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EIGHTEENTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1932



WM. W. HOXTON
Chairman and Federal Reserve Agent

EIGHTEENTH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1932



WM. W. HOXTON
Chairman and Federal Reserve Agent

DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1933

DIRECTORS

Class A

CHAS. E. RIEMAN, 1933,
BALTIMORE, Md.

JAMES C. BRASWELL, 1934,
ROCKY MOUNT, N. C.

L. E. JOHNSON, 1935,
ALDERSON, W. Va.

Class B

CHAS. C. REED, 1933,
RICHMOND, Va.

EDWIN C. GRAHAM, 1934,
WASHINGTON, D. C.

D. R. COKER, 1935,
HARTSVILLE, S. C.

Class C

WM. W. HOXTON, 1935,
CHAIRMAN OF THE BOARD,
RICHMOND, Va.

FREDERIC A. DELANO, 1933,
DEPUTY CHAIRMAN,
WASHINGTON, D. C.

ROBERT LASSITER, 1934,
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,
ASSISTANT CASHIER.

EDWARD WALLER, JR.,
ASSISTANT CASHIER.

COUNSEL

MAXWELL G. WALLACE.

MEMBER FEDERAL ADVISORY COUNCIL

HOWARD BRUCE, 1933,
BALTIMORE, Md.

BALTIMORE BRANCH

DIRECTORS

HUGH LEACH, BALTIMORE, Md., 1933.

M. M. PRENTIS, BALTIMORE, Md., 1933.

LEVI B. PHILLIPS, CAMBRIDGE, Md., 1934.

L. S. ZIMMERMAN, BALTIMORE, Md., 1935.

NORMAN JAMES, BALTIMORE, Md., 1933.

WM. H. MATTHAI, BALTIMORE, Md., 1934.

EDMUND P. COHILL, HANCOCK, Md., 1935.

OFFICERS

HUGH LEACH, MANAGING DIRECTOR.

JOHN R. CUPIT, CASHIER.

J. A. JOHNSTON, ASSISTANT CASHIER.

F. W. WRIGHTSON, ASSISTANT CASHIER.

CHARLOTTE BRANCH

DIRECTORS

W. T. CLEMENTS, CHARLOTTE, N. C., 1933.

ROBT. GAGE, CHESTER, S. C., 1933.

W. H. WOOD, CHARLOTTE, N. C., 1934.

C. L. COBB, ROCK HILL, S. C., 1935.

JOHN A. LAW, SPARTANBURG, S. C., 1933.

JOHN LINDSAY MOREHEAD, CHARLOTTE, N. C., 1934.

C. A. CANNON, CONCORD, N. C., 1935.

OFFICERS

W. T. CLEMENTS, MANAGING DIRECTOR.

R. L. CHERRY, CASHIER.

**FEDERAL RESERVE BANK
OF RICHMOND**

March 11, 1933.

THE FEDERAL RESERVE BOARD,
Washington, D. C.

GENTLEMEN:

I have the honor to submit herewith the Eighteenth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1932.

Respectfully,

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

COMPARATIVE STATEMENT OF CONDITION

RESOURCES

	Dec. 31, 1932	Dec. 31, 1931
RESERVES:		
Gold with Federal Reserve Agent.....	\$ 73,000,000.00	\$ 78,870,000.00
Gold Redemption Fund—F. R. Notes.....	1,857,200.00	2,017,750.00
Gold Settlement Fund.....	11,069,430.06	7,813,382.95
Gold Coin and Certificates.....	3,392,412.50	5,658,409.50
Total Gold Reserves.....	\$ 89,319,042.56	\$ 94,359,542.45
Legal Tender Notes, Silver, etc.....	8,162,825.00	7,095,165.00
Total Reserves.....	\$ 97,481,867.56	\$ 101,454,707.45
NON-RESERVE CASH:		
National and Federal Reserve Bank Notes.....	\$ 2,032,880.00	\$ 2,309,750.00
Subsidiary Silver, Nickels and Cents.....	1,713,330.86	1,433,149.54
Total Non-Reserve Cash.....	\$ 3,746,210.86	\$ 3,742,899.54
EARNING ASSETS:		
Bills Discounted—Secured by U. S. Gov. Obligations....	\$ 2,256,139.27	\$ 6,823,837.51
Bills Discounted—All Other.....	13,953,186.70	26,553,347.29
Total Bills Discounted.....	\$ 16,209,325.97	\$ 33,377,184.80
Bills Purchased in Open Market.....	1,866,660.30	10,098,975.31
United States Government Securities.....	47,132,500.00	19,080,500.00
Federal Intermediate Credit Bank Debentures.....		700,000.00
Total Earning Assets.....	\$ 65,208,486.27	\$ 63,256,660.11
DUE FROM FOREIGN BANKS.	119,235.23	346,478.66
F. R. NOTES OF OTHER F. R. BANKS.	1,195,540.00	1,884,720.00
UNCOLLECTED ITEMS:		
Transit Items.....	\$ 27,579,006.85	\$ 36,007,146.57
Exchanges for Clearing House.....	465,924.50	859,765.80
Other Cash Items.....	213,841.67	361,149.92
Total Uncollected Items.....	\$ 28,258,773.02	\$ 37,228,062.29
MISCELLANEOUS ASSETS:		
Fiscal Agency Expenses, Reimbursable.....	\$ 15,898.44	\$ 1,510.74
Bank Premises (Richmond and Baltimore).....	3,237,318.61	3,338,088.46
Other Real Estate.....	278,596.40	267,134.21
Claims Account Closed or Suspended Banks.....	2,714,793.25	2,783,620.28
All Other Resources.....	44,891.29	47,657.90
Total Miscellaneous Assets.....	\$ 6,291,497.99	\$ 6,438,011.59
TOTAL RESOURCES	\$202,301,610.93	\$214,351,539.64

