

**FEDERAL RESERVE BANK  
OF NEW YORK**

Fiscal Agent of the United States

[ Circular No. 4195 ]  
February 8, 1955 ]

**CURRENT EXCHANGE OFFERING**

**Tabulation of Subscriptions**

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

The following statement was made public today:

Treasury Secretary Humphrey today announced that a tabulation of subscriptions for the recent exchange offering showed \$1,917 million for the new 40-year 3 percent Treasury bonds; \$3,784 million for the 2½-year 2 percent note; and \$8,450 million for the 13-month 1½ percent note.

The securities eligible for exchange totaled \$14,983,000,000, and the subscriptions amounted to \$14,151,000,000, leaving only \$832,000,000 or 5.6 percent unexchanged. A breakdown of the exchanges by issue follows:

<i>Maturing or called issues</i>	<i>Eligible for exchange</i>	<i>Exchange subscriptions for new issues</i>				<i>Unexchanged</i>
		<i>1½% Note (13-month)</i>	<i>2% Note (2½-year)</i>	<i>3% Bond (40-year)</i>	<i>Total</i>	
15⅞% Certificates (maturing Feb. 15, 1955) ..	\$ 7,007	\$5,743	\$1,179	—	\$ 6,922	\$ 85
1½% Notes (maturing Mar. 15, 1955) ..	5,365	2,388	2,605	—	4,993	372
27⅞% Bonds of 1955-60 (called for redemption Mar. 15, 1955) .....	2,611	319	—	\$1,917	2,236	375
<b>Total .....</b>	<b>\$14,983</b>	<b>\$8,450</b>	<b>\$3,784</b>	<b>\$1,917</b>	<b>\$14,151</b>	<b>\$832</b>

Final figures by districts will be released in a few days.

In making the announcement, Treasury Secretary Humphrey said:

“The banks, the Government security dealers, and the entire financial community gave magnificent cooperation in supporting the \$15 billion refunding operation. The successful placing, especially of not far from \$2 billion of 3 percent 40-year bonds, with investors in the three days in which the subscription books were open was a substantial achievement and involved the transfer of ownership among many thousands of holders. This, together with other necessary activity in connection with the refunding, required a volume of market transactions in Government securities of about \$2½ billion a day during the time of the exchange.

“The 40-year 3 percent bonds are the longest issue of Government bonds since a 50-year bond was issued in 1911 to help build the Panama Canal. The bond issue is a further step in carrying out the goal of improving the structure of the debt so as to help maintain the value of the dollar and so encourage the dynamic growth of the economy.

“This operation lengthens the average maturity of the marketable debt from 4 years and 2 months to 4 years and 9 months.”

ALLAN SPROUL,  
President.

92 4195

**FEDERAL RESERVE BANK  
OF NEW YORK**

February 8, 1955

*To the Chief Executive Officer of Each Member Bank  
in the Second Federal Reserve District:*

The following pages contain a reprint of an article on "Member Bank Call Reports" that appeared in the February issue of this Bank's *Monthly Review of Credit and Business Conditions*. We hope that you and the people in your bank who prepare these reports, or make use of the information contained in them, will find the article interesting and helpful.

The Call Reports are the Reserve System's principal source of basic statistical data on banking conditions. They provide information that a Reserve Bank must have to carry out properly its responsibilities to the member banks and to the public. The information is also of considerable value to each individual member bank when analyzed and presented in the form of "operating ratios". The article describes how the reports are processed, how the Federal Reserve Bank and the Federal Reserve System use the information, and how it may be used by each member bank. Finally, it indicates areas where member bank reporting seems less accurate than it should be, and notes that the Federal Reserve Bank of New York would like to help member banks improve the accuracy of their reports.

