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TWENTIETH ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1934



WM. W. HOXTON
Chairman and Federal Reserve Agent

TWENTIETH ANNUAL REPORT

OF THE

**FEDERAL RESERVE BANK
OF RICHMOND**

FOR THE YEAR ENDED DECEMBER 31, 1934



WM. W. HOXTON
Chairman and Federal Reserve Agent

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1935**

DIRECTORS

Class A

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

CHAS. E. RIEMAN, 1936,
BALTIMORE, MD.

JAMES C. BRASWELL, 1937,
ROCKY MOUNT, N. C.

PRESIDENT, FIRST NATIONAL BANK,
ALDERSON, W. VA.

PRESIDENT, WESTERN NATL. BANK OF BALTIMORE,
BALTIMORE, MD.

PRESIDENT, PLANTERS NATL. BANK & TRUST CO.,
ROCKY MOUNT, N. C.

Class B

EDWIN MALLOY, 1935,
CHERAW, S. C.

CHAS. C. REED, 1936,
RICHMOND, VA.

JOHN H. HANNA, 1937,
WASHINGTON, D. C.

PRESIDENT AND TREASURER, CHERAW COTTON MILLS, INC.,
CHERAW, S. C.

VICE-PRESIDENT, WILLIAMS & REED, INC.,
WHOLESALE DRY GOODS,
RICHMOND, VA.

PRESIDENT, CAPITAL TRANSIT CO.,
WASHINGTON, D. C.

Class C

WM. W. HOXTON, 1935,
RICHMOND, VA.

FREDERIC A. DELANO, 1936,
WASHINGTON, D. C.

ROBERT LASSITER, 1937,
CHARLOTTE, N. C.

CHAIRMAN OF THE BOARD AND
FEDERAL RESERVE AGENT.

DEPUTY CHAIRMAN OF THE BOARD.
RETIRED RAILWAY EXECUTIVE AND CONSULTING ENGINEER

CHAIRMAN OF BOARD, MOORESVILLE COTTON MILLS,
MOORESVILLE, 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 DEPARTMENT.

W. W. DILLARD,
ASSISTANT CASHIER.

EDWARD WALLER, JR.,
ASSISTANT CASHIER.

COUNSEL

MAXWELL G. WALLACE.

MEMBER FEDERAL ADVISORY COUNCIL

CHAS. M. GOHEN, 1935,
PRESIDENT, FIRST HUNTINGTON NATIONAL BANK,
HUNTINGTON, W. VA.

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1935
(Continued)**

BALTIMORE BRANCH

DIRECTORS

HUGH LEACH, 1935, BALTIMORE, MARYLAND.	MANAGING DIRECTOR.
L. S. ZIMMERMAN, 1935, BALTIMORE, MARYLAND.	VICE-PRESIDENT, MARYLAND TRUST CO., BALTIMORE, MARYLAND.
M. M. PRENTIS, 1936, BALTIMORE, MARYLAND.	PRESIDENT, FIRST NATIONAL BANK, BALTIMORE, MARYLAND.
LEVI B. PHILLIPS, 1937, CAMBRIDGE, MARYLAND.	PRESIDENT, NATIONAL BANK OF CAMBRIDGE, CAMBRIDGE, MARYLAND.
EDMUND P. COHILL, 1935, HANCOCK, MARYLAND.	ORCHARDIST.
WM. H. MATTHAI, 1935, BALTIMORE, MARYLAND.	PRESIDENT, BEAVER DAM MARBLE CO., BALTIMORE, MARYLAND.
NORMAN JAMES, 1936, BALTIMORE, MARYLAND.	PRESIDENT, THE JAMES LUMBER CO., BALTIMORE, MARYLAND.

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, 1935, CHARLOTTE, N. C.	MANAGING DIRECTOR.
C. L. COBB, 1935, ROCK HILL, S. C.	ACTIVE VICE-PRESIDENT, PEOPLES NATIONAL BANK, ROCK HILL, S. C.
ROBERT GAGE, 1936, CHESTER, S. C.	VICE-PRESIDENT AND CASHIER, COMMERCIAL BANK, CHESTER, S. C.
W. H. WOOD, 1937, CHARLOTTE, N. C.	PRESIDENT, AMERICAN TRUST COMPANY, CHARLOTTE, N. C.
C. A. CANNON, 1935, CONCORD, N. C.	PRESIDENT, CANNON MANUFACTURING COMPANY, CONCORD, N. C.
JOHN LINDSAY MOREHEAD, 1935, CHARLOTTE, N. C.	CHAIRMAN OF BOARD, LEAKSVILLE WOOLEN MILLS, LEAKSVILLE, N. C.
ROBERT E. HENRY, 1936, GREENVILLE, S. C.	PRESIDENT AND TREASURER, DUNEAN MILLS, GREENVILLE, S. C.

OFFICERS

W. T. CLEMENTS, MANAGING DIRECTOR.
R. L. CHERRY, CASHIER.
L. D. BROOKS, ASSISTANT CASHIER.

**FEDERAL RESERVE BANK
OF RICHMOND**

March 7, 1935.

THE FEDERAL RESERVE BOARD,
Washington, D. C.

GENTLEMEN:

I have the honor to submit herewith the Twentieth Annual Report of the Federal Reserve Bank of Richmond, for the year ended December 31, 1934.