LIABILITIES

CAPITAL:		
Capital paid in.....	\$ 5,149,700.00	\$ 5,478,150.00
Surplus.....	11,616,582.86	11,482,816.30
Total Capital.....	\$ 16,766,282.86	\$ 16,960,966.30
DEPOSITS:		
Member Banks—Reserve Accounts.....	\$ 51,950,712.08	\$ 47,255,464.19
United States Treasurer.....	243,894.68	1,641,563.49
Participation in Due to Foreign Banks.....	837,683.76	3,074,333.99
Non-members—Clearing Accounts.....	1,807,464.73	
Officers' Checks and Drafts.....	79,386.75	392,033.78
Other Deposits.....	158,990.90	206,804.70
Total Deposits.....	\$ 55,078,132.90	\$ 52,570,200.15
DEFERRED AVAILABILITY CREDITS:		
United States Treasurer.....	\$ 1,267,317.92	\$ 1,461,030.15
All Other Transit Items.....	25,920,628.05	33,071,404.41
Total Deferred Availability Credits.....	\$ 27,187,945.97	\$ 34,532,434.56
NOTE CIRCULATION:		
F. R. Notes in Actual Circulation.....	\$101,500,540.00	\$109,346,920.00
MISCELLANEOUS:		
Reserve for Expenses Accrued and Unpaid.....	\$ 2,799.17	\$ 2,717.96
Reserve for Self Insurance.....	400,000.00	400,000.00
Reserve for Undetermined Losses.....	362,872.10	262,174.61
Reserve for Depreciation on U. S. Securities.....		133,766.56
Unearned Discount.....	45,348.11	99,882.23
Suspense Credits—Recon. Finance Corp.....	947,622.00	
All Other Liabilities.....	10,067.82	42,477.27
Total Miscellaneous Liabilities.....	\$ 1,768,709.20	\$ 941,018.63
TOTAL LIABILITIES	\$202,301,610.93	\$214,351,539.64

EIGHTEENTH ANNUAL REPORT

FEDERAL RESERVE BANK OF RICHMOND

GENERAL BUSINESS CONDITIONS

<u>STATISTICAL SUMMARY</u>	<u>1932</u>	<u>1931</u>
Debits to Individual Accounts (24 Cities)	\$10,562,241,000	\$13,539,560,000
Number of Commercial Failures, 5th District	1,936	1,574
Liabilities Involved in Failures.....	\$ 54,233,281	\$ 34,880,659
Cotton Consumption, 5th District Mills (Bales)	2,403,441	2,507,332
Cotton Grown in 5th District (Bales).....	1,363,000	1,803,000
Cigarettes Manufactured in 5th District..	84,979,282,360	99,992,193,540
Total Taxes on Tobacco Products, 5th District	\$ 282,821,000	\$ 330,316,000
Tobacco Grown in 5th District (Pounds)	402,301,000	671,197,000
Building Permits Issued, 32 Cities.....	27,781	34,484
Value of Building Permits, 32 Cities.....	\$ 35,613,841	\$ 80,739,801
Value of Contracts Awarded, 5th District	\$ 157,483,234	\$ 243,595,366
Total Sales, 33 Department Stores, 5th District	\$ 87,287,074	\$ 107,831,811
Total Sales, 62 Wholesale Firms, 5th District	\$ 41,387,606	\$ 49,364,888
Soft Coal Mined in 5th District (Tons)....	93,160,000	113,178,000

Trade and industry in all lines continued to decline in the Fifth reserve district during most of 1932, although in the last quarter of the year there were a few signs of improvement, or at least of lessened downward pressure on business. The figures in the statistical summary at the top of this page reflect clearly the general decline in the volume of trade and industrial activity during 1932 in comparison with 1931. Debits to individual accounts figures declined last year 22 per cent in comparison with aggregate debits in the preceding year. Commercial failures increased 23 per cent in number and 55 per cent in liabilities involved. Textile mills in the Carolinas and Virginia consumed 4 per cent less cotton in 1932 than in 1931, but the decrease occurred in the five months April-August, inclusive, and there was a marked increase in cotton consumption during the last four months of the year. Cigarette manu-

facture fell off 15 per cent in the Fifth district last year, and taxes paid to the Federal Treasury on tobacco manufactures in the district declined 14 per cent. Construction work dropped to a new low level in 1932. Building permits issued for work in thirty-two leading cities were 56 per cent lower in total valuation than in 1931, and the aggregate value of all contracts actually awarded for construction in the Fifth district was 35 per cent less than the value of 1931 contracts. Total sales in thirty-three department stores declined 19 per cent last year in dollar volume of sales, and sixty-two wholesale firms in five lines sold 16 per cent less than they sold in 1931. Bituminous coal mined in 1932 in the Fifth district was 18 per cent less than coal mined in the preceding year. Unemployment increased steadily throughout 1932. Agriculture was highly unprofitable last year, yields being low on account of unfavorable weather and financial returns small because of continued low prices for farm products. The two leading money crops in the Fifth district, cotton and tobacco, declined in yield 24 per cent and 40 per cent, respectively, and slight advances in prices in 1932 were insufficient to compensate for reduced production.

