
5

TWENTY-FIRST ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1935



FREDERIC A. DELANO
Chairman and Federal Reserve Agent

TWENTY-FIRST ANNUAL REPORT

OF THE

FEDERAL RESERVE BANK

OF RICHMOND

FOR THE YEAR ENDED DECEMBER 31, 1935



FREDERIC A. DELANO
Chairman and Federal Reserve Agent

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1936**

DIRECTORS

Class A

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

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

L. E. JOHNSON, 1938,
ALDERSON, W. VA.

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

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

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

Class B

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

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

EDWIN MALLOY, 1938,
CHERAW, S. C.

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

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

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

Class C

....., 1938,

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.

R. H. BROADDUS,
DEPUTY GOVERNOR.

J. S. WALDEN, JR.,
DEPUTY GOVERNOR.

GEORGE H. KEESEE,
CASHIER.

.....,
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, 1936,
PRESIDENT, FIRST HUNTINGTON NATIONAL BANK,
HUNTINGTON, W. VA.

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF RICHMOND
FOR YEAR 1936**

(Continued)

BALTIMORE BRANCH

DIRECTORS

HUGH LEACH, 1936
BALTIMORE, MARYLAND.
M. M. PRENTIS, 1936,
BALTIMORE, MARYLAND.
LEVI B. PHILLIPS, 1937,
CAMBRIDGE, MARYLAND.
L. S. ZIMMERMAN, 1938,
BALTIMORE, MARYLAND.
NORMAN JAMES, 1936,
BALTIMORE, MARYLAND.
....., 1937,
....., 1938,

MANAGING DIRECTOR.
PRESIDENT, FIRST NATIONAL BANK,
BALTIMORE, MARYLAND.
PRESIDENT, NATIONAL BANK OF CAMBRIDGE,
CAMBRIDGE, MARYLAND.
VICE-PRESIDENT, MARYLAND TRUST CO.,
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, 1936,
CHARLOTTE, N. C.
ROBERT GAGE, 1936,
CHESTER, S. C.
W. H. WOOD, 1937,
CHARLOTTE, N. C.
C. L. COBB, 1938,
ROCK HILL, S. C.
ROBERT E. HENRY, 1936,
GREENVILLE, S. C.
....., 1937.
....., 1938.

MANAGING DIRECTOR.
VICE-PRESIDENT AND CASHIER, COMMERCIAL BANK,
CHESTER, S. C.
PRESIDENT, AMERICAN TRUST COMPANY,
CHARLOTTE, N. C.
ACTIVE VICE-PRESIDENT, PEOPLES NATIONAL BANK,
ROCK HILL, 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 30, 1936.

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM,
Washington, D. C.

GENTLEMEN:

I have the honor to submit herewith the Twenty-first
Annual Report of the Federal Reserve Bank of Richmond,
for the year ended December 31, 1935.

Respectfully,

FREDERIC A. DELANO,
Chairman of the Board and
Federal Reserve Agent.

COMPARATIVE STATEMENT OF CONDITION

RESOURCES

RESERVES:	Dec. 31, 1935	Dec. 31, 1934
Gold Certificates on Hand and Due from U. S. Treasury.....	\$231,954,014.80	\$185,213,117.66
Redemption Fund—F. R. Notes.....	1,282,665.00	1,923,050.00
Legal Tender Notes and Silver Certificates.....	11,799,374.00	7,454,333.00
National and Federal Reserve Bank Notes.....	705,240.00	4,556,820.00
Silver and Minor Coin.....	1,144,164.03	1,247,865.95
Total Reserves	\$246,885,457.83	\$200,395,176.61
EARNING ASSETS:		
Bills Discounted—Secured by U. S. Government Obligations, direct and/or fully guaranteed.....	45,000.00	75,123.36
Bills Discounted—All Other.....	12,950.00	64,238.34
Total Bills Discounted	57,950.00	139,361.70
Bills Purchased in Open Market.....	174,654.83	209,020.25
Industrial Advances (under Section 13b).....	4,460,261.53	1,539,506.66
United States Government Securities.....	116,715,500.00	108,562,500.00
Total Earning Assets	121,408,366.36	105,450,388.61
DUE FROM FOREIGN BANKS	24,589.72	80,595.46
F. R. NOTES OF OTHER F. R. BANKS	3,411,010.00	4,050,250.00
UNCOLLECTED ITEMS:		
Transit Items.....	45,665,838.29	35,920,291.09
Exchange for Clearing House.....	2,058,476.35	1,344,167.52
Other Cash Items.....	374,907.42	483,655.27
Total Uncollected Items	48,099,222.06	37,748,113.88
MISCELLANEOUS ASSETS:		
Fiscal Agency Expenses, Reimbursable.....	40,841.69	42,199.87
Bank Premises (Richmond and Baltimore).....	2,918,780.23	3,027,333.77
Other Real Estate.....	328,859.58	351,689.00
Claims Account Closed or Suspended Banks.....	284,177.00	887,734.52
Miscel. Assets acquired in settlement of closed banks.....	120,065.92
Federal Deposit Insurance Corp. stock.....	5,808,291.43	5,808,291.43
All Other Resources.....	89,556.77	110,146.91
Total Miscellaneous Assets	9,590,572.62	10,227,400.50
TOTAL RESOURCES	\$429,419,218.09	\$357,901,925.06

