FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 3330
April 23, 1948]

Public Notice of Offering of $1,000,000,000, or thereabouts, of 91-Day Treasury Bills

Dated April 29, 1948 — Maturing July 29, 1948

To all Incorporated Banks and Trust Companies in the Second Federal Reserve District and Others Concerned:

Following is the text of a notice today made public by the Treasury Department with respect to a new offering of Treasury bills payable at maturity without interest to be sold on a discount basis under competitive and non-competitive bidding.

FOR RELEASE, MORNING NEWSPAPERS,
Friday, April 23, 1948.

TREASURY DEPARTMENT
Washington

The Secretary of the Treasury, by this public notice, invites tenders for $1,000,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing April 29, 1948, to be issued on a discount basis under competitive and non-competitive bidding as hereinafter provided. The bills of this series will be dated April 29, 1948, and will mature July 29, 1948, when the face amount will be payable without interest. They will be issued in bearer form only, and in denominations of $1,000, $5,000, $10,000, $100,000, $500,000, and $1,000,000 (maturity value).

Tenders will be received at Federal Reserve Banks and Branches up to the closing hour, two o'clock p.m., Eastern Standard time, Monday, April 26, 1948. Tenders will not be received at the Treasury Department, Washington. Each tender must be for an even multiple of $1,000, and in the case of competitive tenders the price offered must be expressed on the basis of 100, with not more than three decimals, e. g., 99.925. Fractions may not be used. It is urged that tenders be made on the printed forms and forwarded in the special envelopes which will be supplied by Federal Reserve Banks or Branches on application therefor.

Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

Immediately after the closing hour, tenders will be opened at the Federal Reserve Banks and Branches, following which public announcement will be made by the Secretary of the Treasury of the amount and price range of accepted bids. Those submitting tenders will be advised of the acceptance or rejection thereof. The Secretary of the Treasury expressly reserves the right to accept or reject any or all tenders, in whole or in part, and his action in any such respect shall be final. Subject to these reservations, non-competitive tenders for $200,000 or less without stated price from any one bidder will be accepted in full at the average price (in three decimals) of accepted competitive bids. Settlement for accepted tenders in accordance with the bids must be made or completed at the Federal Reserve Bank on April 29, 1948, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 29, 1948. Cash and exchange tenders will receive equal treatment. Cash adjustments will be made for differences between the par value of maturing bills accepted in exchange and the issue price of the new bills.

The income derived from Treasury bills, whether interest or gain from the sale or other disposition of the bills, shall not have any exemption, as such, and loss from the sale or other disposition of Treasury bills shall not have any special treatment, as such, under the Internal Revenue Code, or laws amendatory or supplementary thereto. The bills shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority. For purposes of taxation the amount of discount at which Treasury bills are originally sold by the United States shall be considered to be interest. Under Sections 42 and 117 (a)(1) of the Internal Revenue Code, as amended by Section 115 of the Revenue Act of 1941, the amount of discount at which bills issued hereunder are sold shall not be considered to accrue until such bills shall be sold, redeemed or otherwise disposed of, and such bills are excluded from consideration as capital assets. Accordingly, the owner of Treasury bills (other than life insurance companies) issued hereunder need include in his income tax return only the difference between the price paid for such bills, whether on original issue or on subsequent purchase, and the amount actually received either upon sale or redemption at maturity during the taxable year for which the return is made, as ordinary gain or loss.

Treasury Department Circular No. 418, as amended, and this notice, prescribe the terms of the Treasury bills and govern the conditions of their issue. Copies of the circular may be obtained from any Federal Reserve Bank or Branch.

In accordance with the above announcement tenders will be received at the Securities Department of this bank (9th floor, 33 Liberty Street) New York 45, N. Y., or at the Buffalo Branch of this bank (270 Main Street) Buffalo 5, N. Y., up to two o'clock p.m., Eastern Standard time (three o'clock p.m., "Daylight Saving time"), on Monday, April 26, 1948. It is requested that tenders be submitted on special form printed on reverse side and returned in special envelope enclosed herewith. *Payment for the Treasury bills cannot be made by credit through the War Loan Deposit Account. Settlement must be made in cash or other immediately available funds or in maturing Treasury bills.*

ALLAN SPROUL, *President*.

(Extract from Treasury Department statement released for publication April 20, 1948, announcing results after tenders were opened for Treasury bills dated April 22, 1948 maturing July 22, 1948)

Total applied for............$1,691,144,000

Total accepted ....$1,001,226,000 (includes $42,816,000 entered on a non-competitive basis and accepted in full at the average price shown below)

Average price........ 99.748 Equivalent rate of discount approx. 0.997% per annum

Range of accepted competitive bids:

High .... 99.754 Equivalent rate of discount approx. 0.973% per annum

Low .... 99.747 Equivalent rate of discount approx. 1.001% per annum

(52 percent of the amount bid for at the low price was accepted)

Federal Reserve District	*Total Applied for*	*Total Accepted*
Boston	$ 10,750,000	$ 10,750,000
New York	1,453,633,000	838,745,000
Philadelphia	35,725,000	14,589,000
Cleveland	31,750,000	26,422,000
Richmond	5,475,000	5,379,000
Atlanta	3,215,000	3,215,000
Chicago	58,290,000	36,764,000
St. Louis	2,004,000	1,860,000
Minneapolis	2,295,000	2,151,000
Kansas City	10,853,000	10,597,000
Dallas	5,810,000	5,810,000
San Francisco	71,344,000	44,944,000
TOTAL	$1,691,144,000	$1,001,226,000

(OVER)

IMPORTANT—If it is desired to bid on a competitive basis, fill in rate per 100 and maturity value in paragraph headed "Competitive Bid". If it is desired to bid on a non-competitive basis, fill in only the maturity value in paragraph headed "Non-competitive Bid". *DO NOT fill in both paragraphs on one form. A separate tender must be used for each bid.*

No...

TENDER FOR 91-DAY TREASURY BILLS

Dated April 29, 1948. **Maturing July 29, 1948.**

Dated at ....

....1948

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

COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 23, 1948, as issued by the Secretary of the Treasury, the undersigned offers ....* for a total amount of
(Rate per 100)

$.................................. (maturity value) of the Treasury bills therein described, or for any less amount that may be awarded, settlement therefor to be made at your bank, on the date stated in the public notice, as follows:

By surrender of the maturing issue of Treasury bills.................. $____________

By cash or other immediately available funds .... $____________

NON-COMPETITIVE BID

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 23, 1948, as issued by the Secretary of the Treasury, the undersigned offers a non-competitive tender for a total amount of $..................................
(Not to exceed $200,000)

(maturity value) of the Treasury bills therein described, at the average price (in three decimals) of accepted competitive bids, settlement therefor to be made at your bank, on the date stated in the public notice, as follows:

By surrender of the maturing issue of Treasury bills.................. $____________

By cash or other immediately available funds .... $____________

The Treasury bills for which tender is hereby made are to be dated April 29, 1948, and are to mature on July 29, 1948.

This tender will be inserted in special envelope entitled "Tender for Treasury bills".

Name of Bidder..
(Please print)

By ...., ...
(Official signature required) (Title)

Street Address ....

....
(City, Town or Village, P.O. No., and State)

If this tender is submitted for the account of a customer, indicate the customer's name on line below:

....
(Name of Customer) (City, Town or Village, P.O. No., and State)

Use a separate tender for each customer's bid.

IMPORTANT INSTRUCTIONS:

1. No tender for less than $1,000 will be considered, and each tender must be for an even multiple of $1,000 (maturity value). A separate tender must be executed for each bid.

2. If the person making the tender is a corporation, the tender should be signed by an officer of the corporation authorized to make the tender, and the signing of the tender by an officer of the corporation will be construed as a representation by him that he has been so authorized. If the tender is made by a partnership, it should be signed by a member of the firm, who should sign in the form "..., a copartnership, by ...., a member of the firm".

3. Tenders will be received without deposit from incorporated banks and trust companies and from responsible and recognized dealers in investment securities. Tenders from others must be accompanied by payment of 2 percent of the face amount of Treasury bills applied for, unless the tenders are accompanied by an express guaranty of payment by an incorporated bank or trust company.

4. If the language of this tender is changed in any respect, which, in the opinion of the Secretary of the Treasury, is material, the tender may be disregarded.

Payment by credit through War Loan Deposit Account will not be permitted.

** Price must be expressed on the basis of 100, with not more than three decimal places. Fractions may not be used.*

at 3330

President's Report to Directors for 1947

FEDERAL RESERVE BANK OF NEW YORK

FEDERAL RESERVE BANK OF NEW YORK

President's Report to Directors for 1947

CONFIDENTIAL

FEDERAL RESERVE BANK
OF NEW YORK

April 20, 1948.

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

Herewith is a confidential report on the operations of the bank during the year 1947. It gives a more detailed and intimate view of internal operations than is possible or appropriate in a public document such as our annual report to the stockholders of the bank.

The form of the report follows the proposal I made to the directors last year looking toward the continuance of those features which had proved useful, and the elimination of those which had not. In an effort to make the report more compact and readable, it has been printed instead of mimeographed, the cost being about the same.