VOLUME OF BUSINESS

The physical volume of business handled in 1932 by the Federal Reserve Bank of Richmond is shown in the accompanying table, in contrast with the volume handled in 1931.

The number of bills discounted for member banks or bought in the open market increased by 53.92 per cent last year, but the aggregate amount of these bills rose only 9.91 per cent. The number of borrowing banks in 1932 was 309, compared with 353 which borrowed from the Bank at some time in 1930. The number of checks cleared by the Transit department in 1932 declined 11.58 per cent, and the total amount cleared decreased 25.17 per cent in comparison with the checks cleared in 1931. The average amount of each check decreased 15.15 per cent last year in comparison with the average in 1931. The decrease in the number of checks cleared last year was due in part to a smaller volume of general business and in part to the influence of the check tax law in the second half year, and the decrease in the average amount of each check reflected in part price declines during the year. The number of non-cash collections handled in 1932 increased 11.34 per cent, but the aggregate amount decreased 3.13 per cent, each item, as in the case of checks cleared, having a lower average value than in 1931. Currency received in 1932 decreased 12.31 per cent in number of pieces and 12.63 per cent in amount, and currency paid out

ITEMS	1932	1931	Per Cent of Increase or Decrease
BILLS DISCOUNTED AND BOUGHT:			
Number	97,035	63,044	+53.92
Amount	\$ 1,650,536,000	\$ 1,501,760,000	+ 9.91
CHECKS HANDLED BY TRANSIT DEPARTMENT:			
Number	46,554,000	52,652,000	—11.58
Amount	\$ 7,809,312,000	\$10,435,697,000	—25.17
NON-CASH COLLECTIONS HANDLED:			
Number	298,662	268,234	+11.34
Amount	\$ 203,313,000	\$ 209,890,000	— 3.13
CURRENCY RECEIVED AND COUNTED (Including new notes):			
Number of pieces.....	140,391,302	160,093,431	—12.31
Amount	\$ 572,220,000	\$ 654,948,000	—12.63
CURRENCY PAID OUT (Includes redemptions):			
Number of pieces.....	139,111,637	160,078,415	—13.10
Amount	\$ 571,835,000	\$ 657,498,000	—13.03
COIN RECEIVED AND COUNTED (Includes new):			
Number of pieces.....	157,862,145	176,635,001	—10.63
Amount	\$ 14,456,000	\$ 15,603,000	— 7.35
COIN PAID OUT (Including redemptions):			
Number of pieces.....	150,804,700	174,721,935	—13.69
Amount	\$ 15,032,000	\$ 17,016,000	—11.66
TRANSFERS OF FUNDS FOR MEMBER BANKS:			
Number	109,061	124,868	—12.66
Amount	\$ 4,201,225,000	\$ 5,846,015,000	—28.14
FISCAL AGENCY WORK: U. S. securities received, issued, redeemed, cancelled or exchanged:			
Number	40,430	43,764	— 7.62
Amount	\$ 250,614,000	\$ 283,888,000	—11.72

decreased 13.10 per cent in number of pieces and 13.03 per cent in amount. Coin received and coin paid out decreased in 1932 in both number of pieces and aggregate amount. Transfers of funds for member banks decreased 12.66 per cent in number and 28.14 per cent in amount last year in comparison with transfers in 1931. Fiscal Agency transactions decreased materially last year, falling 7.62 per cent in number and 11.72 per cent in total amount.

FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of receipts and disbursements for the year 1932:

ITEMS	Average Daily Holdings	Average Daily Earnings	Total Earnings	Annual Rate of Earnings
Bills Discounted	\$27,459,829	\$3,287	\$ 989,265	.0360
Bills Purchased	3,698,043	433	130,184	.0352
U. S. Securities Held	35,383,645	2,107	634,263	.0179
Penalties and Miscellaneous Earnings		390	117,410	
Totals	\$66,541,517	\$6,217	\$1,871,122	.0264
Additions to Current Earnings			83,287	
Total Gross Earnings			\$1,954,409	
Current Expenses			1,406,120	
Current Net Earnings			\$ 548,289	
Account of Reserves, Depreciations, etc.			233,800	
Net Earnings Available for Dividends, Surplus and Franchise Tax				
Dividends Paid			\$ 314,489	
			314,489	

The rates of return on loans and investments in 1932 were higher than the rates in 1931, and the Federal Reserve Bank of Richmond completed the year without a deficit, although there was no profit to be added to surplus or paid to the United States as a Franchise tax. The percentage of gross earnings derived from the discount of member bank paper was 51 per cent last year, compared with 54 per cent in 1931. The Bank increased its holdings of Government securities in 1932, and 32 per cent of gross earnings came from these investments, in contrast with 26.5 per cent of gross earnings from Government securities in the preceding year. Daily holdings of open market paper in 1932 were only a little over half the daily average holdings in 1931, but the rate of return was higher in the later year and 7 per cent of gross earnings came from this source, compared with 8.5 per cent in 1931. Miscellaneous earnings, penalties, etc., produced 10 per cent of last year's gross earnings, compared with 11 per cent the year before.

Current expenses of the Federal Reserve Bank of Richmond in 1932 totaled \$1,406,120, a decrease of \$85,544 under \$1,491,664 for 1931. Gross earnings of \$1,954,409 provided for current expenses, and left current net earnings totaling \$548,289 available for dividends, reserves, depreciations, surplus, and Franchise tax. Dividends paid totaled \$314,489, leaving a balance of \$233,800, which was added to reserves.

No additions were made to surplus, and no payment was made on account of Franchise tax.

