

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 2798]
May 10, 1944

REGULATIONS REGARDING UNITED STATES SAVINGS BONDS

To all Issuing Agents in the
Second Federal Reserve District:

For your information we are printing in this circular the text of the following:

(a) Fifth Amendment, effective May 1, 1944, and Sixth Amendment, effective June 12, 1944, to Treasury Department Circular No. 530, Fifth Revision, entitled "Regulations Governing United States Savings Bonds"; and

(b) First Amendment, effective June 12, 1944, to Treasury Department Circular No. 654, Second Revision, dated January 1, 1944, entitled "United States Savings Bonds, Series F and G".

The principal change effected by the Fifth Amendment to Circular No. 530 is the addition of a new section 315.32(b) providing that if one of the coowners of a savings bond is unmarried at the time of issuance of the bond and subsequently marries, the bond may be reissued upon the request of both coowners to substitute the husband and wife as coowners. Forms for use in requesting such reissue will be furnished upon request.

The Sixth Amendment to Circular No. 530 and the First Amendment to Circular No. 654 contain the technical changes necessary so that, as announced by the Secretary of the Treasury in a press statement quoted in our Circular No. 2784 dated April 3, 1944, entitled "Information Regarding the Fifth War Loan", commercial banks may hold Series F and G bonds issued on or after January 1, 1944, in limited amounts in relation to their time certificates of deposit and savings deposits, but in no event in excess of \$100,000 (issue price). The total amount of such bonds together with the total amount of any other subscription that a commercial bank may have entered for its own account for (a) 2½% Treasury Bonds of 1965-70 or 2¼% Treasury Bonds of 1956-59 between January 18 and February 15, 1944, and (b) 2% Treasury Bonds of 1952-54 or the additional issue of 2½% Treasury Bonds of 1965-70 between June 12 and July 8, 1944, may not exceed in the aggregate 20% of the combined amount of its time certificates of deposit issued in the names of individuals, and of corporations, associations and other organizations not operated for profit, and its savings deposits, as shown on its books as of the date of the most recent call statement required by the supervisory authorities, or \$400,000 (issue price), whichever is less.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.

REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS

1944
Fifth Amendment to
Department Circular No. 530
Fifth Revision, dated
June 1, 1942

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, May 1, 1944.

TO OWNERS OF UNITED STATES SAVINGS BONDS, AND OTHERS CONCERNED:

Section 315.32 of Department Circular No. 530, Fifth Revision, dated June 1, 1942, as amended by the Cumulative Amendment dated June 17, 1943, is hereby further amended to read as follows:

"SEC. 315.32. *Payment or reissue.*—A savings bond registered in the names of two persons as coowners in the form 'John A. Jones OR Mrs. Mary C. Jones' will be paid or reissued as follows:

- (a) *Payment during the lives of both coowners.*—During the lives of both coowners the bond will be paid to either coowner upon his separate request without requiring the signature of the other coowner; and upon payment to either coowner the other person shall cease to have any interest in the bond. The bond will also be paid to both coowners upon their joint request, in which case payment will be made by check drawn to the order of both coowners in the form 'John A. Jones and Mrs. Mary C. Jones', and the check must be endorsed by both payees.
- (b) *Reissue during the lives of both coowners.*—If one of the coowners is unmarried at the time of issue of the bond and subsequently marries, the bond may be reissued upon the request of both coowners to substitute the husband and wife as coowners. Such request should be on a form provided for that purpose by any Federal Reserve Bank or Branch or by the Treasury Department, Division of Loans and Currency, Merchandise Mart, Chicago 54, Illinois. No other reissue will be permitted in any form during the lives of both coowners except as specifically provided in these regulations.
- (c) *Payment or reissue after the death of one coowner.*—If either coowner dies without having presented and surrendered the bond for payment to a Federal Reserve Bank or the Treasury Department, the surviving coowner will be recognized as the sole and absolute owner of the bond, and payment will be made only to him: *Provided, however,* That if a coowner dies after he has properly executed the request for payment and after the bond has actually been received by a Federal Reserve Bank or the Treasury Department, payment of the bond, or check if one has been issued, will be made to his estate (see Subpart P hereof). Upon proof of the death of one coowner and appropriate request by the surviving coowner (unless a nonresident alien, in which case see Section 315.3) the bond will be reissued in the name of such survivor alone, or in his name with another individual as coowner, or in his name payable on death to a designated beneficiary.
- (d) *Payment or reissue on death of both coowners in common disaster.*—If both coowners die in a common disaster under such conditions that it cannot be established, either by presumption of law or otherwise, which coowner died first, the bond will be considered as belonging to the estates of both coowners, and payment or reissue will be made accordingly.
- (e) *Payment or reissue after the death of the surviving coowner.*—If a surviving coowner who became solely entitled to the bond under the provisions of subsection (c) of this section dies without having submitted the bond for payment or reissue, the bond will be paid or reissued as though it were registered in the name of such last deceased coowner alone. In this case proof of the death of both coowners and of the order in which they died will be required."

D. W. BELL,
Acting Secretary of the Treasury.

REGULATIONS GOVERNING UNITED STATES SAVINGS BONDS

1944
Sixth Amendment to
Department Circular No. 530
Fifth Revision, dated
June 1, 1942

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, June 12, 1944.

TO OWNERS OF UNITED STATES SAVINGS BONDS, AND OTHERS CONCERNED:

Department Circular No. 530, Fifth Revision, dated June 1, 1942, as amended, is hereby further amended as follows:

1. Section 315.5 is amended by striking out the second sentence of the first paragraph and inserting in lieu thereof the following:

“Bonds of these two series may also be registered in the names of fiduciaries, corporations, associations or partnerships, except that they may be registered in the names of commercial banks, which are defined for this purpose as those accepting demand deposits, only to the extent and under the conditions set forth in Section 315.9 (c) hereof.”

2. Section 315.9 (c) is amended to read as follows:

“Series F and G—\$50,000 (issue price) for the calendar year 1941, and \$100,000 (issue price) for each calendar year thereafter, of either series or of the combined aggregate of both: *Provided, however,* That as to bonds of these series originally issued on or after January 1, 1944, the amount held by a commercial bank holding savings deposits and issuing time certificates of deposit (as each is defined in Regulation Q of the Board of Governors of the Federal Reserve System) shall not in any case exceed \$100,000 (issue price) or 20 percent of such time certificates of deposit (but only those issued in the names of individuals and of corporations, associations, and other organizations not operated for profit) and savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of acquisition of such savings bonds, whichever is less; and *Provided further,* That the amount of savings bonds of Series F and G originally issued on or after January 1, 1944, held by a commercial bank together with 2½ percent Treasury Bonds of 1965-70, subscribed for under Treasury Department Circulars Nos. 729 and 740, 2¼ percent Treasury Bonds of 1956-59, subscribed for under Treasury Department Circular No. 730, and 2 percent Treasury Bonds of 1952-54, subscribed for under Treasury Department Circular No. 741, shall not exceed in the aggregate \$400,000, or 20 percent of such savings deposits and time certificates of deposit of such banks as above defined, whichever is less.”

D. W. BELL,
Acting Secretary of the Treasury.

UNITED STATES SAVINGS BONDS
SERIES F AND SERIES G

1944
First Amendment to
Department Circular No. 654
Second Revision, dated
January 1, 1944

Fiscal Service
Bureau of the Public Debt

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
Washington, June 12, 1944.

Section IV, Paragraph 1, and Section V, Paragraph 1 (2), of Department Circular No. 654, Second Revision, dated January 1, 1944, are hereby amended to read as follows:

IV. LIMITATION ON HOLDINGS

1. The amount of United States Savings Bonds of Series F, or of Series G, or the combined aggregate amount of both series, originally issued during any one calendar year to any one person, including those registered in the name of that person alone, and those registered in the name of that person with another named as coowner, that may be held by that person at any one time shall not exceed \$100,000 (issue price): *Provided, however,* That as to bonds of these series originally issued on or after January 1, 1944, the amount held by a commercial bank holding savings deposits or issuing time certificates of deposit (as each is defined in Regulation Q of the Board of Governors of the Federal Reserve System) shall not in any case exceed \$100,000 (issue price) or 20 percent of the combined amount of such time certificates of deposit (but only those issued in the names of individuals and of corporations, associations, and other organizations not operated for profit) and savings deposits as shown on the bank's books as of the date of the most recent call statement required by the supervising authorities prior to the date of subscription for such savings bonds, whichever is less; and *Provided further,* That the amount of savings bonds of Series F and Series G, issued on or after January 1, 1944, held by a commercial bank, together with 2½ percent Treasury Bonds of 1965-70, subscribed for under Department Circulars Nos. 729 and 740, 2¼ percent Treasury Bonds of 1956-59, subscribed for under Department Circular No. 730, and 2 percent Treasury Bonds of 1952-54, subscribed for under Treasury Department Circular No. 741, shall not exceed in the aggregate 20 percent of the combined amount of such savings deposits and time certificates of deposits of such bank or \$400,000, whichever is less. No such bank shall hold more than \$100,000 (issue price) of Series F and Series G savings bonds (Series 1944) combined.

V. AUTHORIZED FORMS OF REGISTRATION

1. United States Savings Bonds of Series F and Series G may be registered only in one of the following forms:

(2) In the name of an incorporated or unincorporated body, in its own right, except that they may not be registered in the names of commercial banks which are defined for this purpose as those accepting demands deposits: *Provided, however,* That bonds originally issued on or after January 1, 1944, may be registered in the name of a commercial bank holding savings deposits or issuing time certificates of deposit to the extent and conditions set forth in Section IV hereof.

D. W. BELL,
Acting Secretary of the Treasury.

at 2798

Federal Reserve Bank of New York

**PRESIDENT'S REPORT
TO
DIRECTORS
FOR 1943**



Federal Reserve Bank of New York

**PRESIDENT'S REPORT
TO
DIRECTORS
FOR 1943**



CONFIDENTIAL

FEDERAL RESERVE BANK
OF NEW YORK

April 20, 1944.

To the Directors of the
Federal Reserve Bank of New York;

Herewith is a detailed report on the work of the bank during the year 1943.

As in the years of the first World War, which began at the time of the organization of the Federal Reserve System in 1914, this bank has again been called upon to participate in the formulation and administration of the monetary policy and financing program of a nation at war, to perform as fiscal agent of the Government an increasing variety of services directly or indirectly related to the war effort, and to deal with the problems, common to most undertakings, which have attended the wartime increase in the volume and complexity of its operations.

The Twenty-ninth Annual Report of the bank, recently issued, describes the participation of the bank in the broader aspects of the war financing program and the formulation and administration of Federal Reserve policy, and describes briefly the principal developments in operations of the bank during the year. The attached report is intended as a supplement to the annual report, in order that you may be informed of developments of interest and importance, in so far as the operations of the bank are concerned, which were not of sufficient general interest to warrant inclusion in the annual report, and also in order that you may have available more detailed information concerning the volume and character of the bank's operations during the year. At the end of the report is an appendix giving additional information regarding the functions of various departments of the bank, which may be of interest to you and perhaps of some assistance in explaining the statistical material in Part II of the report.

Yours sincerely,

ALLAN SPROUL,
President.



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PART I

OPERATIONS OF THE BANK DURING 1943

During 1942, as set forth in my report a year ago, the Federal Reserve Bank of New York faced many problems arising out of entirely new operations undertaken during that year or the latter part of 1941, such as guaranteed loans to war industries under Regulation V, the regulation of consumer credit under Regulation W, foreign funds control of enemy property, and work incident to the Government's program of war damage insurance. In contrast, 1943, the second year of the war, was largely a settling down period, during which the bank's problems and difficulties resulted principally from the tremendously increased volume of work and the introduction by the Government of certain improved methods of operation requiring the services of the Federal Reserve Banks.

The principal new operations involving the bank in 1943 were:

- (1) the clearance of ration checks on a large scale which began in February;
- (2) the receipt and verification of amounts withheld by employers as Federal income taxes under the Current Tax Payment Act of 1943; and (3) the inauguration of an arrangement whereby a large volume of Government checks are drawn in punch-card form payable "through" this bank, and are handled for payment by this bank instead of being sent to the Treasurer in Washington for payment.