During 1947 the transition from war to peace-time operations continued, the effects of the transition being especially evident in our fiscal agency operations, where the volume of work declined markedly. In terms of total volume of work and staff requirements, this decline was partially offset by increases in other functions of the bank. Increases were particularly noteworthy in those operations having to do with check collection, the annual volume of checks processed by the bank reaching a new peak during the year. All of our operating and personnel needs were affected to some extent, of course, by the adoption of year-round Saturday closing commencing April 5, 1947. The net result of these various factors influencing size of staff was a reduction, during the year, of 434 employees at the head office and the Buffalo Branch combined (from 4,353 to 3,919).

Of major significance to our employees was the adoption of a new personnel classification plan, effective October 16, 1947, resulting from the job evaluation study which was started in 1946. Designed to assure to each employee compensation appropriate to the importance of his job, in proper relation to the compensation of his fellow employees, the plan was well received by the staff. With continued fair and alert administration, it should be an important factor in the maintenance of high standards of employee performance.

This we shall have to count on, if we are to meet, efficiently and economically, the demands which will be made upon us by the expanded program of military and economic preparedness which lies ahead.

Yours sincerely,

Allan Sproul

President.

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PRESIDENT'S REPORT TO DIRECTORS FOR 1947

OPEN MARKET OPERATIONS

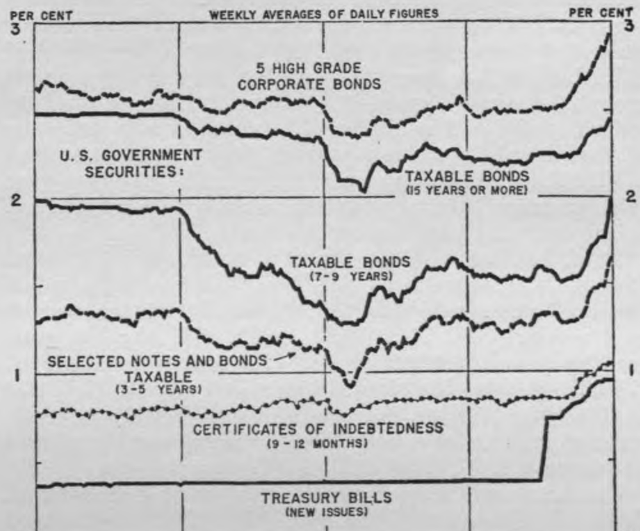
The Federal Reserve Bank of New York, as agent for and under the direction of the Federal Open Market Committee, operates the System Open Market Account in which the twelve Federal Reserve Banks participate for the purpose of conducting open market operations in United States Government securities.

The role of open market operations, in furthering Federal Reserve System policy and in facilitating Treasury management of the public debt, was varied and active owing to the diverse and changing influences in the money and Government security markets. Fairly continuous operations by the System were required, on both sides of the market at times, to offset gains or losses in member bank reserve balances and to maintain relative stability in prices of Government securities. In order to help counteract inflationary forces, which grew significantly during 1947, the Treasury and the Federal Reserve System acted in concert, to combine and coordinate management of the public debt with a firmer credit policy. This Bank was the chief executive agent of policy in the adjustment of the volume of Federal Reserve credit, the movement of rates, and the support of Government security prices. Its activities in this capacity were carried forward primarily through open market operations in United States Government securities, which were conducted with a view to restraining inflationary pressures arising out of an expansion in credit, within the limits imposed by the need to maintain stability in the market for Government securities.

The principal factor of expansion in the credit supply during 1947 was a large and fairly continuous inflow of gold amounting to $2.9 billion. Treasury operations, including an active program of debt retirement with emphasis on debt held by the Federal Reserve System, were a counterinfluence exercising a major contractive force to the extent that a cash operating surplus of nearly $7 billion, together with net sales of non-market debt, caused, at times, substantial drains on the reserve positions of commercial banks. Funds from this source were applied in part to the redemption of System-held debt which this bank presented for redemption, in accordance with agreements reached between the Treasury and the System, with a view to curtailing the return flow of funds to the market on Treasury operations. System redemption operations and open market sales, as a means of reducing Federal Reserve Bank credit outstanding, were narrowly circumscribed, however, and the reduction in total holdings from this source was offset in part by purchases dictated by a need to regulate the supply of credit, to control the movement of rates, and to support Treasury bond prices.

One of the problems at which open market operations were directed was the tendency of banks to sell short-term Treasury obligations to the Federal Reserve System in order to obtain funds with which to buy long-term Government securities or to expand loans, thus increasing the credit supply. In an effort to escape, in part, the limiting influence of this tendency, modest increases were permitted in short-term rates on Government securities. The Federal Open Market Committee rescinded the 3/8 of 1 percent fixed buying rate (subject to repurchase option) on Treasury bills and, beginning with the issue dated July 10, 1947, this bank, as agent for the System, administered its bill holdings so as to permit controlled increases in the rate on a basis determined both by bids placed for the System as well as by the market. This step paved the way for changes in other short-term rates, particularly the one-year rate for Treasury certificates. Effective with the issue dated August 1, 1947, the Treasury began a program of refunding maturing certificate and note issues on more favorable terms by shortening maturities or increasing the coupon rate. These operations created a certain amount of pressure on the longest maturities of certificates of indebtedness and Treasury notes during the period of rate increase, and necessitated active support operations conducted by this bank to maintain conditions in the market in order to assure the success of Treasury refunding operations and the continuance of appropriate relationships for other short-term rates. The rate for ninety-one day Treasury bills, which had been rigidly held at 3/8 of 1 percent for some five years, was permitted to rise to about 0.95 percent, while the one-year coupon rate for Treasury certificates was increased from 7/8 to 1 1/8 percent by the end of the year. System open market operations facilitated the increase in rates. Downward pressure on long-term rates, which was a particular problem in the second and third quarters of the year, was also eased through the influence of this program supplemented by sales, for Treasury Trust Accounts, of $1.8 billion long-term Treasury bonds (such sales being executed by this bank, as fiscal agent of the United States), and by the offering by the Treasury Department of a new issue of nonmarketable long-term 2 1/2 percent bonds.

Yields on Treasury and Corporate Securities



System open market account operations, which, during the greater part of the year, were governed by considerations of regulating the volume of credit and the movement of short-term rates, entered a new phase late in the third quarter of the year, when the character of the Treasury bond market changed from one of strong demand and limited supply to one of uncertainty as to the adequacy of available investment funds to meet all requirements. Doubts developing at this time as to the future course of the interest rate curve were strengthened by increases in the certificate and bill rates in the final quarter of the year. Prices of long-term Treasury bonds began to decline, while the bank demand for short-term Treasury obligations increased. By the middle of November, bond prices had declined to such an extent as to require intervention, through System open market account operations, to maintain orderly market conditions under what was at first a reluctant, and later, at lower levels, an aggressive, policy of price support. Heavy and continuous purchases of Treasury bonds made in this connection were the first transactions of their kind undertaken in any magnitude since December 1942. These purchases, totaling $1,925 million, were, however, almost entirely offset in the last quarter of the year by sales and redemptions of $1,600 million short-term Treasury obligations which some sellers of bonds were buying on a replacement basis.

The uncertainties created by the lowering of our support levels on December 24, led to extremely heavy sales of Treasury bonds by the banks and other investors during the last week of the year, these being only partly offset by redemptions and by sales of short-term securities by the Federal Reserve Banks. This had the effect of creating a temporary bulge in the excess reserves of member banks of about $500 million at the year end, but the situation was quickly corrected early in 1948 by redemptions and by net sales of Government securities by the System.

During the year, under the direction of the Federal Open Market Committee, we purchased in the open market for the twelve Federal Reserve Banks, securities having a total face value of over $21.6 billion, and sold or presented for payment securities having a face value of $27.1 billion. Treasury bills purchased by us for our own account at the ⅜ percent buying rate and repurchase option established in 1942 and terminated with the issue of Treasury bills which matured October 2, amounted to $19.2 billion, while bills amounting to $22.4 billion were sold, presented at maturity for payment, or transferred to the System Open Market Account.

Total holdings of Government securities at all Federal Reserve Banks amounted to $22,559,334,200 at the end of 1947, as compared with $23,349,685,000 at the end of 1946 and $20,763,563,000 on June 19, 1947, the low point for the year. The net decline for the whole year of $790,350,800 was the result of a decline of $3,311,573,000 in Treasury bills, an increase of $421,743,000 in certificates of indebtedness and Treasury notes combined, and an increase of $2,099,479,200 in Treasury bonds.

The total holdings of such securities at this bank at the year end amounted to $5,697,741,200, as compared with $5,799,794,000 at the end of 1946 (including Treasury bills held in the option account).

FISCAL AGENCY OPERATIONS

Government Financing Operations

Government financing during 1947 was characterized by (1) redemption of $11 billion of marketable Government securities, for the most part short-term issues held largely by banks, (2) refunding all or part of certain matured issues and (3) continued sales of non-marketable savings issues to non-bank investors.