EXPENSES OF OPERATION IN 1932

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, the Reconstruction Finance Corporation, and to member banks, and through member banks indirectly to the entire business community—agricultural, industrial, and commercial.

Federal Reserve Banks—furnish an elastic currency; afford means of rediscounting commercial and agricultural paper; act as fiscal agents of the U. S. Treasury Department, and the Reconstruction Finance Corporation; 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 1932, divided according to functions, were as follows:

CURRENCY AND COIN

The cost of receiving and handling 140,391,302 pieces of currency aggregating \$572,220,000, of which 97,168,610 pieces had been in circulation and had to be sorted and counted; paying or shipping out 139,111,637 pieces of currency aggregating \$571,835,000; receiving and handling 157,862,145 pieces of coin aggregating \$14,456,000; paying or shipping out 150,804,741 pieces of coin aggregating \$15,032,000 was.....	\$110,921.75
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The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to.....	78,655.03
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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	27,688.44
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Total Cost	\$ 217,265.22
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LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 309 member banks: 95,865 notes aggregating \$1,622,205,000, were received, examined and discounted; 142,563 notes collateral to mem-

ber bank notes aggregating \$1,315,601,000 were received, examined and handled; 19,898 pieces of marginal or excess collateral, aggregating \$45,690,000, were received, examined and handled; 1,170 bankers' acceptances aggregating \$15,526,000 were purchased in the open market; includes the cost of special handling accorded 10,368 notes aggregating \$74,665,000 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.....\$ 67,327.05

The cost of effecting 1,912 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$96,033,000 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 48,346 pieces aggregating \$772,766,000; shipping 52,764 pieces aggregating \$745,261,000; holding in our vaults throughout the year securities, deposited by member banks as collateral to discounts or for safe keeping, ranging from \$77,434,000 to \$106,097,000 was..... 13,447.81

Total Cost.....\$ 80,774.86

TRANSIT AND COLLECTIONS

Handling and collecting 44,180,000 checks, aggregating \$7,469,107,000 cost.....\$155,025.61

Receiving, examining, paying and listing according to Treasury regulations 2,374,000 government checks, aggregating \$340,205,000, and shipping them to Washington cost..... 8,255.79

Handling 921,929 checks aggregating \$34,645,000 returned unpaid for various reasons cost 16,898.28

Handling 298,662 non-cash collection items (maturing notes, drafts, coupons, etc), aggregating \$203,313,000 cost..... 35,784.14

Total Cost.....\$ 215,963.82

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 \$13,360,666,000 was received from or 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 109,061 aggregating \$4,201,225,000.

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.....	\$ 149,415.64
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FISCAL AGENT OF THE UNITED STATES

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

Receiving, proving and crediting to banks, preparing schedules, cancelling and shipping to Washington 591,049 government coupons aggregating \$12,099,000 cost.....	\$ 3,009.03
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Fiscal Agency work for the U. S. Government principally relating to the issue of 17,863 pieces of government securities amounting to \$104,078,000; the redemption of 5,112 pieces amounting to \$44,420,000; the exchange and transfer of 17,286 pieces amounting to \$102,116,000; the redemption of war savings and thrift stamps 169 pieces amounting to \$305; 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 \$74,869,000 to \$142,865,000 cost	34,336.63
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Total Cost	\$ 37,345.66
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Reimbursed by Treasury Department.....	17,226.14
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Net Cost to the Bank.....	\$ 20,119.52
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Services performed as Fiscal Agent, Depository, and Custodian for the Reconstruction Finance Corporation; consisting principally of paying the proceeds of loans to applicants; the custodianship of the primary obligations and the supporting collateral; and the collection of these loans and collateral.

This work cost.....	114,347.38
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Reimbursed by the Reconstruction Finance Corporation	104,745.99
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Net Cost to the Bank.....	\$ 9,601.39
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GENERAL EXPENSES—NOT ALLOCATED
TO THE ABOVE FUNCTIONS

Official salaries and supervisory expenses.....	\$117,640.26
Directors' fees and traveling expenses.....	7,909.70
Governors', Federal Reserve Agents' and Federal Advisory Council conferences.....	446.88
Our proportion of the expenses of the Federal Reserve Board	29,404.52
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.)	173,619.73*
The provision of personnel.....	20,606.08
Legal expenses	9,110.23
Maintaining the general audit of the Bank and Branches	23,419.39
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.	52,089.02
Bank relation work; visiting and advising, and conferences with member and non-member banks	17,973.80
Handling incoming and outgoing ordinary and registered mail	23,563.06
Protection—Salaries of special officers and watchmen, and other protective services.....	66,836.77
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.....	72,240.36
Shipping charges (postage and insurance) on securities	4,467.82
Postage on ordinary mail.....	72,211.12
Insurance—Employees' group life, Employees' fidelity, Bankers' blanket bond and burglary, Workmen's Compensation, Fire—equipment and supplies, and automobile.....	22,191.66
Total Cost.....	\$ 713,730.40
Total Operating Expense.....	\$1,406,870.85**

*No deduction is made from this item for income from banking houses, amounting to \$26,970.24.

