

FEDERAL RESERVE BANK OF NEW YORK

Fiscal Agent of the United States

[Circular No. 3433
April 8, 1949]

Public Notice of Offering of \$900,000,000, or thereabouts, of 91-Day Treasury Bills

Dated April 14, 1949

Maturing July 14, 1949

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 8, 1949.

TREASURY DEPARTMENT
Washington

The Secretary of the Treasury, by this public notice, invites tenders for \$900,000,000, or thereabouts, of 91-day Treasury bills, for cash and in exchange for Treasury bills maturing April 14, 1949, 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 14, 1949, and will mature July 14, 1949, 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 11, 1949. 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 14, 1949, in cash or other immediately available funds or in a like face amount of Treasury bills maturing April 14, 1949. 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, on Monday, April 11, 1949. 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 5, 1949, announcing results after tenders were opened for Treasury bills dated April 7, 1949 maturing July 7, 1949)

		Federal Reserve District	Total Applied for	Total Accepted
Total applied for.....	\$1,454,237,000			
Total accepted.....	\$ 901,529,000 (includes \$52,661,000 entered on a non-competitive basis and accepted in full at the average price shown below)			
Average price....	99.707			
Range of accepted competitive bids:				
High.....	99.709			
Low.....	99.706			
	Equivalent rate of discount approx. 1.160 percent per annum			
	Equivalent rate of discount approx. 1.151 percent per annum			
	Equivalent rate of discount approx. 1.163 percent per annum			
		Boston	\$ 16,369,000	\$ 15,865,000
		New York	941,894,000	567,374,000
		Philadelphia	22,715,000	16,527,000
		Cleveland	35,790,000	28,622,000
		Richmond	5,005,000	3,605,000
		Atlanta	5,910,000	4,510,000
		Chicago	302,477,000	182,773,000
		St. Louis	14,461,000	11,493,000
		Minneapolis	2,445,000	1,997,000
		Kansas City	15,126,000	11,550,000
		Dallas	13,875,000	9,843,000
		San Francisco	78,170,000	47,370,000
		TOTAL	\$1,454,237,000	\$901,529,000

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

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 14, 1949.

Maturing July 14, 1949.

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

Dated at
..... 1949

COMPETITIVE BID

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 8, 1949, as issued by the Secretary of the Treasury, the undersigned offers

Pursuant to the provisions of Treasury Department Circular No. 418, as amended, and to the provisions of the public notice on April 8, 1949, as issued by the Secretary of the Treasury, the undersigned offers a non-competitive tender

.....* 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:

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 \$.....

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 14, 1949, and are to mature on July 14, 1949.

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.

FEDERAL RESERVE BANK
OF NEW YORK

President's Report
to
Directors
for 1948



FEDERAL RESERVE BANK OF NEW YORK

President's Report
to
Directors
for 1948



CONFIDENTIAL

FEDERAL RESERVE BANK
OF NEW YORK

March 31, 1949.

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

Following our now established custom, I submit herewith a confidential report on the operations of the bank during the year 1948. As I said last year, it gives a more detailed and intimate view of internal operations of the bank than is possible or appropriate in a public document such as our annual report to the stockholders, which will be published shortly.

The character and volume of our operations during 1948 showed no significant changes from the trends which became evident during 1947; the importance of our operations and their effect upon the national economy, however, have come into sharper public focus. Among the factors contributing to this heightened public interest have been the several increases in reserve requirements of member banks, the System's open market operations in Government securities, and the reinstatement of control over instalment credit.

As the year 1948 ended, there was evidence that some country bankers were giving more than the usual consideration to the meaning and value of membership in the Federal Reserve System. To sharpen our own ideas on the subject, and in order to move toward the prescription and administration of possible needed correctives in our approach to the problem, a full-scale study of System membership was begun early in 1949. It is hoped that this study will develop ideas which will result in action looking toward improved relations with our member banks and sustained membership in the Federal Reserve System.

Yours sincerely,



Walter Dill Scott
President.

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PRESIDENT'S REPORT TO DIRECTORS FOR 1948

OPEN MARKET OPERATIONS

Inflationary pressures continued to dominate our national economy in 1948. Accordingly, the Federal Reserve System and the Treasury continued their policy of mild restraint on the expansion of credit. This policy involved the exercise of as much pressure on monetary and credit expansion as was consistent with the avoidance of a major decline in production and employment, and with the maintenance of stable prices and orderly conditions in the market for United States Government securities. The principal steps taken in 1948 included the following:

1. The continuation of a program of debt retirement with emphasis on maturing issues of Treasury obligations held by the System.
2. A further increase in rates on short-term Treasury obligations.
3. Increases in the discount rates of the Federal Reserve Banks in January, and again in August.
4. Increases in reserve requirements against demand deposits of member banks in central reserve cities in February, and again in June; and increases against demand and time deposits of all member banks in September.

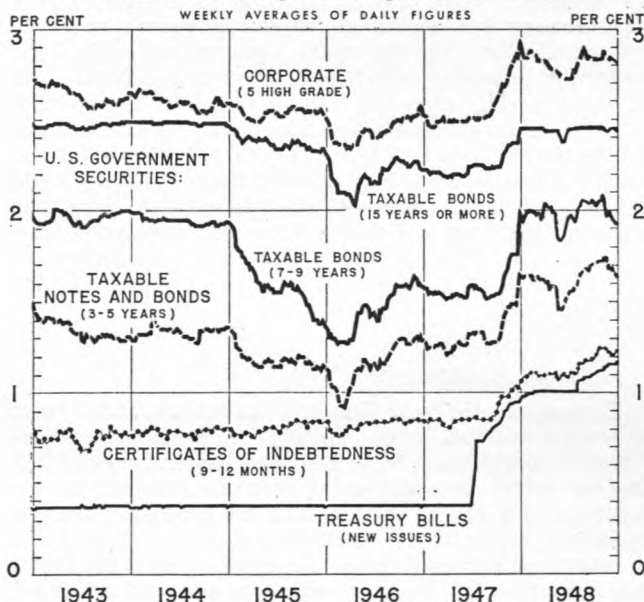
The Federal Reserve Bank of New York, as agent for and under the direction of the Federal Open Market Committee, continued to operate the System Open Market Account in which the twelve Federal Reserve Banks participate for the purpose of conducting open market operations in Government securities. The coordination of policies of debt management and credit control involved both an increase in the scope and a change in the character of open market operations, which assumed a position of importance unique in the history of the System.

Long-term Government Securities

Open market operations prior to November 1947 were governed mainly by considerations involving the volume of credit and the movement of short-term rates. An active demand for capital in excess of current savings available for investment, which developed late in 1947 and continued in 1948, was accompanied by rising interest rates on corporate and municipal bonds which widened the spread between yields on such securities and yields on Government bonds. This situation resulted in strong pressure by institutional investors to sell long-term Government bonds and to buy other higher yielding securities which were available in large volume. The policy of maintaining orderly markets in Government securities which up to that time had involved chiefly support of the market for short-term securities and efforts to restrain the rise in prices of long-term bonds, then required a reversal of operations to support long-term bonds and, at times, to supply short-term securities. In the final week of 1947, a lowering of the System's support prices for Treasury bonds led to a temporary acceleration, rather than an abatement, of sales by investing institutions which went far beyond the immediate needs for funds for the purchase of corporate securities.

The volume of Treasury bonds which the System was called upon to absorb fell off rapidly in the early weeks of 1948, however, except for a temporary spurt which was related to the first increase in reserve requirements of central reserve city banks.

Yields on Treasury and Corporate Securities



With the sharp break in agricultural prices in February and resultant uncertainty in the economic outlook, there followed several months of relative market stability in which it was unnecessary to support long-term Treasury bonds. Renewed uncertainty developed in June, however, following an increase in reserve requirements against demand deposits of member banks in central reserve cities, the announcement of a special offering of Series F and G savings bonds to be sold to institutional investors during the first half of July, and the calling of a special session of Congress to discuss anti-inflationary measures; again there were substantial offerings of marketable Government bonds. In this unbalanced market situation, support operations were resumed on a broad scale in July. During the summer and early fall there was a great deal of public debate over the wisdom and effect of the support policy; there were many rumors of impending changes in policy; and confidence in the maintenance of the support policy was shaken because of the size of the operations and their limiting influence on credit policy. The general increase in required reserves of all classes of member banks, under the new authority given the Board of Governors by Congress, made it necessary for the banks to sell—and the Reserve Banks to buy—approximately \$2 billion of Government securities in September. Despite statements by Treasury and Federal Reserve officials on several occasions to the effect that the policy of supporting a 2½ per cent long-term rate would be continued for the “foreseeable future”, nervous selling added to the already large sales

arising from switches to new corporate securities and reserve adjustments.

This situation continued into the last quarter of the year, and by early November System purchase of Treasury bonds had run up to a total of well over \$10 billion within twelve months. With the reelection of the national administration in November, however, many investors concluded that the continuance of the support policy was assured. Furthermore, the demand for bank loans to business slowed, and a reduction in the demand by corporations for additional capital appeared to be in prospect. These developments were accompanied by a reduction in market offerings of Government bonds, and it was generally expected that there would be a greater interest in intermediate and long-term Treasury bonds on the part of both commercial banks and other investors. Under these influences a much firmer Treasury bond market developed. Support operations with respect to some of the long maturities were still necessary from time to time, but by mid-December a broadening demand had lifted all issues of Treasury bonds above the support levels.

