

---

---

**FOURTEENTH ANNUAL REPORT**

**OF THE**

**FEDERAL RESERVE BANK**

**OF RICHMOND**

**FOR THE YEAR ENDED DECEMBER 31, 1928**



**WM. W. HOXTON**  
**Chairman and Federal Reserve Agent**

---

---

**FEDERAL RESERVE BANK  
OF RICHMOND**

February 25, 1929.

THE FEDERAL RESERVE BOARD,  
Washington, D. C.

GENTLEMEN:

I have the honor to submit herewith the Fourteenth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1928.

Respectfully

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

**DIRECTORS AND OFFICERS  
OF THE  
FEDERAL RESERVE BANK OF RICHMOND  
FOR YEAR 1929**

---

**DIRECTORS**

**Class A**

L. E. JOHNSON, 1929,  
ALDERSON, W. VA.

CHAS. E. RIEMAN, 1930,  
BALTIMORE, MD.

JAMES C. BRASWELL, 1931,  
ROCKY MOUNT, N. C.

**Class B**

D. R. COKER, 1929,  
HARTSVILLE, S. C.

JUNIUS P. FISHBURN, 1930,  
ROANOKE, VA.

EDWIN C. GRAHAM, 1931,  
WASHINGTON, D. C.

**Class C**

WM. W. HOXTON, 1929,  
CHAIRMAN OF THE BOARD,  
RICHMOND, VA.

FREDERIC A. DELANO, 1930,  
DEPUTY CHAIRMAN,  
WASHINGTON, D. C.

ROBERT LASSITER, 1931,  
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 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.

---

**COUNSEL**

MAXWELL G. WALLACE

---

**MEMBER FEDERAL ADVISORY COUNCIL**

JOHN POOLE, 1929  
WASHINGTON, D. C.

---

**BALTIMORE BRANCH  
DIRECTORS**

A. H. DUDLEY, BALTIMORE, Md., 1929.  
CARTER G. OSBURN, BALTIMORE, Md., 1929.  
H. B. WILCOX, BALTIMORE, Md., 1930.  
LEVI B. PHILLIPS, CAMBRIDGE, Md., 1931.  
EDMUND P. COHILL, HANCOCK, Md., 1929.  
NORMAN R. JAMES, BALTIMORE, Md., 1930.  
WM. H. MATTHAI, BALTIMORE, Md., 1931.

---

**OFFICERS**

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

---

**CHARLOTTE BRANCH  
DIRECTORS**

HUGH LEACH, CHARLOTTE, N. C., 1929.  
W. J. RODDEY, SR., ROCK HILL, S. C., 1929.  
ROBT. GAGE, CHESTER, S. C., 1930.  
W. H. WOOD, CHARLOTTE, N. C., 1931.  
C. A. CANNON, CONCORD, N. C., 1929.  
JOHN A. LAW, SPARTANBURG, S. C., 1930.  
JOHN LINDSAY MOREHEAD, CHARLOTTE, N. C., 1931.

---

**OFFICERS**

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

## FOURTEENTH ANNUAL REPORT FEDERAL RESERVE BANK OF RICHMOND

---

### GENERAL BUSINESS CONDITIONS

The total volume of business transacted in the Fifth Federal Reserve District in 1928 is hard to estimate, but a study of important indices appears to show a somewhat smaller volume of business activity than in 1927. Debits to individual accounts in clearing house banks in the leading cities of the district were a small fraction of 1 per cent lower in 1928 than in 1927; cotton consumption by Fifth District mills in 1928 was about 9 per cent less than consumption in the preceding year; the cotton and tobacco crops of the district were slightly smaller last year than in 1927 and prices received for both cotton and tobacco were materially lower; wholesale trade in 1928 was less than in 1927; and coal production in the district was less last year than in the earlier period.

On the other hand, favorable factors were not lacking. Both the number of commercial failures in the Fifth District and the aggregate liabilities involved were less in 1928 than in 1927. The number of building permits for new construction issued in thirty cities was smaller last year than in 1927, but the estimated valuation of the 1928 permits was approximately 25 per cent larger and the total of contracts actually awarded was 10 per cent higher than in the earlier year. The commercial fruit crop of the Fifth District in 1928 was much larger than the 1927 crop. Retail trade in 1928, as reflected in Department store sales, was a little above that of 1927. Internal revenue taxes paid on tobacco products manufactured in the Fifth District rose from approximately \$261,000,000 in 1927 to \$281,000,000 in 1928, an increase of 7.7 per cent.

During the first half of 1928, there was considerable unemployment in the Fifth District, but in the fall and early winter labor was in greater demand and the situation improved distinctly. The improvement was chiefly due to the large construction program.