**The total Operating Expense during 1932 was \$750.37 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 \$1,622,205,000 for member banks during 1932, an increase of 13.09 per cent over discounts totaling \$1,434,455,000 handled in 1931. The daily average amount of paper under discount increased 17.95 per cent during the later year, and is a better measure of the credit extended to member banks than the total of bills discounted. The banks of five of the six geographical divisions comprising the Fifth district borrowed more extensively from the reserve bank in 1932 than in 1931, North Carolina with a decrease of 35.93 per cent being the exception. Banks in other sections increased their borrowing last year as follows: District of Columbia banks 90.20 per cent, Maryland banks 50.11 per cent, Virginia banks 45.84 per cent, South Carolina banks 37.28 per cent, and West Virginia banks 9.03 per cent. In actual amounts borrowed, Virginia banks led, while District of Columbia banks borrowed least. The accompanying table shows by states the daily average amount of paper under discount at the Richmond bank during 1932 and 1931, with percentages of change last year.

AVERAGE AMOUNT OF PAPER UNDER DISCOUNT

STATES	1932	1931	Per Cent of Increase or Decrease
Maryland	\$ 4,922,866	\$ 3,279,452	+ 50.11
District of Columbia.....	1,700,141	893,856	+ 90.20
Virginia	9,646,858	6,614,570	+ 45.84
West Virginia	4,521,055	4,146,551	+ 9.03
North Carolina	4,185,004	6,532,322	-35.93
South Carolina	2,436,998	1,775,202	+ 37.28
Fifth District.....	\$27,412,922*	\$23,241,953	+ 17.95

*This figure, which varies slightly from the average shown on page 8, is correct. The inaccuracy in the other figure is due to the special method of calculation used in accruing earnings.

The classes of paper discounted in 1932 changed considerably from those of 1931. Of the total volume of 1932 discounts, 29.06 per cent was secured by Government securities, compared with 39.50 per cent in 1931. Member bank notes secured by eligible paper and rediscounts of secured or unse-

cured commercial or agricultural paper made up 70.94 per cent of total discounts and rediscounts at the Federal Reserve Bank of Richmond in 1932, compared with 60.50 per cent in 1931.

The discount rate on all classes of paper at the Federal Reserve Bank of Richmond was 4 per cent from January 1 to January 25, 1932, but on the latter date the rate was lowered to 3½ per cent, at which figure it remained throughout the balance of the year.

The movement of rediscounts for member banks varied from seasonal trend in 1932, reaching the lowest point of the year in December. Previous to 1930, in most years rediscounts tended to increase during the late winter and spring months, remained nearly stationery during the summer, and declined in the fall and early winter when crops were marketed. In 1932, however, the volume of rediscounts declined during the first five months of the year, advanced moderately in June and July, and then declined steadily the rest of the year. In 1930 and 1931 there were unusually large increases in rediscounts near the end of the year, due to borrowing by member banks to strengthen their cash position in the face of tense situations brought about by bank suspensions, but this adverse condition did not develop in 1932 and there was no need for any emergency increase in rediscounts.

ACCEPTANCES

The Bank discounted no bankers' acceptances for member banks in either 1932 or 1931. Trade acceptances discounted totaled \$732,169 in 1932, compared with \$636,441 in 1931.

Purchases of bankers' acceptances from member banks and in the open market declined approximately 58 per cent last year. Aggregate purchases of acceptances in 1932 totaled \$28,330,613, in comparison with \$67,305,000 in 1931. Purchases from member banks last year totaled \$3,991,588, compared with \$33,745,000 in 1931; purchases from non-member banks and dealers totaled \$11,535,000 against \$22,873,000 in 1931; and participation in purchases through foreign banks totaled \$12,804,000, compared with \$10,687,000 in 1931. Average daily holdings of open market paper totaled \$3,698,043 last year, in comparison with \$6,834,287 in 1931, a decline of 45.9 per cent, but the average rate of interest on open market paper was so much higher last year that earnings from this class of assets totaled \$130,184, an increase of 4.9 per cent over \$124,060 derived from investments in open market paper in 1931.

CHECK COLLECTIONS

The Transit department of the Federal Reserve Bank of Richmond handled a smaller physical volume of business last year than in any other year since 1922, and the amount involved in the checks handled was the smallest since the Reserve System was fully established. Checks cleared by the Transit department in 1932 numbered 46,554,000, with a daily average of 154,664 items, compared with 52,652,000 checks handled in 1931 with a daily average of 174,923. The decrease last year was due in part to a smaller amount of business and trade, but it was increased by the influence of the check tax which was in effect the last half of 1932. This tax materially reduced the number of checks used in all business circles. The average amount of each item handled in 1932 was only \$168, the lowest figure in the history of the reserve bank and 15 per cent below the average of \$198 per item in 1931. Of the 46,554,000 items handled in 1932, 4,833,000 were drawn on banks outside the Fifth reserve district and were forwarded to other Federal reserve banks and branches, and 2,374,000 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 221,667 last year, totaling in amount \$1,409,048,000, as compared with 206,929 cash letters amounting to \$1,739,713,000 sent direct to other districts in 1931. The direct routing of cash items 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 undertakes to collect notes, acceptances, drafts and securities for member banks, and was one of the few departments of the Bank which handled a larger volume of work in 1932 than in 1931. Last year 298,662 items were handled, totaling \$203,313,000, compared with 268,234 items totaling \$209,890,000 handled in 1931. The average amount of the items handled in 1932 was \$681, a decrease of approximately 13 per cent under the average of \$782 per item handled in 1931.

GOLD SETTLEMENT FUND

On January 1, 1932, the Federal Reserve Bank of Richmond had a credit of \$7,813,000 in the Gold Settlement Fund,

and on December 31, 1932, the credit had risen to \$11,069,000. Total receipts by the Bank from reserve banks and other sources through the Fund totaled \$6,681,961,000 in 1932, while the Bank paid out \$6,678,705,000, an excess of receipts over disbursements totaling \$3,256,000 during the year. Owing to the huge volume of transactions passing through this Fund the balance kept in it fluctuates widely.

