

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

[Circular No. 2925]
April 3, 1945

TERMS OF MARKETABLE SECURITIES TO BE OFFERED IN
SEVENTH WAR LOAN DRIVE

*To all Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:*

Following is the text of a statement for the press released by the Treasury Department for publication April 3, 1945:

Secretary Morgenthau announced today the terms of the four marketable securities to be sold in the Seventh War Loan Drive, starting on May 14. All of the securities will be dated June 1, 1945.

The $2\frac{1}{2}$ percent bonds will mature June 15, 1972, and may be redeemed at the option of the United States on and after June 15, 1967. They will be issued in coupon and registered form at the option of the buyers, in denominations of \$500 to \$1,000,000.

The $2\frac{1}{4}$ percent bonds will mature June 15, 1962, and may be redeemed at the option of the United States on and after June 15, 1959. They will be issued in coupon and registered form at the option of the buyers, in denominations of \$500 to \$1,000,000.

The $1\frac{1}{2}$ percent bonds will mature December 15, 1950. They will be issued in coupon and registered form at the option of the buyers, in denominations of \$500 to \$1,000,000.

The $\frac{7}{8}$ percent certificates of indebtedness will mature June 1, 1946, and will be issued in coupon form only, in denominations of \$1,000 to \$1,000,000.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.

FEDERAL RESERVE BANK OF NEW YORK

PRESIDENT'S REPORT
TO
DIRECTORS
FOR 1944



FEDERAL RESERVE BANK OF NEW YORK

PRESIDENT'S REPORT
TO
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CONFIDENTIAL

**FEDERAL RESERVE BANK
OF NEW YORK**

March 28, 1945.

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

Herewith is a detailed report on the operations of the bank during the past year.

This report is intended as a supplement to the Thirtieth Annual Report of the bank - a public document - and gives a more detailed and intimate view of the bank's operations. The report follows the same form as my report of April 20, 1944. Part 1 contains a review of those developments during the year which were important or interesting from an operational standpoint; Part 2 contains a statistical summary of the work done by the various operating departments during 1944 compared with 1943; and the Appendix contains a general description of the functions of each of the operating departments of the bank.

Yours sincerely,

ALLAN SPROUL,
President.



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PART 1

IMPORTANT AND INTERESTING DEVELOPMENTS
IN OPERATIONS DURING 1944

No new operations of particular significance were undertaken during 1944; and, although the total volume of operations during 1944 was greater than during 1943, the increase was much less than during the earlier years of the war.

OPERATIONS IN AID OF THE WAR FINANCING PROGRAM

As in past years, a considerable portion of the bank's operations were in aid of the Government's war financing program. During the year the national debt increased \$65 billion (from \$166 billion to \$231 billion), represented by the issuance of new securities. In addition, over \$86 billion of obligations matured (exclusive of redeemed savings bonds) and were replaced by new securities sold or issued in exchange. Most of the work incident to the issue, redemption, exchange 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

1944 was the first calendar year in which there were three war loan drives. The Fourth, Fifth and Sixth drives were held during the months of January-February, June-July and November-December, respectively. The goal, total sales, total sales in this district, and the percentage of the country's total sales made in this district, in each of the drives were as follows (expressed in millions of dollars):

<u>Drive</u>	<u>Goal</u>	<u>Total Sales</u>	<u>Sales in 2nd F.R. District</u>	<u>Percent</u>
Fourth	\$14,000	\$16,730	\$ 6,034	36
Fifth	16,000	20,639	7,519	36
Sixth	14,000	21,621	8,576	40
Totals	<u>\$44,000</u>	<u>\$58,990</u>	<u>\$22,129</u>	<u>38</u>

Nearly all of the securities sold in this district were issued by this bank or its Buffalo Branch; and, in addition, we delivered large amounts of securities on account of subscriptions entered in other Federal Reserve Districts.

Government Securities Issued

The number of pieces (individual securities) delivered by the bank in connection with original issue, and the total issue price of such securities for the last five 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
1944	37,927,000	1,202,000	39,129,000
	<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
1944	2,201,204,000	75,161,723,000	77,362,927,000

Government Securities Redeemed or Exchanged

Seventy separate issues of Treasury bonds, notes, certificates of indebtedness and bills aggregating over \$86 billion face amount matured or were called for redemption during the year. Although some of these were paid in cash, most of them were refunded, new securities being issued in exchange. At this bank 1,204,671 pieces having a value of over \$61.5 billion were redeemed or exchanged during 1944, as compared with 715,043 pieces aggregating over \$46.7 billion in 1943.

The volume of United States Savings Bonds redeemed by the bank continued to increase substantially during the year. The following schedule shows the number of pieces and the maturity value of Series E War Savings Bonds redeemed by the bank and its Buffalo Branch in each month of 1944:

<u>Month</u>	<u>Number of Pieces</u>	<u>Maturity Value</u>
January	670,191	\$25,254,375
February	640,329	24,341,100
March	1,171,204	41,049,500
April	856,752	32,704,000
May	1,008,931	38,952,225
June	922,141	36,466,600
July	806,065	31,398,775
August	896,221	34,487,155
September	947,387	37,092,770
October	892,403	32,977,970
November	1,337,618	49,853,880
December	1,582,816	59,913,580

Effective October 2, 1944, the Treasury Department arranged to have incorporated banks and trust companies qualified to pay savings bonds of all Series from A through E registered in the names of natural persons. Bonds so paid are then sent to the Federal Reserve Bank of the district for redemption and credit to the account of the paying bank. More than 98% of the banks in this district have been qualified to make such payments; and by far the greater number of savings bonds are now being paid by qualified banks. This has reduced the volume of work at the Federal Reserve Banks, since all of the bonds paid by one qualified bank may be redeemed by us by making a single credit entry or by drawing a single check, whereas a separate check must be drawn for each transaction in the case of bonds paid directly by us.

The growth in the volume of savings bond redemptions throughout the country was not unexpected in view of the increase from \$15.9 billion to \$25.5 billion in the amount of Series E bonds outstanding during the year. Series E bonds sold from May 1, 1941, when they were first issued, through December 31, 1944, aggregate \$29.9 billion (issue price), and of this amount 85% is still in the hands of the original owners. This experience is not regarded as unsatisfactory in the light of the rates of withdrawals of savings deposits and of lapses of life insurance policies.

OPEN MARKET OPERATIONS

The Federal Reserve Bank of New York, as agent for and under the general direction of the Federal Open Market Committee, operates the System Open Market Account in which the resources of the twelve Federal Reserve Banks are pooled for the purpose of conducting open market operations in United States Government securities.

The objectives of Federal Reserve policy and the problems of the national economy in the monetary and war finance fields remained much the same during the year as in 1942 and 1943. Accordingly, open market operations in execution of System policy differed only in degree and in detail. They continued to be the principal instrument by which reserve funds were supplied to the banking system to support the increased deposit liabilities of the banks, to offset continuing increases in currency circulation, and to a smaller extent to offset gold losses.

Total holdings of Government securities by all the Federal Reserve Banks increased from \$11.5 billion at the end of 1943 to \$18.8 billion at the end of 1944, all of the increases being in the shorter term securities which included net increases of over \$4.3 billion in holdings of Treasury bills, \$2.4 billion in certificates of indebtedness, \$737.6 million in 0.90% Treasury notes and \$163 million in other Treasury notes. Treasury bond holdings declined \$316 million and holdings of guaranteed issues declined \$80.5 million. During the year, 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 over \$25 billion and sold or presented for payment securities having a face value of \$17.98 billion. The face amount of Treasury bills purchased by the bank for its own account, pursuant to the 3/8% buying rate and repurchase option established in 1942, amounted to \$23 billion while bills amounting to \$23 billion were sold or presented at maturity for payment.

Formalization of Dealer Relationship

In May 1944, at the direction of the Federal Open Market Committee and with the approval of the board of directors, this bank formalized its relations with Government security brokers and dealers with whom it does business for the System Open Market Account. Brokers and dealers who qualified were required to sign a copy of the statement "Terms on which the Federal Reserve Bank of New York will transact business with brokers and dealers in United States Government securities for the System Open Market Account." This statement set forth the understandings as to qualifications of brokers and dealers in such securities and terms and conditions on which the Federal Reserve Bank of New York will do business with them for the System Open Market Account, which theretofore had been oral.

CREDIT AND DISCOUNT OPERATIONS

Loans to Banks

Increased deposits and expansion of currency during 1944 reduced the excess reserves of member banks in the district, particularly the large city banks. Several banks, which had followed a policy of holding substantial quantities of Treasury bills and adjusting their reserve positions by selling bills to us and repurchasing them from us at the $3/8\%$ buying and repurchase rate, changed their practice and eliminated or substantially reduced their holdings of Treasury bills. In increasing numbers banks replenished their reserves by coming to the "discount window" rather than to the "bill window." During the year a total of 202 banks borrowed at various times an aggregate of over \$11 billion. On November 29, 1944, 67 banks were borrowing a total of \$463 million. This was the greatest amount of loans to banks outstanding on any day since March 15, 1933, when 542 banks in this district were borrowing \$470 million from us. All of the borrowings during 1944 were secured by

United States Government obligations which, with few exceptions, matured or were callable within one year, thereby permitting the banks to take advantage of our preferential 1/2% discount rate.

V, VT and T Loans

The Contract Settlement Act of 1944, approved July 1, 1944, which established procedure designed to facilitate the prompt settlement of claims of contractors arising out of the termination of their war contracts, also authorized the Federal Reserve Banks, in accordance with regulations of the Board of Governors of the Federal Reserve System, to issue guarantee agreements on behalf of the War and Navy Departments and the Maritime Commission, guaranteeing loans made by banks to war contractors for the purpose of providing interim financing in connection with the settlement of such claims. Such loans are known as T loans, to distinguish them from the so-called V loans which have been guaranteed since April 1942 to provide businesses engaged in war production with working capital, and the so-called VT loans which were guaranteed from September, 1943 to September, 1944 to provide such businesses with both working capital and termination protection. The Board's Regulation V was amended effective September 11, 1944, to provide for the issuance of T loan guarantee agreements. This amendment eliminated the VT guarantee since there was no longer any need for it, as the 1944 V agreement provides for both working capital and termination protection, while the T loan agreement is confined to termination protection.

