

**THIRD ANNUAL REPORT**  
**OF THE**  
**FEDERAL RESERVE**  
**BOARD**

**COVERING OPERATIONS**  
**FOR THE YEAR 1916**



**WASHINGTON**  
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**1917**

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# PART I.

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## REPORT OF THE FEDERAL RESERVE BOARD, WITH EXHIBITS.

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# ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

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FEDERAL RESERVE BOARD,  
*Washington, February 3, 1917.*

The SPEAKER OF THE HOUSE OF REPRESENTATIVES:

The Federal Reserve Board presents herewith its annual report for the calendar year 1916.

This report, the third submitted, is made just after the close of a year of unexampled commercial, industrial, and financial activity in the United States. In practically all important industries labor and capital have throughout the year found full and remunerative employment. During the calendar year 1916 exports of merchandise from the United States to other countries amounted to about \$5,480,900,000, while imports amounted to about \$2,391,700,000, leaving a net trade balance in favor of the United States of about \$3,089,200,000. Domestic trade, stimulated by unusual demands, has developed an activity keeping pace with the nation's foreign business, and the result of these conditions is reflected in the augmentation of bank resources, as illustrated by the fact that the deposits of all banks and trust companies in the United States showed an increase of \$4,344,000,000 during the year ended June 30, 1916.

## INFLOW OF GOLD AND ATTENDANT PROBLEMS.

Since the beginning of the European war the problem involved in the distribution of gold throughout the world, as far as the United States is concerned, has been completely reversed. It will be remembered that at the outbreak of the war the Board was confronted with a serious situation in connection with European credits, which were maturing to the extent of about \$450,000,000, for which settlement was demanded. The liquidation of this indebtedness at first involved large shipments of gold, which were aided by a bankers' gold fund of \$100,000,000. But, owing to the growing volume of our exports to Europe, balances shortly began to appear in favor of this country. These balances have increased at an unprecedented rate. From the beginning of the war until the end of December, 1916, there has been a net movement of gold into the United States of approximately \$870,000,000, and it is estimated that during the same period about \$2,250,000,000 of securities of American origin, including obligations of the National Government, of

States, of municipalities, and of corporations, have been transferred from foreign to domestic ownership. During this period, it is estimated, about \$2,000,000,000 of securities issued by foreign Governments and corporations have been absorbed and are now held by American financial institutions and investors.

During the years 1915 and 1916 the growth in volume of banking business of the United States was unprecedented, as shown by the following table, which includes aggregate figures for the National and all other banks:<sup>1</sup>

[000's omitted.]

|                          | June,<br>1914. | June,<br>1915. | June,<br>1916. |
|--------------------------|----------------|----------------|----------------|
| Deposits.....            | \$21,359       | \$22,031       | \$26,376       |
| Loans and discounts..... | 15,339         | 15,758         | 17,849         |
| Cash.....                | 1,639          | 1,457          | 1,486          |

While there has been a notable addition to the gold holdings of the banks, there has been an even greater proportionate expansion of deposits and of loans. The investments of banks in stocks and bonds have increased during the period from June 30, 1914, to June 30, 1916, in the sum of \$1,211,644,754. The purchase by American investors of desirable foreign loans in large amounts, and the absorption by them of a vast volume of American securities previously held abroad, may be regarded as a healthy and normal operation, in view of the circumstances that have existed since the war began, but the Board has deemed it necessary, nevertheless, to emphasize the importance of having the banks of the country keep themselves in a liquid condition. Banks may, of course, perform an important function as temporary holders of securities during the process of their distribution to ultimate investors, but in times when there are enormous international transactions such as we have witnessed during the past two years, the velocity and volume of our foreign trade, as far as it is based upon long-time credit, must be regulated by the power of absorption of the American investor. Whenever the absorbing power of the investment market shows signs of exhaustion it would, in the opinion of the Board, be better that the volume of our exports be reduced, or that trade balances in our favor be settled by imports of gold, than that our banks, especially those of moderate size, should unduly extend their investments in foreign securities at a time when business prudence and conservatism suggest the necessity of their maintaining themselves in a particularly strong position. The Board is not, however, unmindful that large accretions of gold may induce a rapid and dangerous expansion of our credit structure, and in outlining the policy of the Federal Reserve Banks and in considering amendments that, in its opinion,

<sup>1</sup>All reporting banks exclusive of Federal Reserve Banks.

should be made to the Federal Reserve Act, the Board has been impressed with its duty to keep in close touch with the situation and to control as far as possible conditions resulting from either an excessive inflow or outgo of gold.

As illustrating our present situation, the Board would point out that the capital and surplus of National and all other banks in the United States on June 30, 1916, aggregated approximately \$4,044,000,000. These banks held on June 30, 1916, \$6,057,000,000 of long-time securities, principally bonds, exclusive of their holdings of about \$760,000,000 of United States Government bonds, most of which are, or can be, used to secure circulation. In other words, the securities held by banks in the United States, exclusive of United States bonds, amount in the aggregate to 150 per cent of their combined capital and surplus. When compared with their condition in June, 1914, before the outbreak of the European war, the aggregate capital and surplus of the banks have increased from \$3,846,500,000 to \$4,044,000,000, or 5.1 per cent; while their investments in stocks and bonds other than United States bonds, including, of course, domestic securities and obligations of neutral as well as belligerent nations, have increased from \$4,761,500,000 to \$6,057,000,000, or 27.2 per cent. Stated more briefly, American banks' investments in securities other than United States bonds amounted in June, 1914, to 124 per cent of their capital and surplus, and amount at the present time to 150 per cent.<sup>1</sup>

Notwithstanding these heavy investments, money rates remained easy during almost the entire year, and there did not develop even the seasonal demand which on some occasions requires action and which, during the year 1915, led the Board to establish what is known as the commodity rate, designed particularly to aid growers of farm products during the crop-moving season. To a great degree the ease of money and smoothness of operation of our financial machinery have been due to the facilities afforded and to the confidence inspired by the Federal Reserve System, as well as to the largely increased stock of reserve money resulting from the importations of gold. During the year there was a comparatively light demand on the part of member banks for rediscount accommodations, the maxi-

<sup>1</sup> The figures of the text may be summarized as follows:

|   | June, 1916.     | June, 1914.     | Increase.               |
|---|-----------------|-----------------|-------------------------|
| Capital and surplus of all banks.....   | \$4,044,000,000 | \$3,846,500,000 | <i>Per cent.</i><br>5.1 |
| United States Government bonds, practically all with circulation privilege.....                           | 760,000,000     | 823,000,000     | * 7.7                   |
| Other securities (domestic and foreign) owned.....  | 6,057,000,000   | 4,761,500,000   | 27.2                    |
| Ratio of securities (other than United States bonds) owned to paid-in capital and surplus (per cent)..... | 150             | 124             | 26                      |

\* Decrease.

mun amount of rediscounted paper held by the Federal Reserve Banks being \$38,345,000 on December 8; and the activities of the Federal Reserve Banks have been chiefly under the open-market provision of the law in the purchase of acceptances, of Government bonds, and of municipal warrants. Transactions of these kinds were engaged in to such an extent that the total invested resources of all Federal Reserve Banks on December 30, 1916, amounted to \$221,895,000, as against \$83,398,000 on December 30, 1915.

The Board notes with great satisfaction the progress made during the past year in developing a market for American bankers' acceptances, which now enjoy the standing to which they are entitled in most of the world's financial centers. American banking facilities are now being used in Europe, South and Central America, and in Asia. The number of banks, trust companies, and private bankers engaging in this business has increased materially, and the advantages of American bankers' acceptances, payable in dollars, are now better understood both at home and abroad. A very satisfactory beginning has thus been made, but it should be borne in mind that it is only a beginning, though a promising one, and that the scope of this new function of American banking must be greatly extended before it will be commensurate with the country's financial resources.

During its last session Congress enacted into law two amendments suggested by the Board which are destined to assist in the growth and development of the acceptance business. One of these permits national banks to accept to the extent of 50 per cent of their capital and surplus in certain domestic transactions, and the other allows national banks to accept bankers' drafts originating in countries where the 90-day bill is the customary means of remittance for foreign purchases. The member banks have already availed themselves quite freely of these new powers granted by Congress. The domestic acceptance doubtless will become an important factor in equalizing rates and should prove of especial value during crop-moving periods, when the lowest rates for bankers' acceptances prevailing in any of the districts will become available for acceptances drawn against commodities in those districts where, owing to seasonal demands, rates naturally would have a tendency to be higher. It has been the desire of the Board, as shown by its regulations and by its approval of low rates, to assist in the development of these various branches of the acceptance business as far as possible. The Board has, however, consistently pursued a policy of protecting the acceptance market and the Federal Reserve Banks from the possibility of an overgrowth of acceptances which, while technically within the law, might, owing to their intrinsic character and to agreements providing for a renewal of the credits over a considerable period,



tend to obscure evidence of the commercial basis of the underlying transaction. The Board realizes, however, that if the banking business—and particularly international banking business—is to develop freely it should not be unduly hampered by inflexible rules, and that there must be some latitude and discretion left to the banks in their dealings. But the Board nevertheless deems it its duty to take care that acceptance transactions not founded upon a normal commercial basis should be kept within limits, in order that ordinary commercial business may not be affected by any increase in rates which might result from an overextension of the credit facilities of the kind just described. During the past two years American banks and bankers have become accustomed to acting as acceptors, and the Board hopes that the coming year will witness marked progress in acquainting country banks particularly with the merits of commercial acceptances as banking investments.

The Federal Reserve Act is based essentially upon the principle that liquid paper rather than loans secured by stock-exchange collateral, or “merely investments,” should be the principal asset of the member banks when considered collectively; that the acceptance market rather than the call loan market, and rediscounts with Federal Reserve Banks rather than loans placed through banks in reserve and central reserve cities, should be made the means through which the average bank can supply its current requirements. In the development of a free and healthy acceptance market, it is desirable that acceptors should abandon the practice of discounting, as a matter of regular routine, their own acceptances, and the Board hopes that during the present year progress will be made along these lines.

Since the last annual report was submitted Congress has, upon the Board's recommendation, empowered Federal Reserve Banks to discount for member banks their fifteen-day notes secured by paper eligible for rediscount or purchase under sections 13 or 14 of the Federal Reserve Act. This new privilege already has proved most serviceable, particularly in larger financial centers. The Board feels that the member bank's fifteen-day collateral note should prove an important factor in the further development of the rediscounting function of the Federal Reserve Banks, as it affords them the means of supplying more economically the requirements of member banks for short-time accommodation.

#### DEVELOPMENT OF DISCOUNT RATES.

Except for a stiffening toward the close of the year, resulting in an increase of rates in some districts by one-half of 1 per cent, the discount rates prevailing at Federal Reserve Banks have been

nearly stationary. Of the changes made the only one worthy of note was that in the rate for acceptances, which was slightly advanced by the Federal Reserve Bank of New York in consequence of a firmer tendency in the money market. A differential rate for acceptances in favor of those made by member banks of the Federal Reserve System, has been adopted by some of the Federal Reserve Banks.

There has been no occasion to establish new or special rates designed for the accommodation of particular industries or districts. The plan of applying a low "commodity rate," established by the Board in September, 1915, for the benefit of producers and shippers of agricultural products, has continued operative, although the rate itself was raised to  $3\frac{1}{2}$  and 4 per cent at some of the banks. The need for it has been less than it was a year ago. High prices for all agricultural products and the general and sustained demand for them, not only at home but throughout the world, have brought to the farmers of the country an unprecedented degree of prosperity. This has, to a great extent, relieved them of dependence upon banks for current accommodation. Not only the farmers, but those engaged in all lines of business and industry, were during the year just closed unusually strong and independent from a financial standpoint; and, partly because of this fact and partly by reason of the prevailing ease in the money market, the influence of the Federal Reserve Banks upon rates was indirect and potential rather than dominant.

A comparison of discount rates prevailing at Federal Reserve Banks shows that the principal difference between conditions during the past year and those of 1915 lies in the somewhat greater diversification of rates. Perhaps there is no better commentary upon some of the factors that have led to the transfer of discount business to the United States, than a comparison of rates prevailing in the principal foreign markets with those in New York. A notable difference is shown by the following figures contrasting the range of official bank and private discount rates in the principal financial markets:

|                | Official bank rates. | Private discount rates for 3-months' bank bills. |                  | Official bank rates.            | Private discount rates for 3-months' bank bills. |
|----------------|----------------------|--|------------------|---------------------------------|--|
|                | <i>Per cent.</i>     | <i>Per cent.</i>                                 |                  | <i>Per cent.</i>                | <i>Per cent.</i>                                 |
| London.....    | 5-6                  | $4\frac{1}{2}$ -5 $\frac{1}{4}$                  | Stockholm.....   | $4\frac{1}{2}$ -5 $\frac{1}{4}$ | (1)  |
| Paris.....     | 5                    | $4\frac{1}{2}$ -5                                | Christiania..... | $4\frac{1}{2}$ -5               | (1)  |
| Berlin.....    | 5                    | (1)  | Copenhagen.....  | 5                               | (1)  |
| Rome.....      | 5                    | (1)  | Madrid.....      | $4\frac{1}{2}$                  | (1)  |
| Petrograd..... | 6                    | (1)  | New York.....    | 4                               | 2-3  |
| Amsterdam..... | $4\frac{1}{2}$       | (1)  |                  |                                 |  |

<sup>1</sup> No quotations available.

## FEDERAL RESERVE NOTE ISSUES.

The Federal Reserve Agents' holdings of gold and lawful money from January 1, 1915, to December 30, 1916, increased by \$270,-270,000, while our net imports of gold for that period were \$950,-480,000.

The Federal Reserve Act does not provide for the direct issue of notes by Federal Reserve Agents against gold deposited by the Reserve Banks, but Federal Reserve Banks, with the sanction of the Board, have reduced to a large extent their liability upon outstanding notes by depositing gold, dollar for dollar, with the Agents, in the manner specifically provided in section 16 of the Act, and withdrawing the paper originally pledged\* for their issue. There had been issued and were outstanding on December 30, 1916, \$300,-110,000 of Federal Reserve notes, originally issued against the deposit of eligible commercial paper, but of this total only \$17,-588,000 were secured on that date by eligible paper pledged with the Agents, the banks' liability upon the remainder having been reduced by the deposit of gold as above described. The result of this reduction of liability upon the notes is to leave the banks in the same position as if the pledged paper had matured and the gold proceeds of the same were held by the Agents. This method has proved a valuable means of conserving gold. Practically the same result would have been obtained if the agents had been authorized to issue notes originally against the deposit of gold, dollar for dollar, and the Board has suggested an amendment, elsewhere discussed in this report, to authorize such issue.

## CONVERSION OF BONDS AND RETIREMENT OF NATIONAL-BANK NOTES.

Under section 16 of the Federal Reserve Act, Federal Reserve Banks may be required to purchase annually a maximum of \$25,000,-000 of United States bonds from national banks desiring to retire their note issues, such sum to include United States bonds bought in the open market by Federal Reserve Banks under section 4 of the Act, and the Secretary of the Treasury by ruling has provided for the conversion during the current year of not exceeding \$30,000,-000 of such bonds into 30-year 3 per cent United States bonds and one-year 3 per cent United States Treasury notes.

United States bonds actually purchased by Federal Reserve Banks during the year 1916 exceeded \$25,000,000, the amount which Federal Reserve Banks may be required to purchase during any one year, and at no quarterly period was it necessary for the Federal Reserve Board to direct the purchase of bonds under section 18 of the Federal Reserve Act.

The full amount of \$30,000,000 in conversion bonds and one-year notes was taken by the twelve Federal Reserve Banks, an allotment based upon capital being made to each. Three banks, those at Boston, Philadelphia, and San Francisco, did not avail themselves of the full conversion privilege. The difference of \$1,918,900 between the full quota of these banks and the amounts applied for by them was distributed among seven other banks which had applied to convert more than their allotment. Conversion bonds amounting to \$15,761,000, and one-year notes amounting to \$14,239,000, were issued for the year 1916. On January 1, 1917, Federal Reserve Banks converted \$18,597,200—\$9,301,000 in notes and \$9,306,600 in bonds—the Board having previously announced that it would approve the applications of Federal Reserve Banks for the conversion of all or any portion of their full annual allotment on January 1, 1917, or the beginning of any other quarterly period.

The original purpose of the bond conversion provision of the Federal Reserve Act was to maintain the market for United States bonds deposited to secure circulation and to insure a gradual but steady retirement of national-bank notes, any resulting deficiency in the volume of circulation to be filled, so far as necessary, by Federal Reserve currency. During the past year national banks have withdrawn from deposit with the Treasurer of the United States bonds deposited to secure circulation of the par value of \$64,233,360, and deposited bonds for new circulation amounting to \$11,211,460—a net decrease in the amount of bonds held to secure circulation of \$53,021,900. Incident to these withdrawals of bonds national-bank circulation showed a reduction of \$44,511,968 during the year 1916.

Federal Reserve Banks sold in 1916 United States 30-year 3 per cent conversion bonds and 1-year 3 per cent notes as follows:

|                         |                |
|-------------------------|----------------|
| Thirty-year bonds ..... | \$13, 882, 000 |
| One-year notes .....    | 3, 372, 000    |
| Total .....             | 17, 254, 000   |

Section 16 of the Federal Reserve Act permits Federal Reserve Banks to issue bond-secured currency known as Federal Reserve bank notes, secured by United States bonds, as is the case with national-bank notes. Under this provision of the law the total amount of Federal Reserve bank notes issued up to December 31, 1916, was \$12,054,980. There were held at the close of 1916 by the Federal Reserve Bank of Kansas City \$6,000,000 and by the Federal Reserve Bank of Dallas \$2,000,000. The remaining amount is in circulation or in the Treasury of the United States. Federal Reserve Banks have extinguished their liability on account of \$4,000,000 of these notes through the deposit of lawful money and on account of \$54,980 through the

return to the comptroller of an equal amount of Federal Reserve bank notes for destruction. There is therefore no addition to the circulation of the country through the issue of Federal Reserve bank notes.

#### CLEARANCE AND COLLECTION.

As explained in the report of last year, the Board found that the introduction of a general and effective clearance and collection system was a highly technical matter, involving legal questions and many complexities of practice. It was calculated to arouse the opposition of many banks, due to the loss of revenue from the exchange on checks which they had been accustomed to charge. The Board thought best at first, therefore, to leave the actual initiative in the matter largely to the Federal Reserve Banks and at their instance to authorize a voluntary system of clearance and collection in which member banks might or might not participate as they chose. Such a system, as explained in the Board's annual report for 1915, was in fact put into effect by each of the Federal Reserve Banks, and for a time it was hoped that it would prove effective. Experience, however, soon showed that the plan was not sufficiently comprehensive, and that many factors were militating against its success. The number of members did not increase materially, and in some districts declined. There were conditions which indicated that the existence of the system in the form then adopted was a hardship to certain classes of banks, while the plan did not attain, and seemed unlikely ever to reach, such a plane of efficiency as to make it a substantial factor in the clearance and collection system of the country. For these reasons the Board decided in April, 1916, to establish a uniform and more comprehensive system, and it formulated a plan of clearance and collection which it directed the Federal Reserve Banks to put into effect. It was originally intended to begin operations under the new plan on June 15, but subsequent events made it desirable to postpone its establishment for a month, so that it actually became operative on July 15. Under the new system member banks are free to continue to carry accounts with their present correspondents and with other banks to which they may send items for collection and from which they may receive for similar purposes checks drawn upon themselves or upon other banks. They are, however, required to pay without deduction checks drawn upon themselves and presented at their own counters. Remittance of such checks by the Federal Reserve Bank of their district through the mail is construed as presentation at their own counters and banks must settle with the Federal Reserve Bank for

such checks by acceptable checks upon other banks. Remittance of lawful money or Federal Reserve notes can be made at the expense of the Federal Reserve Bank in case they are unable to send in offsetting checks on other banks. Checks drawn upon a member bank which have been received by the Federal Reserve Bank are not charged against its reserve account until sufficient time has elapsed for the checks to have reached the member bank and for returns in due course to have reached the Federal Reserve Banks.

The clearing plan provided also that a small service charge (not exceeding 2 cents per item) be made at stated intervals against such banks as send to the Federal Reserve Bank checks on other banks for collection and credit. It follows that no portion of this charge can be assessed against any bank unless it shall have availed itself of the facilities offered. Besides checks drawn on member banks, Federal Reserve Banks receive checks on such State banks as can be collected at par, and member banks desiring to collect checks drawn on non-member banks in their vicinity are given the preference. During crop-moving periods this will give a distinct advantage to member banks in agricultural sections.

Member banks have not been deprived of any income which they have been receiving from the collection of drafts (other than bank checks) or from the purchase or discount of commercial bills of exchange.

It was estimated by the Board that as soon as the new clearing system could be put into operation checks upon about 15,000 national banks, State banks, and trust companies throughout the United States would be collected by the Federal Reserve Banks at par, subject to the small service charge above referred to. As any bank will be likely to lose desirable business when checks drawn upon it are at a discount, while checks drawn upon a nearby competitor circulate at par, it is believed that in the near future checks upon practically all banks in the United States can be collected at par by Federal Reserve Banks. Many banks have found it necessary hitherto to maintain balances with a number of correspondents for exchange purposes, thus compelling them to keep an undue proportion of their funds away from home. Under the new plan the number of banks upon which par collections are being made was, on December 15, over 15,000. In other respects, also, the plan is working as anticipated. The total daily clearances at all Federal Reserve Banks now aggregate over \$125,000,000.

In Federal Reserve District No. 1, which embraces the New England States, the Federal Reserve Bank of Boston is now, and for some time past has been, collecting checks upon all the banks in the

district (member and nonmember) without any charge to the member banks depositing them, except a service charge of 0.9 cent per item. The cost and service charge per item, also the cost per \$1,000 of collecting checks in each of the Federal reserve districts, are shown in the subjoined table: <sup>1</sup>

Clearings, July 15 to Dec. 31, 1916.

| Federal Reserve Bank. | Total number of items handled. | Total amounts handled. | Disbursements, transit department. | Cost per item handled. | Cost per thousand dollars. | Service charge per item. |
|-----------------------|--------------------------------|------------------------|------------------------------------|------------------------|----------------------------|--------------------------|
|                       |                                |                        |                                    | <i>Cents.</i>          | <i>Cents.</i>              | <i>Cents.</i>            |
| Boston.....           | 1 4,847,745                    | \$1,002,784,224        | \$40,674                           | 0.84                   | 4.05                       | 0.9                      |
| New York.....         | 4,908,674                      | 3,025,978,000          | 35,153                             | .72                    | 1.16                       | 1.0                      |
| Philadelphia.....     | 3,506,670                      | 1,837,524,767          | 34,241                             | .98                    | 1.86                       | 1.5                      |
| Cleveland.....        | 1,996,122                      | 957,386,775            | 23,394                             | 1.17                   | 2.44                       | 1.5                      |
| Richmond.....         | 2,020,065                      | 891,077,800            | 21,311                             | 1.05                   | 2.43                       | 1.25                     |
| Atlanta.....          | 1,602,095                      | 494,368,004            | 17,576                             | 1.10                   | 3.57                       | 1.5                      |
| Chicago.....          | 1 2,586,871                    | 1,599,624,220          | 26,921                             | 1.03                   | 1.68                       | 1.5                      |
| St. Louis.....        | 2,234,060                      | 1,008,756,505          | 11,890                             | .53                    | 1.17                       | 1.5                      |
| Minneapolis.....      | 1,529,407                      | 329,826,404            | 17,068                             | 1.12                   | 5.17                       | 1.5                      |
| Kansas City.....      | 1,562,860                      | 845,154,257            | 15,241                             | .98                    | 1.80                       | 1.5                      |
| Dallas.....           | 1,495,626                      | 378,491,987            | 19,497                             | 1.31                   | 5.15                       | 1.5                      |
| San Francisco.....    | 594,475                        | 167,287,612            | 28,525                             | 4.80                   | 17.00                      | 2.0                      |
| Total.....            | 28,884,676                     | 12,538,260,555         | 291,491                            | 1.01                   | 2.32                       | .....                    |

<sup>1</sup> Does not include Government checks.

After November 17, 1917, or sooner, should the proposed amendment be adopted, no bank balance will be available as reserve for national banks except balances in Federal Reserve Banks, and, therefore, after that time any necessity to maintain nonreserve balances with correspondents, either for exchange purposes or in order to obtain collection facilities, would be deemed in many cases a great hardship. It is believed that in numerous instances banks will find it expedient to concentrate their balances and to close many accounts which they now carry with other banks, and that a system which will enable them to send all of their checks on other banks to the Federal Reserve Banks for exchange purposes, or as an offset against checks on themselves forwarded by the Federal Reserve Banks, will soon come to be appreciated not only as a convenience but as a necessity.

<sup>1</sup>The above table was compiled from data in the Federal Reserve agents' annual reports and special reports of the transit departments. Inasmuch as the methods of segregating the expenses of the transit departments are far from uniform for the several banks, the costs shown are by no means exact, but only approximately correct.

The following table shows briefly the clearing operations of the Federal Reserve System for the 30 days ending December 15, 1916, with comparative figures for each of the four preceding months:

*Operations of the Federal Reserve interdistrict clearing system, Nov. 16 to Dec. 15, 1916.*

| Bank.                           | Average number of items handled daily. | Average amount of daily clearing. | Member banks in the district. | Nonmember banks in district from which checks are collected at par. |
|---------------------------------|--|-----------------------------------|-------------------------------|---|
| Boston.....                     | 38,479                                 | \$13,153,317                      | 402                           | 242   |
| New York.....                   | 42,551                                 | 28,307,438                        | 625                           | 313   |
| Philadelphia.....               | 30,081                                 | 16,545,774                        | 632                           | 292   |
| Cleveland.....                  | 15,873                                 | 8,320,355                         | 754                           | 496   |
| Richmond.....                   | 17,064                                 | 8,062,500                         | 520                           | 286   |
| Atlanta.....                    | 13,851                                 | 4,689,214                         | 300                           | 440   |
| Chicago.....                    | 120,452                                | 13,220,268                        | 993                           | 1,269   |
| St. Louis.....                  | 10,039                                 | 8,402,904                         | 469                           | 581   |
| Minneapolis.....                | 15,613                                 | 8,828,269                         | 759                           | 1,100   |
| Kansas City.....                | 13,782                                 | 7,791,296                         | 941                           | 1,412   |
| Dallas.....                     | 12,734                                 | 6,521,235                         | 621                           | 238   |
| San Francisco.....              | 5,519                                  | 1,761,162                         | 521                           | 1,096   |
| Total, Nov. 16 to Dec. 15.....  | 236,038                                | 125,603,732                       | 7,627                         | 8,065   |
| Total, Oct. 16 to Nov. 15.....  | 227,489                                | 115,061,224                       | 7,623                         | 8,059   |
| Total, Sept. 16 to Oct. 15..... | 204,891                                | 97,666,107                        | 7,618                         | 7,459   |
| Total, Aug. 16 to Sept. 15..... | 177,397                                | 78,559,704                        | 7,618                         | 7,449   |
| Total, July 15 to Aug. 15.....  | 133,113                                | 59,301,696                        | 7,624                         | 7,032   |

<sup>1</sup> Does not include Government checks, averaging 2,062.

With the view of making the clearing and collection system more effective and of enabling checks drawn upon nonmember banks and trust companies to be handled by Federal Reserve Banks in the same manner as checks drawn upon members, the Board has asked Congress to amend section 13 of the Act so as to allow Federal Reserve Banks to receive accounts for collection and exchange purposes from such nonmember banks and trust companies as will agree to remit to Federal Reserve Banks at par for checks drawn upon themselves and which will in addition maintain a compensating balance with the Federal Reserve Bank in an amount to be determined by the reserve bank. This will greatly extend and improve the service and will make the clearing system complete and comprehensive.

#### EARNINGS AND EXPENSES.

The past year has shown a decided improvement in the earnings of the Federal Reserve Banks. They have been able to provide for their expenses and to carry a substantial amount to dividend account. For the year 1916, as will be seen in greater detail from figures furnished in the exhibits to this report, the current expenses of the system were \$2,204,344, while the total net earnings for the entire year were \$2,750,999. The following table shows gross and net earnings



for the calendar year 1916, and dividends declared by Federal Reserve Banks from the date of their organization to the end of 1916:

|                                | Gross earnings. | Net earnings. | Date of authorization by Federal Reserve Board.                   | Amount of dividend.                                      | Period for which authorized.  |
|--------------------------------|-----------------|---------------|---|--|---|
| Boston.....                    | \$450,214.00    | \$295,935.00  | Dec. 21, 1916   | \$246,931  | Nov., 1914, to Dec. 31, 1915.   |
| New York.....                  | 950,649.00      | 414,064.00    | Dec. 16, 1916   | 127,113  | Nov., 1914, to Mar. 31, 1915.   |
| Philadelphia.....              | 417,939.00      | 249,941.00    | Dec. 23, 1916   | 128,458  | Nov., 1914, to June 30, 1915.   |
| Cleveland.....                 | 429,156.00      | 293,808.00    | Nov. 27, 1916   | 143,237  | Do.   |
| Richmond.....                  | 311,758.00      | 186,571.00    | { Dec. , 1915<br>Apr. , 1916<br>Dec. , 1916                       | { <sup>2</sup> 151,940<br><sup>3</sup> 30,388<br>167,534 | { Nov., 1914, to Dec. 31, 1915.<br>Jan., 1916, to Oct. 31, 1916.  |
| Atlanta.....                   | 261,945.00      | 129,308.00    | { June , 1916<br>Dec. , 1916                                      | { 129,198<br>79,941                                      | { Nov., 1914, to Dec. 31, 1915.<br>Jan., 1915, to June 30, 1916.  |
| Chicago.....                   | 646,983.00      | 403,206.00    | { June , 1916<br>Dec. , 1916                                      | { 75,874<br>284,775                                      | { Nov., 1914, to Mar. 31, 1915.<br>Apr., 1915, to Dec. 31, 1915.  |
| St. Louis.....                 | 286,158.00      | 141,017.00    | Dec. , 1916   | 31,100   | Nov., 1914, to Mar. 31, 1915.   |
| Minneapolis.....               | 238,109.00      | 134,603.00    | Dec. 16, 1916   | 57,720   | Nov., 1914, to June 30, 1915.   |
| Kansas City <sup>4</sup> ..... | 364,967.00      | 224,989.00    | July , 1916<br>Jan. , 1916  | 66,707<br>65,578   | Nov., 1914, to June 30, 1915.<br>Nov., 1914, to June 30, 1915.  |
| Dallas.....                    | 306,875.00      | 166,046.00    | { Sept. , 1916<br>Dec. 7, 1916<br>Sept. 30, 1916<br>Dec. 20, 1916 | { 78,813<br>53,052<br>12,341<br>31,395                   | { July, 1915, to Dec. 31, 1915.<br>Jan. 1 to Apr. 30, 1916.<br>Nov., 1914, to Dec. 31, 1914.<br>Jan., 1915, to Mar. 31, 1915. |
| San Francisco.....             | 200,500.00      | 111,511.00    | { Sept. 30, 1916<br>Dec. 20, 1916                                 | { 12,341<br>31,395                                       | { Nov., 1914, to Dec. 31, 1914.<br>Jan., 1915, to Mar. 31, 1915.  |
| Total.....                     | 4,953,343.00    | 2,750,999.00  |   |  |   |

<sup>1</sup> Date when dividend was declared.

<sup>2</sup> Five per cent dividend for period November, 1914, to Dec. 31, 1915.

<sup>3</sup> One per cent dividend for period November, 1914, to Dec. 31, 1915.

<sup>4</sup> A dividend of \$87,921 covering period of July 1 to Dec. 1, 1915, was authorized on Jan. 9, 1917, payable Jan. 25, 1917.

The figures for the whole system to December 31, 1916, show an average net earning since organization of 3 per cent on the actual paid-up capital, while for the year 1916 they show an average net earning of 5 per cent. The improvement in earnings thus shown is especially gratifying when it is remembered that discount rates have continued low, being practically no higher than they were in 1915; while both years have been exceptionally unfavorable for rediscount institutions, owing to the great plethora of funds in the vaults of member banks generally, the consequent low rates of interest, and to the lack of need for member banks to obtain accommodation.

The average "rediscounts" of all national banks, as shown by five abstracts issued by the Comptroller of the Currency in 1916, were \$39,561,000. Of this amount \$22,200,000, or 56 per cent, were rediscounts with the Federal Reserve Banks.

The Federal Reserve Banks have not been operated with profit as a primary object, but they have all earned their expenses, as well as a substantial part of their dividend requirements. They have won the confidence of the public, and the fact of their existence has enabled the country to withstand, without the slightest financial disturbance and without any marked fluctuations in rates for commercial paper, many shocks and sensations, which probably would, under old conditions, have led to serious consequences. The Federal Reserve System is no longer looked upon as an experiment. It is

established upon a firm and enduring foundation, and it has demonstrated repeatedly that it is not being conducted for the benefit of any section, group, or interest, but that the policies governing its operation are, and will continue to be, broad enough to serve, without discrimination or favor, the banks and those who deal with banks throughout the entire country. While regulatory and conservative, it is none the less a constructive force, and as conditions throughout the world become more normal the Federal Reserve System will be recognized not only as a dominant factor in our own financial affairs but as a most important influence in the commerce of the world.

#### BRANCHES AND AGENCIES OF FEDERAL RESERVE BANKS.

Of the constructive sections of the Federal Reserve Act, section 3, which provides for the establishment of branch banks, is the shortest. It is as follows:

Each Federal Reserve Bank shall establish branch banks within the Federal Reserve district in which it is located and may do so in the district of any Federal Reserve Bank which may have been suspended. Such branches shall be operated by a board of directors under rules and regulations approved by the Federal Reserve Board. Directors of branch banks shall possess the same qualifications as directors of Federal Reserve Banks. Four of said directors shall be selected by the reserve bank and three by the Federal Reserve Board, and they shall hold office during the pleasure, respectively, of the parent bank and the Federal Reserve Board. The reserve bank shall designate one of the directors as manager.

In its annual report for 1915 the Board stated that only in one instance had it received a definite request from a Federal Reserve Bank to establish a branch. This referred to the application of the Federal Reserve Bank of Atlanta to establish a branch in New Orleans. Up to this time no other Federal Reserve Bank has asked the sanction of the Board for the establishment of a branch. The expense incident to the operation of a branch is no doubt a deterrent, and, while the terms of section 3 appear to be mandatory as to the establishment of branch banks, it will be observed that no time is specified within which they must be established. While it has been intimated to the Board that there are a few cities in some of the districts that would like to secure a branch of the Federal Reserve Bank, the only formal application that has been presented to the Board has come from the bankers of the city of Louisville for a branch of the Federal Reserve Bank of St. Louis. A committee representing Louisville bankers appeared before the Board on December 21 and presented arguments to support their application. This case is now under consideration by the Board and by the Federal Reserve Bank of St. Louis. The New Orleans branch of the Federal Reserve Bank

of Atlanta was established after a specific request had been made by the board of directors of the Atlanta bank. In accordance with this precedent, and, in view of the provision of law which requires the Federal Reserve Banks to establish branches, without giving the Federal Reserve Board any direct authority in the matter except to approve rules and regulations under which the branches shall be operated, the Board has not yet determined whether or not it has authority to establish branches except upon the initiative of a Federal Reserve Bank. When the branch bank in New Orleans was established, member banks in Louisiana, in Mississippi, and in two counties in Alabama were advised that their reserves should be kept with the branch bank at New Orleans, and that all of their transactions with the reserve bank should be conducted through New Orleans. The amount of the capital stock in the Federal Reserve Bank of Atlanta held by the member banks assigned to the New Orleans branch is regarded for bookkeeping purposes as the theoretical capital. The profits arising from the discount of paper for member banks, from the purchase of commercial paper and bills of exchange, and from transfers of funds are shown on the books of the branch bank, from which are deducted all expenses of operation. The income and expenditures of the branch bank, however, appear each week on the balance sheet of the parent bank. During the year 1916 the gross earnings of the branch bank at New Orleans were \$62,052 and the total expenses of operation, including salaries of employees and directors' fees, amounted to \$28,645, leaving a net profit to the Federal Reserve Bank of Atlanta from the operations of its New Orleans branch of \$33,407, which profit amounts to 7.5 per cent on the capital of \$445,000 theoretically allotted to the New Orleans branch.

It is, however, reasonable to assume that much of this profit would have accrued to the Federal Reserve Bank of Atlanta had there been no branch at New Orleans, as only \$13,871 were derived from local discount operations. In view of the experience gained from the operation of the one branch bank in the entire system, it would seem wise, in considering the establishment of other branches, to take into account whether there is an actual need for them—immediate or prospective—growing out of the added convenience to the member banks which would naturally fall within the territory allotted to the branch, or whether the application for a branch is primarily a manifestation of local civic pride. In justice to all the member banks in a district where branches are sought to be established, it would be well to ascertain as nearly as can be done in advance, whether the branch would be really self-sustaining, i. e., whether the net profits growing out of its operation would exceed the net revenue that would accrue in any event to the parent bank.

The Board would welcome legislation simplifying the organization and operation of branch banks and reducing the cost of maintaining them. This would enable the Federal Reserve Banks better to determine the question of branches.

The Board has been informed that some of the Federal Reserve Banks are ready to establish agencies or offices in such cities in their districts as may require special services, such as the collection of checks or the making of loans on warehouse receipts. An agency of this kind was established by the Federal Reserve Bank of St. Louis in September at Memphis, Tenn. This has proved convenient to the banks of that city in the handling of the cotton crop.

#### OPERATIONS ABROAD.

The clearance and collection system has now fairly begun its activities and has demonstrated that the provisions of the Federal Reserve Act relating to this feature of the business of Federal Reserve Banks are feasible and practical. It is confidently expected that the present year will witness a general acquiescence in it and its use by all banks. With the completion of the collection and clearance system, all the domestic functions of Federal Reserve Banks will have been at least tentatively undertaken, requiring only a reasonable period of development for their complete application. With regard to the provisions of the Federal Reserve Act relating to foreign trade, the case is different. While much has been done to facilitate the financing of foreign trade through the development of the acceptance market and by the establishment abroad of American banks and branches, the provisions of the Act which permit the establishment of foreign agencies or branches of Federal Reserve Banks have not as yet been availed of, nor have the banks as yet undertaken the direct purchase of foreign commercial bills, or the performance of other functions relating to foreign transactions authorized in the law. This delay has been due partly to the disturbed condition of business in markets abroad and partly to the belief that a sound and thorough application of the law in its domestic aspects should precede the undertaking of foreign operations allowed by the Act. The Board has, however, had under consideration for some time, the advisability of authorizing Federal Reserve Banks to appoint correspondents, and to establish agencies in foreign countries, and on December 20 formally approved the application of the Federal Reserve Bank of New York for authority to establish an agency with the Bank of England. This authority was granted under the provisions of section 14 of the Act which permit any Federal Reserve Bank "with the consent of the Federal Reserve Board to open and maintain banking accounts

in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell with or without its indorsement through such correspondents or agencies bills of exchange arising out of actual commercial transactions," so that a broad field of operations is opened under it. If the authority granted by the Board in this case shall result in the establishment of the agency, it will be so arranged that the other Federal Reserve Banks will be enabled to participate in the agency relationship upon the same terms and conditions.

It is probable that other connections of this character will be authorized from time to time as occasion requires, thus enabling the Federal Reserve Banks, while assisting in the development of our international trade, to provide for themselves, by holding a substantial amount of foreign paper, an effective means of absorbing any shock due to sudden withdrawals of gold for export. There seems to be no reason why the Federal Reserve Banks should not be placed upon the same footing in this respect as the great reserve banks of Europe and given wide powers in the matter of international exchange, with the Federal Reserve Board acting as the central controlling force in the coordination and direction of operations.

#### ENFORCEMENT OF THE CLAYTON ACT.

Important duties relative to the determination of the eligibility of member bank directors were imposed upon the Federal Reserve Board by the amendment to the Clayton Act, known as the Kern amendment, which became a law on May 15, 1916. This legislation was intended to give individuals greater latitude in accepting and holding bank directorships. It authorized such individuals, when directors of member banks, to act also as officers, directors, or employees of not more than two other banks, banking associations, or trust companies, when organized under the laws of the United States or any State, "if such other bank, banking association, or trust company is not in substantial competition with such member bank." It was, however, required that the consent of the Federal Reserve Board be obtained as a basis for the continuance of such relations with other banks. This placed upon the Board as a condition necessarily precedent to the granting or withholding of its consent in such cases, the duty of ascertaining whether the banks in which an individual might seek to hold directorships were or were not in "substantial competition" with the member bank of which such individual was also a director. The Board reviewed the various applications, this work occupying the greater part of its time during the months of August, September, and the first half of October,

the Clayton Act by its terms becoming effective on October 15. During the year 1916 the Board considered in all 1,359 applications, of which 1,215 were granted and 144 refused. In a large number of other cases the directors affected recognized that substantial competition did unquestionably exist, and so withdrew voluntarily from one or more directorates, thereby bringing themselves into compliance with the Act.

Some difficulty was found in the provisions of the Clayton Act which prohibit a private banker from holding a directorship in a member bank. Compliance with this prohibition necessarily involved a definition of the term "private banker," and the Board accordingly published a definition of the term for use in the administration of the Act. The term "private banker" was interpreted to include partnerships or individuals engaged in the banking business, as the term is generally understood, including those partnerships or individuals which solicit or receive deposits subject to check, which do a foreign exchange, acceptance, loan, or discount business, or which purchase and sell or distribute issues of securities by which capital is furnished for business or public enterprise. The term as thus interpreted did not include the ordinary stock, note, or commodity broker unless a substantial proportion of his profits came from banking activities, nor did it include partnerships or individuals using only their own funds in making loans or investments.<sup>1</sup>

In a number of cases difficulty also was encountered in determining the exact scope properly to be assigned to the term "substantial competition," particularly with reference to the question whether such competition must be regarded as limited in area. It was found that some large banks situated in cities or places far distant from one another, while not in competition in their respective locations, yet might be held to compete to a greater or less degree in common territory. While in some such instances it was thought best to grant the applications of directors who were desirous of serving on the boards of such banks, it was indicated in each case that the consent accorded to them was tentative only and that further investigation would be undertaken for the purpose of arriving at a final conclusion. Indeed the Board's work with reference to the application of the Kern amendment must be regarded as a continuing operation which can never be definitely finished. New facts or evidence bearing upon the business of given institutions may at any time develop, or the natural growth of their business may bring them into substantial competition, although they were not found so in the first instance. It will therefore be necessary from time to time to revise decisions already made. New conditions may develop which will necessitate the revocation of

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<sup>1</sup> Federal Reserve Bulletin, 1916, p. 588.

permission already granted in certain cases in order to deal appropriately with such conditions without subjecting some directors to a rule different from that applied in the case of others. As in all new legislation, there is a considerable zone of uncertainty in the interpretation and application of the Clayton Act. It will require experience and further analysis to resolve such uncertainties and to apply the terms of the measure fairly and uniformly in carrying out the intent of Congress.

#### ENTRY OF NEW MEMBERS.

During the year 1916 one hundred and thirty banks entered the Federal Reserve System, making a total of 7,627 members on December 31. Of these new members, eighty-seven were newly organized national banks, which, under existing law, automatically became members and took stock in the Federal Reserve Bank of the district in which they were located. Of the remaining members thirty-five were State banks which entered the system through conversion into national banks, and two were national banks which were in charge of receivers and were restored to solvency. State institutions which applied for and received membership while retaining their State charters numbered six. It had been expected that upon the organization of the clearance and collection system a considerable number of State institutions would find it to their advantage to apply for membership or that other factors would tend to bring them into the system. So far this has not proved to be the case, for the number of State institutions which came into the system during 1916 while retaining their local charters was less than during the preceding year. Many causes have operated to produce this result, the chief being those already outlined by the Board in its report for 1915. Added to these considerations has been the effect of the Clayton Act, which is objected to by many State banks as likely to result in inconvenient or undesirable changes in their boards of directors should they enter the Federal Reserve System; and the operation of section 22 of the Federal Reserve Act, which deals with the relations of directors of member banks to their institutions. The Board has suggested an amendment to this section designed to clarify it and to remove uncertainties without affecting in any way its principle.

Apprehension of stringent conditions or the development of any situation requiring mutual aid on the part of banks would undoubtedly cause many nonmember banks to apply for membership, but it is not believed that they will as a rule elect to await such conditions. The largest and most important State bank in New York is already a member of the system, as is the largest trust company in Boston. Prominent trust companies (in St. Louis, Chicago, Kansas City, and Birmingham) are also members, and there are indications that other

large institutions are awakening to a sense of public duty, and are besides gradually reaching the conclusion that their own best interests require their affiliation with the Federal Reserve System. Many apprehensions previously entertained by nonmember banks have been shown to be groundless, and the attitude of the Board toward State banks as members is better understood. The public, moreover, is beginning to realize that its interests will be best served by the amplification and fullest development of the Federal Reserve System.

In July last the Board advised the representatives of certain State banks and trust companies, which were apprehensive that membership in the system might involve an undue restriction of their corporate activities as a result of the future regulations of the Board, that it did not understand that it was incumbent upon it to undertake to impose upon the activities of member banks any restrictions that are not contemplated by the Act, but only to prescribe such regulations as are designed to carry out the purposes of the Act. The Board does not feel that it is one of its functions to undertake to restrict State banks or trust companies in the exercise of banking or trust company powers as defined by the laws of the State in which they are created. In passing upon the applications of State banks and trust companies, however, the Board holds that it is its duty to admit only those institutions which are solvent and sound and whose membership will not constitute an element of weakness in the system. The Board does not consider that it is a prerequisite to the admission of any State bank or trust company that it should possess any prescribed amount of paper eligible for rediscount with a Federal Reserve Bank. The law provides that privileges and advantages of membership may be extended to State banks and trust companies, thus contemplating one compact banking system, while preserving the integrity of both the State and national banking organizations. The fact that a State bank has little eligible paper does not necessarily make its membership an element of weakness or danger, and it is obvious that as a member of the system it will be in a position to contract for loans and to obtain cash from other member banks having paper eligible for rediscount, and thus indirectly to obtain desired accommodations. The ability to assist member banks directly and indirectly will be increased as the strength of the system and lending power of the Federal Reserve Banks is increased. There is no reason why such assistance should not be freely given to a member State bank, while in time of stress the nonmember banks may find the member banks not less disposed, but less able to give them this indirect assistance. The Board, of course, might consider the exercise of extraordinary and unusual charter powers, which would make an applying State bank or trust company an undesirable mem-



ber, a sufficient reason to refuse to grant the application for admission, but after a State bank or trust company has actually become a member bank, the Board does not expect to interfere with the exercise of the banking and fiduciary powers authorized by its charter.

#### FIDUCIARY POWERS.

Applications for permission to exercise fiduciary powers under the terms of the Federal Reserve Act have continued to be presented to the Board during the past year, and have been granted in one hundred and twenty-five cases, action on eighty-four of which carried approval of full fiduciary powers, while in the case of forty-one only limited powers were granted. There is still uncertainty as to the legal status of the banks in exercising this function, the doubts regarding it having been intensified by the action of the Supreme Court of the State of Michigan in handing down, on September 26, an opinion adverse to the contention of the national banks.<sup>1</sup> It was the view of the court in this case that Congress had no authority to permit national banks to exercise the fiduciary powers provided for in the Federal Reserve Act, and, in accordance with the policy announced in its report for 1915, the Board took steps to have the case transferred to the Supreme Court of the United States on a writ of error, in order that it might be finally determined. In the meantime the Board is pursuing the policy of granting to properly qualified and well-managed banks the authority to exercise fiduciary powers in so far as provided by the Federal Reserve Act. As has been explained on former occasions, the Board is bound to grant specifically the privileges that have been granted by Congress under the Federal Reserve Act, leaving to judicial determination any questions which may be raised as to the constitutionality of such grant. Pending a final decision by the court the Board will continue to pursue its present policy.

#### CHANGES IN DISTRICTS.

In its report for 1915 the Board set forth the reasons that had led it to make changes in the boundaries of certain Federal Reserve districts, and stated that "further consideration of this subject was suspended in view of an opinion rendered by the Attorney General of the United States \* \* \* wherein it was held that the Board possessed no power to reduce the number of Federal Reserve districts." The Board also called attention to the fact that "a further opinion has been asked as to whether the Board has power

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<sup>1</sup> Grant Fellows, attorney general of the State of Michigan, on the relation of the Union Trust Co., Detroit Trust Co., Security Trust Co., Michigan Trust Co., and the Grand Rapids Trust Co. v. The First National Bank of Bay City.

to change the location of a Federal Reserve Bank within a district." The opinion thus referred to was rendered by the Attorney General on April 4, 1916, and covered two points:

(1) Whether the Board could change the present location of any Federal Reserve Bank in certain cases, and

(2) Whether the Board in readjusting district lines must preserve the \$4,000,000 minimum capitalization required of each Federal Reserve Bank.

The Attorney General held that the Board has no power to change the location of a bank, irrespective of alterations or readjustments in district lines, but that the maintenance of the minimum capitalization of \$4,000,000 was not necessary.

The effect of this ruling was to suspend consideration of the pending appeals which involved changes in the location of Federal Reserve Banks within their districts. There remained, then, but three appeals calling for immediate decision—one filed by certain Connecticut banks, which requested transfer from the Boston to the New York district; one filed by certain banks in Wisconsin, which requested transfer from the Minneapolis to the Chicago district; and one filed by certain banks in southern Louisiana, which requested transfer from the Dallas to the Atlanta district. The Louisiana appeal was granted by a resolution adopted on February 25 transferring certain banks as desired; while the Connecticut appeal was determined by a resolution on March 6 transferring those banks situated in Fairfield Co., Connecticut, to the New York district, leaving the remainder of the petitioning Connecticut banks as members of the Federal Reserve Bank of Boston, subject to such future determination of the Board as experience shall show to be necessary. The Wisconsin appeal was settled by an order of October 12, transferring the greater number of the applying banks to the Chicago district.<sup>1</sup>

#### MORE EFFECTIVE CONTROL OF GOLD SUPPLY, AND PROPOSED AMENDMENTS.

The final installment of member banks' obligatory reserves, amounting to about \$60,000,000, was paid into the Federal Reserve Banks by their members on November 16, 1916. Under the provisions of the Federal Reserve Act about \$250,000,000 of reserves were paid into the Federal Reserve Banks immediately upon their organization. The Act provided that subsequent reserve payments should be made at intervals of six months, and accordingly on May 16, 1915, November 16, 1915, May 16, 1916, and November 16, 1916, additional percentages of reserves were transferred. Due partly to these regular transfers of reserves, as required by law, and partly to the increase of member bank deposit liabilities as well as to the change in vault

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<sup>1</sup> Federal Reserve Bulletin, p. 596.

requirements provided by the act of September 7, 1916, the money stock of Federal Reserve Banks has been greatly increased. The actual holdings on successive dates were as follows:

|                        |                 |
|------------------------|-----------------|
| December 31, 1914..... | \$255, 647, 000 |
| June 30, 1915.....     | 300, 814, 000   |
| December 31, 1915..... | 357, 983, 000   |
| June 30, 1916.....     | 404, 206, 000   |
| December 30, 1916..... | 474, 590, 000   |

No further payments are now compulsory, but from and after November 16, 1917 (or earlier if the Board's suggested amendment should be adopted), balances with reserve agents in reserve and central reserve cities will no longer count as member banks' reserves, and members will be required to build up either their vault cash or their balances with Federal Reserve Banks sufficiently to cover the required reserves heretofore carried as balances with correspondents.

In a press statement dated November 28, the Board announced that Congress would be asked to move forward the date when balances with correspondent banks in reserve and central reserve cities shall no longer count as member bank reserves, and suggested that the date originally fixed for November 16, 1917, be advanced to some time in February or March. There are several good reasons for urging this change upon the immediate attention of Congress. The United States has to-day a plethora of gold. While the Board does not believe that further importation of gold will of necessity prove a source of danger or disturbance, it nevertheless believes it desirable, in order to avoid possible danger and misconception of the situation, to call particular attention to the actual reserve conditions and to make clear that the inflowing gold should be controlled and not be permitted to become the basis of abnormal loan expansion.

The following table shows the reserve position of member banks on November 17, 1916:

[000's omitted.]

|   | In vault. | With Federal Reserve Bank. | Either in vault or with Federal Reserve Bank. | With approved reserve agents. | Total reserve. |
|---|-----------|----------------------------|---|-------------------------------|----------------|
| Total United States (all member banks): |           |                            |   |                               |                |
| Amount reserve held.....                | 813, 573  | 674, 235                   | .....   | 1, 048, 313                   | 2, 536, 121    |
| Amount reserve required.....            | 576, 062  | 606, 413                   | 151, 756                                      | 175, 914                      | 1, 510, 145    |
| Excess reserve.....                     | 237, 511  | 67, 822                    | 151, 756                                      | 872, 399                      | 1, 025, 976    |

<sup>1</sup> Amount to be deducted from excess in vaults of Federal Reserve Banks to agree with total excess.

From this table, taken from the official abstract issued by the Comptroller of the Currency, it is evident that under present methods of computation more than four-fifths of the item "excess reserve" is in the form of balances carried by banks with other banks which are now approved reserve agents, but which can not act in that capacity after November 16 next. Of the actual reserve required on November

17, 1916 (\$1,510,145,000), the member banks carried in their vaults and with Federal Reserve Banks \$1,487,808,000; so that in order to place them upon their permanent reserve basis it would have been necessary on that date for the reserve city banks and the country banks to transfer only \$22,337,000 from their central reserve and reserve city bank correspondents to the Federal Reserve Banks or to their own vaults. This process would not have altered the technical position of the banks in any appreciable degree, for the city banks would still have had more than \$1,000,000,000 of balances from their depositing banks just as before, less a deduction of the comparatively small amount required to be transferred to the Federal Reserve Banks. The essential difference would have been that balances with former reserve correspondents could no longer be counted as bank reserves, but in all other respects would provide for the same functions as at present. It is interesting to note that had the reserve requirements which will now become operative on November 17, 1917, been effective on November 17, 1916, the apparent excess reserve of more than \$1,000,000,000 would not have existed, but that a transfer of \$22,337,000 from the vaults of central reserve and reserve city banks to the Federal Reserve Banks would have been necessary to place the member banks as a whole upon their required reserve footing. After carefully studying the whole reserve problem, there has been transmitted to the chairmen of the appropriate committees, in the name of the Board, recommendations for further amendments to the Federal Reserve Act. The text of these suggested amendments is attached as an exhibit to this report.

When the Federal Reserve Act was drafted its principal object was to deal with internal problems of banking and currency. Since its enactment financial and economic conditions in the United States have undergone far-reaching changes which were not foreseen three years ago. The United States has attained to world influence in financial affairs and it seems necessary that the Act, which has proved of such great value in the treatment of our domestic problems, should be amended in order to enable us to deal effectively with the international problems which now confront us and which seem destined to play so important a part in our economic life. The banking system of the United States should be prepared effectively to meet two conditions of opposite character—one the excessive and uncontrolled inflow of gold, the other the excessive and unregulated outflow of gold. The amendments proposed are designed to provide means of controlling an overextension of loans based on new accretions to our gold stock and to provide for the mobilization and concentration of the gold holdings of the United States so that the flow of gold back to Europe, or to South America, or to the Orient, may

be arranged without forcing any violent contraction of loans or causing undue disturbance to legitimate business.

Of approximately two and three-quarter billions of gold in this country there are held or controlled by Federal Reserve Banks about \$738,000,000, of which Federal Reserve Agents hold \$283,000,000 as security for Federal Reserve notes outstanding, and \$455,000,000 is reserve money held by the Federal Reserve Banks. But even assuming that the Federal Reserve Banks were willing to reduce their gold reserves to 40 per cent of their deposit and note liabilities (which should be regarded as a minimum and in normal times would be inadequate) the amount of free gold—i. e., the amount of gold that the Federal Reserve Banks could lose before reaching this 40 per cent minimum—would be a little more than \$375,000,000. While this is a very large sum, its sufficiency can not safely be assumed when we consider the wide scope of our transactions in world finance and the phenomenal growth of our own credit structure.

It is estimated that there are now in the hands of the public—i. e., outside the Treasury and the banks—over \$800,000,000 in gold and gold certificates, and that there are at present held in the vaults of member banks about \$815,000,000 of reserve money of which about \$545,000,000 is gold coin or gold certificates. There should be added to this total about \$600,000,000 of lawful money in the vaults of nonmember State banks and trust companies.

The Federal Reserve note, which is an obligation of the United States secured by an ample reserve of gold and commercial paper, circulates as readily as a national-bank note or as any other form of currency, and the public does not discriminate between different forms of United States currency. This is shown by the fact that Federal Reserve note circulation has been substituted for gold certificates to the extent of about \$300,000,000.

Under the present law this gold is deposited with the Federal Reserve Agents for the redemption of the Federal Reserve notes protected by it. The notes so protected in effect cease to be obligations of the Federal Reserve Banks; but as the gold does not figure as an asset of the Federal Reserve Banks, they do not show the strength which would be evidenced if the law permitted, as proposed in the amendments, the issuance of Federal Reserve notes not only against commercial paper, but also against gold, provided only that every Federal Reserve note must be covered by at least 100 per cent of commercial paper or gold, and that there must always be a gold reserve of not less than 40 per cent against all outstanding Federal Reserve notes.

The control of gold by Federal Reserve Banks in times of abundance such as the present, will decrease the danger of inflation of domestic credits and at the same time will enable the country, when

the tide turns, to part with large sums of gold with less inconvenience or shock, thus enabling us more safely and effectively to proceed with the development of our foreign trade and to give the necessary credit facilities for its extension. The United States should be in a position to face conditions which may call for an outflow of gold without any disturbances of our own or the world's business, and without making necessary drastic changes in our interest or discount rates. The amendments suggested by the Board are designed to enable the Federal Reserve Banks to withdraw gold from actual circulation while enabling member banks at the same time to release gold which at present is tied up in their own vaults. The amendments are based upon the theory that all of the individual banks should strengthen the gold holdings of the Federal Reserve Banks. The country's holdings of gold are not used most effectively when they are in the vaults of a large number of banks scattered all over the country, but its greatest use would come from concentrating it to a greater degree in the vaults of the Federal Reserve Banks, where it can be effectively protected when not required and effectively used when needed. The member bank requires currency rather than gold with which to supply the ordinary demands of its depositors.

It is from this point of view that the Federal Reserve Board has proposed that Congress increase the required reserves to be maintained by member banks with the Federal Reserve Banks. On November 17, 1916, the cash reserves of all member banks were about \$814,000,000. Under the proposed amendment of section 19, \$300,000,000 of this amount would be transferred to the Federal Reserve Banks. Hence the Board believes that ultimately the law should require of member banks no more than that they should maintain specified balances with the Federal Reserve Banks in amounts adequate to supply the necessary reserve basis, and that the Federal Reserve Banks should have sufficient reserves of gold with which to protect all obligations, but that there should be no legal requirement as to the amount of currency a member bank should carry in its own vault. This is a matter of business judgment which might well be left to the discretion of each member bank. It was thought, however, that if this principle were carried into full effect at this time, the step might be considered too extreme, particularly under present conditions, and that nothing should be done which might tend to a further release of reserve money.

A minimum amount of currency which the member banks should be required to keep in their vaults was, therefore, suggested. The amount suggested is 5 per cent of the demand deposits, so that the total requirements—cash and reserve—will remain practically unchanged. While the apparent effect of the proposed changes will be a slight reduction of the reserve requirements, the reserves will really

be increased by the abrogation of the practice hitherto observed of counting items in transit or "float" as reserve. The permission given member banks to use their own discretion as to the character of currency in their vaults, will enable them to release the gold they now hold, with the important result that the substitution of Federal Reserve notes for gold and gold certificates will be facilitated by this change in the law. Without some such change member banks will continue to ask for gold certificates in small denominations, because as long as they must have gold or lawful money to count as reserve it would be impossible for the banks to exchange them for Federal Reserve notes.

Besides the proposed changes relating to note issues and to reserves, the Board has suggested also the following:

Amendment of section 4, to abolish the title and office of Deputy Federal Reserve Agent, thus having two unattached class C directors instead of one, as at present, and to create the position of Assistant Federal Reserve Agent, who shall not be a director of the bank, but who shall be a salaried, bonded officer in the Federal Reserve Agent's department, serving at all times as an assistant to the Federal Reserve Agent and qualified to act for the agent in his absence. Experience has shown that there is difficulty in filling the office of Deputy Federal Reserve Agent. This officer is required to have the same qualifications as the Federal Reserve Agent; he must have had banking experience, and he must not be an officer, director, or stockholder in any bank. At the same time he is not, as a rule, a salaried officer, and receives only the customary fees paid directors for attendance upon meetings, and he is obliged to be prepared to assume the duties of the Federal Reserve Agent in case of the absence or disability of that officer, which involves a transfer and audit of securities and accounts. It is believed that the change suggested will operate to fix responsibility more definitely and will give the Board more latitude in the selection of the class C directors other than the Federal Reserve Agent.

Amendment of section 9, to authorize mutual savings banks not having capital stock to become associate members of the Federal Reserve System under certain prescribed conditions. The principal beneficiaries of this amendment would be the mutual savings banks of the Eastern and New England States, which cannot become members of the Federal Reserve System under the present law owing to the lack of any provision enabling them to subscribe for capital stock of a Federal Reserve Bank, as they have no capitalization of their own upon which a percentage could be based. They would be required to carry a reserve balance with the Federal Reserve Bank against their time deposits in the same proportion as member banks; and the accommodation proposed for mutual sav-

ings banks are limited strictly to the discount of their 30-day obligations properly secured.

Amendment of section 11 so as to permit the Federal Reserve Board to raise reserve requirements in emergencies, just as it is now empowered in certain contingencies of a different kind to lower those requirements.

This provision, if adopted, would enable the Federal Reserve Board in prolonged periods of extreme ease in the money market to check any tendency toward excessive loans or other forms of undue extensions of credit.

Amendment of section 13, to restore the provision which was by error stricken from the Act in the amendments of September 7, 1916, thus restoring to national banks, with the approval of the Federal Reserve Board, the right to accept up to 100 per cent of their capital and surplus in transactions involving imports or exports.

Amendment of section 16 to permit nonmember State banks and trust companies, even though too small to be eligible for membership in the Federal Reserve Banks, to avail themselves of the clearing and collection facilities of the Federal Reserve Banks, provided that they cover at par checks on themselves sent for collection by the Federal Reserve Bank, and provided further that they keep compensating balances with the Federal Reserve Bank in amounts to be determined under rules prescribed by the Federal Reserve Board. This is not intended to operate as an extension of any of the privileges of the Federal Reserve System to nonmember banks at the expense of members, but, on the contrary, the amendment is proposed primarily for the convenience of the public and incidentally for the benefit of the member banks. It is contemplated that the compensating balances which nonmember banks participating in the clearing plan will be required to keep with Federal Reserve Banks will be sufficiently large to protect member banks and justify Federal Reserve Banks in undertaking the service. Any clearing and collection plan to be effective must be so comprehensive as to include all checks. At present the par lists of the Federal Reserve Banks include the names of banks checks on which can be collected in any circumstances at a minimum of time and expense, but do not embrace a large number of towns in every State where there are no member banks; and in order to make collections on such points many banks are obliged to maintain accounts in addition to their reserve accounts with the Federal Reserve Banks. A necessary factor in any successful clearing plan is the offset whereby balances only instead of the total volume of transactions require settlement. As long as the clearing system does not embrace all of the banks this offset is lost in a corresponding degree and the value of the system diminished in proportion.



Amendment of section 17, to cancel the provision of the national-bank act which requires national banks to maintain a minimum deposit of Government bonds with the Treasurer of the United States. National banks are no longer required to keep outstanding a minimum amount of circulating notes, and a newly organized bank is not obliged to purchase or carry any bonds of the United States; but there are a number of national banks organized before the passage of the Federal Reserve Act which have retired their national-bank circulation in full, yet which are, under a construction of the old law, required to keep on deposit with the Treasurer of the United States, a certain minimum of United States bonds. The Board feels that it is just to these banks that they be relieved of this obligation.

Amendment of section 19, abbreviating and simplifying the clauses in section 19 which relate to reserve requirements. This proposed amendment provides that all member banks shall maintain reserves in the Federal Reserve Banks as follows:

|                                     | Against<br>demand<br>deposits. | Against<br>time<br>deposits. |
|-------------------------------------|--------------------------------|------------------------------|
|                                     | <i>Per cent.</i>               | <i>Per cent.</i>             |
| (a) Country banks.....              | 7                              | 3                            |
| (b) Reserve city banks.....         | 10                             | 3                            |
| (c) Central reserve city banks..... | 13                             | 3                            |

In addition it is suggested that every member bank be required to keep in its own vault an amount of specie or currency (not necessarily gold or lawful money) equal to 5 per cent of its demand deposits, less the amount of net balances with Federal Reserve Banks in excess of the minimum above stipulated.

Amendment of section 22—the penal statute—so as to define more clearly the rights and limitations of directors in the matter of accepting fees or compensation other than the ordinary fees paid directors for legitimate services rendered in the regular course of business, the performance of which service is not incumbent upon them in their capacity as directors.

Amendment of section 25, to authorize member banks located in cities of more than 100,000 population and which have a capital and surplus of more than \$1,000,000 to establish branches in the same city, provided the State laws do not prohibit State banks and trust companies from establishing branches.

#### STAFF AND ORGANIZATION.

On August 10, 1916, the Federal Reserve Board had been organized two years, and, under the provisions of the Act creating it, the term of one member expired two years after his original appointment.

On July 25 the President sent to the Senate the nomination of Charles S. Hamlin to succeed himself as a member of the Board, the appointment being for the regular term of 10 years. This nomination was confirmed on August 3. Mr. Hamlin's term under his original appointment expired on Wednesday, August 9. He qualified by taking the oath on August 10. W. P. G. Harding was, on August 10, designated by the President as governor and Paul M. Warburg as vice governor of the Board, each "for a period of one year, or until otherwise directed."

The Federal Advisory Council has held its four stated meetings during the last year and has discussed topics submitted to it by the Board, as well as questions raised by its own members, presenting results of the discussions to the Board. Conferences were held also by the Federal Reserve Agents on May 29 and December 4, in Washington, these meetings being devoted to the consideration and analysis of questions of current interest to the Federal Reserve Banks. The meetings of governors of Federal Reserve Banks, which have taken place at intervals since the organization of the system, have continued, three such meetings having been held during the year.

The staff and internal organization of the Board have continued without important modification, the principal changes being the better development of its organization and the gradual growth and enlargement of the work. The personnel of the staff remains essentially unaltered and its numbers have been only slightly increased. The total cost of conducting the Board's work in 1916, including members' salaries, was \$213,000. The volume of clearings through the gold settlement fund, to which reference has been made elsewhere in this report, has been greatly enlarged, but without appreciable increase in expense of operation; the cost for the year 1916 being \$1,343.37, while the total volume of business cleared during the year has been about \$5,533,966,000, being a net cost of \$0.0002½ per \$1,000. This fund was originally conducted merely as a means of settling between Federal Reserve Banks, but the scope of its operations has been enlarged by providing a similar fund for Federal Reserve Agents, conducted on the same plan as the gold settlement fund itself. This renders possible the making of payments not only between Federal Reserve Banks, but also between the Reserve Agents and their own banks, without the necessity of shipping gold or its equivalent back and forth. The net amount of change of ownership among the Federal Reserve Banks of gold held in the fund was \$223,870,000, and it may be estimated conservatively that the shipment of coin and currency to at least this amount was thus avoided.