Although there was a substantial increase in the volume of most kinds of work performed by the bank during the year, the greatest increases were in the issue and redemption of Government securities, open market operations in Government securities, and the collection and payment of Government checks, all of which directly reflected the increased expenditures

and fiscal requirements of the Government.

Operations in Aid of the War Financing Program

During 1943 the public debt of the United States increased over \$57,000,000,000, all of which is represented by new securities issued. In addition, a large volume of new securities was issued to offset obligations that matured or were redeemed. A considerable part of the work incident to the issue, redemption and servicing of these securities is done by the twelve Federal Reserve Banks and their branches and a substantial portion by this bank and its Buffalo branch.

War Loan Drives

The principal concentration of work, relating to the issuance of Government securities, was preceding and during the Second and Third War Loan Drives, which were conducted in April and September. The sales organizations - the Victory Fund Committee and the War Savings Staff during the Second Drive and the State War Finance Committees during the Third Drive - were kept informed daily by the bank of the progress of sales. In order that such information might be as up-to-date as possible and, therefore, have maximum usefulness for the committees, the Tabulating Division of the Accounting Department maintained an evening force during the drives to prepare the reports.

In order to minimize transfers of funds for the purpose of entering subscriptions in localities, where the subscriber wishes credit to be given but does not maintain funds, the Treasury established a procedure whereby credit for a subscription entered in one locality might be allocated to one or more other localities in accordance with the wishes of the subscriber. This interchange of credits was handled by the Federal

Reserve Banks. About 7,000 allocations involving subscriptions of slightly less than one billion dollars were handled by this bank in the Third War Loan Drive, when the procedure first became fully effective.

In connection with the Third Drive, this bank maintained facilities for the sale of securities and issuance of savings bonds at a booth in the War Center in the midtown area of New York City. The booth was open seven days a week from August 30 to October 2, inclusive, from 9 a.m. to 11 p.m. In this period 9,995 customers purchased bonds having an aggregate issue price of \$1,592,072.25. This total includes sales of savings bonds amounting to \$1,238,072.25, of which \$716,609 was paid in cash.

Government Securities Issued

The number of pieces (individual certificates, notes, bonds, etc.) delivered by the bank in connection with the original issue, and the total issue price of such securities for the last four years were approximately as follows:

<u>YEAR</u>	<u>SAVINGS BONDS</u>	<u>OTHER TREASURY ISSUES</u>	<u>TOTAL</u>
	<u>Number of Pieces</u>		
1940	310,000	107,000	417,000
1941	2,340,000	556,000	2,896,000
1942	17,330,000	848,000	18,178,000
1943	32,063,000	931,000	32,994,000
	<u>Issue Price</u>		
1940	\$ 73,503,000	\$ 4,954,183,000	\$ 5,027,686,000
1941	674,232,000	7,756,006,000	8,430,238,000
1942	1,549,259,000	29,649,259,000	31,198,518,000
1943	2,025,592,000	58,030,565,000	60,056,157,000

Government Securities Redeemed

Approximately 6,500,000 savings bonds of all series were redeemed by the bank in behalf of the Government during 1943 compared with slightly

over 750,000 in 1942 and 120,000 in 1941. The maturity value of savings bonds, Series A through E, redeemed by the bank amounted to approximately \$280,000,000 (\$175,000,000 redemption value) in 1943, and \$63,000,000 (\$39,000,000 redemption value) in 1942. Nearly 85% of the Series E bonds redeemed during 1943 were in the \$25 denomination. The following schedule of the number of pieces and maturity value of Series E bonds redeemed by the bank in each month during 1943 illustrates the steady growth of this operation:

<u>Month</u>	<u>Number of Pieces</u>	<u>Maturity Value</u>
January	219,693	\$ 8,647,700
February	282,342	9,858,475
March	595,805	20,507,575
April	416,333	15,270,175
May	404,175	14,716,225
June	690,305	24,194,475
July	540,458	19,372,400
August	616,812	22,271,900
September	595,581	22,626,375
October	564,873	20,767,725
November	653,663	23,994,775
December	837,996	30,116,150

Redemptions of Government securities of all other issues increased from 407,035 pieces having a value of \$12,873,703,000 in 1942 to 715,043 pieces having a value of \$46,726,101,000 in 1943.

Savings Bonds in Safekeeping

Acting as fiscal agents of the United States, the Federal Reserve Banks hold United States Savings Bonds in safekeeping for account of the registered owners thereof. At the end of 1943 we had 28,447 such accounts containing securities with a total maturity value of approximately \$42,204,000, as against 19,385 such accounts containing securities with a total maturity value of approximately \$30,302,000 at the beginning of the year. These accounts are becoming increasingly active, with frequent

withdrawals and an increasing amount of correspondence. Pressure of space in the securities vault on "C" level made it necessary near the end of the year to transfer many of the files containing these securities to the locked grille room immediately outside the vault proper. Adequate measures have been taken for the protection of these securities.

Open Market Operations

Since the problems of our war economy in the monetary and war finance fields were much the same in 1943 as in 1942, the objectives of Federal Reserve policy remained the same and operations in execution of System policy differed only in degree and in detail. Open market operations continued to be the principal instrument with which reserve funds were supplied to the banking system, to offset continuing increases in currency circulation, to supply the reserve funds necessary to support the increased deposit liabilities of the banks, and to a smaller extent to offset gold losses. As shown in the table on page 26 of our Annual Report total holdings of Government securities by all the Federal Reserve Banks increased from \$6,189,000,000 at the end of 1942 to \$11,543,000,000 at the end of 1943, practically all of the increase being in the shorter term securities, while holdings of longer term securities declined. During the year 1943, this bank as the agent of the Federal Open Market Committee, purchased in the open market for the System Open Market Account securities having a total face value of \$8,610,726,000 and sold or presented for payment securities having a face value of \$6,510,489,000. The face amount of Treasury bills purchased by the bank for its own account during the year, pursuant to the 3/8% buying rate and repurchase option established in 1942, amounted to \$19,471,063,000 while bills amounting to \$17,583,311,000 were

sold or presented for payment during the year.

Pledge of Government Securities in System Open
Market Account to secure Federal Reserve Notes

Most of the reserve funds supplied to banks through open market operations of the System were absorbed by the increase of slightly over 5 billion dollars in the amount of currency outstanding. Because of this tremendous expansion of currency circulation each of the Federal Reserve Banks resumed the practice of pledging Government securities with the Federal Reserve Agent to secure Federal Reserve notes, which in addition to the statutory gold certificate reserve requirement of 40 per cent, are required by law to be secured by discounted paper or direct obligations of the United States in an amount up to their face value. The pledge of Government securities for this purpose was authorized by the Glass-Steagall Act of February 27, 1932. For periods of from five to nine years thereafter individual Federal Reserve Banks availed themselves of this privilege, found it unnecessary in 1941 and 1942, and have now resumed its use.

Securities so pledged are held in the joint custody of the Federal Reserve Bank and the Federal Reserve Agent. Prior to September, 1943, it was the practice of various Federal Reserve Banks to pledge a portion of their System Open Market Account holdings by authorizing this bank to deliver such securities to the Federal Reserve Agent at New York, as the representative of the Federal Reserve Agent at such other Federal Reserve Bank, to be held in joint custody with this bank as agent of such other Federal Reserve Bank. This required the physical segregation of such other Federal Reserve Bank's participation in a sufficient number of issues to make up the required pledge. During the spring and summer of

1943, the amounts of System Account holdings so pledged increased to the point where nearly every open market transaction involving a decrease in the System Account holdings of a particular issue necessitated the release of pledged securities and the segregation and pledging of other securities. This involved an increasingly great amount of labor and expense, especially in view of the activity of the System Account during the year. Accordingly, a plan was worked out by this bank, approved by the Federal Open Market Committee, the Board of Governors and each of the Federal Reserve Banks and Agents, and made effective September 17, 1943, whereby all of the securities in the System Account are now held in the joint custody of the Federal Reserve Agent at New York and the Federal Reserve Bank of New York, and any Federal Reserve Bank may pledge any portion of its undivided interest in the securities so held as collateral security for Federal Reserve notes issued to it, without the necessity of segregating specific securities. This plan has worked satisfactorily, resulting in a substantial saving of time and expense. The total amount so pledged grew steadily from about \$1,000,000,000 on September 17, 1943, to over \$4,000,000,000 at the end of 1943, whereas \$1,000,000,000 was approximately the highest total reached in the previous pledging period in the 1930's.

Ration Checks

Commencing January 27, 1943, the Office of Price Administration inaugurated a ration banking plan, which had been tested during 1942 under normal operating conditions in thirty-three banking offices in the Albany-Troy-Schenectady area of New York. Originally applicable only to sugar, coffee and gasoline, the plan has been extended to meats and fats, processed foods, shoes and fuel oil. The coffee accounts were closed in

July when coffee rationing was suspended. Under the plan, retail sellers of rationed commodities open with their banks "ration bank accounts" (one for each category of rationed articles), deposit in such accounts ration stamps and coupons received in the course of trade, and draw "ration checks" against such accounts for use in obtaining additional supplies of rationed articles. The wholesalers receiving such checks deposit them in their own ration bank accounts, and the checks are cleared through the facilities used for clearing ordinary checks. During 1943 nearly 5,000,000 of these checks were cleared by the bank.

In February, 1943, we cleared 17,876 ration checks. In May, when the meats and processed food program got under way the volume reached 570,596. Since May the volume has been consistently between 550,000 and 600,000 checks per month.

Withhold Taxes

One of the fiscal agency operations inaugurated during 1943 was the handling of funds representing Federal income taxes which employers are required to withhold from the wages and salaries of their employees under the Current Tax Payment Act of 1943, which became effective June 11, 1943. During July this bank qualified 817 banks in this district as Depositories for Withhold Taxes, supplied them with appropriate instructions and forms, and commenced receiving from them deposits of withheld taxes. Employers withholding more than \$100 a month are required to deposit the amounts withheld in a depository bank, once each month, or more frequently if they wish. The depository bank credits the amount so deposited to an account in the name of the Federal Reserve Bank as fiscal agent of the United States, and issues an official, numbered depository receipt for each

such deposit, giving the employer one copy and sending one copy to the Federal Reserve Bank. The balance in such account is remitted to the Federal Reserve Bank for account of the Treasurer of the United States each day that the balance reaches \$5,000 or more, and on the last business day of each month. Each employer is required to file a quarterly return with the Collector of Internal Revenue in his district, enclosing the depositary receipts previously received from his bank as evidence of payment of the amounts withheld. The Collectors then deposit these receipts with the Federal Reserve Bank where they are compared with the copies received from the depositary banks in order to verify that the tax has been received and credited to the Treasurer's Account.

By the end of the year 925 banks had been qualified as depositaries in the Second Federal Reserve District, and the Federal Reserve Bank of New York, not including the Buffalo Branch, had received from such depositaries a total of \$644,277,000, represented by 322,482 separate depositary receipts, and had received from Collectors of Internal Revenue, and verified, 172,544 depositary receipts representing tax payments of \$336,552,000.

In order to offset the costs incurred by bank depositaries in handling deposits of withheld taxes the Treasury authorized the issuance to them of a limited quantity of a special issue of 2% Depositary Bonds; and about \$15 millions worth of these bonds were issued by this bank during the year. The bonds are registered in the name of, and held in safekeeping by, the Federal Reserve Bank in trust for the depositary. The maximum amount of bonds which may be issued to any depositary depends upon the volume of withheld tax deposits handled and whether the bank

makes payment from its own funds or elects to take a special Government deposit and use those funds for such purpose. If the bank makes payment from its own funds it may buy twice as many bonds as it could purchase if it used the special Government deposit. In either case, periodic adjustments are made by the Federal Reserve Bank if the volume of deposits handled varies substantially.

Government Check Operations

Since World War I the Federal Reserve Banks have handled Government checks (most of which are drawn on the Treasurer of the United States), receiving them from commercial banks for collection, giving immediate credit therefor, charging the Treasurer's General Account and, prior to May, 1943, forwarding nearly all of such checks to Washington for examination and final payment in accordance with Treasury regulations. The tremendous increase in the number of Government checks issued during the first months of American participation in the present war (from 21,937,239 in 1942 to 61,242,056 in 1943) indicated that some decentralization of the function of examining and paying these checks was desirable. Accordingly, conferences were held between representatives of the Treasury, the Board of Governors and the Federal Reserve Banks of New York and Chicago, as a result of which a plan was adopted in 1942 whereby certain checks on the Treasurer of the United States would be drawn on punch-cards, made payable "through" a designated Federal Reserve Bank, and such checks would be examined and paid by such Federal Reserve Bank, as the agent of the Treasurer, the canceled checks being transmitted to the General Accounting Office in Washington. A similar arrangement had been

in effect since 1935 with respect to Work Relief checks.