Prior to the end of 1944 fifteen T loan guarantees were issued in the aggregate amount of \$4,733,000, covering loans in the aggregate amount of \$5,550,000. From conversations with bankers in the District it appears that a large number of their customers engaged in war production, particularly the smaller contractors, have given little consideration to the matter of contract termination financing by means of T loans. Many of the smaller contractors

believe that they will be able to recover their working capital invested in war production contracts, if and when such contracts are canceled, by obtaining advances against their termination claims within thirty days after filing such claims as provided for in the Contract Settlement Act of 1944. In addition, there appears to be considerable inertia on the part of contractors who recognize the desirability of T loan protection but who are not moving to cover their financial requirements in the transition period due to the fact that T loans can be arranged after as well as before cancellation. We have suggested that the War Department and Navy Department might start an educational program, through procurement or other officers, to acquaint both prime and subcontractors with the importance of making arrangements now so that subcontractors particularly will be assured of some means of financing when cancellation or termination of their contracts or purchase orders occurs.

FOREIGN OPERATIONS

Gold Movement

The export movement of gold released from earmarked holdings of foreign central banks and governments, which began in 1943, developed in large volume in 1944. Gold exports in 1944 alone amounted to \$955 million, and the total from the beginning of the movement in 1943 reached about \$1 billion by the end of 1944. This constitutes the first sustained gold export movement since 1933, and in terms of the dollar value of gold exported the total for the year 1944 exceeded the previous yearly record reached in 1932 when \$810 million of gold was exported. The weight of gold exported in 1944, however, falls short of that exported in 1932, which was valued at the old price of \$20.67 per troy ounce of fine gold, whereas the price of \$35 an ounce has prevailed since February 1, 1934.

Foreign central banks and foreign governments continued on balance, however, to convert their dollar holdings into gold even faster than they exported it; and the total gold held under earmark at this bank for foreign account at the end of the year was at a record high of \$3,937 million, as compared with approximately \$3,240 million at the end of 1943.

As a result of the foreign purchases of gold the United States gold stock at the end of 1944 stood at \$20,600 million, representing a decrease of \$2,200 million from the 1941 peak. These purchases have contributed to the wiping out of the reduction in aggregate foreign monetary gold reserves which occurred during the years 1938-41. While the restoration of reserves has not been uniform in all foreign countries, in the case of many countries gold reserves have been restored to the levels which prevailed in the late 1920's.

Foreign Accounts

The landing of allied armies in France in June 1944 and the subsequent liberation of France, Belgium and part of Holland, together with the liberation or partial liberation of certain of the Balkan countries, made possible during 1944 the first steps in the untangling of foreign financial matters snarled up by the war.

In March 1944 the action brought in behalf of the Bank of Poland against the Bank of France for the alleged conversion of \$64 million worth of gold of the former deposited with the latter was settled by the return of such gold in North Africa; and the attachment in that action against the funds of Bank of France with this bank was released. Similarly, on December 22, 1944, the action brought in behalf of the National Bank of Belgium against the Bank of France for the conversion of Belgian gold allegedly turned over to the Germans by the Bank of France was settled by the transfer to the Belgian Bank of \$223 million of gold held by this bank for account of Bank of France; and

the attachment in that action against the funds of Bank of France with this bank was released. The closing of the latter settlement was held at this bank, and a great many of the details in connection therewith were handled by our counsel.

While these negotiations were pending arrangements were made for the renewal of operations in the account of the Bank of France which had not been operated since November 1942. This account, like our other active accounts for the central banks or governments of war-torn, allied countries, is now being operated under certifications issued by the Secretary of State, pursuant to section 25(b) of the Federal Reserve Act, and Foreign Funds Control licenses issued by the Treasury Department.

The National Bank of Belgium and the Bank of Greece, both of which had been transferred to and operated from London when their Governments went into exile, returned to Brussels and Athens, respectively, without notice and without making arrangements for the operation of their accounts from those cities. The continued operation of those accounts has been difficult because, among other things, direct communication with those countries continued to be prohibited under the Trading with the Enemy Act during 1944. However, arrangements were made with our State and Treasury Departments so that necessary transactions could be effected in accordance with instructions transmitted through the American Embassies in Brussels and Athens; and arrangements are under way to facilitate the return to more nearly normal operation of those accounts.

Private Loan on Gold

One of the interesting developments during the year was the arrangement made (and completed on February 8, 1945) for a loan of up to \$100 million by a group of fourteen New York banks to the Kingdom of the Netherlands,

secured by gold held under earmark at this bank. Because of the technicalities involved, it was necessary for us to handle most of the details of the transfer of this gold to the Netherlands Government and thence to an account on our books in the name of The Chase National Bank of the City of New York, as manager for the lending banks. In this connection, our counsel worked closely with the State and Treasury Departments and counsel for the Netherlands Government and the lending banks. This is the first important private loan which the Treasury has permitted to be secured by gold since the enactment of the Gold Reserve Act of 1934, and it is also significant as the first substantial private loan to a European Government since the outbreak of war in 1939. Because of the gold collateral requirement and because of the restrictions on the private holding of gold it was my opinion that this loan could more appropriately have been made by the Federal Reserve Banks than by the commercial banks, but this view was not shared by the Treasury.

FISCAL AGENCY OPERATIONS

Approximately one-third of the expenses of the bank during 1944 were incurred as fiscal agent of the United States subject to reimbursement by the Treasury Department and other Government agencies. In addition to the issuance, exchange, redemption, safekeeping and servicing of United States Government securities and securities issued by certain Government agencies, and the issuance and processing of V, VT and T guarantee agreements, referred to above, this bank acts as fiscal agent of the United States in connection with: (1) the handling of certain types of Government checks; (2) the clearing of ration checks; (3) the receipt of amounts withheld on account of income taxes under the Current Tax Payment Act of 1943; (4) the control of foreign funds under Executive Order No. 8389; (5) various foreign financial transactions, such as the operation of the Stabilization Fund, the maintenance of

accounts here and abroad in connection with stabilization arrangements or the financial requirements of our armed forces and governmental agencies. Similarly, we act as fiscal agent for the Reconstruction Finance Corporation and its various subsidiaries and for the Commodity Credit Corporation. The volume of most of these operations continued to increase substantially during the year.

Commodity Credit Corporation

Prior to September 1, 1944, our transactions in behalf of the Commodity Credit Corporation were effected in accordance with authorization from the Reconstruction Finance Corporation. By joint resolution approved July 16, 1943, Congress authorized the Federal Reserve Banks to act as depositaries, custodians and fiscal agents for the Commodity Credit Corporation. Accordingly, we entered into an agreement, effective September 1, 1944, to act for that corporation in those capacities. Under the terms of this agreement, we undertake to receive deposits, make payments and collections, hold documents and securities for safekeeping and maintain records for account of the corporation.

Disposal of Surplus War Property

Surplus industrial real estate and surplus capital and production goods are assigned to the Reconstruction Finance Corporation by the Surplus Property Board for disposal for the benefit of the governmental agencies owning such property. The sales are handled by the Defense Plant Corporation, the Defense Supplies Corporation, and Metals Reserve Company. This bank receives the proceeds of such sales for deposit to the account of the Treasurer of the United States for credit of the Reconstruction Finance Corporation, and maintains detailed records with respect to each such sale. In the period from July 24, 1944, when this program commenced, to December 31, 1944, we received \$5,350,249.52 representing the proceeds of 787 sales of surplus war property.

BANK SUPERVISION AND RELATIONS

Membership

Twenty-one banks in this district were admitted to membership in the Federal Reserve System during the year, as compared with seventeen in 1943. As a result, at the end of the year there were 259 State member banks and trust companies as compared with 139 nonmember State banks and trust companies in this district. 85.5% of the commercial banks (national banks and State banks and trust companies) in the district, holding 94.1% of the commercial bank deposits of the district, were members of the Federal Reserve System at the end of the year.

Application for National Bank Charter

For the first time in several years the Comptroller of the Currency received an application to organize a national bank in this District. At the request of the Comptroller, the Bank Relations Department investigated the circumstances of the application and recommended that the application be disapproved because there appeared to be no real need for additional banking facilities in the community, and the applicants as a group were not representative of important business interests in the community, were inexperienced in banking, and had made no provisions for the active management. The Comptroller denied the application.

Regulation Q

In September, 1943, the Board of Governors ruled that the absorption by banks of exchange charges on checks collected by them as an inducement for the maintenance of balances with them by the banks or other depositors from which such checks were received for collection constituted an unlawful payment of interest in violation of section 19 of the Federal Reserve Act and the Board's Regulation Q. This ruling resulted in a renewal of the par clearance

controversy, and in January 1944 bills (S. 1642 and H. R. 3956, known as the Brown-Maybank Bill) were introduced in Congress to amend the law to provide that it should not be deemed to prohibit the absorption of such charges. This bill was passed by the House of Representatives on March 2, 1944. Thereafter much opposition developed and many resolutions opposing enactment of the bill were adopted by organizations representing business men and bankers. The Bank Relations Department was active during this period in acquainting bankers and business men with the issues involved. An attempt to force the bill through the Senate was defeated, and the bill died, for the present at least, at the end of the legislative session.

RESEARCH AND BANK PUBLICATIONS

In continuance of the program begun in 1942, 39 special articles were published during the year in the bank's Monthly Review of Credit and Business Conditions, as compared with 26 in 1943, and the bi-monthly Business and Financial Summary, which is distributed mainly among the directors and officers of the bank, contained a much greater number of special articles.

The Domestic Research Division did a considerable amount of work on subjects such as alternative proposals for postwar taxes, the probable size of the postwar national income relative to employment levels, and developments and prospects in the money market and war financing, and continued with studies of the economy of the Second Federal Reserve District. In addition, the following sections of the two-volume report of the Committee on Banking and Credit Policy, which was submitted to the Conference of Presidents of the Federal Reserve Banks and the Board of Governors of the Federal Reserve System, were prepared at this bank: "Banking under the Impact of War," "Federal Reserve Policy appropriate to a Prolonged General Inflationary Boom," and "Federal

Reserve Policy in a Period of Expanding Production with Relatively Stable Prices and Full Employment."