On the whole, 1928 was not favorable for agriculture in the Fifth District. As previously pointed out, cotton and tobacco crops were considerably less remunerative last year than in 1927, and most other crops either made smaller yields or prices were lower. Apple growers had a better season than in the



preceding year, but returns from practically all other crops were disappointing. As a result of the comparatively poor year for farmers, liquidation of indebtedness to member banks in rural sections was slower in the fall than in most years, and many farmers are starting their 1929 operations with some of their 1928 obligations still unsettled.

The several developments mentioned, with others of less note, increased the demands for reserve bank credit last year, and member banks borrowed much more extensively from the Federal Reserve Bank of Richmond than in 1927. The increased volume of work at the reserve bank is indicated in the following sections of this report.

### VOLUME OF BUSINESS

In nearly all departments of the Federal Reserve Bank of Richmond the volume of business handled in 1928 was in excess of the volume handled in 1927. The number and amount of bills discounted and bought were both larger in 1928, a larger number of checks was cleared by the transit department, more non-cash collections were made, and more currency was received and counted, than in the preceding year. The Bank made a larger number of transfers of funds for member banks in 1928 than in 1927, and the physical volume of work incident to the handling of Government securities done by the Fiscal Agency department for the Treasury also increased last year over the large volume of work handled in 1927. The increase in Fiscal Agency operations was chiefly due to the redemption and refunding of the Third Liberty Loan during 1928.

The following table shows the volume of work handled by the principal departments during the year 1928, as compared with the year 1927:

	1928	1927	Per Cent of Increase or Decrease
<b>BILLS DISCOUNTED AND BOUGHT:</b>			
Number .....	57,049	50,278	13.47
Amount .....	\$ 3,950,970,000	\$ 1,661,348,000	137.82
<b>CHECKS HANDLED BY TRANSIT DEPARTMENT:</b>			
Number .....	54,570,000	52,859,000	3.24
Amount .....	\$13,990,057,000	\$13,502,105,000	3.61
<b>NON-CASH COLLECTIONS HANDLED:</b>			
Number .....	282,008	221,020	27.59
Amount .....	\$ 288,560,300	\$ 278,156,347	3.74

CURRENCY RECEIVED AND COUNTED:			
*Number of pieces.....	109,237,052	103,554,948	5.49
*Amount .....	\$ 545,722,000	\$ 528,294,000	3.30
COINS RECEIVED AND COUNTED:			
*Number of pieces.....	133,611,261	151,484,712	— 11.80
*Amount .....	\$ 14,933,000	\$ 15,078,000	— .96
TRANSFERS OF FUNDS FOR MEMBER BANKS:			
Number .....	141,525	115,336	22.71
Amount .....	\$ 5,676,459,000	\$ 4,785,486,000	18.62
FISCAL AGENCY WORK—U. S. SECURITIES RECEIVED, ISSUED, REDEEMED, CANCELLED OR EXCHANGED:			
Number .....	232,164	186,533	24.46
Amount .....	\$ 221,247,221	\$ 234,055,378	— 5.47

\* New currency and coin not included.

## FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of earnings, expenses, dividends, surplus account, and Franchise tax paid for the year 1928:

	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted .....	\$ 42,307,600	\$5,311	\$ 1,943,947	.0459
Bills Purchased .....	17,502,907	1,874	685,830	.0391
U. S. Securities Held.....	5,259,981	455	166,544	.0316
Penalties and Miscellaneous Earnings .....		168	61,327	
Totals.....	\$ 65,070,488	\$7,808	\$ 2,857,648	
Current Expenses .....			1,402,392	
Current Net Earnings.....			\$ 1,455,256	
Account of Reserves, De- preciations, etc.....			336,297	
Net Earnings Available for Dividends, Surplus and Franchise Tax.....			\$ 1,118,959	
Dividends Paid .....			\$ 370,683	
Transferred to Surplus Account .....			74,827	
Franchise Tax to U. S. Government .....			673,449	
			\$ 1,118,959	

The gross earnings of the Federal Reserve Bank of Richmond for the year 1928 were \$2,857,648, as compared with \$2,086,302 for 1927, an increase of \$771,346. The increase was due in part to greatly increased borrowing in 1928 by member banks and in part to a higher discount rate which was in force most of last year. In 1928 the percentage of gross earnings derived from the discount of member bank paper amounted to 68 per cent, compared with only 43 per cent of gross income derived from the discount of member bank paper in 1927. The average rate of earnings on all earning assets during 1928 was .0429, compared with the average rate of .0353 in 1927.

Current expenses of the Federal Reserve Bank of Richmond totaled \$1,402,392 in 1928, an increase of only \$22,990 over the total of \$1,379,402 in 1927, in spite of the additional expense incident to the operation of the Charlotte Branch during the entire year in 1928 in comparison with its operation only one month in 1927. Current net earnings for 1928 totaled \$1,455,256, as compared with \$706,900 for 1927, an increase of \$748,356. 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 \$748,276 available for surplus and franchise tax. As the surplus account of the Bank was in excess of 100 per cent of its subscribed capital, 10 per cent of net earnings remaining after payment of dividends, i. e., \$74,827, was transferred to surplus account as provided by the Federal Reserve Act, leaving a balance of \$673,449, which was paid to the United States Government as a franchise tax.