This plan was put into operation in May, 1943, when the War Department Office of Dependency Benefits commenced making all Army allotment and allowance payments by punch-card checks payable through this bank. The volume of these checks was so great that in June the Government check functions of the Check Department were transferred to a newly created department of the bank, the Government Check Department. In July the disbursing officer at the Brooklyn Navy Yard commenced paying the civilian payroll of the Navy Yard with such checks; and in October the Treasury Regional Disbursing Officer in this district began converting his payments to card checks payable through this bank. Commencing in September the Army allotment checks (then amounting to about 1,425,000 a month) were drawn payable through the Federal Reserve Bank of Philadelphia. This relieved the pressure of work in this department temporarily, but the volume continued to increase so that in December 4,403,594 card checks were handled by the bank as compared with 1,904,948 Government paper checks of the old style. Between May 12, 1943, and the end of the year the bank handled a total of 33,658,542 card checks. 1,666,808 of these were checks made payable through other Federal Reserve Banks which were received by this bank, sorted, listed, charged to the Treasurer's account under a special arrangement and forwarded to the designated Federal Reserve Bank for inspection and payment.

VT Loans

On or about September 1, 1943, the War and Navy Departments and the Maritime Commission authorized the issuance of a modified form of guarantee agreement, designed to meet the needs of certain contractors

who do not immediately require credit but may need some means of un-freezing working capital after the termination of their contracts for the convenience of the Government. Such guarantee agreements, commonly referred to as "VT" agreements, are issued by the Federal Reserve Banks, acting as fiscal agents of the United States, pursuant to Regulation V of the Board of Governors and Executive Order No. 9112 under which the so-called "V loans" are also made to finance war production. During the period from September 1, 1943, to December 1, 1943, the authorized "VT" agreements numbered 32 and were in the aggregate amount of \$538,705,000. Six of these agreements involved \$480,000,000.

Pennies

During the past two years the number of pennies in circulation has increased sharply, and at times the demand has exceeded the supply although this bank received from the mint and put into circulation 85,795,000 new pennies in 1942 and 92,000,000 during 1943. The situation was aggravated by the fact that the demand for copper in war production caused the Treasury to discontinue minting copper pennies in 1942. Mintage of the unpopular zinc-coated steel pennies was begun in February, 1943, and discontinued December 31, 1943; and copper pennies (containing a slightly different alloy) are again being minted. As a result of a public campaign in December, 1942, sufficient pennies were turned in so that by April, 1943, this bank held a record stock of 78,200,000 pennies; but by September this stock was down to 2,900,000, and it was necessary to ration banks during October and November to one-third of their September withdrawals. On November 9, 1943, we issued a new call for pennies from banking institutions and the public; and receipts of 52,500,000 new

pennies from the mint during November and December enabled us to give banks pennies during December in amounts up to their September withdrawals.

Planning Division

During the latter part of the year it was decided that, in addition to its regular function of keeping the operating departments abreast of new operating methods, the Planning Division of the Accounting Department should conduct a series of surveys of the operations of most of the departments of the bank and develop suggestions for more efficient or economical operations. Surveys of the Savings Bond Redemption Department and the payroll operations of the Disbursing Division of the Accounting Department were completed before the end of the year, and the suggestions developed are being studied.

Research and Bank Publications

During the year the program begun in 1942 to increase the usefulness and effectiveness of the bank's Monthly Review of Credit and Business Conditions and semi-monthly Business and Financial Summary was continued, both being altered somewhat as to form to make the content more flexible with emphasis on the inclusion of material of timely interest. During 1943 the Monthly Review carried twenty-six special articles as compared with thirteen in 1942 and five in 1941.

Special studies and memoranda dealing with problems of sufficiently general interest or importance to warrant being mimeographed and given wider distribution (but still restricted) were prepared on the following subjects during the year:

Second Federal Reserve District Studies

1. "Population Trends in the Second Federal Reserve District, 1900-1940" - January 1943, 17 pp.
2. "Survey of the Distribution of Demand Deposits" - March 1943, 11 pp.
3. "Income Payments in the Second Federal Reserve District" - April 1943, 15 pp.
4. "Resurvey of the Distribution of Demand Deposits" - July 1943, 14 pp.
5. "The Working Population of New York City" - December 1943, 19 pp. Appendix 11 pp.
6. Revision of indexes of department store sales, Second Federal Reserve District - December 1943, 4 pp.

Other Studies in the Domestic Field

7. "Liberty Ships After the War" - May 1943, 13 pp.
8. "Impact of War on the Flow of Goods and Services to Consumers" - May 1943, 10 pp.
9. "A Postwar Federal Tax System Based Mainly on the Personal Income Tax" - August 1943, 11 pp.
10. "New Industries and Industrial Materials: Their Development During the War Period" - November 1943, 20 pp.
11. "Changing Trends in War Finance" - November 1943, 10 pp.

International and Foreign Studies

12. Five studies on alternatives to the White and Keynes plans as a solution of postwar world monetary problems - March to May 1943, 214 pp.
13. Five studies summarizing and analyzing various revisions of the White and Keynes plans on postwar international monetary organization - July to September 1943, 63 pp.
14. Six studies summarizing and analyzing international monetary plans other than the White and Keynes plans and the five alternatives covered in item 12 - May to December 1943 - 80 pp.

15. Three studies on postwar international reconstruction and development - October and December 1943 - 32 pp.
16. A study of the Italian money and banking system (for the manual of military government for Italy) - August 1943 - 154 pp.

Executive Training

After a careful study by the officers' committee on welfare of staff and consultation with the directors, an outline of a somewhat more formal program of executive training and development than has existed heretofore, was prepared. The procedures provided therein were explained at a meeting of all officers of the bank and the initial steps taken to put the program in effect in the fall of the year. Even though the work of the bank is in a fluid state and is being conducted under pressure it was felt that further development of our executive training program should not be postponed, because of certain opportunities for training in the present situation, because the program is essentially a long range program, and because our need for executives in the next decade, because of retirements, will be large.

During the winter a program of instructing our supervisory staff ("non-commissioned officers") in the principles of job instruction was inaugurated, in accordance with a plan originally established for industry under the auspices of the War Manpower Commission.

Personnel

The increase in volume and variety of the bank's work during the year involved an increase of 721 in the staff of the head office. During the year we engaged 2,729 persons and lost 2,008. The rate of turnover (total separations during the year divided by average number of employees) was 47.2%. The ratio of those interviewed for employment to those actually

hired was approximately 5 to 1. As might be expected, the greatest turnover occurred in the junior clerical positions; and our greatest difficulty occurred in hiring people for night work and for building maintenance and operation. Only a minor part of the turnover was due to temporary employment for the summer vacation period. 276 employees left the bank during the year to enter the armed forces.

In general, the type of applicant for employment was less desirable than in previous years. Apparently, many applicants had drifted from one type of work to another, restlessly seeking a combination of good wages and easy work. There appeared to be somewhat less emphasis on salary, however, than on short and regular hours. We have been constantly aware of the comparative attractiveness of the five-day week which is the regular work week for many insurance companies and some other financial institutions in the city.

Absenteeism has not been a major problem. Excluding vacations, our average daily absences for 1943 were 179, or 4.2% of the staff, and were chiefly for verified medical reasons.

Toward the end of the year (and at the beginning of 1944) there were indications that the quality of job applicants is improving. Apparently, some of the more thoughtful individuals are seeking opportunities for permanent positions in anticipation of a partial exodus from war industry when the war in Europe is over. There is some evidence also of a slowing up in employee turnover.

Of the 4,415 employees on our rolls January 1, 1944, 2,565 had been with us less than two years. The fact that this large number of newcomers has fitted relatively smoothly and harmoniously into our

organization speaks well for the effectiveness and constructive attitude of the older employees and department heads.

Another important factor in the assimilation of the new employees has been a marked resurgence of activity in the Federal Reserve Club, the employees' social and welfare organization. The Club has developed new avenues of interest, social, recreational and educational, all of which has helped maintain the morale of the staff.

Buffalo Branch

During the year the scope of the work of the Branch was expanded to provide new and additional services for the Treasury, the Reconstruction Finance Corporation, and for the convenience of the public and the banks in the territory served by the Branch.

In addition to issuing Treasury Savings Notes and all series of United States Savings Bonds, the Branch established early in the year facilities for the redemption of Series E Savings Bonds in leased quarters outside the Branch Office. These services have been availed of to a substantial extent by the public and by banks located in the area of Western New York served by the Branch.

Following the passage of the Current Tax Payment Act, which became effective June 11, 1943, a unit was set up to handle remittances from depositary banks representing taxes withheld and deposited with them by employers. During the first six months' period of operation under the current tax payment method there was credited to the account of the Treasurer of the United States \$45,173,000, representing 22,569 depositary receipts received by the Branch from the depositary banks.

For the Reconstruction Finance Corporation, the Branch has handled the disbursement of funds for account of the Defense Plant Corporation.

Banking business transacted at the Branch in 1943 was generally in larger volume than in 1942. Checks cleared reached an all-time peak, both in number and in dollar value, amounting to \$6 1/2 billion, an increase of 33% over 1942, and representing approximately 16 million items handled. The number of Treasury checks received increased very substantially, some in large amounts representing transfers of funds between finance officers of the Government, advance payments on war contracts, and repayments of Regulation V loans and renegotiated contracts. Operations of the Cash Division exceeded the volume of all prior years, except during the abnormal interim period immediately preceding and following the Bank Holiday in 1933.

The increased activities of the Branch were handled with an increase of only 26 (from 153 to 179) in the staff. This was accomplished largely by extending the work week from 40 to 48 hours. The longer work week was generally adopted, in the Spring of the year, by war industries in Buffalo and other critical areas in accordance with the program of the War Manpower Commission.

During the year special effort has been made further to integrate the work of the Branch and the head office and to keep the Branch, its officers and directors more fully advised regarding matters of policy and operating technique. Continuing the program followed in recent years the directors of the Buffalo Branch met with the board of directors of this bank in November 1943. The Managing Director of the Branch has made several trips to New York where he has attended meetings of the executive committee and the board of directors and has discussed with the officers, and other members of the staff, matters affecting the operation of the Branch.