Some banks find that preparing Schedule "A" of the Call Reports, which lists loans and discounts according to purpose, presents reporting difficulties. Many banks, however, have found that they can classify loans for reporting purposes quickly and accurately by coding them as they are made. Each time a new loan is put on the books the loan ledger or card is coded with the line number of Schedule "A" under which it belongs. The ledger or cards can then be run up on a proof or adding machine to complete the Schedule. As the article indicates, an accurate breakdown of loans of each member bank is important if the data are to be most useful. In fact, it is so important that we shall be glad to help banks in the District devise a system for coding their loan ledgers or cards, so that Schedule "A" can be completed more accurately, easily, and quickly. You may feel free to call on our Bank Relations Department for this help if you need it.

We realize, of course, that accurate reporting will always require some time and effort, but less than accurate reports are wasteful of time and effort on your part and on ours.

ALLAN SPROUL,  
*President.*

## MEMBER BANK CALL REPORTS

The Federal Reserve Act provides (in Section 11) that the Board of Governors of the Federal Reserve System shall be authorized and empowered "To examine at its discretion the accounts, books, and affairs of . . . each member bank and to require such statements and reports as it may deem necessary". Among the statements and reports that the Board requires of member banks are the periodic reports of condition that have come to be known as Call Reports, since they are submitted by the banks in response to "calls" for them issued at various times throughout the year by the supervisory authorities. A minimum of three such calls each year is required by law; in recent years, calls have averaged four a year, and have required member banks to submit reports of their condition at the end of June and December and also on some date in March or April and in September or October.

Many member bankers look on the preparation of Call Reports only as a regularly recurring chore, and the general public becomes aware of them only when bank statements of condition periodically appear in the press. Yet Call Reports are a most useful instrument for Federal Reserve operations, and they contribute valuable information for the formulation of Federal Reserve policy and for other important purposes, including use by the member banks themselves. This article briefly describes the nature of Call Reports, and attempts to explain the various uses to which the data they yield may be put.

Call Reports antedate the Federal Reserve Act; national banks were required to submit reports of condition to the Comptroller of the Currency by the terms of the National Banking Act of 1865. After the Federal Reserve Act was passed in 1913, and the Federal Reserve Banks were established in 1914, the Reserve System began requiring Call Reports of all member banks. Arrangements to avoid duplication in reporting by national banks were then worked out between the Comptroller and the System. Under these arrangements, each Federal Reserve Bank receives copies of the reports made to the Comptroller by the national banks in its District, while State-chartered member banks report directly to the Federal Reserve Banks.

The Call Report form now in use provides on its face for a detailed listing of major asset and liability accounts, and capital accounts, and for certain additional "memorandum" information. The reverse side of the report contains nine "schedules", seven providing for breakdowns of the major asset and liability totals on the face of the Report, and two requiring additional "memorandum" information.<sup>1</sup>

Originally, member banks were required to submit periodic reports of their condition as an incident to the System's respon-

sibility for supervising the operations of member banks and testing their soundness through regular examinations. Call Reports are still a useful instrument of bank supervision, but through the years they have also come to serve the Federal Reserve System, the member banks themselves, and the public generally in a number of other important ways.

### RESERVE BANK USES OF CALL REPORT DATA

Before Call Report data can be used, the Reports must be carefully reviewed and edited to detect and correct inaccuracies in reporting. The data must then be transcribed from the Reports into a form suitable for statistical processing. Call Report data are processed at the Federal Reserve Bank of New York on punch-card tabulating equipment. After the Reports have been reviewed for accuracy, the data are coded and key-punched into cards. Codes are included for such things as the State and county in which the reporting bank is located, and the bank's reserve classification, deposit size, and ratio of loans to assets.