LIABILITIES

CAPITAL:		
Capital paid in.....	\$ 4,589,600.00	\$ 4,975,000.00
Surplus (Section 7).....	5,185,758.09	5,185,758.09
Surplus (Section 13b).....	3,363,384.15	956,610.48
Total Capital	13,138,742.24	11,117,368.52
DEPOSITS:		
Member Banks—Reserve Account.....	165,767,245.88	124,825,996.76
United States Treasurer—General Account.....	13,183,661.94	8,584,908.49
Participation in Due to Foreign Banks.....	1,076,822.00	728,985.14
Officers' Checks and Drafts.....	744,803.30	139,454.26
Other Deposits	1,683,298.73	855,997.36
Total Deposits	182,455,831.85	135,135,342.01
DEFERRED AVAILABILITY CREDITS:		
United States Treasurer.....	1,473,608.77	3,989,184.95
All Other Transit Items.....	43,286,049.89	32,598,910.10
Total Deferred Availability Credits	44,759,658.66	36,588,095.05
F. R. NOTES IN ACTUAL CIRCULATION	181,522,750.00	167,824,590.00
MISCELLANEOUS:		
Reserve for Expenses Accrued and Unpaid.....	5,843.54	3,443.85
Reserve for Self Insurance.....	400,000.00	400,000.00
Reserve for Losses.....	1,111,763.47	1,015,685.90
Reserve—Federal Dep. Insurance Corp. stock.....	5,808,291.43	5,808,291.43
Unearned Discount	17.23	70.48
All Other Liabilities.....	216,320.17	9,038.32
Total Miscellaneous Liabilities	7,542,235.84	7,236,529.48
TOTAL LIABILITIES	\$429,419,218.09	\$357,901,925.06
Commitments to make Industrial Advances	\$ 2,289,224.84	\$ 411,900.00

TWENTY-FIRST ANNUAL REPORT **FEDERAL RESERVE BANK OF RICHMOND**

GENERAL BUSINESS CONDITIONS

<u>STATISTICAL SUMMARY</u>	<u>1935</u>	<u>1934</u>
Debits to Individual Accounts (23 Cities)	\$ 12,211,838,000	\$ 10,963,718,000
Number of Commercial Failures, 5th District	496	650
Liabilities Involved in Failures.....	\$ 7,940,557	\$ 11,025,607
Cotton Consumption, 5th District Mills (Bales)	2,629,282	2,451,293
Cotton Grown in 5th District (Bales)....	1,360,000	1,345,000
Cigarettes Manufactured in 5th District	112,271,879,000	104,023,488,000
Total Taxes on Tobacco Products, 5th District	\$ 364,908,421	\$ 340,631,465
Tobacco Grown in 5th District (Pounds)	774,615,000	580,183,000
Building Permits Issued, 31 cities	27,255	21,443
Value of Building Permits, 31 Cities.....	\$ 52,943,883	\$ 30,876,926
Value of Contracts Awarded, 5th District	\$ 203,195,274	\$ 185,791,734
Total Sales, 31 Department Stores, 5th District	\$ 101,823,406	\$ 94,313,531
Total Sales, 58 Wholesale Firms, 5th District	\$ 54,092,012	\$ 54,393,066
Bituminous Coal Mined in 5th District (Tons)	110,154,000	108,950,000

Nearly all lines of trade and industry in the Fifth Federal reserve district showed improvement in 1935 in comparison with 1934, and the past year would have been regarded as an unusually good one if prices for the leading crops grown in this district had not been materially lower than in the earlier year. Debits to individual accounts figures in clearing house banks in 23 cities increased 11 per cent last year, reflecting a larger volume of business passing through the banks. The number of business failures in the Fifth district decreased 24 per cent in 1935 in comparison with the number of defaults in 1934, and aggregate liabilities involved last year were 28 per cent less than those of the preceding year. Cotton consumption in textile mills of the district rose 7 per cent, and

