

# Annual Statement of Operations

*of the Federal Reserve Bank of St. Louis*

**T**HE YEAR 1963 was one of generally expanding activity at the Federal Reserve Bank of St. Louis and the three branches. In addition to responsibilities involving the formation of monetary policy, the Federal Reserve Bank performs a variety of services for the public, the United States Government, and member banks. The bank furnishes currency for circulation, facilitates the collection and clearing of checks, handles the legal reserve accounts of member banks, and acts as fiscal agent of the Government. Most operations of the bank—including the branches at Little Rock, Louisville, and Memphis—increased, reflecting the growth in economic activity in the Central Mississippi Valley area.<sup>1</sup>

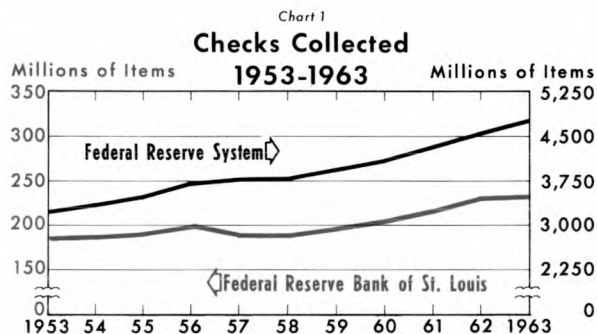
## Service Operations

### Check Collections

Federal Reserve Banks accept checks for collection from member banks, other Federal Reserve offices, and United States Government agencies. Checks accepted may be drawn on member banks in the Eighth District, nonmember banks in the district that remit at par (face value without charge), all par-remitting banks in other districts, Federal Reserve Banks, and the United States Treasury. Collections at the St. Louis bank and the three branches in 1963 were up 9 per cent in dollar value and 5 per cent in the number of checks compared with the 1962 total. Check clearings through the Federal Reserve System facilitate the making of payments by individuals, businesses, and government organizations through commercial banks. Reserve Banks provide a mechanism through which commercial banks can settle for checks drawn upon their depositors' accounts.

Both the dollar volume and the number of checks cleared at the Federal Reserve Bank of St. Louis have risen in recent years. The dollar volume of clearings increased at an annual rate of 4 per cent from 1953 to 1963, about the same rate of increase as for the entire Federal Reserve System. In contrast, the number of checks processed in the System rose at a greater

rate than at the St. Louis bank, 4 per cent compared with 3 per cent (Chart 1).



Of the checks handled by the Federal Reserve Bank of St. Louis in 1963, 57 per cent in number were at the St. Louis office, 11 per cent at Little Rock, 20 per cent at Louisville, and 12 per cent at Memphis.

### Money Operations

The volume of money handled in supplying currency and coin to commercial banks in 1963 was less than during the previous year. A reduced volume of coin received and counted reflected a shortage of coin supplies during the latter months of the year. This shortage became so severe that some requests for coin by the commercial banking system were scaled down. The value and number of coins in incoming shipments received and counted were down 2 and 4 per cent, respectively, from 1962 levels.

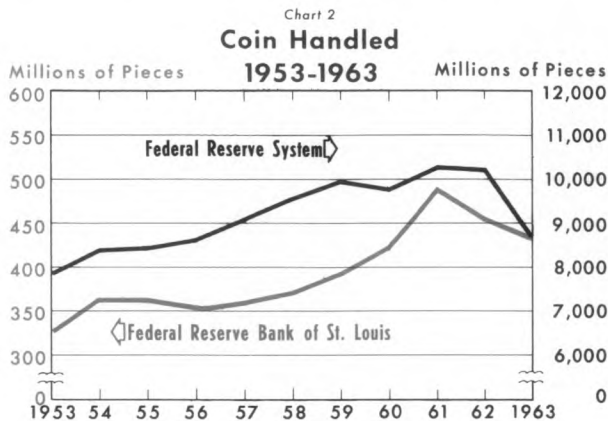
The St. Louis office and branches received and counted 436 million pieces of coin during the year. Of this total, 45 per cent was handled at St. Louis, 14 per cent at Little Rock, 33 per cent at Louisville, and 8 per cent at Memphis.

Currency operations in 1963 did not change greatly from levels of the previous year. The value of currency handled was up 1 per cent and the number of pieces handled was down 2 per cent from year earlier levels. Of the 191 million pieces of currency received and counted at the four district offices, 41 per cent were processed at St. Louis, 10 per cent at Little Rock, 26 per cent at Louisville, and 23 per cent at Memphis.