The reduction in the public debt resulting from the redemption of $11 billion of marketable obligations outstanding was partially offset by a net increase of $3 billion in the amount of non-marketable savings issues, an increase of $4.4 billion in special issues held by Government trust funds and an increase of $1.3 billion in non-interest-bearing notes issued to the International Bank and Monetary Fund. The net decrease during the year in the public debt was $2.5 billion. The increase in non-marketable savings issues outstanding was accounted for by net sales of Savings Bonds amounting to $1.8 billion, $500 million increment in value of outstanding Savings Bonds, and a $900 million new issue of 2½ percent Treasury Bonds, Investment Series A-1965. This issue was noteworthy by reason of the fact that, except for Savings Bonds and Savings Notes which are on continuous sale and the regular weekly offering of Treasury Bills, it was the first cash offering made by the Treasury since the Victory Loan Drive in December, 1945. The bonds were offered for subscription only by insurance companies, savings banks, savings and loan associations, pension and retirement funds, fraternal benefit associations, endowment funds, credit unions and commercial banks holding time or savings deposits. Subscriptions (except those for account of commercial banks) were limited to 25% of the increase in net assets of the subscriber in the six months ending June 30, 1947, or $250,000, whichever was greater. Commercial banks were permitted to subscribe in an amount up to 25% of the increase in savings and certain time deposits in the same period, or $25,000, whichever was greater. This bank received 1,086 subscriptions for the new investment bond, amounting in the aggregate to $400 million.

Redemption of Armed Forces Leave Bonds

Armed Forces Leave Bonds were issued to certain veterans of World War II as compensation in lieu of terminal leave, in acordance with the provisions of the Armed Forces Leave Act of 1946. The act provided that each eligible veteran discharged from the armed forces after January 1, 1943, was entitled to receive a bond, dated as of the first day of the calendar quarter next following the date of his discharge and maturing 5 years from such date. On this basis, the first maturity would have occurred on April 1, 1948, and subsequent maturities would have occurred at three-month intervals thereafter, with the largest amounts falling due in the last part of 1950 and the early part of 1951.

The Armed Forces Leave Act of 1946 was amended by Public Act No. 254, 80th Congress, effective July 26, 1947, which provided, in effect, that all Armed Forces

Leave Bonds would become payable on demand at the option of the owners beginning September 2, 1947. The amendment further provided that all financial institutions qualified as agents for the payment of United States Savings Bonds would be authorized to pay Armed Forces Leave Bonds in substantially the same manner.

Armed Forces Leave Bonds were redeemed in large volume commencing on September 2. In the month of September alone, our Savings Bond Redemption Department received 475,000 bonds, having an aggregate redemption value of more than $101 million. By the end of the year, 738,586 bonds with an aggregate redemption value of $155,472,000 had been redeemed by this bank. It was estimated that this amount represented 67% of all the Armed Forces Leave Bonds held in this District.

The handling of this volume of work with very little advance notice and with no increase in mechanical equipment or personnel posed some difficult questions of operation. The peak in volume experienced in September was handled largely in overtime work covering a period of about 6 weeks, and bonds received subsequently were absorbed in the normal Savings Bond redemption operation.

Consolidation of Savings Bond Operations

Early in 1947, consideration was given to consolidating the work conducted at the Buffalo Branch, in connection with the redemption of United States Savings Bonds paid by paying agents, with the same type of work conducted at the head office.

When provision was first made for the redemption of Savings Bonds through paying agents in October 1944, it was determined that the Buffalo Branch would handle the bonds paid by about 150 agents situated in the branch territory. This was an economical operation as long as the volume of redemptions remained high. When the volume commenced to decline, however, it became apparent that, because of the items of fixed cost which were duplicated to a certain extent when the operation was conducted at two points and which could not be readily adjusted to reduction in volume, it would be more economical for the head office to handle the redemption of paid Savings Bonds received from all paying agents in the District. Accordingly, this operation at the branch was concluded on June 30, 1947, and thereafter all paying agents in the branch territory forwarded paid bonds to the head office. Since the head office was able to absorb the additional volume of work without any substantial increase in expense, the consolidation resulted in substantial economies.

Further economies were realized as the result of a second consolidation of operations at the head office. For the past several years, the principal phases of the bank's operations, as fiscal agent of the United States, in connection with the issue, reissue and redemption of United States Savings Bonds have been divided between two departments at the head office. The Government Bond Department conducted all operations relating to original issues and reissues of bonds and the consignment of unissued bond stock to issuing agents. This work was substantial and involved 224 employees at the beginning of 1947. The Savings Bond Redemption Department handled all redemption of Savings Bonds, including those paid by paying agents, and also maintained files relating to all Savings Bond operations. The number of employees in the department at the beginning of the year was 342.

During the year, it was proposed that substantial economies in space and personnel could be realized by combining all Savings Bond issue, reissue, consignment and redemption operations in a single department, to be known as the Savings Bond Department. The Planning Department reviewed and approved this proposal and assisted in putting it into effect on October 6, 1947. The consolidation resulted in a saving of nearly 3,000 square feet of floor space, a reduction in personnel, and reduced rental of machinery and equipment. At the end of the year, there were 437 people in the Savings Bond Department, and a further contraction is anticipated. These economies were effected in spite of the absorption of the work previously performed at Buffalo, and temporary increase in redemption operations resulting from the redemption of Armed Forces Leave Bonds.

Issue, Exchange and Redemption of Government Securities

Transactions in connection with the issue, exchange and redemption of marketable Government securities handled during 1947 by the bank, as fiscal agent of the United States, were at slightly lower levels than during 1946. The volume of such transactions, although substantially below the volume handled during the years between 1941 and 1945, remained considerably in excess of that experienced in any year before the beginning of defense and war financing.

The number of United States Savings Bonds delivered by the bank in connection with original issues was 8,632,000 in 1947. This compares with 12,255,000 bonds handled in 1946, a decline of nearly 30%, reflecting decreased sales of these bonds. The decline in aggregate issue price of bonds delivered (from $1,171,375,000 to $985,299,000) was about 15%, indicating that the decrease in sales was principally in bonds of the smaller denominations. The number (13,873,000) of Savings Bonds redeemed in the Second Federal Reserve District in 1947 was about 25% less than the number redeemed in 1946, and the aggregate redemption value of such bonds ($856,828,000) was 22% less.

Reconstruction Finance Corporation

The Corporation has been terminating its wartime activities while at the same time undertaking a reorganization of its accounting records and procedure. The accounting records of the Corporation, relating to lending programs for which its district Loan Agencies have administrative responsibility, have been maintained in Washington, and duplicate records have been kept at the Federal Reserve banks. These records are being decentralized and each district Loan Agency will ultimately maintain complete accounting records in connection with the lending programs it administers. The duplicate accounting records which we have maintained have been or will be eliminated as and when the New York Loan Agency can assume responsibility for them. To date, approximately 60% of such records has been discontinued by us.

The disbursements and collections made by us during the year for all activities of the Corporation aggregated $424,000,000 and $662,000,000, respectively, as compared with disbursements and collections of $649,000,000 and $997,000,000 the previous year. This represents a decrease of approximately 35% and 34%.

The gradual termination of the Corporation's wartime activities and the decentralization plan of the Corporation resulted in the abolishment of the Defense Plant, Defense Supplies and the Washington Proof sections of the R. F. C. Custody Department. In keeping with the decreased volume of work, the personnel assigned to the department declined from 245 employees at the beginning of the year to 98 at the end of the year, a decrease of 60%.

Foreign Funds Control

As of the beginning of the year 1947 the Foreign Funds Control activities of all other Federal Reserve banks were transferred to this bank. Despite this, a substantial reduction in work volume and personnel was achieved during the early months of the year. Progress in liquidation of this wartime function was arrested, pending determination of a number of complex questions of policy such as the disposition of (a) blocked property held for account of nationals of countries with which defrosting agreements have not been made, (b) blocked property held for account of nationals of countries with which defrosting agreements are in effect, but whose owners have failed to apply for unfreezing through a certification procedure pursuant to such agreements, and (c) dollar securities which are reported to have been looted during the German occupation of certain European countries.

Secretary of the Treasury Snyder has announced that, effective June 1, 1948, the Treasury Department will cease to have jurisdiction of blocked foreign funds. On that date, the jurisdiction over the remaining blocked assets will be transferred from Foreign Funds Control in the Treasury Department to the Office of Alien Property in the Department of Justice. Presumably our connection with this work will then cease.

International Bank for Reconstruction and Development

In accordance with provisions of the Bretton Woods Agreements Act we were requested to act as fiscal agent of the International Bank for Reconstruction and Development in connection with its first two issues of bonds. These were $150,000,000 principal amount of twenty-five-year 3% bonds and $100,000,000 principal amount of ten-year 2¼% bonds, both dated July 15, 1947.

After the bonds had been offered by the International Bank early in July, we prepared and sent confirmations of the allotments to more than 1,700 dealers throughout the country and subsequently received their instructions for delivery of the bonds allotted. On July 28, 1947, we delivered 237,724 bonds in 3,540 deliveries over the window and received payment therefor for account of the International Bank; no deliveries were made by mail.