the number of bales of cotton grown in the Carolinas and Virginia increased 1 per cent last year. Tobacco manufacturing in 1935 set a new record for output, and taxes paid to the Federal Treasury on manufactured tobacco products rose 7 per cent above taxes paid in 1934. Tobacco grown in the Fifth district last year increased 34 per cent over production in the preceding year. Construction work, which had been very small for several years, advanced materially in 1935, and the value of building permits issued in 31 leading Fifth district cities rose 71 per cent above 1934 valuation figures. Contracts actually awarded in 1935 rose 9 per cent above 1934 figures. Total sales in 31 Fifth district department stores rose 8 per cent in 1935 in comparison with 1934 sales, but wholesale sales by 58 firms declined 1 per cent in the later year. Bituminous coal production in the district advanced 1 per cent in 1935 over production in 1934. Production figures for nearly all farm products were larger than the production figures for 1934, but 1935 prices were lower for the leading crops in this district and on the whole the year was probably not quite as satisfactory to farmers as the earlier year.

VOLUME OF BUSINESS

The following table shows the volume of work handled by the principal departments of the Bank during the year 1935, as compared with the year 1934:

ITEMS	1935	1934	Per Cent of Increase or Decrease
BILLS DISCOUNTED AND BOUGHT:			
Number	272	2,132	—87.24
Amount	\$ 10,046,000	\$ 20,887,000	—51.90
CHECKS HANDLED BY TRANSIT DEPARTMENT:			
Number	59,518,000	55,643,000	+ 6.96
Amount	\$10,436,538,000	\$9,638,415,000	+ 8.28
NON-CASH COLLECTIONS			
Number	301,666	335,490	—10.08
Amount	\$ 305,207,000	\$ 294,510,000	+ 3.63
CURRENCY RECEIVED AND COUNTED (Includes new notes):			
Number of pieces.....	172,238,740	157,102,928	+ 9.63
Amount	\$ 647,062,000	\$ 602,734,000	+ 7.35
CURRENCY PAID OUT (Includes redemptions):			
Number of pieces.....	169,425,377	159,905,668	+ 5.95
Amount	\$ 641,888,000	\$ 611,660,000	+ 4.94

ITEMS	1935	1934	Per Cent of Increase or Decrease
COIN RECEIVED AND COUNTED (Includes new):			
Number of pieces.....	181,056,373	185,559,470	— 2.43
Amount	\$ 14,546,000	\$ 15,967,000	— 8.90
COIN PAID OUT (Includes redemptions):			
Number of pieces.....	179,958,900	185,801,086	— 3.14
Number	\$ 14,610,000	\$ 16,268,000	—10.19
TRANSFERS OF FUNDS FOR MEMBER BANKS:			
Number	58,653	68,161	—13.95
Amount	\$ 4,215,252,000	\$4,005,232,000	+ 5.24
FISCAL AGENCY WORK: U. S. securities received, issued, redeemed, cancelled or exchanged:*			
Number	387,338	208,916	+85.40
Amount	\$ 844,859,000	\$ 613,576,000	+37.69

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

On the whole, the figures in the table indicate that a larger volume of work was handled in 1935 than in the preceding year. Bills discounted or bought declined from the small number handled in the previous year, and the number of coins received or shipped, the number of non-cash collections handled, and the number of wire transfers of funds for member banks also declined last year. On the other hand, the number of checks and other cash items handled by the Transit department reached a new high level in 1935, and the number of pieces of currency received or shipped also increased. Fiscal Agency work for the Federal Government nearly doubled in the volume of work handled in 1935 over 1934.

FINANCIAL RESULTS OF OPERATIONS

Gross earnings of the Federal Reserve Bank of Richmond in 1935 exceeded gross earnings in 1934, and when expenses had been paid there was left as profit \$94,683, of which \$27,969 was transferred to surplus (Section 13B) and \$66,714 was paid to the United States on advances by the Treasury on account of industrial loans made by the Bank. As in the preceding year, the bulk of earnings in 1935 came from Government security holdings, proceeds from this source making up 82.3 per cent of total earnings. Discounts for member banks yielded only three-tenths of 1 per cent of 1935 earnings, and miscellaneous earnings from industrial advances, fees on commitments, bills purchased and other sources made up 17.4 per cent of gross earnings. In 1934 receipts from holdings of

The following is a condensed statement of receipts and disbursements for the year 1935, the amounts being shown to the nearest dollar:

ITEMS	Total Earnings	Annual Rate of Earnings
Bills Discounted	\$ 6,431	.0232
Bills Purchased	1,330	.0073
Interest Earned on Industrial Advances.....	236,221	.0599
Fees on Industrial Loan Commitments.....	18,938	.0100
Interest on U. S. Securities Held.....	1,836,042	.0161
Other Earnings	132,893	
Total Gross Earnings.....	\$2,231,855	.0187
Current Expenses	1,840,083	
Current Net Earnings	\$ 391,772	
Additions to Current Earnings.....	274,771	
	\$ 666,543	
Account of Reserves, Depreciations, etc.....	278,213	
Net Profit	\$ 388,330	
Dividends Paid	293,644	
Balance (Profits)	\$ 94,686	

Government securities made up 92 per cent of gross earnings, receipts from discounts made up 3 per cent, and receipts from miscellaneous sources made up 5 per cent.