The Federal Reserve Bulletin has been conducted throughout the year, as during the year 1915, as a monthly publication, and has been enlarged in size and broadened in scope in response to the increasing

public interest. It is distributed without charge to all member banks, but it has also a growing list of paid subscribers among nonmembers and the financial community generally. So fully has the Bulletin dealt with all of the details of the operation of the Federal Reserve System that it is unnecessary to repeat them in this report, a complete file of the Bulletin itself being transmitted as supplementary to the information herein given.

|                                     |  |
|-------------------------------------|--|
| WILLIAM G. McADOO,                  | W. P. G. HARDING, <i>Governor,</i>     |
| <i>Secretary of the Treasury,</i>   | PAUL M. WARBURG, <i>Vice Governor.</i> |
|                                     | <i>Chairman.</i>                       |
| JOHN SKELTON WILLIAMS,              | FREDERIC A. DELANO,                    |
| <i>Comptroller of the Currency.</i> | ADOLPH C. MILLER,                      |
|                                     | CHARLES S. HAMLIN,                     |
|                                     | <i>Members Federal Reserve Board.</i>  |

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## EXHIBITS.

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## Exhibit A—DISCOUNT RATES.

*Changes in discount rates during calendar year 1916.*

MEMBER BANKS' COLLATERAL NOTES.

| Bank.              | Sept.— |    |    |    |    |    |    |    |    |   | Oct.<br>6. | Dec.— |  | In force<br>Jan. 1,<br>1917. |
|--------------------|--------|----|----|----|----|----|----|----|----|---|------------|-------|--|------------------------------|
|                    | 11     | 14 | 15 | 16 | 18 | 19 | 20 | 22 | 23 | 7 |            | 29    |  |                              |
| Boston.....        |        |    |    |    | 3½ |    |    |    |    |   |            | 4     |  | 4                            |
| New York.....      |        |    |    |    |    |    |    | 3  |    |   |            |       |  | 3                            |
| Philadelphia.....  |        |    |    |    |    |    | 3½ |    |    |   |            |       |  | 3½                           |
| Cleveland.....     |        |    | 3½ |    |    |    |    |    |    |   |            |       |  | 3½                           |
| Richmond.....      | 4      |    |    |    |    |    |    |    |    |   | 3½         |       |  | 3½                           |
| Atlanta.....       |        |    | 3½ |    |    |    |    |    |    |   |            |       |  | 3½                           |
| Chicago.....       |        |    |    |    |    |    |    | 3½ |    |   |            |       |  | 3½                           |
| St. Louis.....     |        |    |    | 3  |    |    |    |    |    |   |            | 3½    |  | 3½                           |
| Minneapolis.....   |        | 4  |    |    |    |    |    |    |    |   |            |       |  | 4                            |
| Kansas City.....   |        |    |    |    | 4  |    |    |    |    |   |            |       |  | 4                            |
| Dallas.....        |        |    | 3½ |    |    |    |    |    |    |   |            |       |  | 3½                           |
| San Francisco..... |        |    |    |    |    | 4  |    |    |    |   |            |       |  | 4                            |

### PAPER MATURING WITHIN 10 DAYS.

| Bank.              | In effect<br>Jan. 1,<br>1916. | Apr. 12. | July— |    | Sept.— |    |     |      |      | Dec. 7. | In effect<br>Jan. 1,<br>1917. |    |
|--------------------|-------------------------------|----------|-------|----|--------|----|-----|------|------|---------|-------------------------------|----|
|                    |                               |          | 5     | 24 | 15     | 16 | 18  | 20   | 22   |         |                               | 23 |
| Boston.....        | 3                             |          |       |    |        |    |     |      |      |         | 3½                            | 3½ |
| New York.....      | 3                             |          |       |    |        |    |     |      | 1 3  |         |                               |    |
| Philadelphia.....  | 3                             |          | 3½    |    |        |    |     | 1 3½ |      |         |                               |    |
| Cleveland.....     | 3½                            |          |       |    | 1 3½   |    |     |      |      |         |                               |    |
| Richmond.....      | 4                             |          |       |    |        |    |     |      |      |         |                               | 4  |
| Atlanta.....       | 4                             |          |       |    |        |    |     |      |      |         |                               | 4  |
| Chicago.....       | 3½                            |          |       |    |        |    |     |      | 1 3½ |         |                               |    |
| St. Louis.....     | 3                             |          |       |    |        |    | 1 3 |      |      |         |                               |    |
| Minneapolis.....   | 4                             |          |       |    |        |    |     |      |      |         |                               | 4  |
| Kansas City.....   | 3½                            | 4        |       | 4½ |        |    | 1 4 |      |      |         |                               |    |
| Dallas.....        | 4                             |          |       |    |        |    |     |      |      |         |                               | 4  |
| San Francisco..... | 3                             |          |       |    |        |    |     |      |      |         |                               | 3  |

<sup>1</sup> Changed from "10 days and less" to "15 days and less" on the dates shown.

## Changes in discount rates during calendar year 1916—Continued.

## PAPER MATURING WITHIN 15 DAYS.

| Bank.              | Sept.— |    |    |    |    |    |    |    | Dec. 29. | In effect<br>Jan. 1,<br>1917. |
|--------------------|--------|----|----|----|----|----|----|----|----------|-------------------------------|
|                    | 11     | 14 | 15 | 16 | 18 | 20 | 22 | 23 |          |                               |
| Boston.....        |        |    |    |    |    |    |    |    |          |                               |
| New York.....      |        |    |    |    |    |    | 3  |    |          | 3                             |
| Philadelphia.....  |        |    |    |    |    | 3½ |    |    |          | 3½                            |
| Cleveland.....     |        |    | 3½ |    |    |    |    |    |          | 3½                            |
| Richmond.....      | 4      |    |    |    |    |    |    |    |          | 4                             |
| Atlanta.....       |        |    | 4  |    |    |    |    |    |          | 4                             |
| Chicago.....       |        |    |    |    |    |    |    | 3½ |          | 3½                            |
| St. Louis.....     |        |    |    | 3  |    |    |    |    | 3½       | 3½                            |
| Minneapolis.....   |        | 4  |    |    |    |    |    |    |          | 4                             |
| Kansas City.....   |        |    |    |    | 4  |    |    |    |          | 4                             |
| Dallas.....        |        |    | 4  |    |    |    |    |    |          | 4                             |
| San Francisco..... |        |    |    |    |    |    |    |    |          |                               |

## PAPER MATURING 11 TO 30 DAYS, INCLUSIVE.

| Bank.              | In effect<br>Jan. 1,<br>1916. | Jan. 13. | Apr. 12. | Sept.— |     |      |     |                  |    | Dec. 7. | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|----------|----------|--------|-----|------|-----|------------------|----|---------|-------------------------------|
|                    |                               |          |          | 15     | 16  | 18   | 20  | 22               | 23 |         |                               |
| Boston.....        | 4                             | 3½       |          |        |     |      |     |                  |    | 4       | 4                             |
| New York.....      | 4                             |          |          |        |     |      |     | 1 4              |    |         |                               |
| Philadelphia.....  | 4                             |          |          |        |     |      | 1 4 |                  |    |         |                               |
| Cleveland.....     | 4                             |          |          | 1 4    |     |      |     |                  |    |         |                               |
| Richmond.....      | 4                             |          |          |        |     |      |     |                  |    |         | 4                             |
| Atlanta.....       | 4                             |          |          |        |     |      |     |                  |    |         | 4                             |
| Chicago.....       | 4                             |          |          |        |     |      |     | ( <sup>1</sup> ) |    |         |                               |
| St. Louis.....     | 4                             |          |          |        | 1 4 |      |     |                  |    |         |                               |
| Minneapolis.....   | 4                             |          |          |        |     |      |     |                  |    |         | 4                             |
| Kansas City.....   | 4                             |          | 4½       |        |     | 1 4½ |     |                  |    |         |                               |
| Dallas.....        | 4                             |          |          |        |     |      |     |                  |    |         | 4                             |
| San Francisco..... | 3½                            |          |          |        |     |      |     |                  |    |         | 3½                            |

<sup>1</sup>Changed from "11 to 30 days, inclusive," to "16 to 30 days," on dates shown above.

## PAPER MATURING 16 TO 30 DAYS, INCLUSIVE.

| Banks.             | In effect<br>Jan. 1,<br>1916. | Sept.— |    |    |    |    |    | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|--------|----|----|----|----|----|-------------------------------|
|                    |                               | 15     | 16 | 18 | 20 | 22 | 23 |                               |
| Boston.....        |                               |        |    |    |    |    |    |                               |
| New York.....      |                               |        |    |    |    | 4  | 4  |                               |
| Philadelphia.....  |                               |        |    |    | 4  |    | 4  |                               |
| Cleveland.....     |                               | 4      |    |    |    |    | 4  |                               |
| Richmond.....      | 4                             |        |    |    |    |    | 4  |                               |
| Atlanta.....       | 4                             |        |    |    |    |    | 4  |                               |
| Chicago.....       |                               |        |    |    |    | 4  | 4  |                               |
| St. Louis.....     |                               |        | 4  |    |    |    | 4  |                               |
| Minneapolis.....   | 4                             |        |    |    |    |    | 4  |                               |
| Kansas City.....   |                               |        |    | 4½ |    |    | 4½ |                               |
| Dallas.....        | 4                             |        |    |    |    |    | 4  |                               |
| San Francisco..... |                               |        |    |    |    |    |    |                               |

*Changes in discount rates during calendar year 1916—Continued.*

## PAPER MATURING 31 TO 60 DAYS, INCLUSIVE

| Banks.             | In effect<br>Jan. 1,<br>1916. | Apr.<br>12. | July<br>12. | Aug.— |    | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|-------------|-------------|-------|----|-------------------------------|
|                    |                               |             |             | 1     | 31 |                               |
| Boston.....        | 4                             |             |             |       |    | 4                             |
| New York.....      | 4                             |             |             |       |    | 4                             |
| Philadelphia.....  | 4                             |             |             |       |    | 4                             |
| Cleveland.....     | 4                             |             |             | 4½    |    | 4½                            |
| Richmond.....      | 4                             |             |             |       |    | 4                             |
| Atlanta.....       | 4                             |             |             |       |    | 4                             |
| Chicago.....       | 4                             |             | 4½          |       | 4  | 4                             |
| St. Louis.....     | 4                             |             |             |       |    | 4                             |
| Minneapolis.....   | 4                             |             |             |       |    | 4                             |
| Kansas City.....   | 4                             | 4½          |             |       |    | 4½                            |
| Dallas.....        | 4                             |             |             |       |    | 4                             |
| San Francisco..... | 4                             |             |             |       |    | 4                             |

## PAPER MATURING 61 TO 90 DAYS, INCLUSIVE.

| Banks.             | In effect<br>Jan. 1,<br>1916. | Apr. 12. | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|----------|-------------------------------|
| Boston.....        | 4                             |          | 4                             |
| New York.....      | 4                             |          | 4                             |
| Philadelphia.....  | 4                             |          | 4                             |
| Cleveland.....     | 4½                            |          | 4½                            |
| Richmond.....      | 4                             |          | 4                             |
| Atlanta.....       | 4                             |          | 4                             |
| Chicago.....       | 4½                            |          | 4½                            |
| St. Louis.....     | 4                             |          | 4                             |
| Minneapolis.....   | 4½                            |          | 4½                            |
| Kansas City.....   | 4                             | 4½       | 4½                            |
| Dallas.....        | 4                             |          | 4                             |
| San Francisco..... | 4½                            |          | 4½                            |

## AGRICULTURAL AND LIVE-STOCK PAPER OVER 90 DAYS.

| Banks.             | In effect<br>Jan. 1,<br>1916. | Feb. 24. | Aug. 4. | Nov. 20. | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|----------|---------|----------|-------------------------------|
| Boston.....        | 5                             |          |         |          | 5                             |
| New York.....      | 5                             |          |         |          | 5                             |
| Philadelphia.....  | 4½                            |          |         |          | 4½                            |
| Cleveland.....     | 5                             |          |         |          | 5                             |
| Richmond.....      | 5                             |          | 4½      |          | 4½                            |
| Atlanta.....       | 5                             |          |         |          | 5                             |
| Chicago.....       | 5                             |          |         |          | 5                             |
| St. Louis.....     | 5                             |          |         | 4½       | 4½                            |
| Minneapolis.....   | 5                             |          |         |          | 5                             |
| Kansas City.....   | 5                             |          |         |          | 5                             |
| Dallas.....        | 4½                            |          |         |          | 4½                            |
| San Francisco..... | 6                             | 5½       |         |          | 5½                            |

*Changes in discount rates during calendar year 1916—Continued.*

## TRADE ACCEPTANCES, TO 30 DAYS, INCLUSIVE.

| Bank.               | In effect<br>Jan. 1,<br>1916. | Feb.<br>21. | Mar.— |    |    | July— |    |    | Nov.<br>25. | In effect<br>Jan. 1,<br>1917. |
|---------------------|-------------------------------|-------------|-------|----|----|-------|----|----|-------------|-------------------------------|
|                     |                               |             | 10    | 18 | 23 | 5     | 20 | 24 |             |                               |
| Boston .....        | 3½                            | 3           |       |    |    |       | 3½ |    |             | 3½                            |
| New York .....      | 1 3½                          |             |       |    |    |       |    |    |             | 3½                            |
| Philadelphia .....  | 3                             |             |       |    |    | 3½    |    |    |             | 3½                            |
| Cleveland .....     | 3½                            |             | 3     |    |    |       |    |    |             | 3                             |
| Richmond .....      | 3½                            |             |       |    |    |       |    |    |             | 3½                            |
| Atlanta .....       | 3½                            |             |       |    |    |       |    |    |             | 3½                            |
| Chicago .....       |                               |             |       |    |    |       |    | 3½ |             | 3½                            |
| St. Louis .....     | 3½                            |             |       |    | 3  |       |    |    |             | 3                             |
| Minneapolis .....   |                               |             |       | 3½ |    |       |    |    |             | 3½                            |
| Kansas City .....   | 3½                            |             |       |    |    |       |    | 4  |             | 4                             |
| Dallas .....        | 3½                            |             |       |    |    |       |    |    |             | 3½                            |
| San Francisco ..... | 3                             |             |       |    |    |       |    |    |             | 3                             |

<sup>1</sup> Trade acceptances with maturities up to 15 days, 3 per cent.

## TRADE ACCEPTANCES, 31 TO 60 DAYS, INCLUSIVE.

| Bank.               | In effect<br>Jan. 1,<br>1916. | Feb.<br>21. | Mar.— |    |    | July— |    |    | Aug.<br>1. | Nov.<br>25. | In effect<br>Jan. 1,<br>1917. |
|---------------------|-------------------------------|-------------|-------|----|----|-------|----|----|------------|-------------|-------------------------------|
|                     |                               |             | 10    | 18 | 23 | 5     | 20 | 24 |            |             |                               |
| Boston .....        | 3½                            | 3           |       |    |    |       | 3½ |    |            | 3½          |                               |
| New York .....      | 3½                            |             |       |    |    |       |    |    |            | 3½          |                               |
| Philadelphia .....  | 3                             |             |       |    |    | 3½    |    |    |            | 3½          |                               |
| Cleveland .....     | 3½                            |             | 3     |    |    |       |    | 3½ |            | 3½          |                               |
| Richmond .....      | 3½                            |             |       |    |    |       |    |    |            | 3½          |                               |
| Atlanta .....       | 3½                            |             |       |    |    |       |    |    |            | 3½          |                               |
| Chicago .....       |                               |             |       |    |    |       |    |    | 3½         | 3½          |                               |
| St. Louis .....     | 3½                            |             |       |    | 3  |       |    |    |            | 3           |                               |
| Minneapolis .....   |                               |             |       | 3½ |    |       |    |    |            | 3½          |                               |
| Kansas City .....   | 3½                            |             |       |    |    |       |    | 4  |            | 4           |                               |
| Dallas .....        | 3½                            |             |       |    |    |       |    |    |            | 3½          |                               |
| San Francisco ..... | 3                             |             |       |    |    |       |    |    |            | 3           |                               |

## TRADE ACCEPTANCES, 61 TO 90 DAYS, INCLUSIVE.

| Bank.               | In effect<br>Jan. 1,<br>1916. | Jan. 12. | Feb. 21. | Mar.— |    | Apr.<br>22. | July— |    |    | Aug. 1. | Nov.<br>25. | In effect<br>Jan. 1,<br>1917. |
|---------------------|-------------------------------|----------|----------|-------|----|-------------|-------|----|----|---------|-------------|-------------------------------|
|                     |                               |          |          | 10    | 18 |             | 5     | 20 | 24 |         |             |                               |
| Boston .....        | 3½                            |          | 3        |       |    |             |       | 3½ |    |         |             | 3½                            |
| New York .....      | 3½                            |          |          |       |    |             |       |    |    |         |             | 3½                            |
| Philadelphia .....  | 3                             |          |          |       |    |             | 3½    |    |    |         |             | 3½                            |
| Cleveland .....     | 4                             |          | 3½       |       |    |             |       |    | 4  |         |             | 4                             |
| Richmond .....      | 4                             |          |          |       | 3½ |             |       |    |    |         |             | 3½                            |
| Atlanta .....       | 3½                            |          |          |       |    |             |       |    |    |         |             | 3½                            |
| Chicago .....       |                               |          |          |       |    |             |       |    |    | 3½      |             | 3½                            |
| St. Louis .....     | 3½                            |          |          |       |    |             |       |    |    |         |             | 3½                            |
| Minneapolis .....   |                               |          |          | 3½    |    |             |       |    |    |         |             | 3½                            |
| Kansas City .....   | 3½                            |          |          |       |    |             |       | 4  |    |         |             | 4                             |
| Dallas .....        | 4                             | 3½       |          |       |    |             |       |    |    |         |             | 3½                            |
| San Francisco ..... | 3½                            |          |          |       |    |             |       |    |    |         |             | 3½                            |



*Changes in discount rates during calendar year 1916—Continued.*

## COMMODITY PAPER MATURING WITHIN 90 DAYS.

| Bank.              | In effect<br>Jan. 1,<br>1916. | Apr. 22. | May—        |    | July— |    | Aug.<br>17. | Dec.— |    | In effect<br>Jan. 1,<br>1917. |
|--------------------|-------------------------------|----------|-------------|----|-------|----|-------------|-------|----|-------------------------------|
|                    |                               |          | 10          | 18 | 5     | 24 |             | 7     | 29 |                               |
|                    |                               |          | Boston..... | 3½ |       |    |             |       |    |                               |
| New York.....      |                               |          |             |    |       |    |             |       |    |                               |
| Philadelphia.....  | 3                             |          |             | 3½ |       |    |             |       | 3½ |                               |
| Cleveland.....     |                               |          |             |    |       |    |             |       |    |                               |
| Richmond.....      | 3                             | 3½       |             |    |       |    |             |       | 3½ |                               |
| Atlanta.....       | 3                             |          | 3½          |    |       | 3  |             |       | 3  |                               |
| Chicago.....       |                               |          |             |    |       |    |             |       |    |                               |
| St. Louis.....     | 3                             |          |             |    |       |    | 3½          |       | 3½ |                               |
| Minneapolis.....   | 3                             | 3½       |             |    |       |    |             |       | 3½ |                               |
| Kansas City.....   | 3                             |          |             |    | 4     |    |             |       | 4  |                               |
| Dallas.....        | 3                             |          |             |    |       |    |             |       | 3  |                               |
| San Francisco..... | (1)                           |          |             |    |       |    |             |       |    |                               |

<sup>1</sup> Commodity paper rates as follows: Maturing within 30 days, 3½ per cent; 31 to 60 days, 4 per cent; 61 to 90 days, 4½ per cent; 91 days to 6 months, 5 per cent.

NOTE.—Rate for bankers' acceptances, 2 to 4 per cent.

**Exhibit B.—FEDERAL RESERVE NOTES.**

*Federal Reserve notes received from the Comptroller of the Currency, issued to each Federal Reserve Bank and in actual circulation, gold and lawful money, also paper, held by each Federal Reserve Agent, amounts of Federal Reserve notes held and amounts carried to net assets and liabilities by each Federal Reserve Bank on the last Friday in each month during calendar year 1916.*

[In thousands of dollars; i. e. 000's omitted.]

|  | Boston. | New York. | Philadelphia. | Cleveland. | Richmond. | Atlanta. | Chicago. | St. Louis. | Minneapolis. | Kansas City. | Dallas. | San Francisco. | Total.  |
|--|---------|-----------|---------------|------------|-----------|----------|----------|------------|--------------|--------------|---------|----------------|---------|
| Federal Reserve notes received from the Comptroller of the Currency less returned for destruction: |         |           |               |            |           |          |          |            |              |              |         |                |         |
| Jan. 28. ....  | 18,880  | 108,240   | 14,840        | 12,880     | 17,000    | 20,400   | 9,260    | 9,600      | 19,000       | 13,000       | 19,434  | 11,130         | 273,664 |
| Feb. 25. ....  | 18,337  | 91,635    | 14,190        | 12,760     | 17,000    | 19,298   | 9,260    | 9,600      | 19,000       | 13,000       | 19,294  | 11,070         | 254,444 |
| Mar. 31. ....  | 17,866  | 88,125    | 13,271        | 12,368     | 14,626    | 19,040   | 8,700    | 9,403      | 18,865       | 12,582       | 19,659  | 10,842         | 245,347 |
| Apr. 28. ....  | 18,268  | 88,791    | 12,899        | 12,242     | 14,228    | 18,774   | 8,677    | 9,074      | 18,815       | 12,455       | 20,799  | 11,611         | 246,633 |
| May 26. ....   | 17,738  | 89,542    | 12,578        | 12,128     | 13,750    | 18,528   | 8,554    | 8,718      | 18,767       | 12,286       | 21,898  | 11,910         | 246,397 |
| June 30. ....  | 16,955  | 87,274    | 11,933        | 13,420     | 13,128    | 18,218   | 8,520    | 8,553      | 18,673       | 12,119       | 20,996  | 12,545         | 242,334 |
| July 28. ....  | 16,714  | 84,281    | 11,608        | 13,132     | 12,660    | 17,856   | 8,276    | 8,440      | 18,604       | 12,807       | 20,682  | 12,394         | 237,454 |
| Aug. 25. ....  | 15,978  | 82,645    | 11,130        | 12,738     | 12,169    | 17,562   | 8,239    | 8,019      | 18,515       | 15,237       | 21,893  | 12,338         | 226,463 |
| Sept. 29. ....   | 14,857  | 102,974   | 10,646        | 12,421     | 14,686    | 23,534   | 8,206    | 10,671     | 20,411       | 21,015       | 30,031  | 12,666         | 282,118 |
| Oct. 27. ....  | 19,141  | 101,391   | 10,153        | 12,097     | 17,776    | 26,080   | 8,056    | 16,576     | 20,335       | 21,489       | 31,544  | 12,928         | 287,566 |
| Nov. 24. ....  | 18,210  | 101,588   | 13,163        | 11,765     | 20,088    | 29,330   | 8,029    | 20,262     | 21,743       | 22,313       | 31,317  | 13,343         | 311,151 |
| Dec. 29. ....  | 21,478  | 126,924   | 24,330        | 13,932     | 22,931    | 31,545   | 10,183   | 19,930     | 23,604       | 25,988       | 30,819  | 15,781         | 367,445 |
| Federal Reserve notes issued to Federal Reserve Banks (net amount):                                |         |           |               |            |           |          |          |            |              |              |         |                |         |
| Jan. 28. ....  | 10,020  | 94,240    | 8,660         | 11,200     | 14,430    | 17,790   | 4,380    | 8,950      | 13,000       | 11,000       | 14,145  | 11,130         | 218,945 |
| Feb. 25. ....  | 9,592   | 77,635    | 8,097         | 11,200     | 14,200    | 15,696   | 4,379    | 7,838      | 13,200       | 10,205       | 13,880  | 11,070         | 196,992 |
| Mar. 31. ....  | 10,446  | 75,125    | 7,178         | 10,668     | 11,726    | 14,944   | 3,819    | 7,641      | 13,065       | 9,909        | 14,869  | 10,842         | 190,232 |
| Apr. 28. ....  | 10,788  | 70,791    | 6,806         | 10,542     | 10,828    | 14,678   | 3,796    | 7,312      | 13,105       | 9,462        | 15,705  | 11,611         | 185,424 |
| May 26. ....   | 10,558  | 74,742    | 6,485         | 10,428     | 10,350    | 14,432   | 3,673    | 6,956      | 13,137       | 9,368        | 15,209  | 11,910         | 187,248 |
| June 30. ....  | 10,235  | 69,474    | 7,313         | 9,920      | 9,628     | 14,122   | 3,639    | 6,791      | 12,143       | 9,201        | 13,957  | 9,745          | 176,168 |
| July 23. ....  | 10,494  | 66,481    | 7,888         | 9,632      | 9,260     | 13,760   | 3,395    | 6,678      | 12,774       | 10,314       | 13,753  | 9,594          | 174,023 |

|  |        |         |        |        |        |        |       |        |        |        |        |        |         |
|--|--------|---------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|---------|
| Aug. 25.....   | 10,158 | 69,345  | 7,410  | 9,438  | 9,419  | 13,236 | 3,358 | 6,257  | 12,885 | 12,864 | 15,930 | 9,538  | 179,838 |
| Sept. 29.....  | 10,337 | 78,414  | 7,606  | 9,121  | 12,536 | 19,040 | 3,325 | 8,909  | 13,781 | 17,062 | 23,730 | 10,106 | 213,967 |
| Oct. 27.....   | 11,121 | 81,831  | 8,473  | 8,797  | 15,626 | 22,095 | 3,175 | 13,916 | 15,415 | 18,276 | 25,783 | 10,368 | 234,876 |
| Nov. 24.....   | 11,230 | 88,668  | 13,163 | 8,465  | 18,438 | 23,805 | 3,148 | 16,722 | 18,423 | 19,600 | 24,976 | 11,443 | 258,081 |
| Dec. 29.....   | 13,518 | 107,004 | 17,070 | 10,832 | 20,431 | 25,920 | 7,183 | 16,890 | 20,484 | 22,235 | 24,163 | 14,781 | 300,511 |
| Gold and lawful money in hands of or to credit of Federal Reserve Agent: |        |         |        |        |        |        |       |        |        |        |        |        |         |
| Jan. 28.....   | 10,020 | 94,240  | 8,660  | 11,200 | 9,160  | 14,200 | 4,380 | 8,950  | 13,000 | 9,000  | 11,440 | 11,130 | 205,380 |
| Feb. 25.....   | 9,592  | 77,635  | 8,097  | 11,200 | 9,130  | 13,201 | 4,379 | 7,838  | 13,200 | 9,000  | 11,433 | 11,070 | 185,775 |
| Mar. 31.....   | 10,446 | 75,125  | 7,178  | 10,668 | 6,856  | 13,944 | 3,819 | 7,641  | 13,065 | 8,679  | 11,018 | 10,842 | 179,281 |
| Apr. 28.....   | 10,788 | 70,791  | 6,806  | 10,542 | 6,208  | 14,678 | 3,796 | 7,312  | 13,105 | 8,232  | 11,978 | 11,611 | 175,847 |
| May 26.....  | 10,558 | 74,742  | 6,485  | 10,428 | 5,730  | 14,432 | 3,673 | 6,956  | 13,137 | 8,283  | 11,782 | 11,910 | 178,116 |
| June 30.....   | 10,235 | 69,474  | 7,313  | 9,920  | 5,108  | 14,122 | 3,639 | 6,791  | 12,143 | 8,116  | 9,380  | 9,745  | 165,986 |
| July 28.....   | 10,494 | 66,481  | 7,888  | 9,632  | 4,640  | 13,760 | 3,395 | 6,678  | 12,774 | 8,174  | 9,066  | 9,594  | 162,776 |
| Aug. 25.....   | 10,158 | 69,345  | 7,410  | 9,438  | 4,149  | 11,236 | 3,358 | 6,257  | 12,885 | 11,084 | 8,976  | 9,538  | 163,834 |
| Sept. 29.....  | 10,337 | 78,414  | 7,606  | 9,121  | 7,406  | 16,288 | 3,325 | 6,122  | 13,781 | 15,362 | 19,644 | 10,106 | 197,572 |
| Oct. 27.....   | 11,121 | 81,831  | 8,473  | 8,797  | 11,406 | 18,574 | 3,175 | 10,569 | 15,415 | 16,736 | 23,037 | 10,368 | 219,502 |
| Nov. 24.....   | 11,230 | 88,668  | 13,163 | 8,465  | 15,548 | 18,883 | 3,148 | 11,375 | 18,423 | 17,960 | 23,260 | 11,443 | 241,566 |
| Dec. 29.....   | 13,518 | 107,004 | 15,770 | 10,832 | 16,601 | 21,649 | 7,183 | 12,543 | 20,484 | 19,695 | 22,463 | 14,781 | 282,523 |
| Paper held by Federal Reserve Agent:                                     |        |         |        |        |        |        |       |        |        |        |        |        |         |
| Jan. 28.....   |        |         |        |        | 5,406  | 3,590  |       |        |        | 2,000  | 3,794  |        | 14,790  |
| Feb. 25.....   |        |         |        |        | 5,256  | 2,498  |       |        |        | 1,215  | 4,171  |        | 13,140  |
| Mar. 31.....   |        |         |        |        | 5,008  | 1,000  |       |        |        | 1,245  | 3,927  |        | 11,180  |
| Apr. 28.....   |        |         |        |        | 4,885  |        |       |        |        | 1,235  | 4,122  |        | 10,242  |
| May 26.....  |        |         |        |        | 4,934  |        |       |        |        | 1,085  | 4,189  |        | 10,208  |
| June 30.....   |        |         |        |        | 5,163  |        |       |        |        | 1,091  | 4,950  |        | 11,204  |
| July 28.....   |        |         |        |        | 5,558  |        |       |        |        | 1,943  | 5,766  |        | 13,267  |
| Aug. 25.....   |        |         |        |        | 6,001  | 2,003  |       |        |        | 1,850  | 7,194  |        | 17,048  |
| Sept. 29.....  |        |         |        |        | 5,157  | 2,762  |       | 2,788  |        | 1,899  | 4,448  |        | 17,054  |
| Oct. 27.....   |        |         |        |        | 4,240  | 3,525  |       | 3,348  |        | 1,643  | 3,061  |        | 15,817  |
| Nov. 24.....   |        |         |        |        | 3,058  | 4,930  |       | 5,349  |        | 1,658  | 1,853  |        | 16,848  |
| Dec. 29.....   |        |         |        |        | 4,077  | 4,285  |       | 4,351  |        | 2,545  | 1,844  |        | 18,402  |

*Federal Reserve notes received from the Comptroller of the Currency, issued to each Federal Reserve Bank and in actual circulation, gold and lawful money, also paper, held by each Federal Reserve Agent amounts of Federal Reserve notes held and amounts carried to net assets and liabilities by each Federal Reserve Bank on the last Friday in each month during calendar year 1916—Continued.*

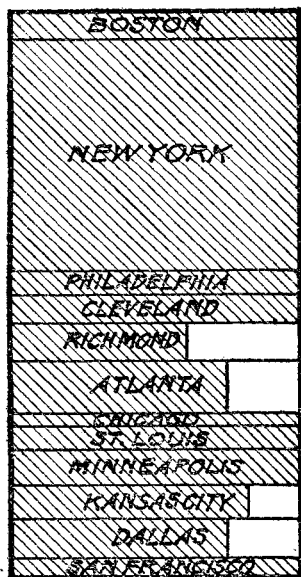
[In thousands of dollars; i. e. 000's omitted.]

|  | Boston. | New York. | Philadelphia. | Cleveland. | Richmond. | Atlanta. | Chicago. | St. Louis. | Minneapolis. | Kansas City. | Dallas. | San Francisco. | Total.  |
|--|---------|-----------|---------------|------------|-----------|----------|----------|------------|--------------|--------------|---------|----------------|---------|
| <b>Federal Reserve notes held by bank:</b>   |         |           |               |            |           |          |          |            |              |              |         |                |         |
| Jan. 28.....   | 1,025   | 25,185    | 658           | 894        | 375       | 1,855    | 1,747    | 941        | 610          | 880          | 142     | 5,409          | 39,721  |
| Feb. 25.....   | 1,124   | 13,230    | 135           | 563        | 417       | 1,137    | 1,806    | 386        | 976          | 88           | 189     | 5,573          | 25,624  |
| Mar. 31.....   | 1,111   | 14,325    | 116           | 352        | 931       | 1,231    | 1,537    | 980        | 1,170        | 58           | 59      | 5,296          | 27,166  |
| Apr. 28.....   | 934     | 9,630     | 153           | 426        | 464       | 1,186    | 1,635    | 1,001      | 1,429        | 142          | 120     | 5,210          | 22,330  |
| May 26.....  | 1,054   | 13,986    | 138           | 530        | 512       | 1,402    | 1,615    | 1,049      | 1,803        | 340          | 574     | 4,856          | 27,859  |
| June 30.....   | 742     | 13,821    | 634           | 309        | 427       | 1,798    | 1,700    | 1,297      | 903          | 217          | 98      | 1,978          | 23,924  |
| July 28.....   | 844     | 11,775    | 504           | 267        | 482       | 1,228    | 1,286    | 1,194      | 1,446        | 462          | 181     | 1,764          | 21,433  |
| Aug. 25.....   | 910     | 14,015    | 384           | 426        | 693       | 634      | 1,300    | 999        | 1,704        | 502          | 442     | 1,484          | 23,493  |
| Sept. 29.....  | 759     | 8,313     | 465           | 406        | 307       | 1,687    | 1,410    | 447        | 1,341        | 540          | 198     | 1,556          | 17,429  |
| Oct. 27.....   | 1,407   | 10,750    | 520           | 342        | 296       | 1,169    | 1,299    | 891        | 817          | 509          | 543     | 1,711          | 20,254  |
| Nov. 24.....   | 824     | 9,785     | 888           | 294        | 592       | 688      | 1,028    | 516        | 1,239        | 256          | 167     | 1,356          | 17,633  |
| Dec. 29.....   | 622     | 13,637    | 164           | 560        | 1,138     | 1,051    | 2,647    | 431        | 2,188        | 500          | 574     | 1,646          | 25,158  |
| <b>Federal Reserve notes issued by each Federal Reserve Bank and in circulation:</b> |         |           |               |            |           |          |          |            |              |              |         |                |         |
| Jan. 28.....   | 8,995   | 69,055    | 8,002         | 10,306     | 14,055    | 15,935   | 2,633    | 8,009      | 12,390       | 10,120       | 14,003  | 5,721          | 179,224 |
| Feb. 25.....   | 8,468   | 64,405    | 7,962         | 10,637     | 13,783    | 14,559   | 2,573    | 7,452      | 12,224       | 10,117       | 13,691  | 5,497          | 171,368 |
| Mar. 31.....   | 9,335   | 60,800    | 7,062         | 10,316     | 10,795    | 13,713   | 2,282    | 6,661      | 11,895       | 9,851        | 14,810  | 5,546          | 163,066 |
| Apr. 28.....   | 9,854   | 61,161    | 6,653         | 10,116     | 10,364    | 13,492   | 2,161    | 6,311      | 11,676       | 9,320        | 15,585  | 6,401          | 163,094 |
| May 26.....  | 9,504   | 60,756    | 6,347         | 9,898      | 9,838     | 13,030   | 2,058    | 5,907      | 11,334       | 9,028        | 14,635  | 7,054          | 159,389 |
| June 30.....   | 9,493   | 55,653    | 6,679         | 9,611      | 9,201     | 12,324   | 1,939    | 5,494      | 11,240       | 8,984        | 13,859  | 7,767          | 152,244 |
| July 28.....   | 9,650   | 54,706    | 7,384         | 9,365      | 8,778     | 12,532   | 2,109    | 5,484      | 11,328       | 9,852        | 13,572  | 7,830          | 152,590 |
| Aug. 25.....   | 9,248   | 55,330    | 7,026         | 9,012      | 8,726     | 12,602   | 2,058    | 5,258      | 11,181       | 12,362       | 15,488  | 8,054          | 156,345 |
| Sept. 29.....  | 9,578   | 70,101    | 7,141         | 8,715      | 12,229    | 17,353   | 1,915    | 8,462      | 12,440       | 16,522       | 23,532  | 8,550          | 196,538 |
| Oct. 27.....   | 9,714   | 71,081    | 7,953         | 8,455      | 15,330    | 20,926   | 1,876    | 13,025     | 14,598       | 17,767       | 25,240  | 8,657          | 214,622 |

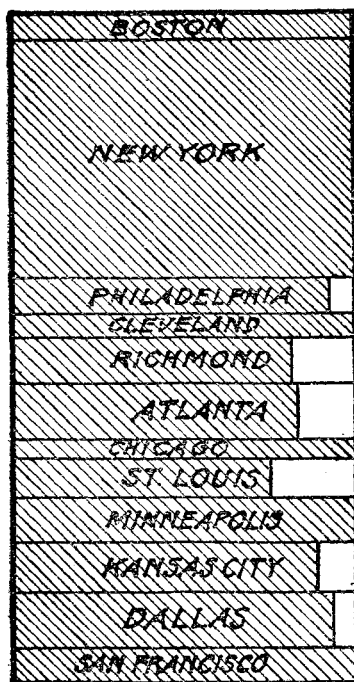
|   |        |        |        |        |        |        |       |        |        |        |        |        |         |
|---|--------|--------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|---------|
| Nov. 24.....  | 10,406 | 78,883 | 12,275 | 8,171  | 17,846 | 23,117 | 2,120 | 16,206 | 17,184 | 19,344 | 24,809 | 10,087 | 240,448 |
| Dec. 29.....  | 12,896 | 93,367 | 16,906 | 10,272 | 19,293 | 24,869 | 4,536 | 16,459 | 18,296 | 21,735 | 23,589 | 13,135 | 275,353 |
| Federal Reserve notes, amount of, carried to net assets:      |        |        |        |        |        |        |       |        |        |        |        |        |         |
| Jan. 28.....  | 1,025  | 25,185 | 658    | 894    | .....  | .....  | 1,747 | 941    | 610    | .....  | .....  | 5,409  | 36,469  |
| Feb. 25.....  | 1,124  | 13,230 | 135    | 563    | .....  | .....  | 1,806 | 386    | 976    | .....  | .....  | 5,573  | 23,793  |
| Mar. 31.....  | 1,111  | 14,325 | 116    | 352    | .....  | 231    | 1,537 | 980    | 1,170  | .....  | .....  | 5,296  | 25,118  |
| Apr. 28.....  | 934    | 9,630  | 153    | 426    | .....  | 1,186  | 1,635 | 1,001  | 1,429  | .....  | .....  | 5,210  | 21,604  |
| May 26.....   | 1,054  | 13,986 | 138    | 530    | .....  | 1,402  | 1,615 | 1,049  | 1,803  | .....  | .....  | 4,856  | 26,433  |
| June 30.....  | 742    | 13,821 | 634    | 309    | .....  | 1,798  | 1,700 | 1,297  | 903    | .....  | .....  | 1,978  | 23,182  |
| July 28.....  | 844    | 11,775 | 504    | 267    | .....  | 1,228  | 1,286 | 1,194  | 1,446  | .....  | .....  | 1,764  | 20,305  |
| Aug. 25.....  | 910    | 14,015 | 384    | 426    | .....  | .....  | 1,300 | 999    | 1,704  | .....  | .....  | 1,484  | 21,222  |
| Sept. 29.....   | 759    | 8,313  | 465    | 406    | .....  | .....  | 1,410 | .....  | 1,341  | .....  | .....  | 1,556  | 14,250  |
| Oct. 27.....  | 1,407  | 10,750 | 520    | 342    | .....  | .....  | 1,299 | .....  | 817    | .....  | .....  | 1,711  | 16,846  |
| Nov. 24.....  | 824    | 9,785  | 888    | 294    | .....  | .....  | 1,028 | .....  | 1,239  | .....  | .....  | 1,356  | 15,414  |
| Dec. 29.....  | 622    | 13,637 | .....  | 560    | .....  | .....  | 2,647 | .....  | 2,188  | .....  | .....  | 1,646  | 21,300  |
| Federal Reserve notes, amount of, carried to net liabilities: |        |        |        |        |        |        |       |        |        |        |        |        |         |
| Jan. 28.....  | .....  | .....  | .....  | .....  | .....  | 4,895  | 1,735 | .....  | .....  | 1,120  | 2,563  | .....  | 10,313  |
| Feb. 25.....  | .....  | .....  | .....  | .....  | .....  | 4,653  | 1,358 | .....  | .....  | 1,117  | 2,258  | .....  | 9,386   |
| Mar. 31.....  | .....  | .....  | .....  | .....  | .....  | 3,939  | ..... | .....  | .....  | 1,172  | 3,792  | .....  | 8,903   |
| Apr. 28.....  | .....  | .....  | .....  | .....  | .....  | 4,156  | ..... | .....  | .....  | 1,088  | 3,607  | .....  | 8,851   |
| May 26.....   | .....  | .....  | .....  | .....  | .....  | 4,108  | ..... | .....  | .....  | 745    | 2,853  | .....  | 7,706   |
| June 30.....  | .....  | .....  | .....  | .....  | .....  | 4,093  | ..... | .....  | .....  | 868    | 4,479  | .....  | 9,440   |
| July 28.....  | .....  | .....  | .....  | .....  | .....  | 4,138  | ..... | .....  | .....  | 1,478  | 4,506  | .....  | 10,122  |
| Aug. 25.....  | .....  | .....  | .....  | .....  | .....  | 4,577  | 1,366 | .....  | .....  | 1,278  | 6,512  | .....  | 13,733  |
| Sept. 29.....   | .....  | .....  | .....  | .....  | .....  | 4,763  | 1,065 | .....  | .....  | 1,160  | 3,888  | .....  | 13,216  |
| Oct. 27.....  | .....  | .....  | .....  | .....  | .....  | 3,924  | 2,352 | .....  | .....  | 2,456  | 1,031  | 2,203  | 11,966  |
| Nov. 24.....  | .....  | .....  | .....  | .....  | .....  | 2,298  | 4,234 | .....  | .....  | 4,831  | 1,384  | 1,549  | 14,296  |
| Dec. 29.....  | .....  | .....  | 1,136  | .....  | .....  | 2,692  | 3,220 | .....  | .....  | 3,916  | 2,040  | 1,126  | 14,130  |

## FEDERAL RESERVE NOTES ISSUED TO BANKS BY AGENTS

*Amounts covered by gold  
are shown thus :*

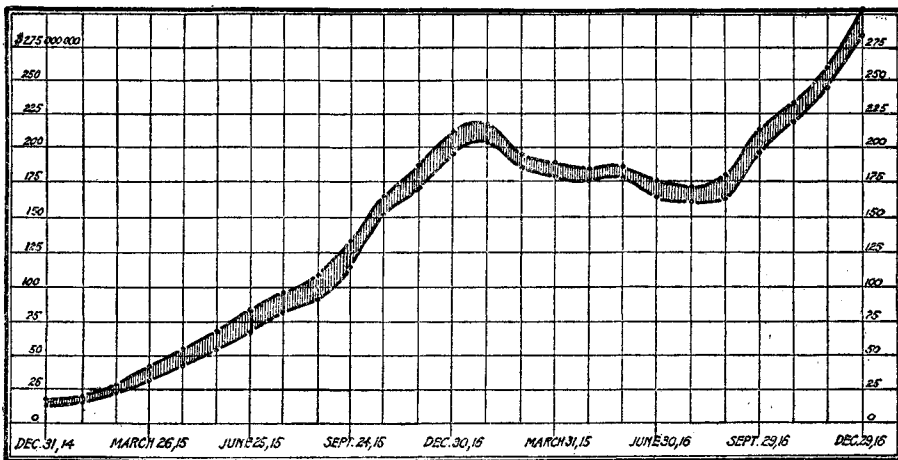


1915.  
DEC. 30.



1916.  
DEC. 29.

**NET AMOUNTS OF FEDERAL RESERVE NOTES  
ISSUED TO THE FEDERAL RESERVE BANKS  
BY AGENTS, AND AMOUNTS OF GOLD HELD BY  
AGENTS AGAINST FEDERAL RESERVE NOTES  
ON THE LAST FRIDAY OF EACH MONTH IN 1915 & 1916.**



*Upper Curve shows total net amounts issued.  
Lower Curve shows amounts covered by gold.  
The shaded portion between the two curves shows amounts  
secured by commercial paper pledged with agents.*

*Statement of Federal Reserve notes, by denominations, printed, shipped to Federal Reserve Agents and United States subtreasuries, and on hand in reserve vault Dec. 31, 1916.*

| Bank.                | Fives.       | Tens.        | Twenties.   | Fifties.    | Hundreds.   | Total.       |
|----------------------|--------------|--------------|-------------|-------------|-------------|--------------|
| <b>Boston:</b>       |              |              |             |             |             |              |
| Printed .....        | \$18,580,000 | \$18,000,000 | \$6,800,000 | \$2,600,000 | \$4,400,000 | \$50,380,000 |
| Shipped.....         | 12,080,000   | 11,440,000   | 1,760,000   | 1,600,000   | 2,000,000   | 28,880,000   |
| On hand.....         | 6,500,000    | 6,560,000    | 5,040,000   | 1,000,000   | 2,400,000   | 21,500,000   |
| <b>New York:</b>     |              |              |             |             |             |              |
| Printed.....         | 145,560,000  | 166,200,000  | 63,680,000  | 7,600,000   | 11,200,000  | 394,240,000  |
| Shipped.....         | 74,600,000   | 69,520,000   | 24,480,000  | 4,200,000   | 7,600,000   | 186,400,000  |
| On hand.....         | 70,960,000   | 96,680,000   | 39,200,000  | 3,400,000   | 3,600,000   | 213,840,000  |
| <b>Philadelphia:</b> |              |              |             |             |             |              |
| Printed.....         | 20,000,000   | 15,000,000   | 9,200,000   | 2,600,000   | 5,200,000   | 52,000,000   |
| Shipped.....         | 11,880,000   | 10,200,000   | 8,400,000   |             |             | 30,480,000   |
| On hand.....         | 8,120,000    | 4,800,000    | 800,000     | 2,600,000   | 5,200,000   | 21,520,000   |
| <b>Cleveland:</b>    |              |              |             |             |             |              |
| Printed.....         | 17,680,000   | 15,120,000   | 10,000,000  | 2,400,000   | 4,800,000   | 50,000,000   |
| Shipped.....         | 4,300,000    | 4,720,000    | 6,240,000   | 1,200,000   | 1,200,000   | 17,660,000   |
| On hand.....         | 13,380,000   | 10,400,000   | 3,760,000   | 1,200,000   | 3,600,000   | 32,340,000   |
| <b>Richmond:</b>     |              |              |             |             |             |              |
| Printed.....         | 12,000,000   | 11,560,000   | 10,640,000  | 3,400,000   | 2,400,000   | 40,000,000   |
| Shipped.....         | 8,700,000    | 9,400,000    | 8,800,000   | 1,800,000   | 800,000     | 29,500,000   |
| On hand.....         | 3,300,000    | 2,160,000    | 1,840,000   | 1,600,000   | 1,600,000   | 10,500,000   |
| <b>Atlanta:</b>      |              |              |             |             |             |              |
| Printed.....         | 15,800,000   | 17,000,000   | 12,400,000  | 1,800,000   | 2,000,000   | 49,000,000   |
| Shipped.....         | 12,400,000   | 13,800,000   | 10,400,000  | 1,600,000   | 1,600,000   | 39,800,000   |
| On hand.....         | 3,400,000    | 3,200,000    | 2,000,000   | 200,000     | 400,000     | 9,200,000    |
| <b>Chicago:</b>      |              |              |             |             |             |              |
| Printed.....         | 26,800,000   | 19,240,000   | 19,760,000  | 3,200,000   | 6,000,000   | 75,000,000   |
| Shipped.....         | 10,780,000   | 5,200,000    | 4,800,000   | 1,200,000   | 2,400,000   | 24,380,000   |
| On hand.....         | 16,020,000   | 14,040,000   | 14,960,000  | 2,000,000   | 3,600,000   | 50,620,000   |
| <b>St. Louis:</b>    |              |              |             |             |             |              |
| Printed.....         | 13,960,000   | 10,960,000   | 10,000,000  | 1,400,000   | 3,200,000   | 39,520,000   |
| Shipped.....         | 11,580,000   | 9,040,000    | 5,520,000   | 800,000     | 400,000     | 27,340,000   |
| On hand.....         | 2,380,000    | 1,920,000    | 4,480,000   | 600,000     | 2,800,000   | 12,180,000   |
| <b>Minneapolis:</b>  |              |              |             |             |             |              |
| Printed.....         | 15,000,000   | 10,760,000   | 7,440,000   | 800,000     | 2,000,000   | 36,000,000   |
| Shipped.....         | 9,180,000    | 8,120,000    | 6,400,000   | 400,000     | 400,000     | 24,500,000   |
| On hand.....         | 5,820,000    | 2,640,000    | 1,040,000   | 400,000     | 1,600,000   | 11,500,000   |
| <b>Kansas City:</b>  |              |              |             |             |             |              |
| Printed.....         | 20,400,000   | 17,760,000   | 7,840,000   | 2,000,000   | 2,000,000   | 50,000,000   |
| Shipped.....         | 13,480,000   | 9,040,000    | 6,400,000   | 800,000     | 400,000     | 30,120,000   |
| On hand.....         | 6,920,000    | 8,720,000    | 1,440,000   | 1,200,000   | 1,600,000   | 19,880,000   |



Statement of Federal Reserve notes, by denominations, printed, shipped to Federal Reserve Agents and United States subtreasuries, and on hand in reserve vault Dec. 31, 1916—Continued.

| Bank.                               | Fives.      | Tens.       | Twenties.   | Fifties.   | Hundreds.  | Total.      |
|-------------------------------------|-------------|-------------|-------------|------------|------------|-------------|
| <b>Dallas:</b>                      |             |             |             |            |            |             |
| Printed.....                        | 11,240,000  | 12,400,000  | 12,160,000  | 2,400,000  | 2,400,000  | 40,600,000  |
| Shipped.....                        | 9,200,000   | 11,400,000  | 9,920,000   | 2,400,000  | 2,400,000  | 35,320,000  |
| On hand.....                        | 2,040,000   | 1,000,000   | 2,240,000   |            |            | 5,280,000   |
| <b>San Francisco:</b>               |             |             |             |            |            |             |
| Printed.....                        | 14,160,000  | 12,760,000  | 11,840,000  | 11,000,000 | 12,400,000 | 62,160,000  |
| Shipped.....                        | 7,340,000   | 6,760,000   | 6,800,000   | 6,000,000  | 6,800,000  | 33,700,000  |
| On hand.....                        | 6,820,000   | 6,000,000   | 5,040,000   | 5,000,000  | 5,600,000  | 28,460,000  |
| <b>Vault balance Dec. 31, 1916:</b> |             |             |             |            |            |             |
| Total printed.....                  | 331,180,000 | 326,760,000 | 181,760,000 | 41,200,000 | 58,000,000 | 938,900,000 |
| Total shipped.....                  | 185,520,000 | 168,640,000 | 99,920,000  | 22,000,000 | 26,000,000 | 502,080,000 |
| Total on hand.....                  | 145,660,000 | 158,120,000 | 81,840,000  | 19,200,000 | 32,000,000 | 436,820,000 |

Federal Reserve notes by denominations issued through the Federal Reserve agents to the banks, also amounts retired, and outstanding Dec. 31, 1916.

| Bank.                | Fives.      | Tens.       | Twenties.  | Fifties.  | Hundreds.   | Total.       |
|----------------------|-------------|-------------|------------|-----------|-------------|--------------|
| <b>Boston:</b>       |             |             |            |           |             |              |
| Issued.....          | \$9,846,600 | \$8,645,600 | \$728,200  | \$642,000 | \$1,082,300 | \$20,944,700 |
| Retired.....         | 3,284,110   | 3,396,405   | 266,100    | 176,900   | 302,800     | 7,426,315    |
| Outstanding.....     | 6,562,490   | 5,249,195   | 462,100    | 465,100   | 779,500     | 13,518,385   |
| <b>New York:</b>     |             |             |            |           |             |              |
| Issued.....          | 67,490,350  | 61,967,800  | 23,238,400 | 2,802,450 | 6,014,000   | 161,513,000  |
| Retired.....         | 25,461,395  | 22,432,230  | 5,200,560  | 305,750   | 1,109,300   | 54,509,235   |
| Outstanding.....     | 42,028,955  | 39,535,570  | 18,037,840 | 2,496,700 | 4,904,700   | 107,003,765  |
| <b>Philadelphia:</b> |             |             |            |           |             |              |
| Issued.....          | 9,592,700   | 7,854,800   | 6,510,200  | 0         | 0           | 23,957,700   |
| Retired.....         | 3,475,005   | 2,573,805   | 839,300    | 0         | 0           | 6,888,110    |
| Outstanding.....     | 6,117,695   | 5,280,995   | 5,670,900  | 0         | 0           | 17,069,590   |
| <b>Cleveland:</b>    |             |             |            |           |             |              |
| Issued.....          | 3,600,000   | 3,840,000   | 5,440,000  | 950,000   | 730,000     | 14,560,000   |
| Retired.....         | 1,226,960   | 1,280,965   | 1,108,620  | 66,750    | 44,400      | 3,727,695    |
| Outstanding.....     | 2,373,040   | 2,559,035   | 4,331,380  | 883,250   | 685,600     | 10,832,305   |
| <b>Richmond:</b>     |             |             |            |           |             |              |
| Issued.....          | 9,079,300   | 10,067,700  | 9,264,400  | 1,887,200 | 717,000     | 31,015,600   |
| Retired.....         | 3,413,320   | 3,167,700   | 2,606,710  | 1,011,850 | 385,300     | 10,584,880   |
| Outstanding.....     | 5,665,980   | 6,900,000   | 6,657,690  | 875,350   | 331,700     | 20,430,720   |

*Federal Reserve notes by denominations issued through the Federal Reserve agents to the banks, also amounts retired, and outstanding Dec. 31, 1916—Continued.*

| Bank.                  | Fives.      | Tens.       | Twenties.  | Fifties.   | Hundreds.  | Total.      |
|------------------------|-------------|-------------|------------|------------|------------|-------------|
| <b>Atlanta:</b>        |             |             |            |            |            |             |
| Issued.....            | 11,914,050  | 12,817,800  | 10,480,980 | 1,935,450  | 1,782,900  | 38,931,180  |
| Retired.....           | 4,754,165   | 3,998,105   | 2,460,180  | 930,300    | 868,900    | 13,011,650  |
| Outstanding.....       | 7,159,885   | 8,819,695   | 8,020,800  | 1,005,150  | 914,000    | 25,919,530  |
| <b>Chicago:</b>        |             |             |            |            |            |             |
| Issued.....            | 5,440,050   | 760,000     | 2,720,600  | 200,250    | 400,100    | 9,521,000   |
| Retired.....           | 2,020,855   | 82,200      | 203,600    | 25,750     | 5,100      | 2,337,505   |
| Outstanding.....       | 3,419,195   | 677,800     | 2,517,000  | 174,500    | 395,000    | 7,183,495   |
| <b>St. Louis:</b>      |             |             |            |            |            |             |
| Issued.....            | 7,092,950   | 8,022,940   | 5,692,160  | 299,050    | 0          | 21,008,100  |
| Retired.....           | 2,465,155   | 1,253,955   | 386,460    | 12,800     | 0          | 4,118,370   |
| Outstanding.....       | 4,627,795   | 6,768,985   | 5,305,700  | 187,250    | 0          | 16,889,730  |
| <b>Minneapolis:</b>    |             |             |            |            |            |             |
| Issued.....            | 9,382,000   | 8,215,000   | 5,695,000  | 230,000    | 360,000    | 23,882,000  |
| Retired.....           | 1,704,735   | 1,179,910   | 417,310    | 52,400     | 43,600     | 3,397,955   |
| Outstanding.....       | 7,677,265   | 7,035,090   | 5,277,690  | 177,600    | 316,400    | 20,484,045  |
| <b>Kansas City:</b>    |             |             |            |            |            |             |
| Issued.....            | 13,067,000  | 8,126,000   | 5,312,000  | 895,000    | 20,000     | 27,420,000  |
| Retired.....           | 3,231,790   | 1,362,600   | 334,500    | 316,350    | 0          | 5,185,240   |
| Outstanding.....       | 9,835,210   | 6,823,400   | 4,977,500  | 578,650    | 20,000     | 22,234,760  |
| <b>Dallas:</b>         |             |             |            |            |            |             |
| Issued.....            | 8,624,750   | 13,675,400  | 11,608,600 | 2,220,000  | 2,130,000  | 38,258,750  |
| Retired.....           | 3,707,580   | 5,333,765   | 3,534,300  | 1,149,850  | 770,400    | 14,495,895  |
| Outstanding.....       | 4,917,170   | 8,341,635   | 8,074,300  | 1,070,150  | 1,359,600  | 23,762,855  |
| <b>San Francisco:</b>  |             |             |            |            |            |             |
| Issued.....            | 5,440,000   | 3,360,000   | 5,200,000  | 2,000,000  | 3,600,000  | 19,600,000  |
| Retired.....           | 2,928,110   | 1,584,200   | 266,400    | 19,900     | 20,300     | 4,818,910   |
| Outstanding.....       | 2,511,890   | 1,775,800   | 4,933,600  | 1,980,100  | 3,579,700  | 14,781,090  |
| <b>RECAPITULATION.</b> |             |             |            |            |            |             |
| Total issued.....      | 160,569,750 | 147,353,040 | 91,890,540 | 13,962,400 | 16,836,300 | 430,612,030 |
| Total retired.....     | 57,673,180  | 47,585,840  | 17,624,040 | 4,068,600  | 3,550,100  | 130,501,760 |
| Total outstanding..... | 102,896,570 | 99,767,200  | 74,266,500 | 9,893,800  | 13,286,200 | 300,110,270 |

*Statement of Federal Reserve notes, by denominations, since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1916, as reported by Federal Reserve agents.*

## RECEIVED FROM COMPTROLLER OF THE CURRENCY.

| Federal Reserve agent at— | Fives.       | Tens.        | Twenties.   | Fifties.    | Hundreds.   | Total.       |
|---------------------------|--------------|--------------|-------------|-------------|-------------|--------------|
| Boston.....               | \$12,080,000 | \$11,440,000 | \$1,760,000 | \$1,600,000 | \$2,000,000 | \$28,880,000 |
| New York.....             | 74,600,000   | 69,520,000   | 24,480,000  | 4,200,000   | 7,600,000   | 180,400,000  |
| Philadelphia.....         | 11,880,000   | 10,200,000   | 8,400,000   | 0           | 0           | 30,480,000   |
| Cleveland.....            | 4,300,000    | 4,720,000    | 6,240,000   | 1,200,000   | 1,200,000   | 17,660,000   |
| Richmond.....             | 8,700,000    | 9,460,000    | 8,800,000   | 1,800,000   | 800,000     | 29,500,000   |
| Atlanta.....              | 10,820,000   | 12,060,000   | 9,360,000   | 1,600,000   | 1,600,000   | 35,380,000   |
| Chicago.....              | 7,800,000    | 760,000      | 2,720,000   | 200,000     | 400,000     | 11,880,000   |
| St. Louis.....            | 7,580,000    | 9,040,000    | 5,520,000   | 400,000     | 0           | 22,540,000   |
| Minneapolis.....          | 9,180,000    | 8,120,000    | 6,400,000   | 400,000     | 400,000     | 24,500,000   |
| Kansas City.....          | 13,040,000   | 8,200,000    | 5,680,000   | 800,000     | 400,000     | 28,120,000   |
| Dallas.....               | 9,200,000    | 11,400,000   | 9,920,000   | 2,400,000   | 2,400,000   | 35,320,000   |
| San Francisco.....        | 4,160,000    | 2,760,000    | 5,200,000   | 2,000,000   | 3,600,000   | 17,720,000   |
| Total.....                | 173,340,000  | 157,560,000  | 94,480,000  | 16,600,000  | 20,400,000  | 462,380,000  |

## RETURNED BY FEDERAL RESERVE BANKS.

|                    |             |             |            |           |           |             |
|--------------------|-------------|-------------|------------|-----------|-----------|-------------|
| Boston.....        | \$3,284,110 | \$3,396,405 | \$266,100  | \$176,900 | \$302,800 | \$7,426,315 |
| New York.....      | 25,461,395  | 22,432,230  | 5,200,560  | 305,750   | 1,109,300 | 54,509,235  |
| Philadelphia.....  | 3,475,005   | 2,573,805   | 839,300    | 0         | 0         | 6,888,110   |
| Cleveland.....     | 1,226,960   | 1,280,965   | 1,108,620  | 66,750    | 44,400    | 3,727,695   |
| Richmond.....      | 3,413,320   | 3,167,700   | 2,606,710  | 1,011,850 | 385,300   | 10,584,880  |
| Atlanta.....       | 4,754,165   | 3,998,105   | 2,460,180  | 930,300   | 868,900   | 13,011,650  |
| Chicago.....       | 2,020,855   | 82,200      | 203,600    | 25,750    | 5,100     | 2,337,505   |
| St. Louis.....     | 2,465,155   | 1,253,955   | 386,460    | 12,800    | 0         | 4,118,370   |
| Minneapolis.....   | 1,704,735   | 1,179,910   | 417,310    | 52,400    | 43,600    | 3,397,955   |
| Kansas City.....   | 3,231,790   | 1,302,600   | 334,500    | 316,350   | 0         | 5,185,240   |
| Dallas.....        | 3,707,580   | 5,333,765   | 3,534,300  | 1,149,850 | 770,400   | 14,495,895  |
| San Francisco..... | 2,928,110   | 1,584,200   | 266,400    | 19,900    | 20,300    | 4,818,910   |
| Total.....         | 57,673,180  | 47,585,840  | 17,624,040 | 4,068,600 | 3,550,100 | 130,501,760 |

## TOTAL AMOUNTS FOR WHICH FEDERAL RESERVE AGENTS ARE ACCOUNTABLE.

|                    |              |              |             |             |             |              |
|--------------------|--------------|--------------|-------------|-------------|-------------|--------------|
| Boston.....        | \$15,364,110 | \$14,836,405 | \$2,026,100 | \$1,776,900 | \$2,302,800 | \$36,306,315 |
| New York.....      | 100,061,395  | 91,952,230   | 29,680,560  | 4,505,750   | 8,709,300   | 234,909,235  |
| Philadelphia.....  | 15,355,005   | 12,773,805   | 9,239,300   | 0           | 0           | 37,368,110   |
| Cleveland.....     | 5,526,960    | 6,000,965    | 7,348,620   | 1,266,750   | 1,244,400   | 21,387,695   |
| Richmond.....      | 12,113,320   | 12,567,700   | 11,406,710  | 2,811,850   | 1,185,300   | 40,084,880   |
| Atlanta.....       | 15,574,165   | 15,998,105   | 11,820,180  | 2,530,300   | 2,468,900   | 48,391,650   |
| Chicago.....       | 9,820,855    | 842,200      | 2,423,600   | 225,750     | 405,100     | 14,217,505   |
| St. Louis.....     | 10,045,155   | 10,293,955   | 5,806,460   | 412,800     | 0           | 26,658,370   |
| Minneapolis.....   | 10,884,735   | 9,299,910    | 6,817,310   | 452,400     | 443,600     | 27,897,955   |
| Kansas City.....   | 16,271,790   | 9,502,600    | 6,014,500   | 1,116,350   | 400,000     | 33,305,240   |
| Dallas.....        | 12,907,580   | 15,733,765   | 13,454,300  | 3,549,850   | 3,170,400   | 49,815,895   |
| San Francisco..... | 7,088,110    | 4,344,200    | 5,466,400   | 2,019,900   | 3,620,300   | 22,538,910   |
| Total.....         | 231,013,180  | 205,145,840  | 112,104,040 | 20,668,600  | 23,950,100  | 592,881,760  |

*Statement of Federal Reserve notes, by denominations, since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1916, as reported by Federal Reserve agents—Continued.*

## ISSUED TO FEDERAL RESERVE BANKS.

| Federal Reserve agent at— | Fives.      | Tens.       | Twenties.  | Fifties.   | Hundreds.   | Total.       |
|---------------------------|-------------|-------------|------------|------------|-------------|--------------|
| Boston.....               | \$9,846,600 | \$8,645,600 | \$728,200  | \$642,000  | \$1,082,300 | \$20,944,700 |
| New York.....             | 67,490,350  | 61,967,800  | 23,238,400 | 2,802,450  | 6,014,000   | 161,513,000  |
| Philadelphia.....         | 9,592,700   | 7,854,800   | 6,510,200  | .....      | .....       | 23,957,700   |
| Cleveland.....            | 3,600,000   | 3,840,000   | 5,440,000  | 950,000    | 730,000     | 14,560,000   |
| Richmond.....             | 9,079,300   | 10,067,700  | 9,264,400  | 1,887,200  | 717,000     | 31,015,600   |
| Atlanta.....              | 11,914,050  | 12,817,800  | 10,480,980 | 1,935,450  | 1,782,900   | 38,931,180   |
| Chicago.....              | 5,440,050   | 760,000     | 2,720,600  | 200,250    | 400,100     | 9,521,000    |
| St. Louis.....            | 7,092,950   | 8,022,940   | 5,692,160  | 200,050    | .....       | 21,008,100   |
| Minneapolis.....          | 9,382,000   | 8,215,000   | 5,695,000  | 230,000    | 360,000     | 23,882,000   |
| Kansas City.....          | 13,067,000  | 8,126,000   | 5,312,000  | 895,000    | 20,000      | 27,420,000   |
| Dallas.....               | 8,624,750   | 13,675,400  | 11,608,600 | 2,220,000  | 2,130,000   | 38,258,750   |
| San Francisco.....        | 5,440,000   | 3,360,000   | 5,200,000  | 2,000,000  | 3,600,000   | 19,600,000   |
| Total.....                | 160,569,750 | 147,353,040 | 91,890,540 | 13,962,400 | 16,836,300  | 430,612,030  |

## RETURNED TO COMPTROLLER FOR DESTRUCTION.

|                    |             |             |            |           |           |             |
|--------------------|-------------|-------------|------------|-----------|-----------|-------------|
| Boston.....        | \$3,277,510 | \$3,390,805 | \$257,900  | \$174,900 | \$300,500 | \$7,401,615 |
| New York.....      | 25,371,045  | 22,344,430  | 4,362,160  | 303,300   | 1,095,300 | 53,476,235  |
| Philadelphia.....  | 3,062,305   | 2,359,005   | 729,100    | .....     | .....     | 6,150,410   |
| Cleveland.....     | 1,226,960   | 1,280,965   | 1,108,620  | 66,750    | 44,400    | 3,727,695   |
| Richmond.....      | 2,514,020   | 1,940,000   | 1,582,310  | 409,650   | 123,300   | 6,569,280   |
| Atlanta.....       | 1,851,115   | 1,265,805   | 592,700    | 49,850    | 76,000    | 3,835,470   |
| Chicago.....       | 1,380,805   | 82,200      | 203,000    | 25,500    | 5,000     | 1,696,505   |
| St. Louis.....     | 1,632,205   | 751,015     | 214,300    | 12,750    | .....     | 2,610,270   |
| Minneapolis.....   | 467,735     | 289,910     | 132,310    | 2,400     | 3,600     | 895,955     |
| Kansas City.....   | 1,487,790   | 502,600     | 120,500    | 21,350    | .....     | 2,132,240   |
| Dallas.....        | 2,272,580   | 1,512,865   | 655,700    | 54,200    | 5,400     | 4,500,745   |
| San Francisco..... | 1,128,110   | 504,200     | 266,400    | 19,900    | 20,300    | 1,938,910   |
| Total.....         | 45,672,180  | 36,223,800  | 10,225,000 | 1,140,550 | 1,673,800 | 94,935,330  |

## IN HANDS OF FEDERAL RESERVE AGENTS, DEC. 31, 1916.

|                    |             |             |             |           |           |             |
|--------------------|-------------|-------------|-------------|-----------|-----------|-------------|
| Boston.....        | \$2,240,000 | \$2,800,000 | \$1,040,000 | \$960,000 | \$920,000 | \$7,960,000 |
| New York.....      | 7,200,000   | 7,640,000   | 2,080,000   | 1,400,000 | 1,600,000 | 19,920,000  |
| Philadelphia.....  | 2,700,000   | 2,560,000   | 2,000,000   | .....     | .....     | 7,260,000   |
| Cleveland.....     | 700,000     | 880,000     | 800,000     | 250,000   | 470,000   | 3,100,000   |
| Richmond.....      | 520,000     | 560,000     | 560,000     | 515,000   | 345,000   | 2,500,000   |
| Atlanta.....       | 1,809,000   | 1,914,500   | 746,500     | 545,000   | 610,000   | 5,625,000   |
| Chicago.....       | 3,000,000   | .....       | .....       | .....     | .....     | 3,000,000   |
| St. Louis.....     | 1,320,000   | 1,520,000   | .....       | 200,000   | .....     | 3,040,000   |
| Minneapolis.....   | 1,035,000   | 795,000     | 990,000     | 220,000   | 80,000    | 3,120,000   |
| Kansas City.....   | 1,717,000   | 874,000     | 582,000     | 200,000   | 380,000   | 3,753,000   |
| Dallas.....        | 2,010,250   | 1,545,500   | 1,190,000   | 1,275,650 | 1,035,000 | 7,056,400   |
| San Francisco..... | 520,000     | 480,000     | .....       | .....     | .....     | 1,000,000   |
| Total.....         | 24,771,250  | 21,509,000  | 9,988,500   | 5,565,650 | 5,440,000 | 67,334,400  |

Statement of Federal Reserve notes, by denominations, since organization of banks, received by agents, issued to the banks, returned to the Comptroller for destruction, and on hand Dec. 31, 1916, as reported by Federal Reserve agents—Continued.