As fiscal agent of the International Bank, this Bank conducts a variety of transactions in the outstanding bond issues. A supply of unissued bonds is maintained in our vaults for use in making various transfers and exchanges, such as denominational exchanges. We issue and pay checks in payment of interest on registered bonds, and also pay interest coupons detached from coupon bonds and presented to us. All bonds issued are authenticated by us as registrar, by manual signature of one of our officers. Prior to the end of the year, more than 250,000 pieces had been authenticated and issued. The bonds now outstanding are in temporary form, and when permanent bonds have been prepared we will authenticate them and issue them in place of the temporary bonds which will be presented to us for exchange. We also maintain various records showing in detail all transactions involving the issuance and retirement of bonds of the International Bank.

PERSONNEL

The number of employees at the head office continued to decline during 1947, reaching 3,755 at the year end as against 4,142 a year previously. The year-end figure was approximately 20.4% below the peak of 4,737 reached in July 1944.

The net decline in number of employees was the result of two opposing factors. There was a sharp reduction in the number of employees devoting their time to the work of the bank on behalf of the United States Treasury and the Reconstruction Finance Corporation, while there was a moderate increase in the number of employees engaged in other bank work. To the extent possible, an attempt was made to transfer employees no longer needed in fiscal agency work, to other departments. Such transfers were limited, however, by the fact that the principal need for help was in departments, such as the Check Department, requiring relatively unskilled workers. It seems probable that the number of employees in the bank as a whole may expand slightly during 1948, as a result of continuing needs of this character, which are difficult to meet because of a lack of desirable applicants for work of this sort.

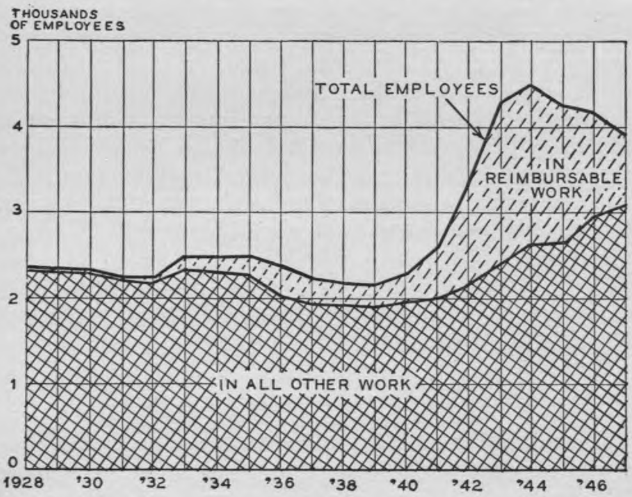
The following table covering the years 1943-1947, inclusive, shows some basic statistics concerning the head office employment situation:

	1943	1944	1945	1946	1947
Employees, close of business Dec. 31...	4,415	4,367	4,294	4,142	3,755
Employees, average number, engaged in work reimbursable by U. S. Gov't. and its agencies ...	1,844	1,893	1,584	1,218	820
Employees, average number, all other...	2,422	2,601	2,662	2,949	3,070
Applicants ...	12,178	4,736	6,002	8,346	7,405
Hired ...	2,729	1,379	1,043	948	565
Separations* ...	2,008	1,427	1,116	1,100	952
Dismissals (included in Separations)...	109	133	120	246	402

* Includes entered military service, resigned, dismissed, retired, died, became officers.

The chart appearing below illustrates the fluctuations in yearly average employment in the bank during the past twenty years, and shows the effect of reimbursable work performed for the United States Government and agencies thereof, on total employment.

Fluctuations in Yearly Average Employment, 1928-47



Salary Administration

The major development of the year 1947 affecting employees' salaries was the adoption of a new personnel classification plan. This was the result of a job evaluation program undertaken by the bank, in common with the other Reserve Banks, in 1946. Pursuant to the program, each job in the bank was carefully analyzed and described; and each job was compared with every other job to determine the relative difficulty and rank of all the jobs in the bank. On the basis of this analysis and evaluation, ranges of pay were established for all jobs. These ranges were fixed after a survey, made in April 1947, of the salaries paid by progressive industrial, commercial, financial, and utility enterprises in New York City. The midpoint of our salary range was established close to the top of the highest quarter bracket of this quality community rate structure.

The new personnel classification plan was put in effect in the fall of 1947. The 681 employees who were receiving salaries less than the minimums for their respective salary grades under the plan received increases, effective October 16, 1947, to bring their salaries to such minimums. These increases totalled $89,446, or 0.84% of the then existing salary liability. As of the same date, 263 employees were receiving salaries in excess of the maximum rates for their respective salary grades by an aggregate amount of $52,787, or 0.49% of salary liability. Effort has been, and will continue to be, made to place these employees in more responsible (and higher paying) jobs than those to which they were then assigned. By December 31, 1947, the number of employees whose salaries exceeded the maximums for the jobs to which they were assigned had been reduced to 223 and the excess to $39,425, or 0.37% of the year-end salary liability.

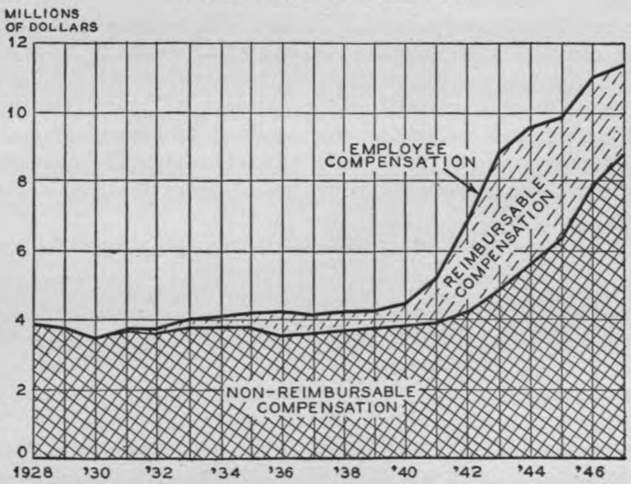
Adoption of the new personnel classification plan is in keeping with the current trend in industry and represents a more systematic approach to the question of employee relations and compensation. Such plans, however, are not static. Management must be continually alert to maintain proper internal alignment and an appropriate relationship with the community market. A continuous review of the content and description of jobs and periodic market surveys are contemplated.

The following figures, covering the years 1943-1947, inclusive, show employee salary liability at the head office as of the close of business on December 31 of each year. Supplementary compensation which was paid prior to January 1, 1946, has been treated as part of salary.

	1943	1944	1945	1946	1947
Salary liability (in thousands of dollars)	$8,503	$8,790	$9,515	$11,242	$10,621

The following graph shows the changes in annual employee compensation for the past twenty years and the extent to which such compensation was reimbursable by the United States Government and its agencies. The term "compensation" for purposes of the graph, includes basic salary, supplemental compensation, separation pay, overtime and "breakfast money".

Total Yearly Compensation Received by Employees and Extent Reimbursable, 1928-47



The Federal Reserve Club

During 1947, the Club continued to demonstrate its usefulness to its members, and indirectly, to the bank. Membership in the Club averaged approximately 84% of all employees. The Club sponsored some fifty different social, recreational and other activities in 1947. Exit interviews with employees resigning voluntarily underscored the popularity of the Club with the employees. While the cafeteria, which is not a Club-sponsored project, was most frequently named by resigning employees as the individual feature of the bank which they enjoyed most, the Club and its various activities collectively, were mentioned more frequently.

Group Life Insurance

The bank's plan providing group life insurance coverage on an optional basis in amounts ranging from $500 to $3,000, depending on the salary and sex of the insured, continued unchanged during the year. Participants pay $7.20 per annum for $1,000 of insurance. As of December 31, 1947, 2,735 persons or 71.6% of the staff participated in the plan. Death benefits of $58,000 were paid to the beneficiaries of 19 employees and 1 officer who died during the year. Because of changes in economic conditions since the present plan was set up in 1935, consideration is being given to the practicability of some plan providing increased coverage.

Blue Cross Plan and Doctors' Plan

The bank provides members of its staff with protection, if desired, under the Blue Cross Plan and Doctors' Plan. "Individual", "husband and wife" or "family" coverage is afforded, the bank paying two-thirds of the premium. In 1947 the cost to the bank was $80,757 and to participants $41,364. The plan provides certain protection against the usual hospitalization and related expenses, together with in-hospital medical and surgical care. As of December 31, 1947, 3,180 persons or 83.3% of the staff were members of the plan. During the year 1947, members of the bank's staff insured under the plan filed 630 claims for 5,065 days' hospital care, costing $55,190, and 466 claims for medical and surgical care amounting to $31,559. The plan has contributed substantially to employee security and seems to have had a beneficial effect on morale.

Payroll Deductions for Series E Savings Bonds

As of December 31, 1947, 2,351 members, or 61.6% of the bank's staff were purchasing Series E Savings Bonds under the payroll deduction plan, the average deduction being about 3.6% of salary. Although continuing efforts were made during the year to encourage maximum participation, there has been a reduction compared with December 31, 1946 when 64.6% of the staff participated with an average deduction of 3.9% of salary.

Five-day Week

Permissive State legislation made Saturday closing possible, and commencing Saturday, April 5, 1947, this bank and the other banks in New York City elected to remain closed on Saturdays throughout the year. Since then we have been on a five-day week.

