

5

FIFTEENTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1929



WM. W. HOXTON
Chairman and Federal Reserve Agent

**FEDERAL RESERVE BANK
OF RICHMOND**

February 21, 1930.

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

GENTLEMEN:

I have the honor to submit herewith the Fifteenth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1929.

Respectfully,

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

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1930**

DIRECTORS

Class A

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

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

L. E. JOHNSON, 1932,
ALDERSON, W. VA.

Class B

JUNIUS P. FISHBURN, 1930,
ROANOKE, VA.

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

D. R. COKER, 1932,
HARTSVILLE, S. C.

Class C

WM. W. HOXTON, 1932,
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
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,
ASSISTANT CASHIER.

EDWARD WALLER, JR.,
ASSISTANT CASHIER.

COUNSEL

MAXWELL G. WALLACE.

MEMBER FEDERAL ADVISORY COUNCIL

JOHN POOLE, 1930,
WASHINGTON, D. C.

BALTIMORE BRANCH

DIRECTORS

A. H. DUDLEY, BALTIMORE, MD., 1930.

H. B. WILCOX, BALTIMORE, MD., 1930.

LEVI B. PHILLIPS, CAMBRIDGE, MD., 1931.

CARTER G. OSBURN, BALTIMORE, MD., 1932.

NORMAN R. JAMES, BALTIMORE, MD., 1930.

WM. H. MATTHAI, BALTIMORE, MD., 1931.

EDMUND P. COHILL, HANCOCK, MD., 1932.

CHARLOTTE BRANCH

DIRECTORS

HUGH LEACH, CHARLOTTE, N. C., 1930.

ROBT. GAGE, CHESTER, S. C., 1930.

W. H. WOOD, CHARLOTTE, N. C., 1931.

W. J. RODDEY, SR., ROCK HILL, S. C., 1932.

JOHN A. LAW, SPARTANBURG, S. C., 1930.

JOHN LINDSAY MOREHEAD, CHARLOTTE,
N. C., 1931.

C. A. CANNON, CONCORD, N. C., 1932.

OFFICERS

A. H. DUDLEY, MANAGING DIRECTOR.

M. F. REESE, CASHIER.

THOMAS I. HAYS, ASSISTANT CASHIER.

JOHN R. CUPIT, ASSISTANT CASHIER.

OFFICERS

HUGH LEACH, MANAGING DIRECTOR.

W. T. CLEMENTS, CASHIER.

FIFTEENTH ANNUAL REPORT

FEDERAL RESERVE BANK OF RICHMOND

GENERAL BUSINESS CONDITIONS

<u>STATISTICAL SUMMARY</u>	<u>1929</u>	<u>1928</u>
Debits to Individual Accounts (24 Cities)	\$16,851,269,000	\$16,324,326,000
Number of Commercial Failures, 5th District	1,420	1,518
Liabilities Involved in Failures, 5th District	\$ 24,705,654	\$ 34,345,527
Cotton Consumption, 5th District mills (Bales)	3,039,884	2,838,836
Cotton Grown in Fifth District (Bales)	1,624,000	1,604,000
Tobacco Grown in 5th District (Pounds)	741,560,000	713,590,000
Building Permits for New Work (32 Cities)	16,354	17,996
Value of Permits for New Work (32 Cities)	\$ 104,480,968	\$ 143,208,256
Value of Contracts Awarded, 5th District	\$ 384,926,005	\$ 451,030,185
Total Sales, 30 Department Stores, 5th District	\$ 104,985,200	\$ 101,723,680
Total Sales, 69 Wholesalers in 5 Lines..	68,503,112	\$ 70,695,201

The preceding table, which contains annual totals for some of the principal business indicators for 1929 and 1928, shows that general business in the Fifth reserve district was irregular last year. Debits to individual accounts figures were more than half a billion dollars above the 1928 figures, but much of this increase was probably due to increased trading in stocks. Commercial failures declined in both number and amount involved in 1929 in comparison with the preceding year. Cotton consumption by Fifth district mills in 1929 was greater than consumption in 1928, but this increase was due to relatively low figures in 1928 rather than to especially extensive operations in 1929. Building permits issued and building contracts awarded declined materially last year in the Fifth district, and chiefly because of this decline, there was considerably more unemployment, especially in the latter half of the year. Department store sales increased moderately in 1929 over sales in 1928, but the gain was in the upper half of the district, the showing in

the Carolinas being worse than in the preceding year. Wholesale trade in the district declined slightly in 1929. In agriculture, the results obtained varied widely. The district produced more cotton than in 1928, but the 1929 price was much lower and the crop was less profitable than in the earlier year. The tobacco crop was slightly larger in 1929, with prices perhaps averaging a little lower than in 1928, the actual cash returns being about the same in both years. Truck growers had a better year than the preceding one, Irish potato growers especially receiving about twice as much for a smaller yield in 1929 than for their 1928 crop. Conditions at the end of 1929 in agricultural sections appeared to be about the same as at the end of 1928, taking the district as a whole, but certain sections of the Carolinas which are chiefly dependent upon cotton are in a very unfavorable position, as a result of small crops and low prices. This is particularly true of eastern South Carolina, the finest cotton section of the state, which experienced unfavorable weather last summer.