## TOTAL AMOUNTS OF FEDERAL RESERVE NOTES ACCOUNTED FOR.

| Federal Reserve agent at— | Fives.       | Tens.        | Twenties.   | Fifties.    | Hundreds.   | Total.       |
|---------------------------|--------------|--------------|-------------|-------------|-------------|--------------|
| Boston.....               | \$15,364,110 | \$14,836,405 | \$2,026,100 | \$1,776,900 | \$2,302,800 | \$36,306,315 |
| New York.....             | 100,061,395  | 91,952,230   | 29,680,500  | 4,505,750   | 8,709,300   | 234,909,235  |
| Philadelphia.....         | 15,355,005   | 12,773,805   | 9,239,300   | .....       | .....       | 37,368,110   |
| Cleveland.....            | 5,526,960    | 6,000,965    | 7,348,620   | 1,266,750   | 1,244,400   | 21,387,695   |
| Richmond.....             | 12,113,320   | 12,567,700   | 11,406,710  | 2,811,850   | 1,185,300   | 40,084,880   |
| Atlanta.....              | 15,574,165   | 15,998,105   | 11,820,180  | 2,530,300   | 2,468,900   | 48,391,650   |
| Chicago.....              | 9,820,855    | 842,200      | 2,923,600   | 225,750     | 405,100     | 14,217,505   |
| St. Louis.....            | 10,045,155   | 10,293,955   | 5,906,400   | 412,800     | .....       | 26,658,370   |
| Minneapolis.....          | 10,884,735   | 9,299,910    | 6,817,310   | 452,400     | 443,600     | 27,897,955   |
| Kansas City.....          | 16,271,790   | 9,502,600    | 6,014,500   | 1,116,350   | 400,000     | 33,305,240   |
| Dallas.....               | 12,907,580   | 10,733,765   | 13,454,300  | 3,549,850   | 3,170,400   | 49,815,895   |
| San Francisco.....        | 7,088,110    | 4,314,200    | 5,466,400   | 2,019,900   | 3,620,300   | 22,538,910   |
| Total.....                | 231,013,180  | 205,145,840  | 112,104,040 | 20,668,600  | 23,950,100  | 592,881,760  |

## RECAPITULATION.

|                                |               |               |              |              |              |               |
|--------------------------------|---------------|---------------|--------------|--------------|--------------|---------------|
| Received from comptroller..... | \$173,340,000 | \$157,560,000 | \$94,480,000 | \$16,600,000 | \$20,400,000 | \$462,380,000 |
| Returned by banks.....         | 57,673,180    | 47,585,840    | 17,024,040   | 4,068,600    | 3,550,100    | 130,501,760   |
| Total.....                     | 231,013,180   | 205,145,840   | 112,104,040  | 20,668,600   | 23,950,100   | 592,881,760   |
| Issued to banks.....           | 160,569,750   | 147,353,040   | 91,890,540   | 13,962,400   | 16,836,300   | 430,612,030   |
| Returned for destruction.....  | 45,672,180    | 36,223,800    | 10,225,000   | 1,140,550    | 1,673,800    | 94,935,330    |
| On hand Dec. 31, 1916.....     | 24,771,250    | 21,569,000    | 9,988,500    | 5,565,650    | 5,440,000    | 67,334,400    |
| Total.....                     | 231,013,180   | 205,145,840   | 112,104,040  | 20,668,600   | 23,950,100   | 592,881,760   |

Mutilated Federal Reserve notes, by denominations, received and destroyed since organization of banks and on hand in vault Dec. 31, 1916.

## RECEIVED FOR DESTRUCTION.

| Bank.                | Fives.      | Tens.       | Twenties.  | Fifties.  | Hundreds. | Total.      |
|----------------------|-------------|-------------|------------|-----------|-----------|-------------|
| Boston.....          | \$3,277,510 | \$3,390,805 | \$257,900  | \$174,900 | \$300,500 | \$7,401,615 |
| New York.....        | 25,371,045  | 22,344,430  | 4,362,160  | 303,300   | 1,095,300 | 53,476,235  |
| Philadelphia.....    | 3,062,305   | 2,359,005   | 729,100    | .....     | .....     | 6,150,410   |
| Cleveland.....       | 1,226,960   | 1,280,965   | 1,108,620  | 66,750    | 44,400    | 3,727,695   |
| Richmond.....        | 2,514,020   | 1,940,000   | 1,582,310  | 409,650   | 123,300   | 6,569,280   |
| Atlanta.....         | 1,851,115   | 1,265,805   | 592,700    | 49,850    | 76,000    | 3,835,470   |
| Chicago.....         | 1,380,805   | 82,200      | 203,000    | 25,500    | 5,000     | 1,696,505   |
| St. Louis.....       | 1,032,205   | 751,015     | 214,300    | 12,750    | .....     | 2,610,270   |
| Minneapolis.....     | 407,735     | 289,910     | 132,310    | 2,400     | 3,600     | 895,955     |
| Kansas City.....     | 1,487,790   | 502,600     | 120,500    | 21,350    | .....     | 2,132,240   |
| Dallas.....          | 2,272,580   | 1,512,865   | 655,700    | 54,200    | 5,400     | 4,500,745   |
| San Francisco.....   | 1,128,110   | 504,200     | 266,400    | 19,900    | 20,300    | 1,938,910   |
| Total received.....  | 45,672,180  | 36,223,800  | 10,225,000 | 1,140,550 | 1,673,800 | 94,935,330  |
| Total destroyed..... | 45,023,280  | 35,646,800  | 10,008,300 | 1,100,150 | 1,621,200 | 93,399,730  |
| Balance on hand..... | 648,900     | 577,000     | 216,700    | 40,400    | 52,600    | 1,535,600   |

NOTE.—During the year burned, badly mutilated, and fractional parts of Federal Reserve notes amounting to \$2,725 have been identified, valued, and the bank of issue determined.

Total amount of Federal Reserve Bank currency received, since organization of banks, by Comptroller of the Currency from Bureau of Engraving and Printing, issued, and on hand, Dec. 31, 1916.

| Bank.                | Fives.    | Tens.     | Twenties. | Fifties. | Hundreds. | Total.     |
|----------------------|-----------|-----------|-----------|----------|-----------|------------|
| <b>Boston:</b>       |           |           |           |          |           |            |
| Printed .....        | \$0       | \$0       | \$0       | \$0      | \$0       | \$0        |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 0         | 0         | 0         | 0        | 0         | 0          |
| <b>New York:</b>     |           |           |           |          |           |            |
| Printed .....        | 0         | 0         | 0         | 0        | 0         | 0          |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 0         | 0         | 0         | 0        | 0         | 0          |
| <b>Philadelphia:</b> |           |           |           |          |           |            |
| Printed .....        | 320,000   | 440,000   | 240,000   | 0        | 0         | 1,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 320,000   | 440,000   | 240,000   | 0        | 0         | 1,000,000  |
| <b>Cleveland:</b>    |           |           |           |          |           |            |
| Printed .....        | 1,000,000 | 2,000,000 | 2,000,000 | 0        | 0         | 5,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 1,000,000 | 2,000,000 | 2,000,000 | 0        | 0         | 5,000,000  |
| <b>Richmond:</b>     |           |           |           |          |           |            |
| Printed .....        | 200,000   | 400,000   | 400,000   | 0        | 0         | 1,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 200,000   | 400,000   | 400,000   | 0        | 0         | 1,000,000  |
| <b>Atlanta:</b>      |           |           |           |          |           |            |
| Printed .....        | 640,000   | 480,000   | 480,000   | 400,000  | 0         | 2,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 640,000   | 480,000   | 480,000   | 400,000  | 0         | 2,000,000  |
| <b>Chicago:</b>      |           |           |           |          |           |            |
| Printed .....        | 1,600,000 | 1,800,000 | 1,600,000 | 0        | 0         | 5,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 1,600,000 | 1,800,000 | 1,600,000 | 0        | 0         | 5,000,000  |
| <b>St. Louis:</b>    |           |           |           |          |           |            |
| Printed .....        | 0         | 0         | 0         | 0        | 0         | 0          |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 0         | 0         | 0         | 0        | 0         | 0          |
| <b>Minneapolis:</b>  |           |           |           |          |           |            |
| Printed .....        | 1,320,000 | 2,680,000 | 0         | 0        | 0         | 4,000,000  |
| Issued .....         | 0         | 0         | 0         | 0        | 0         | 0          |
| On hand .....        | 1,320,000 | 2,680,000 | 0         | 0        | 0         | 4,000,000  |
| <b>Kansas City:</b>  |           |           |           |          |           |            |
| Printed .....        | 3,360,000 | 4,000,000 | 2,640,000 | 0        | 0         | 10,000,000 |
| Issued .....         | 1,434,900 | 4,000,000 | 2,620,000 | 0        | 0         | 8,054,900  |
| On hand .....        | 1,925,100 | 0         | 19,920    | 0        | 0         | 1,945,020  |

Total amount of Federal Reserve Bank currency received, since organization of banks, by Comptroller of the Currency from Bureau of Engraving and Printing, issued, and on hand, Dec. 31, 1916—Continued.

| Bank.               | Fives.     | Tens.      | Twenties.  | Fifties. | Hundreds. | Total.     |
|---------------------|------------|------------|------------|----------|-----------|------------|
| Dallas:             |            |            |            |          |           |            |
| Printed .....       | 1,260,000  | 2,400,000  | 2,000,000  | 0        | 0         | 5,660,000  |
| Issued .....        | 640,000    | 1,840,000  | 1,520,000  | 0        | 0         | 4,000,000  |
| On hand .....       | 620,000    | 560,000    | 480,000    | 0        | 0         | 1,660,000  |
| San Francisco:      |            |            |            |          |           |            |
| Printed .....       | 1,680,000  | 1,960,000  | 1,360,000  | 0        | 0         | 5,000,000  |
| Issued .....        | 0          | 0          | 0          | 0        | 0         | 0          |
| On hand .....       | 1,680,000  | 1,960,000  | 1,360,000  | 0        | 0         | 5,000,000  |
| RECAPITULATION.     |            |            |            |          |           |            |
| Total printed ..... | 11,380,000 | 16,160,000 | 10,720,000 | 400,000  | 0         | 38,660,000 |
| Total issued .....  | 2,074,900  | 5,840,000  | 4,140,080  | 0        | 0         | 12,054,980 |
| Total on hand ..... | 9,305,100  | 10,320,000 | 6,579,920  | 400,000  | 0         | 26,605,020 |

NOTE.—Plates for fives, tens, twenties, fifties, and hundreds have been engraved for both Boston and New York, and fives, tens, and twenties for St. Louis, but no currency ordered printed.

#### COST OF FEDERAL RESERVE NOTES.

The cost to each Federal Reserve Bank of Federal reserve notes, including paper, preparing plates, and printing, but exclusive of cost of transmittal, for the calendar year 1916 was as follows:

|                    |            |
|--------------------|------------|
| Boston.....        | \$4,845.89 |
| New York.....      | 102,554.12 |
| Philadelphia.....  | 859.20     |
| Cleveland.....     | 0          |
| Richmond.....      | 6,564.29   |
| Atlanta.....       | 20,517.70  |
| Chicago.....       | 10,516.61  |
| St. Louis.....     | 7,526.60   |
| Minneapolis.....   | 4,983.36   |
| Kansas City.....   | 33,543.17  |
| Dallas.....        | 11,135.23  |
| San Francisco..... | 7,354.72   |
| Total.....         | 210,400.89 |

INTERDISTRICT MOVEMENT OF FEDERAL RESERVE NOTES.

Amounts of Federal Reserve notes received from and returned to other Federal Reserve banks for redemption or credit by each Federal Reserve bank during the calendar year 1916.

| Federal Reserve bank. | Boston.     |             | New York.   |             | Philadelphia. |           | Cleveland. |           | Richmond. |           | Atlanta.  |           |
|-----------------------|-------------|-------------|-------------|-------------|---------------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
|                       | Received.   | Returned.   | Received.   | Returned.   | Received.     | Returned. | Received.  | Returned. | Received. | Returned. | Received. | Returned. |
| Boston.....           |             |             | \$3,068,000 | \$1,262,400 | \$180,000     | \$133,380 | \$150,000  | \$13,820  | \$185,000 | \$15,020  | \$112,000 | \$19,465  |
| New York.....         | \$1,261,750 | \$3,039,000 |             |             | 1,627,480     | 3,095,000 | 912,860    | 299,760   | 3,181,220 | 286,290   | 2,691,730 | 376,965   |
| Philadelphia.....     | 133,380     | 180,000     | 3,111,000   | 1,617,500   |               |           | 221,280    | 44,420    | 494,715   | 67,865    | 188,620   | 27,760    |
| Cleveland.....        | 13,820      | 150,000     | 299,760     | 903,100     | 44,420        | 221,280   |            |           | 57,340    | 38,620    | 26,895    | 48,805    |
| Richmond.....         | 15,020      | 185,000     | 286,290     | 3,155,250   | 67,865        | 507,190   | 38,620     | 57,340    |           |           | 144,310   | 395,875   |
| Atlanta.....          | 19,465      | 112,000     | 376,965     | 2,653,310   | 27,760        | 188,620   | 48,805     | 26,895    | 395,875   | 144,310   |           |           |
| Chicago.....          | 96,500      | 24,000      | 1,615,500   | 137,150     | 124,000       | 16,970    | 572,000    | 17,190    | 328,000   | 2,600     | 603,000   | 8,795     |
| St. Louis.....        | 12,150      | 28,000      | 214,520     | 426,000     | 16,205        | 30,175    | 75,935     | 15,235    | 53,840    | 8,125     | 366,140   | 94,005    |
| Minneapolis.....      | 10,440      | 68,500      | 146,655     | 702,800     | 9,140         | 51,690    | 33,935     | 33,130    | 19,200    | 7,800     | 25,440    | 21,890    |
| Kansas City.....      | 1,785       | 49,000      | 26,000      | 752,200     | 1,550         | 46,910    | 9,000      | 26,820    | 5,610     | 10,090    | 16,000    | 58,415    |
| Dallas.....           | 4,420       | 74,000      | 116,805     | 1,251,550   | 4,445         | 74,280    | 11,710     | 24,280    | 16,675    | 19,830    | 310,870   | 736,585   |
| San Francisco.....    | 18,240      | 57,000      | 165,485     | 1,353,600   | 7,310         | 46,480    | 23,150     | 11,600    | 22,205    | 5,045     | 30,130    | 18,400    |
| Total.....            | 1,586,970   | 3,966,500   | 9,426,980   | 14,214,860  | 2,110,175     | 4,411,975 | 2,097,295  | 570,490   | 4,759,680 | 605,595   | 4,515,135 | 1,806,960 |



| Federal Reserve bank. | Chicago.       |           | St. Louis. |           | Minneapolis. |                | Kansas City. |                | Dallas.   |                | San Francisco. |                | Total.      |             |
|-----------------------|----------------|-----------|------------|-----------|--------------|----------------|--------------|----------------|-----------|----------------|----------------|----------------|-------------|-------------|
|                       | Re-<br>ceived. | Returned. | Received.  | Returned. | Received.    | Re-<br>turned. | Received.    | Re-<br>turned. | Received. | Re-<br>turned. | Received.      | Re-<br>turned. | Received.   | Returned.   |
| Boston.....           | \$24,000       | \$96,500  | \$28,000   | \$12,150  | \$68,500     | \$10,440       | \$49,000     | \$1,685        | \$62,000  | \$16,205       | \$57,000       | \$18,240       | \$3,983,500 | \$1,599,305 |
| New York.....         | 140,410        | 1,615,500 | 430,890    | 214,520   | 702,800      | 146,655        | 762,650      | 25,000         | 1,265,500 | 111,553        | 1,374,340      | 165,485        | 14,351,630  | 9,375,730   |
| Philadelphia.....     | 16,970         | 124,000   | 30,175     | 16,205    | 51,690       | 9,140          | 45,910       | 1,550          | 74,280    | 4,275          | 46,930         | 7,760          | 4,414,950   | 2,100,475   |
| Cleveland.....        | 17,190         | 572,000   | 15,235     | 75,935    | 33,130       | 33,935         | 26,820       | 9,000          | 24,280    | 11,320         | 11,150         | 23,150         | 570,040     | 2,087,145   |
| Richmond.....         | 2,600          | 328,000   | 8,125      | 59,190    | 7,800        | 19,200         | 10,090       | 5,610          | 19,830    | 15,365         | 5,045          | 22,205         | 605,595     | 4,750,225   |
| Atlanta.....          | 8,795          | 603,000   | 94,005     | 366,140   | 21,890       | 25,440         | 59,615       | 16,000         | 693,000   | 268,120        | 17,205         | 30,130         | 1,763,380   | 4,433,965   |
| Chicago.....          |                |           | 545,500    | 49,950    | 2,286,500    | 53,380         | 1,496,500    | 2,895          | 930,500   | 4,795          | 379,500        | 9,380          | 8,977,500   | 327,105     |
| St. Louis.....        | 49,950         | 545,500   |            |           | 140,070      | 25,790         | 1,292,605    | 44,000         | 1,017,315 | 137,370        | 37,425         | 14,960         | 3,276,155   | 1,369,160   |
| Minneapolis.....      | 53,380         | 2,286,500 | 25,790     | 140,070   |              |                | 117,530      | 29,500         | 51,565    | 21,690         | 153,500        | 99,270         | 646,575     | 3,462,840   |
| Kansas City.....      | 2,895          | 1,496,500 | 44,000     | 1,292,605 | 29,500       | 121,030        |              |                | 98,580    | 244,690        | 20,000         | 82,285         | 254,920     | 4,180,545   |
| Dallas.....           | 4,795          | 930,500   | 142,110    | 1,017,315 | 21,690       | 51,565         | 259,440      | 98,500         |           |                | 15,765         | 76,910         | 908,725     | 4,355,315   |
| San Francisco.....    | 9,380          | 391,500   | 14,960     | 38,625    | 99,270       | 153,500        | 82,285       | 20,000         | 77,910    | 17,910         |                |                | 550,325     | 2,113,660   |
| Total.....            | 330,365        | 8,989,500 | 1,378,790  | 3,282,705 | 3,462,840    | 650,075        | 4,202,445    | 253,740        | 4,314,760 | 853,295        | 2,117,860      | 549,775        | 40,303,295  | 40,155,470  |

## Exhibit C.—STATEMENTS OF CONDITION OF FEDERAL RESERVE BANKS.

*Combined resources and liabilities of all Federal Reserve banks as at close of business on the last Friday of each month, during calendar year 1916.*

### RESOURCES.

[In thousands of dollars; i. e., 000's omitted.]

|  | Jan. 28. | Feb. 25. | Mar. 31. | Apr. 28. | May 26. | June 30. | July 28. | Aug. 25. | Sept. 29. | Oct. 27. | Nov. 24. | Dec. 29. |
|--|----------|----------|----------|----------|---------|----------|----------|----------|-----------|----------|----------|----------|
| Gold coin and certificates in vault.....                   | 263,865  | 262,491  | 258,052  | 234,304  | 242,985 | 262,038  | 259,931  | 259,799  | 260,845   | 274,001  | 283,730  | 281,588  |
| Gold settlement fund.....                                  | 84,850   | 76,435   | 75,640   | 75,421   | 91,991  | 112,931  | 102,911  | 110,951  | 124,421   | 122,587  | 174,801  | 170,471  |
| Gold redemption fund.....                                  | 1,146    | 1,512    | 1,548    | 1,457    | 2,163   | 1,789    | 1,918    | 1,637    | 1,929     | 1,391    | 1,404    | 1,954    |
| Total gold reserve.....                                    | 349,861  | 340,438  | 335,240  | 311,182  | 337,139 | 376,758  | 364,760  | 372,387  | 387,195   | 397,979  | 459,935  | 453,713  |
| Legal-tender notes, silver, etc.....                       | 15,496   | 17,678   | 9,938    | 12,011   | 21,972  | 27,448   | 16,589   | 12,265   | 7,811     | 9,976    | 17,974   | 17,538   |
| Total reserve.....   | 365,357  | 358,116  | 345,178  | 323,193  | 359,111 | 404,206  | 381,349  | 384,652  | 395,006   | 407,955  | 477,909  | 471,251  |
| 5 per cent redemption fund—Federal Reserve bank notes..... | 50       | 50       | 250      | 362      | 450     | 450      | 450      | 500      | 500       | 420      | 470      | 400      |
| Bills discounted—members <sup>1</sup> .....                | 26,901   | 22,827   | 21,267   | 21,448   | 20,365  | 21,183   | 27,594   | 27,632   | 25,953    | 21,131   | 20,501   | 30,196   |
| Bills bought in open market <sup>1</sup> .....             | 26,314   | 29,054   | 40,408   | 47,585   | 52,708  | 71,095   | 83,454   | 82,146   | 80,625    | 86,085   | 102,092  | 127,497  |
| United States bonds.....                                   | 21,372   | 29,632   | 40,275   | 45,841   | 51,942  | 52,639   | 48,656   | 46,796   | 46,544    | 40,469   | 39,427   | 44,247   |
| 1-year Treasury notes.....                                 |          |          |          | 3,840    | 3,840   | 4,160    | 7,925    | 8,205    | 6,927     | 11,435   | 11,167   | 11,167   |
| Municipal warrants.....                                    | 20,602   | 25,403   | 33,015   | 36,933   | 44,946  | 22,671   | 27,220   | 27,863   | 24,028    | 29,890   | 22,166   | 8,975    |
| Total earning assets.....                                  | 95,189   | 106,916  | 154,965  | 155,647  | 173,801 | 172,083  | 194,849  | 192,042  | 184,077   | 189,010  | 195,353  | 222,082  |
| Federal Reserve notes, net assets.....                     | 36,469   | 23,793   | 25,118   | 21,604   | 26,433  | 23,182   | 20,308   | 21,222   | 14,250    | 16,846   | 15,414   | 21,300   |
| Due from other Federal Reserve Banks, net.....             | 10,761   | 13,274   | 13,128   | 14,658   | 16,512  | 20,414   | 12,620   | 21,654   | 31,365    | 33,197   | 43,263   | 46,958   |
| All other resources.....                                   | 9,944    | 11,351   | 4,725    | 4,171    | 9,043   | 4,622    | 5,514    | 3,541    | 7,543     | 3,708    | 2,651    | 6,235    |
| Total resources.....                                       | 517,770  | 513,500  | 523,364  | 519,635  | 585,350 | 624,957  | 615,090  | 623,611  | 632,741   | 651,136  | 735,090  | 768,226  |

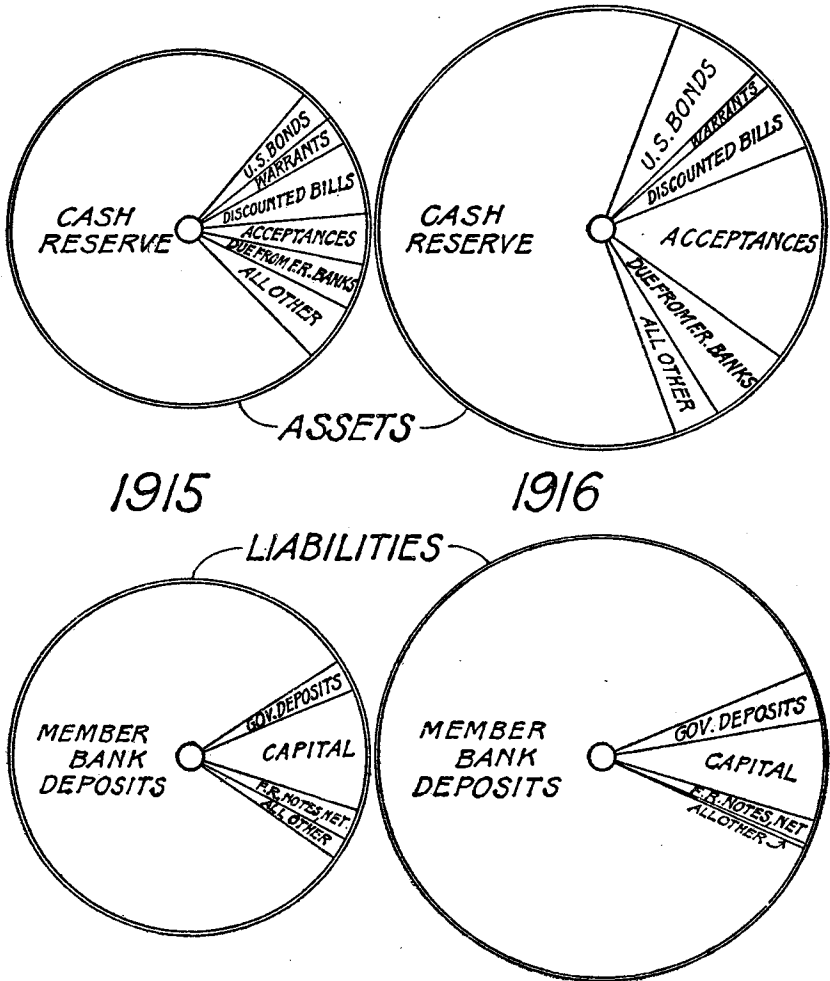
LIABILITIES.

|  |         |         |         |         |         |         |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Capital paid in.....                           | 54,832  | 54,897  | 54,888  | 54,793  | 54,875  | 54,854  | 55,206  | 55,363  | 55,393  | 55,703  | 55,711  | 55,695  |
| Government deposits.....                       | 27,760  | 32,501  | 38,409  | 40,060  | 44,131  | 101,152 | 56,542  | 50,099  | 38,985  | 29,982  | 26,319  | 28,837  |
| Member bank deposits, net.....                 | 424,664 | 416,566 | 419,987 | 413,911 | 476,680 | 457,563 | 491,266 | 502,421 | 521,740 | 551,913 | 637,072 | 668,786 |
| Federal Reserve notes, net liability.....      | 10,313  | 9,386   | 8,903   | 8,851   | 7,706   | 9,440   | 10,122  | 13,733  | 13,216  | 11,966  | 14,296  | 14,130  |
| Federal Reserve bank notes in circulation..... |         |         | 964     | 1,669   | 1,732   | 1,721   | 1,692   | 1,690   | 3,033   | 1,031   | 1,028   | .....   |
| All other liabilities.....                     | 141     | 150     | 153     | 651     | 226     | 287     | 262     | 305     | 374     | 536     | 634     | 778     |
| Total liabilities.....                         | 517,770 | 513,500 | 523,364 | 519,635 | 585,350 | 624,957 | 615,090 | 623,611 | 632,741 | 651,136 | 735,060 | 768,226 |

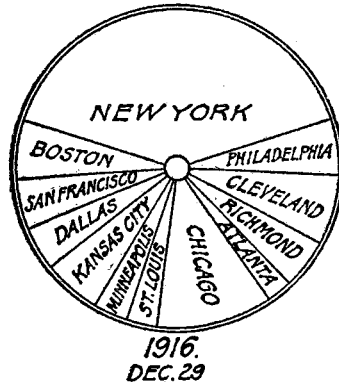
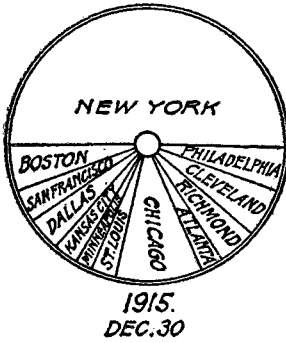
<sup>1</sup> MATURITIES OF BILLS ON HAND.

|                                 |        |        |        |        |        |        |         |         |         |         |         |         |
|---------------------------------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| Maturities:                     |        |        |        |        |        |        |         |         |         |         |         |         |
| Within 10 days.....             | 7,744  | 7,477  | 7,126  | 9,153  | 9,471  | 11,451 | 17,308  | 12,955  | 21,408  | 16,808  | 17,465  | 30,256  |
| Over 10 but within 30 days..... | 11,259 | 11,750 | 11,721 | 15,291 | 18,064 | 16,539 | 19,421  | 27,507  | 23,245  | 20,513  | 27,472  | 41,514  |
| Over 30 but within 60 days..... | 18,518 | 16,758 | 21,409 | 27,598 | 24,748 | 28,492 | 40,019  | 42,781  | 36,527  | 39,062  | 50,751  | 47,772  |
| Over 60 but within 90 days..... | 12,185 | 13,630 | 19,453 | 14,585 | 17,122 | 30,614 | 30,493  | 23,548  | 23,882  | 29,620  | 25,373  | 37,105  |
| Over 90 days.....               | 3,509  | 2,266  | 1,966  | 2,406  | 3,668  | 5,187  | 3,807   | 2,387   | 1,516   | 1,213   | 1,532   | 1,046   |
| Total.....                      | 53,215 | 51,881 | 61,675 | 69,033 | 73,073 | 92,283 | 111,048 | 109,178 | 106,578 | 107,216 | 122,592 | 157,693 |

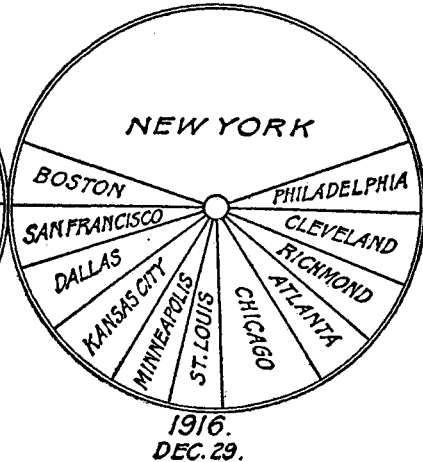
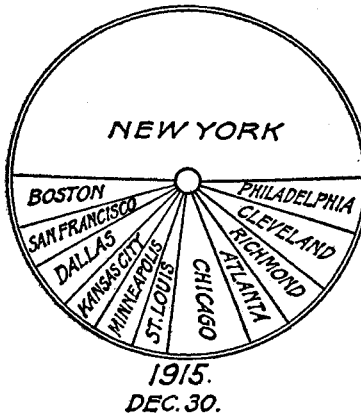
**PRINCIPAL ASSETS AND LIABILITIES  
OF THE FEDERAL RESERVE BANKS,  
DEC. 30, 1915, & DEC. 29, 1916.**



## CASH RESERVES OF FEDERAL RESERVE BANKS



## TOTAL CASH HOLDINGS OF FEDERAL RESERVE BANKS AND AGENTS



75284°—17—5

*Commercial paper, exclusive of acceptances bought in open market, held by each Federal Reserve Bank on Dec. 29, 1916, distributed by maturities.*

## MATURITIES.

[In thousands of dollars; i. e., 000's omitted.]

| Federal Reserve bank. | Within 10 days. | From 11 to 30 days. | From 31 to 60 days. | From 61 to 90 days. | Over 90 days. | Total. | Per cent. |
|-----------------------|-----------------|---------------------|---------------------|---------------------|---------------|--------|-----------|
| Boston.....           | 2,425           | 900                 | 357                 | 45                  | .....         | 3,727  | 12.35     |
| New York.....         | 422             | 5,372               | 1,135               | 139                 | .....         | 7,068  | 23.41     |
| Philadelphia.....     | 2,326           | 500                 | 204                 | 25                  | 6             | 3,061  | 10.14     |
| Cleveland.....        | 850             | 142                 | 68                  | 19                  | 3             | 1,082  | 3.58      |
| Richmond.....         | 819             | 843                 | 829                 | 377                 | 11            | 2,879  | 9.54      |
| Atlanta.....          | 962             | 439                 | 761                 | 891                 | 37            | 3,090  | 10.23     |
| Chicago.....          | 779             | 2,306               | 666                 | 406                 | 259           | 4,416  | 14.61     |
| St. Louis.....        | 462             | 527                 | 296                 | 99                  | 17            | 1,311  | 4.34      |
| Minneapolis.....      | 592             | 378                 | 442                 | 148                 | 414           | 1,974  | 6.54      |
| Kansas City.....      | 80              | 130                 | 106                 | 97                  | 103           | 516    | 1.71      |
| Dallas.....           | 154             | 163                 | 151                 | 161                 | 190           | 819    | 2.71      |
| San Francisco.....    | 56              | 94                  | 81                  | 16                  | 6             | 253    | .84       |
| Total.....            | 9,927           | 11,794              | 5,006               | 2,423               | 1,046         | 30,196 | .....     |
| Per cent.....         | 32.87           | 39.06               | 16.58               | 8.02                | 3.47          | .....  | 100.00    |

*Acceptances bought in open market, held by each Federal Reserve Bank on Dec. 29, 1916, distributed by maturities.*

## MATURITIES.

[In thousands of dollars; i. e., 000's omitted.]

| Federal Reserve bank. | Within 10 days. | From 11 to 30 days. | From 31 to 60 days. | From 61 to 90 days. | Over 90 days. | Total.  | Per cent. |
|-----------------------|-----------------|---------------------|---------------------|---------------------|---------------|---------|-----------|
| Boston.....           | 649             | 1,598               | 7,224               | 3,254               | .....         | 12,725  | 9.98      |
| New York.....         | 6,114           | 10,359              | 14,526              | 10,458              | .....         | 41,457  | 32.51     |
| Philadelphia.....     | 2,560           | 4,105               | 3,897               | 3,040               | .....         | 13,602  | 10.67     |
| Cleveland.....        | 1,953           | 2,185               | 3,081               | 2,652               | .....         | 9,871   | 7.74      |
| Richmond.....         | 1,515           | 708                 | 363                 | 1,108               | .....         | 3,694   | 2.90      |
| Atlanta.....          | 679             | 1,449               | 1,734               | 602                 | .....         | 4,554   | 3.57      |
| Chicago.....          | 1,537           | 2,333               | 3,400               | 2,942               | .....         | 10,212  | 8.01      |
| St. Louis.....        | 1,384           | 1,650               | 1,665               | 2,385               | .....         | 6,784   | 5.32      |
| Minneapolis.....      | 896             | 640                 | 1,600               | 2,992               | .....         | 6,128   | 4.81      |
| Kansas City.....      | 731             | 555                 | 671                 | 1,933               | .....         | 3,890   | 3.05      |
| Dallas.....           | 108             | 725                 | 748                 | 620                 | .....         | 2,201   | 1.73      |
| San Francisco.....    | 2,503           | 3,413               | 3,857               | 2,606               | .....         | 12,379  | 9.71      |
| Total.....            | 20,329          | 29,720              | 42,766              | 34,682              | .....         | 127,497 | .....     |
| Per cent.....         | 15.95           | 23.31               | 33.54               | 27.20               | .....         | .....   | 100.00    |

*Short-term investments (municipal warrants) held by each Federal Reserve Bank on Dec. 29, 1916, distributed by maturities.*

## MATURITIES.

[In thousands of dollars; i. e., 000's omitted.]

| Federal Reserve Bank. | Within 10 days. | From 11 to 30 days. | From 31 to 60 days. | From 61 to 90 days. | Over 90 days. | Total. | Per cent. |
|-----------------------|-----------------|---------------------|---------------------|---------------------|---------------|--------|-----------|
| Boston.....           | 74              | 187                 | 255                 | 203                 | 171           | 890    | 9.92      |
| New York.....         |                 |                     | 442                 | 335                 | 195           | 972    | 10.83     |
| Philadelphia.....     | 191             | 60                  | 76                  | 56                  | 82            | 465    | 5.18      |
| Cleveland.....        | 833             | 721                 | 52                  | 913                 | 166           | 2,685  | 29.92     |
| Richmond.....         |                 |                     | 61                  |                     |               | 61     | .68       |
| Atlanta.....          | 1               | 2                   | 278                 | 117                 | 4             | 402    | 4.48      |
| Chicago.....          | 408             | 152                 | 182                 | 95                  | 489           | 1,326  | 14.77     |
| St. Louis.....        |                 | 391                 | 76                  | 34                  | 75            | 576    | 6.42      |
| Minneapolis.....      | 81              | 35                  | 91                  | 338                 | 25            | 570    | 6.35      |
| Kansas City.....      |                 | 40                  | 63                  | 6                   | 55            | 164    | 1.83      |
| Dallas.....           |                 | 50                  | 2                   |                     | 75            | 127    | 1.41      |
| San Francisco.....    |                 | 466                 | 67                  | 129                 | 75            | 737    | 8.21      |
| Total.....            | 1,588           | 2,104               | 1,645               | 2,226               | 1,412         | 8,975  | .....     |
| Per cent.....         | 17.68           | 23.42               | 18.33               | 24.84               | 15.73         | .....  | 100.00    |

*United States bonds and notes held by all Federal Reserve Banks on Dec. 30, 1916, distributed by classes and maturities.*

| Federal Reserve bank. | 2 per cent consols of 1930. | 2 per cent Panamas of 1936. | 2 per cent Panamas of 1938. | 3 per cent loan of 1918. | 3 per cent loan of 1961. | 3 per cent conversion bonds of 1946. | 3 per cent 1-year notes. | 4 per cent loan of 1925. | Total.      |
|-----------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|--------------------------------------|--------------------------|--------------------------|-------------|
| Boston.....           | \$1,252,000                 |                             | \$80,000                    |                          |                          |                                      | \$1,000,000              |                          | \$2,332,000 |
| New York.....         | 142,550                     | \$900,000                   |                             |                          |                          |                                      | 1,205,000                |                          | 2,247,550   |
| Philadelphia.....     | 1,651,000                   |                             |                             |                          |                          |                                      | 1,174,000                |                          | 2,825,000   |
| Cleveland.....        | 903,900                     | 500,000                     | 1,000,000                   | \$2,586,500              |                          | \$1,800                              | 618,000                  | \$2,369,200              | 7,979,400   |
| Richmond.....         | 1,392,450                   | 655,000                     | 145,000                     |                          |                          |                                      | 1,070,000                |                          | 3,262,450   |
| Atlanta.....          | 875,100                     |                             |                             | 5,000                    |                          | 829,900                              | 824,000                  |                          | 2,534,000   |
| Chicago.....          | 3,618,000                   | 363,000                     | 509,300                     | 2,581,000                | \$400                    | 18,400                               | 1,517,000                | 1,768,000                | 10,375,100  |
| St. Louis.....        | 522,900                     |                             |                             | 1,080,000                |                          | 600,000                              | 891,000                  |                          | 3,093,900   |
| Minneapolis.....      | 1,014,900                   | 50,000                      |                             | 1,193,740                | 500                      | 2,200                                | 700,000                  | 181,000                  | 3,142,340   |
| Kansas City.....      | 7,401,250                   | 162,000                     | 88,000                      |                          |                          | 16,600                               | 963,000                  | 825,000                  | 9,455,850   |
| Dallas.....           | 2,923,350                   | 542,500                     | 155,000                     |                          |                          | 707,400                              | 705,000                  |                          | 5,033,250   |
| San Francisco.....    | 2,633,750                   |                             |                             |                          |                          |                                      | 500,000                  |                          | 3,133,750   |
| Total.....            | 24,331,150                  | 3,172,500                   | 1,977,300                   | 7,446,300                | 900                      | 2,176,300                            | 11,167,000               | 5,143,200                | 55,414,650  |

Amount of United States bonds with circulation privilege:

|                 |              |
|-----------------|--------------|
| 2 per cent..... | \$29,480,950 |
| 3 per cent..... | 7,446,300    |
| 4 per cent..... | 5,143,200    |

Total..... 42,070,450

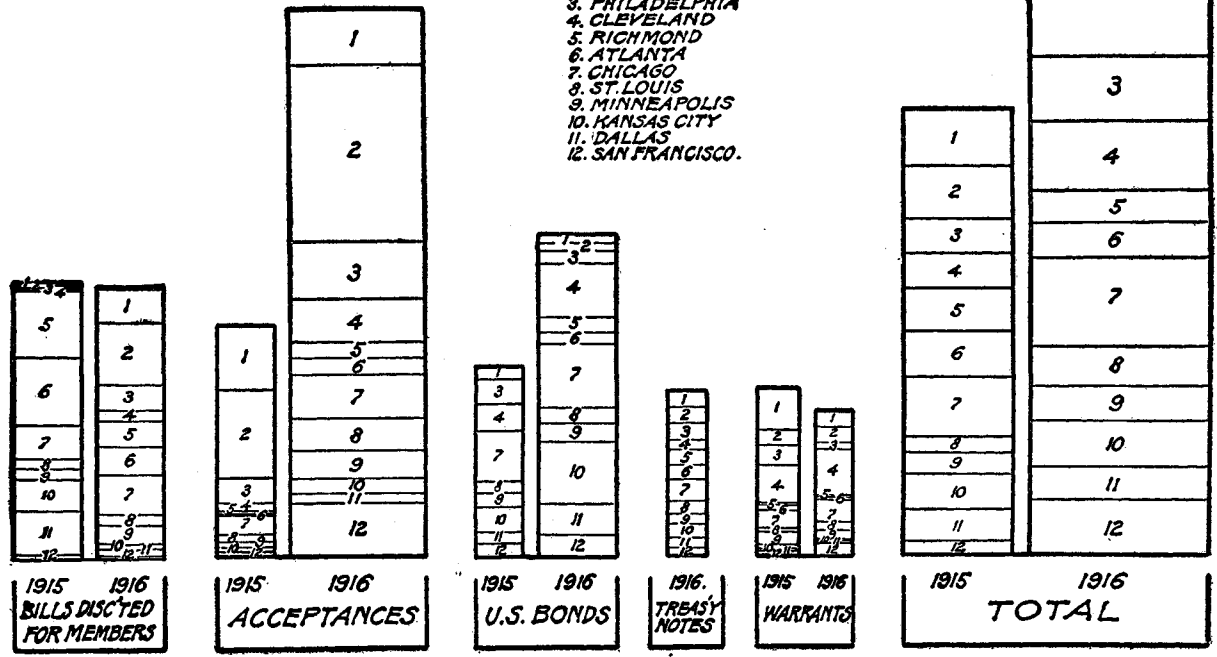
Amount of United States bonds and notes without circulation privilege:

|                              |            |
|------------------------------|------------|
| 3 per cent of 1961.....      | \$900      |
| 3 per cent conversion.....   | 2,176,300  |
| 3 per cent 1-year notes..... | 11,167,000 |

Total..... 13,344,200

# EARNING ASSETS, BY CLASSES, FOR EACH FEDERAL RESERVE BANK, DEC. 30, 1915, AND DEC. 29, 1916.

1. BOSTON
2. NEW YORK
3. PHILADELPHIA
4. CLEVELAND
5. RICHMOND
6. ATLANTA
7. CHICAGO
8. ST. LOUIS
9. MINNEAPOLIS
10. KANSAS CITY
11. DALLAS
12. SAN FRANCISCO.





*Principal resources and liabilities of all Federal Reserve Banks at close of business on each Friday, Jan. 7, 1916, to Dec. 29, 1916.*

[In thousands of dollars; i. e., 000's omitted.]

|               | Gold coin and certificates in vault. | Gold settlement fund. | Gold redemption fund. | Total gold reserve. | Total cash reserve, including legal tenders, silver, etc. | Bills discounted for member banks. | Bills bought in open market. | United States bonds. |
|---------------|--------------------------------------|-----------------------|-----------------------|---------------------|---|------------------------------------|------------------------------|----------------------|
| Jan. 7.....   | 272,018                              | 81,150                | 1,250                 | 354,418             | 367,306   | 30,531                             | 25,048                       | 16,734               |
| Jan. 14.....  | 260,855                              | 85,630                | 1,215                 | 347,700             | 361,983   | 29,498                             | 26,258                       | 17,613               |
| Jan. 21.....  | 259,106                              | 81,620                | 1,062                 | 341,788             | 355,920   | 27,958                             | 27,910                       | 20,242               |
| Jan. 28.....  | 263,865                              | 84,850                | 1,146                 | 349,861             | 365,357   | 26,901                             | 26,314                       | 21,372               |
| Feb. 4.....   | 255,469                              | 85,368                | 1,167                 | 342,004             | 356,641   | 25,044                             | 26,279                       | 24,341               |
| Feb. 11.....  | 255,284                              | 83,938                | 1,120                 | 340,342             | 355,590   | 24,654                             | 28,074                       | 25,304               |
| Feb. 18.....  | 255,369                              | 81,648                | 1,300                 | 338,317             | 356,591   | 23,678                             | 29,136                       | 26,422               |
| Feb. 25.....  | 262,491                              | 76,435                | 1,512                 | 340,438             | 358,116   | 22,827                             | 29,054                       | 29,632               |
| Mar. 3.....   | 261,822                              | 74,890                | 1,538                 | 338,250             | 351,244   | 21,715                             | 30,783                       | 33,063               |
| Mar. 10.....  | 257,875                              | 79,170                | 1,494                 | 338,539             | 358,575   | 21,529                             | 32,949                       | 34,141               |
| Mar. 17.....  | 253,880                              | 78,970                | 1,623                 | 334,473             | 345,777   | 21,608                             | 36,092                       | 39,213               |
| Mar. 24.....  | 260,866                              | 79,680                | 1,578                 | 342,124             | 354,347   | 21,306                             | 39,244                       | 40,184               |
| Mar. 31.....  | 258,052                              | 75,640                | 1,548                 | 335,240             | 345,178   | 21,267                             | 40,408                       | 40,275               |
| Apr. 7.....   | 245,778                              | 80,011                | 1,549                 | 327,338             | 338,938   | 22,268                             | 42,116                       | 45,226               |
| Apr. 14.....  | 245,714                              | 75,690                | 1,495                 | 322,899             | 334,403   | 22,162                             | 44,108                       | 44,924               |
| Apr. 21.....  | 239,882                              | 74,785                | 1,473                 | 316,140             | 325,645   | 22,067                             | 44,237                       | 45,204               |
| Apr. 28.....  | 234,304                              | 75,421                | 1,457                 | 311,182             | 323,193   | 21,448                             | 47,585                       | 45,841               |
| May 5.....    | 232,284                              | 72,621                | 1,692                 | 306,597             | 316,856   | 20,300                             | 47,647                       | 50,137               |
| May 12.....   | 238,485                              | 71,911                | 1,778                 | 312,174             | 320,101   | 20,007                             | 49,196                       | 51,268               |
| May 19.....   | 246,812                              | 77,971                | 1,825                 | 326,608             | 344,305   | 19,809                             | 52,186                       | 51,837               |
| May 26.....   | 242,985                              | 91,991                | 2,163                 | 337,139             | 359,111   | 20,365                             | 52,708                       | 51,942               |
| June 2.....   | 242,253                              | 102,331               | 1,793                 | 346,377             | 360,232   | 19,895                             | 53,492                       | 51,991               |
| June 9.....   | 255,444                              | 103,481               | 1,703                 | 360,628             | 378,683   | 20,155                             | 58,188                       | 52,191               |
| June 16.....  | 262,062                              | 104,101               | 1,833                 | 367,996             | 381,618   | 20,427                             | 64,948                       | 52,875               |
| June 23.....  | 265,643                              | 106,101               | 1,894                 | 373,638             | 387,664   | 20,750                             | 68,953                       | 52,875               |
| June 30.....  | 262,038                              | 112,931               | 1,789                 | 376,758             | 404,206   | 21,188                             | 71,095                       | 52,939               |
| July 7.....   | 261,232                              | 123,611               | 2,011                 | 386,854             | 423,756   | 22,025                             | 70,148                       | 52,589               |
| July 14.....  | 269,602                              | 118,631               | 1,970                 | 390,203             | 400,482   | 23,968                             | 81,130                       | 52,589               |
| July 21.....  | 262,049                              | 99,561                | 1,931                 | 363,541             | 377,343   | 28,937                             | 85,382                       | 49,746               |
| July 28.....  | 259,931                              | 102,911               | 1,918                 | 364,760             | 381,349   | 27,594                             | 83,454                       | 48,656               |
| Aug. 4.....   | 256,437                              | 106,811               | 1,915                 | 365,163             | 376,862   | 30,415                             | 79,519                       | 48,037               |
| Aug. 11.....  | 258,952                              | 106,121               | 1,852                 | 366,925             | 378,052   | 28,459                             | 80,512                       | 46,703               |
| Aug. 18.....  | 260,926                              | 110,001               | 1,991                 | 372,918             | 389,916   | 26,756                             | 80,138                       | 47,029               |
| Aug. 25.....  | 259,799                              | 110,951               | 1,637                 | 372,387             | 384,652   | 27,032                             | 82,146                       | 46,796               |
| Sept. 1.....  | 245,358                              | 104,601               | 1,812                 | 351,771             | 365,376   | 26,392                             | 79,278                       | 46,821               |
| Sept. 8.....  | 248,846                              | 118,950               | 1,884                 | 369,680             | 397,167   | 27,527                             | 79,808                       | 45,954               |
| Sept. 15..... | 250,308                              | 125,271               | 1,894                 | 377,473             | 385,371   | 27,713                             | 82,609                       | 46,915               |
| Sept. 22..... | 258,711                              | 117,791               | 1,941                 | 378,443             | 386,085   | 27,706                             | 83,884                       | 47,553               |
| Sept. 29..... | 260,845                              | 124,421               | 1,929                 | 387,195             | 395,006   | 25,953                             | 80,625                       | 46,544               |
| Oct. 6.....   | 265,626                              | 119,441               | 1,910                 | 386,977             | 400,968   | 23,656                             | 77,438                       | 44,370               |
| Oct. 13.....  | 267,400                              | 125,261               | 1,687                 | 394,348             | 405,725   | 21,959                             | 77,527                       | 42,642               |
| Oct. 20.....  | 261,515                              | 121,351               | 1,418                 | 384,284             | 394,845   | 21,365                             | 82,692                       | 41,335               |
| Oct. 27.....  | 274,001                              | 122,587               | 1,391                 | 397,979             | 407,955   | 21,131                             | 86,085                       | 40,469               |
| Nov. 3.....   | 278,157                              | 127,641               | 1,394                 | 407,192             | 414,076   | 19,682                             | 85,081                       | 40,540               |
| Nov. 10.....  | 265,897                              | 139,571               | 1,368                 | 406,836             | 414,148   | 19,380                             | 90,913                       | 38,853               |
| Nov. 17.....  | 293,441                              | 140,821               | 1,383                 | 435,645             | 452,225   | 19,704                             | 97,789                       | 39,115               |
| Nov. 24.....  | 283,730                              | 174,801               | 1,404                 | 459,935             | 477,909   | 20,501                             | 102,092                      | 39,427               |
| Dec. 1.....   | 261,917                              | 175,781               | 1,476                 | 439,174             | 450,010   | 21,505                             | 106,606                      | 40,215               |
| Dec. 8.....   | 245,325                              | 181,101               | 1,533                 | 427,959             | 432,603   | 38,345                             | 119,782                      | 41,548               |

*Principal resources and liabilities of all Federal Reserve Banks at close of business on each Friday, Jan. 7, 1916, to Dec. 29, 1916—Continued.*

[In thousands of dollars; i. e., 000's omitted.]

|                       | Gold coin and certificates in vault. | Gold settlement fund. | Gold redemption fund. | Total gold reserve. | Total cash reserve, including legal tenders, silver, etc. | Bills discounted for member banks. | Bills bought in open market. | United States bonds. |
|-----------------------|--------------------------------------|-----------------------|-----------------------|---------------------|---|------------------------------------|------------------------------|----------------------|
| Dec. 15.....          | 256, 418                             | 177, 341              | 1, 543                | 435, 302            | 443, 209  | 37, 748                            | 122, 918                     | 42, 648              |
| Dec. 22.....          | 269, 627                             | 178, 811              | 1, 479                | 449, 917            | 455, 942  | 32, 237                            | 124, 633                     | 43, 504              |
| Dec. 29.....          | 281, 588                             | 170, 471              | 1, 654                | 453, 713            | 471, 251  | 30, 196                            | 127, 497                     | 44, 247              |
| Total.....            | 13,448,274                           | 5,622,946             | 84,322                | 19,155,542          | 19,869,863  | 1,267,303                          | 3,443,604                    | 2,182,631            |
| Average for year..... | 258,621                              | 108,134               | 1,622                 | 368,376             | 382,113   | 24,371                             | 66,225                       | 41,974               |

|              | One-year United States Treasury notes. | Short-term investments (municipal warrants). | Total resources and liabilities. | Capital paid in. | Member bank deposits, net. | Government deposits. | Liabilities on Federal Reserve notes in circulation. | Liabilities on Federal Reserve bank notes. |
|--------------|--|--|----------------------------------|------------------|----------------------------|----------------------|--|--|
| Jan. 7.....  |  | 17,097                                       | 499,087                          | 54,895           | 407,244                    | 23,841               | 12,082   |  |
| Jan. 14..... |  | 19,484                                       | 507,579                          | 54,899           | 413,719                    | 26,879               | 11,948   |  |
| Jan. 21..... |  | 20,624                                       | 511,326                          | 54,889           | 416,656                    | 28,073               | 11,571   |  |
| Jan. 28..... |  | 20,602                                       | 517,770                          | 54,892           | 424,664                    | 27,760               | 10,313   |  |
| Feb. 4.....  |  | 20,856                                       | 513,997                          | 54,907           | 419,137                    | 29,850               | 9,966  |  |
| Feb. 11..... |  | 25,577                                       | 513,396                          | 54,890           | 421,907                    | 26,881               | 9,577  |  |
| Feb. 18..... |  | 24,964                                       | 509,551                          | 54,886           | 416,490                    | 28,946               | 9,089  |  |
| Feb. 25..... |  | 25,403                                       | 513,500                          | 54,897           | 416,566                    | 32,501               | 9,386  |  |
| Mar. 3.....  |  | 30,539                                       | 519,456                          | 54,919           | 418,718                    | 36,043               | 9,635  |  |
| Mar. 10..... |  | 32,755                                       | 522,647                          | 54,944           | 426,322                    | 30,639               | 10,178   | 419  |
| Mar. 17..... |  | 33,034                                       | 521,608                          | 54,937           | 423,259                    | 32,380               | 10,203   | 681  |
| Mar. 24..... |  | 32,669                                       | 529,988                          | 54,910           | 428,816                    | 35,088               | 9,977  | 1,053                                      |
| Mar. 31..... |  | 33,015                                       | 523,364                          | 54,888           | 419,987                    | 38,469               | 8,903  | 964  |
| Apr. 7.....  | 1,932                                  | 35,256                                       | 526,245                          | 54,843           | 423,497                    | 37,016               | 9,500  | 1,251                                      |
| Apr. 14..... | 3,234                                  | 35,706                                       | 527,544                          | 54,845           | 426,507                    | 34,732               | 9,511  | 1,423                                      |
| Apr. 21..... | 3,840                                  | 35,892                                       | 519,707                          | 54,843           | 417,349                    | 35,291               | 9,617  | 1,964                                      |
| Apr. 28..... | 3,840                                  | 36,933                                       | 519,635                          | 54,793           | 413,011                    | 40,660               | 8,851  | 1,660                                      |
| May 5.....   | 3,840                                  | 39,154                                       | 525,694                          | 54,862           | 419,943                    | 40,414               | 8,573  | 1,694                                      |
| May 12.....  | 3,840                                  | 40,285                                       | 531,193                          | 54,850           | 427,310                    | 38,153               | 8,402  | 1,751                                      |
| May 19.....  | 3,840                                  | 44,482                                       | 568,371                          | 54,870           | 463,022                    | 40,475               | 8,018  | 1,736                                      |
| May 26.....  | 3,840                                  | 44,946                                       | 585,350                          | 54,875           | 476,680                    | 44,131               | 7,706  | 1,732                                      |
| June 2.....  | 4,190                                  | 36,633                                       | 574,747                          | 54,858           | 460,422                    | 50,000               | 7,512  | 1,731                                      |
| June 9.....  | 4,190                                  | 23,095                                       | 583,791                          | 54,863           | 467,780                    | 51,578               | 7,593  | 1,730                                      |
| June 16..... | 4,190                                  | 22,067                                       | 597,897                          | 54,864           | 477,293                    | 55,751               | 8,003  | 1,726                                      |
| June 23..... | 4,190                                  | 21,632                                       | 603,201                          | 54,863           | 472,613                    | 64,499               | 9,228  | 1,723                                      |
| June 30..... | 4,190                                  | 22,671                                       | 624,957                          | 54,854           | 457,503                    | 101,152              | 9,440  | 1,721                                      |
| July 7.....  | 4,546                                  | 25,236                                       | 647,113                          | 54,858           | 465,840                    | 114,460              | 9,992  | 1,721                                      |
| July 14..... | 4,546                                  | 27,424                                       | 639,649                          | 55,176           | 474,942                    | 97,476               | 10,098   | 1,720                                      |
| July 21..... | 7,190                                  | 27,723                                       | 613,523                          | 55,183           | 492,000                    | 54,277               | 10,120   | 1,692                                      |
| July 28..... | 7,925                                  | 27,220                                       | 615,090                          | 55,206           | 491,266                    | 56,542               | 10,122   | 1,692                                      |
| Aug. 4.....  | 7,925                                  | 27,375                                       | 615,367                          | 55,148           | 490,625                    | 56,607               | 11,029   | 1,692                                      |
| Aug. 11..... | 8,351                                  | 27,975                                       | 610,799                          | 55,130           | 489,219                    | 53,259               | 11,212   | 1,691                                      |
| Aug. 18..... | 7,885                                  | 27,788                                       | 624,193                          | 55,110           | 505,090                    | 49,717               | 12,295   | 1,691                                      |
| Aug. 25..... | 8,205                                  | 27,863                                       | 623,611                          | 55,363           | 502,421                    | 50,090               | 13,733   | 1,690                                      |
| Sept. 1..... | 8,205                                  | 21,302                                       | 607,402                          | 55,390           | 484,697                    | 50,918               | 14,416   | 1,690                                      |

*Principal resources and liabilities of all Federal Reserve Banks at close of business on each Friday, Jan. 7, 1916, to Dec. 29, 1916—Continued.*

[In thousands of dollars; i. e., 000's omitted.]

|                       | One-year United States Treasury notes. | Short-term investments (municipal warrants). | Total resources and liabilities. | Capital paid in. | Member bank deposits, net. | Government deposits. | Liabilities on Federal Reserve notes in circulation. | Liabilities on Federal Reserve bank notes. |
|-----------------------|--|--|----------------------------------|------------------|----------------------------|----------------------|--|--|
| Sept. 8.....          | 9,055                                  | 21,166                                       | 632,594                          | 55,406           | 514,225                    | 44,236               | 16,076   | 2,334                                      |
| Sept. 15.....         | 9,039                                  | 23,714                                       | 627,742                          | 55,416           | 514,343                    | 40,199               | 14,223   | 3,214                                      |
| Sept. 22.....         | 8,039                                  | 24,137                                       | 631,701                          | 55,423           | 518,456                    | 39,947               | 14,605   | 2,914                                      |
| Sept. 29.....         | 6,927                                  | 24,028                                       | 632,741                          | 55,393           | 521,740                    | 38,985               | 13,216   | 3,033                                      |
| Oct. 6.....           | 8,763                                  | 29,085                                       | 628,951                          | 55,684           | 526,019                    | 33,971               | 11,782   | 1,033                                      |
| Oct. 13.....          | 10,444                                 | 31,542                                       | 638,253                          | 55,682           | 542,243                    | 26,515               | 12,316   | 1,033                                      |
| Oct. 20.....          | 11,697                                 | 32,543                                       | 633,312                          | 55,682           | 538,102                    | 26,116               | 11,896   | 1,032                                      |
| Oct. 27.....          | 11,435                                 | 29,890                                       | 651,136                          | 55,703           | 551,918                    | 29,982               | 11,966   | 1,031                                      |
| Nov. 3.....           | 11,367                                 | 24,100                                       | 650,864                          | 55,709           | 552,386                    | 28,686               | 12,627   | 1,031                                      |
| Nov. 10.....          | 11,347                                 | 20,694                                       | 650,946                          | 55,710           | 556,462                    | 23,330               | 13,886   | 1,030                                      |
| Nov. 17.....          | 11,167                                 | 18,597                                       | 719,217                          | 55,704           | 622,254                    | 25,171               | 14,468   | 1,030                                      |
| Nov. 24.....          | 11,167                                 | 22,166                                       | 735,060                          | 55,711           | 637,072                    | 26,319               | 14,296   | 1,028                                      |
| Dec. 1.....           | 11,167                                 | 21,254                                       | 710,161                          | 55,737           | 613,530                    | 26,777               | 13,383   | 28   |
| Dec. 8.....           | 11,167                                 | 13,235                                       | 715,316                          | 55,746           | 618,643                    | 28,668               | 11,423   | 28   |
| Dec. 15.....          | 11,167                                 | 11,195                                       | 741,051                          | 55,731           | 643,136                    | 28,762               | 12,606   | .....                                      |
| Dec. 22.....          | 11,167                                 | 10,557                                       | 750,560                          | 55,765           | 648,787                    | 29,472               | 15,754   | .....                                      |
| Dec. 29.....          | 11,167                                 | 8,975  | 768,226                          | 55,695           | 668,785                    | 28,837               | 14,130   | .....                                      |
| Total.....            | 290,216                                | 1,382,155                                    | 31,106,189                       | 2,869,297        | 25,441,117                 | 2,140,539            | 577,352  | 60,046                                     |
| Average for year..... | 7,441                                  | 26,580                                       | 598,196                          | 55,179           | 489,252                    | 41,164               | 11,103   | 1,501                                      |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916.

RESOURCES.

[Detailed figures shown for each bank in first column represent items as reported to the Board; figures in second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|  | Boston.       |                        | New York.      |                         | Philadelphia. |                        |
|--|---------------|------------------------|----------------|-------------------------|---------------|------------------------|
| Gold bullion and United States coin.....                                     | \$34,857.50   |                        | \$1,187.50     |                         | \$1,172.50    |                        |
| United States gold certificates (including clearing-house certificates)..... | 11,690,000.00 |                        | 159,320,070.00 |                         | 16,987,720.00 |                        |
| Gold coin and certificates in vault.....                                     |               | <i>\$11,725,000.00</i> |                | <i>\$159,321,000.00</i> |               | <i>\$16,989,000.00</i> |
| Gold settlement fund.....  | 14,737,000.00 | <i>14,737,000.00</i>   | 20,570,000.00  | <i>20,570,000.00</i>    | 8,042,000.00  | <i>8,042,000.00</i>    |
| Gold redemption fund with United States Treasurer.....                       | 50,000.00     | <i>50,000.00</i>       | 250,000.00     | <i>250,000.00</i>       | 100,000.00    | <i>100,000.00</i>      |
| <i>Total gold reserve.....</i>   |               | <i>26,512,000.00</i>   |                | <i>180,141,000.00</i>   |               | <i>25,131,000.00</i>   |
| Legal tender notes (including clearing-house certificates).....              | 183,650.00    |                        | 11,188,200.00  |                         | 329,797.00    |                        |
| Silver certificates (including clearing-house certificates).....             | 243,573.00    |                        | 4,076,577.00   |                         | 136,109.00    |                        |
| Silver coin.....   | 460.00        |                        | 697.80         |                         | 248.30        |                        |
| Legal tender notes, silver, etc.....   |               | <i>428,000.00</i>      |                | <i>15,266,000.00</i>    |               | <i>466,000.00</i>      |
| <i>Total reserve.....</i>  |               | <i>26,940,000.00</i>   |                | <i>165,407,000.00</i>   |               | <i>25,597,000.00</i>   |
| Member banks' collateral notes.....  | 525,000.00    |                        | 4,069,000.00   |                         | 900,000.00    |                        |
| All other bills discounted.....  | 3,220,315.28  |                        | 3,002,158.55   |                         | 663,076.79    |                        |
| Bills discounted—members.....  |               | <i>3,746,000.00</i>    |                | <i>7,071,000.00</i>     |               | <i>1,563,000.00</i>    |
| Bills bought in open market.....   | 12,725,167.81 | <i>12,725,000.00</i>   | 41,457,184.04  | <i>41,457,000.00</i>    | 13,656,430.08 | <i>13,656,000.00</i>   |
| <i>Total bills on hand.....</i>  |               | <i>16,471,000.00</i>   |                | <i>48,528,000.00</i>    |               | <i>15,219,000.00</i>   |
| Investments:   |               |                        |                |                         |               |                        |
| United States bonds.....   | 1,332,000.00  | <i>1,332,000.00</i>    | 1,042,550.00   | <i>1,042,000.00</i>     | 1,651,000.00  | <i>1,651,000.00</i>    |
| One-year treasury notes.....   | 1,000,000.00  | <i>1,000,000.00</i>    | 1,205,000.00   | <i>1,205,000.00</i>     | 1,174,000.00  | <i>1,174,000.00</i>    |
| Municipal warrants.....  | 890,002.23    | <i>890,000.00</i>      | 972,311.62     | <i>972,000.00</i>       | 465,112.22    | <i>465,000.00</i>      |
| <i>Total earning assets.....</i>   |               | <i>19,693,000.00</i>   |                | <i>51,747,000.00</i>    |               | <i>18,509,000.00</i>   |
| Federal Reserve notes on hand.....   | 630,500.00    |                        | 13,577,665.00  |                         |               |                        |
| <i>Federal Reserve notes—net.....</i>  |               | <i>630,000.00</i>      |                | <i>13,578,000.00</i>    |               |                        |

|   |                      |                      |                      |                       |                      |
|---|----------------------|----------------------|----------------------|-----------------------|----------------------|
| Due from other Federal Reserve Banks.....                         | 19,835,909.16        |                      | 25,305,019.38        |                       | 5,382,501.30         |
| Due from other Federal Reserve Banks, investment account.....     | 343,013.62           |                      |                      |                       |                      |
| Due from other Federal Reserve Banks, overdrafts.....             | 11,984.62            |                      |                      |                       |                      |
| Deferred debits, other Federal Reserve Banks.....                 |                      |                      | 13,453,475.88        |                       |                      |
| <b>Total due from other Federal Reserve Banks.....</b>            | <b>20,190,907.40</b> |                      | <b>38,758,495.26</b> |                       | <b>5,382,501.30</b>  |
| Due to other Federal Reserve Banks.....                           | 8,862,228.26         |                      | 35,615,898.82        |                       |                      |
| Due to other Federal Reserve Banks, investment account.....       |                      |                      | 2,062,842.47         |                       |                      |
| <b>Total due to other Federal Reserve Banks.....</b>              | <b>8,862,228.26</b>  |                      | <b>37,678,741.29</b> |                       |                      |
| <i>Due from other Federal Reserve Banks—net.....</i>              |                      | <i>11,329,000.00</i> |                      | <i>1,080,000.00</i>   | <i>5,383,000.00</i>  |
| All other resources:  |                      |                      |                      |                       |                      |
| National bank notes and notes of other Federal Reserve banks..... | 185,000.00           |                      | 288,220.00           |                       | 463,476.00           |
| Mutilated currency forwarded for redemption.....                  |                      |                      |                      |                       | 132,500.00           |
| <b>Total all other resources, gross.....</b>                      | <b>185,000.00</b>    |                      | <b>288,220.00</b>    |                       | <b>595,976.00</b>    |
| <i>All other resources, net.....</i>                              |                      | <i>185,000.00</i>    |                      | <i>288,000.00</i>     | <i>596,000.00</i>    |
| <b>Total resources.....</b>                                       |                      | <b>58,777,000.00</b> |                      | <b>262,100,000.00</b> | <b>50,085,000.00</b> |

|  | Cleveland.           |                        | Richmond.            |                       | Atlanta.            |                       |
|--|----------------------|------------------------|----------------------|-----------------------|---------------------|-----------------------|
| Gold bullion and United States coin.....                                     | \$2,683,112.50       |                        | \$502,485.00         |                       | \$1,354,671.07      |                       |
| United States gold certificates (including clearing-house certificates)..... | 13,078,270.00        |                        | 4,403,150.00         |                       | 3,891,860.00        |                       |
| <i>Gold coin and certificates in vault.....</i>                              |                      | <i>\$15,761,000.00</i> |                      | <i>\$4,906,000.00</i> |                     | <i>\$5,246,000.00</i> |
| <i>Gold settlement fund.....</i>   | <i>16,953,000.00</i> | <i>16,953,000.00</i>   | <i>19,416,000.00</i> | <i>19,416,000.00</i>  | <i>7,439,000.00</i> | <i>7,439,000.00</i>   |
| <i>Gold redemption fund with United States Treasurer.....</i>                | <i>42,250.00</i>     | <i>42,000.00</i>       | <i>210,476.00</i>    | <i>210,000.00</i>     | <i>348,778.29</i>   | <i>348,000.00</i>     |
| <b>Total gold reserve.....</b>   |                      | <b>32,756,000.00</b>   |                      | <b>24,532,000.00</b>  |                     | <b>13,034,000.00</b>  |
| Legal tender notes (including clearing-house certificates).....              | 424,160.00           |                        | 32,335.00            |                       | 13,752.00           |                       |
| Silver certificates (including clearing-house certificates).....             | 60,257.00            |                        | 32,588.00            |                       | 67,467.00           |                       |
| Silver coin.....   | 41,131.30            |                        | 15.40                |                       | 1,407.00            |                       |
| <i>Legal tender notes, silver, etc.....</i>                                  |                      | <i>526,000.00</i>      |                      | <i>65,000.00</i>      |                     | <i>83,000.00</i>      |
| <b>Total reserve.....</b>  |                      | <b>33,282,000.00</b>   |                      | <b>24,597,000.00</b>  |                     | <b>13,117,000.00</b>  |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

RESOURCES—Continued.