Respectfully,

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

COMPARATIVE STATEMENT OF CONDITION

RESOURCES

	Dec. 31, 1934	Dec. 31, 1933
RESERVES:		
Gold Certificates on Hand and Due from U. S. Treasury	\$185,213,117.66	\$169,228,472.47
Gold Coin	292,143.00	1,886,700.00
Redemption Fund—F. R. Notes	1,923,050.00	7,319,621.00
Legal Tender Notes and Silver Certificates	7,454,333.00	3,553,455.00
National and Federal Reserve Bank Notes	4,556,820.00	1,202,675.18
Silver and Minor Coin	1,247,855.95	
Total Reserves	\$200,395,176.61	\$183,482,066.65
REDEMPTION FUND—F. R. BANK NOTES	267,150.00	
EARNING ASSETS:		
Bills Discounted—Secured by U. S. Government Obligations, direct and/or fully guaranteed	\$ 75,123.36	\$ 456,139.50
Bills Discounted—All Other	64,238.34	4,077,282.45
Total Bills Discounted	\$ 139,361.70	\$ 4,533,421.95
Bills Purchased in Open Market	209,020.25	3,926,194.05
Industrial Advances (under Section 13b)	1,539,506.66	
United States Government Securities	103,562,500.00	78,562,500.00
Total Earning Assets	\$105,450,388.61	\$ 87,022,116.00
DUE FROM FOREIGN BANKS	30,595.46	129,971.35
F. R. NOTES OF OTHER F. R. BANKS	4,050,250.00	1,311,885.00
UNCOLLECTED ITEMS:		
Transit Items	\$ 35,920,291.09	\$ 32,706,700.75
Exchanges for Clearing House	1,344,167.52	1,257,091.08
Other Cash Items	483,655.27	311,458.13
Total Uncollected Items	\$ 37,748,113.88	\$ 34,275,249.96
MISCELLANEOUS ASSETS:		
Fiscal Agency Expenses, Reimbursable	\$ 42,199.87	\$ 38,570.44
Bank Premises (Richmond and Baltimore)	3,027,338.77	3,128,265.33
Other Real Estate	351,689.00	266,818.74
Claims Account Closed or Suspended Banks	887,734.52	2,145,036.81
Federal Deposit Insurance Corp. stock	5,808,291.43	
All Other Resources	110,146.91	101,983.42
Total Miscellaneous Assets	\$ 10,227,400.50	\$ 5,680,674.74
TOTAL RESOURCES	\$357,901,925.06	\$312,169,113.70

LIABILITIES

CAPITAL:		
Capital paid in	\$ 4,975,000.00	\$ 5,034,950.00
Surplus (Section 7)	5,185,753.09	10,979,454.93
Surplus (Section 13b)	956,610.43	
Total Capital	\$ 11,117,363.52	\$ 16,014,404.93
DEPOSITS:		
Member Banks—Reserve Account	\$124,825,996.76	\$ 96,255,450.37
United States Treasurer—General Account	8,584,908.49	337,683.86
Participation in Due to Foreign Banks	728,985.14	162,370.48
Non-members—Clearing Accounts	438,834.48	
Officers' Checks and Drafts	139,454.26	85,297.93
Other Deposits	855,997.36	3,161,223.27
Total Deposits	\$135,135,342.01	\$100,440,860.39
DEFERRED AVAILABILITY CREDITS:		
United States Treasurer	\$ 3,989,184.95	\$ 2,268,465.43
All Other Transit Items	32,598,910.10	30,161,728.55
Total Deferred Availability Credits	\$ 36,588,095.05	\$ 32,430,193.98
NOTE CIRCULATION:		
F. R. Notes in Actual Circulation	\$167,824,590.00	\$157,541,205.00
F. R. Bank Note Circulation—Net	4,622,650.00	
MISCELLANEOUS:		
Reserve for Expenses Accrued and Unpaid	\$ 3,443.35	\$ 6,267.16
Reserve for Self Insurance	400,000.00	400,000.00
Reserve for Losses	1,015,685.90	754,772.49
Reserve—Federal Dep. Insurance Corp. stock	5,808,291.43	
Unearned Discount	70.48	10,498.75
Suspense Credits—Recon. Finance Corp.	673.68	14,999.24
All Other Liabilities	8,364.64	33,261.76
Total Miscellaneous Liabilities	\$ 7,236,529.48	\$ 1,219,799.40
TOTAL LIABILITIES	\$357,901,925.06	\$312,169,113.70
Commitments to make Industrial Advances	\$ 411,900.00	