VOLUME OF BUSINESS

The physical volume of business handled by the Federal Reserve Bank of Richmond in 1929 was greater in every department except in Fiscal Agency work than the volume handled in 1928, the decline in Fiscal Agency operations being due chiefly to an unusually large amount of work done in the earlier year in connection with the redemption and refunding of the Third Liberty Loan. Bills discounted and bought in 1929 rose 4.77 per cent above the number handled in 1928, and the aggregate amount loaned to member banks in the later year rose 20.37 per cent. The number of borrowing banks in 1929 was 384, against 386 banks which borrowed from the Reserve bank in 1928, but the borrowers in 1929 were a larger percentage of the member banks in the Fifth district. More than a million additional checks were cleared by the Transit Department last year in comparison with the number cleared in 1928, but the amount involved, while higher in 1929, did not increase in proportion, the average amount for which each check was drawn being slightly lower in 1929. In dollar amount, the aggregate of non-cash collections handled in 1929 was below the aggregate of the 1928 collections, but the number of transactions handled in 1929 was slightly more than 1 per cent higher than the number handled in 1928.

The following table shows the volume of work handled by the principal departments during 1929, as compared with the year 1928:

FEDERAL RESERVE BANK OF RICHMOND

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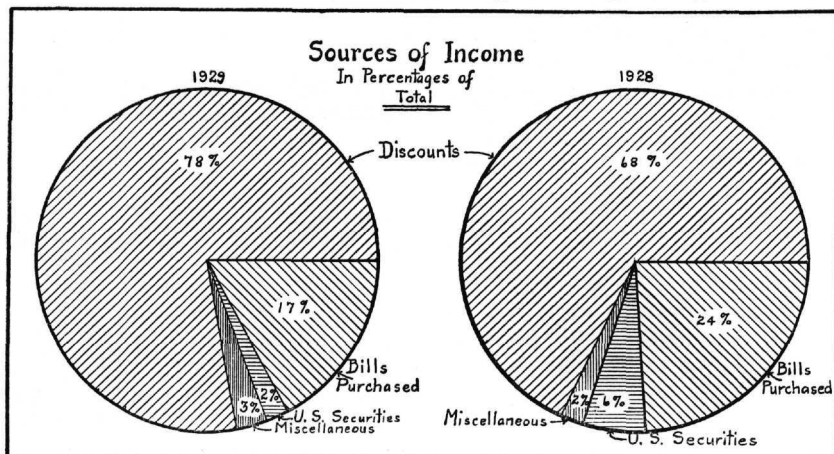
ITEMS	1929	1928	Per Cent of Increase or Decrease
BILLS DISCOUNTED AND BOUGHT:			
Number	59,771	57,049	4.77
Amount	\$ 4,755,793,000	\$ 3,950,970,000	20.37
CHECKS HANDLED BY TRANSIT DEPARTMENT:			
Number	55,730,000	54,570,000	2.13
Amount	\$14,118,820,000	\$13,990,057,000	.92
NON-CASH COLLECTIONS HANDLED:			
Number	284,929	282,008	1.04
Amount	\$ 264,948,000	\$ 288,560,000	— 8.19
CURRENCY RECEIVED AND COUNTED (Including new notes):			
Number of pieces	174,518,171	156,326,912	11.64
Amount	\$ 757,851,000	\$ 699,500,000	8.34
CURRENCY PAID OUT (Including redemptions):			
Number of pieces	175,069,783	156,366,085	11.96
Amount	\$ 752,159,000	\$ 699,665,000	7.50
COIN RECEIVED AND COUNTED (Including new):			
Number of pieces	148,126,049	145,044,461	2.12
Amount	\$ 16,394,000	\$ 15,743,000	4.14
COIN PAID OUT (Including redemptions):			
Number of pieces	148,474,516	146,448,592	1.38
Amount	\$ 16,392,000	\$ 15,307,000	7.09
TRANSFERS OF FUNDS FOR MEMBER BANKS:			
Number	149,495	141,525	5.63
Amount	\$ 6,020,866,000	\$ 5,676,459,000	6.07
FISCAL AGENCY WORK:			
U. S. Securities received, issued, redeemed, cancelled or exchanged:			
Number	50,569	232,164	— 78.22
Amount	\$ 141,732,000	\$ 221,247,000	— 35.94

FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of earnings, expenses, dividends, surplus account, and franchise tax paid for the year 1929:

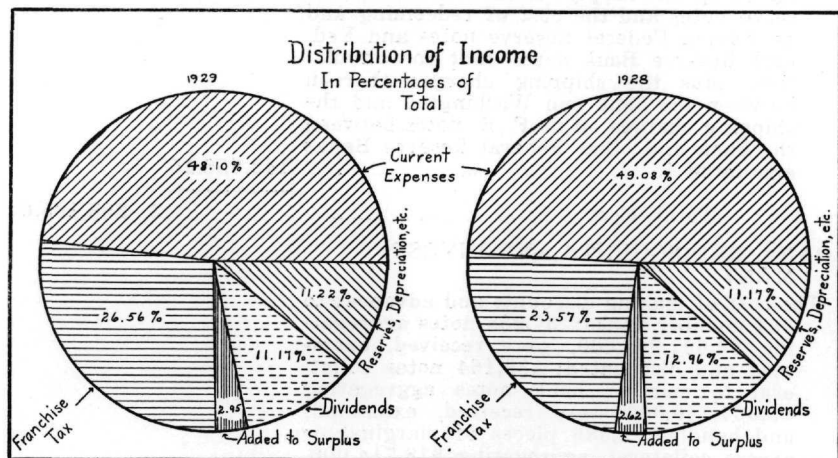
	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted.....	\$51,383,154	\$7,038	\$2,569,042	.0500
Bills Purchased.....	11,030,662	1,522	555,461	.0504
U. S. Securities Held.....	2,497,085	209	76,361	.0306
Foreign Loans on Gold.....	48,962	7	2,448	.0500
Penalties and Miscellaneous Earnings.....		264	96,298	
Totals.....	\$64,959,863	\$9,040	\$3,299,610	
Current Expenses.....			1,587,244	
Current Net Earnings.....			\$1,712,366	
Account of Reserves, De- preciations, etc.....			370,140	
Net Earnings Available for Dividends, Surplus and Franchise Tax.....			\$1,342,226	
Dividend Paid.....			\$ 368,601	
Transferred to Surplus Account.....			97,363	
Franchise Tax to U. S. Government.....			876,262	
			\$1,342,226	

Gross earnings of the Federal Reserve Bank of Richmond for the year 1929 totaled \$3,299,610, an increase of \$441,962 over the total income of \$2,857,648 in 1928, the increase being entirely due to a considerable rise in the volume of rediscounting by member banks in 1929. The percentage of gross earn-



ings derived from the discount of member bank paper amounted to 78 per cent last year, compared with 68 per cent in 1928 and only 43 per cent in 1927, when member banks were borrowing relatively little and the Richmond bank made large investments in open market paper and Government securities. The average rate of earnings on all earning assets during 1929 was .0493, compared with an average rate of .0429 in 1928 and only .0353 in 1927. The accompanying chart shows in percentage how the gross earnings of the Richmond bank were derived.

Current expenses of the Federal Reserve Bank of Richmond totaled \$1,587,244 in 1929, an increase of \$184,852 over \$1,402,392 for 1928. The increase was due in large part to additional charges for new currency incident to the introduction of small sized notes in July, this item alone increasing \$113,000 in 1929, but the operation of the Baltimore Branch in its new and larger quarters also increased operating expenses last year. Current net earnings for 1929 totaled \$1,712,366, as compared with \$1,455,256 for 1928, an increase of \$257,110. After the proper transfers from net earnings to reserve, depreciation and miscellaneous accounts, and the payment of \$368,601 in dividends to member banks on capital stock, there remained \$973,625 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 the payment of dividends, i. e., \$97,363, was transferred to surplus account as provided by the Federal Reserve Act, leaving a balance of \$876,262, which was paid to the United States Government as a franchise tax. A chart shows how the gross incomes for 1929 and 1928 were distributed.



EXPENSES OF OPERATION IN 1929

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 1929, divided according to functions, were as follows:

CURRENCY AND COIN

The cost of receiving and handling 174,518,-
171 pieces of currency aggregating \$757,-
851,000, of which 124,999,146 pieces had
been in circulation and had to be sorted
and counted; paying or shipping out
175,069,783 pieces of currency aggregating
\$752,159,000; receiving and handling
148,126,049 pieces of coin aggregating
\$16,394,000; paying or shipping out 148,-
474, 516 pieces of coin aggregating \$16,-
392,000 was\$129,767.86

The shipping charges (postage, expressage
and insurance) on currency and coin to and
from out-of-town members amounted to .. 115,781.63

Assessments by the Treasury Department to
cover the cost of printing and maintaining
an adequate supply of new Federal Re-
serve notes and the cost of redeeming and
destroying Federal Reserve notes and Fed-
eral Reserve Bank notes unfit for circula-
tion, 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 142,556.15

Total Cost \$ 388,105.64

**LOANS, REDISCOUNTS AND INVEST-
MENTS**

The cost of making discounts and advances to
384 member banks: 57,238 notes aggregat-
ing \$4,691,968,000, were received, exam-
ined and discounted; 139,164 notes collat-
eral to member bank notes aggregating
\$2,364,140,000 were received, examined,
and handled; 6,386 pieces of marginal or
excess collateral, aggregating \$18,714,000,

were received, examined and handled; 2,533 bankers' acceptances aggregating \$62,328,000, were purchased in the open market; includes the cost of special handling accorded 7,065 notes aggregating 138,379,000 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.....\$ 49,563.96

The cost of effecting 819 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$57,683,000 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 41,529 pieces aggregating \$567,438,000; shipping 42,612 pieces aggregating \$577,761,000; holding in our vaults throughout the year securities, deposited by member banks as collateral to discounts or for safe keeping, ranging from \$77,331,000 to \$92,255,000 was 12,065.89

Total Cost \$ 61,629.85

TRANSIT AND COLLECTIONS

Handling and collecting 53,875,000 checks, aggregating \$13,907,636,000 cost\$197,383.38

Receiving, examining, paying and listing according to Treasury regulations 1,855,000 government checks, aggregating \$211,184,000, and shipping them to Washington cost 6,774.80

Handling 1,018,196 checks aggregating \$64,655,000 returned unpaid for various reasons cost 18,024.58

Handling 284,929 non-cash collection items (maturing notes, drafts, coupons, etc.), aggregating \$264,948,000 cost 35,453.36

Total Cost \$ 257,636.12

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 Set-

tlement Fund through which \$20,956,000,-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 149,495 aggregating \$6,020,866,000.