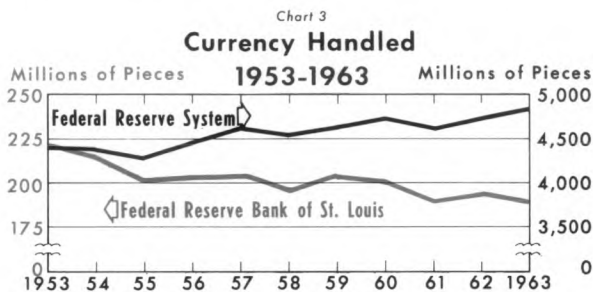
During the 10 years 1953-1963, the expansion of coin handling operations of the Federal Reserve Bank

<sup>1</sup>Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee. With the exception of Arkansas, only a portion of each of these states is in the Eighth Federal Reserve District.

of St. Louis and the three branches has been at a slightly higher rate than such operations throughout the Federal Reserve System (Chart 2). In contrast,



while the volume of currency handled has increased for the System as a whole, it has declined in the Eighth Federal Reserve District (Chart 3).



### Fiscal Agency Activities

The Federal Reserve System acts as financial agent for the United States Government. The Federal Reserve Banks hold the principal checking accounts of the Treasury, issue and redeem Government obligations, and perform various other fiscal duties for the Government. Such duties include the administration of the Treasury tax and loan deposit accounts with commercial banks and involve services in connection with the financial activities of various Government lending agencies. In its capacity as fiscal agent, the Federal Reserve Bank of St. Louis and branches in 1963 issued, exchanged, and redeemed 7.6 million United States Savings Bonds valued at \$595 million. The number of bonds was unchanged from the 1962 total, but their value was down 6 per cent. Other Government securities issued, serviced, and retired rose 3 per cent in number from a year earlier, and their value was up 5 per cent.

The number of United States Government coupons paid declined 6 per cent in 1963, but the dollar volume was 1 per cent higher. Since 1953, both value

and number of coupons paid have increased at about the same rate at the St. Louis bank and branches as for the System. The average annual rate of gain in number of pieces handled at the bank was 1 per cent with an average gain in dollar value of 10 per cent. This compares with 1 and 9 per cent, respectively, for the System.

Issues, redemptions, and exchanges of all United States Government securities at this bank rose in value at an average annual rate of 6 per cent from 1953 to 1963. This rate of increase was the same as the rate for all Federal Reserve Banks and branches. The number of items handled by this bank and its branches rose 2 per cent compared to 1 per cent for the System (Chart 4).



## Policy Functions

### Discounting Operations and Policy

During the year of 1963, daily average borrowings by member banks from the Federal Reserve Bank of St. Louis and branches were up from the level of the preceding year. Borrowings in 1963 were higher in the second half of the year than in the first, reflecting a sharp rise in short-term interest rates relative to the discount rate. The rise in short-term interest rates resulted from an improvement in economic conditions and from monetary developments connected with the nation's balance-of-payments deficit.<sup>2</sup>

Lending to member banks is one of the most important functions of the Reserve Banks. The discount rate, the rate charged member banks which borrow from a Federal Reserve Bank, is established by the bank's directors, subject to the review and determination of the Board of Governors. The rate was raised from 3 to 3½ per cent in July 1963, the first change since late 1960. The Federal Reserve Banks, through

<sup>2</sup> For a review of national economic developments during 1963, see the January issue of this *Review*.

changes in discount rates, can influence the amount of reserves held by the commercial banking system. Changes in reserves, in turn, affect bank loans and investments, bank deposits, and the nation's money supply.

### Participation in System Policy Making

The chief tool of Federal Reserve System policy action is buying and selling Government securities in the market. Purchases of securities result in additions to bank reserves, and sales of securities result in reductions in bank reserves. The bank's president participates in the Open Market Committee meetings in Washington, D.C., at which System policy is formulated.

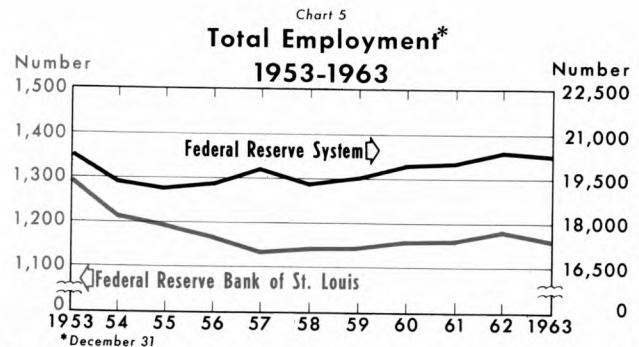
Largely as a by-product of its background studies for policy formulation, the bank continued to publish the monthly *Review*, containing current financial and business articles and other materials pertinent to Federal Reserve operations. Other reports prepared and distributed by the bank include: "Bank Reserves and Money," current data with respect to bank reserves and the money supply (distributed semi-monthly), and "Selected Economic Indicators," a monthly report containing economic data for seven metropolitan areas in the Central Mississippi Valley. These three publications are available to the public without charge.