Current expenses of the Bank in 1935 exceeded 1934 expenses by \$206,114. The costs of making loans, discounts and investments decreased in 1935, and so did the costs of transit and collections work and general accounting. On the other hand, the costs of handling currency and coin rose last year, and there was also an increase in costs for Fiscal Agency work not reimbursable to the Bank. The general expenses of the Bank, including supervision, protection, insurance of various types, and assessment for expenses of the Board of Governors of the Federal Reserve System, were higher in 1935 than in 1934.

EXPENSES OF OPERATION IN 1935

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 1935, divided according to functions, were as follows:

CURRENCY AND COIN

The cost of receiving and handling 172,238,740 pieces of currency aggregating \$647,062,300 of which 113,347,274 pieces had been in circulation and had to be sorted and counted; paying or shipping out 169,425,377 pieces of currency aggregating \$641,887,600; receiving and handling 181,056,373 pieces of coin aggregating \$14,545,500; paying or shipping out 179,958,900 pieces of coin aggregating \$14,609,600 was\$114,279.42

The shipping charges (postage, expressage and insurance) on currency and coin to and from out-of-town members amounted to..... 120,326.52

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 83,004.90

Total Cost \$ 317,610.84

LOANS, REDISCOUNTS AND INVESTMENTS

The cost of making discounts and advances to 38 member banks: 272 notes aggregating \$8,862,591, were received, examined and discounted; 723 notes collateral to member bank notes aggregating \$1,119,122 were received, examined and handled; 3 pieces of marginal or excess collateral, aggregating \$19,325, were received, examined and handled; includes the cost of special handling accorded 79 notes aggregating \$2,294,962 paid before maturity and the unearned discount rebated; handling 248 applications for advances to industry for working capital under Section 13b of the Federal Reserve Act, as amended, aggregating \$10,920,283 net, of which amount applications aggregating \$4,479,533 were approved; also includes the cost of credit investigations, securing and analyzing commercial and bank statements, maintaining credit files, etc.\$ 76,607.83

The cost of effecting 2,217 transactions in the purchase and sale (in the open market) of government securities for out-of-town banks,

aggregating \$197,714,471 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 147,036 pieces aggregating \$603,987,080; shipping 133,297 pieces aggregating \$632,564,170; holding in our vaults throughout the year securities as collateral to discounts or for safekeeping, ranging from \$87,210,000 to \$135,811,000 was

14,987.76

Total Cost \$ 91,595.59

TRANSIT AND COLLECTION

Handling and collecting 53,648,000 checks for member banks, aggregating \$9,266,024,000, cost \$158,808.85

Handling 898,530 checks aggregating \$32,428,600 returned unpaid for various reasons cost 14,998.51

Handling 301,666 non-cash collection items (maturing notes, drafts, coupons, etc.), aggregating \$305,207,000 cost..... 44,496.30

Total Cost \$ 218,303.66

ACCOUNTING

This function includes:

The general books, capital stock records, issuing and recording official checks.

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 \$12,659,005,000 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 58,653 aggregating \$4,215,252,000.

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 \$ 130,793.51

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 464,838 Government (direct)

coupons aggregating \$12,586,000; receiving, examining, paying, and listing according to Treasury regulations 4,485,000 Government checks (including 529,000 Work Relief checks) aggregating \$487,651,000 and shipping them to Washington; maintaining the general account of the Treasurer of the United States; the custody of securities held in safekeeping for Government officials; and securing foreign exchange data for the Secretary of the Treasury cost.....\$ 42,540.54

Fiscal Agency work for the U. S. Treasury Department principally relating to the issue of 82,840 pieces of direct government securities amounting to \$281,201,000; the redemption of 180,751 pieces amounting to \$235,085,000; the exchange and transfer of 11,028 pieces amounting to \$204,856,000; the redemption of war savings and thrift stamps 90 pieces amounting to \$591; 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 \$181,432,000 to \$265,714,000 cost..... 116,722.98

Total Cost\$159,263.52

Reimbursed by Treasury Department..... 68,344.66

Net Cost to the Bank.....\$ 90,918.86

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 270,435.54

Reimbursed by Government Agencies..... 237,572.96

Net Cost to the Bank.....\$ 32,862.58

GENERAL EXPENSES—NOT ALLOCATED TO THE ABOVE FUNCTIONS

General overhead and supervisory expenses.....\$131,023.70

Directors' fees and traveling expenses..... 6,475.09

Governors', Federal Reserve Agents' and Federal Advisory Council Conferences..... 1,478.18