FEDERAL RESERVE BANK OF NEW YORK

President's Report to Directors for 1943

PART II

STATISTICAL SUMMARY OF PRINCIPAL OPERATIONS OF THE BANK
AND THE BUFFALO BRANCH

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(Officers named under each function are those in charge March 1944)

PART II

STATISTICAL SUMMARY OF PRINCIPAL OPERATIONS
OF THE BANK BY DEPARTMENTS

ACCOUNTING, PERSONNEL, AND SERVICE ADMINISTRATION FUNCTION

Officers in charge:

James M. Rice, Vice President
Edward O. Douglas, Assistant Vice President (Personnel)
George W. Ferguson, Assistant Vice President (Accounting)
Herbert H. Kimball, Assistant Vice President (Service Administration)
William A. Heinl, Manager, Personnel Department
Michael J. McLaughlin, Manager, Accounting Department

ACCOUNTING DEPARTMENT

Accounting Division: Transactions in member bank reserve accounts and nonmember clearing accounts:

	1942	1943
Entries posted	3,314,203	3,499,230
Penalties assessed for reserve deficiencies	72	140
Lost items charged back	3,079	2,682
Refunds and Adjustment entries	15,412	13,732
Errors adjusted	5,360	16,910
Canceled checks received and forwarded for endorsement and other reasons	12,334	12,618

Disbursing Division:

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Payroll operations				
Salary payments	86,728	\$ 5,920,000	102,096	\$ 7,424,600
Supplemental compensation payments	39,696	410,600	25,000	708,800
Overtime payments	-	334,200	-	512,100
Breakfast allowance payments	-	49,500	-	54,200
Supper allowance payments	-	75,500	-	129,200
Other expenses				
Expense vouchers drawn	18,515	13,124,500	20,679	15,938,900
Air and rail reservations	556	-	662	-
Claims for reimbursement of Fiscal Agency expenses	330	4,089,500	372	5,596,600

Withheld Taxes Division (organized in July 1943):

	<u>1 9 4 3</u>	
	<u>Number</u>	<u>Amount</u>
	(000 Omitted)	
Banks qualified as Depositories for Withheld Taxes	925	"
Depository receipts received from Depositories	322,482	\$ 644,277
Depository receipts received from Collectors of Internal Revenue	172,544	336,552

PERSONNEL DEPARTMENT

Personnel Division:

(Officers not included in following statistics)

	<u>1942</u>	<u>1943</u>
Total employees at year end	3,694	4,416
Applicants interviewed	14,550	12,178
Applicants hired	1,970	2,729
Total employees leaving service	1,179	2,004
A. Entering military service	358	280
B. Resigned	705	1,579
C. Dismissed	87	109
D. Retired	20	26
E. Died	9	10
Employees appointed officers	4	3
Employees retained in service after attaining retirement age (65)	0	13
Rate at year end of annual salary liability	\$6,455,884	\$7,749,970
Rate at year end of average annual salary	1,748	1,755
Deductions from salaries		
A. 5% victory tax (January - June)	-	\$ 93,592
B. Federal withholding tax (July - December)	-	432,753
C. Purchases of savings bonds	\$ 178,937	341,673
D. Contributions to Retirement System	319,351	409,988
E. Associated Hospital insurance	18,122	18,200
F. Group insurance premiums	26,676	32,406
G. Systematic savings	113,952	94,529
H. Tax note purchases	3,527	2,681
I. Salary savings insurance premiums	1,170	1,037
J. New York income tax on non-residents	3,772	6,593
K. Greater New York Fund	427	122
L. Garnishee orders	330	150
M. Repayments to Officers Loan Fund	20,403	18,270
	<u>\$686,667</u>	<u>\$1,451,994</u>
Confidential Loans to Employees		
1. From Officers Loan Fund		
A. Number of employees borrowing	253	161
B. Aggregate amount of loans	\$ 26,728	\$ 19,394
C. Number of outstanding loans at year end	156	127
D. Aggregate amount outstanding at year end	\$ 14,028	\$ 10,982
2. Educational Loan Fund		
A. Number of employees borrowing	117	87
B. Aggregate amount of loans	\$ 6,859	\$ 4,559
C. Number of employees borrowing since 1924	2,718	2,805
D. Aggregate amount of loans since 1924	\$119,335	\$123,894
E. Number of employees receiving educational refunds	146	135
F. Aggregate amount of educational refunds	\$ 5,735	\$ 3,794

Medical Division:

<u>Professional Personnel</u>	As of Jan. 1, <u>1943</u>	As of Dec. 31, <u>1943</u>	Total No. of Examinations of Applicants for Employment	Total No. of Contacts with Employees and Applicants
Medical director	1	1	1942 - 3,143	1942 - 30,033
Other doctors	4	4	1943 - 3,900	1943 - 45,475
Nurses	5	6		
Dentist	1	1		
Hygienist	1	1		
Technician	1	2		

SERVICE DEPARTMENT

Food Supply Division:

	<u>Number</u>	<u>1942</u> <u>Amount</u>	<u>Number</u>	<u>1943</u> <u>Amount</u>
Meals served in cafeteria	639,423	\$159,747.01	752,508	\$204,031.29
Daily average	2,131	532.49	2,508	680.10
Meals served in dining room	12,363	12,284.49	14,557	14,591.07
Daily average	41	40.95	48	48.64

Post Office Division:

	<u>Pieces handled</u> <u>1942</u>	<u>Pieces handled</u> <u>1943</u>
Registered mail		
Incoming	467,492	1,883,453
Outgoing	2,296,591	507,142 *
Ordinary mail		
Incoming	8,316,497	9,251,253
Outgoing	3,491,069	7,935,323 *

* Commencing January 1943, United States savings bonds, which had been dispatched by registered mail, were sent out in the ordinary mails under the franking privilege and the Government Losses in Shipment Act.

Telephone Section:

	<u>1942</u>	<u>1943</u>
Number of calls handled	1,702,021	1,667,478

BANK SUPERVISION AND RELATIONS FUNCTION

Officers in charge:

Ray M. Gidney, Vice President
William F. Sheehan, Manager, Bank Examinations Department,
and Chief Examiner
Norman P. Davis, Manager, Security Loans Department
Franklin E. Peterson, Manager, Bank Relations Department

(Mr. Peterson was appointed Manager effective January 7, 1944,
Insley B. Smith formerly Manager, Bank Relations Department,
continuing as Manager, Government Check Department to which
he was assigned June 12, 1943.)

BANK EXAMINATIONS DEPARTMENT

Bank and trust examinations were made during 1943 as follows:

Bank Examinations

Regular Examinations:

Jointly with New York State Examiners	166	
Jointly with New Jersey State Examiners	58	
Jointly with Connecticut State Examiners	<u>3</u>	227

For Membership:

Jointly with New York State Examiners	3	
Jointly with F.D.I.C. Examiners	1	
Independently	<u>14</u>	<u>18</u>

Total 245

Trust Department Examinations

Regular Examinations:

Jointly with New York State Examiners	34	
Jointly with New Jersey State Examiners	1	
Jointly with Connecticut State Examiners	2	
Independently	<u>118*</u>	155

For Membership:

Jointly with New York State Examiners	2	
Independently	<u>8</u>	<u>10</u>

Total 165

* Includes 19 examinations in which the State Examiners participated to the extent of checking the securities to the records of the trust department involved.

During 1943, all State member banks and their trust departments were examined once with the exception of one bank which was examined for membership on November 20, 1942, but which did not join the System until April 16, 1943. The bank was examined by the New York State Banking Department in January 1943 and the department will make another examination of this institution early in 1944, in which we shall participate.

Seventeen State banks were admitted to membership in 1943 compared with nine in 1942. Eight applications for membership were in process on December 31, 1943, compared with six on December 31, 1942.

BANK RELATIONS DEPARTMENT

During the past year members of the Bank Relations Department made 584 visits to member banks and 376 visits to nonmember banks as compared to 656 and 162, respectively, for the year 1942. In addition, the officers of the bank made 42 calls on member banks and 7 to nonmember banks, as compared to 43 and 10, respectively, in 1942. Members of the department attended 102 group meetings in 1943 compared with 100 in 1942.

Talks were made by members of the department before bankers associations, clubs and various other organizations, as follows:

<u>Subject</u>	<u>1942</u>	<u>1943</u>
War Finance	-	4
Regulation W	23	1
General Ruling No. 16	-	1
Other	<u>8</u>	<u>-</u>
	31	6

CASH AND COLLECTION FUNCTION

Officers in charge:

Valentine Willis, Vice President
 Dudley H. Barrows, Manager, Cash Department
 Harold A. Bilby, Manager, Check Department
 Edwin C. French, Manager, Collection Department
 Insley B. Smith, Manager, Government Check Department
 Frederick B. Stocker, Manager, Cash Custody Department

CASH DEPARTMENT

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Number of Deposits</u>	<u>Amount (000 Omitted)</u>	<u>Number of Deposits</u>	<u>Amount (000 Omitted)</u>
<u>Receiving Division:</u>				
Received over counter - checks	30,523	\$12,468,728	28,502	\$21,992,303
Received over counter - currency	61,136	2,599,961	62,019	2,970,940
Received by mail - currency	37,145	788,847	36,483	825,595
Received by express - currency	15,780	67,699	15,003	64,474

Sorting and Counting Division:

	<u>1942</u>	<u>1943</u>
<u>Bundles of paper currency handled:</u>		
1's (1,000 piece bundles)	369,799	360,345
2's "	11,565	12,348
5's "	134,262	136,999
10's "	141,735	164,327
20's "	34,467	42,145
All other denominations "	5,991	8,279
<u>Currency sorted as unfit:</u>		
Number of pieces	134,337,000	177,003,000
Value	\$376,950,000	\$490,058,000
<u>Errors found in deposits of currency</u>	7,711	10,319
Counterfeits detected	400	401
<u>U. S. currency held as fiscal agent under General Ruling No. 5:</u>		
Separate lots	1,320	1,002
Value	\$13,701,397.56	\$5,624,022.39

Paying Division:

	1942		1943	
	<u>Number</u>	<u>Amount</u> (000 Omitted)	<u>Number</u>	<u>Amount</u> (000 Omitted)
Payments of currency to:				
Individuals and Govern- ment officers	83,235	\$ 61,629	87,527	\$ 139,526
Banks over the counter	43,382	3,064,565	43,560	3,599,472
Shipped to banks	87,313	827,682	86,334	884,490
Cash payments of Govern- ment coupons	491	20	516	20
Federal Reserve notes shipped to banks in Boston and Philadelphia districts	9,166,496	109,022	14,024,324	154,086

Coin and Bullion Division:

Coin handled:

	<u>Amount Received</u>	<u>Pieces Received</u>	<u>Pieces Counted *</u>
1942	\$136,417,747	1,904,286,098	1,189,087,000
1943	145,926,147***	2,033,950,987	1,314,143,000
	<u>Amount Paid Out</u>	<u>Pieces Paid Out</u>	<u>Amount Wrapped **</u>
1942	\$136,056,719	1,887,422,285	\$12,080,300
1943	145,234,272	2,024,184,524	12,877,000

* The difference between Pieces Received and Pieces Counted is in pennies only a percentage of which were counted up to the time when our receipts of steel pennies made a 100% count necessary, new coin from the mint, and coin deposited under special arrangements for account of certain member banks pursuant to which some or all of the coin is paid out to the banks the following day without having been counted by us.

** This coin was wrapped in accordance with our practice of furnishing the smaller out-of-town banks with a limited amount of wrapped coin.

*** This amount includes new coin received from the mint as follows:

\$ 920,000	Cents
1,765,000	Nickels
2,400,000	Dimes
4,900,000	Quarters
1,100,000	Halves
550,000	Dollars

\$11,635,000 (included in above figure
of receipts for 1943)

CASH CUSTODY DEPARTMENT

Currency, coin and earmarked gold are held in the vaults under control of this department. Earmarked gold transactions during 1943 as compared with 1942 were as follows:

	1 9 4 2		1 9 4 3	
	<u>Number</u>	<u>Value</u> (000 Omitted)	<u>Number</u>	<u>Value</u> (000 Omitted)
<u>Received for earmark:</u>				
Bars	34,931	\$ 503,373	54,153	\$ 776,859
Bags of coin	999	7,125	4	10
<u>Released from earmark:</u>				
Bars	6,028	61,227	3,286	46,124
Bags of coin	609	4,009	1,043	8,880
<u>Gold held under earmark</u>				
<u>at year-end:</u>				
Bars	186,525	2,596,313	237,392	3,317,049
Bags of coin	13,025	87,352	11,986	78,482

CHECK DEPARTMENT

The following table shows the number of items handled in the Check Department in 1942 as compared with 1943:

	<u>1942</u>	<u>1943</u>
Clearings Division	81,592,011	93,543,369
Transit Division	125,448,282	127,243,990
City Collection Division* - hand presentations	202,323	91,045
Work relief checks	2,497,206	**
Return items	2,426,091	2,575,813
Government checks	19,440,333	**
Ration checks	none	4,911,570

* The City Collection Division was transferred to the Check Department August 27, 1943.

** The divisions handling these operations were transferred to the newly created Government Check Department on June 21, 1943, and the figures for the entire year are set forth under that department.

COLLECTION DEPARTMENT

	<u>1942</u>	<u>1943</u>
Noncash items handled for collection in		
(a) Country Collection Division	946,209	578,959
(b) Coupon Collection Division	708,695	688,299
Peak day - January 2, 1942 and 1943	30,524	24,426
Government coupons paid	4,761,773	5,424,734
Peak day - December 15, 1942 and 1943	518,089	559,012
Wire Transfers of funds		
Number	157,127	150,925
Value (000 Omitted)	\$52,452,244	\$82,964,440

GOVERNMENT CHECK DEPARTMENT (created June 21, 1943)

	<u>1 9 4 3</u>	
	<u>Number</u>	<u>Amount</u>
		(000 Omitted)
Treasury "paper" checks handled for collection	26,022,668	\$28,291,511
Work Relief checks	351,578	12,535
Punch-card checks payable "through" this bank:		
(a) Dependency Benefit checks*	29,821,043	1,406,622
(b) Brooklyn Navy Yard checks**	1,896,910	112,965
(c) Regional Disbursing Officer checks***	283,781	311,054
Punch-card checks payable "through" other Federal Reserve Banks****	<u>1,666,808</u>	<u>184,491</u>
Total Government checks handled	60,042,788	\$30,319,178

* Operation commenced April 7, 1943 - 3,411,246 checks handled in December 1943.