Retirement of Public Debt

Throughout the year Treasury operations, and System redemptions and open market sales of short-term Treasury obligations, were active counterinfluences tending to reduce the amount of reserves acquired by the commercial banks as the result of the bond support program and other factors, including an inflow of gold and a return of currency from circulation. In addition to administering its balances so as to prevent, at times, inappropriate increases in bank reserves, the Treasury applied a substantial surplus in the budget to the retirement of public debt. The Federal Reserve Banks presented for redemption—and the Treasury retired in accordance with an agreed policy—large amounts of maturing issues of United States Government securities held in the System Open Market Account; thus the funds used to pay these issues were kept out of the banking system where otherwise they might have furnished a basis for further credit expansion. Owing to seasonal fluctuations in Treasury receipts during the year, these retirement operations were uneven and tended to be concentrated in the first quarter of the year when the Treasury surplus was the largest. Some of the first quarter surplus was carried over for later use in War Loan deposits, however, and the proceeds of the special sale of Series F and G savings bonds in July (to institutional investors) provided funds from which additional retirements of debt were made.

Developments with Respect to Short-term Rates

Supplementing the restraints on bank reserves imposed by the retirement of System-held debt, the System was a ready seller of short-term Treasury obligations when the market was receptive. The existence of a demand for such issues was partly related to a preference for liquidity or safety on the part of investors who were apprehensive over future long-term rate prospects. The demand was also stimulated by an increase in short-term

rates, for which the System pressed in pursuit of a better balanced structure of rates, and as a result of which bank funds would be attracted into short-term Government securities.

The interest rate on one-year Treasury certificates of indebtedness issued October 1, 1948, was increased to 1¼ per cent, the second increase of ⅛ per cent during the year. The Treasury's announcement on August 9, 1948, of this proposed change caused an immediate decline in prices for outstanding certificates, notes and the earlier maturities of Treasury bonds. The System facilitated appropriate adjustment with respect to those issues, and took the occasion to abandon rigid price support and revert to a more flexible support policy in the case of bank-eligible taxable Treasury bonds of short and intermediate maturities. Rates for ninety-one day Treasury bills also rose in response to the change in the one-year certificate rate. The System adjusted its exchange tenders and its market transactions to permit a narrower spread between the rates on bills and on one-year certificates. At times of improving market demand it was possible for the System to adjust its exchange tenders so as to cause its bill holdings to run off in part or in full without an undesirable effect on the bill rate.

Despite substantial market purchases from time to time to supply needed reserves to the banking system, Reserve Bank holdings of Treasury bills, certificates, and notes were reduced through redemptions and sales by an amount only slightly less than the increase in holdings of Treasury bonds during 1948.

Statistical Summary

During the year, under the direction of the Federal Open Market Committee, this bank purchased in the open market for the twelve Federal Reserve Banks, Government securities having a total face value of \$22.5 billion, and sold or presented for redemption securities having a face value of \$21.7 billion. Thus the year's transactions resulted in an increase of \$0.8 billion in System Account holdings of United States Government securities. It must be remembered, however, that reserve requirements of member banks were increased by approximately \$3 billion during the year, thus forcing member banks to convert an approximately equivalent amount of Government securities into reserve funds. If it had not been for our purchases of Government securities to meet this need, System holdings of Treasury obligations would have declined more than enough to offset additions to reserves arising out of an inflow of gold and a return of currency from circulation. Excess reserves of all member banks were reduced by about \$0.4 billion during the year.

Total System holdings amounted to \$23.3 billion at the end of 1948 as compared with \$22.5 billion at the end of 1947. While holdings of Treasury bonds increased by \$8.1 billion, there were decreases of \$5.9 billion in Treasury bills and \$1.4 billion in certificates of indebtedness and notes combined. This bank's share in the Government securities held by the System Open Market Account amounted at the year end to \$5.6 billion as compared with \$5.7 billion at the end of 1947.

FISCAL AGENCY OPERATIONS

Government Financing Operations

Government financing operations during 1948 were concerned primarily with the refunding or payment of various issues of marketable securities which matured or were called for redemption. Cash sales of securities during the year were confined to non-marketable savings issues for non-bank investors, except for the regular weekly offering of Treasury bills. The net result was a decrease of \$4.1 billion in the public debt, as compared to a decrease of \$2.5 billion during the calendar year 1947.

The total amount of marketable issues outstanding declined \$8.3 billion during the year. In part, this decline resulted from the scaling down, from time to time, of the amounts of the weekly offerings of Treasury bills in relation to the amounts of the issues maturing. Certificates of indebtedness or short-term notes were offered in exchange not only for a number of similar maturing issues, but also for four issues of Treasury bonds; in connection with these exchange offerings, holders of the maturing securities elected to exchange \$30.1 billion for securities of the new issues, and presented \$5.4 billion for cash redemption. One issue of Treasury bonds in the amount of \$451 million was wholly paid. On balance, these operations resulted in a reduction of \$6.4 billion in bonds, and \$2.9 billion in bills, and an increase of \$1 billion in certificates of indebtedness and notes outstanding.

Non-marketable securities outstanding increased \$1.9 billion during the year. Reductions in the amounts of Treasury Savings Notes and Armed Forces Leave Bonds were more than offset by an increase of \$3 billion in the amount of savings bonds outstanding. Emphasis was placed on continuing sales of savings bonds to non-bank investors throughout the year. A Security Loan Drive was conducted in May and June. The Drive later was extended with a special offering to institutional investors, during the first 15 days of July, of savings bonds of Series F and G in amounts up to \$1 million, rather than the usual limitation of \$100,000 in each calendar year. At the same time, commercial banks holding time or savings deposits were permitted to invest up to \$100,000 in such bonds. In connection with the special offering, this bank received 994 subscriptions aggregating \$295 million, including \$42 million invested by 452 commercial banks.

Other factors affecting the public debt during 1948 included an increase of \$2.8 billion in special issues of Treasury securities held by Government trust funds, and a decrease of \$500 million in debt bearing no interest, including special obligations issued to the International Bank and Monetary Fund.

Transactions in Government Securities

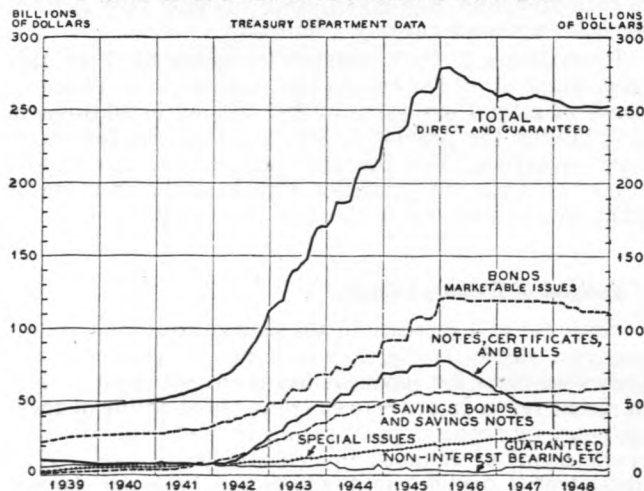
The physical volume of transactions handled during 1948 by this bank, as fiscal agent of the United States, in connection with the issue, exchange, transfer and redemption of marketable Government securities, increased to a new post-war high. During the year, such transactions involved the receipt or delivery of approximately 3 million individual securities having an aggregate par value

of \$264 billion. This represented an increase of 30% over the number of pieces handled in 1947, although the aggregate par value of securities handled in each year was substantially the same.

The total volume of work in connection with United States Savings Bonds declined slightly during the year, an increase in the number of bonds sold being more than offset by a decrease in the number redeemed. The number of bonds delivered by the bank in 1948 as compared with the previous year, in connection with original issues, increased from 8,632,000 to 9,231,000, or by about 7%, while the aggregate issue price of such bonds increased by 25% from \$985,299,000 to \$1,235,329,000. Sales of Series E bonds, ownership of which is limited to individuals, accounted for the entire increase in the number of pieces delivered and for about one-third of the increase in proceeds of sales. The balance of the increase in sales resulted from the purchase of larger denomination Series F and Series G bonds by institutional investors and commercial banks during the Security Loan Drive. During the year 12½ million savings bonds having an aggregate redemption value of \$714 million were redeemed by the bank, a reduction of approximately 10% in the number, and 17% in the dollar amount, of bonds redeemed as compared with the year 1947.

As a continuation of the program for consolidation and simplification of savings bond operations commenced in 1947, the work of several sections of the Savings Bond Department was merged during 1948 and the number of employees assigned to the Department was further reduced from 437 to 376.

Gross Debt of the United States Government

*Transfer of Treasury Bonds by Wire*

During 1948, this bank, as fiscal agent of the United States, along with the other Federal Reserve Banks, expanded the scope of its facilities for the telegraphic transfer of Government securities between certain cities in this country. Since 1921, facilities have been provided for the transfer of short-term securities (Treasury bills, certificates of indebtedness, and notes) in connection with

sales of such securities, in order to provide a countrywide market at relatively uniform prices. Commencing on March 1, 1948, the service was extended to include the telegraphic transfer of Treasury bonds. In this manner, the banks provide facilities for a broader market in long-term, as well as in short-term, Government obligations, which has become desirable because of the increased proportion of bonds in the composition of the public debt as the result of war financing. These facilities expedite delivery and reduce expense of shipment and insurance of the securities in the case of any sale requiring delivery at a distant point.