Our proportions of the expenses of the Board of Governors of the F. R. System..... 55,529.35

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.)\$176,680.53

Less amount charged Fiscal Agent

function 33,514.14 143,166.39*

The provision of personnel..... 25,410.96

Legal expenses	9,037.19
Maintaining the general audit of the Bank and branches	28,567.76
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.	102,974.81
Bank relations work; visiting and advising, and conferences with member and non-member banks	15,670.25
Handling incoming and outgoing ordinary and registered mail	21,551.54
Protection—Salaries of special officers and watchmen, and other protective services.....	99,600.57
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.....	67,767.54
Postage on ordinary mail.....	87,878.50
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.....	157,810.63
Total Cost	\$ 953,942.46
Total Operating Expense.....	\$ 1,836,027.50**

*No deduction is made from this item for rent actually paid to us for space, amounting to \$20,024.00.

**The total Operating Expense during 1935 was \$4,055.85 less than the total amount of expenditures charged to the Current Expense account of the Bank during the year. The difference represents the excess of office supplies, printing and stationery and postage purchased during the year, and charged to the Current Expense account, over the amount of such supplies actually used during the year and charged to the proper functions in the above statement of Operating Expense.

DISCOUNT OPERATIONS

Discounts at the Federal Reserve Bank of Richmond in 1935 were lower in every month than in the corresponding months in 1934. The highest daily average of discounts in 1935 occurred in June, and amounted to \$368,877, and the lowest daily average was \$73,803 in November. Discounts rose each month in 1935 through June, but declined materially in July. August and September discounts again rose, after which a decline occurred through October and November.

December witnessed a slight rise over November figures. Paper discounted in 1935 totaled \$8,882,942, in comparison with \$18,250,437 in 1934, and the daily average amount of paper under discount was \$210,000 last year in comparison with \$1,260,000 in 1934.

Of the total volume of 1935 discounts, 85.1 per cent was secured by Government obligations, compared with 30.7 per cent similarly secured in 1934. Discounts otherwise secured or unsecured made up 14.9 per cent of total discounts at the Federal Reserve Bank of Richmond in 1935, compared with 69.3 per cent in 1934. The discount rate on eligible paper at the Bank was 3 per cent from the first of the year 1935 to January 11, but on that date the rate was lowered to 2½ per cent and on May 9 a further reduction to 2 per cent was made. The rate remained at the last named figure through the balance of the year. A few loans were made to member banks at a higher rate than the prevailing one, under authority of Section 10(b) of the Federal Reserve Act, as amended.

INDUSTRIAL LOANS

Industrial loans under authority of Section 13b of the Federal Reserve Act, as amended, increased materially in 1935. These loans provide working capital for corporations, firms and individuals which are entitled to credit but cannot obtain it through the usual channels, and have a maximum maturity of five years. Applications amounting to \$10,920,283 were received from industrial or commercial enterprises in 1935, of which loans totaling \$4,479,533 were approved, either outright or conditionally, loans totaling \$7,195,250 were rejected, and loans totaling \$310,000 were still under consideration on December 31. These figures include \$1,-064,500 in loans carried over to 1935 for final disposition from applications filed in 1934. Of the applications totaling \$4,-479,533 which were approved, loans totaling \$2,900,000 were actually made and the funds advanced before the end of 1935. In addition to the loans made, the Bank on December 31, 1935, stood committed to assume \$2,289,225 of industrial loans made by banks, in the event that the lending banks wish to secure funds on the loans before expiration of the commitments.

CHECK COLLECTIONS

The Transit Department of the Bank handled a larger number of checks in 1935 than in any other year since the organization of the Federal Reserve System, and the daily average number of items handled also set a new record. The department cleared 59,518,000 checks in 1935, with a daily average of 197,734, compared with 55,643,000 checks cleared in 1934, a daily average of 184,860. The average amount of

each item handled in 1935 was \$175, a higher figure than \$173 in 1934 or in any year since 1931, when the average amount per item was \$198. The aggregate amount of all checks cleared in 1935 was \$10,436,538,000, the highest amount cleared in any year since 1930. Of the 59,518,000 items handled last year, 7,447,000 items were drawn on banks outside the Fifth reserve district and were forwarded to other reserve banks or branches, and 4,485,000 items were drawn on the Treasurer of the United States. The number of items drawn on outside banks in 1935 rose 9.8 per cent over 1934, but the number drawn on the Treasurer of the United States declined by 35.4 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 202,384 last year, totaling in amount \$1,934,421,000, as compared with 200,515 cash letters amounting to \$1,736,917,000 sent direct to other districts in 1934. The direct routing of cash items results in a saving of transit time in securing credit to reserve accounts.