** Operation commenced July 7, 1943 - 304,125 checks handled in December 1943.

*** Operation commenced October 27, 1943 - 173,800 checks handled in December 1943.

**** At the end of the year government card checks were being drawn payable "through" nine other Federal Reserve Banks - 514,423 of these checks were handled by this bank during December 1943.

FOREIGN FUNCTION

Officers in charge:

L. Werner Knoke, Vice President
 Horace L. Sanford, Assistant Vice President, Foreign Department
 Norman P. Davis, Manager, Foreign Funds Control Department
 Daniel J. Liddy, Manager, Foreign Department

(Herbert H. Kimball, Assistant Vice President, who was assigned to Foreign Funds Control during the entire year 1943, was assigned to Service Administration effective January 10, 1944. Charles N. Van Houten, Manager of the Foreign Funds Control Department during the entire year 1943 was assigned as Manager of the Safekeeping Department effective January 25, 1944.)

FOREIGN DEPARTMENT

Foreign Operations Division:

Foreign Accounts Section:

<u>Foreign Accounts</u>	<u>December 31, 1942</u>		<u>December 31, 1943</u>	
	<u>Number</u>	<u>Amount</u> (000 Omitted)	<u>Number</u>	<u>Amount</u> (000 Omitted)
Dollar	48	\$ 698,235	51	\$ 1,269,299
Earmarked gold	40	2,597,840	43	3,239,789
Security custody	12		15	
U. S. securities		331,047		657,577
All other		22,945		23,280
TOTAL		\$3,650,067		\$ 5,189,945

<u>Volume of transactions</u>	<u>1942</u>		<u>1943</u>	
	<u>Transac- tions</u>	<u>Amount</u> (000 Omitted)	<u>Transac- tions</u>	<u>Amount</u> (000 Omitted)
Dollar payments and receipts	57,570	\$6,771,893	35,664	\$ 5,975,506
Items received for collection	23,115	134,882	21,922	574,957
Gold deposited or withdrawn from earmark	309	916,882	278	835,882
Receipts and deliveries of securities and bills	943	1,670,933	1,167	3,623,491
Applications for Foreign Funds Control licenses	639	-	642	-
Reports to Foreign Funds Control of transactions effected	346	-	275	-
TOTAL	82,922	\$9,494,543	59,948	\$11,009,836

Foreign Exchange Section:

<u>Foreign Accounts</u>	<u>December 31, 1942</u>		<u>December 31, 1943</u>	
	<u>Number</u>	<u>Amount</u> (000 Omitted)	<u>Number</u>	<u>Amount</u> (000 Omitted)
Dollar	4	\$ 93,378	6	\$ 90,780
Earmarked gold	2	75,948	2	237,619
Security custody U. S. securities	1	<u>150,000</u>	2	<u>174,977</u>
TOTAL		\$ 319,326		\$ 503,376

<u>Volume of transactions</u>	<u>1942</u>		<u>1943</u>	
	<u>Transac- tions</u>	<u>Amount</u> (000 Omitted)	<u>Transac- tions</u>	<u>Amount</u> (000 Omitted)

Bank Functions

Foreign exchange and related transactions effected for foreign correspondents and member banks	478	\$ 11,692	540	\$ 2,732
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Fiscal Agency Functions

<u>Stabilization Fund</u>				
(a) Gold purchased	143	512,089	52	825,696
(b) Gold sold	91	495,553	150	792,240
(c) Foreign exchange	43	38,089	198	54,566

Foreign accounts held as fiscal agent

(a) Gold earmarked	12	43,038	16	161,671
(b) Security custody	2	150,000	20	406,977
(c) Dollar receipts and disbursements	148	474,105	584	676,582

Drafts, cable transfers, and payments for account of Treasurer

	2,395	312,800	6,453	762,462
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Interdistrict Settlement Fund

	8	125,000	38	756,000
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Gold held for Treasurer of U. S. and various Government agencies

	24	9,077	25	378,195
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Drafts, checks, etc., impounded under General Ruling No. 5A

	-	-	914	562
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TOTAL	3,344	\$2,171,443	8,990	\$4,817,683
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Reports and Analysis Division:

	<u>1942</u>	<u>1943</u>
<u>Certification of exchange rates</u>		
Number of rates certified	7,707	6,476
<u>Tabulation of reports</u>		
Number of reports tabulated	43,416	10,683*

*Basis of reporting monthly, instead of weekly, as formerly.

Cable Division:

	<u>1942</u>	<u>1943</u>
Number of cablegrams and radiograms handled	9,313	8,610

FOREIGN FUNDS CONTROL DEPARTMENT

	<u>1942</u>	<u>1943</u>
Number of applications for licenses received	161,535	99,893
Daily average of same	550	330
Census reports of foreign-owned property received (TFR-300)	33,000	7,346
Census reports of American-owned property abroad received (TFR-500)	-	76,200
Reports of transactions under licenses received	215,000	191,811
Average weekly number of reports of payments from free foreign accounts received	no figures	750*
Number of names on which files of enforcement information are maintained	140,000*	200,000*
Personal interviews conducted	no figures	25,000*

* approximate

GOVERNMENT BOND AND SAFEKEEPING FUNCTION

Officers in charge:

J. Wilson Jones, Vice President
 Harry M. Boyd, Manager, Savings Bond Redemption Department
 Wesley W. Burt, Manager, Government Bond Department
 William M. Kettner, Manager, Security Custody Department
 Charles N. Van Houten, Manager, Safekeeping Department
 John H. Wurts, Manager, Government Bond Department

GOVERNMENT BOND DEPARTMENT

	<u>Number of Pieces Handled</u>		<u>Par Value Handled (000 omitted)</u>	
	<u>1942</u>	<u>1943</u>	<u>1942</u>	<u>1943</u>
<u>United States Savings Bonds and Stamps</u>				
Deliveries to agents on consignment	17,476,613	32,192,534	\$ 1,239,728	\$ 1,833,869
Payments and stubs re- ceived from agents	14,644,278	29,475,095	804,888	1,645,633
Direct sales	2,688,657	2,503,336	881,394	749,115
Savings stamps sales and redemptions	578,133	1,721,340	168	483
<u>All Other Government Issues</u>				
Payments for new issues	319,908	849,906	26,674,184	46,036,222
Denominational exchanges and wire transfers	452,307	499,864	3,327,843	7,048,320
Redemptions and transfers of registered securities and exchanges	48,065	89,307	759,688	1,286,097
Redemptions of bearer se- curities and tax notes	397,287	702,138	13,133,209	46,548,347
Redemptions of adjusted service bonds	<u>31,016</u>	<u>20,929</u>	<u>1,551</u>	<u>1,044</u>
Volume Handled	<u>36,636,264</u>	<u>68,054,449</u>	<u>\$46,822,653</u>	<u>\$105,149,130</u>

War Loan Deposit Accounts: Banks qualified to maintain War Loan Deposit Accounts are permitted to pay for Government securities, including all series of savings bonds and notes, purchased for themselves or for account of their customers, by deposit on their books to the credit of this bank as fiscal agent of the United States. The activity in these accounts, as measured by the sum of deposits and withdrawals, increased from \$2,305,834,000 in 1941 to \$16,018,341,000 in 1942 and to \$42,009,508,000 in 1943.

SAVINGS BOND REDEMPTION DEPARTMENT

Redemption Division:

U. S. Savings Bonds, Series A through E*

	<u>1942</u> (000 Omitted)		<u>1943</u> (000 Omitted)		
Redemption value of bonds redeemed	\$38,772		\$174,856		
Number and denomination of pieces redeemed	<u>\$25</u>	<u>\$50</u>	<u>\$100</u>	<u>\$500</u>	<u>\$1,000</u>
1942	558,885	85,117	81,298	13,118	21,034
1943	5,000,551	626,563	297,496	28,585	32,586
	<u>1 9 4 2</u>		<u>1 9 4 3</u>		
	<u>Pieces</u>	<u>Maturity Value</u> (000 Omitted)	<u>Pieces</u>	<u>Maturity Value</u> (000 Omitted)	
Bonds reissued, Series A through E, or corrected, Series A through G	85,898	\$ 15,455	243,954	\$ 55,827	

*Series F and G bonds are transmitted to the Division of Loans and Currency, Treasury Department, in Chicago for redemption or reissue.

SAFEKEEPING DEPARTMENT

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Accounts</u>	<u>Par Value</u> (000 Omitted)	<u>Accounts</u>	<u>Par Value</u> (000 Omitted)
Savings bonds	19,385	\$ 30,302	28,447	\$ 42,204
Member banks	876	1,009,579	993	3,653,379
Treasury and special accounts	207	2,317,063	216	2,903,037
Notes and acceptances	22	8,090	12	4,063

The volume of pieces handled during 1942 and 1943 in the foregoing accounts was as follows:

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Number</u>	<u>Par Value</u> (000 Omitted)	<u>Number</u>	<u>Par Value</u> (000 Omitted)
Pieces received	24,643,368	\$91,207,712	38,033,264	\$242,762,655
Pieces delivered	22,080,158	62,385,153	36,854,906	191,737,335
Number of coupons detached	1,917,629	-	2,255,197	-

In addition securities impounded by the Treasury Department under General Ruling No. 5 issued under Executive Order No. 8389 (Foreign Funds Control) were handled as follows:

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Number</u>	<u>Par Value</u> (000 Omitted)	<u>Number</u>	<u>Par Value</u> (000 Omitted)
Items received	17,855	\$ 45,170	10,105	\$ 32,080
Items released	21,264	34,040	7,751	28,243

SECURITY CUSTODY DEPARTMENT

The following table shows deposits and withdrawals of securities in the vaults during 1943 as compared with 1942 in the following classifications:

- (1) securities held in safekeeping and for the System Open Market Account including (a) Treasury bills held by this bank in "Option Account" (b) member bank securities held for safekeeping, securities pledged as collateral in War Loan Deposit Account and securities pledged to secure loans to member banks (c) securities held in various accounts of the Secretary of the Treasury and (d) securities held for foreign correspondents and others, including savings bonds owned by individuals, (2) securities held for account of the Reconstruction Finance Corporation, (3) unissued stock of United States Government securities, and (4) coupons clipped (a) from unissued stock and held for destruction and (b) from securities owned by member banks or by the System Open Market Account and delivered out for collection at maturity.

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Number of Pieces</u>	<u>Par Value</u> (000 Omitted)	<u>Number of Pieces</u>	<u>Par Value</u> (000 Omitted)
(1) Safekeeping and Open Market*				
Deposits	635,981	\$18,113,014	657,720	\$ 68,230,323
Withdrawals	395,578	9,084,810	728,421	60,861,260
(2) R. F. C.				
Deposits	60,383	910,993	20,459	566,215
Withdrawals	50,559	893,345	78,156	723,177
(3) Unissued stock				
Deposits	23,874,778	64,280,796	37,276,425	157,017,354
Withdrawals	21,552,430	52,406,998	36,027,094	130,152,897
(4) Coupons				
Detached	1,917,629	233,022	2,255,197	349,878
Re-attached	1,987	28	410	6
*Open Market Account included in (1) are approximately				
Deposit Tickets	3,134	\$5,273,549	1,470	\$12,262,535
Withdrawals	256	1,945,391	1,609	10,172,320

LOANS, CREDITS AND R. F. C. CUSTODY

Officers in charge:

Arthur Phelan, Vice President
Loren B. Allen, Manager, Credit Department
Felix T. Davis, Manager, R. F. C. Custody Department

CREDIT DEPARTMENT

Regulation V: 591 applications were received in 1943, 51 of which were withdrawn before final action had been taken. 34 applications received in 1942 were acted on in 1943, and 45 applications received in 1943 were under consideration at the end of the year.