A considerable part of the work of the Foreign Research Division was devoted to: (1) the analysis and interpretation of plans for postwar international monetary and financial organization, and the elaboration of alternative plans suggested for consideration, and (2) work on the compilation and editing of Civil Affairs (Military Government) handbooks on the financial organization and monetary systems of various countries involved in the theatre of war. Much of the latter work was done in cooperation with the staff of the Board of Governors.

Special studies and memoranda completed during the year included the following:

Second Federal Reserve District Studies

1. Manufacturing Industries in New York City.
2. New York City as the Corporate Capital of the United States.
3. Employment in the Financial Industries of New York City.
4. Weekly Analysis of Gains and Losses in Member Bank Reserve Funds: Second Federal Reserve District.
5. The Position of the New York Industrial Region as a Producer of War Supplies.

Other Studies in the Domestic Field

6. Commercial and Central Banking Aspects of Postwar Problems.
7. The Impact of the Postwar Contraction in Government Expenditures Upon the National Income.
8. National Income Corresponding to Full Employment.
9. Consumers' Expenditures and Employment.
10. Fiscal Policy, a Balanced Budget, and Investment.

Studies in the International Field

11. Numerous memoranda on the International Monetary Fund and the International Bank for Reconstruction and Development, and related or alternative proposals (totaling about 560 pages).
12. Central Banking Trends in Enemy and Liberated Europe.
13. Recent Economic Conditions in Spain.
14. Financial and Economic Position of Finland.
15. Public Sales of Gold and Silver in the Middle East, India, and China.
16. Fiscal Policy and the Budget in Latin America.
17. The War and the Future of Inter-American Relations.
18. Nature and Status of the B.I.S. (two memoranda).
19. World Shortage of Dollars.
20. Export Credit Insurance (two memoranda).

IMPORTANT LITIGATION

During the year there were two litigated matters of particular importance to this bank.

In March 1944 the Surrogate of Erie County, New York, in an accounting proceeding regarding the estate of Robert J. Hamilton, deceased, issued an order to show cause why an order should not be made directing a member bank to permit a special guardian appointed by the Surrogate to inspect reports of examination of the member bank made by examiners of the Federal Reserve System and the New York State Banking Department. This raised a difficult and important question as to the immunity of such reports from disclosure without the consent of the supervisory authorities. Local counsel was employed on behalf of this bank and the Board of Governors to appear in opposition to such motion, but the major portion of the work in preparing this case was done by our own legal staff. No decision, however, was rendered by the Surrogate for the case was settled.

In December 1944 a brief in behalf of the bank as amicus curiae was prepared in the Legal Department and filed in the Supreme Court of the United States in the case of Barr v. United States. This case originated as

a claim in the Customs Court by an importer for refund of certain ad valorem duties paid upon the importation of woolen fabrics from Great Britain. Pursuant to the Emergency Tariff Act of 1921, this bank certifies daily to the Secretary of the Treasury foreign exchange rates for use in converting foreign currency into dollars for the determination of ad valorem customs duties. Effective March 25, 1940, the British Government required payment for certain exported products to be made in pounds sterling purchased at the "official" rate fixed by the British Treasury. Other exported products, including woolen fabrics, remained purchasable at the "free" rate, which was lower. Beginning that date this bank certified both the "official" rate and the "free" rate to the Secretary of the Treasury. However, pursuant to instructions from the Secretary of the Treasury, the Collector of Customs computed the pounds sterling on all imports at the "official" rate. The Barr case was commenced as a test case, it being contended that the "free" rate, at which the imported goods had been purchased, should have been used. The Customs Court found in favor of the importer, but the Court of Customs and Patent Appeals reversed and held that the action of the Secretary of the Treasury in selecting the "official" rate was conclusive. In a dictum the appellate court stated that the statute contemplated the finding and certification by this bank of a single rate for each foreign currency. We, therefore, decided to file a brief with the Supreme Court in support of our action in certifying two rates. We did not participate in the oral argument. On February 5, 1945, the Supreme Court reversed the Court of Customs and Patent Appeals and held that the "free" rate certified by this bank should have been used. Both the majority and the dissenting opinions (the decision was 6 to 2) supported the propriety of our certification of two rates under the circumstances. The majority held that the action of the bank in certifying two rates was conclusive (and not subject

to judicial review) and that the Secretary of the Treasury was bound to use the "free" rate. The dissenting judges asserted that the Secretary had discretion to choose which rate to use.

PERSONNEL

On July 27, 1944, the staff at the head office, exclusive of officers, reached its all-time peak of 4,737 employees. Since that date there has been a gradual tapering off, but there is no indication that there will be any substantial drop in the near future. On the whole our labor situation was much steadier, particularly in the latter half of the year. Turnover in the year was 31.25%, as compared with 47.2% for 1943; and there seems to have been a steady improvement in the quality of applicants.

Absenteeism decreased substantially during the year. This is due, in part, to the fact that most of our employees are taking their responsibilities more seriously and, in part, to the system inaugurated during the year of assigning one employee of the Personnel Department to the full-time job of interviewing employees whose attendance or punctuality records were poor, ascertaining the reasons and taking steps to correct them.

Music

In May 1944 we introduced music in the Transit Division. The results were so satisfactory that by the end of the year we had extended this arrangement to our Clearings Division and to the Card Check and Treasury Check Divisions, all in the Cash and Collections Function.

Executive Training Program

The developments in this program during the year were covered in the President's special report to the directors on November 24, 1944. Training courses were extended to include the job relations training feature of the

War Manpower Commission's plan; and all of the officers of the bank attended a two-hour exposition of the nature and purpose of this course. Subsequently all of the managers attended a six-hour course on the subject and arrangements have been made so that all chiefs, assistant chiefs and supervisors will participate in an intensive ten-hour course.

CHANGES IN LOCATIONS OF DEPARTMENTS

On October 16, 1944, the Foreign Funds Control Department, which since October 6, 1941, had occupied rented premises at 70 Pine Street, was moved to other rented premises at 67 Wall Street. On November 25, 1944, the Savings Bond Redemption Department moved from 51 Pine Street, where it had occupied several floors since September 1942, to the space on the sixth floor of the main bank building vacated by the Reconstruction Finance Corporation.

BUFFALO BRANCH

There were no developments at the Branch during the year requiring special comment, but, as indicated in the statistical summary in Part 2, the operations of the Branch continued to increase.

FEDERAL RESERVE BANK OF NEW YORK

President's Report to Directors for 1944

PART 2

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 1945)

PART 2 STATISTICAL SUMMARY

STATISTICAL SUMMARY OF PRINCIPAL OPERATIONS
OF THE BANK BY DEPARTMENTS

ACCOUNTING, PERSONNEL, PLANNING AND SERVICE

Officers in charge:

James M. Rice, Vice President
 Edward O. Douglas, Assistant Vice President (Personnel)
 Herbert H. Kimball, Assistant Vice President (Accounting and Planning)
 Loren B. Allen, Manager, Accounting Department
 James J. Carroll, Manager, Planning Department
 William A. Heinl, Manager, Personnel Department
 Michael J. McLaughlin, Manager, Service Department

ACCOUNTING DEPARTMENT

Accounting Division

	<u>1943</u>	<u>1944</u>
Entries posted to reserve and nonmember clearing accounts	3,499,230	4,016,362
Penalties assessed for reserve deficiencies	139	186
Transactions with other Federal Reserve Banks	4,130,418	4,485,755

Disbursing Division

	<u>1943</u>		<u>1944</u>	
	<u>Number</u>	<u>Amount</u> (000 Omitted)	<u>Number</u>	<u>Amount</u> (000 Omitted)
Paymaster operations:				
Employee compensation payments -				
Other than overtime	133,700	\$8,187	123,200*	\$9,058
Overtime payments	83,600	512	63,100	562
Checks cashed for employees (approximate)	25,000	-	30,000	-
Petty cash payments** (approximate)	23,300	309	16,200	217
Checks drawn other than pay checks	9,700	8,066	8,700	5,976
Claims for reimbursement of Fiscal Agency expenses	372	5,596	400	5,879

* Reduction due to inclusion, beginning July 1943, of supplemental compensation payments with payments of basic salary.

** Includes principally supper allowances and travel expenses.

PART 2 STATISTICAL SUMMARY

Tabulating Division

	<u>1944</u> (Approximate No.)
Receipts for compensation paid employees	160,000
Advices of immediate and deferred credits to banks arising from check clearings	440,000
Cards punched incident to maintenance of records of this bank's expenses	100,000
"Ins and outs" affecting punch card records of securities held in safekeeping	200,000
Coupon-cutting requisitions covering securities held in safekeeping	150,000
Cards punched to record Series E Savings Bonds sold by issuing agents in Second Federal Reserve District other than during War Loan drives	150,000
Cards punched to record sales of securities in Second Federal Reserve District during Fourth, Fifth and Sixth War Loan drives	1,400,000

Withheld Taxes Division

	<u>1943</u>		<u>1944</u>	
	<u>Number</u>	<u>Amount</u> (000 Omitted)	<u>Number</u>	<u>Amount</u> (000 Omitted)
Depository receipts and withheld taxes received from banks*	322,482**	\$644,277**	743,177	\$1,567,420
Depository receipts received from Collectors of Internal Revenue	172,544***	336,552***	738,758	1,548,918
Largest number of receipts received from any one bank (Manufacturers Trust Company)	-	-	117,687	157,440
Duplicate receipts issued to replace originals lost by employers	-	-	2,885	-

* 925 qualified depositaries in 1943; 920 in 1944.