### EXPENSES OF OPERATION IN 1928

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 operations of the Federal Reserve Bank of Richmond for the year 1928, divided according to functions, were as follows:

#### CURRENCY AND COIN

The cost of receiving and handling 156,326,912 pieces of currency aggregating \$699,499,000, of which 109,237,052 pieces had been in circulation and had to be sorted and counted;

paying or shipping out 156,366,085 pieces of currency aggregating \$699,665,000; receiving and handling 145,044,461 pieces of coin aggregating \$15,743,000; paying or shipping out 146,448,592 pieces of coin aggregating \$15,307,000 was .....\$119,376.46

The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to..... 105,364.81

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 ..... 28,572.55

Total Cost..... \$ 253,313.82

#### LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 386 member banks: 51,198 notes aggregating \$3,840,120,000, were received, examined and discounted; 113,120 notes collateral to member bank notes aggregating \$2,102,963,000 were received, examined, and handled; 5,759 pieces of marginal or excess collateral, aggregating \$16,008,000, were received, examined and handled; 5,851 banker's acceptances, aggregating \$110,787,000, were purchased in the open market; includes the cost of special handling accorded 5,707 notes aggregating \$123,802,000 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.....\$ 47,578.45

The cost of effecting 932 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$27,550,000 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 45,234 pieces aggregating \$573,243,000; shipping 51,012 pieces aggregating \$560,311,000; holding in our vaults throughout the year securities, deposited by member banks as collateral to discounts or for safekeeping, ranging from \$61,702,000 to \$85,653,000 was..... 12,173.67

Total Cost..... \$ 59,752.12

## TRANSIT AND COLLECTIONS

Handling and collecting 52,793,000 checks, aggregating \$13,798,018,000 cost.....	\$200,541.45
Receiving, examining, paying and listing according to Treasury regulations 1,777,000 government checks, aggregating \$192,039,000, and shipping them to Washington cost.....	6,322.58
Handling 1,014,173 checks aggregating \$64,531,000 returned unpaid for various reasons cost .....	18,060.06
Handling 282,008 non-cash collection items (maturing notes, drafts, coupons, etc.), aggregating \$288,560,000 cost .....	33,717.09
Total Cost.....	\$ 258,641.18

## 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 \$20,496,000,000 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 141,525 aggregating \$5,676,459,000.

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.....	\$ 126,019.48
-----------------	---------------

## 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 900,262 government coupons aggregating \$11,431,000 cost .....	\$ 4,072.52
--	-------------

Fiscal Agency work for the U. S. Government principally relating to the issue of 25,798 pieces of government securities amounting

to \$92,845,000; the redemption of 171,188 pieces amounting to \$71,607,000; the exchange and transfer of 39,123 pieces amounting to \$69,551,000; the redemption of war savings and thrift stamps 5,581 pieces amounting to \$4,400; the receipt of subscriptions and payments for new issues, the handling of the war loan depositary accounts, the custody of a stock of securities ranging from \$50,566,000 to \$107,045,000, cost .....

35,416.09

Total Cost.....\$ 39,488.61  
Reimbursed by the Treasury Department..... 15,300.10

Net Cost to the Bank.....\$ 24,188.51

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

Official salaries and supervisory expenses.....\$131,806.58  
Directors' fees and traveling expenses..... 8,127.71  
Governors', Federal Reserve Agents' and Federal Advisory Council conferences..... 1,262.68  
Our proportion of the expenses of the Federal Reserve Board .....

34,939.14

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.) .....

126,429.72

The provision of personnel .....

20,846.13

Legal expenses .....

9,450.74

Maintaining the general audit of the Bank and Branches .....

24,250.59

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. ....

52,912.93

Bank relations work; visiting, and advising, and conferences with member and non-member banks .....

25,292.16

Handling incoming and outgoing ordinary and registered mail .....

23,605.70

Protection—Salaries of special officers and watchmen, and other protective services.....

59,587.01

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....