[Detailed figures shown for each bank in first column represent items as reported to the Board; figures in second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|  | Cleveland.           |                       | Richmond.           |                       | Atlanta.            |                       |
|--|----------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| Member banks' collateral notes.....                    |                      |                       | \$342,500.00        |                       | \$550,000.00        |                       |
| All other bills discounted.....                        | \$1,006,773.50       |                       | 2,537,095.87        |                       | 2,414,133.02        |                       |
| <i>Bills discounted—members.....</i>                   |                      | <i>\$1,007,000.00</i> |                     | <i>\$2,880,000.00</i> |                     | <i>\$2,964,000.00</i> |
| <i>Bills bought in open market.....</i>                | <i>10,153,694.75</i> | <i>10,153,000.00</i>  | <i>4,334,372.21</i> | <i>4,334,000.00</i>   | <i>4,447,696.96</i> | <i>4,448,000.00</i>   |
| <i>Total bills on hand.....</i>                        |                      | <i>11,160,000.00</i>  |                     | <i>7,214,000.00</i>   |                     | <i>7,412,000.00</i>   |
| <b>Investments:</b>                                    |                      |                       |                     |                       |                     |                       |
| United States bonds.....                               | 7,361,460.00         | <i>7,362,000.00</i>   | 2,192,450.00        | <i>2,192,000.00</i>   | 1,710,000.00        | <i>1,710,000.00</i>   |
| One-year treasury notes.....                           | 618,000.00           | <i>618,000.00</i>     | 1,070,000.00        | <i>1,070,000.00</i>   | 824,000.00          | <i>824,000.00</i>     |
| Municipal warrants.....                                | 2,684,589.64         | <i>2,685,000.00</i>   | 60,700.00           | <i>61,000.00</i>      | 401,509.00          | <i>402,000.00</i>     |
| <i>Total earning assets.....</i>                       |                      | <i>21,825,000.00</i>  |                     | <i>10,537,000.00</i>  |                     | <i>10,348,000.00</i>  |
| Federal Reserve notes on hand.....                     | 588,935.00           |                       |                     |                       |                     |                       |
| <i>Federal Reserve notes—net.....</i>                  |                      | <i>589,000.00</i>     |                     |                       |                     |                       |
| Due from other Federal Reserve Banks.....              | 19,189,346.96        |                       |                     |                       |                     |                       |
| <i>Total due from other Federal Reserve Banks.....</i> | <i>19,189,346.96</i> |                       |                     |                       |                     |                       |
| Due to other Federal Reserve Banks.....                | 11,263,136.20        |                       |                     |                       |                     |                       |
| Deferred credits, other Federal Reserve Banks.....     | 2,153,364.72         |                       |                     |                       |                     |                       |
| <i>Total due to other Federal Reserve Banks.....</i>   | <i>13,416,500.92</i> |                       |                     |                       |                     |                       |
| <i>Due from other Federal Reserve Banks—net.....</i>   |                      | <i>5,773,000.00</i>   |                     |                       |                     |                       |
| <b>All other resources:</b>                            |                      |                       |                     |                       |                     |                       |
| Interest accrued on United States bonds.....           | 42,895.54            |                       | 4,033.20            |                       | 14,386.66           |                       |
| Premiums on United States bonds.....                   | 254,764.54           |                       |                     |                       |                     |                       |
| Difference account.....                                | 134.57               |                       |                     |                       | 156.87              |                       |
| Premium paid on stock surrendered.....                 |                      |                       | 181.60              |                       | 1,705.01            |                       |
| Expenses paid in advance.....                          | 934.76               |                       | 4,680.00            |                       | 517.43              |                       |
| Cost of unissued Federal Reserve currency.....         | 39,544.25            |                       | 9,354.57            |                       | 30,314.87           |                       |

|   |                      |                      |                      |
|---|----------------------|----------------------|----------------------|
| Furniture and equipment.....                                      | 20,163.92            | 12,000.00            | 12,282.26            |
| Suspense account disbursements.....                               | 4,520.27             |                      |                      |
| Disbursements, transit department.....                            | 420.49               |                      | 17,575.53            |
| Bank premises.....  |                      | 121,475.77           | 102,500.00           |
| National bank notes and notes of other Federal Reserve Banks..... | 50,680.00            | 48,060.00            | 1,677,795.00         |
| Nickels and cents.....  | 5.47                 | 3.49                 | 160.83               |
| Mutilated currency forwarded for redemption.....                  | 140,000.00           |                      | 180,000.00           |
| Current expenses.....   | 62,028.17            | 126,219.71           | 73,627.89            |
| Exchange paid.....  | 79.10                |                      | 229.70               |
| Dividends paid.....   |                      | 7,372.39             |                      |
| <b>Total all other resources, gross.....</b>                      | <b>616,171.08</b>    | <b>333,380.73</b>    | <b>2,101,252.05</b>  |
| <b>Less liability for:</b>  |                      |                      |                      |
| Discount earned on bills discounted.....                          | 10,981.80            | 214,856.78           | 64,648.62            |
| Discount earned on bills bought.....                              | 87,505.36            | 29,171.24            | 43,037.75            |
| Interest earned on investments.....                               | 61,249.75            | 3,494.64             | 4,216.92             |
| Interest earned on United States bonds.....                       | 89,180.82            | 39,175.18            | 27,853.56            |
| Commissions earned.....   |                      |                      | 135.49               |
| Transfer charges.....   |                      |                      | 11,690.75            |
| Interest including penalties on deficient reserves.....           | 3,322.03             |                      |                      |
| Sundry profits.....   | 1,602.05             | 26,093.65            | 3,902.13             |
| Service charges.....  |                      |                      | 20,058.77            |
| Discount on United States bonds.....                              | 37,228.53            |                      |                      |
| Unearned discount on bills discounted.....                        | 1,160.22             | 8,959.34             | 9,522.43             |
| Unearned discount on bills bought.....                            | 28,871.46            | 11,161.66            | 12,631.55            |
| Profit and loss.....  | 9,634.34             |                      | 1,295.59             |
| Unearned interest on investments.....                             | 7,946.91             | 189.96               | 1,557.47             |
| Difference account.....   |                      | 26.20                |                      |
| Reserved for sundry expenses.....                                 | 2,236.70             |                      | 460.64               |
| Withheld for Federal income tax.....                              | 213.76               |                      |                      |
| <b>Total deductions.....</b>                                      | <b>341,133.73</b>    | <b>333,128.65</b>    | <b>201,011.67</b>    |
| <i>All other resources, net.....</i>                              | <i>275,000.00</i>    |                      | <i>1,900,000.00</i>  |
| <b>Total resources.....</b>                                       | <b>61,744,000.00</b> | <b>35,134,000.00</b> | <b>25,365,000.00</b> |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

RESOURCES—Continued.

[Detailed figures shown for each bank in first column represent items as reported to the Board; figures in second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|  | Chicago.       |                        | St. Louis.      |                        | Minneapolis. |                       |
|--|----------------|------------------------|-----------------|------------------------|--------------|-----------------------|
| Gold bullion and United States coin.....                                     | \$1,640,000.00 |                        |                 |                        | \$906,487.00 |                       |
| United States gold certificates (including clearing-house certificates)..... | 25,960,625.00  |                        | \$11,088,000.00 |                        | 7,839,150.00 |                       |
| Gold coin and certificates in vault.....                                     |                | <i>\$27,601,000.00</i> |                 | <i>\$11,088,000.00</i> |              | <i>\$3,746,000.00</i> |
| Gold settlement fund.....  | 26,183,000.00  | <i>26,183,000.00</i>   | 3,395,000.00    | <i>3,395,000.00</i>    | 7,064,000.00 | <i>7,064,000.00</i>   |
| Gold redemption fund with United States Treasurer.....                       | 200,000.00     | <i>200,000.00</i>      | 254,850.00      | <i>255,000.00</i>      | 30,000.00    | <i>30,000.00</i>      |
| <i>Total gold reserve.....</i>   |                | <i>53,984,000.00</i>   |                 | <i>14,738,000.00</i>   |              | <i>15,840,000.00</i>  |
| Legal-tender notes (including clearing-house certificates).....              | 187,000.00     |                        | 923,500.00      |                        | 105,535.00   |                       |
| Silver certificates (including clearing-house certificates).....             | 206,308.00     |                        | 525,773.00      |                        | 72,882.00    |                       |
| Silver coin.....   | 2,740.00       |                        |                 |                        | 1,130.00     |                       |
| Legal-tender notes, silver, etc.....   |                | <i>396,000.00</i>      |                 | <i>1,443,000.00</i>    |              | <i>179,000.00</i>     |
| <i>Total reserve.....</i>  |                | <i>54,380,000.00</i>   |                 | <i>16,187,000.00</i>   |              | <i>16,019,000.00</i>  |
| Member banks' collateral notes.....  | 1,568,800.00   |                        | 100,000.00      |                        | 333,200.00   |                       |
| All other bills discounted.....  | 2,868,660.35   |                        | 1,200,711.54    |                        | 1,651,982.75 |                       |
| Bills discounted—Members.....  |                | <i>4,438,000.00</i>    |                 | <i>1,301,000.00</i>    |              | <i>1,985,000.00</i>   |
| Bills bought in open market.....   | 10,337,161.09  | <i>10,337,000.00</i>   | 7,036,819.35    | <i>7,037,000.00</i>    | 6,199,999.55 | <i>6,200,000.00</i>   |
| <i>Total bills on hand.....</i>  |                | <i>14,775,000.00</i>   |                 | <i>8,338,000.00</i>    |              | <i>8,185,000.00</i>   |
| <i>Investments:</i>  |                |                        |                 |                        |              |                       |
| United States bonds.....   | 8,858,100.00   | <i>8,858,000.00</i>    | 2,202,900.00    | <i>2,203,000.00</i>    | 2,442,340.00 | <i>2,442,000.00</i>   |
| 1-year Treasury notes.....   | 1,517,000.00   | <i>1,517,000.00</i>    | 891,000.00      | <i>891,000.00</i>      | 700,000.00   | <i>700,000.00</i>     |
| Municipal warrants.....  | 1,325,760.88   | <i>1,326,000.00</i>    | 575,879.71      | <i>576,000.00</i>      | 569,664.72   | <i>569,000.00</i>     |
| <i>Total earning assets.....</i>   |                | <i>26,476,000.00</i>   |                 | <i>12,008,000.00</i>   |              | <i>11,896,000.00</i>  |



|   |               |                      |               |                     |                     |
|---|---------------|----------------------|---------------|---------------------|---------------------|
| Federal Reserve notes on hand.....                                | 2,656,185.00  |                      |               | 2,374,585.00        |                     |
| <i>Federal Reserve notes—Net.....</i>                             |               | <i>2,656,000.00</i>  |               |                     | <i>2,374,000.00</i> |
| Due from other Federal Reserve Banks.....                         | 29,913,819.08 |                      | 20,389,339.94 |                     |                     |
| Total due from other Federal Reserve Banks.....                   | 29,913,819.08 |                      | 20,389,339.94 |                     |                     |
| Due to other Federal Reserve Banks.....                           | 13,015,447.86 |                      | 10,998,953.24 |                     |                     |
| Deferred credits, other Federal Reserve Banks.....                | 1,535,295.07  |                      | 1,333,434.94  |                     |                     |
| Total due to other Federal Reserve Banks.....                     | 14,550,742.93 |                      | 12,332,388.18 |                     |                     |
| <i>Due from other Federal Reserve Banks—Net.....</i>              |               | <i>15,268,000.00</i> |               | <i>8,057,000.00</i> |                     |
| All other resources:  |               |                      |               |                     |                     |
| Interest accrued on United States bonds.....                      | 50,896.48     |                      | 19,161.17     |                     |                     |
| Premium on United States bonds.....                               | 193,311.66    |                      | 17,303.15     |                     |                     |
| Difference account.....   | 296.11        |                      |               |                     |                     |
| Expenses paid in advance.....                                     |               |                      | 849.30        |                     |                     |
| Cost of unissued Federal Reserve currency.....                    | 67,957.83     |                      | 19,763.00     |                     |                     |
| Furniture and equipment.....                                      | 38,304.53     |                      | 28,688.75     |                     |                     |
| National bank notes and notes of other Federal Reserve Banks..... | 330,000.00    |                      | 806,435.00    | 18,800.00           |                     |
| Nickels and cents.....  | 54.95         |                      | 321.08        |                     |                     |
| Current expenses.....   | 136,894.80    |                      | 254,100.35    |                     |                     |
| Exchange paid.....  | 223.26        |                      |               |                     |                     |
| Deferred debits.....  | 162.31        |                      |               |                     |                     |
| Dividends paid.....   | 284,775.25    |                      |               |                     |                     |
| Total all other resources, gross.....                             | 1,102,877.18  |                      | 1,146,621.80  | 18,800.00           |                     |
| Less liability for:   |               |                      |               |                     |                     |
| Discount earned on bills discounted.....                          | 71,471.47     |                      | 46,041.34     |                     |                     |
| Discount earned on bills bought.....                              | 74,880.68     |                      | 81,598.79     |                     |                     |
| Interest earned on investments.....                               | 50,449.17     |                      | 31,618.94     |                     |                     |
| Interest earned on United States bonds.....                       | 116,477.50    |                      | 70,362.41     |                     |                     |
| Transfer charges.....   | 34,471.47     |                      | 30,000.00     |                     |                     |
| Interest, including penalties, on deficient reserves.....         | 40.20         |                      | 2,036.01      |                     |                     |
| Sundry profits.....   | 280.96        |                      | 6,627.90      |                     |                     |
| Appreciation on United States bonds.....                          |               |                      | 17,873.14     |                     |                     |
| Service charges.....  | 18,953.14     |                      | 11,790.08     |                     |                     |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

RESOURCES—Continued.

[Detailed figures shown for each bank in first column represent items as reported to the Board; figures in second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|   | Chicago.          |                      | St. Louis.        |                      | Minneapolis. |                      |
|---|-------------------|----------------------|-------------------|----------------------|--------------|----------------------|
| <b>Less liability for—Continued.</b>        |                   |                      |                   |                      |              |                      |
| Unearned discount on bills discounted ..... | \$16,259.90       |                      | \$2,640.83        |                      |              |                      |
| Unearned discount on bills bought .....     | 30,191.33         |                      | 22,414.89         |                      |              |                      |
| Profit and loss .....                       | 126,801.77        |                      |                   |                      |              |                      |
| Unearned interest on investments.....       | 6,051.22          |                      | 1,735.53          |                      |              |                      |
| Difference account.....                     |                   |                      | 110.04            |                      |              |                      |
| Reserved for sundry expenses.....           | 5,071.08          |                      | 1,217.10          |                      |              |                      |
| Withheld for Federal income tax.....        | 320.00            |                      | 277.00            |                      |              |                      |
| <b>Total deductions.....</b>                | <b>551,719.89</b> |                      | <b>326,344.00</b> |                      |              |                      |
| <i>All other resources, net.....</i>        |                   | <i>\$551,000.00</i>  |                   | <i>\$820,000.00</i>  |              | <i>\$19,000.00</i>   |
| <b>Total resources.....</b>                 |                   | <i>99,426,000.00</i> |                   | <i>37,072,000.00</i> |              | <i>30,308,000.00</i> |

|  | Kansas City.         |                       | Dallas.              |                       | San Francisco.       |                        | Total.                |                         |
|--|----------------------|-----------------------|----------------------|-----------------------|----------------------|------------------------|-----------------------|-------------------------|
| Gold bullion and United States coin .....                                    | \$371,195.00         |                       | \$604,967.50         |                       | \$5,727,870.00       |                        | \$13,828,025.57       |                         |
| United States gold certificates (including clearing-house certificates)..... | 5,793,590.00         |                       | 4,403,500.00         |                       | 4,807,290.00         |                        | 269,263,225.00        |                         |
| <i>Gold coin and certificates in vault.....</i>                              |                      | <i>\$6,165,000.00</i> |                      | <i>\$5,008,000.00</i> |                      | <i>\$10,535,000.00</i> |                       | <i>\$283,091,000.00</i> |
| <i>Gold settlement fund.....</i>   | <i>21,235,500.00</i> | <i>21,236,000.00</i>  | <i>14,946,500.00</i> | <i>14,946,000.00</i>  | <i>10,489,000.00</i> | <i>10,489,000.00</i>   | <i>170,470,000.00</i> | <i>170,470,000.00</i>   |
| <i>Gold redemption fund with United States Treasurer.....</i>                | <i>150,095.00</i>    | <i>150,000.00</i>     | <i>56,750.00</i>     | <i>57,000.00</i>      | <i>10,000.00</i>     | <i>10,000.00</i>       | <i>1,703,199.29</i>   | <i>1,703,000.00</i>     |
| <b>Total gold reserve.....</b>   |                      | <i>27,551,000.00</i>  |                      | <i>20,011,000.00</i>  |                      | <i>21,034,000.00</i>   |                       | <i>455,264,000.00</i>   |

|   |               |               |              |               |               |               |                |                |
|---|---------------|---------------|--------------|---------------|---------------|---------------|----------------|----------------|
| Legal-tender notes (incl. C. H. certificates).....            | 113,845.00    | .....         | 87,000.00    | .....         | 43,870.00     | .....         | 13,632,644.00  | .....          |
| Silver certificates (incl. C. H. certificates).....           | 30,131.00     | .....         | 142,543.00   | .....         | 34,159.00     | .....         | 5,628,367.00   | .....          |
| Silver coin.....  | 1,287.00      | .....         | 14,114.00    | .....         | 648.95        | .....         | 63,879.75      | .....          |
| <i>Legal-tender notes, silver, etc.</i> .....                 |               | 145,000.00    |              | 243,000.00    |               | 79,000.00     |                | 19,325,000.00  |
| <i>Total reserve</i> .....                                    |               | 27,696,000.00 |              | 20,254,000.00 |               | 21,113,000.00 |                | 474,589,000.00 |
| <i>5 per cent redemption fund—Federal Reserve</i>             |               |               |              |               |               |               |                |                |
| <i>Bank notes</i> .....                                       | 300,000.00    | 300,000.00    | 100,000.00   | 100,000.00    |               |               | 400,000.00     | 400,000.00     |
| Member banks' collateral notes.....                           | 35,820.74     |               |              |               |               |               | 8,424,320.74   |                |
| All other bills discounted.....                               | 479,067.72    |               | 830,629.99   |               | 250,968.05    |               | 20,125,573.41  |                |
| <i>Bills discounted—Members</i> .....                         |               | 515,000.00    |              | 831,000.00    |               | 251,000.00    |                | 28,552,000.00  |
| <i>Bills bought in open market</i> .....                      | 3,945,180.94  | 3,945,000.00  | 2,201,485.70 | 2,202,000.00  | 12,462,265.95 | 12,462,000.00 | 128,957,458.43 | 128,956,000.00 |
| <i>Total bills on hand</i> .....                              |               | 4,460,000.00  |              | 3,033,000.00  |               | 12,713,000.00 |                | 157,508,000.00 |
| <i>Investments:</i>   |               |               |              |               |               |               |                |                |
| <i>United States bonds</i> .....                              | 8,492,850.00  | 8,493,000.00  | 4,328,250.00 | 4,328,000.00  | 2,633,750.00  | 2,634,000.00  | 44,247,650.00  | 44,247,000.00  |
| <i>1-year Treasury notes</i> .....                            | 963,000.00    | 963,000.00    | 705,000.00   | 705,000.00    | 500,000.00    | 500,000.00    | 11,167,000.00  | 11,167,000.00  |
| <i>Municipal warrants</i> .....                               | 163,813.65    | 164,000.00    | 127,318.87   | 127,000.00    | 737,376.13    | 737,000.00    | 8,974,088.67   | 8,974,000.00   |
| <i>Total earning assets</i> .....                             |               | 14,080,000.00 |              | 8,193,000.00  |               | 16,584,000.00 |                | 221,896,000.00 |
| <i>Federal Reserve notes on hand</i> .....                    |               |               |              |               |               |               |                |                |
| <i>Federal Reserve notes—Net</i> .....                        |               |               |              |               | 1,682,975.00  |               | 21,510,845.00  |                |
| Due from other Federal Reserve Banks.....                     | 11,952,040.60 |               |              |               |               |               | 131,967,976.42 |                |
| Due from other Federal Reserve Banks, investment account..... |               |               |              |               |               |               | 343,013.62     |                |
| Due from other Federal Reserve Banks, overdrafts.....         |               |               |              |               |               |               | 11,984.62      |                |
| Deferred debits, other Federal Reserve Banks.....             |               |               |              |               |               |               | 13,453,475.88  |                |
| <i>Total due from other F. R. Banks</i> .....                 | 11,952,040.60 |               |              |               |               |               | 145,776,450.54 |                |
| Due to other Federal Reserve Banks.....                       | 6,917,721.67  |               |              |               |               |               | 86,673,386.05  |                |
| Due to other Federal Reserve Banks, investment account.....   |               |               |              |               |               |               | 2,062,842.47   |                |
| Deferred credits, other Federal Reserve Banks.....            | 3,419,239.87  |               |              |               |               |               | 8,441,334.60   |                |
| <i>Total due to other Federal Reserve Banks</i> .....         | 10,336,961.54 |               |              |               |               |               | 97,177,563.12  |                |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

RESOURCES—Continued.

[Detailed figures shown for each bank in first column represent items as reported to the Board; figures in second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|  | Kansas City. |                       | Dallas.     |  | San Francisco. |  | Total.       |                         |
|--|--------------|-----------------------|-------------|--|----------------|--|--------------|-------------------------|
| <i>Due from other Federal Reserve Banks—Net</i> .....                |              | <i>\$1,615,000.00</i> |             |  |                |  |              | <i>1,644,543,000.00</i> |
| All other resources:   |              |                       |             |  |                |  |              |                         |
| Interest accrued on United States bonds.....                         | \$53,978.18  |                       | \$27,234.54 |  | \$16,918.75    |  | \$229,504.52 |                         |
| Premium on United States bonds.....                                  | 85,887.20    |                       | 1,406.26    |  |                |  | 552,672.81   |                         |
| Difference account.....  |              |                       |             |  | 29.80          |  | 617.35       |                         |
| Premium paid on stock surrendered.....                               |              |                       | 78.18       |  |                |  | 1,964.79     |                         |
| Expenses paid in advance.....  | 2,062.70     |                       | 10,579.98   |  |                |  | 19,624.17    |                         |
| Cost of unissued Federal Reserve currency..                          | 28,598.67    |                       | 8,940.32    |  | 42,236.04      |  | 236,709.55   |                         |
| Furniture and equipment.....   | 41,960.83    |                       | 37,164.32   |  | 3,289.50       |  | 193,854.11   |                         |
| Suspense account disbursements.....                                  |              |                       |             |  |                |  | 4,520.27     |                         |
| Disbursements, transit department.....                               |              |                       | 1,277.35    |  | 5,129.68       |  | 24,403.05    |                         |
| Bank premises.....   |              |                       | 144,246.31  |  |                |  | 368,222.08   |                         |
| National bank notes and notes of other<br>Federal Reserve Banks..... | 107,645.00   |                       | 749,465.00  |  | 378,804.00     |  | 5,104,380.00 |                         |
| Nickels and cents.....   | 26.75        |                       | 860.57      |  | 23.15          |  | 1,456.29     |                         |
| Mutilated currency forwarded for redemp-<br>tion.....                |              |                       | 413,000.00  |  | 70,000.00      |  | 935,500.00   |                         |
| Current expenses.....  | 171,984.99   |                       | 69,093.01   |  | 13,785.46      |  | 907,734.38   |                         |
| Exchange paid.....   | 769.36       |                       |             |  | 107.84         |  | 1,409.26     |                         |
| Deferred debits.....   |              |                       |             |  |                |  | 162.31       |                         |
| Dividends paid.....  | 66,706.95    |                       |             |  | 31,395.25      |  | 390,249.84   |                         |
| Expense—Organization.....  | 34,768.71    |                       |             |  |                |  | 34,768.71    |                         |
| Profit and loss.....   |              |                       | 16,600.82   |  |                |  | 16,600.82    |                         |
| Commissions paid.....  |              |                       | 558.58      |  |                |  | 558.58       |                         |

|  |                     |                      |                       |                       |  |                       |
|--|---------------------|----------------------|-----------------------|-----------------------|--|-----------------------|
| Accrued service charges.....                             |                     |                      |                       | \$126.96              |  | \$126.96              |
| Cost of Federal Reserve notes issued.....                |                     |                      |                       | 68.14                 |  | 68.14                 |
| <b>Total all other resources, gross.....</b>             | <b>\$594,389.34</b> |                      | <b>\$1,480,505.24</b> | <b>561,914.57</b>     |  | <b>9,025,107.99</b>   |
| Less liability for:                                      |                     |                      |                       |                       |  |                       |
| Discount earned on bills discounted.....                 | 84,571.71           |                      | 102,502.84            | 1,100.75              |  | 596,175.31            |
| Discount earned on bills bought.....                     | 29,601.03           |                      | 10,817.14             | 29,023.55             |  | 385,635.54            |
| Interest earned on investments.....                      | 14,366.41           |                      | 547.79                | 2,887.20              |  | 168,830.82            |
| Interest earned on United States bonds.....              | 186,411.19          |                      | 43,329.59             | 5,632.09              |  | 578,422.34            |
| Commissions earned.....                                  |                     |                      |                       |                       |  | 135.49                |
| Transfer charges.....                                    | 1,732.32            |                      | 7,305.20              | 4,567.86              |  | 89,767.60             |
| Interest, including penalties on deficient reserves..... |                     |                      |                       | 63.73                 |  | 5,461.97              |
| Sundry profits.....                                      | 181.91              |                      | 16,864.49             |                       |  | 55,553.09             |
| Appreciation on United States bonds.....                 | 34,463.96           |                      |                       |                       |  | 52,337.10             |
| Profits on United States securities sold.....            | 14,407.50           |                      |                       |                       |  | 14,407.50             |
| Service charges.....                                     |                     |                      |                       | 1,796.33              |  | 52,598.32             |
| Discount on United States bonds.....                     |                     |                      |                       | 9,587.50              |  | 46,816.03             |
| Unearned discount on bills discounted.....               | 3,591.57            |                      | 3,375.48              | 813.51                |  | 46,323.28             |
| Unearned discount on bills bought.....                   | 13,386.39           |                      | 8,144.47              | 32,375.01             |  | 159,176.76            |
| Profit and loss.....                                     |                     |                      |                       | 56,792.57             |  | 194,524.27            |
| Unearned interest on investments.....                    | 770.54              |                      | 814.36                | 2,306.76              |  | 21,372.75             |
| Difference account.....                                  |                     |                      | 168.67                |                       |  | 304.91                |
| Reserved for sundry expenses.....                        | 2,829.32            |                      | 257.25                |                       |  | 12,072.09             |
| Withheld for Federal income tax.....                     |                     |                      |                       |                       |  | 810.76                |
| <b>Total deductions.....</b>                             | <b>386,313.85</b>   |                      | <b>194,127.28</b>     | <b>146,946.86</b>     |  | <b>1,959,943.74</b>   |
| <i>All other resources, net.....</i>                     |                     | <i>\$208,000.00</i>  |                       | <i>\$1,287,000.00</i> |  | <i>\$415,000.00</i>   |
| <b>Total resources.....</b>                              |                     | <b>43,899,000.00</b> |                       | <b>29,834,000.00</b>  |  | <b>39,795,000.00</b>  |
|  |                     |                      |                       |                       |  | <b>773,480,000.00</b> |
|  |                     |                      |                       |                       |  | <b>769,482,000.00</b> |

<sup>1</sup> Difference between net amounts due from and net amounts due to other Federal Reserve Banks.

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

LIABILITIES.

[Detailed figures by ledger items shown for each bank in first column represent items as reported to the Board; figures in the second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|   | Boston.        |                       | New York.       |                        | Philadelphia.  |                       |
|---|----------------|-----------------------|-----------------|------------------------|----------------|-----------------------|
| Capital.....                            | \$4,989,700.00 |                       | \$11,860,100.00 |                        | \$5,227,000.00 |                       |
| Capital—suspense account.....           |                |                       | 5,650.00        |                        | 500.00         |                       |
| Capital paid in.....                    |                | <i>\$4,990,000.00</i> |                 | <i>\$11,866,000.00</i> |                | <i>\$5,228,000.00</i> |
| Government deposits.....                | 2,130,617.72   | <i>2,131,000.00</i>   | 3,571,391.94    | <i>3,571,000.00</i>    | 3,145,549.05   | <i>3,145,000.00</i>   |
| <b>Member bank deposits:</b>            |                |                       |                 |                        |                |                       |
| Due to member banks.....                | 56,757,135.68  |                       | 256,460,339.71  |                        | 61,404,883.06  |                       |
| Expense checks.....                     | 517.48         |                       | 2,195.30        |                        | 1,109.51       |                       |
| Cashiers' checks.....                   | 21.99          |                       | 180,421.23      |                        | 24,906.21      |                       |
| Deferred credits.....                   | 1,058,988.16   |                       | 2,085,975.49    |                        | 1,625,777.86   |                       |
| Returned item checks.....               | 203.50         |                       | 5,659.28        |                        |                |                       |
| Uncollected deposits.....               |                |                       | 18,552,984.84   |                        |                |                       |
| Total member bank deposits—gross.....   | 57,816,866.81  |                       | 277,287,575.85  |                        | 63,056,676.64  |                       |
| <b>Less:</b>                            |                |                       |                 |                        |                |                       |
| Due from banks and bankers.....         | 2,516,949.51   |                       |                 |                        | 609,389.97     |                       |
| Exchanges for clearing house.....       | 328,149.59     |                       | 2,221,250.39    |                        | 3,803,265.90   |                       |
| Checks and other cash items.....        | 700.51         |                       | 281,917.82      |                        | 61,467.32      |                       |
| Deferred debits (transit account).....  | 3,581,969.29   |                       | 7,451,350.41    |                        | 18,187,897.41  |                       |
| Remittance account, member banks.....   |                |                       | 2,172,592.35    |                        |                |                       |
| Uncollected items.....                  |                |                       | 18,552,984.84   |                        |                |                       |
| Service charges accrued.....            |                |                       |                 |                        | 5,986.07       |                       |
| Checks lost in transit.....             |                |                       |                 |                        | 128.56         |                       |
| Total deductions.....                   | 6,427,768.90   |                       | 30,680,095.81   |                        | 22,668,135.23  |                       |
| Member bank deposits—net.....           |                | <i>51,389,000.00</i>  |                 | <i>246,607,000.00</i>  |                | <i>40,388,000.00</i>  |
| Federal Reserve note liability.....     |                |                       |                 |                        | 1,300,000.00   |                       |
| Less Federal Reserve notes on hand..... |                |                       |                 |                        | 171,140.00     |                       |
| Federal Reserve notes—net.....          |                |                       |                 |                        |                | <i>1,129,000.00</i>   |

|  |                   |                      |                     |                      |
|--|-------------------|----------------------|---------------------|----------------------|
| <b>All other liabilities:</b>                    |                   |                      |                     |                      |
| Discount earned on bills discounted.....         | 43,203.20         |                      | 37,368.26           | 20,591.19            |
| Discount earned on bills bought.....             | 236,856.74        |                      | 530,483.75          | 144,252.26           |
| Interest earned on investments.....              | 78,578.27         |                      | 214,122.13          | 32,320.72            |
| Interest earned on United States securities..... | 57,194.16         |                      | 81,644.49           | 41,593.15            |
| Commissions earned.....                          | 10,558.55         |                      | 42,387.09           |                      |
| Transfer charges.....                            |                   |                      | 887.83              |                      |
| Sundry profits.....                              | 23,722.98         |                      | 76,715.67           | 17,190.87            |
| Discount on United States bonds.....             | 6,875.00          |                      |                     | 9,734.36             |
| Unearned discount on bills discounted.....       | 4,699.78          |                      | 12,798.64           | 2,988.49             |
| Unearned discount on bills bought.....           | 45,610.88         |                      | 121,504.35          | 35,608.92            |
| Unearned interest on investments.....            | 4,023.98          |                      | 5,943.61            | 961.92               |
| Profit and loss.....                             |                   |                      |                     | 42,482.25            |
| Reserved for sundry expenses.....                |                   |                      | 8,852.42            |                      |
| Withheld for Federal income tax.....             | 198.33            |                      | 657.22              | 254.05               |
| <b>Total, all other liabilities, gross.....</b>  | <b>511,521.87</b> |                      | <b>1,133,365.46</b> | <b>347,978.18</b>    |
| <b>Less:</b>                                     |                   |                      |                     |                      |
| Interest accrued on United States bonds.....     | 13,870.83         |                      | 12,501.88           | 17,057.93            |
| Difference account.....                          | 88.98             |                      | 1,319.53            | 122.43               |
| Expense, organization.....                       | 17,301.73         |                      | 72,239.96           |                      |
| Expenses paid in advance.....                    | 1,564.72          |                      | 4,727.74            | 2,445.83             |
| Cost of unissued Federal Reserve notes.....      | 29,230.20         |                      | 235,598.86          | 27,708.01            |
| Furniture and equipment.....                     | 15,352.04         |                      | 63,442.17           | 20,409.87            |
| Disbursements, transit department.....           | 8,384.44          |                      |                     | 5,367.18             |
| Expense, current.....                            | 156,139.16        |                      | 557,352.12          | 80,650.25            |
| Exchange paid.....                               | .40               |                      | 68.09               | 2.06                 |
| Profit and loss.....                             | 2,804.17          |                      | 268.89              |                      |
| Suspense account.....                            |                   |                      | 129,830.26          |                      |
| Nickels and cents.....                           | 95.87             |                      | 12.46               | 121.89               |
| <b>Total deductions.....</b>                     | <b>244,832.54</b> |                      | <b>1,077,411.96</b> | <b>153,885.45</b>    |
| <b>All other liabilities, net.....</b>           |                   | <b>267,000.00</b>    |                     | <b>66,000.00</b>     |
| <b>Total liabilities.....</b>                    |                   | <b>58,777,000.00</b> |                     | <b>50,085,000.00</b> |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

LIABILITIES—Continued.

Detailed figures by ledger items shown for each bank in first column represent items as reported to the Board; figures in the second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|  | Cleveland.           |                       | Richmond.            |                       | Atlanta.             |                       |
|--|----------------------|-----------------------|----------------------|-----------------------|----------------------|-----------------------|
| Capital.....                                 | \$6,019,750.00       |                       | \$3,346,150.00       |                       | \$2,450,000.00       |                       |
| Capital—suspense account.....                | 2,050.00             |                       |                      |                       |                      |                       |
| <i>Capital paid in.....</i>                  |                      | <i>\$6,022,000.00</i> |                      | <i>\$3,346,000.00</i> |                      | <i>\$2,450,000.00</i> |
| Government deposits.....                     | 974,809.73           | <i>975,000.00</i>     | 3,059,731.73         | <i>3,060,000.00</i>   | 3,821,076.20         | <i>3,821,000.00</i>   |
| Member bank deposits:                        |                      |                       |                      |                       |                      |                       |
| Due to member banks.....                     | 54,442,990.10        |                       | 25,283,162.40        |                       | 21,812,983.12        |                       |
| Expense checks.....                          | 932.94               |                       | 362.52               |                       | 1,007.06             |                       |
| Cashiers' checks.....                        | 16.67                |                       | 1,829.50             |                       | 52,828.06            |                       |
| Deferred credits.....                        | 6,605,809.90         |                       | 7,952,026.69         |                       | 58,727.49            |                       |
| Returned item checks.....                    | 91.45                |                       |                      |                       | 50.00                |                       |
| <b>Total member bank deposits—gross.....</b> | <b>61,049,841.06</b> |                       | <b>33,237,881.11</b> |                       | <b>21,925,595.73</b> |                       |
| Less:  |                      |                       |                      |                       |                      |                       |
| Due from member banks—overdrafts.....        | 228.22               |                       | 5,078.46             |                       | 4,819.11             |                       |
| Due from banks and bankers.....              | 129,618.62           |                       | 119,871.42           |                       | 341,704.52           |                       |
| Exchanges for clearing house.....            | 23,799.03            |                       | 315,358.16           |                       | 825,242.33           |                       |
| Checks and other cash items.....             | 7.13                 |                       | 8,486.22             |                       | 21,806.71            |                       |
| Deferred debits (transit account).....       | 6,149,280.71         |                       | 8,011,646.28         |                       | 5,117,731.24         |                       |
| <b>Total deductions.....</b>                 | <b>6,302,933.71</b>  |                       | <b>8,460,440.54</b>  |                       | <b>6,311,303.91</b>  |                       |
| <i>Member bank deposits—net.....</i>         |                      | <i>54,747,000.00</i>  |                      | <i>24,777,000.00</i>  |                      | <i>15,615,000.00</i>  |
| Federal Reserve note liability.....          |                      |                       | 3,830,000.00         |                       | 4,271,100.00         |                       |
| Less Federal Reserve notes on hand.....      |                      |                       | 1,336,200.00         |                       | 1,241,765.00         |                       |
| <i>Federal Reserve notes—net.....</i>        |                      |                       |                      | <i>2,494,000.00</i>   |                      | <i>3,029,000.00</i>   |
| Due to other Federal Reserve Banks.....      |                      |                       | 8,534,871.56         |                       | 5,782,247.41         |                       |



|   |               |              |               |              |               |
|---|---------------|--------------|---------------|--------------|---------------|
| Less due from other Federal Reserve Banks.....      |               | 7,077,524.30 |               | 5,312,435.71 |               |
| <i>Due to other Federal Reserve Banks—net</i> ..... |               |              | 1,457,000.00  |              | 450,000.00    |
| <i>Total liabilities</i> .....                      | 61,744,000.00 |              | 35,134,000.00 |              | 25,365,000.00 |

|   | Chicago.       | St. Louis.     | Minneapolis.   |
|---|----------------|----------------|----------------|
| Capital.....  | \$6,683,550.00 | \$2,799,750.00 | \$2,608,900.00 |
| Capital—Suspense account.....                       |                |                | 800.00         |
| <i>Capital paid in</i> .....                        | \$6,684,000.00 | \$2,800,000.00 | \$2,609,000.00 |
| <i>Government deposits</i> .....                    | 2,045,784.95   | 2,614,398.56   | 886,437.51     |
| <i>Member bank deposits:</i>                        |                |                |                |
| Due to member banks.....                            | 95,357,431.94  | 30,893,631.02  | 29,477,242.00  |
| Expense checks.....                                 | 540.40         | 2,103.76       | 2,395.84       |
| Cashier's checks.....                               | 3,240.64       | 13,250.82      | 3,284.61       |
| Dividend checks.....                                | 27,884.09      |                |                |
| Deferred credits.....                               | 144.26         | 259.71         |                |
| Returned item checks.....                           | 771.32         | 76.33          |                |
| Total member bank deposits, gross.....              | 95,390,012.65  | 30,909,321.64  | 29,482,922.45  |
| <i>Less:</i>  |                |                |                |
| Due from member banks—overdrafts.....               | 1,723.57       | 15,595.22      | 2,972.41       |
| Due from banks and bankers.....                     | 369,491.68     | 71,067.46      | 540,005.56     |
| Exchanges for clearing house.....                   | 257,596.78     | 12,830.30      |                |
| Checks and other cash items.....                    |                | 2,390.91       | 265,172.30     |
| Deferred debits (transit account).....              | 4,064,961.81   | 3,065,478.15   | 2,641,779.34   |
| Total deductions.....                               | 4,693,773.84   | 3,167,362.04   | 3,449,929.61   |
| <i>Member bank deposits—net</i> .....               | 90,696,000.00  | 27,742,000.00  | 26,033,000.00  |
| Federal Reserve note liability.....                 |                | 4,347,000.00   |                |
| Less Federal Reserve notes on hand.....             |                | 431,445.00     |                |
| <i>Federal Reserve notes—net</i> .....              |                | 3,915,555.00   |                |
| Due to other Federal Reserve Banks.....             |                |                | 4,347,156.58   |
| Less due from other Federal Reserve Banks.....      |                |                | 3,598,997.07   |
| <i>Due to other Federal Reserve Banks—net</i> ..... |                |                | 748,000.00     |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column represent items as reported to the Board; figures in the second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|   | Chicago.               | St. Louis.             | Minneapolis.         |
|---|------------------------|------------------------|----------------------|
| <b>All other liabilities:</b>                   |                        |                        |                      |
| Discount earned on bills discounted.....        |                        |                        | \$39,343.46          |
| Discount earned on bills bought.....            |                        |                        | 40,675.75            |
| Interest earned on investments.....             |                        |                        | 16,397.39            |
| Interest earned on U. S. securities.....        |                        |                        | 40,998.46            |
| Transfer charges.....                           |                        |                        | 20,004.23            |
| Sundry profits.....                             |                        |                        | 1,165.72             |
| Discount on U. S. bonds.....                    |                        |                        | 22,534.74            |
| Unearned discount on bills discounted.....      |                        |                        | 11,218.41            |
| Unearned discount on bills bought.....          |                        |                        | 22,314.31            |
| Unearned interest on investments.....           |                        |                        | 2,737.76             |
| Profit and loss.....                            |                        |                        | 1,572.69             |
| Difference account.....                         |                        |                        | 3.97                 |
| Withheld for Federal income tax.....            |                        |                        | 176.25               |
| <b>Total, all other liabilities, gross.....</b> |                        |                        | <b>219,143.14</b>    |
| <b>Less:</b>                                    |                        |                        |                      |
| Premium on U. S. bonds.....                     |                        |                        | 36,347.85            |
| Interest accrued on U. S. bonds.....            |                        |                        | 15,607.73            |
| Expenses paid in advance.....                   |                        |                        | 1,250.00             |
| Cost of unissued Federal reserve notes.....     |                        |                        | 16,295.18            |
| Furniture and equipment.....                    |                        |                        | 59,274.19            |
| Expense—current.....                            |                        |                        | 57,896.56            |
| Nickels and cents.....                          |                        |                        | 5.47                 |
| <b>Total deductions.....</b>                    |                        |                        | <b>186,676.98</b>    |
| <b>All other liabilities—net.....</b>           |                        |                        | <b>\$32,000.00</b>   |
| <b>Total liabilities.....</b>                   | <b>\$99,426,000.00</b> | <b>\$37,072,000.00</b> | <b>80,308,000.00</b> |

|   | Kansas City.   |                | Dallas.        |                | San Francisco. |                | Total.          |                 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|
| Capital.....                            | \$3,073,950.00 |                | \$2,695,300.00 |                | \$3,929,300.00 |                | \$55,684,050.00 |                 |
| Capital—Suspense account.....           |                |                | 750.00         |                |                |                | 9,750.00        |                 |
| Capital paid in.....                    |                | \$3,074,000.00 |                | \$2,696,000.00 |                | \$3,929,000.00 |                 | \$55,684,000.00 |
| Government deposits.....                | 275,778.80     | \$76,000.00    | 1,493,691.05   | 1,494,000.00   | 3,643,138.44   | 3,643,000.00   | 27,662,405.68   | \$7,662,000.00  |
| Member bank deposits:                   |                |                |                |                |                |                |                 |                 |
| Due to member banks.....                | 44,191,246.07  |                | 25,689,773.42  |                | 37,852,375.89  |                | 739,623,194.41  |                 |
| Expense checks.....                     | 764.61         |                | 5,604.85       |                | 7,573.62       |                | 25,607.89       |                 |
| Cashier's checks.....                   | 1,373.07       |                | 18,777.55      |                | 176.05         |                | 300,126.40      |                 |
| Dividend checks.....                    |                |                |                |                | 31,408.50      |                | 59,292.59       |                 |
| Deferred credits.....                   |                |                | 2,292,403.39   |                |                |                | 21,680,117.95   |                 |
| Returned item checks.....               |                |                |                |                |                |                | 6,851.88        |                 |
| Uncollected deposits.....               |                |                |                |                |                |                | 18,552,984.84   |                 |
| Clearing-house settlement account.....  |                |                | 194,298.98     |                |                |                | 194,298.98      |                 |
| Total member bank deposits—gross.....   | 44,193,383.75  |                | 28,200,863.19  |                | 37,891,534.06  |                | 780,442,474.94  |                 |
| Less:                                   |                |                |                |                |                |                |                 |                 |
| Due from member banks—overdrafts.....   | 17,688.57      |                |                |                |                |                | 48,105.56       |                 |
| Due from banks and bankers.....         | 1,029,956.21   |                | 11,072.50      |                | 524,253.13     |                | 6,263,380.58    |                 |
| Exchanges for clearing house.....       | 10,899.57      |                | 8,732.00       |                | 491,698.67     |                | 8,298,822.72    |                 |
| Checks and other cash items.....        | 6,415.95       |                |                |                | 50.50          |                | 648,415.37      |                 |
| Deferred debits (transit account).....  | 4,602,501.65   |                | 4,974,723.95   |                | 1,968,912.44   |                | 69,818,232.68   |                 |
| Remittance account member banks.....    |                |                |                |                |                |                | 2,172,592.35    |                 |
| Uncollected items.....                  |                |                |                |                |                |                | 18,552,984.84   |                 |
| Suspense account nonmember returns..... |                |                | 47,299.28      |                |                |                | 47,299.28       |                 |
| Due from express companies.....         |                |                |                |                | 243,489.76     |                | 243,489.76      |                 |
| Transfer drafts purchased.....          |                |                |                |                | 2,550,000.00   |                | 2,550,000.00    |                 |
| Service charges accrued.....            |                |                |                |                |                |                | 5,986.07        |                 |
| Checks lost in transit.....             |                |                |                |                |                |                | 128.56          |                 |
| Total deductions.....                   | 5,667,461.95   |                | 5,041,827.73   |                | 5,778,404.50   |                | 108,649,437.77  |                 |

Statement showing condition of each Federal Reserve Bank and of the system on Dec. 30, 1916—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column represent items as reported to the Board; figures in the second column, printed in italics, indicate results of consolidation according to methods used in the compilation of the Board's weekly statement.]

|   | Kansas City.   |                        | Dallas.        |                        | San Francisco. |                        | Total.          |                         |
|---|----------------|------------------------|----------------|------------------------|----------------|------------------------|-----------------|-------------------------|
| <i>Member bank deposits—net</i> .....               |                | <i>\$38,526,000.00</i> |                | <i>\$23,159,000.00</i> |                | <i>\$32,113,000.00</i> |                 | <i>\$671,793,000.00</i> |
| Federal Reserve note liability.....                 | \$2,540,000 00 |                        | \$1,300,000.00 |                        |                |                        | \$17,588,100.00 |                         |
| Less Federal Reserve notes on hand.....             | 517,120.00     |                        | 106,750.00     |                        |                |                        | 3,804,420.00    |                         |
| <i>Federal Reserve notes—net</i> .....              |                | <i>2,023,000.00</i>    |                | <i>1,193,000.00</i>    |                |                        |                 | <i>13,784,000.00</i>    |
| Due to other Federal Reserve Banks.....             |                |                        | 3,832,625.73   |                        | \$2,970,511.49 |                        | 25,447,412.77   |                         |
| Less due from other Federal Reserve Banks.....      |                |                        | 2,540,190.22   |                        | 2,860,938.70   |                        | 21,390,086.00   |                         |
| <i>Due to other Federal Reserve Banks—net</i> ..... |                |                        |                | <i>1,292,000.00</i>    |                | <i>110,000.00</i>      |                 |                         |
| All other liabilities:                              |                |                        |                |                        |                |                        |                 |                         |
| Discount earned on bills discounted.....            |                |                        |                |                        |                |                        | 140,506.11      |                         |
| Discount earned on bills bought.....                |                |                        |                |                        |                |                        | 952,268.50      |                         |
| Interest earned on investments.....                 |                |                        |                |                        |                |                        | 341,418.51      |                         |
| Interest earned on U. S. securities.....            |                |                        |                |                        |                |                        | 221,430.26      |                         |
| Commissions earned.....                             |                |                        |                |                        |                |                        | 52,945.64       |                         |
| Transfer charges.....                               |                |                        |                |                        |                |                        | 20,892.06       |                         |
| Sundry profits.....                                 |                |                        |                |                        |                |                        | 118,795.24      |                         |
| Discount on U. S. bonds.....                        |                |                        |                |                        |                |                        | 39,144.10       |                         |
| Unearned discount on bills discounted.....          |                |                        |                |                        |                |                        | 31,705.32       |                         |
| Unearned discount on bills bought.....              |                |                        |                |                        |                |                        | 225,038.46      |                         |
| Unearned interest on investments.....               |                |                        |                |                        |                |                        | 13,667.27       |                         |
| Profit and loss.....                                |                |                        |                |                        |                |                        | 44,054.94       |                         |
| Difference account.....                             |                |                        |                |                        |                |                        | 3.97            |                         |
| Reserved for sundry expenses.....                   |                |                        |                |                        |                |                        | 8,852.42        |                         |
| Withheld for Federal income tax.....                |                |                        |                |                        |                |                        | 1,285.85        |                         |
| Total, all other liabilities, gross.....            |                |                        |                |                        |                |                        | 2,212,008.65    |                         |

|   |  |               |  |               |  |               |             |
|---|--|---------------|--|---------------|--|---------------|-------------|
| Less:                                       |  |               |  |               |  |               |             |
| Premium on U. S. bonds.....                 |  |               |  |               |  | 36,347.85     |             |
| Interest accrued on U. S. bonds.....        |  |               |  |               |  | 59,038.37     |             |
| Difference account.....                     |  |               |  |               |  | 1,530.94      |             |
| Expense—organization.....                   |  |               |  |               |  | 89,591.60     |             |
| Expenses paid in advance.....               |  |               |  |               |  | 9,988.29      |             |
| Cost of unissued Federal reserve notes..... |  |               |  |               |  | 308,832.25    |             |
| Furniture and equipment.....                |  |               |  |               |  | 158,478.27    |             |
| Disbursements, transit department.....      |  |               |  |               |  | 13,751.62     |             |
| Expense—current.....                        |  |               |  |               |  | 852,038.09    |             |
| Exchange paid.....                          |  |               |  |               |  | 70.55         |             |
| Profit and loss.....                        |  |               |  |               |  | 3,073.06      |             |
| Suspense-account disbursements.....         |  |               |  |               |  | 129,830.26    |             |
| Nickels and cents.....                      |  |               |  |               |  | 235.69        |             |
| Total deductions.....                       |  |               |  |               |  | 1,662,806.93  |             |
| All other liabilities—net.....              |  |               |  |               |  |               | 594,000.00  |
| Total liabilities.....                      |  | 43,899,000.00 |  | 29,834,000.00 |  | 33,795,000.00 | 769,482,000 |

# Exhibit D.—INVESTMENT OPERATIONS OF FEDERAL RESERVE BANKS.

*Commercial paper discounted by Federal Reserve Banks during each month in 1916, and totals for 1916 and 1915.*

PAPER MATURING WITHIN 10 DAYS.

[In thousands of dollars.]

| Federal Reserve Bank. | 1916          |                |        |         |         |         |         |         |                 |          |                |                | Total,<br>1916. | Total,<br>1915. | Per cent. |      |           |  |
|-----------------------|---------------|----------------|--------|---------|---------|---------|---------|---------|-----------------|----------|----------------|----------------|-----------------|-----------------|-----------|------|-----------|--|
|                       | Jan-<br>uary. | Feb-<br>ruary. | March. | April.  | May.    | June.   | July.   | August. | Septem-<br>ber. | October. | Novem-<br>ber. | Decem-<br>ber. |                 |                 |           |      | 1916 1915 |  |
|                       |               |                |        |         |         |         |         |         |                 |          |                |                |                 |                 |           |      |           |  |
| Boston.....           | 31.3          | 2.8            |        | 50.1    | 41.0    | 58.2    | 2,762.7 | 2,626.4 | 61.2            | 374.1    | 4,729.2        | 7,336.4        | 18,073.4        | 108.1           | 40.1      | 8.8  |           |  |
| New York.....         |               |                | 6.1    | 4.4     | 2.5     | 27.6    | 17.1    |         | 68.0            | 30.6     | .3             | 5,572.8        | 5,729.4         | 40.3            | 12.7      | 3.3  |           |  |
| Philadelphia.....     | 69.1          | 11.6           | 23.2   | 678.3   | 996.9   | 785.7   | 914.1   | 565.5   | 472.9           | 30.2     | 2,121.9        | 5,421.1        | 12,091.5        | 554.5           | 26.8      | 45.0 |           |  |
| Cleveland.....        | 12.1          |                | 2.1    | 132.0   | 7.0     |         | 189.0   | 7.5     | 293.8           | 8.3      | 2.5            | 1,633.8        | 2,288.1         | 14.5            | 5.1       | 1.2  |           |  |
| Richmond.....         | 20.0          | 30.4           | 7.2    | 196.1   | 92.2    | 8.8     | 19.0    | 26.2    | 215.0           | 89.2     | 21.0           | 2,098.6        | 2,823.7         | 89.5            | 6.3       | 7.3  |           |  |
| Atlanta.....          | 13.8          | 6.9            | 1.9    | 6.1     | 1.0     | .4      | 4.0     | 9.5     | 11.5            | 79.0     | 80.2           | 80.3           | 294.6           | 53.1            | .7        | 4.3  |           |  |
| Chicago.....          |               | 11.0           | 1.0    | 591.2   | 15.0    | 267.2   | 620.2   | 592.0   | 154.7           | 26.4     | 46.5           | 222.0          | 2,547.2         | 133.5           | 5.7       | 10.8 |           |  |
| St. Louis.....        | 42.7          |                |        |         | 94.2    |         | 110.6   | 41.4    | 12.0            | 1.8      | 79.8           | 508.3          | 890.8           | 84.0            | 2.0       | 6.6  |           |  |
| Minneapolis.....      | 18.3          |                |        |         | .7      | 1.9     | 6.6     | .4      |                 |          | 9.8            |                | 37.7            | 65.5            |           | 5.3  |           |  |
| Kansas City.....      | 56.1          | .7             | 4.1    | 13.7    |         | 46.5    |         |         | .2              |          |                | 50.1           | 171.4           | 85.4            | .4        | 6.9  |           |  |
| Dallas.....           |               |                |        | 5.0     |         | 10.0    | 1.5     | .5      |                 | 40.0     |                | 20.0           | 77.0            |                 | .2        |      |           |  |
| San Francisco.....    |               | .6             |        |         |         | 10.0    |         | 7.1     | 4.5             | 8.2      | 4.0            |                | 34.4            | 6.4             |           | .5   |           |  |
| Total, 1916..         | 263.4         | 64.0           | 45.6   | 1,676.9 | 1,250.5 | 1,216.3 | 4,644.8 | 3,877.5 | 1,293.8         | 687.8    | 7,095.2        | 22,943.4       | 45,059.2        |                 | 100.0     |      |           |  |
| Per cent.....         | .6            | .1             | .1     | 3.6     | 2.8     | 2.7     | 10.3    | 8.6     | 2.9             | 1.6      | 15.8           | 50.9           |                 | 100.0           |           |      |           |  |
| Total, 1915..         | (1)           | (1)            | (1)    | (1)     | (1)     | (1)     | 103.6   | 320.2   | 131.7           | 165.2    | 214.2          | 296.9          |                 | 1,231.8         |           |      |           |  |
| Per cent.....         |               |                |        |         |         |         | 8.4     | 26.0    | 10.7            | 13.4     | 17.4           | 24.1           |                 |                 | 100.0     |      |           |  |

PAPER MATURING AFTER 10 DAYS BUT WITHIN 30 DAYS.

|                    |         |         |         |         |         |         |         |         |         |         |         |          |          |          |       |       |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|-------|-------|
| Boston.....        | 36.6    | 88.7    | 163.0   | 352.6   | 72.9    | 373.3   | 2,165.0 | 1,690.2 | 181.0   | 51.6    | 1,879.5 | 7,216.5  | 14,268.9 | 803.8    | 20.4  | 3.2   |
| New York.....      | 37.5    | 12.6    | 10.5    | 37.5    | 30.8    | 119.6   | 97.4    | 91.2    | 300.3   | 456.7   | 368.8   | 11,131.7 | 12,694.6 | 2,385.5  | 18.1  | 9.4   |
| Philadelphia.....  | 67.5    | 45.1    | 87.7    | 50.1    | 457.9   | 50.2    | 382.3   | 142.4   | 37.9    | 236.8   | 1,273.6 | 6,125.3  | 8,956.8  | 2,219.6  | 12.8  | 8.8   |
| Cleveland.....     | 30.6    | 1.4     | 67.6    | 209.0   | 46.8    | 42.4    | 304.5   | 38.5    | 414.5   | 66.8    | 37.7    | 1,943.8  | 3,203.6  | 1,200.7  | 4.6   | 4.8   |
| Richmond.....      | 381.5   | 458.1   | 362.0   | 1,019.0 | 705.8   | 784.2   | 469.7   | 550.1   | 735.9   | 415.0   | 360.1   | 690.3    | 6,931.7  | 6,459.5  | 9.9   | 25.5  |
| Atlanta.....       | 255.1   | 193.8   | 171.9   | 232.4   | 229.9   | 156.8   | 114.8   | 118.6   | 357.6   | 1,126.9 | 473.0   | 1,054.2  | 4,485.0  | 3,185.6  | 6.4   | 12.6  |
| Chicago.....       | 412.7   | 45.2    | 49.4    | 537.9   | 62.3    | 316.0   | 2,117.7 | 930.3   | 1,214.1 | 224.3   | 1,291.7 | 5,081.8  | 12,283.4 | 1,451.4  | 17.5  | 5.7   |
| St. Louis.....     | 104.5   | 16.5    | 24.6    | 74.8    | 263.2   | 64.0    | 69.2    | 431.2   | 509.3   | 276.5   | 644.8   | 452.0    | 2,930.6  | 1,147.7  | 4.2   | 4.6   |
| Minneapolis.....   | 6.2     | 2.4     | .7      | 5.6     | 5.5     | 19.9    | 35.9    | 326.9   | 20.5    | 552.3   | 14.6    | 789.1    | 1,779.6  | 445.5    | 2.5   | 1.8   |
| Kansas City.....   | 360.2   | 25.7    | 101.6   | 35.0    | 35.6    | 84.8    | 36.7    | 24.1    | 13.1    | 16.6    | 40.0    | 36.6     | 810.0    | 2,278.0  | 1.2   | 9.0   |
| Dallas.....        | 160.3   | 127.3   | 77.7    | 122.6   | 37.9    | 39.2    | 147.8   | 99.5    | 258.9   | 246.9   | 11.3    | 75.0     | 1,404.4  | 2,132.0  | 2.0   | 8.4   |
| San Francisco..... | 2.7     | 25.5    | 39.8    | 10.5    | 20.9    | 4.9     | 59.2    | 19.1    | 5.7     | 34.2    | 7.0     | 15.8     | 245.3    | 1,568.1  | .4    | 6.2   |
| Total, 1916..      | 1,855.4 | 1,040.3 | 1,156.5 | 2,687.0 | 1,969.5 | 2,055.3 | 6,000.2 | 4,462.1 | 4,048.8 | 3,704.6 | 6,402.1 | 34,612.1 | 69,993.9 | .....    | ..... | ..... |
| Per cent.....      | 2.6     | 1.5     | 1.7     | 3.8     | 2.8     | 2.9     | 8.6     | 6.4     | 5.8     | 5.3     | 9.1     | 49.5     | .....    | .....    | 100.0 | ..... |
| Total, 1915..      | 4,109.3 | 2,957.5 | 1,798.6 | 1,239.0 | 1,631.5 | 1,810.3 | 1,612.3 | 1,380.1 | 1,698.2 | 1,995.2 | 2,516.6 | 2,528.8  | .....    | 25,277.4 | ..... | ..... |
| Per cent.....      | 16.2    | 11.7    | 7.1     | 4.9     | 6.5     | 7.2     | 6.4     | 5.5     | 6.7     | 7.9     | 9.9     | 10.0     | .....    | .....    | ..... | 100.0 |

<sup>1</sup> Included in 30-day paper.

PAPER MATURING AFTER 30 DAYS BUT WITHIN 60 DAYS.

[In thousands of dollars.]

| Federal Reserve Bank. | 1916     |           |         |         |         |         |         |         |            |          |           |           | Total, 1916. | Total, 1915. | Per cent. |       |
|-----------------------|----------|-----------|---------|---------|---------|---------|---------|---------|------------|----------|-----------|-----------|--------------|--------------|-----------|-------|
|                       | January. | February. | March.  | April.  | May.    | June.   | July.   | August. | September. | October. | November. | December. |              |              | 1916      | 1915  |
| Boston.....           | 41.5     | 20.1      | 17.4    | 10.0    | 26.3    | 23.2    | 61.0    | 125.0   | 522.1      | 7.2      | 45.8      | 121.3     | 1,020.9      | 728.2        | 3.0       | 1.3   |
| New York.....         | 34.5     | 50.6      | 112.4   | 65.4    | 59.0    | 115.9   | 50.9    | 137.5   | 60.7       | 517.7    | 101.3     | 519.6     | 1,825.5      | 1,171.2      | 5.3       | 2.0   |
| Philadelphia.....     | 47.1     | 29.9      | 44.2    | 94.9    | 70.3    | 47.7    | 64.5    | 12.2    | 9.6        | 24.2     | 9.2       | 316.5     | 770.3        | 1,405.9      | 2.2       | 2.4   |
| Cleveland.....        | 54.3     | 12.9      | 152.3   | 53.2    | 103.9   | 47.3    | 22.2    | 53.0    | 142.8      | 49.9     | 25.0      | 61.3      | 778.1        | 1,972.6      | 2.3       | 3.4   |
| Richmond.....         | 1,380.0  | 1,187.0   | 1,131.6 | 888.0   | 909.2   | 747.8   | 1,043.7 | 954.5   | 800.0      | 371.3    | 408.4     | 506.2     | 10,327.7     | 18,703.7     | 30.0      | 32.3  |
| Atlanta.....          | 660.7    | 642.9     | 777.5   | 490.2   | 573.3   | 280.3   | 440.9   | 706.5   | 739.2      | 1,044.3  | 257.7     | 377.1     | 6,990.6      | 13,097.0     | 20.3      | 22.6  |
| Chicago.....          | 234.3    | 104.8     | 213.2   | 244.4   | 257.2   | 310.9   | 243.3   | 186.0   | 277.4      | 365.5    | 328.1     | 152.5     | 2,917.6      | 2,667.0      | 8.5       | 4.6   |
| St. Louis.....        | 164.5    | 84.1      | 67.6    | 50.7    | 93.3    | 79.0    | 110.6   | 96.4    | 548.1      | 358.4    | 188.1     | 167.7     | 2,008.5      | 2,228.4      | 5.8       | 3.0   |
| Minneapolis.....      | 14.7     | 11.9      | 21.2    | 22.5    | 53.5    | 42.7    | 178.7   | 214.6   | 82.6       | 545.0    | 101.9     | 441.3     | 1,730.6      | 1,445.0      | 5.0       | 2.5   |
| Kansas City.....      | 325.2    | 102.8     | 203.9   | 82.6    | 133.4   | 185.5   | 140.4   | 106.4   | 77.3       | 44.3     | 55.9      | 7.5       | 1,465.2      | 3,930.5      | 4.3       | 6.8   |
| Dallas.....           | 352.3    | 284.5     | 386.9   | 345.1   | 292.0   | 435.3   | 339.4   | 801.1   | 608.1      | 152.5    | 23.1      | 56.8      | 4,077.1      | 8,652.7      | 11.8      | 15.0  |
| San Francisco.....    | 50.1     | 26.9      | 48.5    | 26.2    | 51.9    | 62.0    | 51.9    | 54.1    | 30.5       | 12.3     | 81.6      | 14.8      | 510.8        | 1,835.2      | 1.5       | 3.2   |
| Total, 1916..         | 3,359.2  | 2,558.4   | 3,176.7 | 2,373.2 | 2,623.3 | 2,377.6 | 2,747.5 | 3,447.3 | 3,898.4    | 3,492.6  | 1,626.1   | 2,742.6   | 34,422.9     | .....        | 100.0     | ..... |
| Per cent.....         | 9.8      | 7.4       | 9.2     | 6.9     | 7.6     | 6.9     | 8.0     | 10.0    | 11.3       | 10.2     | 4.7       | 8.0       | .....        | .....        | .....     | ..... |
| Total, 1915..         | 3,627.0  | 5,421.7   | 5,257.4 | 3,500.9 | 3,800.8 | 3,905.3 | 4,512.4 | 4,990.9 | 6,180.0    | 5,327.4  | 6,242.0   | 5,071.6   | .....        | 57,837.4     | .....     | ..... |
| Per cent.....         | 6.3      | 9.4       | 9.1     | 6.0     | 6.6     | 6.7     | 7.8     | 8.6     | 10.7       | 9.2      | 10.8      | 8.8       | .....        | .....        | .....     | 100.0 |



PAPER MATURING AFTER 60 DAYS BUT WITHIN 90 DAYS.

|                    |         |         |         |         |         |         |         |         |         |         |         |         |          |          |       |       |
|--------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|-------|-------|
| Boston.....        | 19.9    | 4.9     | 32.9    | 7.1     | 17.7    | 12.1    | 12.2    | 23.7    | 71.3    | 7.1     | 211.1   | 135.9   | 555.9    | 421.6    | 1.3   | 0.8   |
| New York.....      | 53.2    | 35.1    | 175.1   | 42.7    | 95.6    | 81.8    | 70.1    | 358.1   | 128.9   | 28.9    | 240.2   | 753.9   | 2,063.6  | 1,211.7  | 5.0   | 2.1   |
| Philadelphia.....  | 54.6    | 18.9    | 52.4    | 94.4    | 58.5    | 55.5    | 17.2    | 14.6    | 25.8    | 16.1    | 10.3    | 48.5    | 466.8    | 918.7    | 1.2   | 1.6   |
| Cleveland.....     | 29.6    | 11.8    | 40.1    | 9.4     | 25.2    | 33.4    | 16.7    | 67.5    | 27.8    | 66.8    | 34.5    | 13.2    | 376.0    | 1,035.0  | .9    | 1.8   |
| Richmond.....      | 1,555.3 | 1,270.2 | 1,665.5 | 1,060.0 | 1,098.5 | 1,104.9 | 1,585.2 | 1,284.0 | 735.1   | 786.1   | 462.2   | 553.7   | 13,160.7 | 17,728.6 | 31.6  | 30.9  |
| Atlanta.....       | 865.8   | 688.2   | 712.0   | 719.4   | 686.1   | 495.4   | 809.4   | 867.5   | 1,289.5 | 746.1   | 496.6   | 1,044.9 | 9,420.9  | 14,464.0 | 22.7  | 25.2  |
| Chicago.....       | 155.3   | 91.9    | 142.1   | 210.1   | 146.3   | 237.9   | 203.2   | 250.0   | 338.8   | 386.1   | 149.3   | 169.5   | 2,480.5  | 2,507.0  | 6.0   | 4.4   |
| St. Louis.....     | 227.8   | 77.7    | 99.8    | 73.9    | 121.7   | 89.1    | 217.5   | 192.1   | 607.1   | 672.6   | 93.2    | 101.0   | 2,573.5  | 2,253.2  | 6.2   | 3.9   |
| Minneapolis.....   | 40.2    | 36.1    | 18.3    | 12.1    | 20.1    | 62.2    | 170.4   | 169.2   | 110.7   | 92.8    | 55.4    | 85.0    | 872.5    | 1,283.9  | 2.0   | 2.2   |
| Kansas City.....   | 388.9   | 139.5   | 218.1   | 125.4   | 144.4   | 191.7   | 513.8   | 113.0   | 171.0   | 69.5    | 43.0    | 19.2    | 2,137.5  | 2,896.0  | 5.1   | 5.1   |
| Dallas.....        | 677.0   | 561.5   | 537.9   | 611.3   | 519.5   | 629.1   | 1,212.1 | 1,117.9 | 572.3   | 204.9   | 13.7    | 32.8    | 6,690.0  | 9,519.5  | 16.1  | 16.6  |
| San Francisco..... | 54.0    | 60.0    | 111.3   | 51.3    | 27.7    | 91.3    | 138.0   | 64.1    | 29.1    | 49.4    | 86.4    | 16.1    | 778.7    | 3,083.2  | 1.9   | 5.4   |
| Total, 1916..      | 4,121.6 | 2,995.8 | 3,805.5 | 3,017.1 | 2,961.3 | 3,084.4 | 4,965.8 | 4,521.7 | 4,107.4 | 3,126.4 | 1,895.9 | 2,973.7 | 41,576.6 | .....    | ..... | ..... |
| Per cent.....      | 9.9     | 7.2     | 9.2     | 7.2     | 7.1     | 7.4     | 11.9    | 10.9    | 9.9     | 7.5     | 4.6     | 7.2     | .....    | .....    | 100.0 | ..... |
| Total, 1915..      | 2,365.1 | 3,265.9 | 5,162.9 | 4,166.4 | 4,331.1 | 5,187.2 | 5,294.3 | 4,520.1 | 5,306.5 | 5,671.0 | 8,791.2 | 5,260.7 | .....    | 57,322.4 | ..... | ..... |
| Per cent.....      | 4.1     | 5.7     | 9.0     | 7.3     | 7.6     | 9.0     | 9.2     | 7.9     | 9.3     | 9.9     | 11.8    | 9.2     | .....    | .....    | ..... | 100.0 |

AGRICULTURAL AND LIVE-STOCK PAPER MATURING AFTER 90 DAYS.