** Six months.

*** Three months.

PART 2 STATISTICAL SUMMARY

PERSONNEL DEPARTMENTPersonnel Division

(Officers and Buffalo Branch not included)

	<u>1943</u>	<u>1944</u>
Total employees at year end	4,416	4,409
Applicants interviewed	12,178	4,736
Applicants Hired	2,729	1,379
Total employees leaving service	2,004	1,426
Entering military service	280	61
Resigned	1,579	1,195
Dismissed	109	133
Retired	26	30
Died	10	7
Employees appointed officers	3	3
Employees retained in service after attaining retirement age (65)	13	15
Rate at year end of basic annual salary liability	\$7,749,970	\$8,111,112
Rate at year end of average basic annual salary	1,755	1,816
Deductions from salaries		
1. Federal withholding tax	432,753	890,633
2. 5% victory tax	93,592	None
3. Purchases of savings bonds	341,673	530,101
4. Retirement System contributions	409,988	502,336
5. Associated Hospital insurance	18,200	22,440
6. Group insurance premiums	32,406	35,693
7. Systematic savings	94,529	91,355
8. Purchases of Tax Savings Notes	2,681	None
9. Salary savings insurance premiums	1,037	870
10. New York Income Tax on non-residents	6,593	7,404
11. Greater New York Fund	122	None
12. Garnishee orders	150	None
13. Repayments to Officers Loan Fund	18,270	18,669
Total deductions	<u>\$1,451,994</u>	<u>\$2,099,501</u>
Confidential loans to employees		
1. From Officers Loan Fund (including Buffalo Branch)		
(a) Number of borrowers during year	161	169
(b) Aggregate amount of loans made during year	\$ 19,394	\$ 25,707
(c) Number of borrowers at end of year	127	134
(d) Aggregate amount outstanding at end of year	10,982	14,161
2. From Educational Loan Fund		
(a) Number of borrowers during year	87	96
(b) Aggregate amount of loans made	4,559	4,586
(c) Number of borrowers since 1924	2,805	2,901
(d) Aggregate amount of loans since 1924	123,894	128,480
Number of employees receiving educational refunds during year	135	151
Aggregate amount of educational refunds made	3,794	3,605

Medical Division

<u>Professional Personnel</u>	As of Dec. 31, <u>1943 and 1944</u>	Total No. of Examinations of Applicants for Employment	Total No. of Contacts with Employees and Applicants
Medical Director	1	1942 - 3,143	1942 - 30,033
Other Doctors	4	1943 - 3,900	1943 - 45,475
Nurses	6	1944 - 1,981	1944 - 43,147
Dentist	1		
Hygienist	1		
Technician	2		

PART 2 STATISTICAL SUMMARY

SERVICE DEPARTMENT

<u>Food Supply Division</u>	1943		1944	
	Number	Receipts	Number	Receipts
Meals served in cafeteria	658,808	\$204,031.29	679,098	\$209,148.49
Daily average	2,181	680.10	2,241	690.25
Meals served in dining room	14,557	14,591.07	13,956	14,537.51
Daily average	48	48.64	46	47.97

<u>Post Office Division</u>	1943	1944
	<u>Pieces handled</u>	<u>Pieces handled</u>
Registered Mail		
Incoming	1,883,453	1,796,066
Outgoing	507,142	398,127
Ordinary Mail		
Incoming	9,251,253	8,888,568
Outgoing	7,935,323	6,878,918

<u>Telephone Section</u>	1943	1944
Number of calls handled	1,667,478	1,297,834*

* The decrease in calls handled during 1944 was largely in the business of the Foreign Funds Control Department.

BUILDING OPERATING

<u>Power Plant Division</u>		1943	1944
Total amount of steam used	Lbs.	179,340,000	200,702,000
(a) For generating electricity	"	173,463,800	195,947,300
(b) Air conditioning turbines, heating and other purposes	"	5,876,500	4,754,700
Electric current generated	KW Hrs.	4,882,230	5,430,280
(a) Used for lighting	"	2,064,330	2,323,600
(b) Used for power	"	2,817,900	3,106,680

Yearly average amount of steam, in pounds, required to generate one Kilowatt Hour of electricity during past years - Decrease in steam per KWH generated indicates increased efficiency.

1925	1928	1938	1939	1940	1941	1942	1943	1944
52.69	52.53	47.47	43.75	42.30	39.59	35.82	35.34	36.08*

* Increase in pounds of steam per KWH in 1944 is indicative of increased amount of exhaust steam used by turbines of air conditioning compressors, on account of unusually hot weather, which steam otherwise would have been used for generating current through low pressure stage of turbo-generator.

* * * * *

PART 2 STATISTICAL SUMMARY

BANK SUPERVISION AND BANK RELATIONSOfficers in charge:

Reginald B. Wiltse, Vice President
 William F. Sheehan, Chief Examiner
 Franklin E. Peterson, Manager, Bank Relations Department

BANK EXAMINATIONS DEPARTMENTBank Examinations

<u>Regular Examinations:</u>	<u>1943</u>		<u>1944</u>	
Jointly with New York State Examiners	166		169	
Jointly with New Jersey State Examiners	58		75	
Jointly with Connecticut State Examiners	3		5	
Independently	-	227	2	251
<u>For Membership:</u>				
Jointly with New York State Examiners	3		4	
Jointly with New Jersey State Examiners	-		2	
Jointly with Connecticut State Examiners	-		-	
Jointly with F.D.I.C. Examiners	1		1	
Independently	14	18	17	24
		<u>245</u>		<u>275</u>
Total				

Trust Department Examinations

<u>Regular Examinations:</u>				
Jointly with New York State Examiners	34		20	
Jointly with New Jersey State Examiners	1		7	
Jointly with Connecticut State Examiners	2		3	
Independently	118*	155	135**	165
<u>For Membership:</u>				
Jointly with New York State Examiners	2		1	
Jointly with New Jersey State Examiners	-		2	
Jointly with Connecticut State Examiners	-		-	
Jointly with F.D.I.C. Examiners	-		1	
Independently	8	10	11	15
		<u>165</u>		<u>180</u>
Total				

During 1944, all State member banks and their trust departments were examined once. Twenty-one State banks were admitted to membership in 1944, compared with seventeen in 1943. Six applications for membership were in process on December 31, 1944, compared with eight on December 31, 1943.

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

** Includes 27 examinations in which the State Examiners participated to the extent of checking the securities to the records of the trust department involved. Does not include investigations requested by Board of Governors of the Federal Reserve System of trust departments of 2 national banks, in liquidation, as required by Section 16(c) of Regulation F.

PART 2 STATISTICAL SUMMARY

BANK RELATIONS DEPARTMENT

Representatives of the department made 699 visits to member banks and 212 visits to nonmember banks in 1944, as compared with 626 and 383, respectively, in 1943. In addition, officers of the bank made 73 calls on member banks and 36 on nonmember banks, as compared with 42 and 7, respectively, in 1943. Members of the department attended 130 group meetings in 1944 compared with 102 in 1943.

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

<u>Subject</u>	<u>1943</u>	<u>1944</u>
War Finance	4	2
Regulation Q	-	6
Regulation W	1	-
General Ruling No. 16	1	-
Other Banking Subjects	<u>-</u>	<u>10</u>
Total	6	18

* * * * *

CASH AND COLLECTIONSOfficers in charge:

Valentine Willis, Vice President
 Harold A. Bilby, Assistant Vice President
 Dudley H. Barrows, Manager, Cash Department
 Ralph W. Scheffer, Manager, Check Department
 Roy E. Wendell, Manager, Government Check Department
 Frederick B. Stocker, Manager, Cash Custody Department

CASH DEPARTMENTReceiving Division

	1943		1944	
	Number of Deposits	Amount (000 Omitted)	Number of Deposits	Amount (000 Omitted)
Received over counter -				
Checks	28,502	\$21,992,303	51,742	\$24,917,925
Currency	62,019	2,970,940	61,183	3,336,540
Currency received -				
By mail	36,483	825,595	38,031	932,756
By express	15,003	64,474	15,131	64,884

Sorting and Counting Division

	1943	1944
Bundles of paper currency handled:		
1's (1,000 piece bundles)	360,345	366,085
2's "	12,348	11,779
5's "	136,999	145,835
10's "	164,327	187,153
20's "	42,145	45,596
All other denominations "	8,279	10,483
Currency sorted as unfit:		
Number of pieces	177,003,000	209,744,124
Value	\$490,058,000	\$653,721,874
Errors found in deposits of currency	10,319	10,535
Counterfeits detected	401	455
U. S. currency held as fiscal agent under General Ruling No. 5:		
Separate lots	1,002	502
Value	\$5,624,022.39	\$2,670,641.45

Paying Division

	1943		1944	
	Number	Amount (000 Omitted)	Number	Amount (000 Omitted)
Payments of currency to:				
Individuals and Govern- ment officers	87,527	\$ 139,526	123,223	\$ 163,744
Banks over the counter	43,560	3,599,472	39,825	3,950,568
Shipped to banks	86,334	884,490	85,352	913,226
Cash payments of Govern- ment coupons	516	20	589	28
Federal Reserve notes shipped to banks in Boston and Philadelphia districts	14,024,324	154,086	15,873,624	172,978

PART 2 STATISTICAL SUMMARY

Coin and Bullion Division

Coin handled:

	Amount Received***	Pieces Received*	Pieces Counted*
1943	\$145,926,147	2,033,950,987	1,314,143,000
1944	155,682,745	2,184,377,185	1,413,356,000

	Amount Paid Out	Pieces Paid Out	Amount Wrapped**
1943	\$145,234,272	2,024,184,524	\$12,877,000
1944	155,273,300	2,165,847,689	13,961,000

* The difference between Pieces Received and Pieces Counted is due to the fact that (1) new coin received from the Mint is not counted, and (2) certain coin is deposited under special arrangements for the account of certain member banks pursuant to which some or all of the coin is paid out to such banks the following day without being 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.