<u>Action</u>	<u>Number</u>	<u>Aggregate Amount of Loans (000 Omitted)</u>	<u>Amount of Guarantees (000 Omitted)</u>
Applications declined	55	\$ 42,582	\$ -
Guarantees authorized	474	1,656,551	1,386,396
Canceled or withdrawm	61	55,624	46,297
Net	413	\$1,600,927	\$1,340,099
Outstanding guarantees as of 12/31/43			
"V" loans	302	\$2,491,979	\$2,150,314
"VT" loans	5	281,000	225,500
Total	307	\$2,772,979	\$2,375,814

Regulation W: (Enforcement Program)

Investigations	3,282
Transactions	
Examined:	
Single Payment Loans	320
Instalment Loans	6,194
Instalment Sales	295,593
Charge Sales	140,342

DISCOUNT DEPARTMENT

During 1943, 148 member banks availed themselves of the credit facilities of the bank through the head office and the Buffalo Branch as follows:

	<u>1942</u>	<u>1943</u>
Number of applications received	585	938
Number of banks accommodated	108	148
Aggregate borrowings (000 Omitted)	\$106,361	\$1,541,748
Borrowings on peak day		
Number of banks	9	44
Amount (000 Omitted)	\$ 8,380	\$ 95,355

R. F. C. CUSTODY DEPARTMENT

Transactions effected during 1943 as compared with 1942, for account of the Reconstruction Finance Corporation and its subsidiaries were as follows:

1. Commodity Credit Corporation

<u>Year</u>	<u>Commodities Acquired</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
1942	200	\$240,404,379.89	Not computed
1943	300	617,924,779.06*	\$315,197,380.51

*Includes 66,447 disbursements on Commodity Credit Corporation Feed Drafts in the aggregate amount of \$2,113,641.30 since November 15, 1943.

2. Defense Plant Corporation

<u>Year</u>	<u>Number of Projects</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
1942	214	\$619,835,524.88	Not computed
1943	290	420,962,234.82	\$255,422,062.36

3. Defense Supplies Corporation

<u>Year</u>	<u>Commodities Acquired</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
1942	63	\$210,297,654.67	\$ 68,332,524.35
1943	149	225,624,685.63	310,964,309.28*

*Includes \$1,210,135.38 disbursed under the Idle Tire Program.

4. Disaster Loan Corporation

<u>Loans and advances being serviced as at</u>	<u>Number on Books</u>	<u>Balance Due</u>
December 31, 1942	68	\$ 127,709.58
December 31, 1943	36	71,466.38

5. Federal National Mortgage Association

<u>Mortgage Loans and Purchases being serviced as at</u>	<u>Number on Books</u>	<u>Balance Due</u>
December 31, 1942	349	\$3,050,024.66
December 31, 1943	116	473,511.91

6. Metals Reserve Company

<u>Year</u>	<u>Commodities Acquired</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
1942	42	\$328,862,064.76	\$221,870,373.14
1943	78	474,865,292.08	336,972,112.82

7. Reconstruction Finance Corporation

	<u>Year</u>	<u>Loans Made</u>	<u>Amounts Disbursed</u>
	1942	531	\$90,759,737.85
	1943	246	64,610,398.32

<u>Year</u>	<u>Loans Paid</u>	<u>Payments Received</u>	<u>Balance due as of December 31</u>
1942	264	\$ 72,740,281.19	\$1,159,317,720.11
1943	430	126,290,231.87	1,039,761,725.27

Collateral held on

December 31, 1942	\$1,614,522,708.01
December 31, 1943	1,265,049,715.73

8. The RFC Mortgage Company

<u>Mortgage Loans, Participations, Purchases, etc., being serviced as at</u>	<u>Number on Books</u>	<u>Balance Due</u>
December 31, 1942	978	\$7,404,778.92
December 31, 1943	611	5,630,316.18

9. Rubber Reserve Company

<u>Year</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
1942	\$115,121,247.87	\$165,256,713.57
1943	63,656,120.39	183,997,194.62

10. U. S. Commercial Company

<u>Year</u>	<u>Amounts Disbursed</u>
1942	\$11,836,281.99
1943	85,649,500.15

11. War Damage Corporation

<u>Year</u>	<u>Premiums Received</u>	<u>Policies Covered</u>
1942	\$48,422,369.42	1,325,000
1943	94,617,596.64	1,400,000

OPEN MARKET OPERATIONS AND TREASURY ISSUES FUNCTION

Officers in charge:

Robert G. Rouse, Vice President
 Silas A. Miller, Assistant Vice President
 Marcus A. Harris, Manager, Securities Department

SECURITIES DEPARTMENT

Bill Division:

	<u>1 9 4 3</u>	
	<u>Number</u>	<u>Value</u>
Transaction in bankers acceptances for account of		
(a) System Open Market Account	-	-
(b) Member banks	-	-
(c) Foreign correspondents	667	\$10,774,675.49

Securities Division:

	<u>1 9 4 2</u>		<u>1 9 4 3</u>	
	<u>Trans- actions</u>	<u>Amount</u> (000 Omitted)	<u>Trans- actions</u>	<u>Amount</u> (000 Omitted)
<u>Purchases of Securities</u>				
System Open Market Account:				
Open market transactions	3,706	\$5,107,467	1,882	\$ 8,610,726
Special certificates of indebtedness	16	2,380,000	39	16,325,000
Received in exchange from Treasury	4	245,956	7	1,535,290
Federal Reserve Bank of New York -				
U.S. Treasury bills under re- purchase option	131	627,224	3,163	19,471,063
Member banks	523	14,326	840	31,387
Government accounts	75	38,353	65	80,282
Other F. R. Banks	4	1,200	42	14,075
Foreign correspondents	92	249,862	124	385,227
	<u>4,551</u>	<u>\$8,664,388</u>	<u>6,162</u>	<u>\$46,453,050</u>

Sales and Redemptions of Securities

System Open Market Account:				
Open market transactions	224	\$ 395,754	1,964	\$ 2,332,766
Redemptions	47	1,368,555	71	4,177,723
Special Certificates of Indebtedness	16	2,380,000	39	16,325,000
Tendered in exchange to Treasury	4	245,956	7	1,535,290
Federal Reserve Bank of New York -				
U.S. Treasury bills under re- purchase option	78	361,636	2,057	17,583,311
Member banks	743	13,334	1,161	27,984
Government accounts	29	18,867	248	383,537
Other F. R. Banks	11	1,612	10	2,195
Foreign correspondents	31	25,122	18	83,750
	<u>1,183</u>	<u>\$4,810,836</u>	<u>5,575</u>	<u>\$42,451,556</u>

OPERATIONS OF THE BUFFALO BRANCH

Accounting Division:

	<u>1942</u>	<u>1943</u>
Member Bank Reserve Accounts	70	72
Nonmember Clearing Accounts	8	10
Number of entries posted	125,000	95,000

Withheld Taxes:

Number of receipts received from depository banks	-	22,569
Amount	-	\$ 45,172,000
Number of receipts received from Collectors of Internal Revenue	-	13,939
Amount	-	\$ 27,797,000
Number transferred to other Fed- eral Reserve districts	-	1,590
Amount	-	\$ 4,673,000

Cash Division:

Paying Section:

Number of transactions	15,703	14,875
Cash disbursed to:		
Banks in Buffalo	\$132,612,000	\$131,279,000
Banks outside Buffalo	112,625,000	115,887,000
Treasurer of the U. S.	24,398,137	27,141,070
All Others	<u>12,100,230</u>	<u>16,044,200</u>
Total Cash Disbursed	\$281,735,368	\$290,351,270

Receiving Section:

Cash received from:		
Banks in Buffalo	\$108,769,300	\$115,733,000
Banks outside Buffalo	44,725,300	43,309,000
Treasurer of the U. S.	105,806,500	119,671,000
All Other Sources	<u>23,087,200</u>	<u>14,853,000</u>
Total Cash Received	\$282,388,300	\$293,566,000

Shipping Section:

	<u>1942</u>		<u>1943</u>	
	<u>Pkgs.</u>	<u>Amount</u>	<u>Pkgs.</u>	<u>Amount</u>
Mutilated Currency	5,307	\$25,377,590	6,267	\$27,132,290
Fit Federal Reserve Notes	254	11,331,000	352	14,372,000
Currency to Banks	7,479	65,576,909	7,284	71,937,204
Mutilated Coin	31	20,546	18	9,300
Coin to Banks	3,048	1,244,884	2,770	1,143,019
Securities	9,385		9,197	

Currency and Coin Sorting Section:

	<u>1942</u>		<u>1943</u>	
	<u>Pieces</u>	<u>Amount</u>	<u>Pieces</u>	<u>Amount</u>
		(000 Omitted)		(000 Omitted)
Bills Counted	37,688	\$174,293	34,889	\$172,619
Bills Rehandled	1,776	16,887	2,266	21,835
Verification Count	7,307	83,512	5,564	78,643
Coin	34,220	3,307	47,002	4,430

Wire Transfer Section:

	1942		1943	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Wire Transfers	7,673	\$1,183,013,408	7,542	\$1,577,646,383
Mail Transfers	1,384	7,456,645	1,244	4,450,799

Check Division:

	1942		1943	
	<u>Pieces</u>	<u>Amount</u> (000 Omitted)	<u>Pieces</u>	<u>Amount</u> (000 Omitted)
Clearings	4,124	\$2,003,063	4,399	\$2,291,169
Other City Checks	508	59,823	592	66,701
Checks on Us	4	141,658	5	170,788
Country Checks	9,481	2,110,849	9,637	2,914,084
Return Items	71	8,242	51	7,836
Government Checks	771	646,931	1,256	1,144,892
	<u>14,959</u>	<u>\$4,970,566</u>	<u>15,940</u>	<u>\$6,595,470</u>

Daily Average No. of Checks Handled	49,532	52,784
No. of Cash Letters Sent	240,039	187,240
No. of Ration Checks Handled	-	698,819

Collection Division:

	1942		1943	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Country Items (except coupons)	34,489	\$24,424,040.31	23,252	\$27,234,426.28
City Items (except coupons)	19,157	22,820,681.74	8,538	21,365,966.51
Coupons	66,152	3,631,581.32	59,581	2,550,746.09
Coupon Transactions	7,897		7,181	
Registered Articles Received	3,728		71,393*	

* Includes 67,642 articles delivered to Savings Bond Redemption Division which opened for business January 21, 1943.

Credit and Discount Division:

	1942		1943	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Advances made	23 (**)	\$8,615,000	50 (*)	\$28,180,000
Rebates	17	7,920,000	31	21,335,000

(*) Thirteen banks
(**) Five banks

Regulation W:

	<u>1942</u>	<u>1943</u>
No. of inquiries received by letter	150	25
No. of verbal inquiries received	1,900	200
No. of investigations made	375	876
Transactions examined:		
Instalment Loans	-	215
Instalment Sales	23,009	95,751
Charge Sales	9,279	52,877
No. of violations disclosed:		
Wilful	1,344	
Inadvertent	<u>844</u>	2,188

Office Service Division:Personnel Section:

	<u>1942</u>		<u>1943</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Payroll operations:				
Salary payments	3,549	\$202,039	4,386	\$259,114
Supplemental Compensation payments	1,695	14,366	872*	25,358
Overtime payments	1,370	4,738	3,766	55,745
Breakfast allowance payments	-	1,201	-	1,320
Supper allowance payments	-	187	-	2,340
Claims for reimbursement of Fiscal Agency expenses	87	13,195	106	124,290
Applicants interviewed	376		593	
Applicants employed	96		120	
Employees resigned:				
Military service	10		14	
Voluntary	46		69	
Requested	12		11	
	<u>68</u>		<u>94</u>	
December 31:				
Number of employees	153		179	
Annual salary liability		216,744		272,871

* Supplemental payments were combined with salary payments on June 15, 1943.