Saturday closing did not involve the formal lengthening of the hours worked on the remaining five work days. The bank continued on a variable workweek under which all employees with a few exceptions are expected to work such periods as may be necessary to complete the work of their respective units each day. Actually, some employees have occasionally had to work longer on their remaining work days than would have been necessary prior to Saturday closing. The difficulty of operating smoothly some of the mass production operations of the bank has been accentuated, especially at times when legal holidays make a short week still shorter. The five-day week is, however, exceedingly popular with employees.

FOREIGN OPERATIONS

Assets Held for Foreign and International Account

Continuing the decline which has been apparent since the latter part of 1945, total assets held at the Federal Reserve Bank of New York for foreign account decreased $1,960 million further during 1947 to $3,370 million. This reduction, which reflected the continued heavy foreign requirements for dollar exchange, is even more significant when considered in the light of the shipment of about $2 billion of foreign-owned gold to this country in 1947 and substantial amounts of dollars made available under the United States Government foreign lending program and by the Internationl Bank for Reconstruction and Development and the International Monetary Fund.

In contrast to the substantial decline in total assets held for foreign account, the total assets held for the International Fund and Bank increased from $412 million to $3,039 million during 1947. This increase resulted almost exclusively from the contributions made by the various members (including the United States) of the International Monetary Fund and from the proceeds of the sale of bonds issued by the International Bank.

Of the various types of assets held for foreign account, by far the greatest reduction during 1947 occurred, as can be seen from the table on the following page, in gold held under earmark, which declined from $3,823 million to $2,766 million. The accounts having the greatest reduction in total assets were those of the central banks of Canada, Argentina, Switzerland, China, Belgium, and the Netherlands. Total assets held for account of Bank of England had a net increase of $54 million, drawings of $2,850 million under the $3,750 million British loan, about $500 million of gold imports from England, and drawings of $240 million from the International Fund, offsetting necessary outpayments.

Total Assets Held at Federal Reserve Bank of New York for Foreign and Certain International Accounts
(In Millions)

	Sept. 19, 1945 (High Point)	Dec. 31, 1946	Dec. 31, 1947	Net Change Dec. 31, 1946–Dec. 31, 1947
Foreign Accounts				
Earmarked Gold	$4,175(c)	$3,823(a)	$2,766(b)	—$1,057
Deposits	1,082	508	392	— 116
United States Government Securities	1,589	969	187	— 782
Miscellaneous Securities, Commercial Paper, and Bankers Acceptances	22	30	25	— 5
TOTAL—Foreign Accounts	$6,868	$5,330	$3,370	—$1,960
International Accounts (International Fund and Bank)				
Earmarked Gold	—	$ 6	$ 764	+$ 758
Deposits	—	11	330	+ 319
United States Government Securities	—	395	1,945	+ 1,550
TOTAL—International Accounts	—	$ 412	$3,039	+$2,627
GRAND TOTAL	$6,868	$5,742	$6,409	+$ 667

(a) Includes $156,746,000 held as collateral against loans made by Federal Reserve Banks to foreign central banks.

(b) Includes $132,641,000 held as collateral against loans made by Federal Reserve Banks to foreign central banks; excludes $8,020,000 held for account of domestic commercial banks as collateral against their loans to foreign central banks; excludes $80,814,000 held by Federal Reserve Bank of New York as fiscal agent to secure repurchase agreement with Brazil.

(c) Includes $10,204,000 held as collateral against loan made by Federal Reserve Banks to a foreign central bank; excludes $102,814,000 held for account of a domestic bank against loan to a foreign central bank.

Trends during recent years of total assets held for foreign account and for account of the International Fund and Bank are shown in the accompanying chart. It can be seen that the total for foreign account increased progressively throughout the war years, reaching a record high of around $7 billion in September 1945. The trend was reversed immediately after the end of hostilities and the virtual cessation of the Lend Lease program, and by the end of 1947 the amount of assets held for foreign account, at $3,369 million, was less than half the September 1945 peak.

This bank began to hold assets for the International Fund and Bank in March 1946. There was a gradual increase in these holdings until February 1947, when they rose abruptly to $3.4 billion largely as a result, as mentioned above, of the payment by member countries of their contributions to the International Monetary Fund. Subsequent disbursements by both the Fund and Bank brought the total by the end of the year to $3,039 million.

Total Gold and Dollar Assets Held at the Federal Reserve Bank of New York for Foreign Accounts and for International Fund and Bank

Changes in Status of Foreign Accounts

During the past year a new account was opened in the name of Banco Central de la Republica Dominicana—the new central bank of the Dominican Republic, which opened in October 1947. Gold formerly held in an account for Banco de Reservas de la Republica Dominicana was transferred to the account of the new bank. The account in the name of Banco Central de Guatemala was closed during the year; it will be recalled that in 1946 an account was opened for Banco de Guatemala, which had assumed the central bank functions of Guatemala. At the end of the year, negotiations were under way for the opening of an account for the Austrian National Bank, the previous account of that bank having been closed out when Germany absorbed Austria.

Two new fiscal agency accounts were opened during the year, one entitled "Military Governments for Germany (US/UK) Joint Export Import Account," and the other in the name of "Tripartite Commission for the Restitution of Monetary Gold." The former account is designed to facilitate the foreign trade of the British-American zone of Germany, under the direction of the Military Governments for Germany (US/UK) Joint Foreign Exchange Agency. The Tripartite Commission was established for the purpose of implementing Part III of the Agreement on Reparations signed in Paris on January 14, 1946. It operates independently, but in close cooperation with the Inter-Allied Reparations Agency, and is responsible for the settlement of claims and the distribution of looted gold, including gold recovered in Germany. The fiscal agency accounts in the names of Banque Algerie Tresorerie Afrique Nord, Banque de l'Afrique Occidentale S. A. (Tresor Central), and Banque d'Etat du Maroc S. A. Tresorerie Afrique Nord, which were established primarily in connection with this Government's wartime operations in North Africa, were closed during 1947.

Owing primarily to political considerations the accounts in the names of the central banks of Bulgaria, Hungary, Rumania, and Yugoslavia have remained dormant. The accounts are still blocked under the Treasury Department's freezing control, and certifications by the Secretary of State under Section 25(b) of the Federal Reserve Act have not been issued.

Loans on Gold

The increased activity in loans on gold to our foreign correspondents, which first developed in 1946, continued throughout the past year, although the total of such loans outstanding declined from $147.3 million to $50.6 million during the period.

The arrangements in effect with respect to the loans outstanding at the year-end provide for three-month advances up to stipulated maximum amounts. Renewals thereof are subject to further arrangements at maturity. The loans are fully secured, with a slight margin, by gold held in our vaults, and interest is at the discount rate of this bank.

Outstanding at the beginning of the year were advances to the five foreign central banks of Uruguay, Netherlands, Greece, Costa Rica and Nicaragua. New loans were made during the year to the central banks of six countries: Poland, Bolivia, Ecuador, England, Turkey, and France.

Seven central banks liquidated their indebtedness to us in full during the year. Uruguay repaid the last of our advances against gold in February 1947, after we had advised the central bank that, in view of the fact that loans to it had been on our books for over a year, we were not disposed to grant indefinite renewals. We were obliged to deny Nicaragua's request for a new loan in view of the absence of official relations between the United States Government and the regime in power in Nicaragua. The $130 million loan to De Nederlandsche Bank was paid on April 15, by the use of the proceeds of the gold collateral which the Dutch decided to sell, not having come into the possession of sufficient other dollar funds. At the end of 1947 only the central banks of Greece, Poland, Turkey, and France were indebted to us as the result of loans against gold.

The following schedule shows the loans against gold which were outstanding during 1947:

(In thousands of dollars)

Central bank of	Date of first advance	End of 1946	Maximum outstanding 1947	End of 1947	Date of final repayment
Uruguay	8-17-45	$ 5,000	$ 5,000	$ —	2- 6-47
Netherlands	5-24-46	130,000	130,000	—	4-15-47
Greece	9-24-46	10,800	10,800	8,800	
Costa Rica	10-19-46	1,000	1,000	—	4-21-47
Nicaragua	11-12-46	500	500	—	2-13-47
Poland	4- 8-47	—	17,000	17,000	
Bolivia	4-11-47	—	1,000	—	6-10-47
Ecuador	5- 9-47	—	1,700	—	11- 5-47
England	6-19-47	—	100,000	—	8-21-47
Turkey	9-29-47	—	17,000	14,800	
France	12-22-47	—	10,000	10,000	
Total		$147,300		$50,600	

In addition, the central banks of Bolivia and Nicaragua borrowed during the year from domestic commercial banks against gold held in our vaults.

Gold Movements

There was a marked increase during 1947 in the net gain of gold to the United States from abroad—a movement which began soon after the end of hostilities in 1945. In 1947 the United States' *net* acquisition of gold (other than through new domestic production) amounted to $2,138 million. If allowance is made for this country's gold contribution to the International Monetary Fund, which amounted to $687.5 million, our net gain of gold from foreign accounts alone amounted to $2,826 million. This compared with a net gain of $711 million in 1946. The bulk of the net gain during the past year represented the sale of gold released from earmark for foreign account at this bank. The remainder, amounting to around $740 million, represented gold imported for direct sale to the United States Treasury.