*** The amount received includes new coin received from the Mint and silver dollars received from the Assay Office as follows:

	1943	1944
Cents	\$ 920,000	\$ 2,750,000
Nickels	1,765,000	1,200,000
Dimes	2,400,000	3,600,000
Quarters	4,900,000	7,200,000
Halves	1,100,000	-
Dollars	550,000	800,000
	<u>\$11,635,000</u>	<u>\$15,550,000</u>

CASH CUSTODY DEPARTMENT

Currency, coin and earmarked gold are held in the vaults under control of this department. Earmarked gold transactions during 1944 as compared with 1943 were as follows:

	1943		1944	
	Number	Value (000 Omitted)	Number	Value (000 Omitted)
Received for earmark:				
Bars	54,153	\$ 776,859	99,066	\$1,392,606
Bags of coin	4	10	1,493	13,279
Released from earmark:				
Bars	3,286	46,124	62,099	858,070
Bags of coin	1,043	8,880	52	410
Gold held under earmark at year-end:				
Bars	237,392	3,317,049	274,359	3,851,584
Bags of coin	11,986	78,482	13,427	91,351

PART 2 STATISTICAL SUMMARY

CHECK DEPARTMENT

The following table shows the number of items handled in the Check Department in 1944 as compared with 1943:

	<u>1943</u>	<u>1944</u>
Clearings Division	93,586,606	97,420,518
Transit Division	127,243,990	129,606,559
City Collection and Return Items Division:		
Hand presentations	91,045	20,892
Return items	2,575,813	2,356,707
Ration checks	4,911,570	5,686,509

COLLECTION DEPARTMENT

	<u>1943</u>	<u>1944</u>
Noncash items handled for collection in		
(a) Country Collection Division	578,959	430,050
(b) Coupon Collection Division	688,299	645,886
Peak days - January 2, 1943;		
January 3, 1944	24,426	23,225
Government coupons paid	5,424,734	5,669,734
Peak days - December 15, 1943;		
September 15, 1944	559,012	713,334
Wire Transfers of funds		
Number	150,925	159,418
Value (000 Omitted)	\$82,964,440	\$76,401,524

GOVERNMENT CHECK DEPARTMENT

	<u>1943</u>		<u>1944</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
		(000 Omitted)		(000 Omitted)
Treasury "paper" checks handled for collection	26,022,668	\$28,291,511	18,202,104	\$26,750,538
Work Relief checks	351,578	12,535	*	*
Punch-card checks payable "through" this bank:				
(a) Dependency Benefit checks**	29,821,043	1,406,622	50,368,545	2,687,652
(b) Brooklyn Navy Yard checks***	1,896,910	112,965	3,792,165	255,883
(c) Regional Disbursing Officer checks****	283,781	311,054	7,492,509	1,344,329
Punch-card checks payable "through" other Federal Reserve Banks*****	1,666,808	184,491	12,084,143	1,471,166
Total Government checks handled	60,042,788	\$30,319,178	91,939,466	\$32,509,568

Card Checks handled

Peak day: October 13, 1943, 670,875 - November 13, 1944, 885,314

* Work relief checks drawn payable in Washington commencing March 31, 1943.

** Operation commenced April 7, 1943.

*** Operation commenced July 7, 1943.

**** Operation commenced October 27, 1943.

***** Government card checks are being drawn payable "through" nine other Federal Reserve Banks,

* * * * *

PART 2 STATISTICAL SUMMARY

FOREIGN

Officers in charge:

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

FOREIGN DEPARTMENT

Foreign Operations Division
Foreign Accounts Section

Foreign Accounts held under section 14(e) of the Federal Reserve Act:	December 31, 1943		December 31, 1944	
	Number	Amount (000 Omitted)	Number	Amount (000 Omitted)
Dollar	51	\$1,269,299	51	\$1,155,387
Earmarked gold	43	3,239,789	41	3,550,603
Security custody	15		13	
U. S. securities		657,577		789,546
All other		23,280		23,837
Total		\$5,189,945		\$5,519,373

Volume of transactions in such accounts	1943		1944	
	Transac- tions	Amount (000 Omitted)	Transac- tions	Amount (000 Omitted)
Dollar payments and receipts	35,664	\$ 5,975,506	35,978	\$ 6,627,467
Items received for collection	21,922	574,957	22,373	601,970
Gold deposited or with- drawn from earmark	278	835,882	532	2,877,844
Receipts and deliveries of securities and bills	1,167	3,623,491	1,027	4,783,466
Applications for Foreign Funds Control licenses	642	-	439	-
Reports to Foreign Funds Control of transactions effected	275	-	249	-
Total	59,948	\$11,009,836	60,598	\$14,890,747

PART 2 STATISTICAL SUMMARY

Foreign Exchange Section

Foreign Accounts held as Fiscal Agent of the United States	December 31, 1943		December 31, 1944	
	Number	Amount (000 Omitted)	Number	Amount (000 Omitted)
Dollar	6	\$ 90,780	7	\$ 46,050
Earmarked gold	2	237,619	4	386,567
Security custody				
U. S. securities	2	174,977	1	169,977
Total		\$503,376		\$602,594

Volume of transactions

	1943		1944	
	Transac- tions	Amount (000 Omitted)	Transac- tions	Amount (000 Omitted)
<u>Bank Functions</u>				
Foreign exchange and related transactions effected for foreign correspondents and member banks	540	\$ 2,732	507	\$ 5,470
<u>Fiscal Agency Functions</u>				
<u>Stabilization Fund</u>				
(a) Gold purchased	52	825,696	64	1,343,491
(b) Gold sold	150	792,240	174	1,303,964
(c) Foreign exchange purchased and sold	198	54,566	602	202,158
Foreign accounts held as fiscal agent				
(a) Gold earmarks and releases	16	161,671	22	162,700
(b) Security custody	20	406,977	4	174,977
(c) Dollar receipts and disbursements	584	676,582	559	442,248
Drafts, cable transfers, and payments for account of Treasurer	6,453	762,462	2,134	973,249
Interdistrict Settlement Fund	38	756,000	41	1,251,000
Deposits and withdrawals of gold held for Treasurer of U. S. and various Government agencies	25	378,195	31	804,737
Drafts, checks, etc., impounded under General Ruling No. 5A	914	562	1,433	829
Affidavits on imported fine gold bars	1	12	35	27,347

PART 2 STATISTICAL SUMMARY

<u>Reports and Analysis Division</u>	<u>1943</u>	<u>1944</u>
Number of exchange rates certified	6,476	6,117
Number of reports tabulated	10,683*	10,731*

* Exclusive of special studies and reports.

<u>Cable Division</u>	<u>1943</u>	<u>1944</u>
Number of cablegrams and radiograms handled	8,610	9,747

FOREIGN FUNDS CONTROL DEPARTMENT

	<u>1943</u>	<u>1944</u>
Number of applications for licenses received	99,893	72,696
Daily average of same	330	238
Census reports of foreign-owned property received (TFR-300)	7,346	15,564
Census reports of American-owned property abroad received (TFR-500)	76,200	9,456
Reports of transactions under licenses received	191,811	209,210
Average weekly number of reports of payments from free foreign accounts received	750*	750*
Number of names on which files of enforcement information are maintained	200,000*	250,000*
Personal interviews conducted	25,000*	7,280

* Approximate

* * * * *

PART 2 STATISTICAL SUMMARY

GOVERNMENT BOND AND SAFEKEEPINGOfficers in charge:

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

GOVERNMENT BOND DEPARTMENT

	<u>Number of Pieces Handled</u>		<u>Par Value Handled (000 omitted)</u>	
	<u>1943</u>	<u>1944</u>	<u>1943</u>	<u>1944</u>
<u>United States Savings Bonds</u>				
Deliveries to agents on consignment	32,192,534	37,883,708	\$ 1,833,869	\$ 2,203,945
Payments and stubs re- ceived from agents	29,475,095	36,008,385	1,645,633	2,053,459
Direct sales	2,503,336	1,938,795	749,115	700,970
<u>War Savings Stamps</u>				
Sales and redemptions	1,721,340*	11,650**	483	232
<u>All Other Government Issues</u>				
Payments for new issues	849,906	1,155,588	46,036,222	69,890,718
Denominational exchanges and wire transfers	499,864	559,687	7,048,320	16,978,680
Redemptions and transfers of registered securities and exchanges	89,307	104,929	1,286,097	1,394,918
Redemptions of bearer se- curities and tax notes	702,138	809,482	46,548,347	50,663,881
Redemptions of adjusted service bonds	20,929	21,635	1,044	1,081
Volume Handled	<u>68,054,449</u>	<u>78,493,859</u>	<u>\$105,149,130</u>	<u>\$143,887,884</u>

* Number of stamps.

** Number of stamp albums.

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 \$33,204,620,000 in 1943 to \$40,041,796,000 in 1944.

SAVINGS BOND REDEMPTION DEPARTMENT

Redemptions of U.S. Savings Bonds, Series A-E*	1943		1944	
	Direct - By	By banking insti-	Direct - By	Totals
	F.R. Bank	tutions, commencing	F.R. Bank	
	(000 Omitted)	October 2	(000 Omitted)	
Number of pieces redeemed	5,985	3,494	7,492	10,986
Redemption value of bonds redeemed	\$174,856	\$103,176	\$225,489	\$328,667
Maturity value of bonds redeemed	\$232,970	\$136,182	\$298,372	\$434,554

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

Number of pieces redeemed - by denominations:	\$10*	\$25	\$50	\$100	\$500	\$1,000
1943	-	5,000,551	626,563	297,496	28,585	32,586
1944	10,298	8,875,014	1,330,164	662,217	58,504	50,593

* Series E bonds in \$10 denominations are issued to members of the armed forces only.

Bonds Reissued, Series A-E, or Corrected, Series A-G*	Pieces	Maturity Value (000 Omitted)
1943	243,954	\$55,827
1944	279,859	35,764

* Reissue and correction work transferred to Government Bond Department in October, 1944.

SAFEKEEPING DEPARTMENT

	1943		1944	
	Accounts	Par Value (000 Omitted)	Accounts	Par Value (000 Omitted)
Savings bonds held for owners	28,447	\$ 42,204	35,630	\$ 52,469
Securities held for member banks	993	3,653,379	1,019	3,760,373
Securities held for Treasury and special accounts	216	2,903,037	207	2,901,172
Notes and acceptances held for member banks	12	4,063	10	3,677

Volume of pieces handled during 1943 and 1944 in the foregoing accounts:

	1943		1944	
	Number	Par Value (000 Omitted)	Number	Par Value (000 Omitted)
Pieces received	38,033,264	\$242,762,655	43,987,853	\$252,479,821
Pieces delivered	36,854,906	191,737,335	42,432,336	235,717,675
Number of coupons detached	2,255,197	-	1,068,949	-

PART 2 STATISTICAL SUMMARY

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:

	1943		1944	
	Number	Par Value (000 Omitted)	Number	Par Value (000 Omitted)
Items received	10,105	\$32,080	9,020	\$43,498
Items delivered	7,751	28,243	8,702	31,600

SECURITY CUSTODY DEPARTMENT

The following table shows deposits and withdrawals of securities in the vaults during 1944 as compared with 1943 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.