## Bank Supervision

Supervision by the Federal Reserve Bank is exercised principally through examination of state member banks. All the 147 state member banks (as of December 31, 1963) were examined by this bank during the year. The 328 national banks in the district are subject to examination by the Comptroller of the Currency. This total of 475 member banks in the district is one more than a year earlier. The total number of commercial banks in the district at the end of 1963 was 1,488 compared with 1,478 a year earlier.

## Personnel

Employment at the St. Louis bank and three branches at the end of 1963 totaled 1,158 persons, about the same level as a year ago. Reflecting a relatively smaller net increase in some areas of operations than for the System as a whole, employment at this



bank declined slightly in the ten-year period while System employment at the close of the year was about the level of ten years ago (Chart 5). Names of officers and directors are given on the following two pages.

## Statements

### EARNINGS AND EXPENSES

(In thousands of dollars)

	1963	1962
Total Current Earnings.....	\$45,618	\$41,783
Net Expenses.....	9,713	9,218
Current Net Earnings.....	\$35,905	\$32,565
Net additions (+) or deductions (—).....	+ 29	+ 12
Net Earnings before Payments to U.S. Treasury.....	\$35,934	\$32,577
Distribution of net earnings:		
Paid to U.S. Treasury (Interest on Federal Reserve Notes).....	\$32,406	\$30,332
Dividends.....	986	940
Transferred to Surplus.....	2,542	1,305
Total.....	\$35,934	\$32,577

### CONDITION

(In thousands of dollars)

	December 31, 1963	December 31, 1962
<b>Assets</b>		
Gold Certificate Reserves.....	\$ 693,507	\$ 629,422
Federal Reserve Notes of Other Banks....	21,923	19,261
Other Cash.....	13,417	14,651
Discounts and Advances.....	3,088	34
U.S. Government Securities.....	1,325,049	1,260,050
Uncollected Items.....	298,295	286,916
Other Assets.....	21,620	20,491
Total Assets.....	\$2,376,899	\$2,230,825
<b>Liabilities and Capital Accounts</b>		
Federal Reserve Notes (Net).....	\$1,340,343	\$1,295,497
Deposits:		
Member Banks—Reserve Accounts.....	651,848	650,070
U.S. Treasurer—General Accounts.....	82,828	31,781
Other.....	8,707	13,110
Deferred Availability Cash Items.....	238,588	190,151
Other Liabilities and Accrued Dividends....	3,213	2,657
Total Capital Accounts.....	51,372	47,559
Total Liabilities and Capital Accounts....	\$2,376,899	\$2,230,825

MEMORANDA: Contingent liabilities on acceptances purchased for foreign correspondents increased from \$2,859,000 on December 31, 1962 to \$3,125,000 on December 31, 1963. The ratio of gold certificate reserves to deposit and F.R. note liabilities combined was 31.6% on December 31, 1962 and 33.3% on December 31, 1963.

# Directors and Officers

## Directors

### *Chairman of the Board and Federal Reserve Agent*

RAYMOND REBSAMEN, Chairman of the Board,  
Rebsamen & East, Inc.  
Little Rock, Arkansas

### *Deputy Chairman of the Board*

J. H. LONGWELL  
Director, Special Studies and Programs  
College of Agriculture, University of Missouri  
Columbia, Missouri

H. LEE COOPER, President, Ohio Valley National Bank of  
Henderson, Henderson, Kentucky

HARRY F. HARRINGTON, Chairman of the Board and  
President, The Boatmen's National Bank of St. Louis,  
St. Louis, Missouri

HAROLD O. MCCUTCHAN, Senior Executive Vice President,  
Mead Johnson & Company, Evansville, Indiana

ROLAND W. RICHARDS, Vice President and Secretary,  
Laclede Steel Company, St. Louis, Missouri

WILLIAM KING SELF, President, Riverside Industries,  
Marks, Mississippi

MARK TOWNSEND, Chairman of the Board, Townsend  
Lumber Company, Inc., Stuttgart, Arkansas

ARTHUR WERRE, JR., Executive Vice President,  
First National Bank of Steeleville  
Steeleville, Illinois

### **Member of Federal Advisory Council**

JAMES P. HICKOK, Chairman of the Board,  
First National Bank in St. Louis  
St. Louis, Missouri