The first "run" of the cards through the tabulating machines is made to summarize Schedule "A"—Loans and Discounts—for all the member banks in the District. This summary distributes the total loans of the District's member banks by type of loan (business loans, loans to farmers, security loans, real estate loans, consumer loans, etc.). Similar loan distributions for their Districts are made by all the other Federal Reserve Banks, and the results are then consolidated by the staff of the Board of Governors for the country as a whole. This information on the direction of the flow of credit—the amounts being borrowed by businesses, farmers, consumers, the amounts being used to purchase or carry securities, or real estate—is essential for the determination of national credit policy. In addition, it is invaluable to the System's economists in providing "benchmark" data for comparison with the weekly and monthly estimates of credit changes which they make between "call" dates.

A second run of the cards through the tabulating equipment yields a complete summary, for all member banks in the District, of all the items on the Call Report. The purpose of this summary, in which the data are broken down by size-groups of banks, is to provide a means of following banking trends. Changes from preceding "call" dates are carefully watched by the research departments of the Reserve Banks and the Board of Governors for trends in bank assets or liabilities that might have significance for the economic situation and for Federal Reserve credit policy.

A final run of the cards through the machines provides an "abstract sheet" of the condition of each individual member bank. These abstracts are for the use of the Bank Examinations Department of the Federal Reserve Bank. The sheets condense on one page the figures and ratios relating to each bank that examiners find most useful and valuable in judging a bank's soundness and performance. Each sheet has data on it for several previous "calls" as well as for the most recent one, so

<sup>1</sup> The seven schedules supporting major asset and liability account totals are: Schedule "A"—Loans and Discounts; Schedule "B"—United States Government Obligations; Schedule "D"—Cash, Balances with Other Banks; Schedule "E"—Demand Deposits; Schedule "F"—Time Deposits; Schedule "H"—Other Assets; and Schedule "I"—Other Liabilities. Schedule "CC" requires a listing of contingent liabilities, and Schedule "FF" ("EE" in the Comptroller's form) the insertion of the number, if any, of "affiliates" or "holding company affiliates" of the reporting bank for which reports are required.



that examiners can readily follow the trends in each bank's operations.

The information yielded by Call Reports is also used by the Federal Reserve Bank of New York for a variety of purposes other than the ones already mentioned. For example, each member bank's ownership of stock of the Federal Reserve Bank is compared with Call Report figures for paid-up capital and surplus.<sup>2</sup> Also, on the basis of Call Report data, member banks are classified into size-groups for the purpose of electing directors to the board of the Federal Reserve Bank.<sup>3</sup> Balances in member bank reserve accounts on the books of the Federal Reserve Bank are reconciled with "Reserve with Federal Reserve Bank" figures shown on the Call Reports, and with reported deposit liabilities subject to reserve requirements. Allocations of wrapped coin and new currency to member banks are based by the Federal Reserve Bank on deposit figures shown in the Call Reports, and the Bank's Discount Department uses some Call Report information in evaluating applications by member banks for loans from the Reserve Bank.

#### USEFULNESS OF CALL REPORT DATA TO MEMBER BANKS

In addition to its internal uses at the Federal Reserve Bank, Call Report information is employed in the preparation of a yearly report to the member banks that bankers have found valuable—the annual circular on "Operating Ratios of Member Banks" that each Federal Reserve Bank prepares for the member banks in its District. Data from the member bank Call Reports, and from the Reports of Earnings and Dividends that member banks submit twice each year to the Reserve Bank, are used to compute sets of ratios covering earnings, expenses, profits, assets, and capital positions. These ratios are computed for each member bank, for all member banks in the District as a group, and for groups and subgroups of banks distributed by deposit size and (in this District) by the relationship of loans to total assets. Each member bank is provided each year with its own ratios and with the average ratios for all of the various groups and subgroups, thus making possible a comparison of its performance with the average performance of other banks in the District, including those of comparable size and asset structure. Also, the member banks can make year-to-year comparisons of their own ratios, thus checking their past performance and measuring their progress. Bankers throughout the Second Federal Reserve District have testified

<sup>2</sup> Member banks are required to subscribe to stock of the Federal Reserve Bank in an amount equal to 6 per cent of their paid-up capital and surplus. Only half of this subscription has been called, however, so each member bank must pay for and hold Federal Reserve Bank stock equal in value to 3 per cent of its paid-up capital and surplus, and holdings of Federal Reserve stock must be adjusted with each change in the amount of a member bank's paid-up capital and surplus.