When securities to be delivered in connection with a sale are presented for telegraphic transfer, and are to mature or have been called for redemption within one year, the transfer is made without charge to the owner and the cost is borne by the Treasury Department; this has always been the practice in the case of telegraphic transfers of short-term Government securities. Those who transfer securities which will not mature or have not been called for redemption within one year are required to pay fees to the Federal Reserve Banks for account of the Treasury. The fee amounts to \$5 for each transaction involving \$50,000 or less, and \$10 where the amount involved is over \$50,000. (The expense of insuring and shipping \$1 million of securities from New York to Chicago by registered mail, for example, is slightly more than \$200.)

This expanded service has been well received and actively used and has necessitated the installation of additional leased wire facilities between this bank and the offices of the Board of Governors. We now have two telegraphic circuits in operation between New York and Washington, and, as a result, delays during busy periods have been almost entirely eliminated.

From March 1, 1948, through December 31, 1948, this bank handled 19,128 telegraphic transfers of Treasury bonds of a total par value of \$6.7 billion, in addition to maintaining the previously existing facilities for short-term securities. For the full year, 63,734 telegraphic transfers involving securities with a total par value of \$25.2 billion were made through this bank.

Payment of Treasury Coupons

With the vast increase in the Government debt resulting from war financing, the number of Treasury coupons presented to us for payment has increased substantially in recent years. In order to expedite the handling of these coupons, we began experimenting in March 1947 with a single count of coupons in denominations under \$500, instead of a double count which had been our former practice. These coupons of smaller denomination constitute approximately 80 per cent of the number of coupons we pay. The experiment has proved to be successful and there has been no appreciable increase in the number of errors found by the Treasury Department upon verification of our payments. In addition, the new procedure has enabled us to handle the payment of coupons more expeditiously during interest paying periods and has reduced our cost of paying coupons by approximately \$34,000 a year, or nearly 39 per cent.

Reconstruction Finance Corporation

Further curtailment of the wartime activities of the Reconstruction Finance Corporation, and continuation of its plan undertaken in 1947 to transfer from the Federal Reserve Banks to its district Loan Agencies the accounting records relative to the lending programs for which such agencies have administrative responsibility, have brought about a further substantial reduction in the work performed by this bank as fiscal agent and custodian for the Corporation. Certain sections of our R. F. C. Custody Department have been merged or abolished as a result of the reduction in work, and personnel assigned to the Department decreased during the year from 98 to 34.

Disbursements and collections made for account of the Corporation during 1948 were \$161 million and \$253 million, respectively, as compared with \$424 million and \$662 million, respectively, during the previous year.

Foreign Funds Control

A year ago we anticipated that our Foreign Funds Control activities would cease on June 1, 1948, when jurisdiction over remaining blocked property was to have been transferred from the Treasury Department to the Office of Alien Property of the Department of Justice. The transfer was, however, delayed, and when it was finally effected on October 1, 1948, we were requested by the Secretary of the Treasury to continue these activities, as fiscal agent of the United States, for the Department of Justice.

A new census was taken of property remaining blocked in the United States as of June 1, 1948.

The amount of blocked property has been reduced through the issuance of licenses, and through certifications issued by the appropriate agencies of countries with which defrosting agreements have been made; and there has been a commensurate reduction in the volume of work of our Foreign Funds Control Department. Although the amount of property remaining blocked is relatively unimportant, the problems involved in its unblocking or other disposition are difficult and may not be resolved for some time.

International Bank for Reconstruction and Development

This bank, as fiscal agent of the International Bank for Reconstruction and Development, conducts various transactions on its behalf in connection with its outstanding bonds, a \$150,000,000 twenty-five-year 3% issue and a \$100,000,000 ten-year 2¼% issue. Commencing October 4, 1948, bonds of the two issues, which were originally delivered in temporary form on July 15, 1947, were presented to us to be exchanged for definitive securities. In preparation for the exchange, this bank, as registrar of the two issues, authenticated by manual signature of its officers, 184,000 of the permanent bonds. Between October 4 and the close of the year, we had received 169,927 of the temporary bonds and had delivered 120,244 definitive securities in exchange. Nearly all of this work was done during the month of October.

PERSONNEL

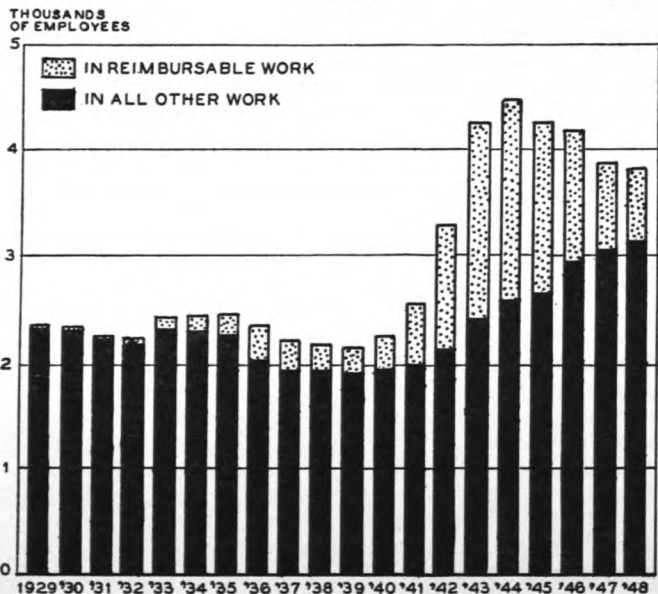
The postwar decline in the number of employees at the head office which characterized the years 1944 through 1947, ceased during the past year; at the year end there were 3,771 employees as against 3,755 on December 31, 1947. There was a further decrease in the number of head office employees engaged in fiscal agency operations, although this was more than offset by increases in staff to meet other requirements, particularly in our Check and Cash Departments. The number of dismissals during 1948 was cut to about 39% of the previous year's figure, and included only 24 persons released as excess, as compared with 182 during 1947. Present indications suggest comparatively little change in the size of the staff during 1949, although a modest decrease is a possibility. The following table, covering the years 1944 through 1948, shows some basic statistics concerning the head office employment situation.

	1944	1945	1946	1947	1948
Employees, close of business Dec. 31	4,367	4,294	4,142	3,755	3,771
Employees, average number, engaged in work reimbursable by U. S. Govt. and its agencies	1,893	1,584	1,218	824	690
Employees, average number, all other	2,601	2,662	2,949	3,066	3,141
Applicants	4,736	6,002	8,346	7,405	8,050
Hired	1,379	1,043	948	565	767
Separations*	1,427	1,116	1,100	952	751
Dismissals (included in Separations)	133	120	246	402	158

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

The chart appearing below illustrates the fluctuations in yearly average head office employment 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 Head Office Employment 1929-1948



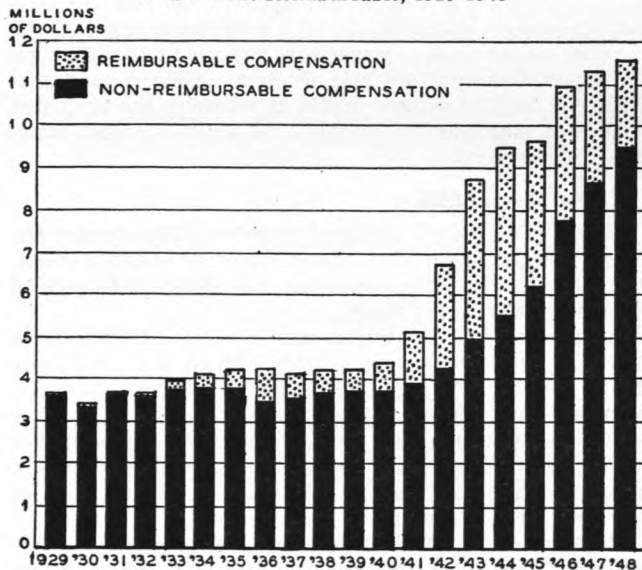
Head Office Salary Liability

The following figures, covering the years 1944 through 1948, inclusive, show employee salary liability (including reimbursable salary) 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.

	1944	1945	1946	1947	1948
Salary liability (in thousands of dollars)	\$8,790	\$9,515	\$11,242	\$10,621	\$11,496

In the graph below are shown the changes in annual head office 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 Head Office Employees and Extent Reimbursable, 1929-1948



Salary Administration

The bank's new personnel classification plan, established during the latter half of 1947, had its first full year of operation during 1948. In keeping with the program of maintaining the plan in appropriate relationship with community markets—a program we contemplated when the plan was established, we made surveys of the markets, both in New York City and in Buffalo, during the first half of 1948. Upon the basis of findings that substantial increases in the rates of pay for many jobs had occurred in both communities since the establishment of the plan, the minimum and maximum salary rates under the plan were increased, effective November 1, 1948; and at the same time, general salary increases were made effective at the head office and the branch.

At the head office, the minimum and maximum salary rates were increased by about 5 per cent; and (with certain limited exceptions) employees were granted salary

increases of 5 per cent of the first \$7,500 of their annual salaries, those salaries below the newly established minimums being brought up to the minimums. The increases, aggregating \$536,629 per annum, benefited 3,767 (all but 36) employees, and, in addition, 438 employees received further increases totaling \$9,325 per annum to bring their salaries to the new minimums. (The adjustments affecting employees at the branch are described in the part of this report dealing with the branch operations.)