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	\$ 128,773.42
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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 623,279 government coupons aggregating \$11,611,000 cost	\$ 3,657.34
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Fiscal Agency work for the U. S. Government principally relating to the issue of 10,328 pieces of government securities amounting to \$50,628,000; the redemption of 24,776 pieces amounting to \$38,437,000; the exchange and transfer of 25,537 pieces amounting to \$70,608,000; the redemption of war savings and thrift stamps 184 pieces amounting to \$488; 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 \$46,377,000 to \$111,515,000 cost	27,520.08
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Total Cost	\$ 31,177.42
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Reimbursed by the Treasury Department ..	7,127.48
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Net Cost to the Bank	\$ 24,049.94
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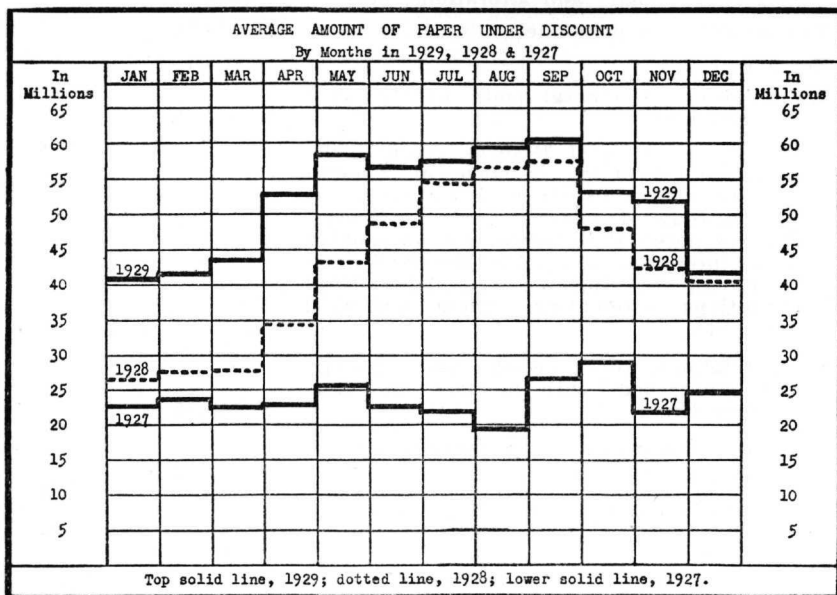
GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

Official salaries and supervisory expenses	\$123,796.54
Directors' fees and traveling expenses	7,612.63
Governors', Federal Reserve Agents' and Federal Advisory Council conferences	523.92
Our proportion of the expenses of the Federal Reserve Board	35,641.12
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)	165,905.11
The provision of personnel	27,018.76
Legal expenses	8,823.79
Maintaining the general audit of the bank and branches	25,817.22
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.	49,817.48
Bank relations work; visiting and advising, and conferences with member and non-member banks.	25,949.65
Handling incoming and outgoing ordinary and registered mail	24,556.55
Protection—Salaries of special officers and watchmen, and other protective services	64,785.27
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	74,957.43
Shipping charges (postage and insurance) on securities	2,442.73
Postage on ordinary mail	69,080.94
Insurance—Employees' group life, Employees' fidelity, Bankers' blanket bond and burglary, Workmen's Compensation, Fire — equipment and supplies, and automobile ..	20,541.88
Total Cost	\$ 727,271.02
Total Operating Expense*	\$1,587,465.99

* NOTE: The total Operating Expense during 1929 was \$222.38 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 demand from member banks for reserve bank credit was heavier in 1929 than in either 1928 or 1927, as the preceding chart shows. The Federal Reserve Bank of Richmond discounted bills totaling \$4,691,968,000 last year, an increase of 22.18 per cent over discounts totaling \$3,840,120,000 in 1928. The daily average of paper under discount, which is a better measure of actual credit needs than the aggregate for the year, was \$51,379,334* in 1929, an increase of 21.37 per cent over the daily average of \$42,332,126 in 1928. The banks in all of the six geographical divisions in the Fifth reserve district used reserve bank credit more extensively in 1929 than in 1928, District of Columbia banks increasing their rediscounts most with 115.14 per cent and Maryland banks increasing least with 9.80 per cent. The table on the next page shows by states the daily average amount of paper under discount at the Richmond bank during 1929 and 1928, with percentages of increase last year.