NON-CASH COLLECTIONS

In 1935 the Collection department, which undertakes to collect notes, acceptances, drafts and securities for member banks, handled 301,666 items, a decrease of 10.1 per cent in comparison with 335,490 items handled in 1934, but the aggregate amount of \$305,207,000 involved in the items handled last year exceeded by 3.6 per cent the amount of \$294,510,000 involved in the items handled in 1934. The average amount of the 1935 items was \$1,012, an increase of 15 per cent over the average of \$878 per item handled in 1934.

GOLD SETTLEMENT FUND

The Gold Settlement Fund, in the custody of the Board of Governors of the Federal Reserve System in Washington, serves as a clearing pool for transactions between Federal Reserve banks. On January 1, 1935, the Federal Reserve Bank of Richmond had a credit of \$38,879,000 in the Fund, and at the close of business December 31, 1935, the credit had risen to \$55,955,000. During the year the Bank received through the fund, from other reserve banks and branches and from other sources, a total of \$6,338,038,000, while the Bank paid out through the Fund a total of \$6,320,962,000. Receipts exceeded disbursements by \$17,076,000. Balances in the Gold Settlement Fund fluctuate widely from day to day as credits shift from one reserve district to another.

The following table shows the total receipts from and pay-

ments 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	\$ 151,312	\$ 139,590	\$ 290,902	3.35
New York	2,377,347	2,290,026	4,667,373	53.79
Philadelphia	506,395	554,439	1,060,834	12.23
Cleveland	470,313	428,170	898,483	10.35
Atlanta	314,196	355,142	669,338	7.71
Chicago	297,587	303,647	601,234	6.93
St. Louis	86,774	125,134	211,908	2.44
Minneapolis	15,953	7,241	23,194	.27
Kansas City	35,843	29,606	65,449	.75
Dallas	34,816	19,419	54,235	.63
San Francisco	50,096	84,214	134,310	1.55
Totals.....	\$4,340,632	\$4,336,628	\$8,677,260	100.
Settlements between Head Office and Branches:				
Richmond	777,384	924,891	1,702,275	
Baltimore	526,867	434,395	961,262	
Charlotte	421,824	366,789	788,613	
Totals.....	\$6,066,707	\$6,062,703	\$12,129,410	

Settlements of transit clearings between Richmond and all other reserve banks were higher in 1935 than in 1934, and total settlements between the Richmond bank and the eleven others increased by \$674,524,000, or 8.4 per cent. The percentages of settlements between Richmond and other individual districts to total settlements with the eleven were larger in 1935 than in 1934 with Philadelphia, Cleveland, Atlanta, Chicago, Dallas and San Francisco; were the same with Minneapolis and Kansas City; and were smaller with Boston, New York and St. Louis. The Federal Reserve Bank of Richmond received more from than it paid to Boston, New York, Cleveland, Minneapolis, Kansas City and Dallas, but paid more to than it received from Philadelphia, Atlanta, Chicago, St. Louis and San Francisco. Receipts from other districts exceeded the total payments to other districts in 1935 by \$4,004,000.

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 Board of Governors of the Federal Reserve System. The Federal Reserve Bank of Richmond made 58,653 transfers for member banks in 1935, totaling \$4,215,-

252,000, compared with 68,161 transfers totaling \$4,005,232,000 made in 1934. There were 85,706 messages sent or received over the private wire in 1935, compared with 92,869 telegrams transmitted in 1934. In its transaction with and for member banks, the Bank also made extensive use of commercial telegraph service.

FEDERAL RESERVE NOTE CIRCULATION

The average daily circulation of Federal reserve notes in 1935 was \$161,057,000, an increase of 5.5 per cent over the average of \$152,644,000 in 1934. Average daily circulation last year exceeded that of 1934 in every month of the year. The movement of Federal reserve note circulation in 1935 followed seasonal trends on the whole. Average daily circulation declined during January, February and March, turned upward slightly in April, and then dropped more sharply in May. There was little change in June and July, but in August tobacco markets opened in the Carolinas and circulation turned upward, rising steadily through September, October, November and December. The low point in 1935 circulation was a daily average of \$148,910,000 in May, and the high average was \$185,386,000 in December. The low and high points were in the same months as in 1934, but the low point in 1935 was 5 per cent above the low in 1934, and the high average last year was 7 per cent above the high month in the preceding year.