71,227.51



Shipping charges (postage and insurance) on securities .....	3,201.00
Postage on ordinary mail .....	69,490.26
Insurance—Employees' group life, Employees' fidelity, Bankers' blanket bond and burglary, Workmen's Compensation, Fire—equipment and supplies, and Automobile.....	19,999.60
Total Cost.....	\$ 682,429.46
Total Operating Expense* .....	\$ 1,404,344.57

\* NOTE: The total Operating Expense during 1928 was \$1,952.23 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 \$3,840,119,816 for member banks in 1928, more than 150 per cent above \$1,500,330,256 discounted in 1927. The average daily amount of paper under discount is a better measure of the actual credit extended to member banks than the total amount discounted during the year, the latter figure being swollen by repeated offerings of very short time paper. The daily average amount of paper under discount in 1928 was \$42,332,126,\* compared with a daily average of \$23,417,517 in 1927, an increase in 1928 of 80.77 per cent. The banks in all of the six geographical divisions in the Fifth Reserve District used reserve bank credit more extensively in 1928 than in 1927. District of Columbia banks, with a rise of 126.79 per cent, led in the increased discounts, South Carolina with an increase of 15.45 per cent showing the least rise. The following table shows by states the daily average amount of paper under discount at the Richmond bank during the year 1928, and in comparison with 1927:

States	1928	1927	Per Cent of Increase or Decrease
Maryland .....	\$ 7,477,054	\$ 4,422,399	69.07
District of Columbia.....	1,442,787	636,169	126.79
Virginia .....	15,300,445	7,306,535	109.41
West Virginia .....	3,818,579	2,668,291	43.19
North Carolina .....	10,931,504	5,472,248	99.76
South Carolina .....	3,361,757	2,911,875	15.45
Fifth District.....	\$42,332,126*	\$23,417,517	80.77

\* This figure varies somewhat from the average shown on page 5, due to a difference in the methods of calculating the District and separate State averages. The figure on page 5 is more nearly accurate.

Of the total volume of 1928 discounts, 53.84 per cent was secured by Government obligations, and the remaining 46.16 per cent was made up of member banks' notes largely secured by customers' paper eligible for rediscount or of rediscounts of unsecured commercial or agricultural paper. In 1927, 45.42 per cent of all discounts was secured by Government obligations, while 54.58 per cent was otherwise secured or unsecured.

On December 31, 1928, the total of discounted paper held by the bank was \$38,560,718. In addition to the paper under discount at the end of the year, the bank held \$24,368,642 in bankers' acceptances purchased from member banks and in the open market, and \$3,427,200 in Government securities, bringing the total of earning assets on December 31st up to \$66,356,560, in comparison with total earning assets amounting to \$86,713,050 held on December 31, 1927. The decrease was due to a 50 per cent decline in bankers' acceptances and a 72 per cent reduction in Government security holdings during the year.

Three hundred and eighty-six member banks discounted paper with the Federal Reserve Bank of Richmond at some time in 1928 and at the end of the year 198 of the 547 member banks in actual operation were being accommodated.

The discount rate at the Bank on all classes of paper was  $3\frac{1}{2}$  per cent on January 1, 1928, but three changes were made during the year. On January 27, 1928, the  $3\frac{1}{2}$  per cent rate which had been established in August 1927 was raised to 4 per cent. On April 24th there was a further increase to  $4\frac{1}{2}$  per cent, and on July 13th the rate was fixed at 5 per cent, at which figure it remained the balance of the year.

## ACCEPTANCES

Trade acceptances amounting to \$1,106,773 were discounted for member banks in 1928, compared with \$1,030,421 of the same class of paper discounted in 1927 and \$1,882,759 in 1926. The percentage increase in trade acceptances discounted last year over 1927 figures was much less than the increase in other discounts.

The Federal Reserve Bank of Richmond did not invest in bankers' acceptances in 1928 as extensively as in 1927. Last year the Bank purchased a total of \$110,850,313 of bankers' acceptances, of which \$41,644,919 were bought from member banks, \$61,602,075 from dealers and non-member banks, \$63,802 in bills through the Banks of England and France, and \$7,539,517 from other reserve banks. In 1927, this Bank purchased bankers' acceptances amounting to \$49,941,797 from member banks, \$89,363,781 from dealers, \$1,210,832 through the Bank of England, and \$20,501,034 from other reserve banks, a total of \$161,017,444. Most of the decrease in 1928 purchases

occurred in acceptances bought from dealers and other Federal reserve banks.

### CHECK COLLECTIONS

The Transit Department handled 54,570,000 cash items in 1928, totaling in amount \$13,990,057,000, compared with 52,859,000 items and an amount totaling \$13,502,105,000 handled in 1927. The number of items handled last year was 1,711,000 more than in 1927, and greater than in any other year. The total amount handled in 1928 rose \$487,952,000 above the 1927 amount, but was approximately \$50,000,000 below the amount in 1925. The average amount of each item handled last year was \$256, compared with \$255 in 1927, \$276 in 1926, and \$291 in 1925. The average number of items handled each working day in 1928 was 180,695, amounting in round numbers to \$46,325,000, compared with 175,029 items totaling \$44,709,000 handled daily in 1927. Of the 54,570,000 items handled in 1928, 4,830,000 were drawn on banks outside the Fifth Reserve District and were forwarded to other Federal reserve banks and branches, and 1,777,000 items 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 reserve accounts of the sending banks at the Federal Reserve Bank of Richmond, numbered 231,111 last year, totaling in amount \$2,330,256,000, as compared with 229,954 cash letters amounting to \$2,207,073,000 sent direct to other districts in 1927. 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.