Although earmarked gold held at this bank for foreign and international account showed a net decline of $300 million, the volume of gold transactions handled was at a record level. There were 223 imports totaling over $2 billion, 229 releases from earmark with an aggregate value of $2.2 billion, and 85 transfers within earmark, most of which entailed physical movement of gold, involving another $2 billion.

United States Stabilization Fund

This bank, acting as fiscal agent of the United States, continued during the year to operate the United States Exchange Stabilization Fund under authorization and instructions from the Treasury Department. Pursuant to agreements with Brazil and Mexico, a total of $80 million was advanced to Banco do Brasil during the year and $20 million to Banco de Mexico. In the former case, the advances were against the equivalent amount of cruzeiros and secured by about $80.8 million of gold held at this bank, while in the latter case the advances were solely against the equivalent amount of pesos.

International Bank for Reconstruction and Development

The Federal Reserve Bank of New York performed rather extensive operations during the year as depository of the International Bank for Reconstruction and Development. Our services in this capacity consisted primarily of handling its investments in United States Government securities, receiving deposits, and making payments under loans granted by the Bank. In addition, as provided in the Bretton Woods Agreements Act, we were requested to act as fiscal agent of the International Bank in connection with its first two bond issues dated July 15, 1947. The operations we carried out under the fiscal agency agreement are referred to elsewhere in this report.

Visits to Foreign Central Banks

In the spring of 1947, L. Werner Knoke, Vice President in charge of the Foreign function, and Henry C. Wallich, Chief, Foreign Research Division, visited the central banks of six South American countries. The purposes of these visits were to establish or renew personal contacts with the officials of the central banks, and, at the same time, to gain a more intimate insight into the problems of Latin America.

For the same purposes, Horace L. Sanford, Assistant Vice President in the Foreign Department, and O. Ernest Moore, Manager of the Research Department, visited in the fall of 1947 three additional South American countries, four Central American countries, and Mexico.

Foreign Central Bank Visitors

During 1947, there was a marked increase in the number of representatives of foreign central banks who made their headquarters at this bank in order to study and observe our methods and operations, and, on occasion, those of New York commercial banks.

During the year we received representatives, varying in number from one to three, of the central banks of Australia, China, Colombia, England, Finland, France, India, Iran, New Zealand, Norway, and South Africa, together with two representatives of the Bureau of Banking of the Philippine Government, which is making studies in connection with the organization of a central bank in that country.

We also had the opportunity during the year to discuss common problems with a number of officials of foreign central banks enroute to or from the International Monetary Fund and the International Bank for Reconstruction and Development in Washington, for which they were acting in official capacities.

Staff Group on Foreign Interests

The Staff Group on Foreign Interests, consisting of representatives of the Board of Governors of the Federal Reserve System and the Federal Reserve Bank of New York, continued during the past year to consider problems in the foreign field. Special attention was given to a number of questions concerning gold policies and procedures, and recommendations in this respect were made to the Policy Group of the System. International developments of significance to the System were also reviewed periodically by the Staff Group.

CHECK COLLECTIONS

The annual volume of commercial checks collected by this bank reached a new peak in 1947 when we collected 289.5 million checks as compared with 279.5 million collected during 1946. The highest monthly volume occurred during December 1947 when we handled 28 million checks or 6 million more than December 1946.

This steadily increasing volume, the processing of which has been complicated by the five-day workweek, has required constant attention, at all levels of management and staff, to insure that the efficiency of our operation not only remains at a high level but also to devise ways and means to improve our operation to speed up the collection of checks and to offer the best possible service to member and nonmember clearing banks. Some of the steps taken to accomplish these objectives are described below.

Change in Operating Procedure

Progress has been made in putting into effect the change in operating procedure from the use of I.B.M. punch-card and tabulating equipment in the preparation of cash letters (which had not worked to the satisfaction of either this bank or the member banks) to a manually prepared cash letter. This reconversion included the adoption of a block system of controlling the checks so handled, preparatory procedure and planning, the acquisition of necessary new equipment and the training of personnel.

On March 4, 1947, the preparation by hand of a portion of our outgoing cash letters was begun when 34 employees handled and dispatched 20,000 checks drawn on banks located in New Jersey and Connecticut. Since that time we have continued to train additional personnel and have increased our staff to the point where at the end of the year 1947 we were manually processing an average of 250,000 checks daily, which is about three-fourths of our aggregate New Jersey and Connecticut volume. Our training program has been retarded and a more rapid conversion has been hampered by the delayed delivery of equipment, increased volume of checks handled and because of difficulties in procuring personnel, the need for which has been accentuated by the five-day week. It is impossible at this time to determine when this conversion will be complete. Meanwhile there has been no letdown in our service to the banking and business community, but the efficiency of the operation will be improved when the change-over is consumated.

Limits on Protest and Wire Nonpayment Instructions

A substantial saving in unnecessary expense and labor on the part of both the Federal Reserve banks and the commercial banks and their customers has resulted since the inception of the Federal Reserve check collection system in 1916, through gradually increasing the maximum amount of dishonored items, which are not protested, from $10 to $100, and the maximum amount of unpaid items, on which wire advice of nonpayment is not given, from $500 to $1,000. In addition, such changes have resulted in a faster return of an increasing number of unpaid items as the result of their not being held for protest.

Early in 1947, the Conference of Presidents and the Board of Governors agreed that, provided the banks of the country were in accord, the protesting of all checks should be placed on a voluntary basis through appropriate State legislation. As this program would take considerable time to become effective, it was further agreed that, as interim measures, the minimum protest limit be increased from $100.01 to $500.01, and the wire advice instructions be changed so that such advice would not be given on items of $1,000 and over, which are not paid because of missing, irregular or unsatisfactory endorsements and those bearing on their face instructions not to wire nonpayment. During the year the American Bankers Association polled the banks of the country and a substantial majority of such banks favored each proposal. The uniform instructions regarding protest and wire advice of nonpayment, therefore, have been changed accordingly, effective March 1, 1948.

Air Freight Shipment of Checks

During the past year our program of shipping checks to other Federal Reserve banks and branches as air freight has been further developed. By June 1947 we were making one daily shipment to all other Federal Reserve banks and branches. In November, we began to make two such daily shipments. The first of these daily shipments is made in the evening and is designed to obtain for the participating banks the earliest possible presentment of, and availability for, cash items processed on the day of shipment. The second shipment, which leaves this bank at 4 a. m., is designed to take care of the sizable volume of checks which cannot be processed by the larger banks in time for inclusion in the earlier shipment. It provides for the earliest possible presentment of these items also, although, in most cases, availability of the proceeds is deferred one day.

Our use of air freight has permitted us to give earlier credit of approximately $50,000,000 daily to the participating member banks in the metropolitan area while, at the same time, enabling us to reduce materially the debit float (net balance of uncollected items for which credit has been given) on inter-district check sendings. The use of air freight has also been further developed by other Federal Reserve banks and their branches during the past year. We have cooperated fully in establishing this method of shipment on a system-wide basis and have devoted a considerable amount of time to the supervision of incoming shipments from other Federal Reserve banks, seeking thus to improve the service generally.

In the latter part of 1947, weather conditions and other operational difficulties led to the voluntary grounding of the big DC-6 airliners. This, for a period of about two months, resulted in a serious curtailment of airline service. Because of such interferences, the widespread use of air freight subjects the System check float to wider fluctuations than in the past, but the average amount of float has been reduced. Thus, with the relatively tight situation in the money market, a period of bad flying weather over a sizable portion of the country will directly influence the money market for a few days by holding up the presentment of a considerable volume of checks. We have endeavored to meet this situation, in part, by scheduling more than one shipment each evening to those Federal Reserve banks and branches where our volume is heaviest.

Check Routing Symbol Plan

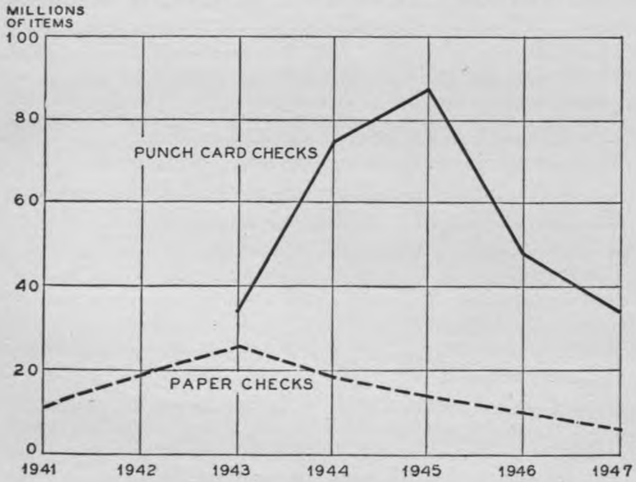
The Federal Reserve System and the American Bankers Association continue jointly to sponsor and to promote the use of a uniformly placed symbol on all checks and drafts which greatly facilitates the sorting, collection and presentment of checks and drafts. We have vigorously pressed the program by visits to banks, by posters and through correspondence, and the check routing symbol has now been adopted by 100 percent of the 930 commercial banks in our district. This compares with a nation-wide ratio of 96 percent according to a survey made as of the first of December 1947.