	1943		1944	
	Number of Pieces	Par Value (000 Omitted)	Number of Pieces	Par Value (000 Omitted)
(1) Safekeeping and Open Market*				
Deposits	657,720	\$ 68,230,323	775,153	\$101,480,260
Withdrawals	728,421	60,861,260	572,091	89,923,752
(2) R. F. C.				
Deposits	20,459	566,215	29,074	587,755
Withdrawals	78,156	723,177	136,470	799,452
(3) Unissued stock				
Deposits	37,276,425	157,017,354	43,106,070	150,999,560
Withdrawals	36,027,094	130,152,897	41,752,515	144,258,644
(4) Coupons				
Detached	2,255,197	349,878	1,930,655	466,349
Re-attached	410	6	186	328

* Open Market Account included in (1) are approximately

Deposit Tickets	1,470	12,262,535	1,847	29,133,605
Withdrawals	1,609	10,172,320	394	21,943,491

PART 2 STATISTICAL SUMMARY

LOANS, CREDITS AND R. F. C. CUSTODYOfficers in charge:

Arthur Phelan, Vice President
 Felix T. Davis, Assistant Vice President (R. F. C. Custody)
 Curtis R. Bowman, Manager, Credit Department

CREDIT DEPARTMENT

A comparison of the activities of the Credit Department under Regulation V (War Financing) for the years 1943 and 1944, follows:

Applications for V Loan Guarantees Acted Upon During Year
 (000 Omitted on dollar amounts)

	<u>1943</u>			<u>1944</u>		
	<u>No.</u>			<u>No.</u>		
Held over from previous year	<u>34</u>			<u>45</u>		
Received during year	<u>591</u>			<u>396</u>		
	<u>625</u>			<u>441</u>		
Less:						
Withdrawn before consideration	51			34		
Held over into next year	<u>45</u>			<u>16</u>		
Net applications acted on	<u>529</u>			<u>391</u>		
	<u>1943</u>			<u>1944</u>		
	<u>No.</u>	<u>Amount of Proposed Loans</u>	<u>Amount Guaranteed</u>	<u>No.</u>	<u>Amount of Proposed Loans</u>	<u>Amount Guaranteed</u>
<u>Action taken on applications:</u>						
Declined	55	\$ 42,582	\$ -	43	\$ 17,030	\$ -
Approved (gross number)	474	1,656,551	1,386,396	348	1,051,442	913,512
Less:						
Applications withdrawn after approval, or approval canceled	61	55,624	46,297	47	28,593	23,754
Approved (net number)	413	1,600,927	1,340,099	301	1,022,849	889,758

Applications for T Loan Guarantees Acted Upon During Year
 (This type of loan made available by General Regulation No. 1 issued by the Director of Contract Settlement August 18, 1944)

Received during year						
						37
Less:						
Withdrawn before consideration						2
Held over into next year						14
Net applications acted on						21
Declined						-
Approved (gross number)				21	9,650	8,192
Less:						
Applications withdrawn after approval, or approval canceled						-
Approved (net number)				21	9,650	8,192
Approved (net number V and T combined)	<u>413</u>	<u>\$1,600,927</u>	<u>\$1,340,099</u>	<u>322</u>	<u>\$1,032,499</u>	<u>\$ 897,950</u>

PART 2 STATISTICAL SUMMARY

Guarantees Outstanding at Year End
(000 Omitted on dollar amounts)

	V Loans			T Loans		
	No.	Amount of Loans Authorized	Amount of Authorized Loans Guaranteed	No.	Amount of Loans Authorized	Amount of Authorized Loans Guaranteed
December 31, 1943	307	\$2,772,979	\$2,375,814	-	\$ -	\$ -
December 31, 1944	334	3,277,511	2,807,266	15	5,550	4,733

The number of applications received during 1944 was 195 less than the total of 591 received during 1943. However, these figures do not reflect the large number of loans which matured and were extended, together with those which were recast because conditions prevailing when the loans were originally made had changed. Also, there has been a considerable increase in the number of loans which require close supervision.

Regulation W: (Enforcement Program, including Buffalo Branch)

	1943	1944
Number of investigations	3,282	2,882
Transactions examined:		
Single payment loans	320	7
Instalment loans	6,194	1,814
Instalment sales	295,593	181,113
Charge sales	140,342	111,256
Total	442,449	294,190

DISCOUNT DEPARTMENT

During 1944, member banks availed themselves of the credit facilities of the bank through the head office and the Buffalo Branch as follows:

	1943	1944
Number of applications received	938	2,113
Number of banks accommodated	148	202
Aggregate borrowings (000 Omitted)	\$1,541,748	\$11,036,595
Borrowings on peak day:	December 27	November 29
Number of banks	44	67
Amount (000 Omitted)	\$ 95,355	\$ 463,695

During 1944, 724 loans aggregating \$2,055,615,000 were repaid before maturity, while during 1943, 248 prepayments were effected in the aggregate of \$236,519,000.

R. F. C. CUSTODY DEPARTMENT

During the year amounts were received and paid out for account of the Commodity Credit Corporation and various subsidiaries of the Reconstruction Finance Corporation in connection with the purchases and sales of commodities as follows:

	<u>Number of Commodities Acquired</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
		(000 Omitted)	
Commodity Credit Corporation	352	\$484,704	\$253,542
488,281 Dairy Production			
Drafts Paid	-	38,145	
Defense Supplies Corporation	134	245,724	284,448
Metals Reserve Company	95	310,673	309,722
Rubber Development Corporation	-	30,764	186
Rubber Reserve Corporation	-	18,773	86,997
U. S. Commercial Company	93	494,507	213,371

Loans made by the Reconstruction Finance Corporation and certain of its subsidiaries were serviced during the year as follows:

	<u>Number on books at end of year</u>	<u>Balance due at end of year</u>
		(000 Omitted)
Disaster Loan Corporation	21	\$ 52
Federal National Mortgage Association	109	418
R. F. C. Mortgage Company	407	3,725
Smaller War Plants Corporation	160	9,174
Reconstruction Finance Corporation	796	881,663

In connection with the loans serviced for the Reconstruction Finance Corporation and the Smaller War Plants Corporation receipts, disbursements and collateral held at the end of the year were as follows (000 Omitted):

	<u>Amounts Disbursed</u>	<u>Amounts Received</u>	<u>Collateral held at end of year</u>
Reconstruction Finance Corporation	\$25,500	\$183,599	\$1,097,081
Smaller War Plants Corporation	-	17,213	885

Transactions were effected for account of the Defense Plant Corporation during 1944, as compared with 1943, as follows:

<u>Year</u>	<u>Number of Projects</u>	<u>Amounts Disbursed</u>	<u>Amounts Received</u>
		(000 Omitted)	
1943	290	\$420,962	\$255,422
1944	400	124,448	91,926

Transactions were effected for account of the War Damage Corporation during 1944, as compared with 1943, as follows:

<u>Year</u>	<u>Premiums Received</u>	<u>Policies Covered</u>	<u>Policies Renewed Without Cost</u>
	(Approximate)		
	(000 Omitted)		
1943	\$46,195	1,400,000	None
1944	2,440	41,839	1,275,000

* * * * *

PART 2 STATISTICAL SUMMARY

OPEN MARKET OPERATIONS AND TREASURY ISSUES

Officers in charge:

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

SECURITIES DEPARTMENT

Bill Division

Transactions in bankers acceptances for account of	1943		1944	
	Number	Value	Number	Value
(a) System Open Market Account	-	-	-	-
(b) Member Banks	-	-	-	-
(c) Foreign correspondents	667	\$10,774,675.49	653	\$10,077,925.79

Securities Division

	1943		1944	
	Trans- actions	Amount (000 Omitted)	Trans- actions	Amount (000 Omitted)
<u>Purchases of Securities</u>				
System Open Market Account:				
Open Market Transactions	1,882	\$ 8,610,726	2,030	\$25,145,321
Special Certificates of Indebtedness	39	16,325,000	-	-
Received in exchange from Treasury Federal Reserve Bank of New York - U.S. Treasury bills under re- purchase option	7	1,535,290	10	4,012,734
Member Banks	3,163	19,471,063	4,247	23,259,312
Government Accounts	840	31,387	1,199	67,676
Other Federal Reserve Banks	65	80,282	72	42,362
Foreign Correspondents	42	14,075	132	16,633
	124	385,227	93	525,500
	6,162	\$46,453,050	7,783	\$53,069,538

Sales and Redemptions of Securities

System Open Market Account:				
Open Market Transactions	1,964	\$ 2,332,766	425	\$ 740,282
Redemptions	71	4,177,723	52	17,240,475
Special Certificates of Indebtedness	39	16,325,000	-	-
Tendered in exchange to Treasury Federal Reserve Bank of New York - U.S. Treasury bills under re- purchase option sold and redeemed	7	1,535,290	17	4,012,734
Member Banks	2,057	17,583,311	2,976	23,153,282
Government Accounts	1,161	27,984	1,402	39,377
Other Federal Reserve Banks	248	383,537	193	258,345
Foreign Correspondents	10	2,195	36	2,502
	18	83,750	52	235,754
	5,575	\$42,451,556	5,153	\$45,682,751

PART 2 STATISTICAL SUMMARY

Other Operations of the Securities Division

During the year 559 certificates of capital stock of the bank were issued and 430 certificates were canceled.

New Issues Function

On weekly offerings of Treasury bills 5,986 tenders were received during the year and allotted in accordance with instructions received from the Treasury Department.