### NON-CASH COLLECTIONS

The Collection Department of the Federal Reserve Bank of Richmond, which undertakes to collect notes, acceptances, drafts and securities for member banks, handled 282,008 items in 1928, having an aggregate value of \$288,560,000, as compared with 221,020 items amounting to \$278,156,000 handled in 1927. These figures show an increase of 27.59 per cent in the number of items handled last year, but the aggregate amount handled increased only 3.75 per cent.

### GOLD SETTLEMENT FUND

The Federal Reserve Bank of Richmond received \$10,244,645,000 from Federal reserve banks and other sources through the Gold Settlement Fund in 1928, while it paid out \$10,251,477,000. The excess of disbursements over receipts resulted in

a net decrease for the year of \$6,832,000, leaving a balance of \$13,979,000 in the Fund to the credit of this Bank at the close of business December 31, 1928.

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 .....	\$ 155,527	\$ 172,706	\$ 328,233	3.19
New York .....	2,673,124	2,568,746	5,241,870	50.95
Philadelphia .....	716,518	742,047	1,458,565	14.18
Cleveland .....	612,913	544,568	1,157,481	11.25
Atlanta .....	410,206	394,291	804,497	7.82
Chicago .....	338,610	367,243	705,853	6.86
St. Louis .....	121,389	194,383	315,772	3.07
Minneapolis .....	15,801	6,449	22,250	.22
Kansas City .....	33,388	31,460	64,848	.63
Dallas .....	42,685	36,052	78,737	.76
San Francisco .....	50,844	59,055	109,899	1.07
<b>Totals.....</b>	<b>\$ 5,171,005</b>	<b>\$ 5,117,000</b>	<b>\$10,288,005</b>	<b>100.</b>
Settlements between Head Office and Branches:				
Richmond .....	\$ 2,504,158	\$ 2,357,210	\$ 4,861,368	
Baltimore .....	1,744,304	1,828,969	3,573,273	
Charlotte .....	657,991	720,274	1,378,265	
<b>Totals.....</b>	<b>\$10,077,458</b>	<b>\$10,023,453</b>	<b>\$20,100,911</b>	

The percentages of settlements with Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco were higher in 1928 than in 1927. We received more from than we paid to New York, Cleveland, Atlanta, Minneapolis, Kansas City and Dallas, while we paid more to than we received from Boston, Philadelphia, Chicago, St. Louis and San Francisco. Total settlements with the Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco districts were larger last year than in 1927, but the settlements with the other five districts were smaller in 1928. The total for all districts was approximately \$350,000,000 less in 1928 than in the preceding year, of which reduction more than \$200,000,000 occurred in settlements between Richmond and New York.

### TRANSFER OPERATIONS

Wire transfers of money, which are made for member banks without cost to them, are facilitated by the operation

of private leased wires connecting all Federal reserve banks and branches, and the Federal Reserve Board. The use of our wire facilities has steadily increased, funds having been transferred for member banks 141,525 times in 1928, the total amount so transferred being \$5,676,459,433, compared with 115,336 transfers aggregating \$4,785,486,063 made in 1927. There were 140,986 telegrams sent or received over the private wire during 1928, compared with 100,125 messages in 1927. In its transactions with and for member banks, the Bank uses commercial telegrams extensively, in addition to the operation of the private leased wire.

### NOTE ISSUES

The curve of Federal Reserve note circulation followed seasonal trends in 1928, declining steadily from a daily average of \$72,278,556 in January to \$52,857,736 in July, and then rising each month to a daily average of \$86,642,363 in December, the high point of the year. From the first of the year through October, the 1928 circulation figures were lower than those of 1927, but in November and December the volume of notes outstanding rose above the 1927 volume for the corresponding months. The low point in circulation, reached in July, was \$6,144,006 less than the low average reached in August 1927, and the average for the twelve months of 1928 was \$4,676,353 less than the monthly average in 1927. Average circulation in 1928 totaled \$64,577,725, compared with an average of \$69,254,078 in actual circulation in 1927. On December 31, 1928, the volume of notes in actual circulation totaled \$86,338,950, as compared with \$77,404,985 on December 31, 1927.

### CURRENCY AND COIN SERVICE

The Federal Reserve Bank of Richmond received \$483,-445,169 in currency and coin from member banks in 1928, and \$36,329,560 from non-member banks. Shipments to member banks during the year totaled \$453,129,041, and \$7,431,673 were sent to non-members. The total amount of currency and coin received from or shipped to member and non-member banks in 1928 was \$980,335,443, a sum \$20,095,365, or 2.09 per cent, in excess of total receipts and shipments in 1927.