	<u>1942</u>	<u>1943</u>
Deductions from salaries of employees:		
Percentage of total salary paid	13.14%	20.31%
Withheld Taxes	-	\$24,760.12
Savings Bonds purchases	\$ 6,657.25	17,197.78
Tax Note purchases	299.52	165.00
Retirement System contributions	10,143.43	13,612.43
Group Insurance premiums	587.10	705.00
Systematic savings	6,949.00	5,603.00
Hospital insurance	928.05	1,052.63
United War and Community Fund	164.15	206.20
Repayments to Officers Loan Fund	827.77	672.72
	<u>\$26,556.27</u>	<u>\$63,974.88</u>

R.F.C. Custody Division:

	<u>1942</u>	<u>1943</u>
Number of checks issued	29,142	27,995
Amount	\$77,548,416.56	\$41,828,116.11

Savings Bond Redemption Division:

Number of pieces redeemed	514,191
Maturity value	\$16,389,000
Number of checks issued	221,841

Securities Division:

	<u>1942</u>		<u>1943</u>	
	<u>Pieces</u>	<u>Amount</u>	<u>Pieces</u>	<u>Amount</u>
Redemptions:				
Gov't Bonds (Ex- cept Svgs. Bds.)	5,640	\$18,982,000.00	24,430	\$114,192,000.00
Other Issues	281	142,000.00	99	66,000.00
Gov't Coupons	27,929	950,150.93	34,132	1,183,352.30
Coupons of Gov't Guaranteed Issues	9,173	195,456.00	7,551	133,620.18
Sales:				
U.S. Savings Bds.	7,269	1,060,025.00	20,125	18,293,450.00
U.S. Notes, Tax Series	1,309*	4,884,825.00*	6,614	66,052,800.00

* Operation started November 23, 1942.

	<u>1942</u>		<u>1943</u>	
	<u>Accts.</u>	<u>Par Value</u>	<u>Accts.</u>	<u>Par Value</u>
*Security Custody:				
Safekeeping for Member Banks	13	\$968,000	11	\$460,000
Pledged Collateral of Member Banks	1	25,000	1	25,000
Pledged Securities for account of Treasury Dept. and Agencies	5	436,570	5	437,730

* Securities held on December 31

Number of Transactions	137	118
Coupons clipped	2,036	1,527
Number of Cashier's checks issued	1,377	1,476

FEDERAL RESERVE BANK OF NEW YORK

President's Report to Directors for 1943

APPENDIX

GENERAL INFORMATION REGARDING THE FUNCTIONS
OF VARIOUS DEPARTMENTS OF THE BANK

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(March 1944)

ACCOUNTING, PERSONNEL AND SERVICE ADMINISTRATION FUNCTION

ACCOUNTING DEPARTMENT

Accounting Division; Disbursing Division; Planning Division;
Purchasing Division; Tabulating Division; Withheld Taxes Division

The Accounting Division maintains the General Ledger of the bank, member bank reserve accounts, nonmember bank clearing accounts, settlement accounts with other Federal Reserve Banks, the general account of the Treasurer of the United States, and other deposit accounts with the bank, except foreign accounts.

The Disbursing Division pays employees' salaries and all other items of expense incurred by the bank, and prepares vouchers for reimbursement from the United States Government for expenses incurred by the bank in fiscal agency operations.

The Planning Division supervises methods and practices throughout the bank, and as a part of that program examines all purchase requisitions for equipment and supplies, passes upon the specifications of all material ordered, and standardizes so far as practicable all printed forms. From time to time it conducts surveys of the various departments to analyze their problems and to suggest improved operating methods. It prepares floor plans and equipment layouts whenever new units are set up or old units are moved. It also supervises the servicing and repairing of any mechanical office equipment used by the bank which is not serviced by the manufacturers.

The Purchasing Division buys all supplies for the bank and for the maintenance of its buildings. It stores the supplies, disburses them on requisition and maintains a perpetual inventory on all stock items.

The Tabulating Division prepares certain records on International Business Machine equipment for various departments of the bank, the principal such records being those relating to: check collections, departmental expense distribution, securities held in safekeeping accounts, coupon cutting requisitions and coupon credits, payrolls, inventory of furniture and equipment, and sales of Series E War Savings Bonds in the Second Federal Reserve District.

The Withheld Taxes Division has handled since July, 1943, the fiscal agency work assigned to the bank in connection with the collection at the source of Federal income taxes on salaries. The division's functions are two-fold:

1. It receives remittances from qualified depository banks of funds representing withheld taxes paid to them by employers and others, it credits such funds to the General Account of the Treasurer of the United States, and it maintains accounting records for each authorized depository bank.
2. It receives from the Collectors of Internal Revenue the original depository receipts which the employers received from the authorized depositories and reconciles these with the accounts it maintains for the authorized depositories.

PERSONNEL DEPARTMENT

Personnel Division; Employees Activities; Correspondence Files
Division; Stenographic Division; Medical Division

The Personnel Division makes studies of policies affecting personnel, selects new employees, controls assignments, prepares payrolls, administers certain bank rules, controls insurance bonds and trains messengers.

This division cooperates with The Federal Reserve Club, which conducts the social life of the bank, sponsors athletic activities, maintains the Club Store and Club Library, and publishes the "Federalist," a weekly publication of events of interest within the bank. The department also handles educational loans and advises on educational and other matters.

The Correspondence Files Division maintains control of the bank's general files, and keeps certain documents in bound form. The Stenographic Division performs duplicating and photostating work for the bank, maintains mailing list addressograph plates, and furnishes stenographic and typing service where needed.

The functions of the Medical Division under the Medical Director include (1) physical examination of all applicants before employment, (2) physical re-examination of all employees yearly when possible, (3) medical advice concerning health of employees, (4) minor surgical operations and dressings, (5) issuing excuses from work because of illness or accident, (6) issuing and renewing leaves of absence, and (7) supervising the sanitation of the building.

SERVICE DEPARTMENT

Food Supply Division; Post Office Division; Protection
Division; Telephone Section; Vault Division

The Food Supply Division selects food and prepares and serves luncheon for the officers and employees of the bank, at prices substantially below cost. In addition, the employees' cafeteria also serves the night force from 3 to 6 a.m.; and special dinners are occasionally prepared.

The Post Office Division operates a postal station which serves only this bank. It affords both ordinary and registered mail facilities.

The armed guards in the Protection Division provide protection for the main building, the building at 95 Maiden Lane and the space leased by the bank at 51 and 70 Pine Street. Protection is also provided for all messengers or clerks making deliveries of valuables through the streets and for the registered mail trucks that operate between the bank and the General Post Office. The guards operate the bank's automobiles and the employees' check room, and perform various other supervisory duties within the bank. In the event of an air raid alarm, the division is in complete charge of the bank building. It also operates emergency equipment in case of fire. The panel board controlling the alarms on the vaults is under the jurisdiction of the division.

The Telephone Section handles inter-office and outside telephone calls for the bank. It maintains two direct lines to the offices of the Board of Governors in Washington, and two direct lines to the Treasury Department, Washington. Twenty-four hour service is provided and arrangements have been made to insure emergency service if necessary.

The Vault Division sees that only authorized persons are admitted to the vault space and holds partial control on access to the bank's currency and securities.

BUILDING OPERATING

This unit operates and maintains the main bank building and the annex buildings at 95 Maiden Lane and 10 Gold Street. Substantially all maintenance and repair work is done without the assistance of outside concerns, including that incident to the air conditioning system and the power plant which generates all electricity for light and power for the bank building.

BANK SUPERVISION AND RELATIONS FUNCTION

BANK EXAMINATIONS DEPARTMENT

Examining Division; Analysis Division;
Application & Records Division

The Examining Division handles the examination of State member banks, banks applying for membership, and affiliates and holding company affiliates. The trust examiner handles the examinations of trust departments of State member banks and of banks applying for membership.

The Analysis Division handles the analysis of examination reports of member banks and of banks applying for membership, the preparation of correspondence, memoranda, and studies relating to member banks, the relations of the bank with the Federal Deposit Insurance Corporation, the Reconstruction Finance Corporation and State banking departments with respect to bank supervisory matters, applications of member banks for permission to reduce their capital, reports of possible violations of certain criminal statutes, administration of the Board of Governors' Regulations L, O and R, and recommendations on War Loan Depositaries.

The Application & Records Division maintains the departmental files and reports of condition and earnings of member banks, administers the Board of Governors' Regulations F, H, I, K, M, P and Q, maintains files of the corporate documents of member banks, and reviews examination reports prior to typing.

BANK RELATIONS DEPARTMENT

The function of this department is to visit the banks of the Second Federal Reserve District, to assist in keeping them informed of the operations of the Federal Reserve Bank and of the Federal Reserve System, to give helpful suggestions to the officers of the banks in matters tending to raise the standard of bank management and, generally, to promote harmonious and satisfactory relations between the Reserve Bank and its members. It is also the function of the department to promote better understanding with the nonmember banks, to give them assistance with their current problems where this is possible and to assist them in becoming members of the Federal Reserve System when they so desire.

SECURITY LOANS DEPARTMENT

This department administers the Board's Regulations T and U governing, respectively, the extension and maintenance of credit by brokers, dealers, and members of national securities exchanges, and loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange. During the year only a few minor inquiries were received, and a small amount of routine work handled.

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CASH AND COLLECTION FUNCTION

CASH DEPARTMENT

Receiving Division; Sorting and Counting Division;
Paying Division; Coin and Bullion Division

The principal operations of this department relate to the receipt and distribution of coin and currency.

The Receiving Division receives shipments of new paper currency from the Treasury and deposits of used currency from member banks and other depositors. This division also receives deposits of Government checks from officers of the Government for immediate credit to the Treasurer's General Account, and a large volume of Government checks and checks drawn on this bank which are presented by banks over the counter for deposit, and immediate credit, in their accounts.

The Sorting and Counting Division verifies used paper currency deposited by member banks, and sorts out: (1) Federal Reserve notes issued through other Federal Reserve Banks (these are returned to those banks, except that notes issued through the Boston and Philadelphia Reserve Banks are shipped direct to their member banks) and (2) currency which is unfit for further circulation (which is sent to the Treasury for destruction).

The Paying Division handles all currency shipments and counter payments, including those Government checks and coupons which are cashed over the counter, and arranges for the shipment of accumulations of fit Federal Reserve notes issued through the Federal Reserve Banks of Boston and Philadelphia to member banks in their respective districts. Federal Reserve notes are requisitioned from, and retired with the Federal Reserve agent in accordance with instructions given by this division to the Cash Custody Department. All currency handled by this division is obtained from either the Cash Custody Department or the Sorting and Counting Division.

Since May, 1942, the receipt and delivery of United States currency and coin seized by the United States Customs and delivered to the bank under General Ruling No. 5, issued under Executive Order No. 8389 (Foreign Funds Control) have been handled in the Cash Department. The Sorting and Counting Division receives such currency and coin and holds it for three months or until it is released, whichever is shorter. If such currency has not been released within three months it is lodged with the Cash Custody Department. The Paying Division makes all releases in accordance with instructions from the Foreign Funds Control Department.

The Coin and Bullion Division receives, handles and disburses all coin received by the bank.

CASH CUSTODY DEPARTMENT

Cash Custody Division

This department maintains the custody in the vaults of all currency, coin and bullion held by the bank, and receptacles containing other valuables, making delivery thereof to various departments of the bank on requisition. In accordance with the Vault Rules and Regulations of the bank, unissued Federal Reserve notes are held under joint control with the Assistant and alternate Assistant Federal Reserve Agents; and the bank's coin and currency, and bullion earmarked for foreign central banks and governments, are held under joint control with the Vault Division of the Service Department.

CHECK DEPARTMENT

Clearings Division; Transit Division; City Collection and Return Items Division

This department handles all checks and other cash items (other than Government checks) received for collection from member and nonmember clearing banks in this district, from other Federal Reserve Banks and direct sending member banks of other districts, and from or for the account of other depositors, such as the Treasurer of the United States, various other Government agencies and foreign central banks and governments.

The Clearings Division handles all items drawn on banks in The New York Clearing House Association, the Northern New Jersey Clearing House Association and those banks in Greater New York which participate in the Manhattan, Bronx and Brooklyn collection arrangement.

The Transit Division handles the checks drawn on the other banks in the Second Federal Reserve District and on banks located in other Federal Reserve districts, processing checks drawn on banks located in the Second Federal Reserve District on I.B.M. punch card equipment.

The City Collection and Return Items Division handles all cash items which are returned unpaid for any reason, makes hand presentation of noncash items payable at street addresses in New York City, below 59th Street, and provides messenger service for other departments of the bank.