TWENTIETH ANNUAL REPORT

FEDERAL RESERVE BANK OF RICHMOND

GENERAL BUSINESS CONDITIONS

<u>STATISTICAL SUMMARY</u>	<u>1934</u>	<u>1933</u>
Debits to Individual Accounts (23 Cities)	\$ 10,963,718,000	\$ 9,163,539,000
Number of Commercial Failures, 5th District	650	1,206
Liabilities Involved in Failures.....	\$ 11,025,607	\$ 30,049,977
Cotton Consumption, 5th District Mills (Bales)	2,451,293	2,914,087
Cotton Grown in 5th District (Bales)....	1,384,000	1,456,000
Cigarettes Manufactured in 5th District..	104,023,488,000	93,700,961,000
Total Taxes on Tobacco Products, 5th District	\$ 340,631,465	\$ 309,011,611
Tobacco Grown in 5th District (Pounds)	594,830,000	749,207,000
Building Permits Issued, 31 Cities.....	21,539	21,360
Value of Building Permits, 31 Cities.....	\$ 30,848,263	\$ 20,728,673
Value of Contracts Awarded, 5th District	\$ 185,791,734	\$ 102,465,338
Total Sales, 31 Department Stores, 5th District	\$ 94,330,604	\$ 80,438,560
Total Sales, 58 Wholesale Firms, 5th District	\$ 54,309,207	\$ 46,508,414
Bituminous Coal Mined in 5th District (Tons)	108,950,000	104,053,000

The statistics in the above table reflect the trend of business in the Fifth reserve district in 1934 in comparison with 1933, and throw light on many of the developments in the Federal Reserve Bank of Richmond during the year 1934. On the whole, the distinct improvement in trade and industry which was noted in the second half of 1933 continued during 1934. Debits to individual accounts figures in clearing house banks in twenty-three leading cities exceeded debits in 1933 by 20 per cent, partly due to frozen funds in banks which did not reopen after the banking holiday in 1933 and partly to higher prices in 1934, especially for leading agricultural products. The number of commercial failures and aggregate liabilities involved declined 46 per cent and 63 per cent, respectively, in comparison with the preceding year, the number of insolvencies being the lowest for any year since 1920 and aggregate liabilities the lowest since 1919. Cotton consumption declined 16 per cent in the Fifth district in 1934, much of the decrease resulting from the strike in the textile industry in the month of September. Tobacco manufacturing during

1934 was at a very high level, and materially exceeded the 1933 rate of operations. Construction work continued to lag behind other industries in the movement toward recovery, but showed improvement over 1933 figures in building permits issued and in contracts actually awarded. However, very little construction work was undertaken with private capital. Retail trade as reflected in sales by thirty-one representative department stores in the Fifth reserve district was 17.3 per cent greater in 1934 than in 1933, and sales by fifty-eight wholesalers and jobbers in five leading lines rose by 16.8 per cent. Collections in 1934 in both retail and wholesale lines were materially better than collections in 1933. In agriculture, 1934 was the most profitable year Fifth district farmers had experienced in a number of years. Acreage reduction was made in most money crops, but the acreage planted yielded well, and prices were so much better that money returns were higher than in any other recent year, while the expenses of cultivation and harvesting were naturally less on the smaller acreage. The drought which was so severely felt in the Central, Western and Southwestern states did not adversely affect Fifth district states, but on the contrary actually benefitted them by increasing the prices received by their farmers for 1934 crops.

PHYSICAL VOLUME OF OPERATIONS

The Federal Reserve Bank of Richmond handled a larger volume of business in 1934 than in 1933, notwithstanding the vast amount of work incident to the banking holiday in the earlier year. Bills discounted for member banks and acceptances purchased in the open market declined notably in number in comparison with bills discounted and brought in 1933, and the amount of these bills handled last year was 96.31 per cent less than the amount handled in the earlier year. The number of non-cash collections handled for member banks also declined in 1934, by 10.5 per cent, but the amount involved in the collections rose by 27.04 per cent. Transfers of funds for member banks decreased 13.48 per cent in 1934 in comparison with 1933, but again the amount involved in the transfers rose, by 3.14 per cent. Work handled by the Transit department increased during 1934, the number of checks handled rising 20.46 per cent and the aggregate amount involved increasing 25.83 per cent. Currency received and counted at the Federal Reserve Bank of Richmond in 1934 exceeded the currency received in 1933 by 6.32 per cent in the number of pieces, although the total amount involved declined by 13.01 per cent. Currency paid out by the Bank in 1934 increased 6.58 per cent in the number of pieces over the currency paid out in 1933, but the amount involved declined by 15.12 per cent. Coin received and paid out showed corresponding changes to those for currency, the number of coins

ITEMS	1934	1933	Per Cent of Increase or Decrease
BILLS DISCOUNTED AND BOUGHT:			
Number	2,132	49,779	— 95.72
Amount	\$ 20,887,000	\$ 565,863,000	— 96.31
CHECKS HANDLED BY TRANSIT DEPARTMENT:			
Number	55,643,000	46,191,000	+ 20.46
Amount	\$ 9,638,415,000	\$ 7,659,951,000	+ 25.83
NON-CASH COLLECTIONS HANDLED:			
Number	335,490	374,830	— 10.50
Amount	\$ 294,510,000	\$ 231,824,000	+ 27.04
CURRENCY RECEIVED AND COUNTED (Including new notes):			
Number of pieces.....	157,102,928	147,764,002	+ 6.32
Amount	\$ 602,734,000	\$ 692,890,000	— 13.01
CURRENCY PAID OUT (Includes redemptions):			
Number of pieces.....	159,905,668	150,039,596	+ 6.58
Amount	\$ 611,660,000	\$ 720,609,000	— 15.12
COIN RECEIVED AND COUNTED (Includes new):			
Number of pieces.....	185,559,470	170,436,385	+ 8.87
Amount	\$ 15,967,000	\$ 38,564,000	— 58.59
COIN PAID OUT (Includes redemptions):			
Number of pieces.....	185,801,086	182,470,345	+ 1.83
Amount	\$ 16,268,000	\$ 39,551,000	— 58.87
TRANSFERS OF FUNDS FOR MEMBER BANKS:			
Number	68,161	78,783	— 13.48
Amount	\$ 4,005,232,000	\$ 3,883,193,000	+ 3.14
FISCAL AGENCY WORK: U. S. securities received, issued, redeemed, cancelled or exchanged:*			
Number	208,916	94,676	+ 120.66
Amount	\$ 613,576,000	\$ 345,239,000	+ 77.72