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 in the nature of Subtreasury transactions.



## RESERVE POSITION

Increases or decreases during 1928 in the average monthly ratios of reserves to note and deposit liabilities combined, in comparison with the ratios of the corresponding months of the preceding year, were almost exactly opposite those of 1927, chiefly due to diminished open market operations in 1928. In 1927, the first eight months of the year witnessed higher ratios than the same months of 1926, but in the first nine months of 1928 the ratios were lower than in the corresponding months of 1927. From October 1st to the end of the year, the 1928 ratios were higher than in the last quarter of 1927, chiefly because of lower holdings of open market paper and Government securities last year. In 1927, the Bank materially increased its holdings of open market paper and Government securities during the last four months of the year, which lowered the reserve ratios for those months. Holdings of open market paper and Government securities last year influenced the reserve ratio less than in the preceding year, discounts for member banks in 1928 making up a much larger percentage of total earning assets than in 1927. Combined holdings of acceptances and Government securities averaged approximately \$22,763,000 during 1928, compared with an average of \$32,657,000 in 1927. The average monthly holdings of discounts for members was \$42,308,000 in 1928 and only \$23,429,000 in 1927. The highest monthly average reserve ratio of the year was 69.05 per cent in March, and the lowest was 50.79 per cent in January. The January figure coincided with the point at which loans to member banks were lowest and holdings of acceptances and Government securities were highest, but the March figure was not so directly influenced by changes in individual items. The average ratio for the year 1928 was 58.15 per cent, as compared with 64.79 per cent in 1927.

The average daily deposits totaled \$72,030,327 in 1928, against \$73,460,724 in 1927; average daily note circulation was \$64,577,725 in 1928 and \$69,254,078 in 1927; and daily average cash reserves totaled \$79,434,939 last year and \$92,461,309 the preceding year. Deposits averaged highest in January and lowest in August; note circulation was highest in December and lowest in July; and cash reserves were highest in December and lowest in August.

## CHANGES IN MEMBERSHIP

Membership in the Federal Reserve System in the Fifth District declined during 1928 from 569 banks to 555 banks. Four banks joined the System during the year, but 18 members were lost through liquidations, mergers or withdrawals, a net



decrease of 14 members, 3 of these being withdrawals. At the end of 1928 there were 506 National bank members and 49 State bank members in the district. Increased capital and surplus, and the subscriptions of new member banks, added 8,309 shares of stock of the reserve bank to the members' holdings during 1928, but liquidations, mergers and withdrawals deducted 10,266 shares, a net loss of 1,957 shares during the year. On December 31, 1928, the shares of this Bank owned by member banks numbered 123,088, as compared with 125,045 shares held on December 31, 1927. The net decrease in the paid-up capital of the Bank during 1928 was \$97,850.

### **BANK RELATIONS DEPARTMENT**

With respect to the volume of work accomplished and in many other ways, the year 1928 represents the best year in the activities of the Bank Relations Department since its formal organization in February 1922. In the beginning of the year our Board of Directors expressed the desire that we visit each member bank in the Fifth Federal reserve district within the year. This was done, and in addition many non-member banks were visited. There were 653 visits made to member banks and 374 visits to non-member banks, making a total number of visits of 1,027.

During the year 1928 a great deal of attention was given to member banks considered in an unsatisfactory condition, and a considerable amount of work was done in connection with failed member banks which were indebted to us at the time of their suspension.

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.

### **BANK EXAMINATION DEPARTMENT**

The Examination Department of the Federal Reserve Bank of Richmond has a personnel of four examiners, a clerk, and one stenographer, all working under the supervision of the Assistant Federal Reserve Agent.

The Examination Department continued to concern itself chiefly with credit investigations of member banks in 1928, which have proven satisfactory since they were adopted in 1923. A few independent examinations were made, and our examiners assisted State officials in some of their examinations. Nearly all credit 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 1928 as follows:

	Banks	Branches
Credit investigations made at time bank was being examined by State bank examiners.....	58	31
Independent credit investigations of State member banks .....	1	2
State banks examined in connection with their application for membership .....	4	5
Examination of National bank for proposed consolidation with State bank applying for membership.....	1	1
Special visits .....	2	....
	<hr/> 66	<hr/> 39

