charlotte, however, may at their option deposit their discount offerings with the Charlotte Branch, where tentative credit is given, subject to the approval of the Head Office. The provisions of all current operating circulars apply to the Charlotte Branch, as well as to the Head Office and the Baltimore Branch.

The Branch is located in the First National Bank building, occupying the entire twentieth floor, with a commodious and up-to-date vault in the basement of the building.

The following seven directors were appointed—the first four by the directors of the parent bank and the last three by the Federal Reserve Board—to serve the Charlotte Branch to the expiration of their terms as indicated opposite their names and addresses:

Hugh Leach .....	Charlotte, N. C.....	1928
W. H. Wood.....	Charlotte, N. C.....	1928
W. J. Roddey, Sr.....	Rock Hill, S. C.....	1929
Robert Gage .....	Chester, S. C.....	1930
John Lindsey Morehead.....	Charlotte, N. C.....	1928
C A. Cannon.....	Concord, N. C.....	1929
John A. Law.....	Spartanburg, S. C.....	1930

## FIDUCIARY POWERS

During 1927 permission was granted to sixteen National banks to exercise fiduciary powers under authority of section 11(k) of the Federal Reserve Act, as amended, and the privi-

lege of exercising additional powers was granted to seven banks which had previously exercised partial powers. The twenty-three banks whose applications to exercise fiduciary powers in whole or in part were approved in 1927 were located as follows: District of Columbia, 1; Maryland, 3; Virginia, 11; West Virginia, 2; North Carolina, 3; and South Carolina, 3.

Name of Bank	Location	Date Granted
Liberty National Bank.....	Washington, D. C .....	11- 8-27
The Denton National Bank.....	Denton, Md. ....	2-23-27
Farmers & Mechanics Nat'l Bank....	Westminster, Md. ....	9- 2-27
First National Bank.....	Westminster, Md. ....	5-10-27
First National Bank (x).....	Alexandria, Va. ....	5- 5-27
Farmers & Merchants Nat'l Bank....	East Radford, Va. ....	8-30-27
Lynchburg National Bank (x).....	Lynchburg, Va. ....	4-22-27
Marshall National Bank.....	Marshall, Va. ....	1-31-27
First National Bank.....	Narrows, Va. ....	2- 1-27
Norfolk Nat'l Bank of Commerce & Trusts (x).....	Norfolk, Va. ....	2-23-27
The National Bank of Petersburg....	Petersburg, Va. ....	6-24-27
Virginia National Bank (x).....	Petersburg, Va. ....	5-13-27
Peoples National Bank (x).....	Rocky Mount, Va.....	4-26-27
National Bank of Suffolk.....	Suffolk, Va. ....	6- 1-27
The Waynesboro National Bank.....	Waynesboro, Va. ....	8-17-27
Empire National Bank (x).....	Clarksburg, W. Va ....	8-10-27
Second National Bank.....	Morgantown, W. Va....	4-12-27
Commercial National Bank (x).....	High Point, N. C.....	2-23-27
The National Bank of Greenville....	Oxford, N. C.....	6-17-27
First National Bank.....	Thomasville, N. C.....	8-10-27
First National Bank.....	Camden, S. C. ....	4-27-27
The Peoples National Bank.....	Chester, S. C.....	11-17-27
The Nat'l Bank of South Carolina....	Sumter, S. C .....	4-12-27

(x) Supplementary powers.

## FISCAL AGENCY OPERATIONS

The volume of work done by the Federal Reserve Bank of Richmond as Fiscal Agent of the United States was much larger in 1927 than in 1926 in every branch of work except the handling of War Savings and Thrift stamps. There were five issues of Treasury Certificates of Indebtedness, two issues of Treasury Notes, and one issue of Treasury Bonds in 1927. Total subscriptions in the Fifth District amounted to \$260,-359,000, of which \$122,986,300 was allotted. Including deliveries, redemption and exchanges of Certificates of Indebtedness, Treasury Notes and Treasury Bonds, Victory and Liberty Bonds, and War Savings Stamps, the Bank handled 186,931 pieces with an aggregate value of \$234,948,378 during 1927, compared with only 80,349 pieces valued at \$67,-345,421 handled in 1926, an increase last year of 132.65 per cent in number of pieces and 248.87 per cent in total value.

An analysis of the United States Treasurer's general account with the Bank shows that on January 1, 1927, the Treasurer had a balance of \$733,691. Receipts for the credit of the Treasurer during the year totaled \$949,532,363, while disbursements totaled \$949,243,493, leaving a balance due the Treasurer on December 31, 1927, of \$1,022,561.

### NOTE

For a more nearly complete statistical presentation of the operations of the Federal Reserve Bank of Richmond during 1927, reference is made to the tables included in the Annual Report of the Federal Reserve Board for 1927, to be issued presently.