The volume of checks bearing the symbol has increased steadily. During November approximately 58 percent of the checks passing through our Check Department bore the symbol, a percentage somewhat above the nation-wide average of 45 percent for the corresponding period. In this district the proportion of checks bearing the routing symbol has increased from 30 percent, shown in a survey made as of December 1, 1946, to 58 percent noted above. The increase for the System as a whole over the same period was from 24 to 45 percent, with encouraging progress shown in each district. Since the full benefit of the Check Routing Symbol Plan cannot be obtained until substantially all checks carry the routing symbol, we shall continue to make every effort to maintain this rate of progress in order to hasten the time when the advantages of this needed improvement to the check collection system can be fully realized.

Government Checks

The volume of Government checks handled during 1947 decreased considerably from 1946 as shown on the accompanying chart. Checks in the conventional form (paper) received for collection in 1947 totaled 5,809,000 as compared with 10,167,000 in 1946, a decrease of 4,356,000 or 42 percent. The number of checks in punch-card form received for payment last year was 34,094,000 as compared with 48,332,000 in the previous year, a decrease of 14,238,000 or 29 percent.

Volume of Government Checks Handled, 1941-47



The decrease in the volume of Government checks is attributable in part to a curtailment of wartime activities. A contributing factor with respect to card checks was a change in the place of payment of checks issued for allowances and allotments to dependents of members of the armed forces. Heretofore, such checks were payable through this bank, but since February 1, 1947, when the Office of Dependency Benefits, which issues these checks, was moved from Newark, New Jersey, to St. Louis, Missouri, the checks have been issued payable through the Federal Reserve Bank of St. Louis. The loss in volume due to this change was temporarily offset, to some extent, by a new issue of checks early in the year in connection with veterans' terminal leave payments, covering cash payments in addition to Armed Forces Leave Bonds.

The discontinuance of sugar rationing on June 30, 1947, marked the end of our handling of ration checks.

In line with the declining volume of work, adjustments were made in the clerical and supervisory staffs of the Government Check Department. On January 1, 1947, there were 139 employees assigned to this department, and on January 1, 1948, there were 82 employees assigned, a reduction during the year of 57 employees or 42 percent.

CASH OPERATIONS

Currency and Coin Shipments by Armored Truck

In August a program was inaugurated for transporting currency and coin between Queens County banks (not including branches of New York City banks) and ourselves by armored car at our expense. Prior to that time, some of these banks had been making shipments by registered mail and express, and others had been using armored car facilities at their own expense. The service we have provided has been welcomed and has proved mutually advantageous. It has relieved banks of the risk of exposing their personnel and of the expense of delivering and picking up money shipments at post offices and express offices. It has also assured the participating banks of receiving credit for their deposits on the day dispatched. From our standpoint, it has afforded a substantial saving over transportation costs by registered mail and express, which we paid. It has also permitted concentrating the flow of currency and coin between these banks and ourselves on two specified days of each week. The results of the initial operation have been so satisfactory that the service was extended to a group of banks in Nassau County in January 1948. Consideration will also be given to further extension into other areas within profitable range.

LOANS AND CREDITS

There was an increase in the number of advances made to member banks during 1947, although the daily average of amounts outstanding declined considerably compared with the previous year. During 1947, 2,951 advances were made to 336 member banks, as against 2,305 advances to 299 banks in 1946, all secured by direct obligations of the United States or obligations guaranteed by the United States. The daily average amount of advances outstanding was approximately $47 million compared with $85 million in 1946 when central reserve city banks in New York City were more active users of our credit facilities, particularly during the early months of the year. During 1947 advances outstanding ranged between $4.5 million and $341 million, and the number of banks borrowing between 20 and 114. The amount of advances outstanding to member banks other than the New York City banks did not exceed $52 million at any time.

During 1947 there were no applications received for industrial loans or commitments pursuant to section 13b of the Federal Reserve Act.

BANK SUPERVISION AND BANK RELATIONS

Membership in System

Six banks in this district were admitted to membership in the Federal Reserve System during the year. At the end of the year there were 259 State member banks and trust companies, as compared with 116 nonmember State banks and trust companies in this district. More than 87% of all the commercial banks (national banks and State banks and trust companies) in the district were members of the System, and 69% of all State banks and trust companies in the district were members. Of the remaining number of nonmember State banks and trust companies, about 50, or 44%, were unacceptable for membership because of their capital positions or for other reasons.

New Bank Charters and New Branch Offices

In 1947 two investigations of applications for new national bank charters in this district were made by members of the staff of the Bank Relations Department and in each case disapproval was recommended. The Comptroller of the Currency concurred in these recommendations. Three investigations were also made of applications filed with us by State member banks and trust companies desiring to open new branch offices; one was approved, one disapproved and the third was still being processed. The New York State Banking Department concurred in our action.

Meetings of Bankers

The New York State Bankers Association again held their annual midwinter meeting in our Auditorium on January 20. There were 788 bankers in attendance. We were host to the National Association of Supervisors of State Banks which held meetings here on April 7 and 8. The members of the New Jersey Bankers Association Committee on Federal Reserve Relations for Northern New Jersey and the Council of Administration of the New York State Bankers Association also held meetings here during the year.

In the latter part of the year the Bank Relations Department inaugurated a plan of inviting groups of six to ten representative bankers from each county to meet at the bank for round-table discussions of common problems. The meetings were successful in terms of better acquaintance and better understanding and will be continued.

Tours Through the Bank

Our experience indicates that well-conducted tours through the bank are an important part of our bank and public relations program and we encourage bank officers and employees, college and high school students, as well as adult groups to view our operations in person. Interest in these tours has increased considerably and 2,694 people toured the bank in 1947 as compared with 1,452 in 1946. Of this number, 957 were bank people, 412 college students and 616 high school students. It required 327 separately conducted tours to accommodate these visitors.

RESEARCH STUDIES AND PUBLICATIONS

In the domestic field, the main objects of our research work during 1947 were the postwar performance of the American economy, changes in credit conditions, and the composition of bank assets. Current developments and trends in employment, industrial and agricultural output, and prices were closely followed, and considerable time was devoted to exploring some of the basic long-term problems of the American economy, such as the relationship between income and consumption, the composition of savings, and price trends. A major study of the experience of the Federal Reserve Banks with section 13b loans, undertaken in cooperation with the National Bureau of Economic Research, is nearing completion and will be published in book form. In addition to the routine weekly memoranda on the prospective reserve position of member banks, special studies were prepared for the officers in charge of open market operations. Over 100 articles on domestic financial and economic developments were prepared for our internal periodical, the Business and Financial Summary, and 31 special articles (in addition to the usual articles) were published in the Monthly Review of Credit and Business Conditions. Of the nearly 100 papers written during the year for internal circulation (and occasionally for public distribution), some of the more important ones are listed below:

- The Wholesale Price Level in the Medium Run
- Wage Developments in Recent Months
- Use of the Consumption Function in Short Run Forecasting
- The Role of Dissaving in Economic Analysis
- A Note on Small Business in Depression
- The Impact of the War on the Member Banks—1939 to 1946
- Federal Reserve Regulation of Margin Requirements on Security Loans
- A Study of the Effects of the Primary and Secondary Reserve Proposals
- Some Small Business Problems Indicated by the Industrial Loan Experience of the Federal Reserve Bank of New York
- The Reconstruction Finance Corporation, 1945-46
- The Federal Home Loan Bank System
- Relation between Debits to Interbank Accounts and Debits to All Other Accounts
- Operating Characteristics of Second District Member Banks outside New York City with High Net Operating Earnings relative to Capital Funds

As part of a System project, the Research Department began the monthly compilation of a combined statement of the assets and liabilities of all member banks in the Second District, based on the statements of 49 weekly reporting banks and on monthly reports which we began to receive in January from 750 other member banks covering their loans, discounts, and security holdings. This is the first time that reliable figures have been compiled on a monthly basis covering all assets and liabilities of all member banks in the District. In August the Department inaugurated publication of a combined monthly report of the assets and liabilities of 68 Second District banks (including the 49 weekly reporting banks), with separate figures for banks in New York City, outside New York City, in New Jersey, and in the western, central, and Albany-

Troy-Schenectady areas of New York State. In general, only the larger banks in the principal cities of the District are included in this new series, which permits month-to-month studies of the changes in particular asset and liability items of the banks in different geographical areas of the District.

In addition to the annual retail credit survey, for which better coverage was obtained through personal canvassing, the Department participated in a System survey of commercial and industrial loans made by member banks (begun in 1946) and in another covering loans to farmers; the results of these surveys in the Second District were later published in pamphlet form. The Department assisted the National Bureau of Economic Research in obtaining replies to a mortgage loan survey from banks that had not responded to the Bureau's previous solicitation. The Department's monthly series on consumer loans was broadened by the addition of 29 banks, following personal visits to those institutions. The compilation of sales and stock indexes for department store departmental classifications since 1925 was completed and work was begun on an index of sales of apparel stores.