[In thousands of dollars.]

| Federal Reserve Bank. | 1916     |           |         |         |         |         |         |         |            |          |           |           | Total, 1916. | Total, 1915. | Per cent. |       |
|-----------------------|----------|-----------|---------|---------|---------|---------|---------|---------|------------|----------|-----------|-----------|--------------|--------------|-----------|-------|
|                       | January. | February. | March.  | April.  | May.    | June.   | July.   | August. | September. | October. | November. | December. |              |              | 1916      | 1915  |
| Boston.....           | 1.8      |           |         |         |         |         | 0.3     | 0.7     |            |          |           |           | 2.8          | 25.0         |           | 0.1   |
| New York.....         | .4       |           | 0.5     |         | 3.4     | 3.5     |         |         | 2.7        | 1.2      | 4.7       |           | 16.4         | 10.9         | 0.1       |       |
| Philadelphia.....     | 4.5      | 3.7       | 4.5     | 5.0     | 6.5     | 6.6     | 2.0     | 3.8     | .1         |          |           | 6.3       | 43.0         | 38.4         | .3        | .2    |
| Cleveland.....        | 1.3      | 7.8       | 6.7     | 3.8     | 57.7    | 33.9    | 2.4     | 6.2     | 1.1        | 17.8     | 6.3       | 1.6       | 146.6        | 303.2        | .9        | 1.6   |
| Richmond.....         | 80.3     | 29.3      | 74.6    | 167.9   | 181.4   | 186.6   | 116.7   | 64.7    | 7.6        | 9.7      | 211.4     | 3.2       | 1,133.4      | 1,910.1      | 6.7       | 9.7   |
| Atlanta.....          | 148.6    | 68.1      | 40.8    | 105.6   | 248.3   | 232.6   | 147.0   | 50.4    | 23.1       | 26.7     | 31.3      | 9.6       | 1,132.1      | 3,409.6      | 6.7       | 17.3  |
| Chicago.....          | 171.2    | 85.8      | 212.3   | 224.9   | 288.3   | 432.3   | 236.7   | 266.4   | 333.9      | 395.7    | 220.8     | 81.1      | 2,949.4      | 2,479.8      | 17.6      | 12.5  |
| St. Louis.....        | 44.3     | 23.2      | 42.1    | 41.2    | 49.2    | 91.1    | 40.3    | 20.8    | 47.2       | 7.8      | 6.9       | 25.2      | 439.3        | 607.3        | 2.6       | 3.1   |
| Minneapolis.....      | 109.6    | 46.2      | 71.2    | 81.7    | 247.3   | 353.6   | 341.6   | 159.8   | 129.1      | 117.3    | 219.6     | 176.1     | 2,053.1      | 1,966.6      | 12.2      | 10.0  |
| Kansas City.....      | 234.2    | 189.8     | 268.2   | 307.4   | 314.0   | 316.2   | 128.6   | 113.0   | 132.3      | 123.1    | 72.4      | 34.4      | 2,233.6      | 1,685.6      | 13.3      | 8.7   |
| Dallas.....           | 655.9    | 517.8     | 443.0   | 792.2   | 938.6   | 1,162.1 | 781.1   | 352.4   | 268.3      | 139.0    | 108.7     | 104.9     | 6,264.0      | 6,452.7      | 37.2      | 32.8  |
| San Francisco.....    | 63.3     | 34.4      | 39.1    | 37.6    | 56.2    | 107.9   | 28.0    | 5.0     | 15.0       | 13.2     | 2.7       | 1.8       | 404.2        | 794.8        | 2.4       | 4.0   |
| Total, 1916..         | 1,515.4  | 1,006.1   | 1,203.0 | 1,767.3 | 2,390.9 | 2,926.4 | 1,824.7 | 1,043.2 | 960.4      | 851.5    | 884.8     | 444.2     | 16,817.9     |              |           |       |
| Per cent.....         | 9.0      | 6.0       | 7.2     | 10.5    | 14.2    | 17.4    | 10.8    | 6.2     | 5.7        | 5.1      | 5.3       | 2.6       |              |              | 100.0     |       |
| Total, 1915..         | 611.4    | 885.2     | 1,180.8 | 1,643.0 | 2,382.3 | 2,503.2 | 1,715.4 | 1,022.4 | 1,088.6    | 1,892.0  | 2,505.7   | 2,254.0   |              | 19,684.0     |           |       |
| Per cent.....         | 3.1      | 4.5       | 6.0     | 8.4     | 12.1    | 12.7    | 8.7     | 5.2     | 5.5        | 9.6      | 12.7      | 11.5      |              |              |           | 100.0 |

Commercial paper discounted by Federal Reserve Banks during each month in 1916 and totals for 1916 and 1915.

[In thousands of dollars.]

|                     | January. | February. | March.   | April.   | May.     | June.    | July.    | August.  | Septem-ber. | October. | Novem-ber. | Decem-ber. | 1916      |           | 1915      |           |
|---------------------|----------|-----------|----------|----------|----------|----------|----------|----------|-------------|----------|------------|------------|-----------|-----------|-----------|-----------|
|                     |          |           |          |          |          |          |          |          |             |          |            |            | Total.    | Per cent. | Total.    | Per cent. |
| Boston.....         | 131.1    | 114.5     | 213.3    | 419.8    | 157.9    | 466.8    | 5,001.2  | 4,466.0  | 835.6       | 440.0    | 6,865.6    | 14,810.1   | 33,921.9  | 16.3      | 2,086.7   | 1.3       |
| New York.....       | 125.6    | 98.3      | 304.6    | 150.0    | 191.3    | 348.4    | 235.5    | 586.8    | 560.6       | 1,035.1  | 715.3      | 17,978.0   | 22,329.5  | 10.7      | 4,819.6   | 3.0       |
| Philadelphia.....   | 242.8    | 109.2     | 212.0    | 922.7    | 1,590.1  | 945.7    | 1,380.1  | 739.5    | 546.3       | 307.3    | 3,415.0    | 11,917.7   | 22,328.4  | 10.7      | 5,137.1   | 3.2       |
| Cleveland.....      | 127.9    | 33.9      | 268.8    | 407.4    | 240.6    | 157.0    | 534.8    | 172.7    | 880.0       | 209.6    | 106.0      | 3,653.7    | 6,792.4   | 3.3       | 4,526.0   | 2.8       |
| Richmond.....       | 3,417.1  | 2,975.0   | 3,240.9  | 3,331.0  | 2,987.1  | 2,832.3  | 3,234.3  | 2,879.5  | 2,493.6     | 1,671.3  | 1,463.1    | 3,852.0    | 34,377.2  | 16.5      | 44,891.4  | 27.8      |
| Atlanta.....        | 1,944.0  | 1,599.9   | 1,704.1  | 1,553.7  | 1,738.6  | 1,165.5  | 1,516.1  | 1,752.5  | 2,420.9     | 3,023.0  | 1,338.8    | 2,566.1    | 22,323.2  | 10.7      | 34,209.3  | 21.2      |
| Chicago.....        | 973.5    | 338.7     | 618.0    | 1,808.5  | 769.1    | 1,564.3  | 3,421.1  | 2,224.7  | 2,318.9     | 1,398.0  | 2,036.4    | 5,706.9    | 23,178.1  | 11.2      | 9,238.7   | 5.7       |
| St. Louis.....      | 583.8    | 201.5     | 234.1    | 240.6    | 621.6    | 323.2    | 548.2    | 781.9    | 1,723.7     | 1,317.1  | 1,012.8    | 1,254.2    | 8,842.7   | 4.3       | 6,317.6   | 3.9       |
| Minneapolis.....    | 189.0    | 96.6      | 111.4    | 121.9    | 327.1    | 480.3    | 733.2    | 870.9    | 342.9       | 1,307.4  | 401.3      | 1,491.5    | 6,473.5   | 3.1       | 5,206.5   | 3.2       |
| Kansas City.....    | 1,364.6  | 458.5     | 795.9    | 564.1    | 627.4    | 824.7    | 819.5    | 356.5    | 393.9       | 253.5    | 211.3      | 147.8      | 6,817.7   | 3.3       | 10,875.5  | 6.8       |
| Dallas.....         | 1,845.5  | 1,491.1   | 1,445.5  | 1,876.2  | 1,788.0  | 2,275.7  | 2,481.9  | 2,371.4  | 1,707.6     | 783.3    | 156.8      | 289.5      | 18,512.5  | 8.9       | 26,756.9  | 16.6      |
| San Francisco.....  | 170.1    | 147.4     | 238.7    | 125.6    | 156.7    | 276.1    | 277.1    | 149.4    | 84.8        | 117.3    | 181.7      | 48.5       | 1,973.4   | 1.0       | 7,287.7   | 4.5       |
| Total, 1916....     | 11,115.0 | 7,604.6   | 9,387.3  | 11,521.5 | 11,195.5 | 11,660.0 | 20,183.0 | 17,351.8 | 14,308.8    | 11,862.9 | 17,904.1   | 63,716.0   | 207,870.5 | .....     | .....     | .....     |
| Per cent.....       | 5.4      | 3.7       | 4.5      | 5.5      | 5.4      | 5.6      | 9.7      | 8.3      | 6.9         | 5.7      | 8.6        | 30.7       | .....     | 100.0     | .....     | .....     |
| Total, 1915....     | 10,712.8 | 12,530.3  | 13,399.7 | 10,549.3 | 12,145.7 | 13,406.0 | 13,238.0 | 12,233.7 | 14,405.0    | 15,050.8 | 18,269.7   | 15,412.0   | .....     | .....     | 161,353.0 | .....     |
| Per cent, 1915..... | 6.7      | 7.8       | 8.3      | 6.5      | 7.5      | 8.3      | 8.2      | 7.6      | 8.9         | 9.3      | 11.3       | 9.6        | .....     | .....     | .....     | 100.0     |

Member banks' collateral notes discounted by Federal Reserve Banks from September 11, date when first special rate became effective, to Dec. 31, 1916.

|                   | September. | October.  | November. | December.   | Total.      |                    | September. | October.  | November. | December.  | Total.      |
|-------------------|------------|-----------|-----------|-------------|-------------|--------------------|------------|-----------|-----------|------------|-------------|
| Boston.....       | 150,000    | \$314,502 | \$340,000 | \$1,227,111 | \$2,031,613 | St. Louis.....     | \$200,000  |           | \$435,000 | \$667,500  | \$1,302,500 |
| New York.....     |            | 124,900   | 330,000   | 7,484,500   | 7,939,400   | Minneapolis.....   |            | \$500,000 | 12,795    | 543,200    | 1,055,995   |
| Philadelphia..... | \$25,000   | 220,000   | 3,032,500 | 10,366,768  | 13,644,268  | Kansas City.....   |            |           | 30,000    | 85,821     | 115,821     |
| Cleveland.....    | 350,000    | 20,000    | 15,000    | 2,006,000   | 2,385,000   | Dallas.....        | 85,000     | 135,000   | 10,000    | 57,500     | 287,500     |
| Richmond.....     | 460,000    | 208,000   | 180,000   | 2,427,500   | 3,275,500   | San Francisco..... |            |           |           |            |             |
| Atlanta.....      | 140,850    | 461,500   | 120,000   | 790,000     | 1,512,350   | Total.....         | 1,410,850  | 2,076,302 | 5,587,895 | 32,269,900 | 38,967,447  |
| Chicago.....      |            | 92,400    | 1,082,600 | 4,242,500   | 5,417,500   |                    |            |           |           |            |             |

Trade acceptances discounted by Federal Reserve Banks during each month in 1916 and totals for 1916 and 1915.

[In thousands of dollars.]

| Federal Reserve Bank. | January. | Febru-<br>ary. | March. | April. | May.  | June. | July. | August. | Septem-<br>ber. | October. | Novem-<br>ber. | Decem-<br>ber. | Total.  | Total,<br>1915. |
|-----------------------|----------|----------------|--------|--------|-------|-------|-------|---------|-----------------|----------|----------------|----------------|---------|-----------------|
| Boston.....           |          |                |        |        |       |       |       | 28.5    | 7.1             | 14.3     | 265.4          | 113.9          | 429.2   | .....           |
| New York.....         |          |                | 5.6    |        |       |       |       |         |                 |          | 161.0          |                | 166.6   | 5.7             |
| Philadelphia.....     |          |                |        | 3.7    | 33.9  | 7.3   | 17.6  | 2.3     |                 | .8       | 1.0            | 8.2            | 74.8    | .....           |
| Cleveland.....        |          | 0.7            | 49.6   | 7.4    | 10.8  | 49.5  | 13.9  | 2.0     | 6.3             | 29.9     | 3.7            | 1.4            | 175.2   | 4.9             |
| Richmond.....         | 137.3    | 135.8          | 144.9  | 97.6   | 126.9 | 89.6  | 89.8  | 29.1    | 136.4           | 147.0    | 155.0          | 219.8          | 1,509.2 | 450.5           |
| Atlanta.....          | 202.0    | 95.5           | 54.0   | 43.7   | 91.7  | 46.9  | 20.5  | 87.7    | 89.3            | 37.7     | 179.0          | 643.0          | 1,591.0 | 1,007.1         |
| Chicago.....          | 8.2      |                |        |        |       |       |       | 15.0    | 10.2            | 31.7     | 23.7           | 16.4           | 105.2   | .....           |
| St. Louis.....        | 32.6     | 3.5            | 33.2   | 43.6   | 27.6  | 38.5  | 17.2  | 55.8    | 189.1           | 75.5     | 50.4           | 59.2           | 626.2   | 167.8           |
| Minneapolis.....      |          |                |        |        | .6    |       |       |         |                 |          |                | 41.1           | 41.7    | .....           |
| Kansas City.....      | 47.3     |                | 2.3    | 30.4   |       | 40.4  |       |         | 70.5            |          |                |                | 190.9   | 87.8            |
| Dallas.....           | 11.7     | 10.6           | 9.1    | 13.6   | 6.8   | 3.5   | 13.2  | 25.0    | 84.6            | 70.8     |                |                | 248.9   | 160.8           |
| San Francisco.....    | 5.3      |                |        |        |       |       | 26.8  |         |                 | 7.2      | 14.1           |                | 53.4    | 74.2            |
| Total, 1916.....      | 444.4    | 246.1          | 298.7  | 240.0  | 298.3 | 275.7 | 199.0 | 245.4   | 593.5           | 414.9    | 853.3          | 1,103.0        | 5,212.3 | .....           |
| Total, 1915.....      |          |                |        |        |       |       |       |         | 319.5           | 629.1    | 496.2          | 514.0          | .....   | 1,958.8         |

Commodity paper discounted by Federal Reserve Banks during each month in 1916 and totals for 1916 and 1915.

[In thousands of dollars.]

75284°-17-7

| Federal Reserve Bank. | January. | February. | March.  | April.  | May.  | June. | July.   | August. | September. | October. | November. | December. | Total, 1916. | Total, 1915. |
|-----------------------|----------|-----------|---------|---------|-------|-------|---------|---------|------------|----------|-----------|-----------|--------------|--------------|
| Richmond.....         | 1,010.6  | 1,092.2   | 802.5   | 805.7   | 571.8 | 499.1 | 353.6   | 427.0   | 512.7      | 370.2    | 343.2     | 237.2     | 7,025.8      | 2,881.4      |
| Atlanta.....          | 745.8    | 622.7     | 853.8   | 541.7   | 305.7 | 207.1 | 782.4   | 73.1    | 374.6      | 1,560.6  | 539.4     | 393.5     | 7,500.4      | 7,032.3      |
| St. Louis.....        |          |           |         |         |       |       |         |         | 246.5      | 972.5    | 129.0     | 186.0     | 1,534.0      | 99.8         |
| Minneapolis.....      | 1.3      | 9.1       | .9      | 2.0     | 5.5   | 1.0   |         |         |            |          |           |           | 19.8         | 25.3         |
| Kansas City.....      |          |           |         |         |       |       | 360.0   |         |            |          |           |           | 360.0        |              |
| Dallas.....           | 81.9     | 57.6      | 55.0    | 21.3    | 4.4   | 2.5   | 2.5     |         |            |          |           |           | 225.2        | 239.0        |
| San Francisco.....    | 24.0     | 13.1      | 6.8     |         | 12.0  | 2.3   | 26.7    | 7.4     | 2.5        | 17.8     | 35.4      |           | 148.0        | 37.2         |
| Total, 1916.....      | 1,863.6  | 1,794.7   | 1,719.0 | 1,370.7 | 899.4 | 712.0 | 1,525.2 | 507.5   | 1,636.3    | 2,921.1  | 1,047.0   | 816.7     | 16,813.2     |              |
| Total, 1915.....      |          |           |         |         |       |       |         |         | 905.6      | 2,094.8  | 4,375.2   | 2,939.4   |              | 10,315.0     |

Commercial paper, including member banks' collateral notes, discounted by each Federal Reserve Bank during the calendar year 1916, distributed by sizes.

[In thousands of dollars.]

|                    | To \$100.         |         | Over \$100 to \$250. |         | Over \$250 to \$500. |         | Over \$500 to \$1,000. |          | Over \$1,000 to \$2,500. |          | Over \$2,500 to \$5,000. |          | Over \$5,000 to \$10,000. |          | Over \$10,000.    |          | Total.            |           | Per cent.         |         |
|--------------------|-------------------|---------|----------------------|---------|----------------------|---------|------------------------|----------|--------------------------|----------|--------------------------|----------|---------------------------|----------|-------------------|----------|-------------------|-----------|-------------------|---------|
|                    | Number of pieces. | Amount. | Number of pieces.    | Amount. | Number of pieces.    | Amount. | Number of pieces.      | Amount.  | Number of pieces.        | Amount.  | Number of pieces.        | Amount.  | Number of pieces.         | Amount.  | Number of pieces. | Amount.  | Number of pieces. | Amount.   | Number of pieces. | Amount. |
| Boston.....        | 34                | 3.1     | 155                  | 27.5    | 183                  | 75.8    | 153                    | 130.6    | 170                      | 309.9    | 704                      | 3,413.7  | 381                       | 3,670.7  | 511               | 26,290.6 | 2,291             | 33,921.9  | 3.0               | 16.3    |
| New York.....      | 94                | 6.5     | 293                  | 54.1    | 402                  | 152.1   | 363                    | 267.4    | 475                      | 813.5    | 521                      | 2,320.0  | 171                       | 1,644.9  | 183               | 17,071.0 | 2,502             | 22,329.5  | 3.3               | 10.7    |
| Philadelphia.....  | 266               | 12.8    | 435                  | 73.6    | 448                  | 172.8   | 463                    | 371.2    | 688                      | 1,285.3  | 697                      | 3,030.6  | 210                       | 1,843.7  | 118               | 15,538.4 | 3,325             | 22,328.4  | 4.4               | 10.7    |
| Cleveland.....     | 56                | 4.5     | 192                  | 31.1    | 209                  | 80.3    | 219                    | 159.9    | 429                      | 819.9    | 149                      | 590.1    | 73                        | 614.6    | 74                | 4,492.0  | 1,401             | 6,792.4   | 1.8               | 3.3     |
| Richmond.....      | 1,296             | 92.1    | 3,109                | 599.1   | 4,534                | 1,827.4 | 4,440                  | 3,497.6  | 4,009                    | 7,087.8  | 2,375                    | 9,428.5  | 705                       | 5,181.2  | 225               | 6,663.5  | 20,753            | 34,377.2  | 27.2              | 16.5    |
| Atlanta.....       | 1,202             | 90.2    | 2,292                | 388.0   | 2,022                | 787.8   | 1,955                  | 1,547.4  | 2,020                    | 3,441.7  | 1,369                    | 5,452.5  | 487                       | 3,602.0  | 241               | 7,013.6  | 11,588            | 22,323.2  | 15.2              | 10.7    |
| Chicago.....       | 250               | 21.1    | 786                  | 145.2   | 1,487                | 607.8   | 1,998                  | 1,602.5  | 2,182                    | 3,655.4  | 1,139                    | 4,686.9  | 297                       | 2,618.6  | 154               | 9,840.6  | 8,293             | 23,178.1  | 10.9              | 11.2    |
| St. Louis.....     | 59                | 4.6     | 345                  | 61.0    | 608                  | 230.4   | 613                    | 463.1    | 692                      | 1,106.9  | 454                      | 1,850.2  | 275                       | 2,096.5  | 87                | 2,970.0  | 3,133             | 8,842.7   | 4.1               | 4.3     |
| Minneapolis.....   | 14                | 1.1     | 276                  | 48.9    | 519                  | 193.8   | 859                    | 600.7    | 1,039                    | 1,571.6  | 348                      | 1,238.8  | 113                       | 808.4    | 33                | 2,010.2  | 3,201             | 6,473.5   | 4.2               | 3.1     |
| Kansas City.....   | 297               | 24.5    | 911                  | 157.8   | 1,353                | 502.6   | 1,276                  | 913.0    | 1,120                    | 1,759.5  | 393                      | 1,379.2  | 138                       | 922.4    | 42                | 1,158.7  | 5,530             | 6,817.7   | 7.2               | 3.3     |
| Dallas.....        | 819               | 60.2    | 3,184                | 531.5   | 2,601                | 972.0   | 2,301                  | 1,664.4  | 2,206                    | 3,706.4  | 1,308                    | 4,815.4  | 481                       | 3,325.9  | 185               | 3,436.7  | 13,145            | 18,512.5  | 17.2              | 8.9     |
| San Francisco..... | 20                | 1.9     | 110                  | 19.6    | 185                  | 68.0    | 267                    | 173.7    | 310                      | 502.5    | 151                      | 550.3    | 60                        | 422.0    | 18                | 235.4    | 1,121             | 1,973.4   | 1.5               | 1.0     |
| Total.....         | 4,407             | 322.6   | 12,088               | 2,137.4 | 14,551               | 5,670.8 | 14,907                 | 11,391.5 | 15,460                   | 26,120.4 | 9,608                    | 38,756.2 | 3,391                     | 26,750.9 | 1,871             | 96,720.7 | 76,283            | 207,870.5 | 100.0             | 100.0   |

*Number of member banks, by districts, accommodated through the discount of commercial paper during each month in 1916.*

| Federal Reserve Bank.                             | January. | February. | March. | April. | May.  | June. | July. | August. | September. | October. | November. | December. | Total, 1916. | Total, 1915. |
|---|----------|-----------|--------|--------|-------|-------|-------|---------|------------|----------|-----------|-----------|--------------|--------------|
| Boston.....                                       | 8        | 6         | 9      | 9      | 7     | 9     | 13    | 10      | 6          | 8        | 19        | 35        | 56           | 19           |
| New York.....                                     | 11       | 7         | 14     | 10     | 17    | 22    | 12    | 10      | 9          | 11       | 11        | 23        | 62           | 49           |
| Philadelphia.....                                 | 20       | 10        | 13     | 16     | 15    | 13    | 11    | 6       | 8          | 9        | 12        | 28        | 143          | 65           |
| Cleveland.....                                    | 12       | 6         | 13     | 14     | 24    | 15    | 9     | 12      | 12         | 14       | 12        | 9         | 50           | 81           |
| Richmond.....                                     | 118      | 107       | 116    | 106    | 115   | 109   | 111   | 101     | 75         | 62       | 41        | 41        | 202          | 226          |
| Atlanta.....                                      | 97       | 79        | 80     | 85     | 90    | 82    | 99    | 126     | 71         | 68       | 55        | 54        | 209          | 247          |
| Chicago.....                                      | 55       | 33        | 56     | 74     | 73    | 80    | 72    | 69      | 85         | 92       | 84        | 43        | 212          | 143          |
| St. Louis.....                                    | 41       | 22        | 30     | 32     | 40    | 40    | 39    | 37      | 37         | 28       | 25        | 19        | 114          | 129          |
| Minneapolis.....                                  | 44       | 19        | 18     | 25     | 58    | 64    | 56    | 47      | 41         | 30       | 38        | 31        | 174          | 176          |
| Kansas City.....                                  | 74       | 37        | 69     | 94     | 60    | 73    | 52    | 34      | 29         | 26       | 20        | 9         | 189          | 258          |
| Dallas.....                                       | 109      | 101       | 94     | 121    | 130   | 147   | 148   | 144     | 67         | 29       | 8         | 16        | 301          | 360          |
| San Francisco.....                                | 25       | 24        | 23     | 20     | 26    | 24    | 20    | 13      | 8          | 6        | 11        | 6         | 76           | 167          |
| <b>Total number of member banks accommodated:</b> |          |           |        |        |       |       |       |         |            |          |           |           |              |              |
| 1916.....   | 614      | 451       | 535    | 606    | 655   | 678   | 642   | 483     | 448        | 383      | 336       | 314       | 1,788        | .....        |
| 1915.....   | 398      | 469       | 570    | 606    | 698   | 813   | 760   | 711     | 761        | 794      | 835       | 754       | .....        | 1,920        |
| <b>Total number of member banks:</b>              |          |           |        |        |       |       |       |         |            |          |           |           |              |              |
| 1916.....   | 7,649    | 7,643     | 7,639  | 7,631  | 7,606 | 7,621 | 7,621 | 7,618   | 7,624      | 7,626    | 7,628     | 7,627     | .....        | .....        |
| 1915.....   | 7,609    | 7,618     | 7,614  | 7,622  | 7,623 | 7,624 | 7,625 | 7,640   | 7,650      | 7,655    | 7,655     | 7,646     | .....        | .....        |

Acceptances bought in open market by Federal Reserve Banks during each month in 1916.

[In thousands of dollars; i. e., 000's omitted.]

| Federal Reserve Bank. | January. | February. | March. | April. | May.   | June.  | July.  | August. | September. | October. | November. | December. | Total, 1916. | Total, 1915. | Per cent. |       |
|-----------------------|----------|-----------|--------|--------|--------|--------|--------|---------|------------|----------|-----------|-----------|--------------|--------------|-----------|-------|
|                       |          |           |        |        |        |        |        |         |            |          |           |           |              |              | 1916.     | 1915. |
| Boston .....          | 2,831    | 3,727     | 6,011  | 1,732  | 3,860  | 7,671  | 1,395  | 4,340   | 4,673      | 2,280    | 8,644     | 5,213     | 52,377       | 14,105       | 13.6      | 21.7  |
| New York .....        | 3,894    | 5,379     | 8,178  | 6,478  | 5,343  | 14,954 | 14,368 | 8,086   | 8,484      | 11,793   | 18,620    | 17,829    | 123,406      | 25,834       | 32.0      | 39.8  |
| Philadelphia.....     | 194      | 709       | 4,759  | 3,990  | 4,109  | 5,766  | 5,049  | 3,661   | 6,591      | 5,962    | 5,670     | 6,662     | 53,122       | 7,565        | 13.8      | 11.7  |
| Cleveland .....       | 373      | 475       | 649    | 898    | 1,712  | 2,954  | 3,663  | 2,153   | 2,787      | 3,190    | 2,728     | 5,960     | 27,542       | 2,963        | 7.1       | 4.6   |
| Richmond .....        | 41       | 15        | 480    | 501    | 503    | 1,205  | 446    | 2,827   | 960        | 368      | 3,967     | 11,313    | 250          | 2.9          | .4        |       |
| Atlanta .....         | 379      | 65        | 439    | 448    | 522    | 883    | 412    | 916     | 2,146      | 2,320    | 1,933     | 2,081     | 12,544       | 72           | 3.2       | .1    |
| Chicago.....          | 768      | 772       | 955    | 1,572  | 1,128  | 2,167  | 3,277  | 1,752   | 2,867      | 2,920    | 2,124     | 6,759     | 27,061       | 5,782        | 7.0       | 8.9   |
| St. Louis.....        | 400      | 193       | 501    | 739    | 1,401  | 2,238  | 2,401  | 1,717   | 2,448      | 2,222    | 1,991     | 4,430     | 20,681       | 1,801        | 5.4       | 2.8   |
| Minneapolis.....      | 226      | 228       | 409    | 534    | 628    | 1,126  | 1,334  | 1,053   | 1,032      | 1,373    | 1,444     | 4,152     | 13,539       | 1,455        | 3.5       | 2.2   |
| Kansas City.....      | 215      | 219       | 436    | 440    | 721    | 72     | 1,098  | 463     | 1,137      | 635      | 2,755     | 8,191     | 1,788        | 2.1          | 2.8       |       |
| Dallas .....          | 50       | 649       | 227    | 726    | 439    | 1,452  | 3,543  | 3,543   | 3,543      | 3,543    | 3,543     | 3,543     | 3,543        | 3,543        | .9        | ..... |
| San Francisco....     | 323      | 558       | 566    | 1,188  | 1,987  | 3,991  | 3,471  | 2,576   | 2,542      | 6,012    | 3,951     | 5,611     | 32,776       | 3,230        | 8.5       | 5.0   |
| Total .....           | 9,603    | 12,416    | 22,918 | 18,499 | 21,912 | 42,325 | 36,575 | 28,447  | 37,087     | 40,895   | 48,547    | 66,871    | 386,005      | .....        | .....     | ..... |
| Per cent.....         | 2.5      | 3.2       | 5.9    | 4.8    | 5.7    | 11.0   | 9.5    | 7.4     | 9.6        | 10.6     | 12.5      | 17.3      | .....        | .....        | 100.0     | ..... |
| Total, 1915.....      | .....    | 2,666     | 8,356  | 4,018  | 2,865  | 4,701  | 5,986  | 4,656   | 4,548      | 6,340    | 7,919     | 12,790    | .....        | 64,845       | .....     | ..... |
| Per cent.....         | .....    | 4.1       | 12.9   | 6.2    | 4.4    | 7.3    | 9.2    | 7.2     | 7.0        | 9.8      | 12.2      | 19.7      | .....        | .....        | 100.0     | ..... |



Acceptances bought in open market during each month in 1916, distributed by maturities.

MATURITIES.

[In thousands of dollars; i. e., 000's omitted.]

| Month.        | Within 30 days. | After 30 but within 60 days. | After 60 but within 3 months. | Total. | Month.         | Within 30 days. | After 30 but within 60 days. | After 60 but within 3 months. | Total.  |
|---------------|-----------------|------------------------------|-------------------------------|--------|----------------|-----------------|------------------------------|-------------------------------|---------|
| January.....  | 813             | 1,204                        | 7,586                         | 9,603  | August.....    | 3,719           | 4,978                        | 19,750                        | 28,447  |
| February..... | 1,453           | 654                          | 10,309                        | 12,416 | September..... | 4,118           | 8,179                        | 24,790                        | 37,087  |
| March.....    | 1,454           | 3,139                        | 18,325                        | 22,918 | October.....   | 717             | 6,826                        | 33,352                        | 40,895  |
| April.....    | 1,029           | 3,403                        | 14,067                        | 18,499 | November.....  | 4,379           | 9,431                        | 34,737                        | 48,547  |
| May.....      | 2,207           | 3,345                        | 16,360                        | 21,912 | December.....  | 9,072           | 10,638                       | 47,161                        | 66,871  |
| June.....     | 4,676           | 7,635                        | 30,014                        | 42,325 | Total.....     | 38,442          | 63,651                       | 284,002                       | 386,095 |
| July.....     | 4,805           | 4,219                        | 27,551                        | 36,575 |                |                 |                              |                               |         |

Acceptances bought in open market by all Federal Reserve banks during the calendar year 1916, distributed by sizes.

| Acceptances bought in open market. | To \$5,000. |            | To \$10,000. |             | To \$25,000. |             | To \$50,000. |             | To \$100,000. |             | Over \$100,000. |             | Total.  |             |
|------------------------------------|-------------|------------|--------------|-------------|--------------|-------------|--------------|-------------|---------------|-------------|-----------------|-------------|---------|-------------|
|                                    | Pieces.     | Amount.    | Pieces.      | Amount.     | Pieces.      | Amount.     | Pieces.      | Amount.     | Pieces.       | Amount.     | Pieces.         | Amount.     | Pieces. | Amount.     |
| January, 1916....                  | 194         | \$546,959  | 220          | \$1,720,758 | 217          | \$4,113,726 | 47           | \$1,857,477 | 17            | \$1,363,593 |                 |             | 695     | \$9,602,513 |
| February, 1916...                  | 267         | 789,675    | 159          | 1,307,989   | 196          | 3,548,326   | 49           | 1,830,851   | 21            | 1,613,614   | 15              | \$3,326,375 | 707     | 12,416,830  |
| March, 1916.....                   | 288         | 941,908    | 234          | 1,983,554   | 356          | 6,578,432   | 109          | 4,539,671   | 62            | 5,095,263   | 22              | 3,779,223   | 1,071   | 22,918,051  |
| April, 1916.....                   | 269         | 847,351    | 281          | 2,305,281   | 313          | 5,420,116   | 94           | 3,896,184   | 32            | 2,697,334   | 11              | 3,332,850   | 1,000   | 18,499,116  |
| May, 1916.....                     | 335         | 1,012,891  | 219          | 1,753,224   | 312          | 5,960,425   | 108          | 3,262,880   | 62            | 5,698,417   | 23              | 4,221,630   | 1,059   | 21,911,467  |
| June, 1916.....                    | 562         | 1,533,168  | 737          | 6,238,168   | 853          | 13,739,638  | 191          | 8,137,221   | 83            | 6,763,226   | 37              | 5,913,336   | 2,463   | 42,324,757  |
| July, 1916.....                    | 526         | 1,633,337  | 495          | 4,026,432   | 809          | 12,830,111  | 185          | 7,734,451   | 68            | 5,065,021   | 29              | 5,286,683   | 2,112   | 36,578,035  |
| August, 1916....                   | 327         | 916,682    | 232          | 1,888,457   | 422          | 7,835,547   | 131          | 5,340,003   | 69            | 5,744,106   | 35              | 6,721,610   | 1,216   | 28,446,405  |
| September, 1916..                  | 524         | 1,504,439  | 445          | 3,517,940   | 660          | 11,194,706  | 165          | 6,835,609   | 78            | 6,836,652   | 37              | 7,197,162   | 1,909   | 37,086,508  |
| October, 1916....                  | 497         | 1,384,176  | 632          | 5,079,008   | 740          | 12,333,597  | 265          | 12,142,475  | 74            | 6,990,915   | 20              | 2,964,522   | 2,228   | 40,894,693  |
| November, 1916..                   | 626         | 1,832,661  | 533          | 4,212,925   | 950          | 15,628,393  | 271          | 11,255,398  | 106           | 8,844,327   | 34              | 6,772,741   | 2,520   | 48,546,445  |
| December, 1916..                   | 812         | 2,349,906  | 839          | 6,645,981   | 1,342        | 22,187,684  | 404          | 16,662,750  | 135           | 11,012,433  | 45              | 8,012,793   | 3,577   | 66,871,547  |
| Total.....                         | 5,227       | 15,293,153 | 5,026        | 40,681,717  | 7,170        | 121,370,676 | 2,019        | 83,494,970  | 807           | 67,724,901  | 308             | 57,528,925  | 20,557  | 386,094,367 |

Amounts of United States bonds and one-year Treasury notes (par value) purchased by Federal Reserve Banks during each month in 1916.

| Federal Reserve Bank.                            | January.    | February. | March.      | April.      | May.      | June.     | July.   | August.   | Septem-ber. | October.  | Novem-ber. | Decem-ber. | Total, 1916. | Total, 1915. | Per cent. |      |
|--|-------------|-----------|-------------|-------------|-----------|-----------|---------|-----------|-------------|-----------|------------|------------|--------------|--------------|-----------|------|
|  |             |           |             |             |           |           |         |           |             |           |            |            |              |              | 1916      | 1915 |
| Boston.....                                      |             |           |             | \$2,327,000 | \$5,000   |           |         |           |             |           |            |            | \$2,332,000  | \$1,000,000  | 4.1       | 6.3  |
| New York.....                                    |             |           | \$3,202,000 | 879,500     | 940,000   | \$12,500  | \$6,250 | \$348,000 | \$1,138,000 | \$250,000 | \$92,500   | \$950,000  | 7,818,750    |              | 13.8      |      |
| Philadelphia.....                                | \$1,000,000 | \$500,000 | 716,000     | 284,000     |           |           |         |           |             |           |            |            | 2,500,000    | 2,000,000    | 4.4       | 12.6 |
| Cleveland.....                                   | 525,000     | 819,000   | 523,000     | 826,000     | 1,782,000 | 404,000   | 60,000  | 51,000    | 757,000     | 4,060     | 2,402,100  | 250,000    | 8,403,160    | 2,357,000    | 14.8      | 14.8 |
| Richmond.....                                    |             | 1,320,000 | 356,000     | 75,000      | 310,000   |           |         |           | 81,800      |           | 276,200    | 1,916,250  | 4,335,250    |              | 7.6       |      |
| Atlanta.....                                     | 25,000      | 133,000   | 1,241,600   | 694,900     | 1,000     |           |         |           |             |           |            | 500,000    | 2,595,500    |              | 4.6       |      |
| Chicago.....                                     | 1,613,000   | 488,000   | 350,000     | 1,740,700   | 1,330,000 | 400       | 250,000 |           |             |           | 1,257,000  | 1,615,000  | 8,644,100    | 4,231,000    | 15.2      | 26.5 |
| St. Louis.....                                   | 799,000     | 1,570,000 |             |             |           |           |         |           |             |           | 50,000     |            | 2,419,000    | 970,000      | 4.4       | 6.1  |
| Minneapolis.....                                 | 145,380     | 402,500   | 337,000     | 434,500     | 1,090,500 | 135,540   |         | 2,000     | 1,500       | 3,000     |            | 1,000      | 2,552,920    | 1,328,820    | 4.5       | 8.3  |
| Kansas City.....                                 | 69,800      | 4,264,250 | 1,492,250   | 1,223,000   | 537,600   | 525,000   |         | 100       |             |           | 500        | 250,000    | 8,362,500    | 2,151,650    | 14.7      | 13.5 |
| Dallas.....                                      | 425,000     |           | 32,000      | 1,513,750   | 25,000    | 245,000   |         | 100,000   | 215,000     |           | 1,550,000  | 57,500     | 4,163,250    | 870,000      | 7.3       | 5.5  |
| San Francisco.....                               | 2,025,000   |           |             | 481,250     | 92,500    |           | 25,000  |           |             |           |            |            | 2,623,750    | 1,010,000    | 4.6       | 6.4  |
| Total, 1916.....                                 | 6,627,180   | 9,496,750 | 8,249,850   | 10,479,600  | 6,113,600 | 1,322,440 | 341,250 | 501,100   | 2,193,300   | 257,060   | 5,628,300  | 5,539,750  | 56,750,180   |              |           |      |
| Per cent.....                                    | 11.7        | 16.7      | 14.5        | 18.5        | 10.8      | 2.3       | 0.6     | 0.9       | 3.9         | 0.4       | 9.9        | 9.8        | 100.0        |              | 100       |      |
| Total, 1915.....                                 | 2,650,500   | 2,566,250 | 1,340,000   | 75,000      | 285,000   | 559,500   | 477,500 | 735,300   | 488,000     | 1,200,100 | 2,988,820  | 2,347,500  |              | 15,918,470   |           |      |
| Per cent.....                                    | 16.7        | 16.1      | 8.4         | 0.5         | 1.8       | 3.5       | 3.0     | 4.6       | 3.1         | 7.5       | 18.8       | 14.7       |              |              | 100       |      |
| Classes of securities pur-<br>chased each month: |             |           |             |             |           |           |         |           |             |           |            |            |              |              |           |      |
| 2 per cent bonds.....                            | 4,393,800   | 6,782,250 | 7,400,350   | 9,436,100   | 5,608,100 | 867,500   | 331,250 | 473,100   | 2,186,300   | 2,000     | 5,397,100  | 5,249,750  | 48,128,100   | 11,776,350   | 84.8      | 74.9 |
| 3 per cent bonds.....                            | 403,380     | 1,739,500 | 766,000     | 53,500      | 225,500   | 434,940   | 10,000  | 3,000     | 7,000       | 5,060     | 231,000    | 40,000     | 3,918,880    | 3,167,120    | 6.9       | 20.2 |
| 4 per cent bonds.....                            | 1,830,000   | 975,000   | 83,000      | 940,000     | 280,000   | 20,000    |         | 25,000    |             |           | 200        | 250,000    | 4,403,200    | 770,000      | 7.8       | 4.9  |
| 1 year Treasury<br>notes.....                    |             |           |             | 50,000      |           |           |         |           |             | 250,000   |            |            | 300,000      |              |           | .5   |
| Total, 1916.....                                 | 6,627,180   | 9,496,750 | 8,249,850   | 10,479,600  | 6,113,600 | 1,322,440 | 341,250 | 501,100   | 2,193,300   | 257,060   | 5,628,300  | 5,539,750  | 56,750,180   |              | 100       |      |
| Total, 1915.....                                 | 2,650,500   | 2,566,250 | 1,340,000   | 75,000      | 285,000   | 559,500   | 477,500 | 735,300   | 488,000     | 1,200,100 | 2,988,820  | 2,347,500  |              | 15,918,470   |           | 100  |

Amounts of United States bonds and 1-year Treasury notes sold by Federal Reserve Banks during each month in 1916.

| Federal Reserve Bank.                      | January. | February. | March. | April.    | May.    | June.    | July.     | August.   | September. | October.  | November. | December. | Total.      |
|--|----------|-----------|--------|-----------|---------|----------|-----------|-----------|------------|-----------|-----------|-----------|-------------|
| Boston.....                                |          |           |        |           |         |          | \$30,000  | \$60,000  | \$70,000   | \$40,000  | \$744,000 | \$56,000  | \$1,000,000 |
| New York.....                              |          |           |        |           | \$1,300 | \$25,000 | 272,000   | 588,000   | 2,662,000  | 610,000   | 1,310,000 | 102,900   | 5,571,200   |
| Philadelphia.....                          |          |           |        | \$500,000 |         |          | 97,000    | 195,000   | 228,000    | 130,000   | 506,000   | 19,000    | 1,675,000   |
| Cleveland.....                             |          |           |        | 450,000   | 30,000  |          | 405,600   | 122,200   | 95,100     | 550,000   | 1,085,000 | 42,800    | 2,780,700   |
| Richmond.....                              |          |           |        |           |         |          | 82,000    | 166,000   | 192,000    | 110,000   | 505,000   | 17,800    | 1,072,800   |
| Atlanta.....                               |          |           |        | 61,500    |         |          |           |           |            |           |           |           | 61,500      |
| Chicago.....                               |          |           |        |           |         |          | 370,000   | 240,000   | 280,000    | 160,000   | 1,450,000 |           | 2,500,000   |
| St. Louis.....                             |          |           |        |           |         |          | 15,000    | 30,000    | 35,000     | 20,000    | 120,000   | 75,100    | 295,100     |
| Minneapolis.....                           |          |           |        |           | 1,100   | 10,200   | 1,000     | 115,400   | 104,700    | 81,000    | 401,000   | 25,000    | 739,400     |
| Kansas City.....                           | \$300    |           |        |           |         |          |           | 30,000    |            |           | 105,000   | 923,000   | 1,058,300   |
| Dallas.....                                |          |           |        |           |         |          |           |           |            |           |           |           |             |
| San Francisco.....                         |          |           |        |           |         |          |           | 180,000   | 96,000     | 124,000   | 100,000   |           | 500,000     |
| Total sales.....                           | \$300    |           |        | 1,011,500 | 32,400  | 35,200   | 1,272,600 | 1,726,600 | 3,762,800  | 1,825,000 | 6,326,000 | 1,261,600 | 17,254,000  |
| 2 per cent.....                            |          |           |        | 61,500    |         |          |           | 80,000    | 15,000     | 25,000    | 80,000    |           | 261,500     |
| 3 per cent (including conversion bonds) .. | 300      |           |        | 700,000   | 2,400   | 35,200   | 1,072,600 | 1,606,600 | 1,715,800  | 1,050,000 | 6,146,000 | 1,261,600 | 13,590,500  |
| 4 per cent.....                            |          |           |        |           | 30,000  |          |           |           |            |           |           |           | 30,000      |
| 1-year Treasury notes.....                 |          |           |        | 250,000   |         |          | 200,000   | 40,000    | 2,032,000  | 750,000   | 100,000   |           | 3,372,000   |
| Total.....                                 | 300      |           |        | 1,011,500 | 32,400  | 35,200   | 1,272,600 | 1,726,600 | 3,762,800  | 1,825,000 | 6,326,000 | 1,261,600 | 17,254,000  |

United States bonds on hand Jan. 1, 1916, purchases and sales of both United States bonds and 1-year Treasury notes during the year, and amounts of United States bonds and of 1-year Treasury notes held by each Federal reserve bank on Jan. 1, 1917; also conversion operations of each Federal Reserve Bank during the year.

|   | Boston.     | New York.   | Philadel-<br>phia. | Cleveland.  | Rich-<br>mond. | Atlanta.    | Chicago.    | St. Louis. | Minne-<br>apolis. | Kansas<br>City. | Dallas.   | San Fran-<br>cisco. | Total.       |
|---|-------------|-------------|--------------------|-------------|----------------|-------------|-------------|------------|-------------------|-----------------|-----------|---------------------|--------------|
| United States bonds on hand<br>Jan. 1, 1916.....                | \$1,000,000 |             | \$2,000,000        | \$2,357,000 |                |             | \$4,231,000 | \$970,000  | \$1,328,820       | \$2,151,650     | \$870,000 | \$1,010,000         | \$15,918,470 |
| Purchases during year:  |             |             |                    |             |                |             |             |            |                   |                 |           |                     |              |
| United States bonds.....  | 2,332,000   | \$7,568,750 | 2,500,000          | 8,353,160   | \$4,335,250    | \$2,595,500 | 8,644,100   | 2,419,000  | 2,552,920         | 8,362,500       | 4,163,250 | 2,623,750           | 56,450,180   |
| 1-year Treasury notes.....                                      |             | 250,000     |                    | 50,000      |                |             |             |            |                   |                 |           |                     | 300,000      |
| Total purchases during<br>year.....                             | 2,332,000   | 7,818,750   | 2,500,000          | 8,403,160   | 4,335,250      | 2,595,500   | 8,644,100   | 2,419,000  | 2,552,920         | 8,362,500       | 4,163,250 | 2,623,750           | 56,750,180   |
| Grand total.....  | 3,332,000   | 7,818,750   | 4,500,000          | 10,760,160  | 4,335,250      | 2,595,500   | 12,875,100  | 3,389,000  | 3,881,740         | 10,514,150      | 5,033,250 | 3,633,750           | 72,668,650   |
| Sales during year:  |             |             |                    |             |                |             |             |            |                   |                 |           |                     |              |
| United States bonds.....  | 1,000,000   | 3,289,200   | 1,675,000          | 1,690,700   | 1,072,800      | 61,500      | 2,500,000   | 295,100    | 739,400           | 1,058,300       |           | 500,000             | 13,882,000   |
| 1-year Treasury notes.....                                      |             | 2,282,000   |                    | 1,090,000   |                |             |             |            |                   |                 |           |                     | 3,372,000    |
| Total sales during year..                                       | 1,000,000   | 5,571,200   | 1,675,000          | 2,780,700   | 1,072,800      | 61,500      | 2,500,000   | 295,100    | 739,400           | 1,058,300       |           | 500,000             | 17,254,000   |
| Balance on hand Jan. 1, 1917:                                   |             |             |                    |             |                |             |             |            |                   |                 |           |                     |              |
| United States bonds.....  | 1,332,000   | 1,042,550   | 1,651,000          | 7,361,460   | 2,192,450      | 1,710,000   | 8,858,100   | 2,202,900  | 2,442,340         | 8,492,850       | 4,328,250 | 2,633,750           | 44,247,650   |
| 1-year Treasury notes.....                                      | 1,000,000   | 1,205,000   | 1,174,000          | 618,000     | 1,070,000      | 824,000     | 1,517,000   | 891,000    | 700,000           | 963,000         | 705,000   | 500,000             | 11,167,000   |
| Total United States<br>securities on hand<br>Jan. 1, 1917.....  | 2,332,000   | 2,247,550   | 2,825,000          | 7,979,460   | 3,262,450      | 2,534,000   | 10,375,100  | 3,093,900  | 3,142,340         | 9,455,850       | 5,033,250 | 3,133,750           | 55,414,650   |
| Conversions:  |             |             |                    |             |                |             |             |            |                   |                 |           |                     |              |
| United States 2 per cent<br>bonds converted during<br>year..... | 2,000,000   | 6,476,200   | 2,849,000          | 3,318,000   | 2,142,800      | 1,653,900   | 4,035,400   | 1,786,100  | 1,398,600         | 1,927,600       | 1,412,400 | 1,000,000           | 30,000,000   |

|  |           |           |           |           |           |           |           |           |           |           |           |           |            |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Received from United States<br>Treasurer in exchange for<br>bonds converted: |           |           |           |           |           |           |           |           |           |           |           |           |            |
| 3 per cent conversion<br>bonds of 1946.....                                  | 1,000,000 | 3,239,200 | 1,675,000 | 1,660,000 | 1,072,800 | 829,900   | 2,518,400 | 895,100   | 698,600   | 964,600   | 707,400   | 500,000   | 15,761,000 |
| 3 per cent 1-year gold<br>Treasury notes.....                                | 1,000,000 | 3,237,000 | 1,174,000 | 1,658,000 | 1,070,000 | 824,000   | 1,517,000 | 891,000   | 700,000   | 963,000   | 705,000   | 500,000   | 14,239,000 |
| Total.....   | 2,000,000 | 6,476,200 | 2,849,000 | 3,318,000 | 2,142,800 | 1,653,900 | 4,035,400 | 1,786,100 | 1,398,600 | 1,927,600 | 1,412,400 | 1,000,000 | 30,000,000 |

Public debt refunding operations conducted by the Secretary of the Treasury under authority of sec. 18 of the Federal Reserve act during the calendar year 1916.

[Prepared by the Office of the Secretary of the Treasury, Division of Loans and Currency.]

2 PER CENT BONDS OF THE UNITED STATES SUBMITTED BY FEDERAL RESERVE BANKS AND CANCELED.

| Federal<br>Reserve<br>Bank. | Apr. 1, 1916.                      |  |  |            | July 1, 1916.                      |  |  |           | Oct. 1, 1916.                      |  |  |            | Total for year 1916.            |  |  |             |
|-----------------------------|------------------------------------|--|--|------------|------------------------------------|--|--|-----------|------------------------------------|--|--|------------|---------------------------------|--|--|-------------|
|                             | 2 per<br>cent<br>consols,<br>1930. | 2 per<br>cent<br>Panama-<br>mas,<br>1916-36. | 2 per<br>cent<br>Panama-<br>mas,<br>1918-38. | Total.     | 2 per<br>cent<br>consols,<br>1930. | 2 per<br>cent<br>Panama-<br>mas,<br>1916-36. | 2 per<br>cent<br>Panama-<br>mas,<br>1918-38. | Total.    | 2 per<br>cent<br>consols,<br>1930. | 2 per<br>cent<br>Panama-<br>mas,<br>1916-36. | 2 per<br>cent<br>Panama-<br>mas,<br>1918-38. | Total.     | 2 per cent<br>consols,<br>1930. | 2 per<br>cent<br>Panama-<br>mas,<br>1916-36. | 2 per<br>cent<br>Panama-<br>mas,<br>1918-38. | Total.      |
| Atlanta.....                | \$705,300                          |  |  | \$705,300  | \$242,100                          | \$107,500                                    | \$3,000                                      | \$352,600 | \$596,000                          |  |  | \$596,000  | \$1,543,400                     | \$107,500                                    | \$3,000                                      | \$1,653,900 |
| Boston.....                 | 500,000                            |  |  | 500,000    |                                    |  |  |           | 1,500,000                          |  |  | 1,500,000  | 2,000,000                       |  |  | 2,000,000   |
| Chicago.....                | 750,000                            | \$150,000                                    | \$100,000                                    | 1,000,000  | 1,700,000                          |  |  | 1,700,000 | 250,000                            | \$730,000                                    | \$355,400                                    | 1,335,400  | 2,700,000                       | 880,000                                      | 455,400                                      | 4,035,400   |
| Cleveland.....              | 400,000                            |  |  | 400,000    | 1,475,000                          | 520,000                                      | 5,000  | 2,000,000 | 818,000                            |  | 100,000                                      | 918,000    | 2,693,000                       | 520,000                                      | 105,000                                      | 3,318,000   |
| Dallas.....                 |                                    |  |  |            | 1,059,300                          |  |  | 1,059,300 | 224,100                            | 110,000                                      | 19,000                                       | 353,100    | 1,283,400                       | 110,000                                      | 19,000                                       | 1,412,400   |
| Kansas City...              | 820,600                            |  |  | 820,600    | 412,400                            |  |  | 412,400   | 88,100                             | 356,500                                      | 250,000                                      | 694,600    | 1,321,100                       | 356,500                                      | 250,000                                      | 1,927,600   |
| Minneapolis...              | 699,300                            |  |  | 699,300    |                                    |  |  |           | 699,300                            |  |  | 699,300    | 1,398,600                       |  |  | 1,398,600   |
| New York.....               | 3,015,300                          | 25,000                                       | 25,000                                       | 3,065,300  | 1,500,000                          |  |  | 1,500,000 | 1,422,900                          | 385,000                                      | 103,000                                      | 1,910,900  | 5,938,200                       | 410,000                                      | 128,000                                      | 6,476,200   |
| Philadelphia...             | 1,424,600                          |  |  | 1,424,600  | 712,200                            |  |  | 712,200   | 342,200                            | 231,000                                      | 139,000                                      | 712,200    | 2,479,000                       | 231,000                                      | 139,000                                      | 2,849,000   |
| Richmond.....               | 913,800                            |  |  | 913,800    | 456,900                            |  |  | 456,900   | 609,600                            | 162,500                                      |  | 772,100    | 1,980,300                       | 162,500                                      |  | 2,142,800   |
| St. Louis.....              | 761,700                            |  |  | 761,700    | 380,800                            |  |  | 380,800   | 643,600                            |  |  | 643,600    | 1,786,100                       |  |  | 1,786,100   |
| San Francisco..             |                                    |  |  |            | 1,000,000                          |  |  | 1,000,000 |                                    |  |  |            | 1,000,000                       |  |  | 1,000,000   |
| Total.....                  | 9,990,600                          | 175,000                                      | 125,000                                      | 10,290,600 | 8,938,700                          | 627,500                                      | 8,000  | 9,574,200 | 7,193,800                          | 1,975,000                                    | 966,400                                      | 10,135,200 | 26,123,100                      | 2,777,500                                    | 1,099,400                                    | 30,000,000  |

Public debt refunding operations conducted by the Secretary of the Treasury under authority of sec. 18 of the Federal Reserve act during the calendar year 1916—Continued.

THIRTY-YEAR 3 PER CENT CONVERSION BONDS AND ONE-YEAR 3 PER CENT TREASURY NOTES ISSUED TO FEDERAL RESERVE BANKS.

| Federal Reserve Bank. | Apr. 1, 1916.                     |  |            | July 1, 1916.                     |  |           | Oct. 1, 1916.                     |  |            | Total for 1916.   |                          |             |
|-----------------------|-----------------------------------|--|------------|-----------------------------------|--|-----------|-----------------------------------|--|------------|-------------------|--------------------------|-------------|
|                       | Conversion bonds, series 1916-46. | One-year Treasury notes, series Apr. 1, 1916-17. | Total.     | Conversion bonds, series 1916-46. | One-year Treasury notes, series July 1, 1916-17. | Total.    | Conversion bonds, series 1916-46. | One-year Treasury notes, series Oct. 1, 1916-17. | Total.     | Conversion bonds. | One-year Treasury notes. | Total.      |
| Atlanta.....          | \$355,300                         | \$350,000  | \$705,300  | \$176,600                         | \$176,000  | \$352,600 | \$298,000                         | \$298,000  | \$596,000  | \$829,900         | \$24,000                 | \$1,653,900 |
| Boston.....           | 250,000                           | 250,000  | 500,000    |                                   |  |           | 750,000                           | 750,000  | 1,500,000  | 1,000,000         | 1,000,000                | 2,000,000   |
| Chicago.....          | 1,000,000                         |  | 1,000,000  | 850,000                           | 850,000  | 1,700,000 | 668,400                           | 667,000  | 1,335,400  | 2,518,400         | 1,517,000                | 4,035,400   |
| Cleveland.....        | 200,000                           | 200,000  | 400,000    | 1,000,000                         | 1,000,000  | 2,000,000 | 460,000                           | 458,000  | 918,000    | 1,660,000         | 1,658,000                | 3,318,000   |
| Dallas.....           |                                   |  |            | 530,300                           | 529,000  | 1,059,300 | 177,100                           | 176,000  | 353,100    | 707,400           | 705,000                  | 1,412,400   |
| Kansas City.....      | 410,600                           | 410,000  | \$20,600   | 206,400                           | 206,000  | 412,400   | 347,600                           | 347,000  | 694,600    | 964,600           | 963,000                  | 1,927,600   |
| Minneapolis.....      | 349,300                           | 350,000  | 699,300    |                                   |  |           | 349,300                           | 350,000  | 699,300    | 698,600           | 700,000                  | 1,398,600   |
| New York.....         | 1,533,300                         | 1,532,000  | 3,065,300  | 750,000                           | 750,000  | 1,500,000 | 955,900                           | 955,000  | 1,910,900  | 3,239,200         | 3,237,000                | 6,476,200   |
| Philadelphia.....     | 962,600                           | 462,000  | 1,424,600  | 356,200                           | 356,000  | 712,200   | 356,200                           | 356,000  | 712,200    | 1,675,000         | 1,174,000                | 2,849,000   |
| Richmond.....         | 457,800                           | 456,000  | 913,800    | 228,900                           | 228,000  | 456,900   | 386,100                           | 386,000  | 772,100    | 1,072,800         | 1,070,000                | 2,142,800   |
| St. Louis.....        | 381,700                           | 380,000  | 761,700    | 190,800                           | 190,000  | 380,800   | 322,600                           | 321,000  | 643,600    | 895,600           | 891,000                  | 1,786,600   |
| San Francisco.....    |                                   |  |            | 500,000                           | 500,000  | 1,000,000 |                                   |  |            | 500,000           | 500,000                  | 1,000,000   |
| Total.....            | 5,900,600                         | 4,390,000  | 10,290,600 | 4,789,200                         | 4,785,000  | 9,574,200 | 5,071,200                         | 5,064,000  | 10,135,200 | 15,761,000        | 14,239,000               | 30,000,000  |

*Amounts originally allotted by Federal Reserve Board on basis of capital and actual amounts converted.*

| Federal Reserve Bank. | Amounts originally allotted by Federal Reserve Board. | Amounts actually converted. | Federal Reserve Bank. | Amounts originally allotted by Federal Reserve Board. | Amounts actually converted. |
|-----------------------|---|-----------------------------|-----------------------|---|-----------------------------|
| Boston.....           | \$2,763,900   | \$2,000,000                 | St. Louis.....        | \$1,523,400   | \$1,786,100                 |
| New York.....         | 6,130,500   | 6,476,200                   | Minneapolis.....      | 1,398,600   | 1,398,600                   |
| Philadelphia.....     | 2,849,100   | 2,849,000                   | Kansas City.....      | 1,644,000   | 1,927,600                   |
| Cleveland.....        | 3,249,600   | 3,318,000                   | Dallas.....           | 1,412,400   | 1,412,400                   |
| Richmond.....         | 1,827,600   | 2,142,800                   | San Francisco.....    | 2,154,900   | 1,000,000                   |
| Atlanta.....          | 1,410,600   | 1,653,900                   |                       |   |                             |
| Chicago.....          | 3,635,400   | 4,035,400                   | Total.....            | 30,000,000  | 30,000,000                  |

Amounts of municipal warrants bought, including renewals by Federal Reserve Banks during each month of calendar year 1916.

[In thousands of dollars.]

| Federal Reserve Bank. | January. | February. | March.   | April.   | May.    | June.   | July.   | August.  | September. | October. | November. | December. | Total, 1916. | Total, 1915. | Per cent, |       |
|-----------------------|----------|-----------|----------|----------|---------|---------|---------|----------|------------|----------|-----------|-----------|--------------|--------------|-----------|-------|
|                       |          |           |          |          |         |         |         |          |            |          |           |           |              |              | 1916.     | 1915. |
| Boston .....          | 449.0    | 546.5     | 1,071.1  | 32.5     | 2,218.9 | 320.2   | 190.0   | 511.5    | 1,584.8    | 180.0    | 517.1     | .....     | 7,621.6      | 8,259.9      | 8.4       | 12.6  |
| New York .....        | 6,148.6  | 4,964.8   | 3,582.6  | 5,837.4  | 1,657.4 | 1,984.2 | 2,042.2 | 191.6    | 1,209.2    | 3,562.7  | 5,301.4   | 1,950.2   | 38,432.3     | 26,465.4     | 42.4      | 40.2  |
| Philadelphia .....    | 1,576.0  | 630.6     | 855.7    | 100.0    | 862.8   | 617.6   | 889.8   | 75.6     | 434.2      | 1,200.3  | 378.2     | 202.2     | 7,823.0      | 7,399.8      | 8.6       | 11.2  |
| Cleveland .....       | 374.6    | 708.6     | 1,413.3  | 2,496.8  | 968.3   | 1,005.0 | 361.0   | 285.8    | 321.3      | 2,272.4  | 185.6     | 267.5     | 10,660.2     | 6,805.0      | 11.7      | 10.3  |
| Richmond .....        | 77.6     | 5.0       | 10.0     | 50.4     | .....   | 50.5    | 275.3   | .....    | 10.0       | 50.8     | .....     | .....     | 529.6        | 120.3        | .6        | .2    |
| Atlanta .....         | .....    | .....     | .....    | 6.1      | .....   | .....   | .....   | 166.7    | 122.6      | 5.0      | 117.3     | 2.6       | 420.3        | 329.7        | .5        | .5    |
| Chicago .....         | 483.7    | 1,306.3   | 1,230.2  | 1,075.9  | 1,361.5 | 600.2   | 1,378.6 | 104.2    | 606.6      | 816.1    | 434.7     | 335.3     | 9,733.3      | 7,684.6      | 10.7      | 11.7  |
| St. Louis .....       | 121.1    | 471.5     | 578.7    | 40.5     | 512.1   | 355.2   | 813.6   | 105.5    | 108.6      | 125.0    | 180.3     | 227.1     | 3,619.2      | 2,264.8      | 4.0       | 3.4   |
| Minneapolis .....     | 293.4    | 364.9     | 632.3    | 263.6    | 458.3   | 227.1   | 312.7   | 23.3     | 357.8      | 527.0    | 168.1     | 106.3     | 3,734.8      | 2,396.2      | 4.1       | 3.6   |
| Kansas City .....     | 125.8    | 314.2     | 593.7    | 36.5     | 307.6   | 8.0     | 50.0    | 12.2     | 6.1        | 312.2    | 180.2     | 50.3      | 1,996.8      | 1,250.2      | 2.2       | 1.9   |
| Dallas .....          | .....    | .....     | .....    | .....    | .....   | .....   | .....   | .....    | .....      | 50.0     | 52.0      | 50.3      | 152.3        | 75.7         | .2        | .1    |
| San Francisco .....   | 156.5    | 1,138.4   | 458.3    | 421.4    | 632.3   | 309.8   | 941.3   | 126.5    | 329.7      | 1,166.0  | 70.2      | 212.2     | 5,962.6      | 2,807.7      | 6.6       | 4.3   |
| Total, 1916 .....     | 9,806.3  | 10,450.8  | 10,425.9 | 10,361.1 | 8,979.2 | 5,477.8 | 7,254.5 | 1,602.9  | 5,000.9    | 10,267.5 | 7,565.1   | 3,404.0   | 90,686.0     | .....        | .....     | ..... |
| Per cent .....        | 10.8     | 11.5      | 11.5     | 11.4     | 9.9     | 6.1     | 8.0     | 1.8      | 5.6        | 11.3     | 8.3       | 3.8       | .....        | .....        | 100.0     | ..... |
| Total, 1915 .....     | 10,087.0 | 2,583.2   | 3,739.2  | 3,106.6  | 4,946.8 | 4,512.8 | 7,346.5 | 11,750.0 | 4,115.3    | 1,370.1  | 9,001.2   | 3,210.6   | .....        | 65,859.3     | .....     | 100.0 |
| Per cent .....        | 15.3     | 3.9       | 5.7      | 4.8      | 7.5     | 6.9     | 11.2    | 17.8     | 6.2        | 2.1      | 13.7      | 4.9       | .....        | .....        | .....     | ..... |

NOTE.—The amounts of municipal warrants purchased by the Boston, New York, and St. Louis banks, as shown in the above statement, do not agree with the amounts shown in the Agents' reports for those banks, as the above figures represent the amounts charged to investments, whereas the figures given in the Agents' reports represent the par value of the warrants purchased. The amounts shown above for the Kansas City bank also differs from those shown in the Agents' report for the reason that the amounts of renewed warrants were included in the above figures and not included in the Agents' report.