At the year end there were 32 employees at the head office whose salaries exceeded the maximum rates for their jobs by an aggregate amount of \$4,084, as compared with 223 employees whose salaries exceeded the maximum rates for their jobs by an aggregate amount of \$39,425 as of December 31, 1947. In the main, this change was due to the increase in maximum salary rates.

Leadership Training

A program of leadership training was launched during the year. The program took the form of a series of round table conferences, in which the officers first participated and in which the chiefs and assistant chiefs are now participating. With the aid of a consultant engaged for the purpose, these conferences are designed to focus attention upon the important role of management in personnel relations, and to suggest methods whereby the responsibilities of management in this area might be more effectively discharged.

Federal Reserve Club

Membership in the Federal Reserve Club during the year averaged about 87% of our force; the Club's social, recreational, and other activities continued to be geared to suit widely varied tastes.

A successful Club project was a series of three open house and children's parties held on the first three Saturdays in April. Designed primarily to interest the members, old and young, of the families of our staff, these parties were attended by some 3,000 persons. The parties were more than pleasant social occasions; they were also a constructive medium for acquainting the families of our staff with the bank.

On October 21, 1948, the Club Store, sponsored by the Federal Reserve Club, observed its 25th Anniversary. The Store exists primarily as a convenience to meet some day-to-day needs of our staff; it serves this purpose effectively.

Group Life Insurance

Changed economic conditions in recent years made an increase in the amount of group life insurance available under our optional plan seem appropriate. The staff was given the opportunity to join in a revised plan offering coverage of \$1,000 to \$6,000, (instead of a previous maximum of \$3,000) depending on the salary and sex of the insured, provided that at least 75% of eligible employees indicated their desire to participate. The required percentage gave affirmative answers, and the new plan, which continues at a cost on the part of the insured of 60¢ per month per \$1,000 of life insurance, became effective on July 1, 1948. As of December 31, 1948, 2,822 persons (or 74.5%) of the head office staff were participants in our group life insurance plan.

Blue Cross Plan and Doctors' Plan

As of December 31, 1948, 3,251 persons or 85.2% of the head office staff were covered under our Blue Cross Plan and Doctors' Plan. "Individual", "husband and wife", or "family" coverage is available, as required, with the bank paying two-thirds of the premium. In 1948, the cost to the bank was \$84,616, and to participants \$43,842. During the year, members of the bank's staff insured under the plan filed 598 claims for hospital care (5,246 days), which would have cost the insured \$64,350, and 546 claims for medical and surgical care amounting to \$33,760. The plan provides substantial protection against the usual hospitalization and related expenses, generally in an amount sufficient to absorb all or most of the cost, and affords some measure of security against surgical costs. Many members of our staff averted real financial hardship in 1948 through membership in the plans.

Payroll Deductions for Series E Savings Bonds

The year witnessed a further decline in head office staff participation in the plan permitting purchase of Series E Savings Bonds through payroll deductions. As of December 31, 1948, 2,024 persons or 52.7 per cent of our force were participants, with an average payroll deduction of 3.2 per cent of salary. At the previous year-end, 61.6 per cent of our staff were buying bonds under the payroll deduction plan, with an average deduction of 3.6 per cent of salary.

Quarter Century Club

Members (and former members) of our staff who have completed their 24th year in the service of the bank are eligible for membership in the Quarter Century Club, organized in 1946 to succeed the Twenty Year Club. In addition, membership still includes some individuals who previously belonged to the Twenty Year Club, and who were allowed to continue their membership in the successor organization, although they fall short of meeting current membership requirements. As of December 31, 1948, 410 employees and 18 officers at the head office had served the bank upwards of 24 years. Actual membership in the Quarter Century Club at the year-end was 456, compared with 433 on December 31, 1947. Members of the Quarter Century Club have played an important part in the development of this bank. It is a source of satisfaction that nearly 11% of our staff have been with us for a quarter of a century.

Retirement System

A factor related to employment by this institution, which contributes materially to the security of its employees, is the Retirement System of the Federal Reserve Banks. Organized in 1934, this contributory System-wide plan, in which the Federal Reserve Banks meet approximately 60 per cent of the cost, offers benefits which, according to recent studies, compare favorably with those available under other plans. At the year-end, 260 persons formerly on our staff were "retired members", receiving benefits from the Retirement System. Of these, 149 were retired on service retirement, having reached age 65, 86 were retired on special service, and 25 on disability.

FOREIGN OPERATIONS

Assets Held for Foreign and International Account

Reversing the downward trend which had been in evidence since September 1945, the total of earmarked gold, deposits, United States Government securities, and other dollar assets held at the Federal Reserve Bank of New York for foreign account increased \$876 million during 1948 to \$4,246 million. Furthermore, such assets held for the International Bank for Reconstruction and Development and the International Monetary Fund rose by \$127 million to \$3,166 million, with the result that total assets held for foreign and international account reached \$7,412 million on December 31, 1948.

The increase in assets held for foreign account, in the face of continued heavy requirements for dollar exchange, resulted primarily from further large shipments of foreign-owned gold to this country, and from the substantial amounts of dollars made available under United States Government foreign aid programs and by the International Monetary Fund and the International Bank.

E.C.A. payments into foreign accounts accounted for roughly \$900 million; these payments, however, represented largely reimbursement for previous outlays for goods and services covered by the European Recovery Program.

The table below indicates that the increase in assets held for foreign account occurred in all forms of holdings, the largest increase being in holdings of United States Government securities. The accounts showing the greatest increases in total assets were those of the central banks of England, Canada, and Belgium, while the only significant declines were in the assets here of Portugal, Argentina, and China. Total assets held for account of the Bank of England rose by a net amount of \$424 million. In addition to about \$950 million of gold shipped to this country, the Bank of England's assets here were augmented chiefly by the receipt of the remaining \$300 million under the \$3,750 million British loan, and nearly \$700 million from the E.C.A., representing reimbursement for previous outlays for purchases covered by the European Recovery Program.

**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, 1947	Dec. 31, 1948	Net Change Dec. 31, 1947- Dec. 31, 1948
<i>Foreign Accounts</i>				
Earmarked Gold	\$4,175(a)	\$2,766(b)	\$2,961(c)	+\$ 195
Deposits	1,082	392	642	+ 250
United States Government Securities.....	1,589	187	593	+ 406
Miscellaneous Securities, Commercial Paper, and Bankers Acceptances	22	25	50	+ 25
TOTAL—Foreign Accounts	\$6,868	\$3,370	\$4,246	+\$ 876
<i>International Accounts</i> (International Fund and Bank)				
Earmarked Gold	—	\$ 764	\$ 809	+\$ 45
Deposits	—	330	296	— 34
United States Government Securities.....	—	1,945	1,604	— 341
Miscellaneous Securities	—	—	457	+ 457
TOTAL—International Accounts	—	\$3,039	\$3,166	+\$ 127
GRAND TOTAL	\$6,868	\$6,409	\$7,412	+\$1,003

(a) 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 commercial bank against loan to a foreign central bank.

(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 \$197,074,000 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.

**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 1948 this bank, as principal, opened accounts for Bank deutscher Laender (the central bank for the three western occupation zones of Germany) and for the central bank of Austria. Simultaneously with the extension by us of a loan on gold to Brazil and the repayment by Brazil of its obligation under the United States-Brazil Stabilization Agreement (as mentioned below), the account in the name of Banco do Brasil as fiscal agent of the Brazilian Government, which we had been operating as fiscal agent of the United States, was closed and the balance transferred to a new account in the same name which we maintain as principal. Arrangements were also completed during the year for the opening of a fiscal agency account for the World Health Organization, an agency of the United Nations; it is expected that this account will be opened in the near future.

In addition to the above-mentioned closing of the fiscal agency account of the Banco do Brasil, the accounts of Bank voor Nederlandsche-Indie N. V., the Commonwealth of Australia, and Military Governments for Germany (US/UK) were closed. The Netherlands East Indian and Australian accounts had served the purpose for which they were originally opened and had been inactive for some time. The balance in the Military Governments account was transferred to the account of Bank deutscher Laender, referred to above.

In July 1948, the Treasury Department unblocked Yugoslav assets in the United States, and, shortly thereafter, the accounts of the central bank of Yugoslavia and of the Government of Yugoslavia were reactivated. Soon after reactivation, however, the gold and dollar balances in the account of the Government of Yugoslavia were withdrawn. Reflecting continued political considerations, the accounts on our books in the names of the central banks of Hungary, Bulgaria, and Rumania have not been reactivated and remain blocked pursuant to Foreign Funds Control regulations.

Loans on Gold

There was, during the past year, a further demand by foreign central banks for loans against gold, continuing a trend which began to be an important factor in our operations in 1946. Starting the year 1948 at \$50.6 million, the total of such loans outstanding rose to a new record high of \$259.7 million in August, and then tapered off to \$190.1 million at the end of the year. Seventy-six separate advances were made, and interest earned on these loans amounted to \$2.5 million, as compared with \$620 thousand in the previous year and \$955 thousand in 1946. Other Federal Reserve Banks participated in these loans and the income therefrom to the usual extent of about two-thirds.

No material changes were made in our policy with respect to our loans on gold. In general, the loans were made under arrangements providing for three-month advances up to stipulated maximum amounts and were designed to cover seasonal requirements for dollar exchange on the part of the borrowers. In some cases, our loans have been renewed, subject to negotiation every three months, up to one year, at the end of which time it has been our general policy to establish a program of repayment. All loans are fully secured by gold in our vaults and bear interest at our current discount rate.