*Includes Federal Intermediate Credit Bank debentures and Federal Land Bank bonds.

handled being larger in 1934, but the amount involved being less than half the 1933 amount. Transfers of funds for member banks declined last year 13.48 per cent in number in comparison with 1933, but the amount so transferred rose by 3.14 per cent. The number of securities handled by the Fiscal Agency department rose by 120.66 per cent in 1934 in comparison with 1933, and the aggregate value of the securities handled increased by 77.72 per cent.

FINANCIAL RESULTS OF OPERATIONS

The following is a condensed statement of receipts and disbursements for the year 1934:

ITEMS	Total Earnings	Annual Rate of Earnings
Bills Discounted	\$ 56,403	.0362
Bills Purchased	4,716	.0057
Discount on Industrial Advances.....	16,513	.0600
Fees on Industrial Loan Commitments.....	3,838	.0100
Interest on U. S. Securities Held.....	1,825,339	.0186
Miscellaneous Earnings	80,992	
Total Gross Earnings.....	\$1,987,801	.0187
Current Expenses	1,633,969	
Current Net Earnings.....	\$ 353,832	
Additions to Current Earnings.....	352,466	
	\$ 706,298	
Account of Reserves, Depreciations, etc.....	392,951	
Net Profit	\$ 313,347	
Dividends Paid	299,050	
Balance (Profits)	\$ 14,297	

Total earnings of the Federal Reserve Bank of Richmond in 1934 were sufficient to meet all expenses and to show a profit of \$14,297, which amount was added to surplus at the end of the year. Total earning assets of the Bank during the year were materially larger than in 1933, but the increase was chiefly in short-time Government securities on which the income was very low. The percentage of gross earnings derived from the discount of member bank paper was only 3 per cent last year, compared with 31 per cent in 1933, while income from Government securities amounted to 92 per cent of earnings in 1934 against 62 per cent in 1933. Miscellaneous earnings from other assets made up 5 per cent of gross earnings last year, compared with 7 per cent in 1933.

Current expenses of the Bank in 1934 exceeded expenses in 1933 by \$89,351. The cost of handling currency and coin, of making loans, rediscounts and investments, and of accounting declined in 1934, but the expenses of transit and collection work increased and general expenses rose materially, chiefly due to a larger volume of work in the Examination department, an increase in our share of Federal Reserve Board expenses, and contribution to the retirement System of reserve banks.

EXPENSES OF OPERATION IN 1934

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, other Government Agencies, 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; make loans to established

industrial or commercial businesses, either direct or through financing institutions, for the purpose of providing working capital; act as fiscal agents of the U. S. Treasury Department, and other Government Agencies; 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 1934, divided according to functions, were as follows:

CURRENCY AND COIN

The cost of receiving and handling 157,102,928 pieces of currency aggregating \$602,733,900, of which 105,955,813 pieces had been in circulation and had to be sorted and counted; paying or shipping out 159,905,668 pieces of currency aggregating \$611,660,180; receiving and handling 185,559,470 pieces of coin aggregating \$15,967,000; paying or shipping out 185,801,086 pieces of coin aggregating \$16,268,000 was\$107,497.33

The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to..... 114,966.03

Assessments by the Treasury Department to cover the cost of printing and maintaining an adequate supply of new Federal Reserve Currency 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 31,797.38

Total Cost \$ 254,260.74

LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 83 member banks: 1,923 notes aggregating \$18,250,437, were received, examined and discounted; 7,516 notes collateral to member bank notes aggregating \$9,469,731 were received, examined and handled; 467 pieces of marginal or excess collateral, aggregating \$857,112, were received, examined and handled; 209 bankers' acceptances aggregating \$1,322,672 were purchased in the open market; includes the cost of special handling accorded 888 notes aggregating \$6,124,485 paid before maturity and the unearned discount rebated; handling 293 applications for advances to industry for working capital under Section 13b of the Federal Reserve Act, as amended, aggregating \$10,765,819 net, of which amount applications aggregating \$5,678,150 were approved; also includes the cost

of credit investigations, securing and analyzing commercial and bank statements, maintaining credit files, etc.\$ 62,946.19

The cost of effecting 2,732 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks, aggregating \$198,766,950 and the cost of receiving, verifying and holding securities pledged as collateral to notes, and for safekeeping, and maintaining the proper records thereof, as follows: receiving 118,517 pieces aggregating \$949,147,475; shipping 84,373 pieces aggregating \$882,807,787; holding in our vaults throughout the year securities as collateral to discounts or for safekeeping, ranging from \$82,082,000 to \$195,960,000..... 13,915.40

Total Cost.....\$ 76,861.59

TRANSIT AND COLLECTIONS

Handling and collecting 48,702,000 checks, aggregating \$9,084,562,000 cost.....\$149,574.64

Receiving, examining, paying and listing according to Treasury regulations 6,941,000 government checks, aggregating \$553,853,000, and shipping them to Washington cost.... 20,052.49

Handling 818,412 checks aggregating \$30,579,000 returned unpaid for various reasons cost 13,338.85

Handling 335,490 non-cash collection items (maturing notes, drafts, coupons, etc.), aggregating \$294,510,000 cost..... 38,493.13

Total Cost\$ 221,459.11

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 \$12,043,715,000 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 68,161 aggregating \$4,005,232,000.