CURRENCY AND COIN SERVICE

Currency and coin shipped to member banks by the Federal Reserve Bank of Richmond in 1935 totaled \$419,512,185, an increase of 5.8 per cent over \$396,633,470 shipped to members in 1934. Shipments to non-member banks, on the other hand, totaling \$15,679,712 in 1935 showed a decrease of 13.6 per cent under \$18,158,322 shipped in 1934. Total shipments to all banks amounted to \$435,191,897 last year and \$414,791,792 the year preceding, an increase in 1935 of 4.9 per cent. Currency and coin received from member banks totaling \$385,659,341 and from non-members totaling \$40,963,023 in 1935 showed increases of 2.8 per cent and 1.1 per cent, respectively, over \$374,977,703 received from member banks and \$40,501,393 received from non-member banks in 1934. The total amount of currency and coin shipped to or received from all banks in 1935 was \$861,814,261, an increase of 3.8 per cent over \$830,270,888 shipped to or received from member and non-member banks in 1934.

All shipping and insurance charges on currency and coin shipments to and from member banks are paid by the Federal Reserve bank, and it also defrays charges on remittances from non-member banks in settlement for cash letters, but all other

shipments to or from non-member banks are made at the expense of the non-members concerned in the transactions. These shipments at the expense of the non-member banks are usually in the nature of Sub-treasury transactions.

RESERVE POSITION

The average monthly ratio of cash reserves to note and deposit liabilities combined was 65.55 in 1935, a decrease of 1.16 points under the average ratio of 66.71 in 1934, most of the decrease occurring in the first half of the year. The monthly average ratios were lower in 1935 than in 1934 in January, February, April, May, June and September, but were higher in March, July, August, October, November and December. The highest monthly average ratio in 1935 was 68.69 in December, and the lowest was 62.17 in June. The lower average ratio for 1935 is explained by an increase of 21.2 per cent in deposits, while cash reserves rose only 10.9 per cent.

Average daily deposits totaled \$161,885,640 in 1935 and \$133,525,313 in 1934; daily average note circulation was \$161,057,077 in 1935 and \$152,643,720 in 1934; and daily average cash reserves totaled \$211,679,090 last year and \$190,916,590 in the preceding year. Deposits showed the highest daily average in December and the lowest in January; note circulation was highest in December and lowest in May; and cash reserves were highest in December and lowest in June.

CHANGES IN MEMBERSHIP

The Federal Reserve Bank of Richmond had 403 member banks when 1935 began, and during the year 7 new members were added by the organization of 4 National banks and the admission to membership of 3 State banks. On the other hand, 6 members were lost during the year, due to 1 merger between two member banks, voluntary liquidation of 2 members, suspension and insolvency of 2 members, and 1 absorption of a member by a non-member bank. There was therefore a gain of 1 member bank in 1935, bringing the number of member banks up to 404 at the close of business December 31, 1935, of which 339 were National banks owning 65,382 shares of stock and 65 were State bank members owning 26,410 shares. The increase in membership and additions to capital and surplus added 2,902 shares to the member bank holdings of stock in the Federal Reserve Bank of Richmond last year, but losses in membership and reductions in capital and surplus subtracted 10,610 shares, a net decrease of 7,708 shares during 1935. The net decrease in paid-up capital of the Bank in 1935 was \$385,400.

BANK RELATIONS DEPARTMENT

The Bank Relations Department, which employs all or part time of five men, serves as the principal contact between the Federal reserve bank and its members. Field work by two men working from Richmond, one from Baltimore and one in the Carolinas, is directed by a Manager of the Department at the Head Office in Richmond. The personnel visits all member banks each year, and as many non-member banks as the schedule permits. In 1935 the field men paid 443 visits to member banks and 35 visits to non-members. A special effort was made during the year to acquaint member banks with the principal changes in the statutes relating to Banking and with the rulings and interpretations of the Board of Governors of the Federal Reserve System. In addition to field work, much relationship work was done at the Home Office when bankers visited Richmond, and the personnel of the department also kept up a considerable volume of detailed analysis work on member bank condition reports. Finally, members of the department attended all State Bankers' Conventions and several Group Meetings in the Fifth district.

EXAMINATION DEPARTMENT

The Bank Examination department, operating under the direct supervision of the Assistant Federal Reserve Agent, performed a larger volume of work with about the same personnel in 1935 than in 1934. At the close of business December 31, 1935, the department had 10 examiners, 5 assistant examiners, 1 clerk, 1 messenger-clerk, and 5 stenographers.