A larger proportion of the member bank paper handled by the Richmond reserve bank in 1919 was made up of member banks' notes largely secured by customers' paper, or by rediscounts of secured and unsecured commercial or agricultural paper than in other recent years. Of the total volume of 1929 discounts, only 38.42 per cent was secured by Government obligations, compared with 53.84 per cent in 1928 and 45.42 per cent in 1927. Member bank notes secured by eligible paper and

STATES	1929	1928	Per Cent of Increase or Decrease
Maryland	\$ 8,210,000	\$ 7,477,054	9.80
District of Columbia.....	3,103,984	1,442,787	115.14
Virginia	17,840,022	15,300,445	16.60
West Virginia.....	4,601,039	3,818,579	20.49
North Carolina	13,587,908	10,931,504	24.30
South Carolina	4,036,381	3,361,757	20.07
Fifth District.....	\$51,379,334*	\$42,332,126	21.37

* This figure, which varies slightly from the average shown on page 6, is correct. The slight inaccuracy in the other figure is due to the special method of calculation used in accruing earnings.

rediscounts of secured or unsecured commercial or agricultural paper made up 61.57 per cent of total discounts and rediscounts at the Federal Reserve Bank of Richmond in 1929, compared with 46.16 per cent in 1928 and 54.58 per cent in 1927.

On December 31, 1929, the total of discounted paper held by the Bank was \$38,938,704. In addition to the paper under discount at the end of the year, the Bank held \$13,335,750 in bills purchased in the open market and \$9,559,100 in Government securities, bringing the total earning assets up to \$61,833,555, in comparison with total earning assets amounting to \$66,356,560 on December 31, 1928. Although discounts held for member banks and Government securities owned were both higher on the 1929 date, a decline of approximately 45 per cent in the Bank's holdings of paper purchased in the open market brought the total earning assets nearly 7 per cent below the total at the end of 1928.

Three hundred and eighty-four member banks discounted paper with the Federal Reserve Bank of Richmond at some time in 1929, and at the end of the year 258 banks were being accommodated. The number of banks discounting at the reserve bank was slightly smaller in 1929 than in 1928, but was a higher percentage of the total membership in the Reserve System in the Fifth district.

The discount rate on all classes of paper at the Bank was 5 per cent during the entire year 1929, at which figure it was fixed on July 13, 1928.

ACCEPTANCES

The Federal Reserve Bank of Richmond discounted trade acceptances totaling \$1,256,241 for member banks in 1929, compared with \$1,106,773 of the same class of paper discounted in 1928. The percentage increase in trade acceptances discounted last year over the 1928 figures was much less than the increase in other discounts.

The Richmond bank purchased bankers' acceptances from member banks and in the open market less extensively in 1929 than in the preceding year, partly due to the increased use of its funds in rediscounting member bank paper. Aggregate purchases of acceptances by this Bank in 1929 totaled only \$63,-825,043, in comparison with \$110,850,313 in acceptances purchased in 1928. Purchases from member banks last year totaled \$20,031,788, compared with \$41,644,919 in 1928; purchases from non-member banks and dealers totaled \$42,295,923 against \$61,-602,075 in 1928; and purchases through foreign banks totaled \$1,497,332 compared with \$63,802 in 1928. No purchases from other Federal reserve banks were made in 1929, but acceptances totaling \$7,539,517 were bought from other reserve banks in 1928.

CHECK COLLECTIONS

Operations in the Transit Department set new records in 1929 for both number of checks handled and aggregate amount involved. The department handled 55,730,000 checks during the year, an increase of 1,160,000 checks over 54,570,000 handled in 1928, which was a record number up to that time. The total amount involved in the checks cleared last year was \$14,118,-820,000, compared with \$13,990,057,000 in 1928, an increase of \$128,763,000. The average amount of each item handled dropped slightly in 1929, to \$253 from \$256 average in 1928. The average number of items handled each working day in 1929 was 184,536, amounting in round numbers to \$46,751,000, compared with 180,695 items totaling \$46,325,000 handled daily in 1928. Of the 55,730,000 items handled in 1929, 5,001,000 were drawn on banks outside the Fifth reserve district and were forwarded to other Federal reserve banks and branches, and 1,855,000 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 the reserve accounts of the sending banks at the Federal Reserve Bank of Richmond, numbered 210,776 last year, totaling in amount \$2,434,671,000, as compared with 231,111 cash letters amounting to \$2,330,256,000 sent direct to other districts in 1928. The direct routing of cash items, which increased steadily up to 1929, results 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 284,929 items in 1929, having an aggregate value of \$264,948,000, as compared

with 282,008 items amounting to \$288,560,000 handled in 1928. These figures show an increase of 1.04 per cent in the number of items handled last year, but the aggregate amount handled decreased 8.19 per cent, the average amount of the items collected in 1929 being less than in 1928.

GOLD SETTLEMENT FUND

The Federal Reserve Bank of Richmond received \$10,475,-302,000 from Federal reserve banks and other sources through the Gold Settlement Fund in 1929, while it paid out \$10,481,-188,000. The excess of disbursements over receipts resulted in a net decrease for the year of \$5,886,000, leaving a balance of \$8,093,000 in the Fund to the credit of this Bank at the close of business December 31, 1929.