Investment operations of Federal Reserve Banks during the calendar year 1916, by months and classes of investments.

[In thousands of dollars.]

| Year and month.  | Commer-<br>cial<br>paper<br>dis-<br>counted. | Acceptances. |          |           | United States bonds. |                |                |                         |           | Municipal warrants. |         |               |          | Total,<br>1916. | Total,<br>1915. |
|------------------|--|--------------|----------|-----------|----------------------|----------------|----------------|-------------------------|-----------|---------------------|---------|---------------|----------|-----------------|-----------------|
|                  |  | Bankers'.    | Trade.   | Total.    | 2 per<br>cent.       | 3 per<br>cent. | 4 per<br>cent. | Treas-<br>ury<br>notes. | Total.    | City.               | State.  | All<br>other. | Total.   |                 |                 |
| January.....     | 11,115.0                                     | 9,453.5      | 149.0    | 9,602.5   | 4,393.80             | 403.38         | 1,830.0        | .....                   | 6,627.18  | 9,507.8             | 236.0   | 62.5          | 9,806.3  | 37,150.98       | 23,450.3        |
| February.....    | 7,664.6                                      | 11,894.8     | 522.0    | 12,416.8  | 6,782.25             | 1,739.5        | 975.0          | .....                   | 9,496.75  | 10,419.2            | 20.4    | 11.2          | 10,450.8 | 40,028.95       | 20,345.8        |
| March.....       | 9,387.3                                      | 22,394.1     | 524.0    | 22,918.1  | 7,400.85             | 766.0          | 83.0           | .....                   | 8,249.85  | 10,408.0            | 9.2     | 8.7           | 10,425.9 | 50,981.15       | 26,534.9        |
| April.....       | 11,521.5                                     | 17,565.6     | 933.5    | 18,499.1  | 9,436.1              | 53.5           | 940.0          | 50.0                    | 10,479.6  | 10,113.2            | 197.3   | 50.6          | 10,361.1 | 50,861.3        | 17,838.9        |
| May.....         | 11,195.5                                     | 20,990.9     | 920.6    | 21,911.5  | 5,608.1              | 225.5          | 280.0          | .....                   | 6,113.6   | 6,774.8             | 2,187.3 | 17.1          | 8,979.2  | 48,199.8        | 20,242.5        |
| June.....        | 11,660.0                                     | 39,640.0     | 2,685.1  | 42,325.1  | 867.5                | 434.94         | 20.0           | .....                   | 1,322.44  | 5,300.0             | 152.8   | 25.0          | 5,477.8  | 60,785.34       | 23,179.3        |
| July.....        | 20,183.0                                     | 34,802.2     | 1,773.5  | 36,575.7  | 331.25               | 10.0           | .....          | .....                   | 341.25    | 6,553.2             | 498.8   | 202.5         | 7,254.5  | 64,354.45       | 27,048.0        |
| August.....      | 17,351.8                                     | 27,075.4     | 1,371.0  | 28,446.4  | 473.1                | 3.0            | 25.0           | .....                   | 501.1     | 1,259.8             | 238.2   | 104.9         | 1,602.9  | 47,902.2        | 29,375.0        |
| September.....   | 14,308.8                                     | 35,874.9     | 1,211.6  | 37,086.5  | 2,186.3              | 7.0            | .....          | .....                   | 2,193.3   | 4,867.2             | 114.9   | 108.8         | 5,090.9  | 58,679.5        | 23,556.3        |
| October.....     | 11,862.9                                     | 39,195.6     | 1,699.1  | 40,894.7  | 2.0                  | 5.06           | .....          | 250.0                   | 257.06    | 10,030.3            | 2.0     | 235.2         | 10,267.5 | 63,282.16       | 23,961.0        |
| November.....    | 17,904.1                                     | 45,928.7     | 2,618.4  | 48,547.1  | 5,397.1              | 231.0          | .2             | .....                   | 5,628.3   | 7,043.7             | 427.6   | 93.8          | 7,565.1  | 79,644.6        | 38,178.7        |
| December.....    | 68,716.0                                     | 64,946.6     | 1,924.9  | 66,871.5  | 5,249.75             | 40.0           | 250.0          | .....                   | 5,539.75  | 3,385.2             | 2.6     | 16.2          | 3,404.0  | 139,531.25      | 33,760.1        |
| Total, 1916..... | 207,870.5                                    | 369,762.3    | 16,332.7 | 386,095.0 | 48,128.10            | 3,918.88       | 4,403.2        | 300.0                   | 56,750.18 | 85,662.4            | 4,087.1 | 936.5         | 90,686.0 | 741,401.68      | .....           |
| Total, 1915..... | 161,353.0                                    | 64,814.0     | 31.0     | 64,845.0  | 11,776.35            | 3,167.12       | 770.0          | .....                   | 15,713.47 | .....               | .....   | .....         | 65,859.3 | .....           | 307,770.8       |

Total investment operations (bills discounted, acceptances, United States bonds and Treasury notes, and municipal warrants bought) of Federal Reserve Banks during each month in 1916.

[In thousands of dollars.]

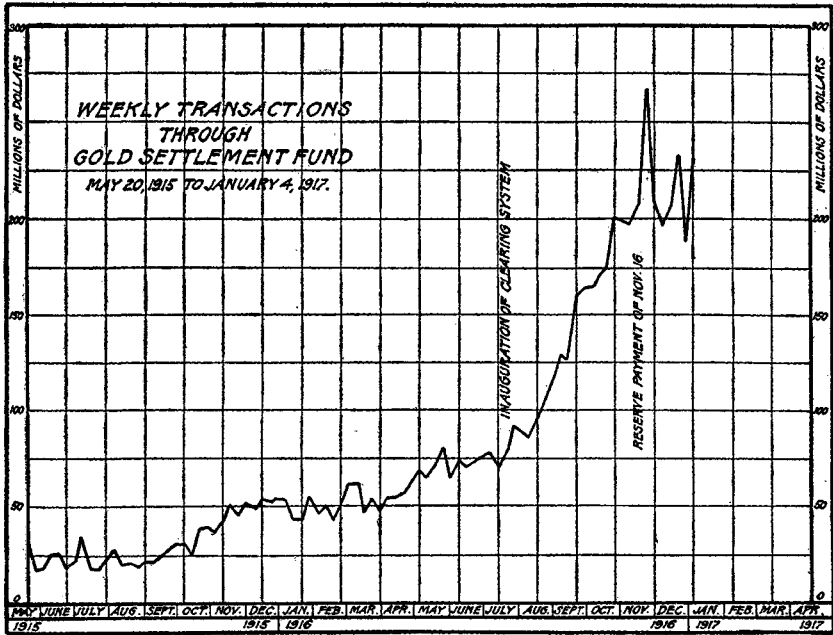
| Banks.             | January.  | February. | March.    | April.   | May.     | June.     | July.     | August.  | September. | October.  | November. | December.  | Total.     |
|--------------------|-----------|-----------|-----------|----------|----------|-----------|-----------|----------|------------|-----------|-----------|------------|------------|
| Boston.....        | 3,411.1   | 4,388.8   | 7,295.4   | 4,511.2  | 6,242.1  | 8,457.7   | 6,586.6   | 9,317.5  | 7,093.4    | 2,899.8   | 16,026.8  | 20,023.2   | 96,253.6   |
| New York.....      | 10,167.7  | 10,442.1  | 15,267.2  | 13,344.6 | 8,131.3  | 17,298.8  | 16,652.45 | 9,212.5  | 11,391.8   | 16,640.6  | 24,729.0  | 38,707.5   | 191,985.55 |
| Philadelphia.....  | 3,012.8   | 1,948.8   | 6,542.7   | 5,296.5  | 6,562.0  | 7,329.2   | 7,318.4   | 4,476.1  | 7,571.5    | 7,469.3   | 9,462.6   | 18,781.7   | 85,771.6   |
| Cleveland.....     | 1,400.5   | 2,036.5   | 2,854.1   | 4,628.6  | 4,702.6  | 4,520.4   | 4,619.4   | 2,661.9  | 4,745.3    | 5,676.36  | 5,421.7   | 10,131.1   | 53,398.46  |
| Richmond.....      | 3,494.7   | 4,341.0   | 3,621.9   | 3,936.9  | 3,798.2  | 3,385.3   | 4,715.0   | 3,325.5  | 5,412.4    | 2,682.1   | 2,106.9   | 9,735.05   | 50,554.95  |
| Atlanta.....       | 2,348.1   | 1,797.9   | 3,384.8   | 2,702.8  | 2,262.0  | 2,048.9   | 1,927.7   | 2,835.2  | 4,689.5    | 5,347.8   | 3,389.8   | 5,150.1    | 37,884.6   |
| Chicago.....       | 3,838.2   | 2,905.0   | 3,153.2   | 6,197.1  | 4,588.3  | 4,331.8   | 8,326.8   | 4,080.3  | 5,792.5    | 5,134.0   | 5,852.4   | 14,416.2   | 68,615.8   |
| St. Louis.....     | 1,903.8   | 2,436.0   | 1,313.8   | 1,019.8  | 2,534.7  | 2,916.8   | 3,762.6   | 2,604.4  | 4,280.2    | 3,664.0   | 3,214.6   | 5,911.0    | 35,561.7   |
| Minneapolis.....   | 853.78    | 1,092.0   | 1,489.7   | 1,354.3  | 2,503.7  | 1,969.34  | 2,379.7   | 1,949.6  | 1,734.2    | 3,210.3   | 2,013.4   | 5,750.8    | 26,300.82  |
| Kansas City.....   | 1,775.2   | 5,255.95  | 3,317.85  | 2,263.3  | 2,193.2  | 1,429.6   | 869.5     | 1,466.8  | 863.0      | 1,702.7   | 1,026.8   | 3,203.6    | 25,367.5   |
| Dallas.....        | 2,270.5   | 1,541.1   | 1,477.5   | 3,389.9  | 1,813.0  | 2,520.7   | 2,481.9   | 3,120.4  | 2,149.6    | 1,559.8   | 2,197.9   | 1,848.9    | 26,371.2   |
| San Francisco..... | 2,674.6   | 1,843.8   | 1,263.0   | 2,216.3  | 2,868.7  | 4,576.8   | 4,714.4   | 2,852.0  | 2,956.1    | 7,295.4   | 4,202.7   | 5,872.1    | 43,335.9   |
| Total 1916.....    | 37,150.98 | 40,028.95 | 50,981.15 | 50,861.3 | 48,199.8 | 60,785.34 | 64,354.45 | 47,902.2 | 58,679.5   | 63,282.16 | 79,644.6  | 139,531.25 | 741,401.68 |
| Total 1915.....    | 23,450.3  | 20,345.8  | 26,834.9  | 17,838.9 | 20,242.5 | 23,179.3  | 27,048.0  | 29,375.0 | 23,556.3   | 23,961.0  | 38,178.72 | 33,760.1   | 307,770.77 |

*Earnings on investments of Federal Reserve Banks—Average amounts of earning assets held by each Federal Reserve Bank during 1916, and annual rates of earnings.*

|                  | Average balances for the year of the several classes of earning assets. |                              |                     |                           |              | Earnings from—            |                              |                     |                           |           | Calculated annual rate of earnings from— |                              |                     |                           |                            |
|------------------|---|------------------------------|---------------------|---------------------------|--------------|---------------------------|------------------------------|---------------------|---------------------------|-----------|--|------------------------------|---------------------|---------------------------|----------------------------|
|                  | Bills discounted members.   | Bills bought in open market. | Municipal warrants. | United States securities. | Total.       | Bills discounted members. | Bills bought in open market. | Municipal warrants. | United States securities. | Total.    | Bills discounted members.                | Bills bought in open market. | Municipal warrants. | United States securities. | All investment operations. |
|                  |   |                              |                     |                           |              |                           |                              |                     |                           |           | <i>Per cent.</i>                         | <i>Per cent.</i>             | <i>Per cent.</i>    | <i>Per cent.</i>          | <i>Per cent.</i>           |
| Boston.....      | \$1,231,179   | \$10,652,867                 | \$2,910,236         | \$2,583,367               | \$17,357,649 | \$43,303                  | \$236,857                    | \$78,578            | \$57,194                  | \$415,932 | 3.52                                     | 2.22                         | 2.70                | 2.23                      | 2.40                       |
| New York.....    | 1,012,146   | 22,255,655                   | 8,551,986           | 3,011,443                 | 34,831,230   | 37,368                    | 530,484                      | 214,122             | 81,645                    | 863,619   | 3.69                                     | 2.38                         | 2.50                | 2.71                      | 2.48                       |
| Philadelphia.... | 756,080   | 8,585,000                    | 2,675,600           | 3,574,005                 | 15,590,685   | 28,391                    | 198,243                      | 69,183              | 81,081                    | 376,898   | 3.75                                     | 2.31                         | 2.58                | 2.27                      | 2.42                       |
| Cleveland.....   | 425,176   | 4,672,648                    | 3,943,463           | 5,692,548                 | 14,733,835   | 18,064                    | 106,993                      | 116,925             | 144,844                   | 386,826   | 4.25                                     | 2.29                         | 2.97                | 2.54                      | 2.63                       |
| Richmond.....    | 5,366,640   | 943,941                      | 110,604             | 1,532,776                 | 7,953,961    | 214,857                   | 29,171                       | 3,495               | 39,175                    | 286,698   | 4.00                                     | 3.09                         | 3.16                | 2.55                      | 3.60                       |
| Atlanta.....     | 3,754,795   | 1,935,536                    | 142,710             | 1,618,128                 | 7,451,169    | 141,774                   | 52,474                       | 5,102               | 40,725                    | 240,075   | 3.77                                     | 2.71                         | 3.57                | 2.52                      | 3.22                       |
| Chicago.....     | 2,705,768   | 4,441,998                    | 3,384,088           | 3,420,404                 | 18,952,258   | 124,452                   | 101,186                      | 90,700              | 204,051                   | 520,389   | 4.00                                     | 2.28                         | 2.68                | 2.42                      | 2.74                       |
| St. Louis.....   | 1,140,759   | 3,489,229                    | 1,160,388           | 3,109,270                 | 8,899,646    | 46,041                    | 81,599                       | 31,619              | 70,362                    | 229,621   | 4.04                                     | 2.34                         | 2.72                | 2.26                      | 2.58                       |
| Minneapolis....  | 1,268,350   | 2,162,599                    | 1,403,164           | 2,867,783                 | 7,701,896    | 60,938                    | 50,099                       | 34,267              | 69,266                    | 214,570   | 4.80                                     | 2.32                         | 2.44                | 2.41                      | 2.78                       |
| Kansas City..... | 1,771,504   | 1,237,692                    | 582,360             | 8,555,169                 | 12,146,725   | 84,572                    | 29,601                       | 14,366              | 186,411                   | 314,950   | 4.77                                     | 2.39                         | 2.47                | 2.18                      | 2.59                       |
| Dallas.....      | 4,570,761   | 323,705                      | 22,745              | 2,905,613                 | 7,822,824    | 205,232                   | 10,880                       | 737                 | 64,576                    | 281,425   | 4.49                                     | 3.36                         | 3.24                | 2.22                      | 3.60                       |
| San Francisco... | 412,449   | 5,579,387                    | 1,927,892           | 3,221,723                 | 11,141,451   | 20,683                    | 133,331                      | 49,773              | 67,530                    | 271,317   | 5.01                                     | 2.39                         | 2.58                | 2.10                      | 2.43                       |
|                  | 24,415,607  | 66,280,257                   | 26,815,236          | 47,072,229                | 164,583,329  | 1,025,675                 | 1,560,918                    | 708,867             | 1,106,860                 | 4,402,320 | 4.20                                     | 2.36                         | 2.64                | 2.35                      | 2.67                       |

## Exhibit E.—GOLD SETTLEMENT FUND AND FEDERAL RESERVE AGENTS' FUND.

Operations of the Gold Settlement Fund during the year 1916 have resulted in the settlement of obligations totaling \$5,533,966,000. The resulting change in ownership of gold was only \$223,870,000, or 4.0453 per cent of the total obligations settled, as compared with 8.14 per cent in 1915. There has been rapid and steady growth in the volume of transactions handled through the Gold Settlement Fund. Especially has this been true since July 15, 1916, when the Federal



Reserve Banks began active check clearing and collection operations. This development is illustrated in the above chart showing the amount of obligations settled through the fund each week.

The regulation covering the operation of the Gold Settlement Fund provides that each Federal Reserve Bank shall keep on deposit in the fund at least \$1,000,000, but actual operations have led to the upbuilding of balances of many times this amount. The total for the 12 banks on December 30, 1916, was \$169,740,000. The Federal Reserve Agents' Fund, made of deposits from nine Federal Reserve

Agents, totaled \$102,580,000, so that the combined totals represented \$272,320,000.

The expectation that the operations of the fund would make unnecessary, for the most part, actual shipments of gold between Federal Reserve Banks, has been well justified by experience extending over 19 months. No expense for shipment of gold in connection with the fund's operations has been incurred other than the charges on a small number of shipments made by banks not located in cities having subtreasuries. The abnormal inflow of gold from Europe entering the country at New York, though destined in large part for interior points whose exports had induced the gold movement, has influenced materially the trend of the settlements. The Federal Reserve Bank of New York has usually been debtor at the clearings and has parted with gold during the year to the amount of \$222,147,000, and since May 20, 1915, to the amount of \$303,430,000. This movement has resulted in increased reserves held by other Federal Reserve Banks and in increased holdings by Federal Reserve Agents against Federal Reserve notes outstanding. The following table shows the gold held by the Federal Reserve Banks and the amount of Federal Reserve notes secured by gold deposited with the Federal Reserve Agents at the beginning and end of the year. It indicates that of the \$222,147,000 of gold which passed from the Federal Reserve Bank of New York to the other eleven Federal Reserve Banks, \$107,323,000 has been retained by them as increased reserve holdings and \$67,369,000 has been deposited with Federal Reserve Agents as security for issues of Federal Reserve notes outstanding.

*Changes in gold and lawful money holdings of Federal Reserve Banks and Federal Reserve Agents.*

[In thousands of dollars; i. e., 000's omitted.]

|   | Boston. | New York. | Philadelphia. | Cleveland. | Richmond. | Atlanta. |
|---|---------|-----------|---------------|------------|-----------|----------|
| <i>Dec. 30, 1915.</i>   |         |           |               |            |           |          |
| Gold and lawful money held by or for account of Federal Reserve Bank..... | 18,743  | 183,214   | 18,232        | 21,812     | 15,499    | 9,081    |
| Gold held by or for account of Federal Reserve Agent.....                 | 10,020  | 89,300    | 9,160         | 11,000     | 9,550     | 14,200   |
| Total.....  | 28,763  | 272,514   | 27,392        | 32,812     | 25,049    | 23,281   |
| <i>Dec. 29, 1916.</i>   |         |           |               |            |           |          |
| Gold and lawful money held by or for account of Federal Reserve Bank..... | 27,062  | 188,654   | 27,349        | 33,251     | 24,537    | 13,122   |
| Gold held by or for account of Federal Reserve Agent.....                 | 13,518  | 107,004   | 15,770        | 10,832     | 16,601    | 21,649   |
| Total.....  | 40,580  | 295,658   | 43,119        | 44,083     | 41,138    | 34,771   |
| Increase in holdings of Federal Reserve Banks.....                        | 8,319   | 5,440     | 9,117         | 11,439     | 9,038     | 4,041    |
| Increase in holdings of Federal Reserve Agents.....                       | 3,498   | 17,704    | 6,610         | -168       | 7,051     | 7,449    |
| Total increase.....   | 11,817  | 23,144    | 15,727        | 11,271     | 16,089    | 11,490   |

*Changes in gold and lawful money holdings of Federal Reserve Banks and Federal Reserve Agents—Continued.*

[In thousands of dollars; i. e. 000's omitted.]

|   | Chicago. | St. Louis. | Minneapolis. | Kansas City. | Dallas. | San Francisco. | Total.  |
|---|----------|------------|--------------|--------------|---------|----------------|---------|
| <i>Dec. 30, 1915.</i>   |          |            |              |              |         |                |         |
| Gold and lawful money held by or for account of Federal Reserve Bank..... | 37,048   | 9,157      | 7,105        | 11,072       | 13,435  | 14,090         | 358,488 |
| Gold held by or for account of Federal Reserve Agent.....                 | 4,380    | 8,950      | 14,000       | 9,000        | 11,440  | 6,450          | 197,450 |
| Total.....  | 41,428   | 18,107     | 21,105       | 20,072       | 24,875  | 20,540         | 555,938 |
| <i>Dec. 29, 1916.</i>   |          |            |              |              |         |                |         |
| Gold and lawful money held by or for account of Federal Reserve Bank..... | 54,812   | 16,053     | 16,170       | 27,659       | 20,233  | 22,349         | 471,251 |
| Gold held by or for account of Federal Reserve Agent.....                 | 7,183    | 12,543     | 20,484       | 19,695       | 22,463  | 14,781         | 282,523 |
| Total.....  | 61,995   | 28,596     | 36,654       | 47,354       | 42,696  | 37,130         | 753,774 |
| Increase in holdings of Federal Reserve Banks.....                        | 17,764   | 6,896      | 9,065        | 16,587       | 6,798   | 8,259          | 112,763 |
| Increase in holdings of Federal Reserve Agents.....                       | 2,803    | 3,598      | 6,484        | 10,695       | 11,023  | 8,331          | 85,073  |
| Total increase.....   | 20,567   | 10,499     | 15,549       | 27,282       | 17,821  | 16,590         | 197,836 |

Member banks in other districts have made a considerable proportion of their reserve deposits with the Federal Reserve Banks by drawing on New York correspondents or by utilizing the proceeds of New York exchange acquired during crop-moving or similar periods, for this purpose. It should not, however, be inferred that this movement of gold has involved a diminution of the gold holdings of the Federal Reserve Bank of New York, for its gold holdings have increased slightly during the year.

In the Board's second annual report, at page 77, was described the establishment and operation of the Gold Settlement Fund, through which the Board exercises the functions of a clearing house for Federal Reserve Banks, as provided in section 16 of the Federal Reserve Act. The subsequent establishment of the Federal Reserve Agents' Fund was also described, this fund consisting of gold held by Federal Reserve Agents to reduce the liability of Federal Reserve Banks against Federal Reserve notes outstanding, and deposited for convenience and safekeeping with the Federal Reserve Board. Weekly adjustments of the amounts due among the Federal Reserve Banks are made through the Gold Settlement Fund, principally by book entries, and it is expected that in the near future such adjustments will be made daily. Upon request of Federal Reserve Banks, payments from the fund are also made to the Treasurer of the United States for various purposes, and transfers are made to other Federal Reserve Banks and to the credit of their respective Federal Reserve Agents in the Federal Reserve Agents' Fund. A Federal Reserve Bank having a credit with the Gold Settlement Fund can thus at any

time have the money immediately available at any other Federal Reserve city, or, for certain purposes, at Washington.

The cost of operating the Gold Settlement Fund and the Federal Reserve Agents' Fund has continued very low, although somewhat increased because of greater expense of telegraphic service, due to more numerous transactions. The total expense for the year 1916 was \$1,343.37, of which \$818.31 represented the cost of telegrams, \$25.06 printing and supplies, and \$500 the portion of the deputy settling agent's salary chargeable to the fund.

Gold Settlement Fund—Condensed summary of transactions Jan. 1 to Dec. 30, 1916, both inclusive.

[000's omitted.]

| Federal Reserve Bank of— | Balance to credit in fund Dec. 31, 1915. | Gold with-drawn. | Gold with-drawn by Federal Reserve Agent, net. | Gold de-posit- ed. | Excess of—    |           | Payments to and from other Federal Reserve Banks. |                |            |             | Balance to credit in fund Dec. 30, 1916. |
|--------------------------|--|------------------|--|--------------------|---------------|-----------|---|----------------|------------|-------------|--|
|                          |  |                  |  |                    | With-drawals. | Deposits. | Total debits.                                     | Total credits. | Net debit. | Net credit. |  |
| Boston.....              | \$4,279                                  | \$11,500         | .....  | \$4,500            | \$7,000       | .....     | \$494,279   | \$511,737      | .....      | \$17,458    | \$14,737                                 |
| New York.....            | 5,717                                    | 2,000            | .....  | 239,000            | .....         | \$237,000 | 1,334,441   | 1,112,294      | \$222,147  | .....       | 20,570                                   |
| Philadelphia.....        | 9,695                                    | 41,550           | \$9,230  | 2,500              | 48,280        | .....     | 740,202   | 786,829        | .....      | 46,627      | 8,042                                    |
| Cleveland.....           | 11,042                                   | 5,750            | .....  | 890                | 4,860         | .....     | 302,909   | 313,680        | .....      | 10,771      | 16,953                                   |
| Richmond.....            | 9,875                                    | 11,190           | 11,450   | 10,140             | 12,500        | .....     | 486,159   | 508,200        | .....      | 22,041      | 19,416                                   |
| Atlanta.....             | 3,717                                    | 7,000            | 10,720   | 1,490              | 16,230        | .....     | 197,784   | 216,986        | .....      | 19,202      | 6,689                                    |
| Chicago.....             | 1,356                                    | 5,000            | 3,250  | 34,800             | .....         | 26,550    | 766,240   | 764,517        | 1,723      | .....       | 26,183                                   |
| St. Louis.....           | 6,072                                    | 1,950            | 3,520  | 50                 | 5,420         | .....     | 558,319   | 561,062        | .....      | 2,743       | 3,395                                    |
| Minneapolis.....         | 4,355                                    | .....            | 2,900  | .....              | 2,900         | .....     | 114,791   | 120,400        | .....      | 5,609       | 7,064                                    |
| Kansas City.....         | 2,464                                    | 10,322.5         | 10,460   | 2,730              | 18,052.5      | .....     | 308,048   | 344,872        | .....      | 36,824      | 21,235.5                                 |
| Dallas.....              | 9,308                                    | 13,387.5         | 12,490   | 2,370              | 23,507.5      | .....     | 144,263   | 173,429        | .....      | 29,166      | 14,966.5                                 |
| San Francisco.....       | 9,880                                    | 26,900           | 9,020  | 3,100              | 32,820        | .....     | 86,531  | 119,960        | .....      | 33,429      | 10,489                                   |
| Total.....               | 77,760                                   | 136,550          | 73,040   | 301,570            | 171,570       | 263,550   | 5,533,966   | 5,533,966      | 223,870    | 223,870     | 169,740                                  |



Gold Settlement Fund—Deposits and withdrawals by Federal Reserve Banks, and where made, Jan. 1, 1916 to Dec. 30, 1916.

[000's omitted.]

| Treasury, subtreasury, or mint at— | Federal Reserve Bank of— |             |             |             |               |             |             |             |             |             |             |             |             |             |
|------------------------------------|--------------------------|-------------|-------------|-------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
|                                    | Boston.                  |             | New York.   |             | Philadelphia. |             | Cleveland.  |             | Richmond.   |             | Atlanta.    |             | Chicago.    |             |
|                                    | With-drawn.              | Depos-ited. | With-drawn. | Depos-ited. | With-drawn.   | Depos-ited. | With-drawn. | Depos-ited. | With-drawn. | Depos-ited. | With-drawn. | Depos-ited. | With-drawn. | Depos-ited. |
| Boston.....                        | \$7,500                  | \$4,500     |             |             |               |             |             |             |             |             |             |             |             |             |
| New York.....                      |                          |             |             | \$239,000   |               |             |             |             |             |             |             |             |             |             |
| Philadelphia.....                  |                          |             |             |             | \$41,500      | \$2,500     |             |             |             |             |             |             |             |             |
| Washington.....                    | 4,000                    |             | \$2,000     |             | 3,100         |             | \$5,750     | \$890       | \$16,190    | \$10,140    | \$15,200    | \$560       | \$500       |             |
| Chicago.....                       |                          |             |             |             |               |             |             |             |             |             |             | \$930       | 5,000       | \$34,800    |
| New Orleans.....                   |                          |             |             |             |               |             |             |             |             |             |             |             |             |             |
| Total.....                         | 11,500                   | 4,500       | 2,000       | 239,000     | 44,600        | 2,500       | 5,750       | 890         | 16,190      | 10,140      | 15,200      | 1,490       | 5,500       | 34,800      |

| Treasury, subtreasury, or mint at— | Federal Reserve Bank of— |             |              |             |              |             |             |             |                |             |               |             |         |         |
|------------------------------------|--------------------------|-------------|--------------|-------------|--------------|-------------|-------------|-------------|----------------|-------------|---------------|-------------|---------|---------|
|                                    | St. Louis.               |             | Minneapolis. |             | Kansas City. |             | Dallas.     |             | San Francisco. |             | By all banks. |             |         |         |
|                                    | With-drawn.              | Depos-ited. | With-drawn.  | Depos-ited. | With-drawn.  | Depos-ited. | With-drawn. | Depos-ited. | With-drawn.    | Depos-ited. | With-drawn.   | Depos-ited. |         |         |
| Boston.....                        |                          |             |              |             |              |             |             |             |                |             |               |             | \$7,500 | \$4,500 |
| New York.....                      |                          |             |              |             |              |             | \$100       | \$2,000     |                |             |               |             | 100     | 241,000 |
| Philadelphia.....                  |                          |             |              |             |              |             | 30          |             |                |             |               |             | 41,530  | 2,500   |
| Washington.....                    |                          |             | \$3,960      |             | \$650        |             | \$13,522.5  |             | 16,667.5       | 370         | \$1,570       |             | 83,110  | 11,960  |
| Chicago.....                       |                          |             |              |             |              |             |             |             |                |             |               |             | 5,000   | 31,800  |
| St. Louis.....                     |                          | \$50        |              |             |              |             |             | \$2,730     | 10             |             |               |             | 10      | 2,780   |
| New Orleans.....                   |                          |             |              |             |              |             |             |             | 50             |             |               |             | 50      | 930     |
| San Francisco.....                 |                          |             |              |             |              |             |             |             | 30             |             | 26,480        | \$3,100     | 26,510  | 3,100   |
| Denver.....                        |                          |             |              |             |              |             |             |             | 60             |             |               |             | 60      |         |
| Total.....                         |                          |             | 3,960        | 50          | 650          |             | 13,522.5    | 2,730       | 16,947.5       | 2,370       | 28,050        | 3,100       | 163,870 | 301,570 |

*Condensed summary of transactions in Federal Reserve Agents' fund, Jan. 1 to Dec. 31, 1916, both inclusive.*

[000's omitted.]

| Federal Reserve Agent at— | Balance to credit in fund, Dec. 31, 1915. | Transfers— |            | Withdrawals of gold at Washington. | Balance to credit in fund, Dec. 30, 1916. |
|---------------------------|---|------------|------------|------------------------------------|---|
|                           |   | To bank.   | From bank. |                                    |   |
| Philadelphia.....         | \$5,000                                   | \$2,440    | \$11,670   | \$3,050                            | \$11,180                                  |
| Richmond.....             | 9,550                                     | 2,710      | 14,160     | 5,000                              | 16,000                                    |
| Atlanta.....              | 13,700                                    | 3,600      | 14,320     | 8,200                              | 16,220                                    |
| Chicago.....              | 4,260                                     | 1,130      | 4,380      | 500                                | 7,010                                     |
| St. Louis.....            | 5,000                                     | 1,480      | 5,000      | 2,010                              | 6,510                                     |
| Minneapolis.....          | 4,000                                     | 2,000      | 4,900      | 650                                | 6,250                                     |
| Kansas City.....          | 7,000                                     | 2,000      | 12,460     | 3,200                              | 14,260                                    |
| Dallas.....               | 1,900                                     | 2,300      | 14,790     | 3,560                              | 10,830                                    |
| San Francisco.....        | 6,450                                     | 3,820      | 12,840     | 1,150                              | 14,320                                    |
| Total.....                | 56,880                                    | 21,480     | 94,520     | 27,320                             | 102,580                                   |

## Exhibit F.—RECEIPTS AND DISBURSEMENTS OF THE FEDERAL RESERVE BOARD.

There is here given a statement of receipts and expenditures of the Federal Reserve Board in 1916. The total expense of the Board for the calendar year 1916 is shown on the detailed statement of commitments to have been \$212,477.02. This figure includes a number of items which have of necessity been estimated.

Under the Federal Reserve Act the Federal Reserve Board is authorized to make semiannual assessments upon Federal Reserve Banks to cover its expenses. The first assessment for this purpose was made on November 2, 1914.

The funds of the Board are carried in a special account with the Treasurer of the United States, and transfers are made by the Governor of the Board to the credit of the fiscal agent as necessary. The accounts of the Board pass through the hands of the Auditor for the State and Other Departments and are given the official examination required by the Government. The term "auditor's settlement" under "Disbursements" covers settlements made by transfers of credit authorized and directed by the auditor on the books of the Treasury Department. The term "commitments" where used covers all obligations entered into by the Board for the periods stated; that is to say, it covers not only funds actually expended, but pledges made for materials purchased; salaries accrued but not paid, etc.

### RECEIPTS.

|                                      |               |                |
|--------------------------------------|---------------|----------------|
| Unexpended balance Jan. 1, 1916..... | \$37, 289. 77 |                |
| Assessments.....                     | 192, 143. 60  |                |
| Bulletin, subscriptions to.....      | 1, 024. 70    |                |
| Reimbursements.....                  | 10, 487. 26   |                |
|                                      |               |                |
| Total available.....                 |               | \$240, 945. 33 |

### DISBURSEMENTS.

|  |                |              |
|--|----------------|--------------|
| By the fiscal agent of the Federal Reserve Board.....                  | \$199, 436. 35 |              |
| Auditor's settlements (see explanation above).....                     | 27, 501. 02    |              |
|  |                |              |
| Total disbursements.....   |                | 226, 937. 37 |
| Balances, Dec. 31, 1916, with Treasurer of United States to credit of— |                |              |
| Fiscal agent of the Federal Reserve Board.....                         | \$2, 832. 46   |              |
| Federal Reserve Board.....   | 11, 175. 50    |              |
|  |                | 14, 007. 96  |
|  |                | 240, 945. 33 |

### GENERAL STATEMENT.

|  |                |              |
|--|----------------|--------------|
| Total available.....   | \$240, 945. 33 |              |
| Receipts account of reimbursable commitments.....                | 10, 487. 26    |              |
|  |                |              |
| Total available for general expenses, Federal Reserve Board..... |                | 230, 458. 07 |
| Commitments for general expenses, 1916.....                      | \$212, 477. 02 |              |
| Commitments, 1915, paid in 1916.....                             | 8, 720. 56     |              |
|  |                | 221, 197. 58 |
| Unencumbered balance Jan. 1, 1917.....                           |                | 9, 260. 49   |
| Outstanding commitments Dec. 31, 1916, remaining unpaid.....     |                | 3, 808. 80   |
| Balance to credit reimbursable account.....                      |                | 938. 67      |
|  |                |              |
| Unexpended balance.....  |                | 14, 007. 96  |

Detailed statement of commitments.

|  | January.   | February.  | March.      | April.     | May.       | June.      | July.      | August.    | September. | October.   | November.  | December.  | Total.      |
|--|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|
| <b>Personal services:</b>                  |            |            |             |            |            |            |            |            |            |            |            |            |             |
| Board and its clerks.....                  | \$7,374.98 | \$7,374.98 | \$10,977.76 | \$7,374.98 | \$7,354.15 | \$7,374.99 | \$7,374.98 | \$7,374.98 | \$7,425.04 | \$7,374.98 | \$7,375.05 | \$7,375.04 | \$92,131.91 |
| Secretary's office.....                    | 2,516.65   | 2,516.65   | 2,493.32    | 2,258.32   | 1,683.32   | 1,683.32   | 1,958.33   | 1,958.33   | 1,963.34   | 2,563.33   | 2,577.23   | 2,651.67   | 26,783.81   |
| Counsel's office.....                      | 1,866.66   | 1,866.67   | 1,866.67    | 2,066.66   | 2,066.67   | 2,066.67   | 2,066.66   | 2,066.67   | 2,066.67   | 2,066.66   | 2,066.66   | 2,066.67   | 24,199.99   |
| Division of audit and examination.....     | 1,466.66   | 1,254.16   | 1,254.16    | 1,254.16   | 1,254.16   | 1,254.16   | 1,338.33   | 1,338.33   | 1,338.34   | 1,338.33   | 1,338.34   | 1,338.34   | 15,767.47   |
| Division of reports and statistics.....    | 683.33     | 707.33     | 878.66      | 866.66     | 866.66     | 866.66     | 905.00     | 905.00     | 905.00     | 825.83     | 926.66     | 936.67     | 10,273.46   |
| Division of issue.....                     | 651.66     | 717.00     | 791.66      | 716.66     | 646.66     | 646.66     | 658.33     | 728.33     | 728.34     | 691.00     | 648.34     | 648.34     | 8,272.98    |
| Messengers.....                            | 315.00     | 315.00     | 315.00      | 315.00     | 315.00     | 335.00     | 365.00     | 365.00     | 338.00     | 327.00     | 365.00     | 365.00     | 4,035.00    |
| Charwomen.....                             | 60.00      | 60.00      | 60.00       | 60.00      | 60.00      | 60.00      | 60.00      | 58.67      | 60.00      | 58.66      | 58.67      | 58.00      | 714.00      |
| Total.....                                 | 14,934.94  | 14,811.79  | 18,577.23   | 14,912.44  | 14,246.62  | 14,287.46  | 14,726.63  | 14,795.31  | 14,844.73  | 15,245.79  | 15,355.95  | 15,439.73  | 182,178.62  |
| <b>Nonpersonal services:</b>               |            |            |             |            |            |            |            |            |            |            |            |            |             |
| Transportation and subsistence of persons— |            |            |             |            |            |            |            |            |            |            |            |            |             |
| Board and its clerks.....                  |            |            | 225.82      |            | 83.60      | 104.65     |            | 97.47      | 224.76     | 144.86     | 213.34     | 21.05      | 1,115.55    |
| Secretary's office.....                    | 69.00      |            |             |            |            |            |            |            |            |            | 25.05      |            | 94.05       |
| Division of audit and examination.....     | 584.36     | 178.58     | 622.65      | 902.55     | 386.28     | 109.98     | 703.10     | 546.99     | 337.40     | 154.58     | 811.15     | 345.78     | 5,683.40    |
| Division of reports and statistics.....    |            |            |             |            |            |            | 19.20      |            |            |            |            | 64.55      | 83.75       |
| Counsel's office.....                      | 135.15     |            |             |            | 158.42     |            |            |            |            |            |            | 51.40      | 344.97      |
| Messengers (car fare).....                 | 5.00       | 5.00       | 5.00        |            | 5.00       |            | 5.00       |            | 5.00       |            |            | 5.00       | 35.00       |
| <b>Communication service:</b>              |            |            |             |            |            |            |            |            |            |            |            |            |             |
| Telephone.....                             | 70.54      | 38.29      | 59.83       | 34.98      | 50.11      | 46.40      | 110.66     | 45.07      | 56.42      | 59.48      | 55.98      | 62.51      | 690.27      |
| Telegraph.....                             | 331.69     | 237.57     | 396.64      | 280.10     | 324.44     | 342.91     | 425.94     | 315.81     | 318.43     | 412.08     | 266.30     | 336.09     | 3,988.00    |
| Postage.....                               |            |            | 45.00       |            |            |            |            |            | 20.00      |            |            |            | 65.00       |
| Printing, binding, etc.....                | 850.00     | 839.48     | 950.00      | 734.17     | 794.81     | 1,442.80   | 1,027.33   | 1,050.46   | 1,165.31   | 1,100.31   | 1,127.06   | 1,221.44   | 12,303.23   |
| Contract repairs.....                      |            | 2.75       | 6.75        | 2.50       | 9.50       | 4.82       | .82        | 28.75      | 9.87       | .90        |            | 3.25       | 69.91       |
| Electricity (light and power).....         | 30.00      | 30.00      | 30.00       | 30.00      | 30.00      | 30.00      | 30.00      | 30.00      | 30.00      | 30.00      | 30.00      | 30.00      | 360.00      |
| Steam (heat).....                          | 15.00      | 15.00      | 15.00       | 15.00      |            |            |            |            |            |            | 15.00      | 15.00      | 90.00       |
| Other (nonpersonal service).....           |            |            | 28.65       | 7.88       | 101.82     |            | 0.00       | 45.15      | 19.75      | 11.08      |            | 43.49      | 260.82      |

|                                     |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |  |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|--|
| <b>Supplies:</b>                    |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |  |
| Stationery.....                     | 126.47           | 43.45            | 134.32           | 171.14           | 46.21            | 88.05            | 115.58           | 44.88            | 65.15            | 189.57           | 154.76           | 61.50            | 1,241.08          |  |
| Periodicals.....                    | 10.00            |                  | 14.10            | .23              | 122.13           | 5.00             |                  | 14.50            | 73.60            | 19.00            | 39.80            |                  | 298.36            |  |
| Other.....                          | 43.58            | 13.91            | 11.52            | 165.13           | 62.67            | 23.64            | 16.60            | 17.16            | 90.36            | 65.39            | 15.20            | 20.54            | 545.70            |  |
| <b>Equipment:</b>                   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                   |  |
| Furniture and office equipment..... | 80.10            | 278.39           | 451.12           | 39.95            | 445.20           | 52.50            | 39.40            | 121.31           | 661.29           | 427.80           | 220.15           | 22.90            | 2,840.11          |  |
| Books.....                          | 20.75            | 4.50             | 5.25             | 8.00             | 9.20             | 24.75            |                  |                  |                  | 3.15             | 108.00           | 5.60             | 189.20            |  |
| <b>Total.....</b>                   | <b>2,371.64</b>  | <b>1,686.92</b>  | <b>3,001.71</b>  | <b>2,391.63</b>  | <b>2,629.39</b>  | <b>2,275.50</b>  | <b>2,496.63</b>  | <b>2,357.55</b>  | <b>3,077.34</b>  | <b>2,618.20</b>  | <b>3,081.79</b>  | <b>2,310.10</b>  | <b>30,298.40</b>  |  |
| <b>Grand total.....</b>             | <b>17,306.58</b> | <b>16,498.71</b> | <b>21,578.94</b> | <b>17,304.07</b> | <b>16,876.01</b> | <b>16,562.96</b> | <b>17,223.26</b> | <b>17,152.86</b> | <b>17,922.07</b> | <b>17,863.99</b> | <b>18,437.74</b> | <b>17,749.83</b> | <b>212,477.02</b> |  |

## Exhibit G.—EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS.

Total earnings of the Federal Reserve Banks for the calendar year 1916 were \$4,955,343, while total current expenses for the same period were \$2,495,835. Of this total \$291,491 represents the estimated expenses of the transit department for the period July 15 to December 31 of the past year. This amount is reimbursed to the Federal Reserve Banks through special charges assessed against member banks which forward checks to the Federal Reserve Bank for collection. Aggregate net earnings of the banks, i. e., total earnings, less current expenses of the banks proper, were thus \$2,750,999, or at the rate of almost 5 per cent on an estimated yearly average paid-in capital of \$55,178,000.

Three banks report net earnings in excess of 6 per cent on their average paid-in capital; five banks show a rate in excess of 5 per cent but less than 6 per cent, while two more banks show net earnings in excess of 4 per cent but below 5 per cent. Total current expenses are composed of \$1,975,992, expenses of operation; \$298,007, the cost (including insurance, expressage, etc.) of Federal Reserve currency issued, returned, and retired during 1916; \$192,940, depreciation charges; and \$28,896, the excess of disbursements of the transit departments over net service charges received.

Of the total net earnings of \$2,750,999, the banks applied \$494,314 to charge off the balance of organization expenses carried over from 1915; \$8,441 to pay dividends accrued on stock surrendered or canceled during the year; and \$1,487,402 in payment of dividends to their members during the past year. The remainder, \$760,842, was carried to profit and loss. This amount, combined with the adjusted total of \$135,392 for January 1, 1916, gives a total profit and loss of \$896,234 carried to January 1, 1917.

Of the total earnings for the year 20.7 per cent was from bills discounted for member banks; 31.5 per cent from acceptances bought in open market; 22.3 per cent from United States bonds and Treasury notes, and 14.3 per cent from municipal warrants, while 6.1 per cent represents profits realized from the sale and appreciation of United States securities owned. The remainder, 5.1 per cent, represents commissions earned on acceptances and warrants bought for other Federal Reserve Banks, charges for transfers of funds for member and nonmember banks, penalties and interest on deficient reserves, and sundry smaller profits.

Of the total expenses of operation, \$559,949, or 28.3 per cent, went as compensation to the clerical staff and \$495,560, or 25.1 per cent, as salaries to bank officers. Nearly 10 per cent of total expenses of operation, or \$192,277, is represented by the contributions of the banks for the support of the Federal Reserve Board. Rent paid by all banks, except Dallas, totaled \$164,965, or 8.3 per cent of the total expenses of operation. Postage and printing, including stationery, are the two other items next in importance in the expense budget of the banks.

Current expenses are exclusive of \$170,697 expended during the year in the purchase of additional furniture and equipment. The total written off this account during the year is \$185,440, leaving a balance on January 1, 1917, of \$255,249.

Dallas owns a banking house, while Richmond and Atlanta own ground for the erection of bank buildings. The total amount invested in bank premises by these three banks is given as \$368,222.

During 1916 a total of \$230,778 was paid for the printing and shipping of Federal Reserve notes, while the total cost of notes issued to the banks and charged to current expenses was \$270,743. From November, 1914, to December 31, 1916, the banks have paid \$1,035,483 for printing and shipping Federal Reserve notes and have charged off during the same period a total of \$533,161 for notes issued, leaving thus a balance of \$502,322 at the beginning of 1917.

Earnings and expenses of each Federal Reserve Bank and of the system as a whole for the calendar year 1916.

EARNINGS.

|   | Boston.        | New York.      | Philadelphia.  | Cleveland.     | Richmond.      | Atlanta (including New Orleans branch). | Chicago.       | St. Louis.     | Minneapolis.   | Kansas City.   | Dallas.        | San Francisco. | Total.           |
|---|----------------|----------------|----------------|----------------|----------------|---|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| Bills discounted—members.....                     | \$43,303       | \$37,368       | \$28,391       | \$18,064       | \$214,857      | \$141,774                               | \$124,452      | \$46,041       | \$60,938       | \$84,572       | \$205,232      | \$20,683       | \$1,025,675      |
| Bills bought in open market.....                  | 236,857        | 530,484        | 198,243        | 106,993        | 29,171         | 52,474                                  | 101,186        | 81,599         | 50,099         | 29,601         | 10,880         | 133,331        | 1,560,918        |
| <b>Investments:</b>                               |                |                |                |                |                |   |                |                |                |                |                |                |                  |
| U. S. bonds and notes.....                        | 57,194         | 81,645         | 81,081         | 144,844        | 39,175         | 40,725                                  | 204,051        | 70,362         | 69,266         | 186,411        | 64,576         | 67,530         | 1,106,860        |
| Warrants.....                                     | 78,578         | 214,122        | 69,183         | 116,925        | 3,495          | 5,102                                   | 90,700         | 31,619         | 34,267         | 14,366         | 737            | 49,773         | 708,867          |
| Commissions received.....                         | 10,559         | 42,387         |                |                |                | 154                                     |                |                |                |                |                |                | 53,100           |
| Profits realized on United States securities..... | 20,575         | 43,515         | 35,634         | 37,229         | 12,517         | 1,530                                   | 66,175         | 21,650         |                | 48,872         |                | 14,487         | 302,184          |
| Sundry profits.....                               | 3,148          | 1,128          | 5,407          | 5,101          | 12,543         | 20,186                                  | 60,419         | 34,887         | 23,539         | 1,145          | 25,450         | 4,788          | 197,739          |
| <b>Total earnings.....</b>                        | <b>450,214</b> | <b>950,649</b> | <b>417,939</b> | <b>429,156</b> | <b>311,758</b> | <b>261,945</b>                          | <b>646,983</b> | <b>286,158</b> | <b>238,109</b> | <b>364,967</b> | <b>306,875</b> | <b>290,590</b> | <b>4,955,343</b> |

CURRENT EXPENSES.

|  |          |          |          |          |          |         |          |         |         |          |         |          |           |
|--|----------|----------|----------|----------|----------|---------|----------|---------|---------|----------|---------|----------|-----------|
| <b>Expenses of operation:</b>                                      |          |          |          |          |          |         |          |         |         |          |         |          |           |
| Assessment account expenses Federal Reserve Board.....             | \$17,704 | \$39,029 | \$18,362 | \$20,825 | \$11,743 | \$8,547 | \$23,329 | \$9,750 | \$8,962 | \$10,575 | \$9,665 | \$13,786 | \$192,277 |
| Federal Advisory Council (fees and traveling expenses).....        | 401      | 1,163    | 306      | 555      | 150      | 358     | 793      | 397     | 743     | 306      | 753     | 150      | 6,075     |
| Governors' conferences (including traveling expenses).....         | 915      | 2,885    | 749      | 1,586    | 1,445    | 1,096   | 930      | 1,208   | 1,392   | 1,245    | 1,301   | 2,966    | 17,718    |
| Federal Reserve Agents' conferences, incl. traveling expenses..... | 332      | 648      | 280      | 519      | 321      | 183     | 299      | 393     | 417     | 423      | 614     | 1,044    | 5,473     |
| <b>Salaries:</b>   |          |          |          |          |          |         |          |         |         |          |         |          |           |
| Bank officers.....   | 33,916   | 92,650   | 39,100   | 39,767   | 31,428   | 31,867  | 52,385   | 46,699  | 26,625  | 25,973   | 33,942  | 41,208   | 495,560   |
| Clerical staff.....  | 43,169   | 103,699  | 52,398   | 39,044   | 38,383   | 39,738  | 65,311   | 37,264  | 29,277  | 40,223   | 37,885  | 33,553   | 559,949   |
| Special officers and watchmen.....                                 |          | 7,248    | 6,012    | 716      | 648      | 3,258   | 5,846    | 1,620   | 1,311   | 805      | 1,771   | 123      | 29,358    |
| All other.....   |          | 11,737   |          | 176      | 1,774    |         | 4,198    | 1,200   | 78      | 1,599    | 2,835   |          | 23,597    |

Earnings and expenses of each Federal Reserve Bank and of the system as a whole for the calendar year 1916—Continued.

CURRENT EXPENSES—Continued.

|  | Boston. | New York. | Phila-<br>delphia. | Cleve-<br>land. | Rich-<br>mond. | Atlanta<br>(includ-<br>ing New<br>Orleans<br>branch). | Chicago. | St. Louis. | Minne-<br>apolis. | Kansas<br>City. | Dallas. | San Fran-<br>cisco. | Total.    |
|--|---------|-----------|--------------------|-----------------|----------------|---|----------|------------|-------------------|-----------------|---------|---------------------|-----------|
| <b>Expenses of operation—Continued.</b>  |         |           |                    |                 |                |   |          |            |                   |                 |         |                     |           |
| Directors' fees.....   | \$3,820 | \$3,930   | \$3,220            | \$1,880         | \$3,760        | \$2,790   | \$2,030  | \$4,360    | \$3,100           | \$3,705         | \$1,655 | \$1,850             | \$36,100  |
| Directors' per diem allowance.....   | 1,120   | 1,040     | 820                | 1,020           | 1,840          | 2,083   | 680      | 1,040      | 990               | 2,385           | 1,210   | 400                 | 14,583    |
| Directors' traveling expenses.....   | 772     | 1,245     | 895                | 1,288           | 2,505          | 2,251   | 1,018    | 1,155      | 1,486             | 3,628           | 1,394   | .....               | 17,637    |
| Officers' and clerks' traveling expenses...  | 1,993   | 659       | 558                | 913             | 407            | 1,846   | 595      | 598        | 1,145             | 633             | 1,234   | 1,164               | 11,745    |
| Legal fees.....  | 2,225   | .....     | 2,000              | 2,500           | 1,425          | 1,400   | 2,521    | .....      | 1,500             | 600             | 2,422   | 2,421               | 19,014    |
| Rent.....  | 15,139  | 45,810    | 9,250              | 7,212           | 6,034          | 12,845  | 26,588   | 14,900     | 6,955             | 8,500           | .....   | 11,732              | 164,965   |
| Telephone.....   | 1,492   | 1,985     | 1,231              | 1,017           | 391            | 362   | 1,382    | 877        | 568               | 506             | 946     | 466                 | 11,223    |
| Telegraph.....   | 186     | 766       | 12                 | 296             | 226            | 573   | 398      | 255        | 299               | 352             | 683     | 507                 | 4,553     |
| Postage.....   | 10,081  | 12,946    | 8,174              | 6,869           | 7,404          | 7,934   | 11,315   | 7,764      | 8,157             | 10,851          | 6,139   | 4,787               | 102,421   |
| Expressage.....  | 2,839   | 1,648     | 3,378              | 69              | 1,255          | 664   | 582      | 745        | 533               | 825             | 11,123  | 7,595               | 31,256    |
| Insurance and premiums on fidelity<br>bonds.....   | 1,701   | 3,125     | 3,415              | 2,393           | 1,641          | 1,192   | 5,904    | 2,199      | 1,731             | 1,306           | 599     | 1,227               | 26,433    |
| Light, heat, and power.....  | 1,490   | .....     | 1,147              | 31              | 1,286          | 160   | 2,242    | .....      | .....             | 1,118           | 1,378   | 432                 | 9,264     |
| Printing and stationery.....   | 8,480   | 20,067    | 6,648              | 12,246          | 6,852          | 5,473   | 9,964    | 5,278      | 6,198             | 4,361           | 2,900   | 8,472               | 96,939    |
| Repairs and alterations.....   | 731     | 260       | 987                | 98              | 241            | 206   | 1,201    | 347        | 719               | 301             | 228     | 5,133               | 10,452    |
| All other expenses, not specified.....   | 8,779   | 25,537    | 6,041              | 3,334           | 3,625          | 8,823   | 12,585   | 3,151      | 3,169             | 4,422           | 6,612   | 3,322               | 89,400    |
| Total expenses of operation.....   | 157,285 | 378,077   | 164,983            | 144,354         | 124,789        | 133,604   | 232,096  | 141,200    | 105,355           | 124,642         | 127,289 | 142,338             | 1,975,992 |
| Cost of Federal Reserve notes issued, in-<br>cluding expressage, etc.....                | 15,141  | 95,240    | 16,600             | 3,738           | 18,248         | 12,167  | 5,113    | 10,720     | 9,866             | 20,436          | 14,443  | 49,031              | 270,743   |
| Miscellaneous charges, account Federal<br>Reserve note issues.....                       | 675     | 12,938    | 1,003              | 2,132           | .....          | .....   | 522      | 1,656      | .....             | .....           | .....   | 981                 | 19,907    |
| Miscellaneous charges, account Federal<br>Reserve bank note issues, including taxes..... | .....   | .....     | .....              | .....           | .....          | .....   | .....    | .....      | .....             | 5,791           | 1,566   | .....               | 7,357     |



|  |         |                      |         |         |                |                     |         |         |                     |         |                     |                      |                      |
|--|---------|----------------------|---------|---------|----------------|---------------------|---------|---------|---------------------|---------|---------------------|----------------------|----------------------|
| Depreciation of furniture and equipment...   | 21,852  | 70,707               | 15,653  | 8,097   | 4,514          | 4,442               | 25,000  | 3,355   | 5,353               | 4,350   | <sup>1</sup> 17,028 | 12,589               | <sup>1</sup> 192,940 |
| Disbursements of transit department in excess of net service charges received.....                     | .....   | 14,776               | 4,000   | 421     | <i>-1,033</i>  | .....               | 7,967   | 100     | .....               | .....   | .....               | 2,665                | 28,896               |
| Total current expenses, exclusive of amortization charges, account organization expenses.....          | 194,953 | 571,738              | 202,239 | 158,742 | 146,498        | 150,213             | 270,698 | 157,031 | 120,574             | 155,219 | 160,326             | 207,604              | 2,495,835            |
| Less disbursements of transit department..   | 40,674  | 35,153               | 34,241  | 23,394  | 21,311         | 17,576              | 26,921  | 11,890  | 17,068              | 15,241  | 19,497              | 28,525               | 291,491              |
| Current expenses of bank proper, exclusive of amortization charges, account organization expenses..... | 154,279 | 536,585              | 167,998 | 135,348 | 125,187        | 132,637             | 243,777 | 145,141 | 103,506             | 139,978 | 140,829             | 179,079              | 2,204,344            |
| Net earnings for year 1916.....  | 295,935 | 414,064              | 249,941 | 293,808 | 186,571        | 129,308             | 403,206 | 141,017 | 134,603             | 224,989 | 166,046             | 111,511              | 2,750,999            |
| Per cent of average paid-in capital.....   | 5.19    | 3.61                 | 4.78    | 4.92    | 5.57           | 5.26                | 6.05    | 5.05    | 5.22                | 7.45    | 6.14                | 2.84                 | 4.99                 |
| Disposition of net earnings:   |         |                      |         |         |                |                     |         |         |                     |         |                     |                      |                      |
| Organization expenses charged off in full.   | 34,603  | <sup>2</sup> 123,776 | 31,517  | 55,774  | .....          | .....               | 97,169  | 32,341  | <sup>2</sup> 66,776 | .....   | 52,358              | <sup>2</sup> 494,314 |                      |
| Dividends paid.....  | .....   | 127,113              | 128,458 | 143,237 | 197,922        | 198,840             | 360,649 | 31,100  | 57,720              | 66,707  | 131,920             | 43,736               | 1,487,402            |
| Dividends accrued and paid on surrendered and canceled stock.....                                      | 2,804   | .....                | .....   | .....   | .....          | 2,879               | 670     | .....   | .....               | .....   | 2,088               | .....                | 8,441                |
| Total.....   | 37,407  | 250,889              | 159,975 | 199,011 | 197,922        | 201,719             | 361,319 | 128,269 | 90,061              | 133,483 | 134,008             | 96,094               | 1,990,157            |
| Balance of net earnings carried to profit and loss account.....  | 258,528 | 163,175              | 89,966  | 94,797  | <i>-11,351</i> | <i>-72,411</i>      | 41,887  | 12,748  | 44,542              | 91,506  | 32,038              | 15,417               | 760,842              |
| Profit and loss account, Jan. 1, 1916.....   | .....   | <i>-111</i>          | .....   | .....   | 23,015         | <sup>2</sup> 82,532 | 20,091  | .....   | .....               | .....   | 9,865               | .....                | <sup>2</sup> 135,392 |
| Profit and loss account, Jan. 1, 1917.....   | 258,528 | 163,064              | 89,966  | 94,797  | 11,664         | 10,121              | 61,978  | 12,748  | 44,542              | 91,506  | 41,903              | 15,417               | 896,234              |

<sup>1</sup> Includes \$7,500 depreciation of bank premises.

<sup>2</sup> Difference between figures marked and corresponding figures shown in the 1915 annual report due to slight adjustments after Jan. 1, 1916.

Profit and loss account of each Federal Reserve Bank and of the system as a whole for the calendar year 1916.

|   | Boston.   | New York.            | Philadel-<br>phia. | Cleve-<br>land. | Rich-<br>mond. | Atlanta.            | Chicago.  | St. Louis. | Minne-<br>apolis. | Kansas<br>City.     | Dallas.   | San Fran-<br>cisco. | Total.               |
|---|-----------|----------------------|--------------------|-----------------|----------------|---------------------|-----------|------------|-------------------|---------------------|-----------|---------------------|----------------------|
| Earnings.....   | \$450,214 | \$950,649            | \$417,939          | \$429,156       | \$311,758      | \$261,945           | \$646,983 | \$286,158  | \$238,109         | \$364,967           | \$306,875 | \$290,590           | \$4,955,343          |
| Current expenses of bank proper.....  | 154,279   | 536,585              | 167,998            | 135,348         | 125,187        | 132,637             | 243,777   | 145,141    | 103,506           | 139,978             | 140,829   | 179,079             | 2,204,344            |
| Net earnings for year.....  | 295,935   | 414,064              | 249,941            | 293,808         | 186,571        | 129,308             | 403,206   | 141,017    | 134,603           | 224,989             | 166,046   | 111,511             | 2,750,999            |
| Deduct organization expenses.....   | 34,603    | <sup>1</sup> 123,776 | 31,517             | 55,774          | .....          | .....               | .....     | 97,169     | 32,341            | <sup>1</sup> 66,776 | .....     | 52,358              | <sup>1</sup> 494,314 |
| Net profits for year available for dividends  | 261,332   | 290,288              | 218,424            | 238,034         | 186,571        | 129,308             | 403,206   | 43,848     | 102,262           | 158,213             | 166,046   | 59,153              | 2,256,685            |
| Profit and loss account Jan. 1, 1916.....   | .....     | -111                 | .....              | .....           | 23,015         | <sup>1</sup> 82,532 | 20,091    | .....      | .....             | .....               | 9,865     | .....               | 135,392              |
| Total net profits available for divi-<br>dends.....                                 | 261,332   | 290,177              | 218,424            | 238,034         | 209,586        | 211,840             | 423,297   | 43,848     | 102,262           | 158,213             | 175,911   | 59,153              | 2,392,077            |
| Dividends paid.....   | .....     | 127,113              | 128,458            | 143,237         | 197,922        | 198,840             | 360,649   | 31,100     | 57,720            | 66,707              | 131,920   | 43,736              | 1,487,402            |
| Dividends accrued and paid on surren-<br>dered and canceled stock.....              | 2,804     | .....                | .....              | .....           | .....          | 2,879               | 670       | .....      | .....             | .....               | 2,088     | .....               | 8,441                |
| Total dividends paid during year....  | 2,804     | 127,113              | 128,458            | 143,237         | 197,922        | 201,719             | 361,319   | 31,100     | 57,720            | 66,707              | 134,008   | 43,736              | 1,495,843            |
| Profit and loss account Jan. 1, 1917.....   | 258,528   | 163,064              | 89,966             | 94,797          | 11,664         | 10,121              | 61,978    | 12,748     | 44,542            | 91,506              | 41,903    | 15,417              | 896,234              |
| Dividends declared during 1916 and ap-<br>proved for payment after Jan. 1, 1917.... | 246,931   | .....                | .....              | .....           | .....          | .....               | .....     | .....      | .....             | .....               | .....     | .....               | 246,931              |
| For period ending.....  | 12-31-15  | .....                | .....              | .....           | .....          | .....               | .....     | .....      | .....             | .....               | .....     | .....               | .....                |
| Dividends paid to.....  | .....     | 3-31-15              | 6-30-15            | 6-30-15         | 10-31-16       | 6-30-16             | 12-31-15  | 3-31-15    | 6-30-15           | 6-30-15             | 4-30-16   | 3-31-15             | .....                |

<sup>1</sup> Difference between figures marked and corresponding figures shown in the 1915 annual report due to slight adjustments after Jan. 1, 1916.

*Cost of furniture and equipment, including vaults, also bank premises.*

|   | Boston. | New York. | Philadelphia. | Cleveland. | Richmond. | Atlanta (including New Orleans branch). | Chicago. | St. Louis. | Minneapolis. | Kansas City. | Dallas.  | San Francisco. | Total.    |
|---|---------|-----------|---------------|------------|-----------|---|----------|------------|--------------|--------------|----------|----------------|-----------|
| Balance as reported Jan. 1, 1916.....                               | \$9,595 | \$26,980  | \$18,491      | \$20,187   | \$9,500   | \$6,228                                 | \$23,000 | \$20,346   | \$54,159     | \$41,829     | \$33,255 | \$6,222        | \$269,992 |
| Additional purchases during calendar year ending Dec. 31, 1916..... | 12,257  | 43,727    | 12,572        | 8,074      | 7,014     | 10,496                                  | 30,305   | 11,698     | 10,468       | 4,482        | 13,437   | 6,167          | 170,697   |
| Total.....  | 21,852  | 70,707    | 31,063        | 28,261     | 16,514    | 16,724                                  | 53,305   | 32,044     | 64,627       | 46,311       | 46,692   | 12,589         | 440,689   |
| Depreciation charged during calendar year ending Dec. 31, 1916..... | 21,852  | 70,707    | 15,653        | 8,097      | 4,514     | 4,442                                   | 25,000   | 3,355      | 5,353        | 4,350        | 9,528    | 12,589         | 185,440   |
| Balance, Jan. 1, 1917.....  |         |           | 15,410        | 20,164     | 12,000    | 12,282                                  | 28,305   | 28,689     | 59,274       | 41,961       | 37,164   |                | 255,249   |
| Bank premises.....  |         |           |               |            | 121,476   | 102,500                                 |          |            |              |              | 144,246  |                | 368,222   |

*Cost of unissued Federal Reserve notes.*

|   |          |           |          |          |          |         |          |          |          |          |         |          |           |
|---|----------|-----------|----------|----------|----------|---------|----------|----------|----------|----------|---------|----------|-----------|
| Balance as reported Jan. 1, 1916.....   | \$38,633 | \$232,087 | \$43,172 | \$42,758 | \$17,368 | \$9,502 | \$60,380 | \$22,363 | \$19,933 | \$11,252 | \$9,924 | \$34,915 | \$542,287 |
| Additional cost during calendar year ending Dec. 31, 1916.....  | 5,738    | 98,752    | 1,136    | 524      | 10,235   | 22,980  | 12,691   | 8,120    | 6,228    | 36,799   | 13,459  | 14,116   | 230,778   |
| Total.....  | 44,371   | 330,839   | 44,308   | 43,282   | 27,603   | 32,482  | 73,071   | 30,483   | 26,161   | 48,051   | 23,383  | 49,031   | 773,065   |
| Cost of Federal Reserve notes issued and charged to current expenses during calendar year ending Dec. 31, 1916..... | 15,141   | 95,240    | 16,600   | 3,738    | 18,248   | 12,167  | 5,113    | 10,720   | 9,866    | 20,436   | 14,443  | 49,031   | 270,743   |
| Balance, Jan. 1, 1917.....  | 29,230   | 235,599   | 27,708   | 39,544   | 9,355    | 20,315  | 67,958   | 19,763   | 16,295   | 27,615   | 8,940   |          | 502,322   |

<sup>1</sup> Net amount, less depreciation of \$7,500 on banking house, included among current expenses.

## Exhibit H.—CHANGES IN FEDERAL RESERVE DISTRICTS.

When the annual report of the Board for 1915 was prepared the Board had acted favorably on the following petitions for changes in Federal Reserve districts, under section 1 of the Federal Reserve Act:

The petition of certain banks in northern New Jersey for transfer from district No. 3 to district No. 2.

The petition of certain banks in West Virginia for the transfer of the counties of Wetzel and Tyler from district No. 5 to district No. 4.

The petition of certain banks in Oklahoma for transfer from district No. 11 to district No. 10.

The petition of certain banks in Nebraska and Wyoming for transfer from district No. 10 to district No. 7 had been denied.

There remained for action:

The petition of the city of Baltimore to be designated as the headquarters of district No. 5 in place of Richmond, Va.

The petition of the city of Pittsburgh to be designated as the headquarters of district No. 4 in place of Cleveland, Ohio.

The petition of certain banks in southern Wisconsin to be transferred from district No. 9 to District No. 7.

The petition of certain banks in Connecticut to be transferred from district No. 1 to District No. 2.

There was filed, on December 21, 1915, a petition on the part of certain banks in southern Louisiana to be transferred from district No. 11 to district No. 6.

The opinion of the Attorney General, of April 14, 1916, holding that the Board had no power under the law to abolish existing Federal Reserve Banks or Federal Reserve districts, automatically disposed of the petitions from Baltimore and Pittsburgh.

There remained then for action, the petition from Louisiana banks, that from banks in southern Wisconsin, and that from banks in Connecticut.

Action has been taken by the Board upon all of these petitions and there are none now pending.

Favorable action was taken on the petition of Louisiana banks to be transferred from district No. 11 to district No. 6.

The petition of Wisconsin banks to be transferred from district No. 9 to district No. 7 was granted, and the banks in the county of Fairfield, Conn., bordering upon New York State were transferred from the first to the second district.