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 \$ 143,227.13

FISCAL AGENT OF THE UNITED STATES

Services rendered as Fiscal Agent of the United States Government:

Receiving, proving and crediting to banks, preparing schedules, cancelling and shipping to Washington 782,520 coupons aggregating \$17,495,000 cost \$ 4,689.55

Fiscal Agency work for the U. S. Treasury Department principally relating to the issue of 59,796 pieces of government securities amounting to \$217,367,000; the redemption of 115,725 pieces amounting to \$156,708,000; the exchange and transfer of 33,314 pieces amounting to \$239,501,000; the redemption of war savings and thrift stamps 81 pieces amounting to \$63; 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 \$152,943,000 to \$329,959,000 cost..... 62,563.87

Total Cost \$ 67,253.42

Reimbursed by Treasury Department..... 38,494.33

Net Cost to the Bank..... \$ 28,759.09

Services performed as Fiscal Agent, Depository, and Custodian for Government Agencies: namely, the Reconstruction Finance Corporation, Federal Emergency Administration of Public Works, Federal Farm Mortgage Corporation, and the Home Owners' Loan Corporation, cost..... 240,477.84

Reimbursed by Government Agencies..... 238,004.75

Net Cost to the Bank..... \$ 2,473.09

GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

General overhead and supervisory expenses.....\$121,343.03

Directors' fees and traveling expenses..... 6,822.68

Governors', Federal Reserve Agents' and Federal Advisory Council Conferences..... 567.94

Our proportion of the expenses of the Federal Reserve Board 51,046.48

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.) 171,538.54*

The provision of personnel..... 24,488.83

Legal expenses 8,355.40

Maintaining the general audit of the Bank and branches 28,966.38

Work of the Federal Reserve Agents' 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.....	101,128.37
Bank relations work; visiting and advising and conferences with member and non-member banks	19,579.97
Handling incoming and outgoing ordinary and registered mail	23,442.23
Protection—Salaries of special officers and watchmen, and other protective services.....	89,953.46
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.....	72,438.73
Shipping charges (postage and insurance) on securities	1,863.90
Postage on ordinary mail.....	86,819.11
Insurance—Employees' fidelity, Bankers' blanket bond and burglary, Workmen's Compensation, Fire—equipment and supplies, automobile, and Contribution to Retirement System of Federal Reserve Banks.....	98,755.91
Total Cost	\$ 907,110.96
Total Operating Expense.....	\$ 1,634,151.71**

*No deduction is made from this item for income from banking houses, amounting to \$18,891.48.

**The total Operating Expense during 1934 was \$182.69 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 the Current Expense account.

DISCOUNT OPERATIONS

Rediscounts at the Bank decreased very rapidly between January 1 and the middle of March last year, and then continued to decline more slowly until the end of May. From that date until the middle of September there was little change, but another sharp decline occurred in October, the total amount in discounts held by the Bank actually falling below \$100,000 for a brief period in November. The volume of discounts fell from \$4,533,422 on January 1, 1934, to \$139,362 on December 31, a decrease of 96.9 per cent. Paper discounted in 1934 for member banks totaled \$18,250,000, in

comparison with \$534,280,000 in 1933, and the daily average amount of paper under discount was \$970,312 last year in comparison with \$14,545,836 in 1933.

Of the total volume of 1934 discounts, 30.7 per cent was secured by Government obligations, compared with 41.8 per cent in 1933. Member bank notes secured by eligible paper and rediscounts of secured or unsecured commercial or agricultural paper made up 69.3 per cent of total discounts and rediscounts at the Federal Reserve Bank of Richmond in 1934, compared with 58.2 per cent in 1933. The discount rate on eligible paper at the Bank was $3\frac{1}{2}$ per cent from the first of the year to February 9, 1934, but on that date the rate was lowered to 3 per cent. Some loans were made to member banks at 5 per cent under authority of Section 10(b) of the Federal Reserve Act, as amended.

INDUSTRIAL LOANS

Acting under authority of Section 13(b) of the Federal Reserve Act, as amended, the Federal Reserve Bank of Richmond made a number of loans for working capital direct to industries in 1934. These loans have a maximum maturity of five years. Applications amounting to \$10,765,819 were received from industries, of which loans totaling \$5,678,150 were approved, either outright or conditionally, loans totaling \$4,023,169 were rejected, and loans totaling \$1,064,500 were still under consideration on December 31. Of the applications totaling \$5,678,150 which were approved, loans totaling \$1,560,150 were actually made and the funds advanced before the end of 1934. In addition, the Bank committed itself to assume \$411,900 of industrial loans made by member banks, in the event that the lending banks wish to secure funds on the loans before expiration of the commitments.