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

(000 omitted)				
District	Receipts from	Payments to	Total Settlements	Percentage of Total
Boston	\$ 168,976	\$ 169,814	\$ 338,790	3.18
New York	2,785,218	2,638,293	5,423,511	50.84
Philadelphia	708,610	757,719	1,466,329	13.74
Cleveland	638,052	585,123	1,223,175	11.47
Atlanta	414,808	404,932	819,740	7.68
Chicago	382,491	414,153	796,644	7.47
St. Louis	122,848	197,225	320,073	3.00
Minneapolis	16,304	5,116	21,420	.20
Kansas City	35,111	35,686	70,797	.66
Dallas	47,219	34,805	82,024	.77
San Francisco	53,589	51,773	105,362	.99
Totals	\$ 5,373,226	\$ 5,294,639	\$10,667,865	100.
Settlements between Head Office and Branches:				
Richmond	2,528,463	2,365,461	4,893,924	
Baltimore	1,739,761	1,853,940	3,593,701	
Charlotte	671,967	720,790	1,392,757	
Totals	\$10,313,417	\$10,234,830	\$20,548,247	

The percentage of settlements with Cleveland, Chicago, Kansas City and Dallas were higher in 1929 than in 1928, but all percentage changes were very small. Settlements in aggregate amounts between the Richmond district and the other eleven districts were all larger in 1929 than in 1928 except between Richmond and Minneapolis and Richmond and San Francisco.

We received more from than we paid to New York, Cleveland, Atlanta, Minneapolis, Dallas and San Francisco, while we paid more to than we received from Boston, Philadelphia, Chicago, St. Louis, and Kansas City. The total for all districts was approximately \$380,000,000 more in 1929 than in the preceding year, of which \$180,000,000 occurred in settlements between Richmond and New York.

WIRE TRANSFERS OF FUNDS

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 149,495 times in 1929, the total amount so transferred being \$6,020,866,000, compared with 141,525 transfers aggregating \$5,676,459,000 made in 1928. There were 145,534 telegrams sent or received over the private wire during 1929, compared with 140,986 messages in 1928. In its transactions with and for member banks, the bank uses commercial telegrams extensively, in addition to the operation of the private leased wire.

RESERVE NOTE CIRCULATION

The average daily circulation of Federal reserve notes of the Richmond bank was higher in every month in 1929 than in the corresponding month in 1928. Circulation followed a seasonal trend during the year, declining steadily from a daily average of \$81,275,496 in January to \$66,105,238 in June, and then rising to \$97,996,997 in December, the high point of the year. The upturn came approximately a month earlier in 1929 than in most years, and was more extensive, due to the fact than on July 10, 1929, the Federal reserve banks put the new small sized currency in circulation, and for some time both the old and new money circulated quite freely. Because of demands for the new currency, much of which was carried or stored away for souvenirs, the banks were compelled to draw more currency from the reserve bank than they normally need. This extra demand continued for several months, and kept the total amount of circulation above the level required by the volume of ordinary business being done. The low point in circulation reached in June was \$13,247,502 above the low point in July 1928, and the high average of December 1929 was \$11,348,634 above the December 1928 circulation. The 1929 yearly average of \$78,-715,188 was \$14,137,463 above the 1928 average of \$64,577,725. On December 31, 1929, the volume of notes in circulation totaled

\$98,670,400, as compared with \$86,338,950 on December 31, 1928.

CURRENCY AND COIN SERVICE

The Federal Reserve Bank of Richmond received \$510,197,-758 in currency and coin from member banks in 1929, and \$64,-191,812 from non-member banks. Shipments to member banks during the year totaled \$489,135,668, and \$21,713,478 were sent to non-members. The total amount of currency and coin received from or shipped to member and non-member banks in 1929 was \$1,085,238,716, a sum \$104,903,273, or 10.7 per cent, in excess of total receipts and shipments in 1928. Part of the increase in the receipts and deliveries of currency and coin in 1929 was due to the introduction of new currency and retirement of much of the former paper money.

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

RESERVE POSITION

The ratios of cash reserves to note and deposit liabilities combined were higher at the Federal Reserve Bank of Richmond in every month except three in 1929 than in 1928, chiefly due to reduced investments in open market paper and Government securities and a consequent increase in cash reserves last year. In January and February 1929 the reserve ratios were higher than in 1928, but in March, April and May the ratios were lower, reaching the lowest point of the year, 57.63 per cent, in May. From and including June to the end of 1929 the reserve ratio was higher each month than in the corresponding month of the preceding year, the highest monthly average, 65.24 per cent, for 1929 being reached in December. In 1928 the low point of 50.79 per cent occurred in January and the high point of 69.05 per cent in March. The average ratio for the year 1929 was 61.25 per cent, compared with 58.15 per cent in 1928.

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 1929 making up a much larger percentage of total earning assets than in either 1928 or 1927. Combined monthly holdings of acceptances and Government obligations averaged approximately \$13,528,000 during 1929, compared with an average of \$22,763,000 in 1928 and \$32,657,000 in 1927. On the other hand, the average monthly holdings of discounts for members rose in 1929 to \$51,383,154,

compared with \$42,308,000 in 1928 and only \$23,429,000 in 1927.

The average daily deposits totaled \$69,246,347 in 1929, against \$72,030,327 in 1928; average daily note circulation was \$78,715,188 in 1929 and \$64,577,725 in 1928; and daily average cash reserves totaled \$90,628,000 last year and \$79,434,939 the preceding year. Deposits averaged highest in January and lowest in December; note circulation was highest in December and lowest in June; and cash reserves were highest in December and lowest in May.