The details of changes made prior to December 31, 1915, will be found in the annual report for that year, on page 114.

Below are given the orders entered in the three petitions acted upon by the Board in 1916:

FEBRUARY 28, 1916.

SIR: I have the honor to inform you that the Federal Reserve Board on February 25 adopted the following resolution:

"Resolved, That all of Louisiana north of the parishes of Vernon, Rapides, and Avoyelles remain in the Eleventh Federal Reserve District, and that the remaining part of the State of Louisiana now in the Eleventh District be transferred to the Sixth Federal Reserve District, and the banks therein allotted to the New Orleans Branch of the Federal Reserve Bank of Atlanta."

Accordingly, the following banks now members of the Eleventh Federal Reserve District, and owning stock in the Federal Reserve Bank of Dallas, will be transferred to the Sixth Federal Reserve District and will take out a corresponding amount of stock in the Federal Reserve Bank of Atlanta. These banks will be classed as belonging to the territory assigned to the New Orleans Branch of the Federal Reserve Bank of Atlanta.

| Bank.   | Capital. | Surplus. |
|---|----------|----------|
| First National, Abbeville.....                      | \$50,000 | \$50,000 |
| First National, Alexandria.....                     | 100,000  | 200,000  |
| First National, Jeanerette.....                     | 50,000   | 50,000   |
| First National, Lafayette.....                      | 100,000  | 100,000  |
| Calcasieu National, Lake Charles.....               | 150,000  | 50,000   |
| First National, Lake Charles.....                   | 100,000  | 40,000   |
| Peoples National, New Iberia.....                   | 100,000  | 20,000   |
| State National, New Iberia.....                     | 100,000  | 30,000   |
| Opelousas National, Opelousas.....                  | 50,000   | 50,000   |
| Planters National, Opelousas.....                   | 50,000   | 15,000   |
| First National, Ville Platte.....                   | 25,000   |          |
| First National Bank of Arcadia Parish, Crowley..... | 50,000   | 12,500   |
| First National, De Ridder.....                      | 25,000   | 7,000    |
| First National, Eunice.....                         | 30,000   | 6,000    |
| First National, Morgan City.....                    | 50,000   | 50,000   |
| New Iberia National, New Iberia.....                | 50,000   | 500,000  |

The question of transfers of capital stock from the Federal Reserve Bank of Dallas to the Federal Reserve Bank of Atlanta will require your attention, and it is suggested that you follow in this matter the same procedure which was laid down by the Board in effecting the transfer of the banks of West Virginia from the Fifth to the Fourth Federal Reserve District some nine months ago. I inclose a copy of the Federal Reserve Bulletin for July, on page 142 of which you will find the details of the process fully set forth. You should note in communicating with member banks that this proceeding is a readjustment under the Board's general power, and not a review on appeal. The Board will be glad to hear from you with respect to the arrangement of any details that may seem to call for further adjustment. Would it be agreeable that the transfer be made effective as of April 1? Please notify that the Board may enter the formal order.

Respectfully,

H. PARKER WILLIS, *Secretary.*

Mr. M. B. WELLBORN,

*Chairman Board of Directors, Federal Reserve Bank of Atlanta.*

75284°—17—9

## ORDER AMENDING THE GEOGRAPHICAL LIMITS OF DISTRICTS NOS. 6 AND 11.

At a stated meeting of the Federal Reserve Board, duly held at its office in the city of Washington, D. C., March 6, 1916.

Present: Mr. Hamlin, Governor; Mr. Delano, Vice Governor; Mr. Miller; Mr. Harding; Mr. Warburg; Mr. Williams.

In the matter of readjusting the geographical limits of districts Nos. 6 and 11 in accordance with the power vested in the Federal Reserve Board by section 2 of the Federal Reserve Act.

Whereas the Federal Reserve Board is authorized and empowered by section 2 of the Federal Reserve Act to readjust the Federal Reserve districts; and

Whereas upon consideration of (a) the petition of certain banks in Louisiana for the transfer from district No. 11 to district No. 6 of all that part of Louisiana then situate in district No. 11; (b) the printed briefs and exhibits filed by counsel, it appears to the Federal Reserve Board that the convenience and customary course of business and the best interests of the Federal Reserve System will be served by a readjustment of the geographical limits of districts Nos. 6 and 11:

Now, therefore, the Federal Reserve Board doth order—

(1) That district No. 11 be readjusted and altered so as to include the State of Texas; all that part of New Mexico not included in district No. 10; the counties of Pima, Graham, Greenlee, Cochise, and Santa Cruz, all situate in the State of Arizona; the counties of Marshall, Bryan, Choctaw, Pushmataha, McCurtain, Johnson, Atoka, and Coal, all situate in the State of Oklahoma; and all that part of Louisiana situate north of the northern boundaries of the parishes of Vernon, Rapides, and Avoyelles.

(2) That district No. 6 be readjusted and extended so as to include the States of Florida, Georgia, and Alabama; all that part of the State of Tennessee not included in district No. 8; all that part of the State of Mississippi not included in district No. 8; and all that part of the State of Louisiana south of the northern boundaries of the parishes of Vernon, Rapides, and Avoyelles.

(3) That the alterations in districts Nos. 6 and 11 directed in this order become effective April 1, 1916.

(4) That the Federal Reserve Banks of Atlanta and Dallas be notified of the changes made in the districts referred to and directed to take such action as may be necessary for the transfer of membership of the banks included in the territory affected.

(5) That a copy of this order be filed with the Comptroller of the Currency in order that the certificate of the Reserve Bank Organization Committee may be properly amended.

C. S. HAMLIN, *Governor*.

Attest:

H. PARKER WILLIS, *Secretary*.

MARCH 1, 1916.

SIR: I have the honor to inform you that the Federal Reserve Board on February 29 adopted a resolution transferring the banks situated in Fairfield County, Conn., from district No. 1 to district No. 2.

Accordingly the following banks, now members of the First Federal Reserve District, and owning stock in the Federal Reserve Bank of Boston, will be transferred to the Second Federal Reserve District, and will take out a corresponding amount of stock in the Federal Reserve Bank of New York:

Bethel National Bank, Bethel, Conn.

First Bridgeport National Bank, Bridgeport, Conn.

City National Bank, Bridgeport, Conn.

Connecticut National Bank, Bridgeport, Conn.

Danbury National Bank, Danbury, Conn.  
 City National Bank, Danbury, Conn.  
 Greenwich National Bank, Greenwich, Conn.  
 First National Bank, New Canaan, Conn.  
 Central National Bank, Norwalk, Conn.  
 Fairfield County National Bank, Norwalk, Conn.  
 National Bank of Norwalk, Conn.  
 First National Bank, Ridgefield, Conn.  
 City National Bank, South Norwalk, Conn.  
 First National Bank, Stamford, Conn.  
 Stamford National Bank, Stamford, Conn.

The question of transfers of capital stock from the Federal Reserve Bank of Boston to the Federal Reserve Bank of New York will require your attention, and it is suggested that you follow in this matter the same procedure which was laid down by the Board in effecting the transfer of the banks of West Virginia from the Fifth to the Fourth Federal Reserve District some nine months ago. I inclose a copy of the Federal Reserve Bulletin for July, on page 142 of which you will find the details of the process fully set forth. You should note in communicating with member banks that this proceeding is a readjustment under the Board's general power, and not a review on appeal. The Board will be glad to hear from you with respect to the arrangement of any details that may seem to call for further adjustment. Would it be agreeable that the transfer be made effective as of April 1? Please notify, that the Board may enter its formal order.

Respectfully,

H. PARKER WILLIS, *Secretary.*

Mr. PIERRE JAY,

*Chairman Board of Directors, Federal Reserve Bank of New York.*

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ORDER AMENDING THE GEOGRAPHICAL LIMITS OF DISTRICTS NOS. 1 AND 2.

At a stated meeting of the Federal Reserve Board, duly held at its office in the city of Washington, D. C., March 6, 1916.

Present: Mr. Hamlin, Governor; Mr. Delano, Vice Governor; Mr. Miller; Mr. Harding; Mr. Warburg; Mr. Williams.

In the matter of readjusting the geographical limits of districts Nos. 1 and 2 in accordance with the power vested in the Federal Reserve Board by section 2 of the Federal Reserve Act.

Whereas the Federal Reserve Board is authorized and empowered by section 2 of the Federal Reserve Act to readjust the Federal Reserve districts; and

Whereas, upon consideration of (a) the petition of certain banks in Connecticut for the transfer from district No. 1 to district No. 2 of all that part of Connecticut east of the Connecticut River; (b) the answer of the Federal Reserve Bank of Boston, Mass.; (c) the briefs of counsel and the oral arguments heard by the Federal Reserve Board, it appears to the Federal Reserve Board that the convenience and customary course of business and the best interests of the Federal Reserve System will be served by a readjustment of the geographical limits of districts Nos. 1 and 2:

Now, therefore, the Federal Reserve Board doth order—

(1) That district No. 1 be readjusted and altered so as to include the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and all of the State of Connecticut except the county of Fairfield.

(2) That district No. 2 be readjusted and extended so as to include the State of New York, the counties of Monmouth, Middlesex, Hunterdon, Somerset, Union, Essex, Passaic, Hudson, Bergen, Morris, Sussex, and Warren, all situate in the State of New Jersey, and the county of Fairfield, situate in the State of Connecticut.

(3) That consideration of so much of the petition of the Connecticut banks as requests the transfer of that part of Connecticut west of the Connecticut River which is not covered by this order be continued without prejudice until the further order of the Board.

(4) That the alterations in districts Nos. 1 and 2 directed in this order become effective April 1, 1916.

(5) That the Federal Reserve Banks of Boston and New York be notified of the changes made in the districts referred to and directed to take such action as may be necessary for the transfer of membership of the banks included in the territory affected.

(6) That a copy of this order be filed with the Comptroller of the Currency in order that the certificate of the Reserve Bank Organization Committee may be properly amended.

C. S. HAMLIN, *Governor.*

Attest:

H. PARKER WILLIS, *Secretary.*

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ORDER AMENDING THE GEOGRAPHICAL LIMITS OF DISTRICTS NOS. 7 AND 9.

At a stated meeting of the Federal Reserve Board, duly held at its office in the city of Washington, D. C., October 12, 1916.

Present: Mr. Harding, Governor; Mr. Warburg, Vice Governor; Mr. Hamlin; Mr. Delano; Mr. Miller; Mr. Williams.

In the matter of readjusting the geographical limits of districts Nos. 7 and 9 in accordance with the power vested in the Federal Reserve Board by section 2 of the Federal Reserve Act.

Whereas the Federal Reserve Board is authorized and empowered by section 2 of the Federal Reserve Act to readjust the Federal Reserve districts; and

Whereas, upon further consideration of—(a) The petition of certain banks in Wisconsin for the transfer from district No. 9 to district No. 7 of all that part of Wisconsin situated in district No. 9 east of the western boundaries of the counties of Ashland, Price, Taylor, Clark, Jackson, and Monroe; (b) The answer of the Federal Reserve Bank of Minneapolis; (c) The briefs of counsel and arguments heard by the Federal Reserve Board; it appears to such Board that the convenience and customary course of business and the best interests of the Federal Reserve system will be served by a readjustment of the geographical limits of districts Nos. 7 and 9:

Now, therefore, the Federal Reserve Board doth order—

(1) That district No. 7 be readjusted and altered so as to include the State of Iowa, all that part of Wisconsin located south of the northern boundary of the counties of Marinette, Oconto, Langlade, Marathon, and Clark; and east of the western boundary of the counties of Clark, Jackson, Monroe, Vernon, Crawford, and Grant; all of the southern peninsula of Michigan, viz, that part east of Lake Michigan; all that part of Illinois located north of a line forming the southern boundary of the following counties: Hancock, Schuyler, Cass, Sangamon, Christian, Shelby, Cumberland, and Clark; and all that part of Indiana north of a line forming the southern boundary of the following counties: Vigo, Clay, Owen, Monroe, Brown, Bartholomew, Jennings, Ripley, and Ohio.

(2) That district No. 9 be readjusted and altered so as to include the States of Montana, North Dakota, South Dakota, Minnesota, all that part of Wisconsin not included in district No. 7 and all that part of Michigan not included in district No. 7.

(3) That the alterations in districts Nos. 7 and 9 directed in this order become effective January 1, 1917.

(4) That the Federal Reserve Banks of Chicago and Minneapolis be notified of the changes made in the districts referred to and directed to take such action as may be



necessary for the transfer of membership of the banks included in the territory affected.

(5) That a copy of this order be filed with the Comptroller of the Currency in order that the certificate of the Reserve Bank Organization Committee may be properly amended.

W. P. G. HARDING, *Governor.*

Attest:

H. PARKER WILLIS, *Secretary.*

Transfers of counties resulting from the order are as follows:

*Counties in Wisconsin transferred from district No. 9 to district No. 7.*

|          |              |            |            |            |
|----------|--------------|------------|------------|------------|
| Adams.   | Fond du Lac. | Langlade.  | Monroe.    | Sheboygan. |
| Brown.   | Green Lake.  | Manitowoc. | Oconto.    | Waupaca.   |
| Calumet. | Jackson.     | Marathon.  | Outagamie. | Waushara.  |
| Clark.   | Juneau.      | Marinette. | Portage.   | Winnebago. |
| Door.    | Kewaunee.    | Marquette. | Shawano.   | Wood.      |

*Counties in Wisconsin remaining in district No. 9.*

|           |             |           |            |              |
|-----------|-------------|-----------|------------|--------------|
| Ashland.  | Douglas.    | Iron.     | Pierce.    | Sawyer.      |
| Barron.   | Dunn.       | La Cross. | Polk.      | Taylor.      |
| Bayfield. | Eau Claire. | Lincoln.  | Price.     | Trempealeau. |
| Buffalo.  | Florence.   | Oneida.   | Rusk.      | Vilas.       |
| Burnett.  | Forest.     | Pepin.    | St. Croix. | Washburn.    |
| Chippewa. |             |           |            |              |

*Counties in Wisconsin now in district No. 7.*

|           |              |            |            |             |
|-----------|--------------|------------|------------|-------------|
| Adams.    | Fond du Lac. | Kewaunee.  | Oconto.    | Sheboygan.  |
| Brown.    | Grant.       | Lafayette. | Outagamie. | Vernon.     |
| Calumet.  | Green.       | Langlade.  | Ozaukee.   | Walworth.   |
| Clark.    | Green Lake.  | Manitowoc. | Portage.   | Washington. |
| Columbia. | Iowa.        | Marathon.  | Racine.    | Waukesha.   |
| Crawford. | Jackson.     | Marinette. | Richland.  | Waupaca.    |
| Dane.     | Jefferson.   | Marquette. | Rock.      | Waushara.   |
| Dodge.    | Juneau.      | Milwaukee. | Sauk.      | Winnebago.  |
| Door.     | Kenosha.     | Monroe.    | Shawano.   | Wood.       |

Transfers of member banks resulting from the order are as follows:

*National banks in Wisconsin transferred from district No. 9 to district No. 7.*

| City.                  | Name of bank.                  | Capital.  | Surplus. |
|------------------------|--------------------------------|-----------|----------|
| Antigo.....            | First National Bank.....       | \$100,000 | \$20,000 |
|                        | Langlade National Bank.....    | 50,000    | 25,000   |
| Appleton.....          | Citizens National Bank.....    | 150,000   | 50,000   |
|                        | Commercial National Bank.....  | 150,000   | 100,000  |
|                        | First National Bank.....       | 300,000   | 100,000  |
| Berlin.....            | do.....                        | 75,000    | 25,000   |
| Black River Falls..... | do.....                        | 50,000    | 12,500   |
| Brillion.....          | do.....                        | 25,000    | 7,500    |
| Chilton.....           | Chilton National Bank.....     | 50,000    | 10,000   |
| Clintonville.....      | First National Bank.....       | 60,000    | 12,000   |
| Dale.....              | do.....                        | 25,000    | 3,400    |
| De Pere.....           | National Bank of De Pere.....  | 50,000    | 25,000   |
| Fond du Lac.....       | Commercial National Bank.....  | 150,000   | 75,000   |
|                        | First National Bank.....       | 125,000   | 25,000   |
|                        | Fond du Lac National Bank..... | 200,000   | 50,000   |
| Grand Rapids.....      | Citizens National Bank.....    | 100,000   | 10,500   |
|                        | First National Bank.....       | 100,000   | 50,000   |
|                        | Wood County National Bank..... | 100,000   | 100,000  |

National banks in Wisconsin transferred from district No. 9 to district No. 7.—Continued.

| City.               | Name of bank.                       | Capital.  | Surplus.  |
|---------------------|-------------------------------------|-----------|-----------|
| Green Bay .....     | Citizens National Bank .....        | \$250,000 | \$100,000 |
|                     | Kellogg National Bank .....         | 200,000   | 50,000    |
|                     | McCartney National Bank .....       | 200,000   | 100,000   |
| Kaukauna .....      | First National Bank .....           | 50,000    | 10,000    |
|                     | do .....                            | 25,000    | 5,000     |
| Manawa .....        | do .....                            | 100,000   | 10,000    |
| Manitowoc .....     | National Bank of Manitowoc .....    | 100,000   | 10,000    |
| Marinette .....     | First National Bank .....           | 100,000   | 40,000    |
|                     | Stephenson National Bank .....      | 100,000   | 100,000   |
| Marshfield .....    | American National Bank .....        | 50,000    | 40,000    |
|                     | First National Bank .....           | 65,000    | 55,000    |
| Menasha .....       | do .....                            | 80,000    | 20,000    |
| Neenah .....        | do .....                            | 125,000   | 62,500    |
|                     | National Manufacturers Bank .....   | 100,000   | 27,500    |
| Neillsville .....   | First National Bank .....           | 50,000    | 10,000    |
| New London .....    | do .....                            | 50,000    | 13,500    |
| Oconto .....        | Citizens National Bank .....        | 65,000    | 13,000    |
|                     | Oconto National Bank .....          | 60,000    | 12,000    |
| Oshkosh .....       | City National Bank .....            | 200,000   | 40,000    |
|                     | Commercial National Bank .....      | 200,000   | 100,000   |
|                     | Old National Bank .....             | 300,000   | 100,000   |
| Peshigo .....       | Peshigo National Bank .....         | 25,000    | 10,000    |
| Princeton .....     | First National Bank .....           | 25,000    | 6,000     |
| Ripon .....         | do .....                            | 100,000   | 25,000    |
|                     | German National Bank .....          | 100,000   | 25,000    |
| Seymour .....       | First National Bank .....           | 30,000    | 8,500     |
| Shawano .....       | do .....                            | 50,000    | 25,000    |
|                     | German-American National Bank ..... | 25,000    | 40,000    |
| Stevens Point ..... | Citizens National Bank .....        | 100,000   | 20,000    |
|                     | First National Bank .....           | 100,000   | 30,000    |
| Tigerton .....      | do .....                            | 25,000    | 5,000     |
| Waupaca .....       | Old National Bank .....             | 50,000    | 15,000    |
| Wausau .....        | First National Bank .....           | 350,000   | 150,000   |
|                     | National German American Bank ..... | 300,000   | 150,000   |
| Weyauwega .....     | First National Bank .....           | 25,000    | 4,000     |
| Total .....         |                                     | 5,510,000 | 2,122,900 |

## OPINION OF ATTORNEY GENERAL AS TO REDISTRICTING.

DEPARTMENT OF JUSTICE,

Washington, April 14, 1916.

SIR: At the request of the Federal Reserve Board, you have submitted the following questions for my opinion:

I. Can the Federal Reserve Board legally change the present location of any Federal Reserve Bank:

(a) In the case where there has been no alteration in the district lines; and

(b) In the case where there has been such readjustment of district lines as in the opinion of the Board necessitates the designation of a new Federal Reserve city in order that due regard may be given to the convenience and customary course of business as required by section 2 of the Federal Reserve Act?

II. Must the Federal Reserve Board, in exercising its admitted power to readjust, preserve the \$4,000,000 minimum capitalization required of each Federal Reserve Bank as a condition precedent to the commencement of business?

### I.

In my opinion of November 22, 1915, I expressed the view that the Federal Reserve Act does not confer on the Federal Reserve Board the power to abolish any of the existing Federal Reserve Banks or Federal Reserve districts. I believe that the reasoning of that opinion is equally applicable to both branches of the first question now submitted.

Section 2 of the Federal Reserve Act provides:

“As soon as practicable, the Federal Reserve Bank Organization Committee shall designate not less than eight nor more than twelve cities to be known as Federal Re-

serve cities, and shall divide the continental United States \* \* \* into districts each district to contain only one of such Federal Reserve cities. The determination of said organization committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all. Such districts shall be known as Federal Reserve districts and may be designated by number. \* \* \*

“Said organization committee shall be authorized \* \* \* to make such investigation as may be deemed necessary by the said committee in determining the reserve districts and in designating the cities within such districts where such Federal Reserve Banks shall be severally located.”

The same section further provides:

“The said committee shall supervise the organization, in each of the cities designated, of a Federal Reserve Bank, which shall include in its title the name of the city in which it is situated, as ‘Federal Reserve Bank of Chicago.’ ”

Since the Act thus provides that each city designated as a Federal Reserve city is to be the location of a Federal Reserve Bank, it follows that a change in the location of a Federal Reserve Bank would in effect be the designation of a new Federal Reserve city and the abandonment of one previously designated. I find no more warrant in the Act for the abandonment of one Federal Reserve city and the designation of a new one than I do for the abolition of a Federal Reserve district when once established.

The power to designate a new Federal Reserve city (12 cities having been named by the Organization Committee) or to change the location of a Federal Reserve Bank is not expressly conferred by the Act on the Federal Reserve Board. If the Board possesses such power, it is only by implication from the provision that—

“The determination of said Organization Committee shall not be subject to review except by the Federal Reserve Board when organized: *Provided*, That the districts shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States. The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed twelve in all.”

In my opinion there is no clear indication, either in the provision just quoted or elsewhere in the Act, of an intent to confer on the Federal Reserve Board the power to change the location of Federal Reserve Banks by the designation of new Federal Reserve cities. On the contrary, there are indications of an opposite intent. As stated in my opinion of November 22, 1915, above referred to, “the merely negative statement that the determination of the Organization Committee shall not be subject to review except by the Federal Reserve Board when organized clearly can not be enlarged into an affirmative grant of power to the Board to review and set aside everything done by the Organization Committee. The reasonable view is that by that language Congress meant that the determination of the Organization Committee should not be subject to review at all, except in so far as the subsequent provisions specifically authorize a review by the Federal Reserve Board. The only subsequent provision authorizing a review of the determination of the Organization Committee by the Federal Reserve Board is contained in the sentence, ‘The districts thus created may be readjusted and new districts may from time to time be created by the Federal Reserve Board, not to exceed 12 in all.’ ”

Again, as stated in that opinion, “a reading of the Act shows at once that the Organization Committee was created not merely for the purpose of attending to the formalities of organization or to serve as a stop-gap until the Federal Reserve Board should come into existence, but that it had an independent function to perform and to that

end was invested with wide powers. That is to say, its function was to organize the system as contradistinguished from the function of the Federal Reserve Board, which was primarily to administer the system."

The duty of designating Federal Reserve cities belonged to the Reserve Bank Organization Committee as a part of the organization of the system, and the committee was required by the Act to designate not less than 8 nor more than 12 cities. This duty is named first among those imposed upon the Organization Committee, and it is imposed by the same provision of section 2 which required the committee to divide the United States into Federal Reserve districts. The same considerations that indicate an intention that the several districts should be permanent would also indicate that the designation of the cities was not to be made for temporary purposes, but was intended to be permanent, subject, of course, to change by Congress. The designation was to be made only after thorough investigation, and the same machinery was provided to facilitate both the determination of the districts and the designation of the cities. Thus, section 2 provides:

"Said Organization Committee shall be authorized to employ counsel and expert aid, to take testimony, \* \* \* and to make such investigation as may be deemed necessary \* \* \* in determining the reserve districts and in designating the cities within such districts where such Federal Reserve Banks shall be severally located."

In my opinion, this coupling of the duty of determining the districts with the duty of designating the Federal Reserve cities within the several districts shows an intention on the part of Congress that the cities so designated are to constitute the fixed centers in the scheme or system of division, the duty of designating the cities being coordinate with the duty of forming districts around them. It was left to the discretion of the Organization Committee whether it should designate the full number of Federal Reserve cities and establish the full number of Federal Reserve districts permitted by the Act. The committee elected to designate and establish the full number authorized, thereby practically suspending the operation of the provision of the Act that "new districts may from time to time be created by the Federal Reserve Board not to exceed 12 in all." The primary if not the only purpose of that provision must have been to take care of the situation in the event that the Organization Committee had designated less than 12 Federal Reserve cities.

The fact that the Federal Reserve Board, aside from the provision relating to the creation of new districts from time to time, was merely given the power to readjust districts suggests that there was to be some permanent characteristic or element in the districts created by the Organization Committee. If, however, in addition to the power which the Federal Reserve Board has of readjusting districts by changing their boundary lines, it also possessed the power to change the location of the respective Federal Reserve cities within such districts, then the Board could, by successive changes of cities and boundaries, entirely obliterate existing districts and substitute in their place new districts totally different from those created by the Organization Committee. I do not think that Congress intended to confer such a power.

The Act provides that each Federal Reserve Bank is to include the name of the city in which the bank is located. By section 4 it is provided that the organization certificate of each bank shall state specifically—

"The name of such Federal Reserve Bank, the territorial extent of the district over which the operations of such Federal Reserve Bank are to be carried on, the city and State in which said bank is to be located, the amount of capital stock, and the number of shares into which the same is divided \* \* \*."

Upon the filing of such certificate with the Comptroller of the Currency in the manner prescribed such Federal Reserve Bank—

"Shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power \* \* \* to have succession for a period of

20 years from its organization unless it is sooner dissolved by an act of Congress, or unless its franchise becomes forfeited by some violation of law." (Sec. 4.)

It is to be noted that there is no provision in the Act by which the Federal Reserve Board may change the name of a Federal Reserve Bank or amend its certificate in this respect. The whole tenor suggests permanency.

The omission of Congress to grant, by express language the power to change Federal Reserve cities is significant, especially in view of the language of section 11 (e) of the Act, which confers the power—

"To add to the number of cities classified as reserve and central reserve cities \* \* \* ; or to reclassify existing reserve and central reserve cities, or to terminate their designation as such."

It would have been equally easy had Congress desired to grant the authority to designate new Federal Reserve cities to have said so in express terms. (Tillson v. United States, 100 U. S., 43, 46, quoted in my opinion of Nov. 22, 1915, supra.)

It may be suggested that changes in the "customary course of business" or other changes not foreseen by the Organization Committee may result in inconveniences which the Federal Reserve Board can not remedy if its power to change the location of Federal Reserve cities is denied. The answer is that the remedy is with Congress, in so far as it may not already be supplied by section 3, which authorizes the establishment of as many branch banks in any district as may be found expedient.

To sum up my conclusion on the question of whether the Federal Reserve Board can legally change the present location of any Federal Reserve Bank, I am of opinion that the Board has no such power, and that such power is lacking whether there has been an alteration or readjustment in the district lines or not.

## II.

Coming now to the consideration of the second question submitted, namely, whether the Federal Reserve Board, in exercising its admitted power to readjust, must preserve the \$4,000,000 minimum capitalization required of each Federal Reserve Bank as a condition precedent to the commencement of business, I am of opinion that this question is to be answered in the negative.

The Federal Reserve Act provides in section 2:

"No Federal Reserve Bank shall commence business with a subscribed capital less than \$4,000,000."

The same section also contains a provision requiring subscriptions to the capital stock to be paid—

"One-sixth \* \* \* on call of the Organization Committee or of the Federal Reserve Board, one-sixth within three months and one-sixth within six months thereafter, and the remainder of the subscription, or any part thereof, shall be subject to call when deemed necessary by the Federal Reserve Board \* \* \*."

Section 4 contains the following provision:

"When the minimum amount of capital stock prescribed by this Act for the organization of any Federal Reserve Bank shall have been subscribed and allotted, the Organization Committee shall designate any five banks \* \* \* to execute a certificate of organization. \* \* \*"

"Upon the filing of such certificate with the Comptroller of the Currency, the said Federal Reserve Bank shall become a body corporate."

The decrease of capital stock is authorized by the following provision of section 5:

"The outstanding capital stock shall be increased from time to time as member banks increase their capital stock and surplus, or as additional banks become members, and may be decreased as member banks reduce their capital stock or surplus or cease to be members."

Additional provisions relating to the decrease of capital stock are found in sections 5 and 6, as follows:

"SEC. 5. \* \* \* When a member bank reduces its capital stock it shall surrender a proportionate amount of its holdings in the capital of said Federal Reserve Bank, and when a member bank voluntarily liquidates, it shall surrender all of its holdings of the capital stock of said Federal Reserve Bank and be released from its stock subscription not previously called. In either case the shares surrendered shall be canceled and the member bank shall receive in payment therefor \* \* \* a sum equal to its cash-paid subscriptions on the shares surrendered \* \* \* less any liability of such member bank to the Federal Reserve Bank.

"SEC. 6. If any member bank shall be declared insolvent \* \* \* the stock held by it in said Federal Reserve Bank shall be canceled \* \* \* and all cash-paid subscriptions on said stock, with one-half of one per cent per month from the period of last dividend, not to exceed the book value thereof, shall be first applied to all debts of the insolvent member bank to the Federal Reserve Bank, and the balance, if any, shall be paid to the receiver of the insolvent bank. Whenever the capital stock of a Federal Reserve Bank is reduced either on account of a reduction in capital stock of any member bank or of the liquidation or insolvency of such bank, the board of directors shall cause to be executed a certificate to the Comptroller of the Currency showing such reduction of capital stock and the amount repaid to such bank."

In section 9 it is provided:

"If at any time \* \* \* a member bank has failed to comply with \* \* \* the regulations of the Federal Reserve Board, it shall be within the power of the said Board, after hearing, to require such bank to surrender its stock in the Federal Reserve Bank; \* \* \* and said Federal Reserve Bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided."

It will be observed from the foregoing quotations that the Federal Reserve Act expressly provides that no Federal Reserve Bank shall commence business with a subscribed capital of less than \$4,000,000. (Sec. 2.) They were each to be organized when the minimum amount of capital stock had been subscribed. (Sec. 4.) Only three-sixths of the capital subscribed is required to be paid in, the remainder being left "subject to call when deemed necessary by the Federal Reserve Board." (Sec. 2.)

The Act specifically provides for the decrease of capital stock (1) as member banks reduce their capital stock; and (2) as they cease to be members. (Sec. 5.)

Member banks may cease to be members for any of four causes—

- (a) Voluntary liquidation (sec. 5);
- (b) Insolvency (sec. 6);
- (c) Violation of regulations of Federal Reserve Board (sec. 9);
- (d) Transfer from one Federal district to another through readjustment of districts (sec. 2);

The Act specifically requires the cancellation of capital stock where membership ceases under (a), (b), or (c). (Secs. 5, 6, and 9.)

No specific provision is made for cancellation of capital stock where membership ceases under (d).

While the minimum capital had to be subscribed in order to commence business, the maintenance of that minimum is nowhere prescribed by the Act. The fact that the Board is to determine whether more than half the subscription is to be paid in seems to indicate that the minimum to be subscribed was fixed as a precaution to make sure that ample credit should be pledged to insure the success of the system.

Not only is the maintenance of the minimum not prescribed, but express provision is made for reducing the capital stock as, or whenever, member banks cease to be members. This language is general and includes in its terms all cases in which

member banks cease to be members. It is coupled with no expressed condition that the minimum capitalization be preserved; and since the Federal Reserve Act required the organization of the Federal Reserve Banks upon the subscription of the minimum, it is obvious that any reduction whatever made after commencing business might reduce the capital below the minimum.

It is plain that a member bank can be a member only of the Federal Reserve Bank of the district in which both are located. This is obvious from the nature of the Federal Reserve districts and is assumed in sections 2, 4, and 9. Of necessity, therefore, when the Federal Reserve Board, in the exercise of its power to readjust, transfers a member bank from one district to another, such transferred bank must cease to be a member of the Federal Reserve Bank of the district from which it is transferred. When it thus ceases to be a member, the capital of the Federal Reserve Bank may be reduced; and there is nothing in the Act requiring the reduction to be made subject to the maintenance of a minimum capital.

It is to be noted that section 5 provides that the capital stock *shall* be increased and *may* be decreased under the conditions therein mentioned. Succeeding provisions of sections 5, 6, and 9, however, make it clear that *may* is here used in the sense of *shall*, as applied to cases arising under (a), (b), and (c). It seems reasonable to infer that it is used in the same sense as applied to (d). But whether so used or used in its more literal sense is here immaterial, for so far as the answer to the question submitted is concerned, the result is the same whether the Board is *required* or merely *authorized* to reduce the capital when members bank cease to be members.

Nor can any significance be attached to the fact that specific provision is made for reducing the capital stock of a Federal Reserve Bank in cases arising under (a), (b), and (c), while the Act is silent as to cases arising under (d). The cases specifically provided for include cases where the member banks cease to be members as the direct result of their own acts or conduct. Cases under (d) arise where banks cease to be members as an incident of the exercise of the power of the Federal Reserve Board to readjust districts. The grant of the specific power to readjust carries with it as fully as if expressed in the Act, the power to do what is necessarily incidental (Broom's Maxims, 7th ed., 505; 199 U. S., 12.)

My conclusion as to the second question submitted is that the Federal Reserve Act, in prescribing a minimum capitalization of \$4,000,000 for Federal Reserve Banks as a condition precedent to commencing business, does not require that such minimum capitalization shall be preserved under the circumstances.

Very respectfully,

T. W. GREGORY,  
*Attorney General.*

The PRESIDENT,  
*The White House.*

## Exhibit I.—AMENDMENTS TO THE ACT.

Amendments to the Federal Reserve Act were adopted by the Senate on August 26, by the House on August 29, and approved by the President on September 7, 1916.

In presenting the report of the conference the managers on the part of the Senate made the following explanation of the amendments:

The amendments of the Senate to the bill have been accepted by the House conferees with some slight verbal modifications, except that the House declined to agree to, and the Senate receded from, its amendment of section 16 of the Federal Reserve Act which would have explicitly authorized and encouraged Federal Reserve Banks to issue Federal Reserve notes based upon gold or gold certificates.

The House conferees declined to agree to the Senate amendment proposing to permit national banks in cities of more than 100,000 inhabitants and possessing a capital and surplus of \$1,000,000 or more to establish branches, and the Senate conferees have agreed to recommend that the Senate recede from this amendment.

The House conferees insisted upon an amendment to section 11, which was accepted by the Senate conferees, permitting the Federal Reserve Board, upon an affirmative vote of not less than five, to permit member banks to carry in the Federal Reserve Banks any portion of their reserves now required to be held in their own vaults.

The amendments follow:

AN ACT To amend certain sections of the act entitled "Federal Reserve Act," approved December 23, 1913.

[Italics indicate new matter; lined type indicates matter stricken out.]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the act entitled "Federal Reserve Act," approved December twenty-third, nineteen hundred and thirteen, be, and is hereby, amended as follows:

At the end of section eleven insert a new clause as follows:

*(m) Upon the affirmative vote of not less than five of its members the Federal Reserve Board shall have power, from time to time, by general ruling, covering all districts alike, to permit member banks to carry in the Federal Reserve Banks of their respective districts any portion of their reserves now required by section nineteen of this Act to be held in their own vaults.*

That section thirteen be, and is hereby, amended to read as follows:

"Any Federal Reserve Bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal Reserve notes, or checks, and drafts ~~upon solvent member banks,~~ payable upon presentation, *and also, for collection, maturing bills;* or solely for purposes of exchange or of collection purposes, may receive from other Federal Reserve Banks deposits of current funds in lawful money, national-bank notes, or checks ~~and drafts upon solvent member or~~ other Federal Reserve Banks, *and checks and drafts,* payable upon presentation *within its district, and maturing bills payable within its district.*



"Upon the indorsement of any of its member banks, *which shall be deemed with a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively*, any Federal Reserve Bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act. Nothing in this act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than ninety days, *exclusive of days of grace*.

"*Provided*, That notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months, *exclusive of days of grace*, may be discounted in an amount to be limited to a percentage of the ~~capital~~ *assets* of the Federal Reserve Bank, to be ascertained and fixed by the Federal Reserve Board.

~~"Any Federal Reserve Bank may discount acceptances which are based on the importation or exportation of goods, and which have a maturity at time of discount of not more than three months, and indorsed by at least one member bank. The amount of acceptances so discounted shall at no time exceed one-half the paid-up and unimpaired capital stock and surplus of the bank for which the rediscounts are made, except by authority of the Federal Reserve Board, under such general regulations as said board may prescribe, but not to exceed the capital stock and surplus of such bank.~~

"The aggregate of such notes, drafts, and bills bearing the signature or indorsement of any one borrower, *whether a person, company, firm, or corporation* rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

"*Any Federal Reserve Bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than three months' sight, exclusive of days of grace, and which are indorsed by at least one member bank.*

"~~Any member bank may accept drafts or bills of exchange drawn upon it and growing out of transactions involving the importation or exportation of goods having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods, provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance and but~~ no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus.

"*Any Federal Reserve Bank may make advances to its member banks on their promissory notes for a period not exceeding fifteen days at rates to be established by such Federal Reserve Banks, subject to the review and determination of the Federal Reserve Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances*

as are eligible for rediscount or for purchase by Federal Reserve Banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the United States.

“Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

“First. Notes of circulation.

“Second. Moneys deposited with or collected by the association.

“Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

“Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

“Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.

“The discount and rediscount and the purchase and sale by any Federal Reserve Bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

“That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: Provided, however, That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: And provided further, That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

“Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Federal Reserve Board by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal Reserve Banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Federal Reserve Board: Provided, however, That no member bank shall accept such drafts or bills of exchange referred to in this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: Provided further, That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.”

That subsection (e) of section fourteen be, and is hereby, amended to read as follows:

“(e) To establish accounts with other Federal Reserve Banks for exchange purposes and, with the consent of the Federal Reserve Board, to open and maintain banking accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may deem best for the purpose of purchasing, selling, and

collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange arising out of actual commercial transactions which have not more than ninety days to run, *exclusive of days of grace*, and which bear the signature of two or more responsible parties, *and with the consent of the Federal Reserve Board to open and maintain banking accounts for such foreign correspondents or agencies.*"

That the second paragraph of section sixteen be, and is hereby, amended to read as follows:

"Any Federal Reserve Bank may make application to the local Federal Reserve Agent for such amount of the Federal Reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal Reserve Agent of collateral in amount equal to the sum of the Federal Reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, ~~and drafts~~, *bills of exchange, or acceptances accepted for rediscount* ~~rediscounted~~ under the provisions of section thirteen of this Act, *or bills of exchange indorsed by a member bank of any Federal Reserve district and purchased under the provisions of section fourteen of this Act, or bankers' acceptances purchased under the provisions of said section fourteen,* ~~and~~ The Federal Reserve Agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal Reserve notes to and by the Federal Reserve Bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal Reserve Bank for additional security to protect the Federal Reserve notes issued to it."

That section twenty-four be, and is hereby, amended to read as follows:

"SEC. 24. Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district *or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines; and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines;* but no ~~such~~ loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year nor ~~for an~~ shall the amount of any such loan, whether upon such farm land or upon such real estate, ~~exceeding~~ *exceed* fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, *whether secured by such farm land or such real estate, in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.*

"The Federal Reserve Board shall have power from time to time to add to the list of cities in which national banks shall not be permitted to make loans secured upon real estate in the manner described in this section."

That section twenty-five be, and is hereby, amended to read as follows:

SEC. 25. ~~Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board, upon such conditions and under such regulations as may be prescribed by the said board, for the purpose of securing authority to establish branches in foreign countries or dependencies of the United States for the furtherance of the foreign commerce of the United States, and to act, if required to do so, as fiscal agents of the United States. Such application shall specify, in addition to the name and capital of the banking association filing it, the place or places where the banking operations proposed are to be carried on, and the amount of capital set aside for the conduct of its foreign business. The Federal Reserve Board shall have power to approve or to reject such application if, in its judgment, the amount of capital proposed to be set aside for the conduct of foreign business is~~

inadequate, or if for other reasons the granting of such application is deemed inexpedient.

~~Every national banking association which shall receive authority to establish foreign branches shall be required at all times to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and the Federal Reserve Board may order special examinations of the said foreign branches at such time or times as it may deem best. Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accruing at each branch as a separate item.~~

*Any national banking association possessing a capital and surplus of \$1,000,000 or more may file application with the Federal Reserve Board for permission to exercise, upon such conditions and under such regulations as may be prescribed by the said Board, either or both of the following powers:*

*“First. To establish branches in foreign countries or dependencies or insular possessions of the United States for the furtherance of the foreign commerce of the United States, and to act if required to do so as fiscal agents of the United States.*

*“Second. To invest an amount not exceeding ten per centum of its paid-in capital stock and surplus in the stock of one or more banks or corporations chartered or incorporated under the laws of the United States or of any State thereof, and principally engaged in international or foreign banking, or banking in a dependency or insular possession of the United States either directly or through the agency, ownership, or control of local institutions in foreign countries, or in such dependencies or insular possessions.*

*“Such application shall specify the name and capital of the banking association filing it, the powers applied for, and the place or places where the banking operations proposed are to be carried on. The Federal Reserve Board shall have power to approve or to reject such application in whole or in part if for any reason the granting of such application is deemed inexpedient, and shall also have power from time to time to increase or decrease the number of places where such banking operations may be carried on.*

*“Every national banking association operating foreign branches shall be required to furnish information concerning the condition of such branches to the Comptroller of the Currency upon demand, and every member bank investing in the capital stock of banks or corporations described under subparagraph two of the first paragraph of this section shall be required to furnish information concerning the condition of such banks or corporations to the Federal Reserve Board upon demand, and the Federal Reserve Board may order special examinations of the said branches, banks, or corporations at such time or times as it may deem best.*

*“Before any national bank shall be permitted to purchase stock in any such corporation the said corporation shall enter into an agreement or undertaking with the Federal Reserve Board to restrict its operations or conduct its business in such manner or under such limitations and restrictions as the said board may prescribe for the place or places wherein such business is to be conducted. If at any time the Federal Reserve Board shall ascertain that the regulations prescribed by it are not being complied with, said board is hereby authorized and empowered to institute an investigation of the matter and to send for persons and papers, subpoena witnesses, and administer oaths in order to satisfy itself as to the actual nature of the transactions referred to. Should such investigation result in establishing the failure of the corporation in question, or of the national bank or banks which may be stockholders therein, to comply with the regulations laid down by the said Federal Reserve Board, such national banks may be required to dispose of stock holdings in the said corporation upon reasonable notice.*

*“Every such national banking association shall conduct the accounts of each foreign branch independently of the accounts of other foreign branches established by it and of its*

home office, and shall at the end of each fiscal period transfer to its general ledger the profit or loss accrued at each branch as a separate item.

"Any director or other officer, agent, or employee of any member bank may, with the approval of the Federal Reserve Board, be a director or other officer, agent, or employee of any such bank or corporation above mentioned in the capital stock of which such member bank shall have invested as hereinbefore provided, without being subject to the provisions of section eight of the Act approved October fifteenth, nineteen hundred and fourteen, entitled, "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes."

Following are the amendments proposed by the Federal Reserve Board and submitted to Congress in December, 1916:

A BILL To amend the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve Act, as amended by the Acts of August fourth, nineteen hundred and fourteen, August fifteen, nineteen hundred and fourteen, March third, nineteen hundred and fifteen, and September seven, nineteen hundred and sixteen.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section four of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal reserve Act, be amended by striking out the sentence reading as follows: "One of the directors of Class C, who shall be a person of tested banking experience, shall be appointed by the Federal Reserve Board as deputy chairman and deputy Federal reserve agent, to exercise the powers of the chairman of the board and Federal reserve agent in case of absence or disability of his principal," and by adding in place thereof the following:

"Subject to the approval of the Federal Reserve Board, the Federal reserve agent shall appoint one or more assistants. Such assistants, who shall be persons of tested banking experience, shall assist the Federal reserve agent in the performance of his duties and shall also have power to act in his name and stead during his absence or disability. The Federal reserve agent may require such bonds of his assistants as he may deem necessary for his own protection. Assistants to the Federal reserve agent shall receive an annual compensation to be fixed and paid in the same manner as that of the Federal reserve agent."

SEC. 2. That section nine be amended by adding a subsection (a) to read as follows:

"SEC. 9a. That any mutual savings bank or association operating under the laws of any State may make application to the Federal Reserve Board for the right to become an associate member of the Federal reserve bank of the district in which such savings bank or association is located.

"The Federal Reserve Board, under such rules and regulations as it may prescribe, may permit such bank or association to become an associate member of the Federal reserve bank, but such board, before granting any application, shall require satisfactory evidence that the laws of the State in which the applying bank or association is located authorize such bank or association to engage in the business of a mutual savings bank and provide for a proper supervision over the operations of such bank or association.

"Any mutual savings bank or association which becomes an associate member of a Federal reserve bank shall agree to comply with all the provisions of section nineteen of this Act. Such associate members shall be entitled to all the clearing privileges granted to member banks, and Federal reserve banks shall be authorized to discount the promissory notes of such associate members having a maturity of not more than thirty days and which are secured (a) by paper eligible for rediscount under section thirteen of the Federal reserve Act; (b) by United States bonds; (c) by such municipal warrants as Federal reserve banks are authorized to purchase under the provisions of section fourteen of the Federal reserve Act; or (d) by commercial

paper or bankers' acceptances bearing the signature of not less than three persons, firms, or corporations."

SEC. 3. That clause (c) of section eleven be, and is hereby amended by adding at the end thereof the following sentence:

"The Federal Reserve Board shall also have power, whenever extraordinary conditions justify, to increase from time to time for periods not exceeding thirty days, on the affirmative vote of five of its members, the amount of balances required by this Act to be maintained by member banks with their respective Federal reserve banks: *Provided*, Such increase shall at no time exceed twenty per centum of such balances and shall be at the same rate for all member banks of any one district: *And provided further*, That the Federal Reserve Board shall make a report to Congress in writing setting forth the conditions on which such action is based."

SEC. 4. That the first paragraph of section thirteen be further amended so as to read as follows:

"Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing *notes and bills*; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, and maturing *notes and bills payable within its district*; or, *solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation, or maturing notes and bills*: *Provided*, *Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance in an amount to be determined by the Federal Reserve Board under such rules and regulations as it may prescribe.*"

SEC. 5. That the fifth paragraph of section thirteen be, and is hereby, further amended so as to read as follows:

"Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided, however, That the Federal Reserve Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: Provided, however, That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.*"

SEC. 6. That section sixteen, paragraphs two, three, four, five, six, and seven, be further amended and reenacted so as to read as follows:

"Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal

reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances rediscounted under the provisions of section thirteen of this Act, or bills of exchange indorsed by a member bank of any Federal reserve district and purchased under the provisions of section fourteen of this Act, or bankers' acceptances purchased under the provisions of said section fourteen, or gold or gold certificates; but in no event shall such collateral security, whether gold, gold certificates, or eligible paper, be less than the amount of Federal reserve notes applied for. The Federal reserve agent shall each day notify the Federal Reserve Board of all issues and withdrawals of Federal reserve notes to and by the Federal reserve bank to which he is accredited. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

"Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation: *Provided, however, That when the Federal reserve agent holds gold or gold certificates as collateral for Federal reserve notes issued to the bank such gold or gold certificates shall be counted as part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation and not offset by gold or lawful money deposited with the Federal reserve agent.* Notes so paid out shall bear upon their faces a distinctive letter and serial number, which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued or, upon direction of such Federal reserve bank, they shall be forwarded direct to the Treasurer of the United States to be retired. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve banks shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasurer otherwise than for redemption may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.

"The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum of the total amount of notes issued less the amount of gold or gold certificates held by the Federal reserve agent as collateral security; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. The board shall have the right, acting through the Federal reserve agent, to grant, in whole or in part, or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall,

through its local Federal reserve agent, supply Federal reserve notes to the bank so applying, and such bank shall be charged with the amount of such notes issued to it and shall pay such rate of interest on said amount as may be established by the Federal Reserve Board ~~and the amount of such~~ on only that amount of such notes which equals the total amount of its outstanding Federal reserve notes less the amount of gold or gold certificates held by the Federal reserve agent as collateral security. Federal reserve notes so issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this Act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

~~“Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing with the Federal reserve agent its Federal reserve notes, gold, gold certificates, or lawful money of the United States, Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.”~~

~~“The Federal reserve agent shall hold such gold, gold certificates or lawful money available exclusively for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit so much of the paid gold to the Treasurer of the United States so much of the gold held by him as collateral security for Federal reserve notes as may be required for the exclusive purpose of the redemption of such notes Federal reserve notes, but such gold when deposited with the Treasurer shall be counted and considered as if collateral security on deposit with the Federal reserve agent.”~~

“Any Federal reserve bank may at its discretion withdraw collateral deposited with the local Federal reserve agent for the protection of its Federal reserve notes deposited with it issued to it and shall at the same time substitute therefor other like collateral of equal amount with the approval of the Federal reserve agent under regulations to be prescribed by the Federal Reserve Board. Any Federal reserve bank may retire any of its Federal reserve notes by depositing them with the Federal reserve agent or with the Treasurer of the United States, and such Federal reserve bank shall thereupon be entitled to receive back the collateral deposited with the Federal reserve agent for the security of such notes. Federal reserve banks shall not be required to maintain the reserve or the redemption fund heretofore provided for against Federal reserve notes which have been retired; nor shall they be further liable to pay any interest charge which may have been imposed thereon by the Federal Reserve Board. Federal reserve notes so deposited shall not be reissued except upon compliance with the conditions of an original issue.”

SEC. 7. That section seventeen be, and is hereby, amended so as to read as follows:

“SEC. 17. So much of the provisions of section fifty-one hundred and fifty-nine of the Revised Statutes of the United States and section four of the Act of June twentieth, eighteen hundred and seventy-four, and section eight of the Act of July twelfth, eighteen hundred and eighty-two, and of any other provisions of existing statutes as require that before any national banking associations shall be authorized to commence banking business it shall transfer and deliver to the Treasurer of the United States a stated amount of United States registered bonds, and so much of those provisions or of any other provisions of existing statutes as require any national banking associations now or hereafter organized to maintain a minimum deposit of such bonds with the Treasurer is hereby repealed.”

SEC. 8. That paragraph five of section eighteen be, and is hereby, amended so as to read as follows:

“Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this Act, or any three per centum one-year gold notes issued in accordance with the provisions of this section, any Federal reserve bank making such deposit in the manner provided by existing law for the deposit by national banks of bonds bearing the circulating privilege,



shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the notes or bonds so deposited. Such circulating notes shall be obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national bank notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national bank notes, except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them. *Circulating notes of Federal reserve banks secured by three per centum one-year gold notes shall be subject to the same tax imposed by law on circulating notes which are secured by three per centum bonds of the United States.*"

SEC. 9. That section nineteen be further amended and reenacted so as to read as follows:

"SEC. 19. Demand deposits within the meaning of this Act shall comprise all deposits payable within thirty days, and time deposits shall comprise all deposits payable after thirty days, and all savings accounts and certificates of deposit which are subject to not less than thirty days' notice before payment, and all postal savings deposits.

~~"When the Secretary of the Treasury shall have officially announced, in such manner as he may elect, the establishment of a Federal reserve bank in any district, every subscribing member~~ Every bank, banking association, or trust company which is or which becomes a member of any Federal reserve bank shall establish and maintain reserve balances with its Federal reserve bank reserves as follows:

"(a) If a bank not in a reserve or central reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance reserves equal to not less than twelve seven per centum of the aggregate amount of its demand deposits and five three per centum of its time deposits, as follows:

~~"In its vaults for a period of thirty six months after said date five twelfths thereof and permanently thereafter four twelfths.~~

~~"In the Federal reserve bank of its district, for a period of twelve months after said date, two twelfths, and for each succeeding six months an additional one twelfth, until five twelfths have been so deposited, which shall be the amount permanently required.~~

~~"For a period of thirty six months after said date the balance of the reserve may be held in its own vaults or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.~~

~~"After said thirty six months' period, said reserves other than those hereinbefore required to be held in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the member bank or in the Federal reserve bank or in both, at the option of the member bank.~~

"(b) If a bank in a reserve city, as now or hereafter defined, it shall hold and maintain with the Federal reserve bank of its district an actual net balance reserves equal to not less than fifteen ten per centum of the aggregate amount of its demand deposits and five three per centum of its time deposits, as follows:

~~"In its vaults for a period of thirty six months after said date six fifteenths thereof, and permanently thereafter five fifteenths.~~

~~"In the Federal reserve bank of its district for a period of twelve months after the date aforesaid at least three fifteenths, and for each succeeding six months an additional one fifteenth, until six fifteenths have been so deposited, which shall be the amount permanently required.~~

~~"For a period of thirty six months after said date the balance of the reserves may be held in its own vaults, or in the Federal reserve bank, or in national banks in reserve or central reserve cities as now defined by law.~~

~~"After said thirty six months' period all of said reserves except those hereinbefore required to be held permanently in the vaults of the member bank and in the Federal reserve bank, shall be held in the vaults of the Federal reserve bank, or in both, at the option of the member bank.~~

"(c) ~~If a bank~~ in a central reserve city, as now or hereafter defined it shall hold and maintain with the Federal reserve bank of its district an actual net balance reserve equal to not less than ~~eighteen~~ <sup>thirteen</sup> per centum of the aggregate amount of its demand deposits and ~~five three~~ per centum of its time deposits, as follows:

~~"In its vaults six eighteenths thereof.~~

~~"In the Federal reserve bank seven eighteenths.~~

~~"The balance of said reserves shall be held in its own vaults or in the Federal reserve bank at its option.~~

~~"Every member bank shall maintain in its own vaults an amount of specie or currency equal to at least five per centum of its demand deposits less the amount of those balances with the Federal reserve bank which are in excess of the minimum balances required by this section.~~

~~"Any Federal reserve bank may receive from the member banks as reserves, not exceeding one half of each installment, eligible paper as described in section fourteen, properly indorsed and acceptable to the said reserve bank.~~

~~"If a State bank or trust company is required by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company, such reserve deposits so kept in such State bank or trust company shall be construed within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal reserve bank in the district in which such State bank or trust company is situate except as thus provided, no No member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal reserve bank under the provisions of this Act, except by permission of the Federal Reserve Board.~~

~~"The reserve required balance carried by a member bank with a Federal reserve bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: Provided, however, That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve balance required by law is fully restored.~~

~~"In estimating the reserves balances and the cash in vault required by this Act, the net balance difference of amounts due to and from other banks shall be taken as the basis for ascertaining the deposits against which reserves required balances with Federal reserve banks and cash in vault shall be determined. Balances in reserve banks due to member banks shall to the extent herein provided be counted as reserves.~~

~~"National banks, or banks organized under local laws, located in Alaska or in a dependency or insular possession or any part of the United States outside the continental United States may remain nonmember banks, and shall in that event maintain reserves and comply with all the conditions now provided by law regulating them; or said banks except in the Philippine Islands may, with the consent of the Reserve Board, become member banks of any one of the reserve districts, and shall in that event take stock, maintain reserves, and be subject to all the other provisions of this Act."~~

SEC. 10. That that part of section twenty-two which reads as follows: "Other than the usual salary or director's fee paid to any officer, director, or employee of a member bank and other than a reasonable fee paid by said bank to such officer, director, or employee for services rendered such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank," be, and hereby is, amended and reenacted so as to read as follows:

"Other than the usual salary or director's fee paid to any officer, director, or employee, or attorney of a member bank, and other than a reasonable fee paid by said

bank to such officer, director, or employee, or attorney for services rendered to such bank, no officer, director, employee, or attorney of a member bank shall be a beneficiary of or receive, directly or indirectly, any fee, commission, gift, or other consideration for or in connection with any transaction or business of the bank: *Provided, however, That nothing in this Act contained shall be construed to prohibit a director, officer, employee or attorney from receiving the same rate of interest paid to other depositors for similar deposits made with such bank, or to prohibit an attorney or director who is not an officer or employee from receiving, directly or indirectly, the usual and customary commissions or fees for services rendered in buying and selling securities or other investments for or on account of such bank; but in this latter case the action of the board of directors in directing each purchase or sale of such securities or other investments must be by an affirmative vote or written assent of at least three-fourths of the members of the board exclusive of the director interested and must be recorded in the minutes of the meeting of said board, such minutes to specify the name of the director and the firm or corporation with which he is connected, if any, through which such order is to be executed, together with the amount of the fee or commission to be paid on each transaction: And provided further, That notes, drafts, bills of exchange, or other evidences of debt executed or indorsed by directors or attorneys of a member bank may be discounted with such member bank on the same terms and conditions as other notes, drafts, bills of exchange, or evidences of debt upon the affirmative vote or written assent of at least three-fourths of the members of the board of directors of such member bank.*

SEC. 11. That section twenty-five be amended by adding a subsection (a) to read as follows:

"SEC. 25a. That any member bank located in a city or incorporated town of more than one hundred thousand inhabitants and possessing a capital and surplus of \$1,000,000 or more may, under such rules and regulations as the Federal Reserve Board may prescribe, establish branches, not to exceed ten in number, within the corporate limits of the city or town in which it is located: *Provided, That no such branch shall be established in any State in which neither State banks nor trust companies may lawfully establish branches.*"

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KERN AMENDMENT TO CLAYTON ACT.

AN ACT To amend section eight of an Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October fifteenth, nineteen hundred and fourteen.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section eight of an Act entitled "An Act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved October fifteenth, nineteen hundred and fourteen, be, and the same is hereby, amended by striking out the period at the end of the second clause of said section, inserting in lieu thereof a colon, and adding to said clause the following:

"*And provided further,* That nothing in this Act shall prohibit any officer, director, or employee of any member bank or class A director of a Federal reserve bank, who shall first procure the consent of the Federal Reserve Board, which board is hereby authorized, at its discretion, to grant, withhold, or revoke such consent, from being an officer, director, or employee of not more than two other banks, banking associations, or trust companies, whether organized under the laws of the United States or any State, if such other bank, banking association, or trust company is not in substantial competition with such member bank.

"The consent of the Federal Reserve Board may be procured before the person applying therefor has been elected as a class A director of a Federal reserve bank or as a director of any member bank."

Approved, May 15, 1916.

## Exhibit J.—MEMBERS OF FEDERAL RESERVE SYSTEM.

All national banks in the continental United States are, under the Federal Reserve Act, members of the Federal Reserve System.

There were, on December 31, 1916, 7,590 national banks, members of the system, and 37 State banks.

The list of State banks is as follows:

| Bank.                                 | Location.               | Federal Reserve Bank. | Capital.    | Surplus.  |
|---------------------------------------|-------------------------|-----------------------|-------------|-----------|
| Continental Trust Co. ....            | Washington, D. C. ....  | Richmond ...          | \$1,000,000 | \$100,000 |
| The Savings Bank of Richmond .....    | Richmond, Va. ....      | do. ....              | 200,000     | 200,000   |
| Bank of Woodruff .....                | Woodruff, S. C. ....    | do. ....              | 40,700      | 10,500    |
| Sullivan Bank & Trust Co. ....        | Montgomery, Ala. ....   | Atlanta .....         | 250,000     | 25,750    |
| Central Trust Co. of Illinois .....   | Chicago, Ill. ....      | Chicago .....         | 4,500,000   | 1,000,000 |
| Bank of Wisconsin .....               | Madison, Wis. ....      | do. ....              | 300,000     | 60,000    |
| Mercantile Trust Co. ....             | St. Louis, Mo. ....     | St. Louis .....       | 3,000,000   | 6,500,000 |
| First State Bank .....                | Dallas, Tex. ....       | Dallas .....          | 250,000     | 21,500    |
| Do. ....                              | Bonham, Tex. ....       | do. ....              | 100,000     | 14,000    |
| The Citizens State Bank .....         | Memphis, Tex. ....      | do. ....              | 75,000      | 28,400    |
| Farmers & Merchants State Bank .....  | Edgewood, Tex. ....     | do. ....              | 35,000      | 7,000     |
| Bank of Eufaula .....                 | Eufaula, Ala. ....      | Atlanta .....         | 100,000     | 14,000    |
| First State Bank .....                | Savoy, Tex. ....        | Dallas .....          | 25,000      | 3,500     |
| Do. ....                              | Hamlin, Tex. ....       | do. ....              | 25,000      | 1,750     |
| Do. ....                              | Wolfe City, Tex. ....   | do. ....              | 100,000     | 21,000    |
| Do. ....                              | Bremond, Tex. ....      | do. ....              | 50,000      | 25,000    |
| Broadway Trust Co. ....               | New York, N. Y. ....    | New York .....        | 1,500,000   | 750,000   |
| Fidelity Trust Co. ....               | Kansas City, Mo. ....   | Kansas City .....     | 1,000,000   | 1,000,000 |
| Old Colony Trust Co. ....             | Boston, Mass. ....      | Boston .....          | 6,000,000   | 6,000,000 |
| Badger State Bank .....               | Milwaukee, Wis. ....    | Chicago .....         | 200,000     | 2,000     |
| Fort Scott State Bank .....           | Fort Scott, Kans. ....  | Kansas City .....     | 100,000     | 25,000    |
| German-American Bank .....            | Minneapolis, Minn. .... | Minneapolis .....     | 200,000     | 200,000   |
| Elmhurst State Bank .....             | Elmhurst, Ill. ....     | Chicago .....         | 60,000      | 25,000    |
| Fruit Growers State Bank .....        | Saugatuck, Mich. ....   | do. ....              | 50,000      | 10,000    |
| Bank of Lewellen .....                | Lewellen, Nebr. ....    | Kansas City .....     | 25,000      | 10,000    |
| Central State Bank .....              | Dallas, Tex. ....       | Dallas .....          | 200,000     | .....     |
| Bank of Hartsville .....              | Hartsville, S. C. ....  | Richmond .....        | 50,000      | 50,000    |
| Commercial Trust & Savings Bank ..... | Joliet, Ill. ....       | Chicago .....         | 100,000     | 5,000     |
| Commercial & Savings Bank .....       | Albion, Mich. ....      | do. ....              | 50,000      | 25,000    |
| Guardian Trust & Savings Bank .....   | Toledo, Ohio. ....      | Cleveland .....       | 200,000     | 200,000   |
| Merchants & Farmers Bank .....        | Cheraw, S. C. ....      | Richmond .....        | 100,000     | 1,250     |
| Peoples Bank .....                    | Sumter, S. C. ....      | do. ....              | 100,000     | 17,400    |
| First State Bank .....                | De Kalb, Tex. ....      | Dallas .....          | 25,000      | 25,000    |
| Corn Exchange Bank .....              | New York, N. Y. ....    | New York .....        | 3,500,000   | 6,991,165 |
| American Trust & Savings Bank .....   | Birmingham, Ala. ....   | Atlanta .....         | 500,000     | 250,000   |
| Bankers Loan & Trust Co. ....         | Sioux City, Iowa. ....  | Chicago .....         | 100,000     | 5,000     |
| Bank of Iota .....                    | Iota, La. ....          | Atlanta .....         | 25,000      | .....     |

## Exhibit K.—FOREIGN BRANCHES AUTHORIZED.

The Board has authorized the establishment of foreign branches and subbranches of national banks as follows:

|   | Date authorized. |
|---|------------------|
| National City Bank, New York City:  |                  |
| Branch at Buenos Aires, Argentina.....  | Sept. 2, 1914    |
| Subbranch at Montevideo, Uruguay.....   | Apr. 16, 1915    |
| Branch at Rio de Janeiro, Brazil.....   | Sept. 2, 1914    |
| Subbranches at Santos, Sao Paulo, Pernambuco, Para, and Bahia, Brazil.....  | Dec. 23, 1914    |
| Branch at Habana, Cuba.....   | Mar. 17, 1915    |
| Subbranches at Santiago, Matanzas, Cienfuegos, Guantanamo, Camaguey, Cardenas, Manzanillo, Cuba; Kingston, Jamaica; and Santo Domingo, Santo Domingo..... | Mar. 17, 1915    |
| Branch at Valparaiso, Chile.....  | Oct. 18, 1915    |
| Subbranches at Antofagasta and Santiago, Chile.....   | Oct. 18, 1915    |
| Branch at Genoa, Italy.....   | May 25, 1916     |
| Subbranches at Turin, Milan, Venice, Florence, Rome, Naples, and Palermo, Italy.....  | May 25, 1916     |
| Branch at Petrograd, Russia.....  | July 5, 1916     |
| Subbranches at Moscow, Odessa, Warsaw, Riga, Baku, Astrakhan, Vladivostok, Sebastopol, Helsingfors, and Vilna, Russia.....                                | July 5, 1916     |
| Commercial National Bank, Washington, D. C.:  |                  |
| Branch at Panama City, Panama.....  | Jan. 12, 1915    |
| Branch at Cristobal, Canal Zone.....  | Nov. 30, 1914    |

# Exhibit L.—CIRCULARS AND REGULATIONS OF THE FEDERAL RESERVE BOARD.

## SPECIAL INSTRUCTIONS NO. 1 OF 1916.

WASHINGTON, July 6, 1916.

TO ALL FEDERAL RESERVE AGENTS:

The prohibitions of section 8 of the Clayton Act which relate to interlocking bank directorates go into effect on October 15, 1916. These prohibitions relate to banks organized or operating under the laws of the United States, and therefore apply to State banks or trust companies which are members of the Federal Reserve System as well as to national banks. For convenience, therefore, banks "organized or operating under the laws of the United States" will be referred to as "member banks."

### ANALYSIS OF SECTION 8 OF THE ACT.

As originally enacted, section 8 of the Clayton Act provides, in substance—

(a) That no person shall be a director, officer, or employee of a member bank having resources aggregating more than \$5,000,000 and at the same time a director, officer, or employee of any other member bank;

(b) That no private banker or person who is a director of a nonmember bank having resources aggregating more than \$5,000,000 shall be eligible to serve at the same time as a director in any member bank;

(c) That no member bank in a city of more than 200,000 inhabitants shall have as a director or other officer or employee any private banker or any director or other officer or employee of any other bank or trust company located in the same place.

### EXCEPTIONS.

The provisions of section 8—

(1) Do not apply to mutual savings banks not having a capital stock represented by shares.

(2) Do not prohibit a person from being at the same time (a) a class A director of a Federal Reserve Bank and also an officer or director, or both an officer and a director, in one member bank; (b) an officer, director, or employee of one member bank and one other bank or trust company, whether a member bank or nonmember bank, where the entire capital stock of one is owned by the stockholders of the other.

### THE KERN AMENDMENT.

By an Act of Congress, approved May 15, 1916, section 8 was amended by the addition of a further proviso reading as follows:

"Nothing in this Act shall prohibit any officer, director, or employee of any member bank, or class A director of a Federal Reserve Bank, who shall first procure the consent of the Federal Reserve Board \* \* \* from being an officer, director, or employee of not more than two other banks \* \* \* if such other bank \* \* \* is not in substantial competition with such member bank."

The duty imposed upon the Federal Reserve Board in passing upon any application made under authority of this amendment is to determine whether or not the two banks in question (or either of them) are in substantial competition with the member bank. If both are nonmember banks the Act does not require that they shall not be in substantial competition with each other.

In reaching a conclusion on this point, it will be necessary for the Board to call upon the Federal Reserve Agent, as its local representative, to make investigation of the facts in each case, to report the same to the Board and to give the Board the benefit of his recommendation whether the consent applied for shall be granted or refused. It is, therefore, necessary to call to the attention of the Federal Reserve Agents some of the factors which must be considered in determining the question of whether or not the banks involved are in substantial competition.

#### PURPOSES OF THE ACT AND THE AMENDMENT.

The significance of the language "substantial competition" can not be fully understood without considering the purpose of the original act as well as that of the amendment.

As outlined by the Judiciary Committee, in reporting the original bill to the House, the purpose of section 8 of the original Clayton Act was "to prevent as far as possible control of great aggregations of money and capital through the medium of common directors between banks and banking associations, the object being to prevent the concentration of money or its distribution through a system of interlocking directorates."