Cash Subscriptions to Public Offerings

During the year cash subscriptions for market issues of U. S. Government securities processed and classified as to the various types of investor groups were as follows:

	<u>No. of Items*</u>	<u>Amount</u>
In War Loan Drives	<u>249,437</u>	<u>\$18,435,470,500</u>
Bank subscriptions outside of War Loan Drives	<u>2,518</u>	<u>368,978,500</u>
	<u>251,955</u>	<u>\$18,804,449,000</u>

* Estimated

* * * * *

PART 2 STATISTICAL SUMMARY

BUFFALO BRANCHOfficers in charge:

Insley B. Smith, Managing Director
 Halsey W. Snow, Cashier
 George J. Doll, Assistant Cashier

Accounting Division

	<u>1943</u>	<u>1944</u>
Member bank reserve accounts	72	74
Nonmember clearing accounts	10	7
Number of entries posted	95,000*	199,047

*Estimated

Withheld Taxes

Number of receipts received from depository banks	22,569*	52,747
Amount	\$ 45,172,000*	\$105,764,185
Number of receipts received from Collectors of Internal Revenue	13,939*	57,388
Amount	\$ 27,797,000*	\$107,131,091
Number transferred to other Fed- eral Reserve districts	1,590*	6,341
Amount	\$ 4,673,000*	\$ 22,955,931
Number transferred from other Federal Reserve districts	426*	1,749
Amount	\$ 4,639,411*	\$ 22,300,396

* Six months' period beginning July 1, 1943

Cash DivisionPaying Section

Number of transactions	14,875	15,562
Cash disbursed to:		
Banks in Buffalo	\$131,279,000	\$126,391,000
Banks outside Buffalo	115,887,000	111,060,000
Treasurer of the U. S.	27,141,070	34,156,650
All Others	16,044,200	19,116,350
Total Cash Disbursed	<u>\$290,351,270</u>	<u>\$290,724,000</u>

Receiving SectionCash received from:

Banks in Buffalo	\$115,733,000	\$128,348,000
Banks outside Buffalo	43,309,000	47,764,000
Treasurer of the U. S.	119,671,000	99,470,000
All Other Sources	14,853,000	15,471,000
Total Cash Received	<u>\$293,566,000</u>	<u>\$291,053,000</u>

Shipping Section

	1943		1944	
	Packages	Amount	Packages	Amount
Shipments of:				
Mutilated Currency	6,267	\$ 27,132,290	7,444	\$ 34,142,630
Fit Federal Reserve Notes to other F. R. Banks	352	14,372,000	489	18,358,000
Currency to banks	7,284	71,937,204	8,401	81,748,092
Mutilated coin	18	9,300	23	14,020
Coin to banks	2,770	1,143,019	3,808	1,490,206
Securities to Treasury, head office, and others	9,197	195,126,354	7,810	254,242,787

Currency and Coin Sorting Section

	1943		1944	
	Pieces (000 Omitted)	Amount	Pieces (000 Omitted)	Amount
Bills counted	34,889	\$172,619	36,189	\$184,086
Bills rehandled	2,266	21,835	3,446	31,722
Verification count	5,564	78,643	5,988	79,515
Coin	47,002	4,430	34,999	3,968

Wire Transfer Section

	1943		1944	
	Number	Amount	Number	Amount
Wire transfers	7,542	\$1,577,646,383	7,976	\$1,698,305,751
Mail transfers	1,244	4,450,799	739	2,668,016

Check Division

	1943		1944	
	Pieces (000 Omitted)	Amount	Pieces (000 Omitted)	Amount
Clearings through Buffalo Clearing House	4,399	\$2,291,169	4,622	\$2,570,959
Other Buffalo checks	592	66,701	445	66,834
Checks on us	5	170,788	5	181,473
Country checks	9,637	2,914,084	9,694	3,026,373
Return items	51	7,836	47	7,480
Government checks payable in Washington, D.C.	1,256	1,144,892	990	1,499,845
Punch card checks payable through F. R. Banks			1,026	65,577
	15,940	\$6,595,470	16,829	\$7,418,541
Daily Average number of checks handled	52,784		55,726	
Number of cash letters sent	187,240		186,812	
Number of ration checks handled	698,819		781,904	

Collection Division

	1943		1944	
	Number	Amount (000 Omitted)	Number	Amount (000 Omitted)
Country items (ex- cept coupons)	23,252	\$27,234	16,025	\$21,053
City items (except coupons)	8,538	21,365	5,806	18,043
Coupons	59,581	2,550	50,057	2,709
Coupon transactions	7,181		6,548	
Registered articles received	71,393		103,283	
Direct sendings	3,634	3,031	2,484	2,664

PART 2 STATISTICAL SUMMARY

Credit and Discount Division

	1943		1944	
	Number	Amount	Number	Amount
Advances made to member banks	50*	\$28,180,000	83**	\$52,555,000
Prepayments by member banks	31	21,335,000	37	37,690,000

* Thirteen banks

** Fifteen banks

Regulation W

	1943	1944
Number of inquiries received by letter	25	45
Number of oral inquiries received	200	175
Number of investigations made	876	415
Transactions examined:		
Instalment loans	215	350
Instalment sales	95,751	46,733
Charge sales	52,877	35,866
Number of violations disclosed:		
Wilful	1,344	524
Inadvertent	844	744

Office Service DivisionPersonnel Section

	1943		1944	
	Number	Amount	Number	Amount
Payroll operations:				
Basic salary payments	4,386	\$259,114	4,629	\$295,312
Supplemental compensation payments	872*	25,358	-	29,049
Overtime payments	3,766	55,745	4,498	72,072
Breakfast allowance payments	-	1,320	-	1,307
Supper allowance payments	-	2,340	-	953
Claims for reimbursement of				
Fiscal Agency expenses	106	124,290	170	175,185
Applicants interviewed	593		631	
Applicants employed	120		103	
Employees resigned:				
Military service	14		7	
Voluntary	69		58	
Requested	11		15	
	94		80	
December 31:				
Number of employees	179		202	
Annual salary liability		272,871		310,124

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

PART 2 STATISTICAL SUMMARY

	<u>1943</u>	<u>1944</u>
Deductions from salaries of employees:		
Percentage of total salary paid	20.31%	27.54%
Federal Withholding Tax	\$24,760.12	\$28,304.00
Purchases of Savings Bonds	17,197.78	26,085.00
Purchases of Tax Savings Notes	165.00	-
Retirement System contributions	13,612.43	19,145.00
Group insurance premiums	705.00	752.00
Systematic savings	5,603.00	5,517.00
Hospital Service Corporation of Western New York	1,052.63	1,329.00
United War and Community Fund	206.20	178.00
Repayments to Officers Loan Fund	672.72	17.00
	<u>\$63,974.88</u>	<u>\$81,327.00</u>

R.F.C. Custody Division

	<u>1943</u>	<u>1944</u>
Number of checks issued	27,995	10,794
Amount	\$41,828,116.11	\$16,788,088.84

Savings Bond Redemption Division

	<u>1943</u>	<u>1944</u>
Number of pieces redeemed	514,191	1,542,821
Maturity value	\$16,389,000	\$51,584,650
Number of checks issued	221,841	288,727

Securities Division

	<u>1943</u>		<u>1944</u>	
	<u>Pieces</u>	<u>Amount</u>	<u>Pieces</u>	<u>Amount</u>
Redemptions:				
Tax Notes	24,265	\$111,592,000.00	13,905	\$113,530,000.00
Gov't Securities	165	2,600,000.00	2,247	8,127,225.00
Other Gov't Guaranteed Issues	99	66,000.00	1,442	1,128,200.00
Gov't Coupons	34,132	1,183,352.30	41,537	1,295,862.61
Coupons of Gov't Guaranteed Issues	7,551	133,620.18	4,717	77,687.52
Sales:				
U.S. Savings Bonds	20,125	18,293,450.00	30,927	27,526,300.00
U.S. Notes, Tax Series	6,614	66,052,800.00	9,938	87,509,200.00

	<u>1943</u>		<u>1944</u>	
	<u>Accounts</u>	<u>Par Value</u>	<u>Accounts</u>	<u>Par Value</u>
*Security Custody:				
Safekeeping for member banks	11	\$460,000	9	\$258,655
Pledged collateral of member banks	1	25,000	1	25,000
Pledged securities for account of Treasury Dept. and Agencies	5	437,730	5	397,530
* Securities held on December 31				
Number of transactions		118		114
Coupons clipped		1,527		572
Number of Cashier's checks issued		1,476		1,379

PART 2 STATISTICAL SUMMARY

Bank Relations

	<u>1943</u>	<u>1944</u>
Visits made to:		
Member banks	98	103
Nonmember banks	74	75
Corporations in connection with issuance of War Savings Bonds	12	14
Meetings attended by officers and staff members	23	32

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FEDERAL RESERVE BANK OF NEW YORK

President's Report to Directors for 1944

APPENDIX

GENERAL INFORMATION REGARDING THE FUNCTIONS
OF VARIOUS DEPARTMENTS OF THE BANK

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(March 1945)

APPENDIX

ACCOUNTING, PERSONNEL, PLANNING AND SERVICE

ACCOUNTING DEPARTMENT

Accounting Division; Disbursing 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. It receives remittances in payment of cash letters sent by the bank to other banks in the Second Federal Reserve District and handles certain adjustments relating to these cash letters, such as errors in listing or lost checks. It also acts as the custodian of bank records, other than certain correspondence, and arranges for the periodic destruction of temporary records.

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

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 handles the fiscal agency work of 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 depositary banks of funds representing withheld taxes paid to them by employers, it credits such funds to the General Account of the Treasurer of the United States, and it maintains accounting records for each authorized depositary bank.
2. It receives from Collectors of Internal Revenue the original depositary receipts issued by authorized depositaries to employers, and reconciles these with the accounts it maintains for the authorized depositaries.

PERSONNEL DEPARTMENT

Personnel Division; 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, and supervises educational and training programs.

APPENDIX

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 division 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, typing and addressing service where needed.

The functions of the Medical Division under the Medical Director include (1) physical examination of all applicants before employment, (2) physical reexamination 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.

PLANNING DEPARTMENT (Established January 5, 1945)

Planning Division; Purchasing Division

In January 1945 the Planning Department was established and the Planning Division and the Purchasing Division of the Accounting Department were transferred thereto,

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 of all stock items.

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,

APPENDIX

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 bank building, the annex building at 95 Maiden Lane and the space leased by the bank at 67 Wall 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. This division also arranges for the purchase of rail and air transportation, theatre tickets, etc., and the making of hotel reservations.