The most important problems studied during the year in the foreign and international fields were those relating to foreign exchange rates and markets, the causes and implications of the world dollar shortage, the British crisis, the Marshall Plan and its probable impact on the United States balance of payments, the policies and activities of the World Fund and Bank, the present and prospective status of the Bank for International Settlements, the progress in setting up an International Trade Organization, and general problems of central banking. Current foreign and international developments were reported in the Business and Financial Summary and ten articles on international topics were written for the Monthly Review. Among the more important studies completed during the year on foreign and international problems were the following:

- Recommendations of the Preparatory Committee Appointed to Draft a Charter for an International Trade Organization
- Argentina's Shift to a Creditor Status
- The Bank for International Settlements—Wartime Activities and Present Position
- Monetary and Fiscal Policy in Postliberation Austria
- Present Statistical Position of Gold
- A Suggested Economic Recovery Program for Greece
- National Income and Product of the USSR in 1940
- Central Banks and the State Today—A Comparative Study of Postwar Central Bank Laws
- The Nationalization of Central Banks
- Recent Developments in German Banking
- Italian Economy and Finances in Mid-1947
- Nationalization of Australian Banks
- The Unofficial Market in Canadian Dollars
- The Problem of World Dollar Shortage
- The New York Market in Sterling
- The Relationship between Foreign Aid and Internal Stabilization
- The Impact of the European Recovery Program on the United States Balance of Payments

The plan of export credit information on Latin American countries which had been worked out in 1946 was put into operation in the spring of 1947. From the twelve New York City banks which do an important volume of export financing, we now receive monthly reports showing the promptness with which dollar export collections are paid in the various Latin American countries and the total amounts of collections and confirmed letters of credit outstanding at the month-end. The composite data and a brief analysis are published in a monthly press release, supplemented by occasional more extended analysis in the Monthly Review. The purpose of the Latin American export credit survey is to provide for American bankers and exporters a means of judging the volume, liquidity and trend of Latin American export collections in the light of the volume and trend of United States exports to Latin America. The usefulness of the new monthly reports is indicated by the fact that we are now distributing 4,000 copies to some 550 firms and individuals who have asked to be put on the mailing list.

As in previous years, members of our research staff participated actively in, and prepared studies and data for, the various System research committees and the Staff Group on Foreign Interests. They also took part in a number of technical conferences and committee activities outside the System, and spoke on banking subjects at meetings of county bankers' associations.

Foreign Missions

As set forth elsewhere in this report, the manager of the Research Department and the chief of the Foreign Research Division accompanied two senior officers of the Foreign function on two trips which together covered practically the whole of Latin America, for the purpose of discussing problems connected with this bank's handling of foreign central banks' accounts and reporting on financial and economic conditions. In the course of three additional trips to the Dominican Republic, the chief of the Foreign Research Division completed the assistance he had been giving the Dominican authorities in creating a central bank and a national currency. The member of our research staff to whom a leave had been granted in October 1946 so that he could serve as chief of the Taxation Section of the United States Military Government in Austria, returned in May 1947, and in September 1947 a leave was granted to another economist so that he could serve as a financial adviser on the American Mission to Greece.

BUDGET

In February 1947, the Board of Governors of the Federal Reserve System requested the Federal Reserve banks to resume the submission of annual budgets (actually estimates of expenses) which were temporarily discontinued in 1942.

The Board of Governors stated that responsibility for supervision and control of the costs of operating the Reserve banks, including expenses incurred by them as fiscal agents of the United States, is shared by the boards of directors and officers of the banks and the Board of Governors, and also that, as the agency of the Government charged with the responsibility for general supervision of the Reserve banks, the Board should be able to demonstrate whenever necessary that it is in a position to, and does, adequately supervise expenditures of the Reserve banks for salaries and for other purposes.

Conforming with the Board's instructions, a budget for the six months ending December 31, 1947 was submitted during June 1947, and the budget for the year 1948 was submitted in November 1947.

The following is a summary statement of our 1948 budget and a comparison with the budget for 1947:

	1947 Budget	1948 Budget	Increase(+) or Decrease(—)
Current Expenses.....	$14,748,524	$14,901,390	$152,866(+)
Reimbursable Expenses	4,190,766	3,724,698	466,068(—)
Total..........	$18,939,290	$18,626,088	$313,202(—)

While no formal budget was required by the Board during the war period, this bank continued to operate on an Estimate of Expenses basis, in an attempt to control expenditures as far as practicable under the circumstances.

OPERATING CIRCULARS

For a long time we had felt that we should issue to the banks in some easily accessible form our operating circulars covering matters of continuing interest, as distinguished from other circulars containing material of a transitory nature.

Shortly before our entry in World War II we started a review of our circulars but were interrupted by unusual activities during the war, particularly by the publication of documents pertaining to foreign funds control for the Treasury. After the war, we resumed the review of our circulars and on December 8, 1947, our work, which involved a review of a total of 3,291 circulars, was completed when we issued our new set of operating circulars. The new circulars in a new format (in size 6″ by 9″) have been issued in a 3-ring binder entitled "Operating Circulars." The binder contains nineteen operating circulars setting forth, in consolidated and revised form, previously published material of general and continuing interest and effect, relating both to the operations of this bank and to certain of the operations which this bank performs as fiscal agent of the United States. In addition the binder contains the Regulations of the Board of Governors.

OPERATING BULLETINS

We also made an exhaustive study of over 9,000 intrabank bulletins, and on October 1, 1947, issued to officers and chiefs a loose-leaf binder containing a set of revised bulletins. All previous bulletins regarding the respective subject matters of these operating bulletins were superseded. The designation "Operating Bulletin" was used to indicate that these bulletins relate to the operations of the bank which are of continuing interest and effect, and to distinguish them from bulletins which relate to transitory matters, such as changes in personnel, telephone numbers, etc.

BUFFALO BRANCH OPERATIONS

The Buffalo Branch, which directly serves the ten westerly counties of New York State, including the cities of Buffalo and Rochester, provides, for the banks located within its territory, such services as are needed by those banks and which cannot be equally well provided by the Head Office.

With the exception of fiscal agency and other reimbursable work, the operations of the Branch showed an increase in volume during 1947. Current expense and cost of Federal Reserve currency totaled $661,909 in 1947 as compared with $569,924 in 1946. Fiscal agency and other reimbursable expenditures aggregated $89,961 as contrasted with $199,745 in 1946.

Significant developments in the operations of the Branch during 1947 are indicated below.

Fiscal Agency Operations

The year 1947 witnessed a further decline of Fiscal Agency operations at the Buffalo Branch which had progressively lessened since the end of the war. The Savings Bond Redemption Division, which was started on January 21, 1943, and reached a maximum in operations during the latter half of 1945, was discontinued in 1947 and its work transferred to the Head Office.

A survey of withheld tax operations at the Branch has recently been completed by the Treasury Department and it has been decided to transfer this operation to the Head Office, effective February 2, 1948.

Personnel

The number of employees of the Branch decreased from 211 to 164 during the year. There were 63 separations from service and 16 new employees were engaged. The reduction in staff resulted primarily from the elimination of the Savings Bond Redemption and the R.F.C. Custody divisions and the expiration of Regulation W. The Job Evaluation and Personnel Classification Plan was adopted, effective October 16, 1947, with salary adjustments totaling $5,545.50 per annum to bring the salaries of the employees receiving less than the minimum salaries up to the new minimums established for the jobs to which they have been assigned.

All of the 164 employees of the Branch have signed authorizations for deductions from payroll for the purchase of Series E bonds, the total deductions amounting to 6.37 percent of the payroll at the end of the year. All employees are enrolled in the Blue Cross and Blue Shield plans for hospitalization and surgical benefits, and 132 employees, or 80.5 percent, are participating in the group life insurance deduction plan.

Air Freight Shipments of Checks

In March 1947 the Buffalo Branch inaugurated air freight shipments of checks to the New York Office, in which shipments the Buffalo commercial banks participated. Subsequently air express shipments of checks were initiated to other Federal Reserve banks and branches including Boston, Chicago, Philadelphia, Cleveland and Pittsburgh; and air mail shipments are made to other points when the volume does not warrant the use of air freight or air express. Further development of air transportation of checks, with member banks participating, is contemplated.

Inter-district Settlements

Beginning February 2, 1948, direct settlement of balances with other Federal Reserve banks and branches was begun. This service (previously such balances were settled through Head Office) should result in substantial operating advantages both at the Branch and at our member banks.

Loans to Member Banks

A total of 303 loans aggregating $297,073,000 was granted to 31 member banks in 1947 as compared with 194 loans amounting to $259,735,000 made to 30 member banks in 1946. The highest amount of loans outstanding at any one time was $19,025,000 on January 29, 1947.

Bank Membership and Bank Relations

One Rochester trust company with assets of approximately $65,000,000 was admitted to the Federal Reserve System during the year. There were at the end of the year 37 State member banks and trust companies in the branch territory and 30 nonmember State banks and trust companies, of which 5 were deemed to be ineligible or unacceptable for membership.

Bank relations work is carried on in the Branch territory by members of the official staff of the Branch under the general direction of the Head Office. Plans are being made to integrate more closely the work of the Branch and the Head Office in this field.