At the beginning of the year, loans were outstanding to the central banks of Greece, Poland, Turkey, and France. Those to Greece and Turkey were retired in full during the year. The loan to Poland, after increasing to \$26.5 million, was reduced to \$14.1 million by year end, while the loan to France, which was put on only a few days before the beginning of the year, increased to the authorized amount of \$100 million. Pursuant to our general policy, after the loan to Poland had been on our books for somewhat more than one year, we established a program of repayment calling for a gradual liquidation. A similar arrangement has also been established for the loan to Banque de France, the first repayment under this program being scheduled for May 1949.

During the year we made three separate advances to the central bank of Ecuador, a previous borrower, and one to the Central Bank of China, all of which were repaid. Loans were also made to the central bank of the Netherlands, to Brazil (the proceeds of which were used to repay its obligation under the United States-Brazil Stabilization Agreement), and to Yugoslavia (the proceeds of which were paid to the Secretary of State in payment by the Government of Yugoslavia of its obligation under an agreement regarding pecuniary claims between the United States and Yugoslav Governments). The above-mentioned loan to Brazil provides for a schedule of repayment which calls for final liquidation in June 1949, or one year from the date the loan was originally made.

In addition to the loans actually made in 1948 we advised the central banks of Costa Rica and the Netherlands East Indies and the Bank for International Settlements that, as of the dates of reply to their requests, we were prepared to make loans on gold to them. None of these banks, however, availed themselves of the facilities in 1948.

The following schedule reflects all the loans against gold which were outstanding during 1948:

Central bank of:	Date of first advance	(In Millions of Dollars)		End of 1948	Date of final repayment
		Outstanding end of 1947	Maximum outstanding 1948		
Greece	9-24-46	8.8	8.8	—	12-22-48
Poland	4- 8-47	17.0	26.5	14.1	—
Turkey	9-29-47	14.8	16.0	—	6-24-48
France	12-22-47	10.0	100.0	100.0	—
Ecuador	3-15-48	—	3.4	—	12-23-48
Netherlands	4- 5-48	—	20.0	10.0	—
China	5- 6-48	—	10.0	—	11- 8-48
Brazil	6- 3-48	—	80.0	60.0	—
Yugoslavia	8-30-48	—	17.0	6.0	—
Total		50.6		190.1	

Gold Movements

The net acquisition of foreign-owned gold by the United States during 1948 amounted to \$1,506 million, as compared with \$2,826 million in 1947, \$711 million in 1946, and a net loss of \$450 million in 1945. The net gain during the past year included purchases by the Treasury of \$1,051 million of gold released from earmark and \$637 million of gold imported for direct sale, less sales of gold by the Treasury to foreign account of \$182 million. That the total amount of gold held under earmark for foreign account actually increased by \$195 million during the year, as mentioned earlier in this report, reflects, of course, the fact that the heavy sales from earmark were exceeded by the amount of gold imported and earmarked and by new purchases of gold here for earmark.

Although the total volume of all gold transactions handled during the year was somewhat below the record amount of 1947, it continued to be very large, particularly in the case of imports.

International Bank for Reconstruction and Development, International Monetary Fund, and Export-Import Bank

Operations handled by this bank as depository of the International Bank for Reconstruction and Development and the International Monetary Fund continued to be of considerable magnitude during 1948. Services to the former consisted primarily of handling the investment of its idle funds in United States Government securities, receiving deposits, making payments under loans granted by the Bank, and holding securities in custody. This bank also continued to act as fiscal agent for the International Bank in connection with its two bond issues floated in 1947.

Services to the International Monetary Fund involved chiefly the holding of the gold earmarked here for account of the Fund and making payments in connection with its foreign exchange and gold transactions with member countries.

We continued to perform certain functions in connection with the \$200 million loan granted by the Export-Import Bank of Washington, with the participation of some 40 commercial banks, to the Kingdom of the Netherlands. In 1946 and 1947, we had acted as fiscal agent of the Export-Import Bank in connection with individual drawings under this loan by the Netherlands Government. Since June 1947, when drawings were completed, our activities have been restricted to the payment of interest and the repayment of principal with respect to the notes issued by the Netherlands to the creditor banks.

In doing so, we acted on behalf of the Kingdom of the Netherlands, rather than as fiscal agent of the Export-Import Bank.

Visits to Foreign Central Banks

In the spring and early summer of 1948, representatives of the Foreign and Research Departments visited the central banks of England, France, Switzerland, the Netherlands, and Belgium, the Bank for International Settlements, and the Joint Foreign Exchange Agency of the Military Governments in Germany. Mr. Rushmore, Special Assistant in the Foreign Department, made the entire trip as the operating representative, while Mr. Bloomfield, Chief of the Balance of Payments Division, was the research representative for the English and French part of the trip and Mr. Moore, Manager of the Research Department, for the remaining part. The purposes of the trip were to study the organization and operations of foreign central banks, to become acquainted with their personnel, to obtain first-hand information on economic conditions and problems in the countries visited, and, in the case of Germany, to discuss means of facilitating operations through the Military Governments account with us.

Foreign Central Bank Visitors

During 1948 we received thirteen visitors, representing the central banks of Australia, Canada, Denmark, England, France, Italy, Mexico, and New Zealand, who came to New York to study our operations and methods.

In addition to these visitors, governors and other senior officials of a number of central banks, who attended meetings, in Washington, of the International Monetary Fund and International Bank for Reconstruction and Development, had informal discussions with the officers of this bank while passing through New York.

Staff Group on Foreign Interests

This Group, consisting of some of the officers and staff of the Foreign, Legal, and Research functions at this bank and of the Board of Governors, continued in 1948 to be concerned very largely with United States gold policies and procedures. On this subject it maintained fairly constant contact with the staff of the United States Treasury. The Group also had to deal in the course of the year with questions of System foreign missions, the use of the Federal Reserve System by the Economic Cooperation Administration, and various other problems and developments in the international field. Through the Group, arrangements were made for a systematic exchange of foreign research personnel between the Board of Governors and the Federal Reserve Bank of New York, to begin early in 1949.

CHECK COLLECTION

The annual volume of checks collected by this bank reached a new peak in 1947 with the collection of 289.5 million checks. In 1948, a new record was attained when we collected over 318 million checks, representing \$130 billion, and constituting a 10 per cent increase over the number collected in 1947.

Some of the more important steps taken to cope with this steadily increasing volume of work are described below.

Change in Operating Procedure

As I have reported previously, the use of I. B. M. punch card and tabulating equipment, in the preparation of our cash letters, has been found unsatisfactory both to this bank and the drawee banks. During the year further progress was made in changing over to a system involving the use of proof machines and manually prepared cash letters; all cash letters sent to the New Jersey and Connecticut banks in this district, and about half the cash letters sent to banks in New York State, are now being processed under the new system. It is expected that the change-over will be complete by mid-1949.

Processing on Saturdays

On Saturday, June 5, 1948, as the result of a request from the New York Clearing House Association, we commenced making consolidated shipments of checks (i.e., shipments in which are consolidated checks being sent by direct-sending banks in the New York metropolitan area and checks being sent by us to other Reserve Banks and branches) on Saturdays and computing credit availability on such checks from the date of shipment. In order to give the same service and availability to member banks which deposit their checks with us, we also are processing and dispatching their interdistrict checks on Saturdays.

Air Transportation

Our use of air transportation in the collection of cash items during 1948 has continued with increased volume. For example, during October 1948, we shipped approximately 570,000 interdistrict checks weighing about 1,900 pounds on each weekday and approximately 180,000 such checks weighing about 600 pounds on each Saturday. As a result, the 34 direct-sending member banks which consolidated their work with ours received earlier reserve credit in substantial amounts.

As a result of the consistent performance of air transportation in making possible the earlier collection of checks, we revised our head office time schedule on June 3, 1948, to provide earlier availability for deferred-credit items payable in sixteen Federal Reserve bank and branch cities to those member banks which deposit their cash items with our head office for collection.

While the great bulk of our checks payable in other districts is now shipped by air, there is one important exception—night shipments to the Federal Reserve Bank of Philadelphia. In order to overcome numerous delays, principally due to weather, which we had encountered in connection with such shipments to Philadelphia, we inaugurated on January 20, 1948, in conjunction with the Federal Reserve Bank of Philadelphia, a station wagon service between the two banks. On each of five nights a week, at approximately midnight, a station wagon leaves each Reserve Bank with consolidated shipments of cash items (mostly checks) and United States Government card checks for delivery to the other Reserve Bank. The station wagons meet in Princeton, New Jersey,

the midway point, where the drivers change cars and drive back to their respective banks with the shipment from the other bank, arriving at approximately 4 a.m. City checks delivered to us in this manner are received by us at a much earlier hour than they were previously received when shipped by either rail or plane, enabling us to have such checks cleared more expeditiously.

Check Routing Symbol Program

The check routing symbol program sponsored by the American Bankers Association and the Federal Reserve Banks, launched in June 1945, has made substantial progress during the past year in most Federal Reserve Districts. At the year end 58 per cent of the checks in circulation in the country, drawn on par remitting banks, bore the symbol in the approved location—the upper right-hand corner. The number of such checks in circulation in the various Federal Reserve Districts varied, however, from highs of 71 per cent in this district and 69 per cent in the Boston and Dallas Districts, to lows of 44 per cent and 39 per cent in two other districts.