CHANGES IN MEMBERSHIP

Membership in the Federal Reserve System in the Fifth district declined during 1929 from 555 banks to 525 banks. Five banks joined the System during the year, but 35 members were lost through liquidations, mergers or withdrawals, a net decrease of 30 members, 8 of these being withdrawals of National banks upon surrender of their charters to merge with State banks or to be absorbed in State bank branch systems. At the end of 1929 there were 480 National bank members and 45 State bank members in the district. Increased capital and surplus, and the subscriptions of new member banks, added 11,892 share of stock of the reserve bank to members' holdings during 1929, but liquidations, mergers and withdrawals deducted 13,531 shares, a net loss of 1,639 shares during the year. On December 31, 1929, the shares of this Bank owned by member banks numbered 121,499, as compared with 123,088 shares held on December 31, 1928. The net decrease in the paid-up capital of the Bank during 1929 was \$81,950.

BANK RELATIONS WORK

Measured by the number of visits made during 1929, the volume of work done by the Bank Relations Department was slightly less than in 1928, the decrease being in visits to non-member banks. In accordance with the policy established by the Board of Directors, each member bank in the district was visited at least once during the year, and certain banks were visited several times. In addition to the work among member banks, many visits were paid to non-member banks, the visits for the year being 665 to member banks and 264 to non-members, a total of 929.

As heretofore, a great deal of attention was given during 1929 to member banks considered to be in unsatisfactory condition. It should be noted, however, that the number of such cases was less than in former years. The Relations Department accomplished a considerable amount of work during 1929 in the cases of suspended member banks which were indebted to us at the time of suspension.

During the year one or more representatives of the department attended each State banking convention held in the district. Representatives were also present at several group meetings held by the various State banking associations. The department undertook a study of methods used by member banks in computing their required reserves, and in some instances was able to point out errors and secure proper classification of statement items. The member banks willingly co-operated in this investigation.

BANK EXAMINATION DEPARTMENT

The personnel of the Examination Department of the Richmond reserve bank remained unchanged during 1929. Four examiners, a clerk and one stenographer comprise the force, all working under the supervision of the Assistant Federal Reserve Agent.

Examinations and credit investigations were made during 1929 as follows:

	Banks	Branches
Credit investigations made at time bank was being examined by State bank examiners	18	8
Regular and independent examinations of State member banks	10	
Special visits	1	
State bank examined in connection with application for membership	1	
National bank examined for membership of State bank, conversion of the National bank	1	
Investigation of State member bank in connection with merger with non-member State bank	1	
	<hr/> 32	<hr/> 8

STOCKHOLDER'S ANNUAL MEETING

The stockholder of the Federal Reserve Bank of Richmond held their fifth annual meeting in the Auditorium of the Bank on April 12, 1929, with C. E. Tiffany, of Warrenton, Va., President of the Association, in the Chair. One hundred and sixty-four representatives of 125 banks were present, and in addition there were two representatives from the Federal Reserve Board staff, 6 Directors of the Federal Reserve Bank of Richmond, 5 Directors of the Baltimore Branch, and 5 Directors of the Charlotte Branch. The meeting opened with addresses by Wm. W. Hoxton, Chairman of the Board of this Bank, and President Tiffany. H. H. McKee, Chairman of the Advisory Committee, presented the Committee's report, and Mr. Hoxton then introduced the guest of honor, Hon. Charles S. Hamlin, a member of the Federal Reserve Board. Governor George J. Seay addressed

the meeting, after which it was thrown open to the delegates for general discussion. The topic which proved of chief interest to the representatives of the member banks was the question of distribution of reserve bank earnings. Upon the suggestion of John Poole, of Washington, Mr. Hamlin introduced Dr. E. A. Goldenweiser, Director of the Division of Research & Statistics of the Federal Reserve Board, and Dr. Goldenweiser spoke on the general credit situation in the United States. Upon recommendation of the Nominating Committee, the following officers were elected to serve during the next year: for President, Waldo Newcomer, Chairman of the Executive Committee of the Baltimore Trust Co.; for Vice-President, F. F. Beattie, President of the First National Bank of Greenville, S. C.; and for Secretary, George H. Keesee, Cashier of the Federal Reserve Bank of Richmond. As members of the Advisory Committee the Association elected George R. Gehr, of Maryland; Floyd E. Davis, of the District of Columbia; D. J. F. Strother, of Welch, West Virginia; C. S. Carter, of Bristol, Virginia; John M. Miller, III, of Gastonia, North Carolina; and W. L. Glover, of Orangeburg, South Carolina. At the close of the meeting Governor Seay laid eleven questions bearing on Federal reserve bank policy before the delegates, and asked consideration of them during the next year. The meeting then adjourned to the Commonwealth Club for lunch.

PERSONNEL

The Board of Directors held twelve regular meetings in 1929. In the annual Fall election, member banks in Group 2 reelected D. R. Coker, of Hartsville, South Carolina, as a Class B director, and member banks in Group 3 reelected L. E. Johnson, of Alderson, West Virginia, as a Class A director. Both of these gentlemen will serve three years from December 31, 1929. The Federal Reserve Board reappointed Wm. W. Hoxton as a Class C director, for a three year term beginning December 31, 1929, and redesignated him as Chairman of the Board and Federal Reserve Agent for the year 1930. Mr. Frederic A. Delano was redesignated as Deputy Chairman.