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)				
Districts	Receipts from	Payments to	Total Settlements	Percentage of Total
Boston	\$ 111,265	\$ 95,058	\$ 206,323	3.01
New York	1,859,803	1,872,936	3,732,739	54.52
Philadelphia	433,718	461,864	895,582	13.08
Cleveland	361,993	355,628	717,621	10.48
Atlanta	248,884	242,479	491,363	7.18
Chicago	232,722	242,627	475,349	6.94
St. Louis	68,960	90,412	159,372	2.33
Minneapolis	10,306	3,838	14,144	.21
Kansas City	22,809	23,983	46,792	.68
Dallas	25,930	12,774	38,704	.57
San Francisco	32,342	36,443	68,785	1.00
Totals.....	\$3,408,732	\$3,438,042	\$6,846,774	100.
Settlements between Head Office and Branches:				
Richmond	1,560,490	1,419,566	2,980,056	
Baltimore	1,154,680	1,238,657	2,393,337	
Charlotte	284,348	341,295	625,643	
Totals.....	\$6,408,250	\$6,437,560	\$12,845,810	

The percentage of settlements with four of the eleven other reserve districts were higher in 1932 than in 1931, the four being Boston, New York, St. Louis and Kansas City, and the percentage with Minneapolis was the same in both years. Total settlements with all districts declined last year in comparison with settlements in 1931. None of the percentages changed more than 1 per cent except two, the percentage of settlements between Richmond and New York rising from 51.69 in 1931 to 54.52 in 1932, and the percentage of settlements between Richmond and Cleveland declining from 12.08 in 1931 to 10.48 in 1932. The Federal Reserve Bank of Richmond received more from than it paid to Boston, Cleveland, Atlanta, Minneapolis, and Dallas, but it paid more to than it received from New York, Philadelphia, Chicago, St. Louis, Kansas City and San Francisco. Aggregate settlements be-

tween Richmond and the other eleven reserve districts totaled \$2,083,461,000 less in 1932 than in the preceding year, a decrease of 23.3 per cent.

WIRE TRANSFERS OF FUNDS

As a part of its service to member banks, the Federal reserve bank makes transfers of funds for them without cost to the transferring banks. This service is facilitated by the operation of private leased wires connecting all reserve banks and branches and the Federal Reserve Board. The Federal Reserve Bank of Richmond made 109,061 transfers for member banks in 1932, aggregating \$4,201,225,000, compared with 124,868 transfers totaling \$5,846,015,000 made in 1931. A total of 129,783 telegrams were sent or received over the private wire during 1932, compared with 133,177 messages transmitted in 1931, and in addition to the private wire, the Bank made extensive use of commercial telegraph service in its transactions with and for member banks.

CIRCULATION OF RESERVE NOTES

The hoarding of funds which began to be noted in 1930 continued through 1932, although there apparently was a decrease in hoarding in the last half of the year. The circulation of Federal Reserve notes of the Federal Reserve Bank of Richmond continued relatively high throughout most of 1932, and average daily circulation exceeded that of 1931 in every month of the year. Average daily circulation totaled \$99,981,000 last year, compared with \$82,719,000 in 1931, an increase of approximately 21 per cent. The movement of actual circulation did not follow seasonal trends in 1932, the volume outstanding turning upward earlier than usual in the summer and failing to continue to advance to the end of the year. The highest outstanding circulation was reached in January with \$110,238,000, from which there was a steady but less than seasonal decline to an average circulation of \$88,749,000 in June. As a rule, circulation turns upward in August or September, but last year the fall upturn occurred in July. From July note circulation jumped about \$10,000,000 in August, and continued to rise to \$105,150,000 in September. From this point onward, however, the movement of notes was again unusual, average daily circulation in each of the last three months being lower than the average for September. December with an average of \$103,027,000, which is normally the high month of the year, was lower than January, February and September. The causes of the unusual movement of notes appear to have been two. First, the circulation of notes was

exceptionally high at the beginning of the year because bank failures in the winter of 1931-1932 made it necessary for surviving banks to carry large amounts of cash in their vaults. Secondly, some decrease in hoarding toward the end of 1932 restored funds to business channels and made it necessary for member banks to provide less additional funds for fall trade and crop marketing.

CURRENCY AND COIN SERVICE

In supplying banks of the Fifth district with currency and coin in 1932, the Federal Reserve Bank of Richmond shipped \$342,801,552 to member banks and \$23,451,303 to non-members. The Bank received \$349,684,346 in currency and coin from member banks in 1932, and \$52,091,683 from non-member banks. The total amount of currency and coin shipped to or received from member and non-member banks in 1932 was \$768,028,884, a sum \$159,418,438, or 17 per cent, less than total shipments and receipts in 1931.

The Federal Reserve Bank defrays all shipping and insurance charges on currency and coin shipments to and from member banks, and it also pays all charges on remittances from non-member banks in settlement for cash letters, but all other shipments to and 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 Sub-treasury transactions.