### STOCKHOLDERS' ANNUAL MEETING

The fourth annual meeting of the stockholders of the Federal Reserve Bank of Richmond was held in the Bank's auditorium on April 13, 1928, with 117 representatives of 96 member banks in attendance. In addition, most of the Directors of the Federal Reserve Bank of Richmond and the Branches at Baltimore and Charlotte were present. President John Poole, of the Federal-American National Bank, Washington, presided over the meeting, and Wm. W. Hoxton, Chairman of the Board, welcomed the delegates. President Poole and Governor Seay addressed the meeting. Deputy Governor Chas. A. Peple led a discussion on "Eligible Paper," and H. B. Lewis, Vice-President of the Kanawha Banking & Trust Co., Charleston, W. Va., led a discussion on "Federal Reserve Membership." The report of the Advisory Committee was made by Chairman W. L. Glover, Vice-President of the Edisto National Bank, Orangeburg, S. C. Opportunity for general discussion was offered and accepted after each address. New officers for 1929 were elected as follows: President, C. E. Tiffany, Fauquier National Bank, Warrenton, Va.; Vice-President, Waldo Newcomer, Baltimore Trust Co., Baltimore, Md.; and Secretary, George H. Keesee, Federal Reserve Bank of Richmond. Six new members of the Advisory Committee were chosen for two year terms, and the Committee elected H. H. McKee, National Capital Bank, Washington, D. C., as Chairman for 1928-1929.

### INTERNAL ORGANIZATION

The Board of Directors held twelve regular meetings in 1928. In a special election on May 18, 1928, member banks in Group 1 elected Junius P. Fishburn, President of the Times-World Corporation, Roanoke, Va., as a Class B director to fill

the unexpired term of Edmund Strudwick, deceased. In the annual fall election, member banks in Group 2 re-elected James C. Braswell, of Rocky Mount, N. C., as a Class A director, and member banks in Group 3 re-elected Edwin C. Graham, of Washington, D. C., as a Class B director. The Federal Reserve Board reappointed Robert Lassiter, of Charlotte, N. C., as a Class C director. All of these gentlemen, with the exception of Mr. Fishburn, will serve three years from January 1, 1929. The Board redesignated Wm. W. Hoxton as Chairman of the Board and Federal Reserve Agent for the year 1929, and also redesignated Frederic A. Delano as Deputy Chairman.

The Board of Directors, at the December meeting, elected John Poole, President of the Federal-American National Bank, Washington, D. C., as the representative on the Federal Advisory Council for the Fifth District, to succeed John F. Bruton, of Wilson, N. C., and designated James C. Braswell, of Rocky Mount, N. C., as alternate.

There were no changes in the official personnel of the Bank during 1928. The total number of officers and employees in the Richmond, Baltimore and Charlotte offices on December 31, 1928, was 572, as compared with 554 on December 31, 1927. A reduction of three at Richmond, an increase of three at Charlotte, and an increase of eighteen at Baltimore, resulted in a total increase of eighteen employees in the three offices during the year. The increase in Baltimore was due to the occupancy of a new building in September, the additional employees being in the Protection and Maintenance Departments.

### **BALTIMORE BRANCH**

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.

On September 4, 1928, the Baltimore Branch moved into its new building, which has five floors, a balcony and basement. The building and vaults are of modern construction and are well adapted to the needs of the Branch, with space provided for future expansion. Operations had been previously conducted in three buildings.

Although the number of employees, including four officers, at the Baltimore Branch shows an increase from 157 on December 31, 1927, to 175 at the close of 1928, this is due to the occupancy of a new and larger building, the increase of employees being in the Building Maintenance and Protection Departments.

The territory served through the Baltimore Branch office comprises the State of Maryland and thirty counties in northern West Virginia, as follows:

Barbour	Hardy	Morgan	Roane
Berkeley	Harrison	Nicholas	Taylor
Braxton	Jackson	Pendleton	Tucker
Calhoun	Jefferson	Pleasants	Upshur
Doddridge	Lewis	Preston	Webster
Gilmer	Marion	Randolph	Wirt
Grant	Mineral	Ritchie	Wood
Hampshire	Monongalia		

At the close of the year 1928 there were 152 member banks and 253 non-member banks in the Baltimore Branch territory, all of the non-member banks being on the list for par remittances.

Agricultural and business conditions in the territory served by the Baltimore Branch were generally satisfactory at the end of the year with the principal industries operating apparently at normal production, except the soft coal industry of western Maryland and northern West Virginia, where some improvement was reported at the close of the year. Under these conditions, the banks in the territory are generally in a comfortable position.

### CHARLOTTE BRANCH

The territory served by the Charlotte Branch comprises 34 counties in western North Carolina and 21 counties in western South Carolina. Counting out-of-town branches as separate banks, there were within the territory of the Charlotte Branch on December 31, 1928, 71 member banks, 35 par non-member banks, and 216 non-par, non-member banks. The counties served are as follows:

#### NORTH CAROLINA

Alexander	Jackson
Alleghany	Lincoln
Ashe	Macon
Avery	Madison
Buncombe	McDowell
Burke	Mecklenburg
Cabarrus	Mitchell
Caldwell	Polk
Catawba	Rowan
Cherokee	Rutherford
Clay	Stanley
Cleveland	Swain
Gaston	Transylvania
Graham	Union
Haywood	Watauga
Henderson	Wilkes
Iredell	Yancey

#### SOUTH CAROLINA

Abbeville	Lexington
Aiken	McCormick
Anderson	Newberry
Cherokee	Oconee
Chester	Pickens
Edgefield	Richland
Fairfield	Saluda
Greenville	Spartanburg
Greenwood	Union
Lancaster	York
Laurens	

The Branch occupies the entire twentieth floor and a part of the basement of the First National Bank Building. The vault is located in the basement, and the Branch has the exclusive use of an elevator running between the basement and the twentieth floor.