The Telephone Section handles all incoming calls, all outgoing toll calls and local calls for officers and employees who do not have dial telephones. It maintains two direct lines to the Treasury Department, Washington, D.C., and two lines to the offices of the Board of Governors of the Federal Reserve System in Washington, one of which is direct and the other through the Federal Reserve Bank of Philadelphia. The switchboard is operated 24 hours daily excepting Saturday and Sunday nights at which time service is available through a switchboard in the Central Watch room which is operated by the Protection Division. In addition to the switchboard in the main building, this section also operates a switchboard in the Foreign Funds Control Department at 67 Wall Street solely for the business of that department. Two direct lines are maintained between that switchboard and Foreign Funds Control, Treasury Department, Washington.

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

BUILDING OPERATING

This unit operates and maintains the main bank building, the annex building at 95 Maiden Lane and also the building owned by the bank at 10 Gold Street.

The Maintenance Division maintains the three buildings, maintains and repairs all machinery thereof except business machines and machinery in the power plant, rearranges departmental and tenant's space and partitions, repairs bank equipment and builds certain new equipment.

The Power Plant Division operates and maintains the power plant, the air conditioning system and the heating systems of the three buildings and maintains and repairs all machinery of these units. The power plant generates all electricity for light and power for the main bank building. Formerly all steam for power and heating was generated by the power plant but since January 30, 1943, due to the shortage of fuel oil, steam has been purchased from the New York Steam Corporation.

APPENDIX

The Service Division operates the elevators, cleans the buildings, examines and bales waste paper, moves furniture and equipment and furnishes utility porter service to various departments that require assistance in the performance of laborious work.

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BANK SUPERVISION AND BANK RELATIONS

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 Regulations L, O and R of the Board of Governors of the Federal Reserve System, and recommendations on war loan depositaries.

The Application & Records Division administers Regulations F, H, I, K, M, P, and Q of the Board of Governors; handles the inspection and recording of reports of condition and earnings of member banks; checks work copies of examiners' reports, types such reports and does the general typing and stenographic work of the department; and maintains the departmental files.

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 desirable.

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CASH AND COLLECTIONS

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 Federal Reserve Banks of Boston and Philadelphia 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.

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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, and gold certificates pledged as part of the collateral to secure 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 checks and other cash items drawn on banks in The New York Clearing House Association, the Northern New Jersey Clearing House Association and on those banks in Greater New York which participate in the Manhattan, Bronx and Brooklyn collection arrangement. It also handles cash items drawn on members of the City Collection Department of The New York Clearing House Association.

The Transit Division handles checks and other cash items drawn on the other banks in the Second Federal Reserve District and on banks located in other Federal Reserve districts. Checks drawn on such banks located in the Second Federal Reserve District are processed 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. The Ration Check Section* of this division handles for clearance ration checks drawn on "Ration Bank Accounts" maintained by member and nonmember banks. These checks are received by us and forwarded to the drawee banks in the same way as dollar checks.

* This section was transferred to the Treasury Check Division of the Government Check Department February 5, 1945.

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COLLECTION DEPARTMENT

Country Collection Division; Coupon Collection Division; Wire Transfer Division

The Country Collection Division handles certain noncash items (maturing notes, acceptances, drafts with or without documents attached and other evidences of indebtedness and orders to pay, except checks handled as cash items, maturing bonds and coupons and drafts with securities attached) which are received by the bank for collection. Items requiring hand presentation in New York City are forwarded to the City Collection and Return Items Division of the Check Department for presentation.

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. It also handles maturing bonds and coupons (other than Government bonds), drafts with securities attached payable outside New York City and certain municipal warrants, received by the bank for collection.

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

Card Check Division; Treasury Check Division

The Card Check Division handles all 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. Punch-card checks drawn "through" other Federal Reserve Banks are forwarded to such banks for examination and payment.

The Treasury Check Division handles all paper 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.

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FOREIGN

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 foreign exchange transactions for foreign correspondents and out-of-town member banks and certain fiscal agency transactions. 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 translation of foreign language letters, documents, and reports dealing with the foreign business of the bank is also handled here.

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. The principal duties are the following:

1. Assists the Treasury in the formulation of freezing control policy and in the preparation of public documents in connection therewith.

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2. Carries on public relations to acquaint banks and other persons with Treasury policy and to assist them with specific problems. During the past year many new problems have arisen in connection with the resumption of communication with liberated areas.
3. Receives applications for licenses relating to transactions affected by the freezing control and issues the licenses or makes other disposition of the applications.
4. Assembles information obtained from the principal New York City banks relating to payments from free foreign accounts in order to detect subversive or other undesirable uses of such funds.
5. Receives and examines reports covering transactions under licenses.
6. Receives and forwards to the Treasury census reports of property in the United States owned by foreigners and of American-owned property abroad.
7. Investigates reports from banks and brokers in connection with unusual deposits of currency, particularly bills of large denomination.
8. Cooperates with various agencies of the Government, such as, Customs, Federal Bureau of Investigation, Alien Property Custodian, Postal Censorship and Naval Censorship, in assembling information pertaining to persons or activities under investigation.

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GOVERNMENT BOND AND SAFEKEEPING

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 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.

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

1. Redemption of United States Savings Bonds of Series A-E, paid by banking institutions.
2. Payment and redemption of United States Savings Bonds of Series A-E submitted directly to this bank by the public. United States Savings Bonds of Series F and G 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 issue.

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 securities in safekeeping.

This department delivers Government securities to banks, brokers or individuals on original issue, either over our counter, by registered mail, or by wire transfer to other sections of the country; and also handles the delivery of Government securities in New York City upon instructions received from the other Federal Reserve Banks and branches.

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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 "industrial loans" pursuant to Section 13b of the Federal Reserve Act, and (3) Regulation V (revised) with respect to "war financing," i.e., the issuance of Guarantee Agreements on behalf of the War and Navy Departments and the U. S. Maritime Commission to financing institutions with respect to credits arranged for the fulfilment of war production contracts and in connection with claims arising out of the termination of war production contracts. The activity of the Credit Division under Regulation V entails (a) the receipt of applications,

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(b) the development and summary of credit data with respect to such applications, (c) the issuance of guarantee agreements after authorization by the armed service of the Government, and (d) the servicing of loans made under such guarantee agreements. The division also processes applications under Regulation S but there has been little activity thereunder in recent years.

The Consumer Credit Division administers Regulation W of the Board of Governors with respect to consumer credit. In connection with the enforcement of the regulation the division spot checks the records of lenders and vendors subject to the regulation throughout the Second Federal Reserve District.

DISCOUNT DEPARTMENT

Discount Division

The Discount Division processes all applications by member banks for discounts and advances under Regulation A of the Board of Governors of the Federal Reserve System and pledges eligible paper as part of the collateral to secure Federal Reserve notes. Although applications under Regulations S and V are processed by the Credit Division, the mechanical operations in connection therewith, such as the servicing of collateral, computation of interest, and commitment and guarantee fees, are performed by the Discount Division.

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 and the Commodity Credit Corporation are effected by the R. F. C. Custody Department. Work for the Reconstruction Finance Corporation and its various subsidiaries involves:

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;
2. the receipt, examination and safekeeping of promissory notes and the collateral of borrowers in connection with loans;
3. the receipt, examination and safekeeping of invoices, bills of lading, warehouse receipts and other papers and documents evidencing title to strategic materials;
4. the disbursement, by checks drawn on the Treasurer of the United States, of the amounts of loans and participation therein, subsidy payments and payments for strategic materials and other purposes;
5. the maintenance of complete records of each transaction, including detailed inventory records and the preparation of appropriate reports;

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6. the release of title documents necessary to effect sales of real property and strategic materials; and,
7. the application of funds received in connection with payments of principal and interest on loans, sales of strategic materials and other purposes.

The operations of the bank as fiscal agent, custodian and depository for the Commodity Credit Corporation involve:

1. the disbursement, by checks drawn on the Treasurer of the United States, of the amounts of subsidy payments and payments for various commodities;
2. the application of funds received in connection with sales of such commodities; and,
3. the maintenance of records of each transaction and the preparation of appropriate reports.

Similar services are performed for account of the Smaller War Plants Corporation by this bank as fiscal agent of the Reconstruction Finance Corporation which acts as fiscal agent for its subsidiary the Defense Plant Corporation which in turn acts as fiscal agent for the Smaller War Plants Corporation,

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OPEN MARKET OPERATIONS, TREASURY ISSUES, AND REGULATIONS T AND U

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) pledges of participations in direct obligations of the United States held in the System Open Market Account to secure Federal Reserve notes of each of the Federal Reserve Banks on instructions of the Reserve Bank and its Agent, and also pledges of such obligations held in this bank's own account to secure Federal Reserve notes of this bank on request of this bank, (3) purchases and sales of securities (other than corporate stocks) in the open market for account of member banks, the Treasury Department and foreign correspondents, (4) purchases and sales of Treasury bills at the Federal Reserve System's established buying rate of 3/8 per cent, (5) compilation of statistical information and other data to aid in the planning of new Treasury financing and the meeting of maturities, (6) making studies, and keeping the Treasury and the Board of Governors currently informed of market conditions in Government securities, and (7) preparation of reports covering market conditions and operations. This

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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.

The Securities Division 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. Upon request, it confers with banks regarding the eligibility of acceptances. It assembles statistical data from accepting institutions regarding bankers' acceptances for publication and distribution to such institutions and to the market. It also receives weekly reports from dealers and compiles statistics therefrom for the use of this bank and the Federal Open Market Committee.

SECURITY LOANS DEPARTMENT

This department administers Regulations T and U of the Board of Governors of the Federal Reserve System 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,

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BUFFALO BRANCH

The Buffalo Branch - which directly serves the ten westerly counties of New York State, including the Cities of Buffalo and Rochester - also performs most of the functions performed by the head office of the bank in New York City. The Branch pays out and receives currency, receives deposits for account of the Government, handles and clears ordinary dollar checks and ration checks, handles withheld taxes, and issues Treasury Savings Notes and all series of Savings Bonds, and redeems Series E and earlier series of Savings Bonds. It also makes loans to member banks, performs custodian and other services for member banks, administers the consumer credit regulation, performs custodian, disbursing and other services for the Reconstruction Finance Corporation and the Defense Plant Corporation, and in other ways serves the financial community and banking institutions in western New York.

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FEDERAL RESERVE BANK OF NEW YORK ORGANIZATION CHART