## Officers

HARRY A. SHUFORD, *President*

DARRYL R. FRANCIS, *First Vice President*

MARVIN L. BENNETT, *Vice President*

FRED BURTON, *Vice President*

E. FRANCIS DEVOS, *Vice President*

DONALD L. HENRY, *Vice President*

HOMER JONES, *Vice President*

DALE M. LEWIS, *Vice President*

HOWARD H. WEIGEL, *Vice President and Secretary*

JOSEPH C. WOTAWA, *Vice President*

ORVILLE O. WYRICK, *Vice President*

GEORGE W. HIRSHMAN, *General Auditor*

GERALD T. DUNNE, *General Counsel and  
Assistant Secretary*

EARL R. BILLEN, *Assistant Vice President*

NORMAN N. BOWSHER, *Assistant Vice President*

EARL H. CHAPIN, *Assistant Chief Examiner*

GEORGE W. DENNISON, *Assistant Vice President*

J. M. GEIGER, *Assistant Vice President*

WOODROW W. GILMORE, *Planning Officer*

JOHN J. HOFER, *Assistant Vice President*

WILBUR H. ISBELL, *Chief Examiner*

WILLIS L. JOHNS, *Assistant Vice President*

RICHARD O. KALEY, *Assistant Vice President*

STEPHEN KOPTIS, *Assistant Vice President*

F. GARLAND RUSSELL, JR., *Assistant Counsel*

PAUL SALZMAN, *Assistant Vice President*

W. E. WALKER, *Assistant Vice President*

JOSEPH C. WELMAN, JR., *Assistant Chief Examiner*

## LITTLE ROCK BRANCH

### Directors

H. C. ADAMS, Executive Vice President, The First National Bank of DeWitt, DeWitt, Arkansas

ROSS E. ANDERSON, Chairman of the Board, The Commercial National Bank of Little Rock, Little Rock, Arkansas

FREDERICK P. BLANKS, Planter, Parkdale, Arkansas

CECIL W. CUPP, President & Chairman, Arkansas Bank and Trust Company, Hot Springs, Arkansas

R. M. LAGRONE, JR., President, The Citizens National Bank of Hope, Hope, Arkansas

CAREY V. STABLER, President, Little Rock University, Little Rock, Arkansas

WALDO E. TILLER, President, Tiller Tie and Lumber Company, Inc., Little Rock, Arkansas

### Officers

FRED BURTON, *Vice President and Manager*

JOHN F. BREEN, *Cashier*

HOWARD J. JENSEN, *Assistant Cashier*

JOHN K. WARD, *Assistant Cashier*

## LOUISVILLE BRANCH

### Directors

LISLE BAKER, JR., Executive Vice President and General Manager, The Courier-Journal & Louisville Times Co., Louisville, Kentucky

RAY A. BARRETT, President, The State Bank of Salem, Salem, Indiana

WM. G. DEATHERAGE, President, Planters Bank & Trust Co., Hopkinsville, Kentucky

C. HUNTER GREEN, Vice President and General Manager, Southern Bell Telephone and Telegraph Company, Louisville, Kentucky.

JOHN H. HARDWICK, President, The Louisville Trust Company, Louisville, Kentucky

RICHARD T. SMITH, Farmer, Madisonville, Kentucky

JOHN R. STROUD, Executive Vice President, The First National Bank of Mitchell, Mitchell, Indiana

### Officers

DONALD L. HENRY, *Vice President and Manager*

JOHN W. MENGES, *Cashier*

LOUIS A. NELSON, *Assistant Cashier*

CLARENCE J. WOERTZ, *Assistant Cashier*

## MEMPHIS BRANCH

### Directors

LEON C. CASTLING, President, First National Bank at Marianna, Marianna, Arkansas

CHARLES R. CAVINESS, President, National Bank of Commerce of Corinth, Corinth, Mississippi

SAM COOPER, President, HumKo Products Division, National Dairy Products Corporation, Memphis, Tennessee

EDWARD B. LEMASTER, President, Edward LeMaster Co., Inc., Memphis, Tennessee

ALLEN MORGAN, President, The First National Bank of Memphis, Memphis, Tennessee

CON T. WELCH, President, Citizens Bank, Savannah, Tennessee

FRANK LEE WESSON, President, Wesson Farms, Inc., Victoria, Arkansas

### Officers

E. FRANCIS DEVOS, *Vice President and Manager*

BENJAMIN B. MONAGHAN, *Cashier*

PAUL I. BLACK, JR., *Assistant Cashier*

JOSEPH P. GARBARINI, *Assistant Cashier*