<sup>3</sup> Six of the Federal Reserve Bank's nine directors are elected by the member banks (the remaining three are appointed by the Board of Governors of the Federal Reserve System). In electing directors, member banks in this District now are divided, on the basis of the latest Call Report information, into three groups. Group 1 banks are those with a capital and surplus of 10 million dollars or over; Group 2 banks have a combined capital and surplus of over \$500,000 but less than 10 million; and Group 3 banks' capital and surplus is \$500,000 or less. Each group elects two directors. See also "Our Board of Directors", this *Review*, April 1953, pp. 51-54.

in numbers over the years to the usefulness of these annual member bank operating ratios as a management tool for measuring the success of bank operations and for promoting greater efficiency.

#### USES OF SYSTEM-WIDE CALL REPORT DATA

Mention has already been made of the fact that the summaries of Schedule "A"—Loans and Discounts, prepared by each Federal Reserve Bank from the Call Reports of the member banks in its District, are consolidated for the country as a whole by the staff of the Board of Governors, and provide a nation-wide picture of the distribution of bank credit by type of loan that is very informative and valuable for credit policy purposes. Similarly, the District summaries of all asset and liability items in the Call Report, prepared by each Federal Reserve Bank, are consolidated at the Board of Governors. The consolidated Call Report data are regularly published by the Board in pamphlet form (titled "Member Bank Call Report"), and also appear in the *Federal Reserve Bulletin*, for the information of the general public and for the use of students and others interested in commercial banking developments. The national data also have important uses within the Federal Reserve System, for purposes both of economic analysis and of policy determination.

Analysis of Call Report data, and of changes in these data over time, yields information that is valuable to the System's economists and to other interested observers in interpreting economic developments. Together with other pertinent data, the Call Report data indicate, for example, the extent to which business, personal, and Government expenditures are dependent upon credit for their financing.

To fill in the "gaps" between call dates, and provide a continuous and current statistical record of the more important Call Report items, information is obtained weekly and monthly from groups of banks known as "Weekly Reporting Member Banks" and "Monthly Reporting Member Banks". The periodic Call Reports provide data on the basis of which the currently reporting groups can be selected, and they serve as recurring "benchmarks" against which the current incomplete data, and interim estimates for the banking system as a whole that are based on them, can be checked. Also, Call Report figures are used in maintaining various other Federal Reserve statistical series, such as those on consumer credit outstanding, and in making certain regular estimates and surveys, such as those of liquid asset distribution and of the ownership of demand deposits.

The analysis of Call Report data, which yields economic information of wide interest and importance, is undertaken primarily for policy ends. For example, policy actions taken with respect to Reserve Bank discount rates, open market operations, reserve requirements, and margin requirements are all based in part on the analysis of information from Call Reports and intervening reports obtained from member banks. The data are useful, first, to ascertain the advisability of, or need for, proposed policy changes and to estimate their effects;

also, after changes are made, later Call Report data will reflect their actual effects.

#### ACCURACY OF CALL REPORT DATA

The preceding review of the various important uses to which Call Report data are put indicates that a considerable premium must be placed on the complete accuracy of the information Call Reports contain. As a reflection of this, when a member bank submits its report to the Federal Reserve Bank (or to the Comptroller of the Currency, if the reporting bank is a national bank), the president or cashier of the bank must swear that, to the best of his knowledge and belief, the information shown on the face of the Report is true and that the schedules on the back of the Report "fully and correctly represent the true state of the several matters therein contained and set forth". And three of the bank's directors must attest to this sworn statement.