Amendments to Regulation J and Cash Collection Circulars to Permit Delayed Posting of Checks

During the war many banks adopted the practice of "delayed posting", which means that checks drawn on a bank, and presented to it for payment, are not posted by the bank to the ledger accounts of its depositors, the drawers, until the day following their receipt by the bank. This practice requires that the drawee bank either (1) postpone until the next day its remittance for checks, or (2) pay checks on the day of receipt and to delay until the following day the return of checks not paid for any reason. The second procedure, rather than the first, is considered essential from the standpoint of the Federal Reserve collection system. Our time schedules of deferred credit are based on remittance on the day of receipt. Under the delayed remittance procedure it would be necessary for us either to absorb an increased amount of "float" or to revise our time schedules so as to defer availability by an extra day.

In 1944, the Conference of Presidents decided not to give formal authorization or recognition to the practice of delayed posting. The practice continued after the war, however, and, in various states, statutes were enacted having the effect of authorizing delayed remittance. In 1947, the Committee on Operations of the Conference of Presidents appointed a Special Committee of Counsel, of which Mr. Logan was chairman, to collaborate with the Committee on Collections, of which Mr. Willis is chairman, in connection with this subject. After a number of meetings, the two committees filed a joint report in January 1948 with reference to the request of the American Bankers Association that the Board of Governors' Regulation J and the Federal Reserve Banks' cash collection circulars be amended to permit this practice, and recommending that this be done provided the A. B. A. (1) suggest to its member banks a form of contract with depositors to protect them in sending checks to the Federal Reserve Banks for collection in accordance with the Federal Reserve rules, and (2) prepare and encourage State legislation in satisfactory form to authorize the conditional payment and delayed return procedure.

These recommendations were adopted by the Conference of Presidents and the Board of Governors and shortly thereafter, in May 1948, the A. B. A. wrote to its member banks recommending that they review their agreements with depositors and enclosing a suggested form. During the early fall of 1948, the Special Committee of Counsel, and particularly counsel for this bank, considered various drafts of proposed model statute prepared by counsel for the A. B. A. and made many suggestions with reference thereto. In November 1948, a statute in satisfactory form was submitted to the Board of Governors. In the meantime, the Committee on Collections, with the assistance of counsel for this bank, prepared revisions of the Federal Reserve Banks' uniform circular on collection of cash items, which were approved by the Conference of Presidents and the Board of Governors. Accordingly, Regulation J and the cash collection circulars of the Federal Reserve Banks were amended effective January 1, 1949, so as to authorize the Federal Reserve Banks to accept, as conditional, payment for checks and other cash items made on the day such items are received by a drawee bank and to permit the drawee bank to return items, as unpaid, for credit or refund at any time on the drawee's next business day. The A. B. A. has suggested that State Banking Associations submit the model statute to the State legislatures holding sessions in 1949.

The A. B. A. sent the proposed model statute to all of the State Bankers Associations and suggested that they sponsor its enactment in their States. Up to the present time we understand that thirteen of the State legislatures holding sessions in 1949 have enacted statutes in substantially the form of the model statute and several others, including New Jersey and Connecticut, are expected to do so before they adjourn. The Legislative Committee of the New York State Bankers Association took no action with reference to deferred posting legislation and no statute on the subject was introduced in the New York legislature.

Although neither the amendments to Regulation J and to the cash collection circulars of the Federal Reserve Banks, nor the A. B. A. model statute, require any bank to follow the practice of delaying the return of unpaid cash items, it is contemplated that the practice of "delayed posting" may become widespread as it is claimed to be an important step toward economy in bank operations, and to improve staff morale because of more regular working hours.

Government Checks

Our Government check operations consist of receiving for payment or collection punch card checks drawn on the Treasurer of the United States, which are payable through this or other Federal Reserve Banks, and checks in conventional paper form which are drawn on and payable by the Treasurer in Washington. Government checks of both types handled by this bank reached a peak volume in 1945 when over 103 million checks were handled. With the curtailment of wartime activities during 1946 and 1947, there was a substantial reduction in the number of such checks issued. During 1948 an apparent leveling off point was reached as approximately 39 million checks were handled, a decrease of only 4 per cent

from the volume handled in 1947. It is anticipated that, except for issuances of checks for special purposes, such as the proposed payment of a dividend to holders of National Service Life Insurance policies which may be paid during 1949, Government check volume in 1949 should approximate that of 1948.

Increased efficiencies in operating procedures, together with a decline of 22% in the average number of employees in the Government Check Department, combined, during 1948, to lower the cost of operation of the Department by about 23 per cent, as compared with the cost during 1947.

CASH OPERATIONS

Counterfeits

During 1948, 1,390 counterfeits in the amount of \$20,000 were detected by our currency counters. Only 340 counterfeits were detected in 1947, indicating a marked increase in the number of counterfeits being circulated. Two counterfeit notes, in \$10 and \$20 denominations, purportedly issued by the Federal Reserve Bank of Chicago, were widely circulated last year. These two notes first made their appearance here late in November and by the year end our sorters detected 230 of the \$10 counterfeits and 70 of the \$20 counterfeits. We circularized all banks in this district, with the approval of the Secret Service, giving a complete description of these two counterfeits. In addition, in order to place the public on notice, similar information was issued through the press, television, and radio. This immediately resulted in a sharp decrease in the number of such counterfeits detected in our currency deposits.

Armored Car Service

Late in 1947 we inaugurated a program for transporting currency and coin by armored car, at our expense, to and from twelve member banks and branches in Queens County. This program was welcomed by the banks with enthusiasm, primarily because it eliminated the risk to their employees in transporting money shipments to and from a post office or express office. The program also proved advantageous to us by reason of reduced transportation costs, and accordingly we expanded the service substantially during 1948. At the present time we are operating eight different routes which serve 280 banking offices of member banks in nearby areas of Long Island, Westchester County and New Jersey. The costs of this service are approximately \$100,000 less per year than the mail and express costs which we formerly absorbed incident to the shipments of currency and coin to and from these same banks.

Risk of Loss on Shipments

Prior to July 22, 1948, we did not assume any risk of loss incident to the shipment of paper currency and coin by us or to us by express, while the shipment was not in our custody. We did, however, assume stated risks of loss incident to shipments of paper currency by registered mail (except shipments to nonmember banks), from the time such shipments left the sending bank until delivery at the office of the addressee bank. To provide somewhat more comparable treatment of the two methods of

shipment, we extended our assumption of risk, effective July 22, 1948, to include the so-called "terminal risks" on express shipments, i.e., stated risks of loss arising from the time such a shipment to us leaves the office of the sending bank until it is delivered into the custody of the express company, as well as risks arising from the time a shipment from us to a member bank is delivered to the addressee by the express company (at any place other than the office of the addressee) until it reaches the office of the addressee.

IMPORTANT LITIGATION

During the year the Legal Department conducted or participated in litigation of importance to the bank and to the banking community generally.

Reichsbank Litigation

An important proceeding involving this bank was decided during the year by the United States District Court for the Southern District of New York.

This case involved the conflicting claims of judgment creditors in State court actions, who had attached the accounts of the Reichsbank with us amounting to something over \$1,000,000, and of the Attorney General of the United States, as successor to the Alien Property Custodian who had vested and directed this bank to turn over the entire balances in the same accounts under the Trading With the Enemy Act. After extensive negotiations with the Department of Justice it was arranged that instead of suing this bank alone, as previously intended, the Attorney General would sue in the Federal court and join in one action with this bank the attaching creditors and sheriff. This would permit the real adverse claimants to raise all possible questions on the merits and leave us in the position of a mere stakeholder.

The proceeding was argued in March 1948 and Judge Bondy rendered his decision in October to the effect that the rights of the Attorney General prevailed since the sheriff and attaching creditors, by attachments not licensed by the Treasury under the so-called "Freezing Orders", obtained no superior claim to the accounts.

A question of some importance to the bank—its possible liability for interest on the balance of \$300,000 which we had retained pursuant to the State court injunction since the turn over directive of the Alien Property Custodian in October 1946—was satisfactorily settled by agreement with the Justice Department. No claim for interest is to be made and we are to continue to hold the balances until the litigation in the Federal and the proposed litigation in the State courts and all appeals in each have been concluded. We have agreed not to appeal but the attaching creditors and the Sheriff of the City of New York have instituted an appeal to the Circuit Court of Appeals from the judgment in favor of the Attorney General. Since important constitutional questions of conflict between the powers and jurisdiction of State and Federal courts are involved it is anticipated that, whatever the result of the pending appeal, the matter will ultimately have to be passed upon by the Supreme Court of the United States.

It was not necessary to employ outside counsel in the

foregoing case, the matter being handled by the General Counsel and Legal Department.

State of Netherlands Litigation

Another series of cases in which the bank occupies the position of stakeholder has been instituted against it by the State of the Netherlands in the United States District Court. These cases involve so-called "looted securities", obligations of various American companies that allegedly belonged originally to various Dutch banks and nationals, which were seized by the Germans during the occupation of that country and subsequently brought to the United States. We have held these securities under the Treasury's General Ruling No. 5 and presently hold them for the account of the Attorney General as successor to the Alien Property Custodian.