RESERVE POSITION

The ratios of cash reserves to note and deposit liabilities combined were lower at the Federal Reserve Bank of Richmond in the first three-quarters of 1932 than in the same period of 1931, but from October 1 to the end of the year the 1932 ratios were higher than those of the earlier year. The monthly average ratio for 1932 was 60.59 per cent, compared with 67.05 per cent in 1931 and 73.37 per cent in 1930. The highest monthly average for 1932 was reached in April with 66.78 per cent, and the lowest was 49.91 per cent in July. The low average in July was partly due to an unusual increase in the circulation of Federal reserve notes in that month. In 1931 the high average was 83.74 per cent in April and the low point was 49.17 per cent in October. There was a difference of 16.87 points between the high and low points in 1932, a much smaller difference than 34.57 points between the high and low points for 1931.

Average daily deposits totaled \$57,035,839 in 1932, compared with \$65,457,514 in 1931; average daily note circula-

tion was \$99,981,000 in 1932 and \$82,719,000 in 1931; and daily average cash reserves totaled \$95,128,830 last year and \$99,353,639 in the preceding year. Deposits showed the highest daily average in June and the lowest in March; note circulation was highest in January and lowest in June; and cash reserves were highest in January and lowest in July.

CHANGES IN MEMBERSHIP

On January 1, 1932, there were 428 member banks in the Fifth Federal reserve district, but during the year there was a net loss of 35 members, leaving a total of 393 member banks on December 31, 1932. Eleven banks were added to membership in 1932, consisting of 8 new National banks, 1 State bank admitted, and 2 resumptions of operations after suspension. Forty-six members were lost during the year, 10 from mergers among member banks, 30 from suspensions and insolvency, 4 from absorptions of members by non-members, 1 by voluntary liquidation, and 1 by conversion of a member to a non-member bank. At the end of 1932 there were 360 National and 33 State bank members in the Fifth reserve district. Increased capital and surplus, and subscriptions of new member banks, added 1,084 shares of stock of the reserve bank to members' holdings in 1932, but liquidations, mergers, and failures deducted 7,653 shares, a net loss of 6,569 shares during the year. On December 31, 1932, member banks held 102,994 shares of the Federal Reserve Bank of Richmond, compared with 109,563 shares held on December 31, 1931. The net decrease in the paid-up capital of the Bank during 1932 was \$328,450.

BANK RELATIONS DEPARTMENT

The Bank Relations department is the contact between the reserve bank and the member banks. In 1932, representatives of the department made 479 visits to banks in the Fifth Federal reserve district, of which 417 visits were to member banks and 62 to non-members. Each member bank was visited at least once during the year. Since its organization in 1922, representatives of the Bank Relations department have paid 5,312 visits to member banks, and 2,097 visits to non-members, a total of 7,409 visits. All State Bankers' Conventions in the Fifth district in 1932 were attended by one or more members of the department, and several Group meetings were also attended.

In addition to field work, the Bank Relations department carries on a considerable amount of office and correspondence work. In the main, this work has to do with badly extended

banks, or banks which have suspended. The department continued its analyses of methods used by member banks in computing reserve requirements, and maintained a close watch on banks frequently deficient in their reserves.

BANK EXAMINATION DEPARTMENT

The Bank Examination department, under the general supervision of the Assistant Federal Reserve Agent, consists of four examiners, a clerk and one stenographer. The field work done by the examiners in 1932 was as follows:

	Banks	Branches
Examinations of State member banks in conjunction with State Departments.....	32	31
State banks examined in connection with application for membership	2	1
Survey made of State banks considering membership....	9	
Special visits	4	
	<hr/> 47	<hr/> 32

STOCKHOLDERS ANNUAL MEETING

The eighth annual meeting of Stockholders of the Federal Reserve Bank of Richmond was held in the Bank's Auditorium on April 15, 1932, with 128 representatives of 89 member banks present. The Association also had the honor of welcoming Hon. C. S. Hamlin and Hon. W. W. McGee, members of the Federal Reserve Board, and several Directors of the Federal Reserve Bank of Richmond and of the Baltimore and Charlotte Branches. A stenographic report of the meeting was printed and distributed to all member banks.

PERSONNEL

The Board of Directors held twelve regular meetings in 1932. There was one change in the Board during the year, Mr. W. Meade Addison, Class B director, resigning on August 11, and Mr. Charles C. Reed, of Richmond, being elected in November to fill the unexpired term. Mr. Reed has been engaged in the wholesale dry goods business since 1890. He is at present an officer and large stockholder in Williams & Reed, Inc., wholesale dry goods merchants of Richmond, and is a member of the Commission for Simplification of Government, appointed by the Governor of Virginia. Mr. Reed's term as Director expires December 31, 1933. In the annual Fall elections, member banks in Group 3 re-elected L. E. Johnson, of Alderson, W. Va., as a Class A director, and member banks

in Group 2 re-elected D. R. Coker, of Hartsville, S. C., as a Class B director, both gentlemen to serve until December 31, 1935. The Federal Reserve Board re-appointed William W. Hoxton, of Richmond, as a Class C director for a three year term ending December 31, 1935, and redesignated Mr. Hoxton as Chairman of the Board and Federal Reserve Agent for 1933. Frederic A. Delano, of Washington, was re-appointed Deputy-Chairman by the Federal Reserve Board for 1933.

At the December meeting, the Board of Directors re-elected Howard Bruce, of Baltimore, as a member of the Federal Advisory Council for the Fifth District, and re-elected Charles E. Rieman, of Baltimore, as alternate. Members of the Boards at Baltimore and Charlotte whose terms expired on December 31, 1932, were re-elected by the Board of Directors of the Federal Reserve Bank of Richmond or were re-appointed by the Federal Reserve Board.