ACCEPTANCES

The Bank discounted no bankers' or trade acceptances for member banks in 1934. Purchases of bankers' acceptances from member banks and in the open market totaled only \$2,636,669 last year, compared with \$31,582,472 purchased in 1933. The average rate of earnings on bills purchased in 1934 was only .0057, and total earnings were only \$4,716, compared with an average rate of .0174 and total earnings of \$51,639 on bills purchased in 1933. Average daily holdings of open market paper totaled \$823,940 last year, in comparison with \$2,962,052 in 1933.

CHECK COLLECTIONS

The number of checks handled by the Transit department in 1934 was the largest number handled in any year since 1929, and the highest number ever handled with that one ex-

ception. The daily average number handled last year was the highest on record, exceeding 1929 by 324 checks per day. The department cleared 55,643,000 checks in 1934, with a daily average of 184,860, compared with 46,191,000 checks cleared in 1933, a daily average of 153,458, and 55,730,000 checks cleared in 1929, a daily average of 184,536. The years 1934 and 1933 had 301 business days each, while 1929 had 302 days. The average amount of each item handled in 1934 was \$173, a higher figure than \$166 in 1933 or \$168 in 1932, but lower than any other average in the history of the Bank. Of the 55,643,000 items handled last year, 6,783,000 items were drawn on banks outside the Fifth reserve district and were forwarded to other reserve banks or branches, and 6,941,000 items were drawn on the Treasurer of the United States. The number of items drawn on outside banks in 1934 was 12.3 per cent larger than in 1933, and the number drawn on the Treasurer of the United States rose by approximately 123 per cent.

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 200,515 last year, totaling in amount \$1,736,917,000, as compared with 188,515 cash letters amounting to \$1,399,165,000 sent direct to other districts in 1933. 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. Last year 335,490 items were handled, a decrease of 10.5 per cent in comparison with 374,830 items handled in 1933, but the aggregate amount of the items handled in 1934 was \$294,510,000, an increase of 27.0 per cent over the total of \$231,824,000 in 1933. The average amount of the items handled in 1934 was \$878, an increase of approximately 42 per cent over the average of \$618 per item handled in 1933.

GOLD SETTLEMENT FUND

At the beginning of 1934, the Federal Reserve Bank of Richmond had a credit of \$25,956,000 in the Gold Settlement Fund. During the year the Bank received through the Fund, from other reserve banks and branches and from other sources, a total of \$6,028,316,000, while the Bank paid out through the Fund a total of \$6,015,399,000. Receipts exceeded disbursements by \$12,917,000. This amount, added to the credit with which the Bank began the year, brought the bal-

ance of the Bank in the Fund up to \$38,873,000 at the close of business December 31, 1934. Owing to the huge volume of transactions passing through the Gold Settlement Fund, the balance kept in it fluctuates widely from day to day.

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	\$ 137,223	\$ 138,411	\$ 275,634	3.44
New York	2,223,428	2,155,574	4,379,002	54.72
Philadelphia	458,110	508,707	966,817	12.08
Cleveland	417,812	392,718	810,530	10.13
Atlanta	285,962	323,507	609,469	7.62
Chicago	264,882	288,783	553,665	6.92
St. Louis	83,852	114,804	198,656	2.48
Minneapolis	15,179	6,360	21,539	.27
Kansas City	32,382	27,423	59,805	.75
Dallas	30,338	18,507	48,845	.61
San Francisco	35,375	43,399	78,774	.98
Totals	\$3,984,543	\$4,018,193	\$8,002,736	100.
Settlements between Head Office and Branches:				
Richmond	742,008	948,351	1,690,359	
Baltimore	566,524	429,286	995,810	
Charlotte	400,981	331,876	732,857	
Totals	\$5,694,056	\$5,727,706	\$11,421,762	

The percentages of settlements with seven of the eleven other reserve districts were higher in 1934 than in 1933, the seven being Boston, Cleveland, Atlanta, Chicago, St. Louis, Kansas City and Dallas. The percentages with Minneapolis and San Francisco were the same in both years, and the percentages with New York and Philadelphia were lower last year than in the preceding year. The Federal Reserve Bank of Richmond received more from than it paid to New York, Cleveland, Minneapolis, Kansas City and Dallas, but it paid more to than it received from Boston, Philadelphia, Atlanta, Chicago, St. Louis and San Francisco. Aggregate settlements between Richmond and the other eleven districts totaled \$1,067,058,000 more in 1934 than in the preceding year, an increase of 15.4 per cent. The amounts involved in settlements with every other district were larger in 1934 than in 1933.