By a Netherlands decree title to all such securities was lodged in the State of the Netherlands, which has to date instituted six actions to obtain possession of specified bonds aggregating \$34,000. As each suit is brought we obtain such disclaimers of interest as we can from the depositors of the securities with us and then implead all adverse claimants, so that the respective rights of the Netherlands and of the present ostensible owners of the securities may be judicially determined. In one additional case the alleged owner sued us as well as the Netherlands, and proceedings are under way to consolidate the actions over the particular bonds involved since difficult technical questions of sovereign immunity arise in connection with the possible impleading by us of that government in an action brought against us by another.

In these cases, which may well be the prelude to a great number of similar cases, involving an aggregate of some \$900,000 in bonds, the United States Attorney for the Southern District of New York represents us as attorney of record by arrangement with the Department of Justice, but our Legal Department is cooperating in handling the legal details.

BANK SUPERVISION AND BANK RELATIONS

Membership in System

On January 1, 1948, in addition to the 538 national banks in the district, there were 259 State member banks. During the year, one nonmember State bank was admitted to membership in the Federal Reserve System, six national banks and eight State member banks were taken over by other member banks, and one State member bank withdrew from membership. Of the total of 898 banks in the district at the end of the year (exclusive of savings banks, private bankers, and industrial banks), there were 532 national banks, 251 State member banks, and 115 nonmember banks.

During the year the whole question of the meaning and value of membership in the Federal Reserve System became more acute in the district. This resulted from three principal factors:

(1) As the result of three successive increases in reserve requirements, the last of which, in September, effected across-the-board increases in the reserves to be maintained by all member banks against both demand and time deposits, discrepancies between the reserve requirements for member and for nonmember banks became

more pronounced. This was so even though the State of Connecticut brought the reserve requirements for non-member State banks into virtual conformity with the new System requirements, since the State of New Jersey took no action to change its requirements, and the State of New York could raise its requirements only to a statutory ceiling which was lower than the new requirements for member banks. Legislation which became effective in New York on February 23, 1949 enables the New York Banking Board to bring the reserve requirements applicable to nonmember State banks into full conformity with System requirements, but action has not been taken under this new legislation.

Coupled with these discrepancies in pure percentages, are those which arise because of provisions of State laws authorizing the inclusion in reserves of both vault cash and certain balances maintained with other banks.

(2) The passage in New Jersey of a new banking act permitting county-wide branch banking on a basis more liberal, with respect to capital requirements, than that applying to State member banks, added to the existing situation in this regard in New York, reemphasized for this district the desirability of some action by the Congress to bring the Federal law on the subject of capital requirements for out-of-town branches more nearly into line with State requirements. A bill to effect this was introduced in the Eightieth Congress (1947-1948), but was not acted upon, although it had System approval; the legislation has been re-introduced in the present Congress and is now pending.

(3) Increases in the cost of commercial banking operations (coming at a time when the percentage of earning assets was being reduced by the increases in reserve requirements) has had the effect of accentuating the demand by member bankers for additional or expanded services from the Reserve Banks.

The situation as a whole was highlighted in February 1948 by the withdrawal from membership of the Cranford Trust Company, Cranford, New Jersey, ostensibly for the reason that it wished to establish a branch in the neighboring community of Kenilworth which it would not be able to do as a member bank. While the establishment of this branch was the reason given for withdrawal, we were also led to believe that the management of the bank felt that its operations would be generally more profitable as a nonmember State bank. We have been told that other banks in New Jersey are watching this situation closely. Several other member banks wish to establish branches in growing communities from which they are now obtaining business, and the increased discrepancy in reserve requirements, added to higher capital stock requirements, has caused some of them to consider withdrawing from the System.

The implications of this situation were sufficiently serious to warrant a thorough-going study of the whole question of System membership—its advantages and its disadvantages—to aid in giving direction to the future course which this bank, and the System, should steer in their relations with members and potential members. Such a study was initiated as the year ended; as its results become apparent, they will be discussed with the directors.

LOANS AND CREDITS

There was no significant change in the pattern of member bank use of our credit facilities during 1948 in comparison to 1947. There was a decrease in both the number of advances made to member banks and in the amount of their daily average borrowings during last year. 2,715 advances were made during 1948 to 354 banks, against 2,951 advances to 336 banks in the previous year, all secured by obligations of the United States or Federal Intermediate Credit Bank debentures. The daily average borrowings amounted to approximately \$45.4 million as compared with \$47.5 million in 1947. Outstanding advances in 1948 ranged from a low of \$1.7 million to a high of \$493.1 million on December 23, which exceeded the peak reached in 1947 by approximately \$152 million. However, this high point of borrowings occurred for only one day and represented principally the borrowings of New York City banks. Outstanding advances at any time during the year, to member banks other than to New York City member banks, did not exceed \$38.3 million, which compared with a high point of approximately \$52 million the previous year.

There were no applications received during 1948 for industrial loans or commitments under section 13b of the Federal Reserve Act.

Consumer Instalment Credit

On August 19, 1948, the Board of Governors of the Federal Reserve System issued Regulation W to become effective September 20, 1948, pursuant to the Joint Resolution of Congress, approved August 16, 1948, as Public Law 905, which authorized the Board of Governors to exercise controls over consumer instalment credit.

The regulation follows the general form of the original Regulation W, as amended, which expired November 1, 1947, and is directed at controlling, through restrictions as to permissible maximum maturities and loan values, instalment loans and instalment sales credits in the principal amount of \$5,000 or less arising out of the sale of twelve major categories of consumers' durable goods, new or used, having a cash price of \$50 or more. In addition, instalment loans not exceeding \$5,000 in principal amount made for any other purpose, except those specifically exempted by the regulation, are subject to restrictions on maximum maturities. The Board of Governors subsequently adopted two minor amendments which were designed to eliminate inequities in certain sales fields.*

All parties engaged in a business subject to the regulation are required to register with the Federal Reserve Bank in the district of which the head office of the business is located; registrations with this bank amounted to approximately 13,600 as of December 31, 1948.

The enforcement phase of the program was inaugurated about the middle part of October 1948. To the end of that year, 1,272 registrants were investigated by the Head Office (Credit Department) and Buffalo Branch; 27 registrants were found to have violated the regulation to

* A third amendment, effective March 7, 1949, eased down-payment requirements in the case of all listed items except automobiles, and maturity requirements in the case of all listed items.

a significant extent. In the cases of such registrants appropriate action has been taken by means of disciplinary correspondence or by conferences with their principals; assurances of future compliance were received in all instances. Re-examination of these registrants is scheduled for an early date in 1949. The enforcement program of the bank will comprise the examination of all sales finance companies and of approximately 25 per cent of other classes of registrants, exclusive of supervised lenders, before the presently-scheduled expiry date of the regulation, June 30, 1949. Working arrangements have been established with the regional offices of the various State and Federal supervisory agencies so that, in the course of their regular examinations of various types of lenders under their jurisdiction in this district they can watch for compliance with the terms of Regulation W.

RESEARCH ACTIVITIES

The demands on the Research Department during 1948 for information, special studies or surveys, and foreign missions, in addition to its routine assignments, were unusually heavy. As in the past, the Department was concerned with foreign and international as well as domestic statistics and research.

Domestic Studies and Publications

On the domestic side, the year's principal activity was related to problems of Federal Reserve credit policy (including policy with respect to the support of Government bonds and bank reserve requirements), interest rates, Federal debt management, and Treasury fiscal operations. At the request of a System research committee, an analysis was made to determine the impact of alternative reserve requirement proposals upon member banks in the Second District. Tests were made to determine the effects of varying increases in the percentages of reserves required to be held by central reserve city banks, reserve city banks, and country banks. Considerable time was devoted to the analysis of current business conditions, to price and wage developments, and to the financial position of business. A study of bank debits and clearings completed in the Department was published by the Board of Governors as a brochure. In order to further a System project toward uniformity in the collection and publication of retail trade statistics, the Department did some work on a departmental manual and directory for department stores which report sales and other data to us. It also surveyed the prevailing reporting practices of the department stores and made several special tabulations in this field for the Board of Governors.

The annual survey of retail credit in the Second District was made for the Board of Governors. A special survey was made for the Board of Governors of sales finance company operations in this district during 1947, in order to supply "benchmark" data for the Board's monthly statistical series on sales finance companies. This involved mailing a questionnaire to 199 sales finance companies and following it up with personal interviews and telephone calls. In February 1948, through personal interviews with several New York City banks, a pre-test was made of a revised quarterly form to be used by selected banks in New York City and Buffalo to report interest rates

charged to commercial borrowers; several changes were made in the form as a result.

At the request of the Cash Department, the Research Department studied the matter of finding a more equitable formula than the one now used for the allotment of new currency to member banks in this district. An initial result of this study has been the decision, in consultation with the Cash Department, to mail a questionnaire to the member banks with a view to soliciting more detailed information on their requirements of new currency.