COLLECTION DEPARTMENT

Coupon Collection Division; Country Collection Division; Wire Transfer Division

This department handles all noncash items (such as maturing bonds and coupons, municipal warrants, maturing notes and acceptances, drafts with or without documents attached, and all other evidences of indebtedness and orders to pay except bank checks handled as cash items) which are received by the bank for collection; except those requiring hand presentation in New York City. In addition the Coupon Collection Division handles the work incident to the payment by the bank, as fiscal agent of the United States, of coupons detached from securities issued or guaranteed by the United States Government.

The Wire Transfer Division handles telegraphic transfers of funds between the Federal Reserve Bank of New York and other Federal Reserve Banks made for account of the Treasurer of the United States or at the request of, or for credit to, member banks and nonmember clearing banks located in the Second Federal Reserve District.

GOVERNMENT CHECK DEPARTMENT (Organized June 21, 1943)
Card Check Division; Treasury Check Division

The Treasury Check Division handles all paper and punch-card checks drawn on the Treasurer of the United States payable in Washington which are received by the bank for collection from member and nonmember clearing banks or other sources in this district.

The Card Check Division handles the punch-card checks, most of which are drawn on the Treasurer of the United States, "through" a designated Federal Reserve Bank. Whereas all traditional style (so-called "paper") checks drawn on the Treasurer are sent to Washington for examination and payment, most of the punch-card checks are examined and paid in the Federal Reserve Bank through which made payable.

Immediate credit (subject to final payment) is given for all Government checks received on deposit, punch-card checks drawn "through" other Federal Reserve Banks being forwarded to such banks for examination and payment.

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FOREIGN FUNCTION

FOREIGN DEPARTMENT

Foreign Operations Division; Reports and Analysis Division; Cable Division

The Foreign Accounts Section of the Foreign Operations Division handles the dollar, earmarked gold, and securities custody accounts maintained by this bank for foreign central banks and governments under authority of section 14(e) of the Federal Reserve Act, and also operates the Federal Reserve System accounts maintained abroad. Transactions in such accounts on the books of the bank include payments and receipts, collections, gold earmarks and releases, and purchases and sales of securities. All other Federal Reserve Banks participate in all such accounts and are kept currently informed concerning operations therein.

The Foreign Exchange Section of the Foreign Operations Division handles certain fiscal agency transactions and foreign exchange transactions for foreign correspondents and out-of-town member banks. The fiscal agency transactions consist of: purchases and sales of gold and foreign exchange for the Stabilization Fund, operation of stabilization agreements entered into between the Treasury and various foreign governments and central banks, maintenance of certain dollar and earmarked gold accounts (some of which relate to such stabilization and other similar agreements), purchases of silver under the Silver Purchase Act, purchases and sales of foreign drafts, and cable transfers and remittances of funds abroad for use of our armed forces and various governmental agencies.

The Reports and Analysis Division certifies daily rates of foreign exchange to the Treasury, pursuant to section 522 of the Tariff Act of 1930. Reports on international movements of capital and foreign exchange are collected by this division from banks, brokers, and others pursuant to Executive Order of January 15, 1934, and Treasury regulations, and such reports are tabulated and analyzed. The division also makes studies of the effect of other foreign operations on this market, and of developments in the United States' balance of payments, Lend-Lease, and similar fields of international finance.

The Cable Division handles all incoming and outgoing cablegrams and radiograms, most of which are transmitted in our private code, and prepares code books and secret telegraphic test keys for use between ourselves and our foreign correspondents.

FOREIGN FUNDS CONTROL DEPARTMENT

Compliance Division; Licensing Division; Applications and Records Division

This department performs the duties delegated to this bank, as fiscal agent of the United States, by the Treasury Department in connection with the administration of Foreign Funds Control. Chief among such duties are the following:

Discussing with the Treasury the formulation of freezing control policy and assisting in the preparation of public documents in connection therewith.

Carrying on public relations to acquaint banks and other persons with Treasury policy and to assist them with specific problems.

Receiving applications for licenses relating to transactions affected by the freezing control and issuing the licenses or making other disposition of the applications.

With the cooperation of the principal New York banks, assembling information relating to payments from free foreign accounts in order to detect the possible subversive use of such funds.

Receiving and checking reports covering transactions under licenses.

Receiving and forwarding to the Treasury census reports of property in the United States owned by foreigners and of American-owned property abroad.

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GOVERNMENT BOND AND SAFEKEEPING FUNCTION

GOVERNMENT BOND DEPARTMENT

Savings Bond Issue Division; Treasury Bond Division

The Government Bond Department conducts the operations of the bank, as fiscal agent of the United States, in connection with the issuance, distribution, exchange and redemption of securities of the United States Government and certain of its agencies, except for redemptions and reissues of United States Savings Bonds which are handled by the Savings Bond Redemption Department. The department maintains detailed records with respect to public debt operations in the Second Federal Reserve District and submits periodic reports to the Treasury Department concerning such operations. The department also maintains records of the balances held in war loan deposit accounts by banking institutions qualified as special depositaries of public funds and controls the securities pledged as collateral for such balances.

All organizations acting as issuing agents for sale of Series E War Savings bonds in the Second Federal Reserve District, except post offices, are qualified by the Government Bond Department which supplies them with bond stock to be issued, receives their remittances of the proceeds of bonds sold and credits such amounts to the account of the Treasurer of the United States.

SAVINGS BOND REDEMPTION DEPARTMENT
Redemption Division

This department handles the work of the bank, as fiscal agent of the United States, in the following operations:

1. The reissuance of United States War Savings Bonds for:
 - (a) Correction
 - (b) Addition of coowner
 - (c) Addition of beneficiary
 - (d) Exchange of beneficiary for coowner.
2. Redemption of United States Savings Bonds of all series, except F and G which are received and transmitted to the Division of Loans and Currency of the Treasury Department in Chicago.
3. Maintenance of files for the department and for all general correspondence pertaining to United States Savings Bonds, including applications for issuance.

SAFEKEEPING DEPARTMENT
Safekeeping Division

This department handles the records and maintains control of securities held by the bank in safekeeping for account of member banks, the Treasury Department and various Government agencies, and foreign banks and governments, as well as the safekeeping of securities received as collateral in certain other departments and savings bonds held in safekeeping by the bank, as fiscal agent of the United States, for account of the registered owners thereof. The Security Custody Department maintains the actual custody in the vaults of all such securities.

This department also renders many services to the owners of securities held in safekeeping, including the acceptance and delivery of securities against purchases or sales, the presentation of bonds or coupons for collection at maturity, and notification to owners that their bonds have been called for redemption or that other events have occurred affecting their portfolios.

This department delivers new issues of Government securities to banks, brokers or individuals on allotment subscriptions, either over our counter, by registered mail, or by wire transfer to other sections of the country; and also handles the delivery of incoming allotments or wire transfers of Government securities sent to us for New York delivery by the other Federal Reserve Banks and branches.

SECURITY CUSTODY DEPARTMENT

Security Custody Division

This department handles the actual custody in the vaults of all securities held by the bank. These securities fall into the following classifications:

(1) securities held for the System Open Market Account and securities held in safekeeping, including (a) Treasury bills held by this bank in "Option Account," (b) securities of member banks held for safekeeping, pledged as collateral in War Loan Deposit Account, or pledged to secure loans to member banks, (c) securities held in various accounts of the Secretary of the Treasury, and (d) securities held for foreign correspondents and others, including savings bonds owned by individuals, (2) securities held for account of the Reconstruction Finance Corporation, (3) unissued stock of United States Government securities, and (4) coupons clipped (a) from unissued stock and held for destruction, and (b) from securities owned by member banks or by the System Open Market Account and to be delivered out for collection at maturity.

Securities other than unissued stock are received with vault receipt attached from the department of the bank having control thereof. The Security Custody Department validates each receipt, files the securities, maintains control of each account for which securities are held, cuts coupons as they mature in accordance with appropriate instructions, and releases the securities to the appropriate department of the bank upon receipt of a withdrawal requisition and return of the vault receipt.

Stocks of unissued Government obligations are requisitioned by the department as needed by the bank for purpose of sale or exchange; and the department dates, and otherwise completes, stocks of Treasury bills for the weekly issues thereof and stocks of Federal Intermediate Credit Bank and Federal Home Loan Bank obligations for the monthly issues thereof.

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LOANS, CREDITS AND R. F. C. CUSTODY

CREDIT DEPARTMENT

Credit Division; Consumer Credit Division

The function of the Credit Division relates primarily to the activities of the bank under the following regulations of the Board of Governors of the Federal Reserve System: (1) Regulation A pertaining to discounts for and advances to member banks by Federal Reserve Banks, (2) Regulation S with respect to the so-called "industrial loan" activity pursuant to Section 13b of the Act, and (3) Regulation V with respect to "war financing," i.e., the issuance of guarantee agreements on behalf of the War and Navy Departments and the United States Maritime Commission to financing institutions with respect to commercial credits arranged for the fulfillment of war production contracts.

During the past year there has been little activity under Regulations A and S with the exception of advances to member banks secured by obligations of the Government. Consequently, the activity of the Credit Division has been almost wholly devoted to war financing under Regulation V which entails (1) receipt of

applications, (2) development and summary of credit data with respect to such applications, (3) issuance of guarantee agreements after authorization by the armed service of the Government and (4) servicing of loans made under such guarantee agreements.

The Consumer Credit Division is solely devoted to the administration of Regulation W issued by the Board of Governors with respect to consumer credit. At this time such activity is in great part limited to the enforcement of the regulation which entails the spot checking throughout the district of records of credit merchants.

DISCOUNT DEPARTMENT
Discount Division

The Discount Division receives and checks applications with respect to discounts for and advances to member banks, and maintains books and records not only with respect to such discounts for and advances to member banks, but also in connection with guarantee agreements issued by this bank on behalf of the War and Navy Departments and the United States Maritime Commission under Regulation V.

R. F. C. CUSTODY DEPARTMENT
R. F. C. Custody Division

The operations of the bank as fiscal agent, custodian and depository for the Reconstruction Finance Corporation are effected by the R. F. C. Custody Department. The principal activities of the department are (1) the receipt and examination of corporate resolutions and letters of authorization prescribing the conditions precedent to the disbursement by, and the receipt of, funds by the department, (2) the receipt, examination and safekeeping of promissory notes and the collateral of borrowers in connection with loans, the receipt, examination and safekeeping of invoices, bills of lading, warehouse receipts and other papers and documents evidencing title to strategic materials procured by subsidiaries of the Reconstruction Finance Corporation, (3) the disbursements, by checks drawn on the Treasurer of the United States, of the amounts of loans and participations therein, subsidy payments and payments for strategic materials and other purposes made by the Reconstruction Finance Corporation and its subsidiaries, (4) the maintenance of complete records of each transaction, including detailed inventory records and reports to the Treasurer of the Reconstruction Finance Corporation, (5) the release of title documents necessary to effect sales of real property and strategic materials, and, (6) the application of funds received in connection with payments of principal and interest on loans, the sales of strategic materials and other purposes.

OPEN MARKET OPERATIONS AND TREASURY ISSUES FUNCTION

SECURITIES DEPARTMENT

Securities Division; Bill Division

The following operations of the bank are handled through the Securities Division: (1) purchases and sales of Government securities for the System Open Market Account and the allocation of such securities among the twelve Federal Reserve Banks, in accordance with general directions of the Federal Open Market Committee, (2) purchases and sales of securities (other than corporate stocks) in the open market for account of member banks, the Treasury Department and foreign correspondents, (3) purchases and sales of Treasury bills at the Federal Reserve System's established buying rate of 3/8 per cent, (4) compilation of statistical information in connection with new issue of Government securities, (5) making studies, and keeping the Treasury and the Board of Governors currently informed of market conditions in Government securities, and (6) preparation of reports covering market conditions and operations. This division also handles the operations of the bank, as fiscal agent of the United States, in receiving cash subscriptions for new issues of Government securities issued subject to allotment, making the allotments thereon, and in receiving tenders on both competitive and fixed price bases for the weekly issues of Treasury bills and making allotments thereon.

This department is also charged with responsibility for the registration, issuance and cancelation of the capital stock of the bank and the payment of dividends on outstanding stock held by member banks.

The Bill Division buys and sells bankers acceptances for account of the System Open Market Account when directed by the Federal Open Market Committee, and also for account of member banks and foreign correspondents.