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 op-

eration of private leased wires connecting all reserve banks and branches and the Federal Reserve Board. The Federal Reserve Bank of Richmond made 68,161 transfers for member banks in 1934, aggregating \$4,005,232,000, compared with 78,783 transfers totaling \$3,883,193,000 made in 1933. A total of 92,869 telegrams was sent or received over the private wire during 1934, compared with 113,175 messages transmitted in 1933, 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 FEDERAL RESERVE NOTES

The average daily circulation of Federal reserve notes in 1934 was \$152,644,000, an increase of 4.5 per cent over the average of \$146,016,000 in 1933. Average daily circulation last year exceeded that of 1933 in every month except March, April, May and June, the figures for those months in 1933 having been abnormally high as a result of the banking holiday in March. The movement of Federal reserve note circulation in 1934 followed seasonal trends, on the whole. Average daily circulation declined during January and February, turned upward unseasonally in March, and then decreased more sharply in April and May. There was little change in June and July, but in August when tobacco markets in South Carolina opened circulation turned upward and rose steadily through September, October, November and December. The low point in 1934 circulation was a daily average of \$141,756,000 in May, and the high average was \$173,285,000 in December. The low point occurred earlier in the summer than in most years.

CURRENCY AND COIN SERVICE

The Federal Reserve Bank of Richmond shipped currency and coin to member banks totaling \$396,633,470 in 1934, a decrease of 10 per cent under \$441,299,489 shipped to members in 1933. Shipments to non-member banks totaled \$18,158,322 last year, compared with \$25,393,046 in the preceding year, a decrease of 28 per cent. Total shipments to all banks amounted to \$414,791,792, a decrease of 11 per cent under shipments of \$466,692,535 in 1933. The Bank received \$374,977,703 from member banks and \$40,501,393 from non-members in 1934, decreases of 4 per cent and 21 per cent, respectively, under \$391,326,126 received from members and \$50,971,807 from non-members in 1933. The total amount of currency and coin shipped to or received from member and non-member banks in 1934 was \$830,270,888, or 8.7 per cent less than \$908,990,468 in shipments and receipts in 1933. Receipts in 1934 from both member and non-member banks outside of Richmond, Baltimore and Charlotte exceeded receipts in 1933.

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 average monthly ratios of cash reserves to note and deposit liabilities combined were higher at the Federal Reserve Bank of Richmond in the first quarter of 1934 than in the same period of 1933, but from and including April to the end of the year the 1934 ratios were lower than those of the earlier year. The ratios in the first four months were not comparable with those for the preceding year, since in 1933 cash reserve figures did not include National bank notes, Federal reserve bank notes of other Federal reserve banks, subsidiary silver, nickels or cents until May. The average monthly ratio for 1934 was 66.71 per cent, compared with 69.41 per cent in 1933 and 60.59 per cent in 1932. The highest monthly average ratio in 1934 was 70.57 per cent in January, and the lowest was 63.00 per cent in July. There was a difference of only 7.57 points between the high and low months in 1934, compared with a difference of 13.06 points between the high and low months in 1933. The cause of lower reserve ratios in 1934 in comparison with 1933 was a rise of 85 per cent in member bank reserve deposits, while cash reserves rose only 21 per cent.

Average daily deposits totaled \$133,525,313 in 1934, compared with \$81,201,609 in 1933; average daily note circulation was \$152,643,720 in 1934 and \$146,015,850 in 1933; and daily average cash reserves totaled \$190,916,590 last year and \$157,693,029 in the preceding year. Deposits showed the highest daily average in May and the lowest in January; note circulation was highest in December and lowest in May; and cash reserves were highest in May and lowest in March.

CHANGES IN MEMBERSHIP

There were 415 member banks in the Fifth reserve district on January 1, 1934, and during the year 26 additions to membership were made, of which 21 were newly organized National banks and 5 were admissions of State banks. Nearly all of the new National banks replaced banks which were placed in the hands of Conservators after the banking holiday in 1933. During 1934, member banks lost to the System in the Fifth district totaled 38, of which 18 were liquidations by Conservators, 8 were voluntary liquidations, 8 were due to suspension and insolvency, 2 were withdrawals of State bank members, 1 was due to a merger between members, and 1 was an absorption of a member by a non-member. These changes

resulted in a net decrease of 12 members during the year, leaving 403 members on December 31, 1934, of which 341 were National banks and 62 were State bank members. Increased capital and surplus, and subscriptions of new member banks, added 3,927 shares of stock of the reserve bank to members' holdings in 1934, but liquidations, mergers, failures and reductions in capital or surplus deducted 5,126 shares, a net decline of 1,199 shares during the year. On December 31, 1934, member banks held 99,500 shares of the Federal Reserve Bank of Richmond, of which National banks held 73,534 shares and State member banks held 25,966 shares. The net decrease in the paid-up capital of the Bank during 1934 was \$59,950.

BANK RELATIONS DEPARTMENT

The Bank Relations department, with a full time personnel of five men, serves as the contact between the Federal reserve bank and its members. The personnel consists of three men at Richmond, one man at Baltimore, and one representative in the Carolinas, all directed from the Head Office. It is the policy of the department to visit each member bank at least once a year, and visits are also paid to non-member banks when the occasion offers. In 1934 the field men paid 436 visits to member banks and 24 visits to non-members. A special effort was made to familiarize member banks with recent banking legislation and regulations. In addition to field work, members of the department do a considerable volume of detailed analysis work of member bank condition reports.

BANK EXAMINATION DEPARTMENT

The Bank Examination department, which was materially expanded in 1933, operated through 1934 with about the same personnel with which it began the year. On December 31, 1934, the department had 10 examiners, 6 assistant examiners, 2 clerks, 1 messenger-clerk, and 8 stenographer-clerks, all working under the personal supervision and direction of the Assistant Federal Reserve Agent.