A few of the principal research papers written on domestic topics during the year are listed below:

- Government-Insured Mortgage Lending
- The President's Budget Message of January 12, 1948
- The Reconstruction Finance Corporation, 1946-47
- The Dearth of Venture Capital
- Federal Reserve Consumer Credit Statistics
- History of the Statutory Reserve Requirements of Federal Reserve Member Banks
- Federal Reserve Bond Support Program and the Inflation of the Money Supply
- The Role of Dissaving in Economic Analysis
- Increasing the Treasury's Net Receipts from the Sale of Savings Bonds
- Sampling Methods Used in Public Opinion Polls
- Population in the Second Federal Reserve District, 1940-48

Foreign and International Studies and Publications

On the foreign and international side, the Department continued to supply the directors, and the officers of the bank's Foreign function, with information and analysis on particular foreign areas, on international capital movements, on the balance of payments and other foreign relations problems of the United States, and, in general, on world economic and financial developments and conditions. A major field of study was in the various international aspects of the European Recovery Program and the related problems of intra-European economic collaboration. Among other important activities were those concerning the international economic position of the United Kingdom, foreign exchange developments in France and elsewhere, the world gold situation, and the economic problems of underdeveloped areas. In addition to a large number of studies on the problems of individual countries, studies were prepared in connection with the foreign loans made by this bank against gold, and also on the activities and programs of the International Bank and Fund, the Bank for International Settlements, and the International Trade Organization.

The Department continued to compile and issue a monthly press release giving data on the promptness of payment of export drafts drawn on Latin American countries, as reported by twelve large New York City banks. These data were analyzed in the June issue of this bank's Monthly Review, in an article which was subsequently issued as a reprint, of which some 4,000 copies were issued. In July a leading export association in New York City adopted a resolution commending the Federal Reserve Bank of New York for its initiative and work in this field and asking that consideration be given to extending the scope of our survey to banks throughout the United States. A System research committee, headed by a representative of this bank's Research Department, is now

engaged in studying the desirability of such an extension and in getting sample data from the other eleven Federal Reserve Districts on which a conclusion can be based.

One special assignment in 1948 involved the writing of a history and analysis of the money and banking system of the Dominican Republic; this will appear as an introduction to the published text of the legislation creating a Dominican currency and central bank. (The legislation in question was drafted in 1946-47 by Mr. Wallich, the Chief of our Foreign Research Division.)

Among the more important research papers written during the year on foreign and international topics were the following:

A Rise in the World Price of Gold?
 The Industrialization of Underdeveloped Areas
 Ecuador's New Monetary and Central Bank Legislation
 Fiscal Policy and Balance of Payments in Chile
 Monetary Disintegration and Financial Rehabilitation in Germany
 Fiscal and Monetary Policy in Italy under Signor Einaudi
 Sweden's Economic Predicament
 Switzerland's Gold and Dollar Policy
 The USSR in the World Economy
 The Sterling Area—History, Characteristics, and Prospects
 Inflation in Japan
 Philippine Central Bank Bill
 The Guaranty Program of the ECA
 Administration of Local Currency Funds under the European Recovery Program
 Financial Aspects of the Foreign Assistance Act of 1948
 Bilateral Agreements between the United States and ERP Countries
 European Fiscal Policies: I—The Course of Government Expenditures
 European Fiscal Policies: II—The Burden of Taxation

Apart from actual foreign travel, some members of our research staff carried out special assignments in this country connected with foreign problems, e.g., assisting the Stettinius Associates in drafting a national bank law for Liberia, and assisting the Economic Cooperation Administration in working out an intra-European payments plan.

Foreign Missions

As in past years, the Department's officers and staff carried out a variety of foreign missions and trips in addition to participating in visits to foreign central banks, as described elsewhere in this report. Dr. Williams, the bank's Economic Adviser, made a four-week trip to Paris upon the invitation of the Secretary-General of the Organization for European Economic Cooperation for the purpose of advising that Organization on the report which it has since submitted to the Economic Cooperation Administration in Washington, covering the scope and allocation of the European Recovery Program in 1949-52. Mr. Roelse, Vice President, spent the last four months of the year as a member of the Joint Brazil-United States Technical Commission, organized by the United States and Brazilian Governments for the purpose of studying Brazil's economic resources and the most suitable methods of developing them. Mr. Glaessner, one of the economists of our Foreign Research Division accompanied Mr. Roelse to Brazil as a financial

technician of the Commission. Mr. Wallich, Chief of the Foreign Research Division, together with Mr. Adler, of the Balance of Payments Division, spent several weeks in El Salvador, at the invitation of the government of that country, making a survey of the fiscal and monetary situation; this work has since been continued here at the bank and the mission's report will probably be published soon. Following his stay in El Salvador, Mr. Wallich visited Colombia in order to obtain for the Salvadoran study certain additional information on Latin American fiscal problems. While on this trip, he also made brief visits to the central banks of Guatemala and the Dominican Republic. Mr. Coombs (Foreign Research Division), who had gone to Athens in September 1947 as a financial adviser on the American Mission for Aid to Greece, continued in that capacity until late in 1948, when his leave was extended by this bank to permit him temporarily to head the Greek-Turkish section of the Economic Cooperation Administration in Washington. Mr. Kybal (Foreign Research Division) was given a six months' leave in September to serve as a consultant to the Economic Commission for Latin America in Santiago, Chile.

BUFFALO BRANCH OPERATIONS

The operations of the Branch during 1948 showed an increase in volume over those of 1947, notwithstanding a substantial decline in the volume of fiscal agency and other reimbursable work. Current expense and cost of Federal Reserve currency totaled \$735,850 in 1948 as compared with \$661,909 in 1947. Fiscal agency and other reimbursable expenditures aggregated \$28,355 as contrasted with \$89,961 in 1947.

Some of the more important and interesting developments in the operations of the Branch are set forth below.

Fiscal Agency Operations

The work of the Securities Division is the only reimbursable fiscal agency activity of importance remaining at the Branch. The Division issued 15,597 Series E, F and G Savings Bonds totaling \$22.7 million in 1948 as compared with 21,252 pieces amounting to \$28.1 million in 1947. In addition, 1,972 Treasury Savings Notes aggregating \$26.4 million were issued in the past year as contrasted with 2,666 pieces totaling \$13.9 million in 1947. The Securities Division also redeemed 10,999 Series A to E Savings Bonds, 3,693 Treasury Savings Notes, 1,348 other United States Government securities, and 58,674 coupons. Each of these totals represents a modest decline as compared with the figures for 1947.

Personnel

The number of employees at the Branch increased during the year from 164 to 176. There were 52 separations from service, and 64 new employees were engaged after interviewing 385 applicants.

As indicated earlier in this report, adjustments under the bank's personnel classification plan were made at the Branch, as well as at the Head Office, effective November 1.

The minimum and maximum salary rates at the Branch were increased by about 10 per cent; and all the 176 employees there received increases amounting to 10 per cent of the first \$7,500 of annual salary, salaries below the newly established minimums being brought up to those minimums. The percentage increases aggregated \$40,766 per annum; in addition 14 employees received further increases totaling \$438 per annum to bring their salaries to the new minimums.

The following tabulation as of the close of 1948 and the preceding four years, shows the number of employees at the Branch and the total employee salary liability (supplementary compensation, paid prior to January 1, 1946, being a part of salary):

	1944	1945	1946	1947	1948
Number of employees . . .	202	221	211	164	176
Salary liability— (in thousands of dollars)	\$340	\$398	\$467	\$390	\$455

All 176 employees have signed authorizations for deductions from payroll for the purchase of Series E bonds, the total deductions amounting to 5.24 per cent of the payroll at the end of the year. All but 13 employees are enrolled in the Blue Cross and Blue Shield plans for hospitalization and surgical benefits. Some of the 13, however, are covered under a similar plan through other members of their families. In July a new group life insurance plan was adopted to provide insurance for men in amounts up to \$6,000 based upon their salary, and for women in amounts ranging up to \$4,000, whereas the previous plan provided coverage up to a maximum of only \$3,000; and 146 employees, or 83 per cent, are participating in this plan.

Check Collections

The Check Division collected over 24.8 million checks aggregating \$7.5 billion in 1948, as compared with 21 million items amounting to slightly over \$7 billion in 1947. This gain of 3.8 million checks over the previous year reflects not only an increase in the volume of business transactions in the Branch territory, but also an increased use of Federal Reserve collection facilities by

some banks which heretofore had collected their checks through correspondent banks. The average number of checks handled daily rose from 80,007 in 1947 to 98,258 in 1948. On February 16, 1948, a total of 167,169 items was handled, and when subsequently even larger numbers of checks were received it became necessary to enlist a volunteer force to work on Saturdays during part of the last quarter of the year. On November 15, following the Armistice Day and week-end holidays, a total of 202,382 checks were processed with the aid of 18 employees who performed part of the preliminary work on the preceding Saturday. Throughout the year it has been necessary for this division to borrow help from other divisions to handle the large volume of checks requiring processing on Mondays, in order to avoid holdover of items or payment for excessive overtime work.

In May 1948, the Branch inaugurated air express shipments of checks to the Boston, Chicago, Cleveland and Philadelphia Federal Reserve Banks, in consolidation with the shipments of the Buffalo commercial banks. Previously, only the Branch's own volume of checks was shipped by air express to those Federal Reserve Banks.

As in the case of the Head Office, the Branch revised its time schedule, effective June 3, 1948, to provide one day earlier availability for deferred-credit items payable in eight Federal Reserve Bank and branch cities to those member banks which deposit their inter-district cash items with the Branch for collection.

Membership

No applications for membership were received from banks in the Branch territory during 1948. Although several nonmember institutions showed considerable interest in membership early in the year, their interest seemed to diminish following the increase in reserve requirements which became effective in September.

Loans to Member Banks

A total of 263 loans aggregating \$145,208,000 was granted to 38 member banks in 1948 as compared with 303 loans amounting to \$297,073,000 made to 31 member banks in 1947. The highest amount of loans outstanding at any one time was \$10,425,000 on August 13, 1948.