Nevertheless, the experience of the Federal Reserve Bank of New York indicates that errors and omissions occur in about 15 per cent of all Call Reports received. These include such things as incorrect totals, missing or incorrect subtotals, missing figures, disagreement of items that should correspond, and "slipped" carbon copies. These errors are corrected, and missing figures obtained from the banks, before the Call Report data are processed, and consequently do not affect the accuracy of the final data.

In addition to these errors and omissions, however, the reviewing and processing of Call Report data at the Federal Reserve Bank of New York not infrequently also turn up figures that, while not clearly incorrect, appear to be of doubtful accuracy. These doubtful cases occur most often in Schedule "A" of the Call Report, which requires a classification of loans and discounts by purpose of loan.

The earlier discussion of the uses to which the information derived from Schedule "A" is put indicated that it is important for credit policy purposes for the Reserve System to have loan data classified by purpose of loan. But not all banks seem to keep records that indicate clearly, and in all cases, the types of loans made or the purpose for which they are made. Consequently, to list several cases that recur with some frequency, loans to individuals actually made for business purposes, which should be reported under "Commercial and industrial loans" in Schedule "A", may be reported as "Other loans to individuals", either as single payment or instalment loans. Or loans that should be classified as business loans, or loans to farmers, or other loans to individuals may be placed in the residual category, "All other loans", instead of where they really belong.

To attempt to remedy this situation in the Second Federal Reserve District, the Federal Reserve Bank of New York, working with the Chief National Bank Examiner for the Second District, has developed and embarked on a program of assistance to and cooperation with member banks. The program is aimed at discovering and overcoming the reasons for inaccurate reporting where they exist, and at developing methods—such as "coding" loans with Schedule "A" classi-

cations when they are made—that will enable the member banks to maintain the accuracy of their Call Reports with a minimum of effort and expense. Through this program, which will continue as long as a need for it seems to exist, the Reserve Bank will try in all possible ways to help the member banks maintain the generally high level and standards of accuracy they have developed over the years in their Call Reports, and to improve accuracy and raise standards in the few segments of the Report—such as Schedule "A", in particular—where difficulties appear to have developed.

#### SUMMARY

Although member bankers frequently look upon the preparation of Call Reports only as a regularly recurring chore, and although there may be only limited public interest in them, Call Reports are a most useful instrument of bank supervision and guidance, and they contribute information that is valuable for the formulation and execution of Federal Reserve credit policy and for other significant public purposes. Within Federal Reserve Districts, the Federal Reserve Banks find Call Report figures essential in a number of areas of their relationships with member banks—supervision of member banks, member bank ownership of Federal Reserve Bank stock, election of Federal Reserve Bank directors by member banks, maintenance of proper member bank reserve balances, allocation of wrapped coin and new currency, and discounts and advances to member banks. Also, Call Report data, and changes in them over time, are used by Reserve Bank research staffs in evaluating regional and national economic developments and prospects. And member banks themselves employ Call Report information, recast by the Reserve Banks into the familiar "Operating Ratios of Member Banks", in assessing their own internal operating efficiency and their performance relative to the average performance of comparable institutions.

Finally, these Call Report data provide a rich source of information for use in regular and special studies within the Federal Reserve System, and for study by interested observers of banking and monetary developments outside the System. Thus they contribute materially to the total of knowledge about the banking system and its role in the American economy.

In view of the important uses to which Call Report data are put, their complete accuracy is extremely important. The experience of the Federal Reserve Bank of New York, covering the Second Federal Reserve District, indicates that the standards of accuracy maintained by the member banks in their Call Reports are in the main quite high. However, there appears to be some room for improvement in some parts of the Report, especially in the accuracy of the classification of loans by purpose that is required in Schedule "A" of the Report. The New York Reserve Bank is therefore presently engaged in a continuing program of cooperating and working with the member banks in the Second District toward the resolution of this problem of accuracy in reporting loan classifications and of any other reporting problems that banks may encounter.