There were no changes in the official personnel at the Head Office in Richmond or at either the Baltimore or Charlotte Branches during 1932. The total number of officers and employees at Richmond on December 31, 1932, was 389, as compared with 326 on December 31, 1931, but 58 employees on December 31, 1932, were assigned to the Custodian department of the Reconstruction Finance Corporation. These persons are employees of the Federal Reserve Bank of Richmond, but their salaries are reimbursable from the Reconstruction Finance Corporation. The same condition exists at the Charlotte Branch, where there were 72 employees on December 31, 1932, of whom 25 persons were assigned to R. F. C. work. The total number of officers and employees in the Richmond, Baltimore and Charlotte offices combined was 635 on December 31, 1932, as compared with 552 on December 31, 1931. There was an increase of 63 employees at Richmond and a gain of 21 at Charlotte, but the force at Baltimore dropped 2 during 1932, a net increase for the three offices of 82 employees. Since 83 employees were assigned to Custodian work for the R. F. C., there was actually a net decrease of 1 in the number of persons employed by the Bank in 1932 on ordinary bank work.

BALTIMORE BRANCH

The Baltimore Branch territory embraces the State of Maryland and thirty counties in northern West Virginia, as follows:

Barbour
Berkeley
Braxton
Calhoun
Doddridge

Hardy
Harrison
Jackson
Jefferson
Lewis

Morgan
Nicholas
Pendleton
Pleasants
Preston

Taylor
Tucker
Upshur
Webster
Wirt

Gilmer	Marion	Randolph	Wood
Grant	Mineral	Ritchie	
Hampshire	Monongalia	Roane	

At the close of the year 1932 there were 116 member banks and 183 non-member banks in the territory served by the Baltimore Branch, all of the non-members being on the par list.

The number of employees at the Baltimore Branch, including 4 officers, decreased from 176 at the close of 1931 to 174 at the close of 1932.

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, 1932, 42 member banks, 16 non-member par banks, and 130 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	Stanly
Cleveland	Swain
Gaston	Transylvania
Graham	Union
Haywood	Watauga
Henderson	Wilkes
Iredell	Yancey

SOUTH CAROLINA

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

On April 1, 1932, the Charlotte Branch became Custodian for the Reconstruction Finance Corporation. A department was organized for that purpose, located on the nineteenth floor of the First National Bank Building, with 13 employees. The Branch has custody of collateral pledged with the Reconstruction Finance Corporation by borrowing institutions in the states of North and South Carolina. On December 31, 1932, there were 25 employees in this department.

At the end of 1932 there were 2 officers and 70 employees at the Charlotte Branch, including the persons engaged in custody work for the R. F. C., compared with 2 officers and 49 employees on December 31, 1931.

CUSTODIAN DEPARTMENT, RECONSTRUCTION FINANCE DEPARTMENT

The Federal Reserve Bank of Richmond became Custodian for collateral held by the Reconstruction Finance Corporation in February, and organized a special department for this work on the sixth floor of the north half of our building. This department has in custody all collateral put up with the R. F. C. by borrowing institutions in Virginia, Maryland, the District of Columbia, and most of West Virginia. By the end of 1932 the number of employees in the Custodian department had increased to 58. These persons are employees of the reserve bank, but their salaries are reimbursed to the Bank by the Reconstruction Finance Corporation. The R. F. C. rents the second floor north in the reserve bank building. The Corporation was organized and occupied the space in February.

FISCAL AGENCY OPERATIONS

As Fiscal Agent of the United States, the Fiscal Agency department of the Federal Reserve Bank of Richmond handled a larger volume of work in 1932 than in 1931. There were 9 issues of Certificates of Indebtedness, 7 issues of Treasury Notes, and 31 special offerings of Treasury Notes sold on bids. Total subscriptions to the issues of Certificates of Indebtedness and Treasury Notes amounted to \$971,341,400, of which \$142,230,000 was allotted. Thirty bids were offered for the special Treasury Notes, but only five, for a total of \$455,000, were accepted by the Treasury. Including deliveries, redemptions and exchanges of Certificates of Indebtedness, Treasury Notes and Treasury Bonds, Victory and Liberty Bonds, and War Savings Stamps, the Bank handled 40,430 pieces with an aggregate value of \$250,614,000 during 1932, compared with 43,764 pieces valued at \$283,888,000 handled in 1931, decreases last year of 7.6 per cent in number of pieces and 11.7 per cent in total value.

The United States Treasurer's general account with the Bank on January 1, 1932, showed a balance of \$1,642,000. Disbursements by the Bank on this account during the year exceeded receipts, and therefore the balance to the credit of the Treasurer dropped to \$244,000 on December 31, 1932. This account fluctuates materially from day to day.

FIDUCIARY POWERS

Acting under authority of Section 11(k) of the Federal Reserve Act, as amended, the Federal Reserve Board, upon

recommendation of the Federal Reserve Agent, granted Fiduciary powers to six National banks in the Fifth district in 1932. Four of the six banks were institutions formed by mergers of National banks which had previously held the right to exercise Fiduciary powers, and the grants to the new banks merely conferred upon them the privileges held by the consolidating banks. The four banks in this group, with the dates upon which Fiduciary powers were confirmed, were Peoples National Bank, Parkersburg, W. Va., July 8; Beckley National Exchange Bank, Beckley, W. Va., June 3; First National Bank & Trust Co., Petersburg, Va., June 10; and First & Merchants National Bank, East Radford, Va., July 29. In addition to the four regrants of powers previously conferred, authority to exercise full trust powers was granted to First National Bank, Morganton, N. C., on July 29, and to the Planters National Bank, Fredericksburg, Va., on July 19.