Field work done by the examiners in 1935 was as follows:

	Banks	Branches
Examinations of State Member Banks in conjunction with State Departments	78	59
Examinations of Trust Departments of State Member Banks made in the course of regular joint examinations	31	
Examinations of Trust Departments of State Member Banks made separately from regular examinations....	10	
Participation in a regular examination in connection with application for membership	1	
State Banks examined in connection with application for membership	2	
Special Visits to State Banks	6	
Special Visit to Federal Reserve Bank of New York.....	1	
	129	59

PERSONNEL

Twelve regular meetings of the Board of Directors of the Federal Reserve Bank of Richmond were held in 1935. There was one change in the Board membership during the year, due to the sudden death on December 20 of Mr. William W. Hoxton, Chairman of the Board and Federal Reserve Agent. In the Fall elections, member banks in Group 3 re-elected L. E. Johnson, of Alderson, W. Va., as a Class A director and banks in Group 2 re-elected Edwin Malloy, of Cheraw, S. C., as a Class B director, both gentlemen to serve until December 31, 1938. Prior to his death, the Board of Governors of the Federal Reserve System re-appointed William W. Hoxton as a Class C director for a three-year term ended December 31, 1938, and re-designated him as Chairman of the Board and Federal Reserve Agent until March 1, 1936. Mr. Frederic A. Delano, of Washington, D. C., was re-designated as Deputy Chairman. The Board of Governors did not fill the vacancy on the Board of Directors caused by the death of Mr. Hoxton.

At the December meeting, the Board of Directors re-elected Chas. M. Gohen, 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. Edmund P. Cohill, Hancock, Md., and Wm. H. Matthai, Baltimore, members of the Board of the Baltimore Branch, and C. A. Cannon, Concord, N. C., and John Lindsay Morehead, Charlotte, members of the Board of the Charlotte Branch, retired at the expiration of their terms on December 31, 1935. All four gentlemen were appointees of the Board of Governors of the Federal Reserve System. Other Branch directors whose terms expired on December 31, 1935, were re-appointed by the Board of Directors of the parent Bank.

During the year there were three changes in the official personnel of the Bank. Mr. Charles A. Peple, Deputy Governor since July 1915, retired on September 1, 1935, on account of illness. John S. Walden, Jr., who had been an officer of the Bank since January 22, 1919, and Controller since January 1, 1924, was made Deputy Governor on October 10, 1935. Mr. William W. Hoxton, Chairman of the Board and Federal Reserve Agent since September 1923, died on December 20, 1935. No other changes occurred in the official personnel at the Head Office in Richmond or at the Baltimore or Charlotte Branches during the year.

The total number of officers and employees at the three offices on December 31, 1935, was 732, a decrease of 8 as compared with December 31, 1934. Of this total number, 150 were assigned to work for various Government agencies which reimburse 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 1935 there were 115 member banks and 148 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 thirty-four counties in western North Carolina and twenty-one 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 1935 there were 47 member banks, 10 par non-member banks, and 110 non-par non-member banks operating in the Charlotte Branch territory on an unrestricted basis. Out-of-town branches are counted as separate banks.

FIDUCIARY POWERS

Section 11(k) of the Federal Reserve Act, as amended, authorizes and empowers the Board of Governors of the Federal Reserve System "to grant by special permit to national

banks applying therefor, when not in contravention of State or local law, the right to act" in any fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the States in which the applying national banks are located. In 1935, upon recommendation of the Federal Reserve Agent, the Board of Governors of the Federal Reserve System granted full trust powers to the Citizens National Bank, Hampton, Va., on June 13. The right to exercise limited trust powers was conferred on two banks, the application of the National Bank of Logan, Logan, W. Va., being approved on April 18, and that of the Commercial National Bank, Spartanburg, S. C., on July 12.

FISCAL AGENCY OPERATIONS

The Federal Reserve Bank of Richmond handled a larger volume of work as Fiscal Agent of the United States in 1935 than in 1934. There were 6 issues of Treasury Notes last year, counting additional offerings of the same Series as separate issues, 9 issues of Treasury Bonds, 4 issues of Miscellaneous Bonds, and 75 offerings of Treasury Bills sold on bid. Total subscriptions in the Fifth district to Treasury Notes, Treasury Bonds and Miscellaneous Bonds amounted to \$564,213,675, of which \$303,117,675 was allotted to the subscribers. Bids totaling \$23,775,000 were made on Treasury Bills, but only \$4,211,000 was allotted. Including deliveries, redemptions and exchanges of all classes of Government securities, the Bank handled 387,338 pieces with an aggregate value of \$844,859,000 in 1935, compared with 208,916 pieces valued at \$613,576,000 in 1934, increases last year of 85 per cent in number of pieces and 38 per cent in total value.

In addition to the work done as Fiscal Agent of the United States Treasury, the Bank also acted as Fiscal Agent, Depository, and Custodian of securities for other Government agencies, namely, the Reconstruction Finance Corporation, the Federal Emergency Administration of Public Works, the Federal Farm Mortgage Corporation, and the Home Owners' Loan Corporation. Fiscal Agency and Custodian work requires approximately 150 persons, all of whom are employees of the Bank but whose salaries are reimbursed by the several Agencies for which they work.