The Board of Directors, at the December meeting, reelected John Poole, President of the Federal-American National Bank, Washington, D. C., as the representative on the Federal Advisory Council for the Fifth District, and designated Charles E. Rieman, President of the Western National Bank, Baltimore, Maryland, as alternate.

There were no changes in the official personnel of the Bank during 1929. The total number of officers and employees at Richmond on December 31, 1929, was 332 as compared with 341 on December 31, 1928. The total number of officers and

employees in the Richmond, Baltimore and Charlotte offices, combined, on December 31, 1929, was 575, as compared with 572 on December 31, 1928. A reduction of 9 at Richmond, an increase of 10 at Baltimore, and an increase of 2 at Charlotte, increased the total force by 3. The increase in Baltimore was caused chiefly by the greater volume of currency and coin handled, due largely to the change in the size of currency.

BALTIMORE BRANCH

The Baltimore Branch office serves 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 1929 there were 147 member banks and 241 non-member banks in the territory served by the Baltimore Branch, all of the non-member banks being on the par list.

The actual number and amount of all transactions of the Baltimore Branch are included in the aggregate volume of business reported by the Head Office. However, the volume handled by the Branch increased substantially for the year 1929, as compared with the year 1928, the increase being principally in the Currency and Check Collection Departments.

The number of employees at the Baltimore Branch, including four officers, increased from 175 at the close of 1928 to 185 at the close of 1929, this increase in the number of employees being occasioned by the greater volume of work in the Currency Department and the opening of a cafeteria during 1929.

CHARLOTTE BRANCH

The Charlotte Branch territory embraces 34 counties in western North Carolina and 21 counties in western South Carolina. Counting out-of-town branches as separate banks, there were in the territory of the Charlotte Branch on December 31, 1929, 64 member banks, 34 par non-member banks, and 208 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	

Working conditions at the Charlotte Branch were not changed during the year 1929. 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 1929 there were employed at the Charlotte Branch 2 officers and 56 employees, compared with 2 officers and 54 employees on December 31, 1928.

The number and amount of all transactions at the Charlotte Branch are included in the aggregate volume reported by the Federal Reserve Bank of Richmond. The physical volume of business transacted through the Branch was larger in all departments in 1929 than during 1928, but the aggregate amounts of checks and non-cash collection items were slightly less in 1929 than in 1928.

FISCAL AGENCY OPERATIONS

The work handled by the Federal Reserve Bank of Richmond as Fiscal Agent of the United States was much smaller in 1929 than in 1928. There were only four issues of Certificates of Indebtedness, and one special offering of Treasury Notes sold on bids. Five bids were made in the Fifth district, one of which was accepted and the notes allotted. Total subscriptions to all issues in 1929 amounted to \$131,536,500, of which \$80,904,500 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 50,569 pieces with an aggregate value of \$141,732,000 during 1929, compared with 232,164 pieces valued at \$221,-

247,000 handled in 1928, a decrease last year of 78.22 per cent in number of pieces and 35.94 per cent in total value.

An analysis of the United States Treasurer's general account with the Bank shows that on January 1, 1929, the Treasurer had a balance of \$1,432,000. Receipts for the credit of the Treasurer during the year totaled \$891,908,000, while disbursements totaled \$891,190,000, leaving a balance due the Treasurer on December 31, 1929, of \$2,150,000. The receipts and disbursements by the Bank for the account of the Treasurer in 1929 were about 7/10ths of 1 per cent less than in 1928 .

FIDUCIARY POWERS

During 1929 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 two banks which had previously exercised partial powers. The seventeen banks whose applications to exercise fiduciary powers in whole or in part were approved in 1929 were located as follows: District of Columbia 1; Maryland 1; Virginia 7; West Virginia 4; North Carolina 2; and South Carolina 2.

Name of Bank	Location	Date Granted
Riggs National Bank	Washington, D. C.	1-23-29
National Bank of Rising Sun (x) ..	Rising Sun, Md.	2- 8-29
Second National Bank	Culpeper, Va.	4-23-29
Virginia National Bank*	Norfolk, Va.	10- 1-29
National Bank of Norton	Norton, Va.	1- 8-29
National Bank of Orange	Orange, Va.	2-27-29
Colonial-American National Bank*	Roanoke, Va.	7-30-29
Farmers & Merchants National Bank	Stanley, Va.	4- 9-29
First National Bank	Wytheville, Va.	8-15-29
Bluefield National Bank	Bluefield, W. Va.	4- 9-29
Charleston National Bank*	Charleston, W. Va.	3-18-29
Peoples National Bank	Fairmont, W. Va.	9-28-29
South Branch Valley National Bank	Moorefield, W. Va.	12-10-29
First National Bank of Granville* ..	Oxford, N. C.	8-15-29
First National Bank*	Rocky Mount, N. C.	4- 1-29
Peoples National Bank(x)	Greenville, S. C.	7-16-29
Peoples National Bank	Rock Hill, S. C.	4- 5-29

* Powers previously granted reaffirmed after consolidation.

(x) Supplementary powers.