Field work done by the examiners in 1934 was as follows:

	Banks	Branches
Examinations of State member banks in conjunction with State departments	59	37
State banks visited in connection with applications for membership	2	20
State banks examined in connection with applications for membership	7	5
Special visits to State banks.....	6	0
Special visit to Federal Reserve Bank of New York.....	1	
Special examination of Non-member bank.		
(At request of another Federal reserve bank for voting permit)	1	2
	<u>76</u>	<u>64</u>

PERSONNEL

The Board of Directors of the Federal Reserve Bank of Richmond held twelve regular meetings in 1934. There was one change in the Board membership during the year, Mr. D. R. Coker, Class B director, resigning on July 24, and Mr. Edwin Malloy, of Cheraw, S. C., being elected to fill the unexpired term. Mr. Malloy is President and Treasurer of the Cheraw Cotton Mills, Inc., Cheraw, S. C. In the annual Fall elections, member banks in Group 2 re-elected James C. Braswell, of Rocky Mount, N. C., as Class A director and banks in Group 3 re-elected John H. Hanna, of Washington, D. C., as a Class B director, both gentlemen to serve until December 31, 1937. The Federal Reserve Board re-appointed Robert Lasiter, of Charlotte, N. C., as a Class C director, for a three year term. The Reserve Board re-designated William W. Hoxton as Chairman of the Board and Federal Reserve Agent for 1935, and Frederic A. Delano as Deputy-Chairman. On July 24, Mr. F. F. Beattie, of Greenville, S. C., resigned as director of the Charlotte Branch, and the Federal Reserve Board appointed Mr. Robert E. Henry, President and Treasurer of Dunean Mills, Greenville, to fill the unexpired term, ending December 31, 1936.

At the December meeting, the Board of Directors elected Charles M. Gohen, President of the First Huntington National Bank of Huntington, W. Va., as the member of the Federal Advisory Council for the Fifth District, and re-elected Chas. E. Rieman, of Baltimore, as alternate. Members of the Boards at Baltimore and Charlotte whose terms expired on December 31 were re-elected by the Board of Directors of the Bank or were reappointed 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 1934. The total number of officers and employees at the three offices on December 31, 1934, was 740 a decrease of 6 as compared with December 31, 1933. Of the total number of employees on December 31, 121 were assigned to special work for the Reconstruction Finance Corporation, which reimburses the Bank in full for their salaries.

BALTIMORE BRANCH

The Baltimore Branch territory embraces the entire 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 1934 there were 113 member banks and 153 non-member banks in the territory served by the Baltimore Branch operating on an unrestricted basis, all of the non-members being on the par list. In addition, the Branch was handling checks at the end of the year on six non-member banks in West Virginia which were operating under restrictions.

CHARLOTTE BRANCH

The Charlotte Branch territory embraces 34 counties in western North Carolina and 21 counties in western South Carolina, 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	Lexington
Aiken	McCormick
Anderson	Newberry
Cherokee	Oconee
Chester	Pickens
Edgefield	Richland
Fairfield	Saluda
Greenville	Spartanburg
Greenwood	Union
Lancaster	York
Laurens	

At the close of the year 1934 there were 41 member banks, 12 par non-member banks and 105 non-par non-member banks operating in the Charlotte territory on an unrestricted basis. Out-of-town branches are counted as separate banks.

FISCAL AGENCY OPERATIONS

As Fiscal Agent of the United States, the Federal Reserve Bank of Richmond through the Fiscal Agency department handled a large volume of work in 1934, greatly exceeding the work handled in 1933. There were 9 issues of Treasury Notes, 1 issue of Certificates of Indebtedness, 4 issues of Treasury Bonds, 5 issues of Miscellaneous Bonds, and 59 special offerings of Treasury Bills sold on bids. Total subscriptions to the issues of Certificates of Indebtedness, Treasury Notes,

Treasury Bonds and Miscellaneous Bonds amounted to \$856,265,750, of which \$249,513,150 was allotted. Bids totaling \$110,256,000 were made for Treasury Bills, but only \$3,489,000 was allotted. Including deliveries, redemptions and exchanges of all classes of Government securities, the Bank handled 208,916 pieces with an aggregate value of \$613,576,000 during 1934, compared with 94,676 pieces valued at \$345,239,000 handled in 1933, increases last year of 121 per cent in number of pieces and 78 per cent in total value.

CUSTODIAN DEPARTMENT, RECONSTRUCTION FINANCE CORPORATION

The Federal Reserve Bank of Richmond continued to act as custodian for collateral held by the Reconstruction Finance Corporation last year, maintaining departments for this purpose at the Head Office in Richmond and at the Charlotte Branch. At the end of 1934 the number of employees assigned to the two departments totaled 121, of whom 92 were in Richmond and 29 in Charlotte. The people in the Custodian departments are employees of the Bank, but their salaries are reimbursed to the Bank by the Reconstruction Finance Corporation.

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 full Fiduciary powers to two National banks in 1934, and limited powers to one National bank. Full powers were granted to the Citizens National Bank of Petersburg, Petersburg, Va., on November 19, and to the National Bank of Lumberton, Lumberton, N. C., on December 10. Limited powers were approved for the Citizens National Bank of Hampton, Hampton, Va., on January 8, 1934.