At the end of 1928 there were employed at the Charlotte Branch 2 officers and 54 employees, compared with 2 officers and 57 employees on December 31, 1927.

The number and amount of all transactions at the Charlotte Branch are included in the totals for the Federal Reserve Bank of Richmond, but 1928 being the first full year of operations at the Charlotte Branch, some figures showing the volume of work handled may be interesting. During 1928 the Branch handled 6,598,000 checks amounting to \$1,691,921,000, 25,803 transfers of funds aggregating \$1,187,874,000, and 24,873 non-cash collection items amounting to \$29,840,000. Currency and coin received from banks amounted to \$47,878,000, and currency and coin shipped to banks aggregated \$42,622,000.

### FISCAL AGENCY OPERATIONS

The volume of work handled by the Federal Reserve Bank of Richmond as Fiscal Agent of the United States was larger in 1928 than in 1927, but the aggregate amount involved was slightly less during the later year. There were eight issues of Treasury Certificates of Indebtedness, one issue of Treasury Notes, and one issue of Treasury Bonds in 1928. Total subscriptions in the Fifth District to these issues amounted to \$207,283,650, of which \$124,963,800 were allotted. The redemption and refunding of the Third Liberty Loan was the outstanding work of the Fiscal Agency Department in 1928. 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 241,690 pieces with an aggregate value of \$234,008,071 during 1928, compared with 196,663 pieces valued at \$245,345,678 handled in 1927, an increase last year of 22.9 per cent in number of pieces but a decrease of 4.6 per cent in total value.

An analysis of the United States Treasurer's general account with the Bank shows that on January 1, 1928, the Treasurer had a balance of \$1,023,000. Receipts for the credit of the Treasurer during the year totaled \$897,977,000, while disbursements totaled \$897,568,000, leaving a balance due the Treasurer on December 31, 1928, of \$1,432,000. The receipts and disbursements by the Bank for the account of the Treasurer in 1928 were about 5 per cent less than in 1927.



## FIDUCIARY POWERS

During 1928 permission was granted to fifteen National banks to exercise fiduciary powers under authority of section 11 (k) of the Federal Reserve Act, as amended, and the privilege of exercising additional powers was granted to five banks which had previously exercised partial powers. The twenty banks whose applications to exercise fiduciary powers in whole or in part were approved in 1928 were located as follows: Maryland, 3; Virginia, 8; West Virginia, 1; North Carolina, 6; and South Carolina, 2.

Name of Bank	Location	Date Granted
First National Bank*	Baltimore, Md. ....	7-17-28
National Bank of Elkton.....	Elkton, Md. ....	2-18-28
Nicodemus National Bank.....	Hagerstown, Md.....	3-24-28
Citizens National Bank (x).....	Alexandria, Va.....	9-27-28
Clifton Forge National Bank (x)....	Clifton Forge, Va.....	7-30-28
Peoples National Bank.....	Lexington, Va.....	1-25-28
Marion National Bank.....	Marion, Va.....	9-14-28
Seaboard-Citizens National Bank*..	Norfolk, Va. ....	7-28-28
American National Bank (x).....	Roanoke, Va.....	4-17-28
Staunton National Bank.....	Staunton, Va. ....	2- 2-28
First National Bank.....	Strasburg, Va.....	2-21-28
Union National Bank (x).....	Clarksburg, W. Va.....	1-13-28
First National Bank.....	Charlotte, N. C.....	6-19-28
Cumberland National Bank.....	Fayetteville, N. C.....	1-21-28
American Exchange National Bank & Trust Co. ....	Greensboro, N. C.....	2-14-28
Citizens National Bank.....	Hendersonville, N. C...	1-31-28
First National Bank.....	Mt. Airy, N. C.....	8- 9-28
First National Bank.....	Rocky Mount, N. C.....	2-10-28
Carolina National Bank.....	Anderson, S. C.....	8-13-28
Central National Bank (x).....	Spartanburg, S. C.....	6-22-28

(x) Supplementary powers.

\* Powers previously granted reaffirmed after consolidation.

## NOTE

The Annual Report of the Federal Reserve Board will contain additional statistical information showing the operations of the Federal Reserve Bank of Richmond in 1928.