It will be observed that the Act does not undertake to prevent interlocking directorates of banks located in small cities and having small aggregate resources. It applies in terms to the qualification of directors, officers, and employees of banks (a) in cities of more than 200,000 inhabitants or (b) having resources aggregating more than \$5,000,000.

While the general purpose of the Act, as indicated by its title, was "to supplement existing laws against unlawful restraints and monopolies," and while monopolies are created by a restraint of legitimate competition a literal interpretation of section 8 as originally enacted would prohibit a person from serving at the same time as a director, officer, or employee of two or more banks, under certain circumstances, whether or not such banks were competitors. The Kern amendment, however, authorizes the Board to permit a director, officer, or employee of a member bank, who otherwise would be ineligible, to serve as a director, officer, or employee of not more than two other banks or trust companies, whether State or National, provided such other banks or trust companies are not in substantial competition with such member bank.

It should be borne in mind that the Act does not vest an arbitrary discretion in the Board to permit the same person to serve on the board of directors of any two or more banks, when such banks come within the restrictive language of the Act as originally passed; but it merely confers authority upon the Board to permit interlocking directorates when such banks are not in substantial competition, within the meaning of the Act.

#### SUBSTANTIAL COMPETITION.

It is manifest that no fixed rule can be prescribed by which this question can be automatically determined. The facts in each case must be carefully considered and it is the duty of the Board to withhold its consent in any case in which it would defeat the purposes of the Act to permit the same person to serve as an officer, director, or employee of more than one bank.

If the two banks in question are not competitors in any respect, no question arises. If they do compete, the very difficult question arises whether or not the competition is "substantial."

It is necessary to keep in mind that the main purpose of the Act was to prevent the monopolization and centralization of credit through interlocking directorates of banking institutions. One of the injurious results of such conditions is that the public is deprived of the benefit of legitimate competition.

In general, therefore, two banks coming within the prohibition of the original Act would be deemed to be in substantial competition within the meaning of the language

used in the amendment if the business engaged in by such banks under natural and normal conditions conflicts or interferes, or if the cessation of competition between the two would be injurious to customers, or would-be customers, or would probably result in appreciably lessening the volume of business or kinds of business of either institution.

It is realized that some difficulty will be experienced in the application of this test.

Two banks engaged in the same character of business (for example, where both receive commercial deposits and make commercial loans) would be regarded as in substantial competition if their fields of activity extended over the same geographical territory. If their operations were not carried on in the same geographical territory, then, although they engaged in the same class of business, they would not necessarily be regarded as substantial competitors.

Again, if they conducted their operations in the same place, but, because of their comparatively small size in relation to the total banking opportunities of the locality, and because of the fact that they did not deal with the same class of customers, the cessation of competition between them might, from the public point of view, be unimportant; they would not necessarily be deemed to be in substantial competition. Or if their operations were conducted in the same locality, but the character of business engaged in differs fundamentally (for example, where one does only an essentially commercial banking business, while the other does only an essentially trust company or fiduciary business), such banks need not be regarded as in substantial competition.

It is, therefore, necessary to consider the scope or extent of territory that a bank's operations cover and the character and kinds of business it engages in. Size, measured by aggregate resources, will constitute one of the factors to be considered, since to increase the volume of loanable funds usually increases the radius of a bank's operations. A bank with \$100,000,000 resources would seek investments in a larger area and of a more diverse character than a bank with \$5,000,000, and so might come into competition with banks located some distance away, while the bank with \$5,000,000 resources might not extend its activities to any real extent beyond the borders of the city in which it is located. For example, a bank in New York might come into substantial competition with a bank in Chicago if both were engaged in the same class of business and if both had become so large as to be more than local institutions.

Where the operations of the two banks cover a common territory from a geographical standpoint, it is necessary to consider carefully the character of business engaged in. As a very large proportion of the member banks do a commercial banking business, the volume of this business within the territory covered by the operations of the banks in question becomes an important factor. In a city of 250,000 inhabitants any two banks which engaged in a commercial banking business to any great extent would presumably come into substantial competition, whereas in a city of 2,000,000 inhabitants the operations of one bank might be substantially confined to the wholesale district only, while those of another might be substantially confined to the retail district only, and so might be noncompetitive in the sense that an increase or decrease in the business of one would not affect the business of the other.

#### RÉSUMÉ.

It is therefore necessary that consideration should be given—

- (1) To the size in aggregate resources of banks involved.
- (2) To the character of business engaged in, i. e., the extent of commercial business and extent of purely investment or trust company business of the two institutions.
- (3) Whether the operations of the two banks cover the same geographical territory.
- (4) Whether the two banks actually compete to any appreciable extent in any important activity, for example, (a) in soliciting deposits on demand or on time from other banks or individuals, (b) in the purchase or sale of commercial paper or other securities, (c) in the purchase or sale of foreign exchange, (d) in soliciting trusteeships, etc.



The form of application approved by the Board is intended to furnish an analysis of the character of business of the banks involved as far as it is possible to determine this from the books of the bank. The Federal Reserve Agent should supplement this, however, with any information he may be able to obtain and should base his recommendation upon the facts in each case. If he concludes that there is substantial competition between the banks or that interlocking directorates or common officers or employees of the two banks might result in any injury to the public, or in any substantial restraint of or detriment to the business of either bank, he should recommend that the application be refused. The Board, in reaching a decision, will carefully consider the recommendation of the Federal Reserve Agent and will base its conclusion upon the report and recommendation of the agent together with other information which its own investigation may disclose.

The Kern amendment authorizes the Federal Reserve Board at its discretion " \* \* to revoke such consent." In order that the Federal Reserve Board may revoke its consent at any time it becomes necessary, Federal Reserve Agents should keep it advised of any change either in local business conditions or in the resources or character of business conducted by the banks which may tend to make them substantial competitors.

In view of the great amount of time necessary to an adequate consideration of each case, it is desirable that directors, officers, and employees file their applications as soon as possible. The Board will endeavor to act upon all applications received before August 15, 1916, on or before September 15, 1916.

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### SPECIAL INSTRUCTIONS NO. 2 OF 1916.

WASHINGTON, September 15, 1916.

#### SPECIAL INSTRUCTIONS TO FEDERAL RESERVE BANKS AND TO FEDERAL RESERVE AGENTS.

For the convenience of the Federal Reserve Banks and member banks, all regulations issued for the guidance of member banks have been consolidated and issued by the Board with Circular No. 2, series of 1916. While this circular and the regulations which accompany it will govern the operations of Federal Reserve Banks with their members, they contain only such regulations as are of interest to member banks or to the general public and carry none of the special instructions intended solely for the guidance of Federal Reserve Banks. They are, therefore, supplemented by the special instructions and regulations herein contained.

#### A. *Discount and purchase of bankers' acceptances.*

(a) Bankers' acceptances, other than those of a member bank, whether foreign or domestic, shall be eligible for discount or purchase, under sections 13 or 14, respectively, only after the acceptors shall have agreed in writing to furnish the Federal Reserve Bank of their respective districts, upon request, information concerning the nature of the transactions against which acceptances have been made.

(b) The aggregate of bills, domestic and foreign, of any one drawer, drawn on and accepted by any bank or trust company and purchased or discounted by a Federal Reserve Bank, shall at no time exceed 10 per cent of the unimpaired capital and surplus of such bank or trust company, but this restriction shall not apply to the purchase or discount of bills drawn in good faith against actually existing values; that is, bills the acceptor of which is secured by a lien on or by a transfer of title to the goods to be transported, or by other adequate security, such as a warehouse receipt, or the pledge of goods actually sold.

(c) The aggregate of bills, domestic and foreign, of any one drawer, drawn on and accepted by any firm, person, company, or corporation (other than a bank or trust

company) engaged in the business of discounting or accepting, and purchased or discounted by a Federal Reserve Bank, shall at no time exceed a sum equal to a definite percentage of the paid-in capital of such Federal Reserve Bank, such percentage to be fixed from time to time by the Federal Reserve Board; but this restriction shall not apply to the purchase or discount of bills drawn in good faith against actually existing values; that is, bills the acceptor of which is secured by a lien on or by a transfer of title to the goods to be transported or by other adequate security, such as a warehouse receipt, or the pledge of goods actually sold.

(d) The aggregate of bankers' acceptances, domestic and foreign, made by any one firm, person, company, or corporation (other than a bank or trust company) engaged in the business of discounting or accepting, discounted or purchased by a Federal Reserve Bank without the indorsement of a member bank, shall at no time exceed a sum equal to a definite percentage of the paid-in capital of such Federal Reserve Bank; such percentage to be fixed from time to time by the Federal Reserve Board.

(e) No Federal Reserve Bank shall purchase a domestic or foreign acceptance of a "banker" other than a member bank which does not bear the indorsement of a member bank, unless there is furnished a satisfactory statement of the financial condition of the acceptor in form to be approved by the Federal Reserve Board.

(f) In purchasing or discounting bankers' acceptances or other bills which are secured by warehouse receipts, etc., the Federal Reserve Bank should make sure that the receipt is issued by a warehouse which is independent of the borrower.

(g) Federal Reserve Banks should bear in mind that preference should be given wherever possible to acceptances indorsed by a member bank discounted under section 13, because of the additional protection that such indorsement affords.

#### *B. Purchase of cable transfers and foreign bills of exchange.*

In order to carry on open-market transactions in cable transfers and foreign bills of exchange (including foreign bankers' acceptances)—that is, payments to be made in, or bills payable in, foreign countries—it will be necessary for Federal Reserve Banks to open accounts with correspondents or establish agencies in foreign countries. Such bills of exchange and foreign acceptances must comply with the applicable requirements of sections 13 and 14. Inasmuch as the law prescribes that these foreign accounts and accounts opened by Federal Reserve Banks for such foreign correspondents or agents are to be established only with the consent of the Federal Reserve Board, Federal Reserve Banks will be required to communicate with the Federal Reserve Board whenever they are ready to enter these foreign fields.

The Federal Reserve Board realizes that in dealing in foreign exchange the Federal Reserve Banks must necessarily have wide discretion in determining the rates at which they will buy or sell. It is not necessary that foreign bills shall have been actually accepted at the time of purchase. The Federal Reserve Board, however, will require that unaccepted "long bills," payable in foreign countries, when purchased, unless secured by documents, shall bear one satisfactory indorsement other than those of the drawer or acceptor, preferably that of a banker. Federal Reserve Banks should exercise due caution in dealing in foreign bills, and boards of directors should fix a limit within which the acceptances or bills of a single firm may be taken.

#### *C. Purchase of domestic bills of exchange.*

(a) Before purchasing domestic bills of exchange under the provisions of section 14, the Federal Reserve Bank must secure statements concerning the condition and standing of the drawer of the paper, and, if possible, also of the acceptor of the bill, sufficient to satisfy the bank as to the nature and quality of the paper to be purchased.

(b) No Federal Reserve Bank will be permitted to purchase bills of any one drawer, or issued upon any one maker to an amount to exceed in the aggregate a percentage

of its capital, to be fixed from time to time by the Federal Reserve Board, except when secured by approved warehouse receipts, bills of lading, or other such documents covering readily marketable goods. The aggregate amount drawn on any one acceptor, purchased by Federal Reserve Banks, shall not exceed a reasonable percentage of the stated net worth of the parties whose names appear upon the paper.

#### D. *Rediscounts of agricultural paper.*

Any Federal Reserve Bank may discount notes, drafts, and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding six months, exclusive of days of grace, up to an amount not exceeding 5 per cent of its assets. Should any such bank desire to discount such paper in excess of that amount it should file with the Federal Reserve Board an application stating the limit desired and the necessity for an increase in the percentage fixed above.

Regulation L, series of 1915, governing clearings between Federal Reserve Banks (i. e., gold-settlement fund), remains in force as previously issued.

Regulation O, series of 1915, containing instructions to Federal Reserve Agents in the matter of issuance and redemption of Federal Reserve notes, will be reissued in a somewhat modified form.

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### CIRCULAR NO. 2,<sup>1</sup> SERIES OF 1916.

WASHINGTON, *September 15, 1916.*

The accompanying revision of the Federal Reserve Board's regulations, which has been delayed by the desire to incorporate all changes occasioned by amendment of the Federal Reserve Act, is, for the greater convenience of member banks, now issued in pamphlet form, and is a compendium of all regulations applicable to the transactions of member banks. All previous issues of regulations are superseded by the present issue, to which alone reference will hereafter be made.

Instructions which concern only Federal Reserve Agents or Federal Reserve Banks will be covered in separate letters or regulations.

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### REGULATION A, SERIES OF 1916.

(Superseding Regulations B, C, P, Q, and R of 1915.)

#### REDISCOUNTS UNDER SECTION 13.

##### A. NOTES, DRAFTS, AND BILLS OF EXCHANGE.

###### I. *General statutory provisions.*

Any Federal Reserve Bank may discount for any of its member banks any note, draft, or bill of exchange provided—

(a) It has a maturity at the time of discount of not more than 90 days, exclusive of days of grace; but if drawn or issued for agricultural purposes or based on live stock, it may have a maturity at the time of discount of not more than six months, exclusive of days of grace.

(b) It arose out of actual commercial transactions; that is, it must be a note, draft, or bill of exchange which has been issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used or are to be used for such purposes.

(c) It was not issued for carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

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<sup>1</sup> Circular No. 1 of May 1, 1916, Check Clearing and Collection, in slightly modified form, is reissued herein as Regulation J.

(d) The aggregate of notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether a person, company, firm, or corporation, rediscounted for any one member bank shall at no time exceed 10 per cent of the unimpaired capital and surplus of such bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

(e) It is indorsed by a member bank.

(f) It conforms to all applicable provisions of this regulation.

## II. *General character of notes, drafts, and bills of exchange eligible.*

The Federal Reserve Board, exercising its statutory right to define the character of a note, draft, or bill of exchange eligible for rediscount at a Federal Reserve Bank, has determined that—

(a) It must be a note, draft, or bill of exchange the proceeds of which have been used or are to be used in producing, purchasing, carrying, or marketing goods<sup>1</sup> in one or more of the steps of the process of production, manufacture, or distribution.

(b) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery.

(c) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for investments of a purely speculative character.

(d) It may be secured by the pledge of goods or collateral, provided it is otherwise eligible.

## III. *Applications for rediscount.*

All applications for the rediscount of notes, drafts, or bills of exchange must contain a certificate of the member bank, in form to be prescribed by the Federal Reserve Bank, that, to the best of its knowledge and belief, such notes, drafts, or bills of exchange have been issued for one or more of the purposes mentioned in II (a).

## IV. *Promissory notes.*

(a) *Definition.*—A promissory note, within the meaning of this regulation, is defined as an unconditional promise, in writing, signed by the maker, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to order or to bearer.

(b) *Evidence of eligibility and requirement of statements.*—A Federal Reserve Bank must be satisfied by reference to the note or otherwise that it is eligible for rediscount. Compliance of a note with II (b) may be evidenced by a statement of the borrower showing a reasonable excess of quick assets over current liabilities. The member bank shall certify in its application whether the note offered for rediscount has been discounted for a depositor or another member bank or whether it has been purchased from a nondepositor. It must also certify whether a financial statement of the borrower is on file.

Such financial statements must be on file with respect to all notes offered for rediscount which have been purchased from sources other than a depositor or a member bank. With respect to any other note offered for rediscount, if no statement is on file, a Federal Reserve Bank shall use its discretion in taking the steps necessary to satisfy itself as to eligibility. It is authorized to waive the requirement of a statement with respect to any note discounted by a member bank for a depositor or another member bank—

(1) If it is secured by a warehouse, terminal, or other similar receipt covering goods in storage.

(2) If the aggregate of obligations of the borrower rediscounted and offered for rediscount at the Federal Reserve Bank is less than a sum equal to 10 per cent of the paid-in capital of the member bank and does not exceed \$5,000.

<sup>1</sup> When used in this regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including live stock.

V. *Drafts, bills of exchange, and trade acceptances.*

(a) *Definition.*—A draft or bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another other than a banker as defined under B (b), signed by the person giving it, requiring the person to whom it is addressed, to pay, in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person; and a trade acceptance is defined as a draft or bill of exchange drawn by the seller on the purchaser of goods sold and accepted by such purchaser.

(b) *Evidence of eligibility.*—A Federal Reserve Bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the draft or bill offered for rediscount, unless it presents prima facie evidence thereof or bears a stamp or certificate affixed by the acceptor or drawer showing that it is a trade acceptance.

VI. *Six months' agricultural paper.*

(a) *Definition.*—Six months' agricultural paper, within the meaning of this regulation, is defined as a note, draft, bill of exchange, or trade acceptance drawn or issued for agricultural purposes, or based on live stock; that is, a note, draft, bill of exchange, or trade acceptance the proceeds of which have been used, or are to be used, for agricultural purposes, including the breeding, raising, fattening, or marketing of live stock, and which has a maturity at the time of discount of not more than six months, exclusive of days of grace.

(b) *Eligibility.*—To be eligible for rediscount six months' agricultural paper, whether a note, draft, bill of exchange, or trade acceptance, must comply with the respective sections of this regulation which would apply to it if its maturity were 90 days or less.

VII. *Commodity paper.*

(a) *Definition.*—Commodity paper within the meaning of this regulation is defined as a note, draft, bill of exchange, or trade acceptance accompanied and secured by shipping documents or by a warehouse, terminal, or other similar receipt covering approved and readily marketable, nonperishable staples properly insured.

(b) *Eligibility.*—To be eligible for rediscount at the special rates authorized to be established for commodity paper, such a note, draft, bill of exchange, or trade acceptance must also comply with the respective sections of this regulation applicable to it, must conform to the requirements of the Federal Reserve Bank relating to shipping documents, receipts, insurance, etc., and must be a note, draft, bill of exchange, or trade acceptance on which the rate of interest or discount—including commission—charged the maker, does not exceed 6 per cent per annum.

## B. BANKERS' ACCEPTANCES.

(a) *General statutory provisions.*—Any Federal Reserve Bank may discount for any of its member banks bankers' acceptances which have a maturity at the time of discount of not more than three months' sight, exclusive of days of grace, which are indorsed by at least one member bank, and which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods, providing shipping documents are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. Any Federal Reserve Bank may also acquire drafts or bills of exchange drawn on member banks by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange.

(b) *Definition.*—A banker's acceptance within the meaning of this regulation is defined as a draft or bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company, or corporation engaged in the business of granting bankers' acceptance credits.

(c) *Eligibility.*—To be eligible for rediscount the bill must have been drawn under a credit opened for the purpose of conducting, or settling accounts resulting from, a transaction or transactions involving (1) the shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or (2) the domestic shipment of goods, provided shipping documents are attached at the time of acceptance; or it must be a bill which is secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering readily marketable staples. Any Federal Reserve Bank may also acquire drafts or bills drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange and accepted by a member bank in accordance with the provisions of Regulation C, page 7. Such drafts or bills may be acquired prior to acceptance provided they have the indorsement of a member bank.

(d) *Evidence of eligibility.*—A Federal Reserve Bank must be satisfied, either by reference to the acceptance itself or otherwise, that it is eligible for rediscount. Satisfactory evidence of eligibility may consist of a stamp or certificate affixed by the acceptor in form satisfactory to the Federal Reserve Bank.

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## REGULATION B, SERIES OF 1916.

(Superseding Regulations S and T of 1915.)

### OPEN-MARKET PURCHASES OF BILLS OF EXCHANGE, TRADE ACCEPTANCES, AND BANKERS' ACCEPTANCES UNDER SECTION 14.

#### I. *General statutory provisions.*

Section 14 of the Federal Reserve Act permits Federal Reserve Banks, under rules and regulations to be prescribed by the Federal Reserve Board, to purchase and sell in the open market from banks, firms, corporations, or individuals bankers' acceptances and bills of exchange of the kinds and maturities made eligible by the act for rediscount, with or without the indorsement of a member bank.

#### II. *General character of bills and acceptances eligible.*

The Federal Reserve Board, exercising its statutory right to regulate the purchase of bills of exchange and acceptances, has determined that a bill of exchange or acceptance, to be eligible for purchase by Federal Reserve Banks under section 14—

(a) Must not have been issued for carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States.

(b) Must not be a bill the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings, or machinery, or for investments of a merely speculative character.

(c) Must have been accepted by the drawee prior to purchase by a Federal Reserve Bank unless it is accompanied and secured by shipping documents or by a warehouse terminal, or other similar receipt conveying security title.

(d) May be secured by the pledge of goods<sup>1</sup> or collateral, provided it is otherwise eligible.

In addition to the above general requirements, each bill of exchange and trade acceptance purchased under the terms of this regulation must also conform to the more specific requirements set forth under III, and each banker's acceptance must also conform to the more specific requirements set forth under IV.

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<sup>1</sup> When used in this regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including live stock.

III. *Bills of exchange and trade acceptances.*

(a) *Definition.*—A bill of exchange, within the meaning of this regulation, is defined as an unconditional order in writing, addressed by one person to another, other than a banker as defined under IV (a), signed by the person giving it, requiring the person to whom it is addressed to pay in the United States, at a fixed or determinable future time, a sum certain in dollars to the order of a specified person; and a trade acceptance is defined as a bill of exchange drawn by the seller on the purchaser of goods sold and accepted by such purchaser.

(b) *Eligibility.*—To be eligible for purchase the bill must have arisen out of an actual commercial transaction, domestic or foreign; that is, it must be a bill which has been issued or drawn for agricultural, industrial, or commercial purposes or the proceeds of which have been used or are to be used for the purpose of producing, purchasing, carrying, or marketing goods in one or more of the steps of the process of production, manufacture, or distribution. It must have a maturity at time of purchase of not more than ninety days, exclusive of days of grace.

(c) *Evidence of eligibility.*—A Federal Reserve Bank shall take such steps as it deems necessary to satisfy itself as to the eligibility of the bill offered for purchase, unless it presents prima facie evidence thereof or bears a stamp or certificate affixed by the acceptor or drawer showing that it is a trade acceptance.

(d) *Statements.*—Unless indorsed by a member bank, a bill is not eligible for purchase until a satisfactory statement has been furnished of the financial condition of one or more of the parties thereto.

IV. *Bankers' acceptances.*

(a) *Definition.*—A bankers' acceptance, within the meaning of this regulation, is a bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company, or corporation engaged in the business of granting bankers' acceptance credits.

(b) *Eligibility.*—To be eligible for purchase the bill, which must have a maturity at time of purchase of not more than three months, exclusive of days of grace, must have been drawn under a credit opened for the purpose of conducting, or settling accounts resulting from, a transaction or transactions involving—

- (1) The shipments of goods between the United States and any foreign country or between the United States and any of its dependencies or insular possessions, or between foreign countries; or
- (2) The shipment of goods within the United States, provided the bill at the time of its acceptance is accompanied by shipping documents; or
- (3) The storage within the United States of readily marketable goods, provided the acceptor of the bill is secured by warehouse, terminal, or other similar receipt; or
- (4) The storage within the United States of goods which have been actually sold, provided the acceptor of the bill is secured by the pledge of such goods;

or it must be a bill drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange. In this latter case the bank or banker drawing the bill must be in a country, dependency, or possession whose usages of trade have been determined by the Federal Reserve Board to require the drawing of bills of this character.

(c) *Evidence of eligibility.*—A Federal Reserve Bank must be satisfied either by reference to the acceptance itself, or otherwise, that it is eligible for purchase. Satisfactory evidence of eligibility may consist of a stamp or certificate affixed by the acceptor, in form satisfactory to the Federal Reserve Bank. No evidence of eligibility is required with respect to a bill accepted by a national bank.

(d) *Statements.*—Bankers' acceptances, other than those accepted or indorsed by member banks, shall be eligible for purchase only after the acceptor has furnished a satisfactory statement of financial condition in form to be approved by the Federal Reserve Board and has agreed in writing with a Federal Reserve Bank to inform it upon request concerning the transactions underlying such acceptances.

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## REGULATION C, SERIES OF 1916.

ACCEPTANCE BY MEMBER BANKS OF DRAFTS DRAWN TO FURNISH DOLLAR EXCHANGE.

### I. *Statutory provisions.*

Section 13 of the Federal Reserve Act provides that any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn, under regulations to be prescribed by the Federal Reserve Board, by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions.

No member bank shall accept such drafts or bills of exchange for any one bank to an amount exceeding in the aggregate 10 per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security. No member bank shall accept such drafts or bills in an amount exceeding at any time in the aggregate one-half of its paid-up and unimpaired capital and surplus.

### II. *Regulations.*

Any member bank desiring to accept drafts drawn by banks or bankers in foreign countries or dependencies or insular possessions of the United States for the purpose of furnishing dollar exchange shall first make an application to the Federal Reserve Board, setting forth the usages of trade in the respective countries, dependencies, or insular possessions in which such banks or bankers are located.

If the Federal Reserve Board should determine that the usages of trade in such countries, dependencies, or possessions require the granting of the acceptance facilities applied for, it will notify the applying bank of its approval and will also publish in the Federal Reserve Bulletin the name or names of those countries, dependencies, or possessions in which banks or bankers are authorized to draw on member banks whose applications have been approved for the purpose of furnishing dollar exchange.

The Federal Reserve Board reserves the right to modify or on 90 days' notice to revoke its approval either as to any particular member bank or as to any foreign country or dependency or insular possession of the United States in which it has authorized banks or bankers to draw on member banks for the purpose of furnishing dollar exchange.

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## REGULATION D, SERIES OF 1916.

(Superseding Regulation E of 1915.)

TIME DEPOSITS AND SAVINGS ACCOUNTS.

Section 19 of the Federal Reserve Act provides, in part, as follows:

“Demand deposits, within the meaning of this act, shall comprise all deposits payable within 30 days, and time deposits shall comprise all deposits payable after 30 days, and all savings accounts and certificates of deposit which are subject to not less than 30 days' notice before payment.”



*Time deposits, open accounts.*

The term "time deposits, open accounts" shall be held to include all accounts, not evidenced by certificates of deposit or savings pass books, in respect to which a written contract is entered into with the depositor at the time the deposit is made that neither the whole nor any part of such deposit may be withdrawn by check or otherwise, except on a given date or on written notice given by the depositor a certain specific number of days in advance, in no case less than 30 days.

*Savings accounts.*

The term "savings accounts" shall be held to include those accounts of the bank in respect to which, by its printed regulations, accepted by the depositor at the time the account is opened—

(a) The pass book, certificate, or other similar form of receipt must be presented to the bank whenever a deposit or withdrawal is made, and

(b) The depositor may at any time be required by the bank to give notice of an intended withdrawal not less than 30 days before a withdrawal is made.

*Time certificates of deposit.*

A "time certificate of deposit" is defined as an instrument evidencing the deposit with a bank, either with or without interest, of a certain sum specified on the face of the certificate payable in whole or in part to the depositor or on his order—

(a) On a certain date, specified on the certificate, not less than 30 days after the date of the deposit, or

(b) After the lapse of a certain specified time subsequent to the date of the certificate, in no case less than 30 days, or

(c) Upon written notice given a certain specified number of days, not less than 30 days before the date of repayment, and

(d) In all cases only upon presentation of the certificate at each withdrawal for proper indorsement or surrender.

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**REGULATION E, SERIES OF 1916.**

(Superseding Regulation F of 1915.)

**PURCHASE OF WARRANTS.***Statutory requirements.*

Section 14 of the Federal Reserve Act reads in part as follows:

"Every Federal Reserve Bank shall have power—

"(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board."

For brevity's sake, the term "warrant" when used in this regulation shall be construed to mean "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months," and the term "municipality" shall be construed to mean "State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage, and reclamation districts."

*Regulation.*

I. Any Federal Reserve Bank may purchase warrants issued by a municipality in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues, provided—

(a) They are the general obligations of the entire municipality; it being intended to exclude as ineligible for purchase all such obligations as are payable from "local benefit" and "special assessment" taxes when the municipality at large is not directly or ultimately liable;

(b) They are issued in anticipation of taxes or revenues which are due and payable on or before the date of maturity of such warrants; but the Federal Reserve Board may waive this condition in specific cases. For the purposes of this regulation, taxes shall be considered as due and payable on the last day on which they may be paid without penalty;

(c) They are issued by a municipality—

(1) Which has been in existence<sup>1</sup> for a period of 10 years;

(2) Which for a period of 10 years previous to the purchase has not defaulted<sup>1</sup> for longer than 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it;

(3) Whose net funded indebtedness<sup>1</sup> does not exceed 10 per centum of the valuation of its taxable property, to be ascertained by the last preceding valuation of property for the assessment of taxes.

II. Except with the approval of the Federal Reserve Board, no Federal Reserve Bank shall purchase and hold an amount in excess of 25 per centum of the total amount of warrants outstanding at any time and issued in conformity with provisions of section 14 (b) above quoted, and actually sold by a municipality.

III. Except with the approval of the Federal Reserve Board, the aggregate amount invested by any Federal Reserve Bank in warrants of all kinds shall not exceed at the time of purchase a sum equal to 10 per centum of the deposits kept by its member banks with such Federal Reserve Bank.

IV. Except with the approval of the Federal Reserve Board, the maximum amount which may be invested at the time of purchase by any Federal Reserve Bank in warrants of any single municipality shall be limited to the following percentages of the deposits kept in such Federal Reserve Bank by its member banks:

Five per centum of such deposits in warrants of a municipality of 50,000 population or over;

Three per centum of such deposits in warrants of a municipality of over 30,000 population, but less than 50,000;

One per centum of such deposits in warrants of a municipality of over 10,000 population, but less than 30,000.

V. Warrants of a municipality of 10,000 population or less shall be purchased only with the special approval of the Board.

The population of a municipality shall be determined by the last Federal or State census. Where it can not be exactly determined the Board will make special rulings.

VI. Opinion of recognized counsel on municipal issues or of the regularly appointed counsel of the municipality as to the legality of the issue shall be secured and approved in each case by counsel for the Federal Reserve Bank.

VII. Any Federal Reserve Bank may purchase from any of its member banks warrants of any municipality, indorsed by such member bank, with waiver of demand, notice, and protest, up to an amount not to exceed 10 per centum of the aggregate capital and surplus of such member bank: *Provided, however,* That such warrants comply with provisions I and III of these regulations, except that where a period of 10 years is mentioned in I (c) hereof a period of 5 years shall be substituted for the purposes of this clause.

<sup>1</sup> See appendix to this regulation.

## APPENDIX TO REGULATION E.

## "NET FUNDED INDEBTEDNESS."

The term "net funded indebtedness" is hereby defined to mean the legal gross indebtedness of the municipality (including the amount of any school district or other bonds which depend for their redemption upon taxes levied upon property within the municipality) less the aggregate of the following items:

(1) The amount of outstanding bonds or other debt obligations made payable from current revenues;

(2) The amount of outstanding bonds issued for the purpose of providing the inhabitants of a municipality with public utilities, such as waterworks, docks, electric plants, transportation facilities, etc.: *Provided*, That evidence is submitted showing that the income from such utilities is sufficient for maintenance, for payment of interest on such bonds, and for the accumulation of a sinking fund for their redemption;

(3) The amount of outstanding improvement bonds, issued under laws which provide for the levying of special assessments against abutting property in amounts sufficient to insure the payment of interest on the bonds and the redemption thereof: *Provided*, That such bonds are direct obligations of the municipality and included in the gross indebtedness of the municipality;

(4) The total of all sinking funds accumulated for the redemption of the gross indebtedness of the municipality, except sinking funds applicable to bonds just described in (1), (2), and (3) above.

## "EXISTENCE" AND "NONDEFAULT."

Warrants will be construed to comply with that part of I (c) of Regulation E relative to term of existence and nondefault under the following conditions:

(1) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, consolidated with or merged into an existing political division which meets the requirements of these regulations, will be deemed to be the warrants of such political division: *Provided*, That such warrants were assumed by such political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(2) Warrants issued by or in behalf of any municipality which was, subsequent to the issuance of such warrants, wholly succeeded by a newly organized political division whose term of existence, added to that of such original political division or of any other political division so succeeded, is equal to a period of 10 years will be deemed to be warrants of such succeeding political division: *Provided*, That during such period none of such political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it: *And provided further*, That such warrants were assumed by such new political division under statutes and appropriate proceedings the effect of which is to make such warrants general obligations of such assuming political division and payable, either directly or ultimately, without limitation to a special fund from the proceeds of taxes levied upon all the taxable real and personal property within its territorial limits.

(3) Warrants issued by or in behalf of any municipality which, prior to such issuance, became the successor of one or more, or was formed by the consolidation or merger of two or more, preexisting political divisions, the term of existence of one or more of which, added to that of such succeeding or consolidated political division,

is equal to a period of 10 years, will be deemed to be warrants of a political division which has been in existence for a period of 10 years: *Provided*, That during such period none of such original, succeeding, or consolidated political divisions shall have defaulted for a period exceeding 15 days in the payment of any part of either principal or interest of any funded debt authorized to be contracted by it.

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## REGULATION F, SERIES OF 1916.

(Superseding Regulation H of 1915.)

### TRUST POWERS OF NATIONAL BANKS.

#### I. *Statutory provisions.*

The Federal Reserve Act provides:

“SEC. 11. The Federal Reserve Board shall be authorized and empowered:

“(k) To grant by special permit to national banks applying therefor, when not in contravention of State or local law, the right to act as trustee, executor, administrator, or registrar of stocks and bonds, under such rules and regulations as the said Board may prescribe.”

#### II. *Applications.*

A national bank desiring to exercise any or all of the privileges authorized by section 11, subsection (k), of the Federal Reserve Act, shall make application to the Federal Reserve Board on a form approved by said Board (Form No. 61). Such application shall be forwarded by the applying bank to the chairman of the board of directors of the Federal Reserve Bank of its district, and shall thereupon be transmitted to the Federal Reserve Board with his recommendations.

#### III. *Separate departments.*

Every national bank permitted to act under this section shall establish a separate trust department, and shall place such department under the management of an officer or officers, whose duties shall be prescribed by the board of directors of the bank.

#### IV. *Provision for keeping trust funds.*

The funds, securities, and investments held in each trust shall be held separate and distinct from the general funds and securities of the bank, and separate and distinct one from another. The ledgers and other books kept for the trust department shall be entirely separate and apart from the other books and records of the bank.

#### V. *Examinations.*

Examiners appointed by the Comptroller of the Currency or designated by the Federal Reserve Board will hereafter be instructed to make thorough and complete audits of the cash, securities, accounts, and investments of the trust department of every bank at the same time that examination is made of the banking department.

#### VI. *Conformity with State laws.*

Nothing in these regulations shall be construed to give to a national bank doing business as trustee, executor, administrator, or registrar of stocks and bonds under section 11 (k) of the Federal Reserve Act any rights or privileges in contravention of the laws of the State in which the bank is located.

VII. *Revocation of permits.*

The Federal Reserve Board reserves the right to revoke permits granted under these regulations in any case where in the opinion of the Board a bank has willfully violated the provisions of these regulations or the laws of any State relating to the operations of such bank when acting as trustee, executor, administrator, or registrar of stocks and bonds.

VIII. *Changes in rules.*

These regulations are subject to change by the Federal Reserve Board: *Provided, however,* That no such change shall prejudice obligations undertaken in good faith under regulations in effect at the time the obligation was assumed.

## REGULATION G, SERIES OF 1916.

(Superseding Regulation I of 1915.)

## LOANS ON FARM LAND AND OTHER REAL ESTATE.

Section 24 of the Federal Reserve Act provides in part that—

“Any national banking association not situated in a central reserve city may make loans secured by improved and unencumbered farm land situated within its Federal reserve district or within a radius of one hundred miles of the place in which such bank is located, irrespective of district lines, and may also make loans secured by improved and unencumbered real estate located within one hundred miles of the place in which such bank is located, irrespective of district lines; but no loan made upon the security of such farm land shall be made for a longer time than five years, and no loan made upon the security of such real estate as distinguished from farm land shall be made for a longer time than one year, nor shall the amount of any such loan, whether upon such farm land or upon such real estate, exceed fifty per centum of the actual value of the property offered as security. Any such bank may make such loans, whether secured by such farm land or such real estate in an aggregate sum equal to twenty-five per centum of its capital and surplus or to one-third of its time deposits, and such banks may continue hereafter as heretofore to receive time deposits and to pay interest on the same.”

National banks not located in central reserve cities may, therefore, legally make loans secured by improved and unencumbered farm land or other real estate as provided by this section.

Certain conditions and restrictions must, however, be observed—

(a) There must be no prior lien on the land; that is, the lending bank must hold an absolute first mortgage or deed of trust.

(b) The amount of the loan must not exceed 50 per cent of the actual value of the land by which it is secured.

(c) The maximum amount of loans which a national bank may make on real estate, whether on farm land or on other real estate as distinguished from farm land, is limited under the terms of the act to an amount not in excess of one-third of its time deposits at the time of the making of the loan, and not in excess of one-third of its average time deposits during the preceding calendar year: *Provided, however,* That if one-third of such time deposits as of the date of making the loan or one-third of the average time deposits for the preceding calendar year, is less than one-fourth of the capital and surplus of the bank as of the date of making the loan, the bank in such event shall have authority to make loans upon real estate under the terms of the Act to the extent of one-fourth of the bank's capital and surplus as of that date.

(d) Farm land to be eligible as security for a loan by a national bank must be situated within the Federal Reserve district in which such bank is located or within a radius of 100 miles of such bank, irrespective of district lines.

(e) Real estate, as distinguished from farm land, to be eligible as security for a loan by a national bank must be located within a radius of 100 miles of such bank, irrespective of district lines.

(f) The right of a national bank to "make loans" under section 24 includes the right to purchase or discount loans already made, as well as the right to make such loans in the first instance: *Provided, however*, That no loan secured by farm land shall have a maturity of more than five years from the date on which it was purchased or made by the national bank, and that no loan secured by other real estate shall have a maturity of more than one year from such date.

In order that real estate loans held by a bank may be readily classified, a statement signed by the officers making a loan and having knowledge of the facts upon which it is based must be attached to each note secured by a first mortgage on the land by which the loan is secured, certifying in detail as of the date of the loan that all of the requirements of law have been duly observed.

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## REGULATION H, SERIES OF 1916.

(Superseding Regulation M of 1915.)

### MEMBERSHIP OF STATE BANKS AND TRUST COMPANIES.

#### I. *Statutory requirements.*

Specific provisions of the Federal Reserve Act applicable to State banks and trust companies which become member banks are quoted in the appendix to this regulation.

#### II. *Banks eligible for membership.*

A State bank or a trust company to be eligible for membership in a Federal Reserve Bank must comply with the following conditions:

(1) It must have been incorporated under a special or general law of the State or district in which it is located.

(2) It must have a minimum paid-up unimpaired capital stock as follows:

In cities or towns not exceeding 3,000 inhabitants, \$25,000.

In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000.

In cities or towns exceeding 6,000 but not exceeding 50,000 inhabitants, \$100,000.

In cities exceeding 50,000 inhabitants, \$200,000.

#### III. *Application for membership.*

Any eligible State bank or trust company may make application on Form 83, made a part of this regulation, to the Federal Reserve Agent of its district for an amount of capital stock in the Federal Reserve Bank of such district equal to 6 per cent of the paid-up capital stock and surplus of such State bank or trust company.<sup>1</sup>

Upon receipt of such application the Federal Reserve Agent shall submit the same to a committee composed of the Federal Reserve Agent, the governor of the Federal Reserve Bank, and at least one other member of the board of directors of such bank, to be appointed by such board, but no class A director whose bank is in the same city or town as the applying bank or trust company shall be a member of such committee. This committee shall, after receiving the report of such examination as may be required by the Federal Reserve Bank in pursuance of directions from the Federal Reserve Board, consider the application and transmit it to the Federal Reserve Board, with its report and recommendations.

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<sup>1</sup> Three per cent has already been called from national and other member banks, but the remainder of the subscription or any part of it shall be subject to call if deemed necessary by the Federal Reserve Board.

IV. *Approval of application.*

In passing upon an application the Federal Reserve Board will consider especially—

(1) The financial condition of the applying bank or trust company and the general character of its management.

(2) Whether the nature of the powers exercised by the said bank or trust company and its charter provisions are consistent with the proper conduct of the business of banking and with membership in the Federal Reserve Bank.

(3) Whether the laws of the State or district in which the applying bank or trust company is located contain provisions likely to prevent proper compliance with the provisions of the Federal Reserve Act and the regulations of the Federal Reserve Board made in conformity therewith.

If, in the judgment of the Federal Reserve Board, an applying bank or trust company conforms to all the requirements of the Federal Reserve Act and these regulations, and is otherwise qualified for membership, the Board will issue a certificate of approval. Whenever the Board may deem it necessary, it will impose such conditions as will insure compliance with the act and these regulations. When the certificate of approval and any conditions contained therein have been accepted by the applying bank or trust company, stock in the Federal Reserve Bank of the district in which the applying bank or trust company is located shall be issued and paid for under the regulations of the Federal Reserve Act provided for national banks which become stockholders in the Federal Reserve Banks.

V. *Powers and restrictions.*

Every State bank or trust company while a member of the Federal Reserve System—

(1) Shall retain its full charter and statutory rights as a State bank or trust company, and may continue to exercise the same functions as before admission, except as provided in the Federal Reserve Act and the Regulations of the Federal Reserve Board, including any conditions embodied in the certificate of approval.

(2) Shall invest only in loans on real estate or mortgages of a character and to an extent which, considering the nature of its liabilities, will not impair its ability to meet current or maturing obligations.

(3) Shall adjust, to conform with the requirements of the Federal Reserve Act and these regulations, within such reasonable time as may be determined by the Board in each case, any loans it may have at the time of its admission to membership which are secured by its own stock, or any loans to one person, firm, or corporation aggregating more than 10 per cent of its capital and surplus or more than 30 per cent of its capital, or any real estate loans which, in the judgment of the Federal Reserve Board, impair its ability to meet current or maturing obligations.

(4) Shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board as a condition of its admission, and shall not lower the standard of banking then required of it; and

(5) Shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and of the regulations of the Federal Reserve Board made in conformity therewith which are applicable to State banks and trust companies which have become member banks.

VI. *Withdrawals.*

Any State bank or trust company desiring to withdraw from membership in a Federal Reserve Bank may do so 12 months after written notice of its intention to withdraw shall have been filed with the Federal Reserve Board. The Board will immediately notify the Federal Reserve Bank of the receipt of such notice. At the expiration of said 12 months such bank or trust company shall surrender all of its holdings of capital stock in the Federal Reserve Bank, which stock shall then be canceled and the withdrawing bank or trust company shall thereupon be released from

its stock subscription not previously called. Such bank or trust company shall, immediately upon the cancellation of its stock, cease to be a member of the Federal Reserve Bank, and the Federal Reserve Bank shall then refund to such bank or trust company a sum equal to the cash-paid subscription on the shares surrendered, with interest at the rate of one-half of 1 per cent per month computed from the last dividend, if earned, not to exceed the book value thereof, and the reserve deposits, less any liability of such member to the Federal Reserve Bank: *Provided*, That no Federal Reserve Bank shall, except by the specific authority of the Federal Reserve Board, cancel within the same calendar year more than 10 per cent of its capital stock for the purpose of effecting voluntary withdrawals during that year. All applications, including therein any on which action may have been deferred because in excess of the aforesaid 10 per cent limitation, will be dealt with in the order in which they were originally filed with the Board.

Any State bank or trust company desiring to withdraw from membership at the expiration of the 12 months' notice, notwithstanding the fact that the Federal Reserve Bank has previously canceled 10 per cent of its stock during the same calendar year, may do so. In such case, however, the Federal Reserve Bank shall not be required to repay to the withdrawing bank or trust company the sums due as above until such time as its stock would have been canceled had it not exercised this option. The Federal Reserve Bank shall, however, give a receipt for the stock surrendered.

#### VII. *Examinations.*

Every State bank or trust company, while a member of the Federal Reserve System, shall be subject to such examinations as may be prescribed by the Federal Reserve Board in pursuance of the provisions of the Federal Reserve Act.

In order to avoid duplication, the Board will exercise the broad discretion vested in it by the act in accepting examinations of State banks and trust companies made by State authorities wherever these are satisfactory to the Board and are found to be of the same standard of thoroughness as national bank examinations and where, in addition, satisfactory arrangements for cooperation in the matter of examination between the designated examiners of the Board and those of the States already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal Reserve Banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be assured.

#### VIII. *Future regulations.*

The Federal Reserve Board reserves the right to make such amendments and adopt and issue, from time to time, such further regulations authorized by the Act as it may deem necessary, but no amendment of Section VI of these regulations, relating to voluntary withdrawals, shall take effect until six months after its adoption and issue by the Board.

#### APPENDIX TO REGULATION II.

The Federal Reserve Act provides:

"SEC. 9. Any bank incorporated by special law of any State, or organized under the general laws of any State or of the United States, may make application to the Reserve Bank organization committee, pending organization, and thereafter to the Federal Reserve Board for the right to subscribe to the stock of the Federal Reserve Bank organized or to be organized within the Federal Reserve district where the applicant is located. The organization committee or the Federal Reserve Board, under such rules and regulations as it may prescribe, subject to the provisions of this section, may permit the applying bank to become a stockholder in the Federal Reserve Bank of the district in which the applying bank is located. Whenever the organiza-



tion committee or the Federal Reserve Board shall permit the applying bank to become a stockholder in the Federal Reserve Bank of the district, stock shall be issued and paid for under the rules and regulations in this Act provided for national banks which become stockholders in Federal Reserve Banks.

"The organization committee or the Federal Reserve Board shall establish by-laws for the general government of its conduct in acting upon applications made by the State banks and banking associations and trust companies for stock ownership in Federal Reserve Banks. Such by-laws shall require applying banks not organized under Federal law to comply with the reserve and capital requirements and to submit to the examination and regulations prescribed by the organization committee or by the Federal Reserve Board. No applying bank shall be admitted to membership in a Federal Reserve Bank unless it possesses a paid-up, unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated, under the provisions of the national banking act.

"Any bank becoming a member of a Federal Reserve Bank under the provisions of this section shall, in addition to the regulations and restrictions hereinbefore provided, be required to conform to the provisions of law imposed on the national banks respecting the limitation of liability which may be incurred by any person, firm, or corporation to such banks, the prohibition against making purchase of or loans on stock of such banks, and the withdrawal or impairment of capital, or the payment of unearned dividends, and to such rules and regulations as the Federal Reserve Board may, in pursuance thereof, prescribe.

"Such banks, and the officers, agents, and employees thereof, shall also be subject to the provisions of and to the penalties prescribed by sections fifty-one hundred and ninety-eight, fifty-two hundred, fifty-two hundred and one, and fifty-two hundred and eight, and fifty-two hundred and nine of the Revised Statutes. The member banks shall also be required to make reports of the conditions and of the payments of dividends to the Comptroller, as provided in sections fifty-two hundred and eleven and fifty-two hundred and twelve of the Revised Statutes, and shall be subject to the penalties prescribed by section fifty-two hundred and thirteen for the failure to make such report.

"If at any time it shall appear to the Federal Reserve Board that a member bank has failed to comply with the provisions of this section or the regulations of the Federal Reserve Board, it shall be within the power of the said Board, after hearing, to require such bank to surrender its stock in the Federal Reserve Bank; upon such surrender the Federal Reserve Bank shall pay the cash-paid subscriptions to the said stock with interest at the rate of one-half of one per centum per month, computed from the last dividend, if earned, not to exceed the book value thereof, less any liability to said Federal Reserve Bank, except the subscription liability not previously called, which shall be canceled, and said Federal Reserve Bank shall, upon notice from the Federal Reserve Board, be required to suspend said bank from further privileges of membership, and shall within thirty days of such notice cancel and retire its stock and make payment therefor in the manner herein provided. The Federal Reserve Board may restore membership upon due proof of compliance with the conditions imposed by this section.

"SEC. 19. If a State bank or trust company is required or permitted by the law of its State to keep its reserves either in its own vaults or with another State bank or trust company or with a national bank, such reserve deposits so kept in such State bank or trust company or national bank shall be construed, within the meaning of this section, as if they were reserve deposits in a national bank in a reserve or central reserve city for a period of three years after the Secretary of the Treasury shall have officially announced the establishment of a Federal Reserve Bank in the district in which such State bank or trust company is situate. Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of ten per centum

of its own paid-up capital and surplus. No member bank shall act as the medium or agent of a nonmember bank in applying for or receiving discounts from a Federal Reserve Bank under the provisions of this Act except by permission of the Federal Reserve Board.

"SEC. 21. The Comptroller of the Currency, with the approval of the Secretary of the Treasury, shall appoint examiners, who shall examine every member bank at least twice in each calendar year and oftener if considered necessary: *Provided, however,* That the Federal Reserve Board may authorize examination by the State authorities to be accepted in the case of State banks and trust companies, and may at any time direct the holding of a special examination of State banks or trust companies that are stockholders in any Federal Reserve Bank. The examiner making the examination of any national bank, or of any other member bank, shall have power to make a thorough examination of all the affairs of the bank, and in doing so he shall have power to administer oaths and to examine any of the officers and agents thereof under oath, and shall make a full and detailed report of the condition of said bank to the Comptroller of the Currency.

"The Federal Reserve Board, upon the recommendation of the Comptroller of the Currency, shall fix the salaries of all bank examiners and make report thereof to Congress. The expense of the examinations herein provided for shall be assessed by the Comptroller of the Currency upon the banks examined in proportion to assets or resources held by the banks upon the dates of examination of the various banks.

"In addition to the examinations made and conducted by the Comptroller of the Currency, every Federal Reserve Bank may, with the approval of the Federal Reserve Agent or the Federal Reserve Board, provide for special examination of member banks within its district. The expense of such examinations shall be borne by the bank examined. Such examinations shall be so conducted as to inform the Federal Reserve Bank of the condition of its member banks and of the lines of credit which are being extended by them. Every Federal Reserve Bank shall at all times furnish to the Federal Reserve Board such information as may be demanded concerning the condition of any member bank within the district of the said Federal Reserve Bank.

"No bank shall be subject to any visitatorial powers other than such as are authorized by law or vested in the courts of justice, or such as shall be or shall have been exercised or directed by Congress, or by either House thereof, or by any committee of Congress or of either House duly authorized.

"The Federal Reserve Board shall, at least once each year, order an examination of each Federal Reserve Bank, and upon joint application of ten member banks the Federal Reserve Board shall order a special examination and report of the condition of any Federal Reserve Bank."

## REGULATION I, SERIES OF 1916.

(Superseding Regulation N of 1915.)

### INCREASE OR DECREASE OF CAPITAL STOCK OF FEDERAL RESERVE BANKS.

#### *Increase of capital stock.*

Whenever the capital stock of any Federal Reserve Bank shall be increased by new banks becoming members, or by the increase of capital or surplus of any member bank and the allotment of additional capital stock to such bank, the board of directors of such Federal Reserve Bank shall certify such increase to the Comptroller of the Currency on Form 58, which is made a part of this regulation.

#### *Decrease of capital stock.*

I. Whenever a member bank reduces its capital stock or surplus, and, in the case of reduction of its capital, such reduction has been approved by the Comptroller of

the Currency and by the Federal Reserve Board in accordance with the provisions of section 28 of the Federal Reserve Act, it shall file with the Federal Reserve Bank of which it is a member an application on Form 60, which is made a part of this regulation. When this application has been approved, the Federal Reserve Bank shall take up and cancel the receipt issued to such bank for cash payments made on its subscription and shall issue in lieu thereof a new receipt after refunding to the member bank the proportionate amount due such bank on account of the subscription canceled. The receipt so issued shall show the date of original issue, so that dividends may be calculated thereon.

II. Whenever a member bank shall be declared insolvent and a receiver appointed by the proper authorities, such receiver shall file with the Federal Reserve Bank of which the insolvent bank is a member an application on Form 87, which is made a part of this regulation, for the surrender and cancellation of the stock held by, and for the refund of all balances due to, such insolvent member bank. Upon approval of this application by the Federal Reserve Agent the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the member bank and the Federal Reserve Bank by applying to the indebtedness of the insolvent member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of 1 per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized receiver of such insolvent member bank.

III. Whenever a member bank goes into voluntary liquidation and a liquidating agent is appointed, such agent shall file with the Federal Reserve Bank of which it is a member an application on Form 86, which is made a part of this regulation, for the surrender and cancellation of the stock held by and for the refund of all balances due to such liquidating member bank. Upon approval of this application by the Federal Reserve Agent the Federal Reserve Bank shall accept and cancel the stock surrendered, and shall adjust accounts between the liquidating member bank and the Federal Reserve Bank by applying to the indebtedness of the liquidating member bank to such Federal Reserve Bank all cash-paid subscriptions made by it on the stock canceled with one-half of 1 per centum per month from the period of last dividend, if earned, not to exceed the book value thereof, and the balance, if any, shall be paid to the duly authorized liquidating agent of such liquidating member bank.

IV. Whenever the stock of a Federal Reserve Bank shall be reduced in the manner provided in Paragraphs I, II, or III of this regulation the board of directors of such Federal Reserve Bank shall, in accordance with the provisions of section 6, file with the Comptroller of the Currency a certificate of such reduction on Form 59, which is made a part of this regulation.

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## REGULATION J, SERIES OF 1916.

(Superseding Circular No. 1 of 1916.)

### CHECK CLEARING AND COLLECTION.

The Federal Reserve Board is empowered, under section 16 of the Federal Reserve Act, to require each Federal Reserve Bank to—

“Exercise the function of a clearing house for its member banks.”

In pursuance of the authority vested in it under the provisions of this section, the Federal Reserve Board, desiring to afford to both the public and the various member banks a direct, expeditious, and economical system of check collection and settlement of balances, hereby requires all Federal Reserve Banks to exercise the functions

of a clearing house for their respective member banks under the following general terms and conditions:

Each Federal Reserve Bank will receive at par from its member banks checks<sup>1</sup> drawn on all member banks, whether in its own district or other districts, and checks drawn upon nonmember banks when such checks can be collected by the Federal Reserve Banks at par.

Each Federal Reserve Bank will receive at par from other Federal Reserve Banks checks drawn upon all member banks of its district and upon all nonmember banks whose checks can be collected at par by the Federal Reserve Bank. The Federal Reserve Banks will prepare a par list of all nonmember banks, to be revised from time to time, which will be furnished to member banks.

Immediate credit entry upon receipt subject to final payment will be made for all such items upon the books of the Federal Reserve Bank at full face value, but the proceeds will not be counted as part of the minimum reserve nor become available to meet checks drawn until actually collected in accordance with the best practice now prevailing.

(2) Checks received by a Federal Reserve Bank on its member banks will be forwarded direct to such member banks and will not be charged to their accounts until advice of payment has been received or until sufficient time has elapsed within which to receive advice of payment.

(3) In the selection of collecting agents for handling checks on nonmember banks member banks will be given the preference.

(4) Under this plan Federal Reserve Banks will receive at par from their member banks checks on all member banks and on nonmember banks whose checks can be collected at par by any Federal Reserve Bank. Member banks will be required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of their Federal Reserve Banks: *Provided, however,* That a member bank may ship lawful money or Federal reserve notes from its own vaults at the expense of its Federal Reserve Bank to cover any deficiency which may arise because of and only in the case of inability to provide items to offset checks received from or for the account of its Federal Reserve Bank.

(5) Section 19 of the Federal Reserve Act provides that—

The reserve carried by a member bank with a Federal Reserve Bank may, under the regulations, and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities: *Provided, however,* That no bank shall at any time make new loans or shall pay any dividends unless and until the total reserve required by law is fully restored.

It is manifest that items in process of collection can not lawfully be counted as part of the minimum reserve to be carried by a member bank with its Federal Reserve Bank. Therefore, should a member bank draw against such items the draft would be charged against its reserve if such reserve were sufficient in amount to pay it; but any resulting impairment of reserves would be subject to all the penalties provided by the act.

Inasmuch as it is essential that the law in respect to the maintenance by member banks of the required minimum reserve shall be strictly complied with, the Federal Reserve Board, under authority vested in it by section 19 of the act, hereby prescribes as the penalty for any deficiency in reserves a sum equivalent to an interest charge on the amount of the deficiency of 2 per cent per annum above the ninety-day discount rate of the Federal Reserve Bank of the district in which the member bank is located. The Board reserves the right to increase this penalty whenever conditions require it.

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<sup>1</sup> A check is generally defined as a draft or order upon a bank or banking house, purporting to be drawn upon a deposit of funds, for the payment at all events of a certain sum of money to a certain person therein named, or to him or his order, or to bearer, and payable instantly on demand.

Member banks can at all times arrange to keep their reserves intact by rediscounting with their Federal Reserve Bank.

(6) Each Federal Reserve Bank will determine by analysis the amounts of uncollected funds appearing on its books to the credit of each member bank. Such analysis will show the true status of the reserve held by the Federal Reserve Bank for each member bank and will enable it to apply the penalty for impairment of reserve.

A schedule of the time required within which to collect checks will be furnished to each member bank to enable it to determine the time at which any item sent to its Federal Reserve Bank will be counted as reserve and become available to meet any checks drawn.

(7) In handling items for member banks a Federal Reserve Bank will act as agent only. The Board will require that each member bank authorize its Federal Reserve Bank to send checks for collection to banks on which checks are drawn, and, except for negligence, such Federal Reserve Bank will assume no liability. Any further requirements that the Board may deem necessary will be set forth by the Federal Reserve Banks in their letters of instruction to their member banks.

(8) The cost of collecting and clearing checks must necessarily be borne by the banks receiving the benefit and in proportion to the service rendered. An accurate account will be kept by each reserve bank of the cost of performing this service and the Federal Reserve Board will, by rule, fix the charge, at so much per item, which may be imposed for the service of clearing or collection rendered by the reserve banks as provided in section 16 of the Federal Reserve Act.

75284<sup>o</sup>—17—12

# Exhibit M.—LIST OF NATIONAL BANKS GIVEN FIDUCIARY POWERS TO DECEMBER 31, 1916.

## DISTRICT No. 1.

| City or town.         | Name of bank.                       | Powers granted.  |
|-----------------------|-------------------------------------|--|
| <b>Connecticut:</b>   |                                     |  |
| Ansonia.....          | Ansonia National Bank....           | Registrar of stocks and bonds.                                       |
| Middletown.....       | Middletown National Bank            | Trustee, executor, administrator, and registrar of stocks and bonds. |
| New Haven.....        | Merchants National Bank..           | Do.  |
| Do.....               | National Tradesmens Bank            | Do.  |
| Do.....               | Second National Bank.....           | Do.  |
| Do.....               | Yale National Bank.....             | Do.  |
| New London.....       | National Bank of Commerce           | Registrar of stocks and bonds.                                       |
| Wallingford.....      | First National Bank.....            | Trustee, executor, and administrator.                                |
| Waterbury.....        | Manufacturers National Bank.        | Trustee, executor, administrator, and registrar of stocks and bonds. |
| <b>Maine:</b>         |                                     |  |
| Bangor.....           | First National Bank.....            | Trustee, executor, and registrar of stocks and bonds.                |
| Bath.....             | Bath National Bank.....             | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Lewiston.....         | Manufacturers National Bank.        | Trustee, executor, and registrar of stocks and bonds.                |
| Norway.....           | Norway National Bank.....           | Do.  |
| Portland.....         | Canal National Bank.....            | Do.  |
| Do.....               | First National Bank.....            | Do.  |
| Do.....               | Portland National Bank.....         | Do.  |
| <b>Massachusetts:</b> |                                     |  |
| Adams.....            | Greylock National Bank....          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Beverly.....          | Beverly National Bank....           | Do.  |
| Boston.....           | First National Bank.....            | Do.  |
| Do.....               | Fourth Atlantic National Bank.      | Do.  |
| Do.....               | Merchants National Bank..           | Do.  |
| Do.....               | National Shawmut Bank..             | Do.  |
| Do.....               | Peoples National Bank.....          | Do.  |
| Do.....               | Second National Bank.....           | Do.  |
| Fall River.....       | Massasoit - Pocasset National Bank. | Do.  |
| Fitchburg.....        | Safety Fund National Bank           | Do.  |
| Gardner.....          | First National Bank.....            | Do.  |
| Gloucester.....       | Cape Ann National Bank....          | Do.  |
| Great Barrington.     | National Mahaive Bank.....          | Do.  |
| Haverhill.....        | Essex National Bank.....            | Registrar of stocks.   |
| Do.....               | First National Bank.....            | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Holyoke.....          | City National Bank.....             | Do.  |
| Do.....               | Home National Bank.....             | Do.  |
| Do.....               | Holyoke National Bank....           | Do.  |
| Lowell.....           | Old Lowell National Bank..          | Trustee.   |
| Marlboro.....         | Peoples National Bank.....          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....               | First National Bank.....            | Do.  |
| New Bedford.....      | Mechanics National Bank..           | Do.  |
| Northampton.....      | Northampton National Bank.          | Do.  |
| Norwood.....          | Norwood National Bank....           | Do.  |
| Pittsfield.....       | Agricultural National Bank          | Do.  |
| Do.....               | Pittsfield National Bank..          | Do.  |
| Do.....               | Peoples National Bank.....          | Do.  |
| Salem.....            | Chapin National Bank.....           | Trustee.   |
| Springfield.....      | Chicopee National Bank....          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....               |                                     | Do.  |
| Turners Falls.....    | Crocker National Bank.....          | Do.  |
| Watertown.....        | Union Market National Bank.         | Do.  |
| Webster.....          | First National Bank.....            | Do.  |
| Worcester.....        | Merchants National Bank..           | Do.  |
| Do.....               | Worcester National Bank..           | Do.  |
| <b>New Hampshire:</b> |                                     |  |
| Claremont.....        | Claremont National Bank..           | Do.  |
| Concord.....          | First National Bank.....            | Do.  |
| Do.....               | Mechanicks National Bank..          | Trustee and registrar of stocks and bonds.                           |

## DISTRICT No. 1—Continued.

| City or town.                | Name of bank.                  | Powers granted.  |
|------------------------------|--------------------------------|--|
| New Hampshire—<br>Continued. |                                |  |
| Dover.....                   | Merchants National Bank.....   | Trustee, executor, and administrator.                                |
| Do.....                      | Strafford National Bank.....   | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Keene.....                   | Ashuelot National Bank.....    | Trustee and registrar of stocks and bonds.                           |
| Do.....                      | Keene National Bank.....       | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Manchester.....              | Amoskeag National Bank.....    | Trustee and registrar of stocks and bonds.                           |
| Nashua.....                  | Second National Bank.....      | Do.  |
| Do.....                      | Indian Head National Bank..... | Trustee, executor, and administrator.                                |
| Newport.....                 | Citizens National Bank.....    | Trustee and registrar of stocks and bonds.                           |
| Wolfeboro.....               | Wolfeboro National Bank.....   | Do.  |
| Rhode Island:                |                                |  |
| Newport.....                 | Aquidneck National Bank.....   | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Vermont:                     |                                |  |
| Brandon.....                 | First National Bank.....       | Do.  |
| Brattleboro.....             | Peoples National Bank.....     | Do.  |
| Poultney.....                | Citizens National Bank.....    | Do.  |
| St. Albans.....              | Welden National Bank.....      | Do.  |
| Springfield.....             | First National Bank.....       | Do.  |

## DISTRICT No. 2.

|                         |                                       |  |
|-------------------------|---------------------------------------|--|
| Connecticut:            |                                       |  |
| Bridgeport.....         | City National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Danbury.....            | do.....                               | Registrar of stocks and bonds.                                       |
| Norwalk.....            | National Bank of Norwalk.....         | Trustee, executor, administrator, and registrar of stocks and bonds. |
| South Norwalk.....      | City National Bank.....               | Do.  |
| New Jersey:             |                                       |  |
| Atlantic Highlands..... | Atlantic Highlands National Bank..... | Trustee, executor, and administrator.                                |
| Bloomfield.....         | Bloomfield National.....              | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Bound Brook.....        | First National Bank.....              | Do.  |
| Cranbury.....           | do.....                               | Do.  |
| Dover.....              | National Union Bank.....              | Do.  |
| Hoboken.....            | First National Bank.....              | Do.  |
| Lambertville.....       | Lambertville National Bank.....       | Do.  |
| Long Branch.....        | First National Bank.....              | Do.  |
| Morristown.....         | do.....                               | Do.  |
| Do.....                 | National Iron Bank.....               | Trustee, executor, and administrator.                                |
| Newark.....             | Essex County National Bank.....       | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....                 | Merchants National Bank.....          | Do.  |
| Do.....                 | National Newark Banking Company.....  | Do.  |
| Do.....                 | National State Bank.....              | Do.  |
| Do.....                 | North Ward National Bank.....         | Do.  |
| New Brunswick:          |                                       |  |
| Do.....                 | National Bank of New Jersey.....      | Do.  |
| Do.....                 | Peoples National Bank.....            | Do.  |
| Paterson.....           | Second National Bank.....             | Do.  |
| Plainfield.....         | City National Bank.....               | Do.  |
| Rutherford.....         | Rutherford National Bank.....         | Do.  |
| Somerville.....         | First National Bank.....              | Trustee, executor, and administrator.                                |
| New York:               |                                       |  |
| Albany.....             | do.....                               | Registrar of stocks and bonds.                                       |
| Do.....                 | National Commercial Bank.....         | Do.  |
| Do.....                 | New York State National Bank.....     | Do.  |
| Auburn.....             | Cayuga County National Bank.....      | Do.  |
| Do.....                 | National Bank of Auburn.....          | Do.  |
| Brooklyn.....           | Nassau National Bank.....             | Do.  |
| Buffalo.....            | Marine National Bank.....             | Do.  |
| Clayton.....            | National Exchange Bank.....           | Do.  |
| Cooperstown.....        | Second National Bank.....             | Do.  |
| Edwards.....            | Edwards National Bank.....            | Do.  |
| Elmira.....             | Second National Bank.....             | Do.  |
| Far Rockaway.....       | National Bank of.....                 | Do.  |
| Geneva.....             | First National Bank.....              | Do.  |
| Do.....                 | Geneva National Bank.....             | Do.  |
| Granville.....          | Farmers National Bank.....            | Do.  |
| Do.....                 | Washington County National Bank.....  | Do.  |

## DISTRICT No. 2—Continued.

| City or town.     | Name of bank.                   | Powers granted.                |
|-------------------|---------------------------------|--------------------------------|
| New York—Contd.   |                                 |                                |
| Hempstead.....    | First National Bank.....        | Registrar of stocks and bonds. |
| Herkimer.....     | Herkimer National Bank....      | Do.                            |
| Lockport.....     | National Exchange Bank....      | Do.                            |
| Mineola.....      | First National Bank.....        | Do.                            |
| Morristown.....   | Frontier National Bank....      | Do.                            |
| New York.....     | American Exchange National.     | Do.                            |
| Do.....           | Bank of, N. B. A.....           | Do.                            |
| Do.....           | Bronx National Bank.....        | Do.                            |
| Do.....           | Chase National Bank.....        | Do.                            |
| Do.....           | Gotham National Bank.....       | Do.                            |
| Do.....           | Harriman National Bank....      | Do.                            |
| Do.....           | Irving National Bank.....       | Do.                            |
| Do.....           | Liberty National Bank.....      | Do.                            |
| Do.....           | Lincoln National Bank....       | Do.                            |
| Do.....           | National Bank of Commerce       | Do.                            |
| Do.....           | National City Bank of.....      | Do.                            |
| Do.....           | National Park Bank.....         | Do.                            |
| Do.....           | Seaboard National Bank....      | Do.                            |
| Ovid.....         | First National Bank.....        | Do.                            |
| Plattsburg.....   | City National Bank.....         | Do.                            |
| Do.....           | Plattsburg National Bank..      | Do.                            |
| R i c h f i e l d | First National Bank.....        | Do.                            |
| Springs.          |                                 |                                |
| Riverhead.....    | Suffolk County National Bank.   | Do.                            |
| Rochester.....    | Lincoln National Bank....       | Do.                            |
| S a r a t o g a   | First National Bank.....        | Do.                            |
| Springs.          |                                 |                                |
| Stapleton.....    | Richmond Borough National Bank. | Do.                            |
| Wellsville.....   | First National Bank.....        | Do.                            |
| Westfield.....    | National Bank of.....           | Do.                            |

## DISTRICT No. 3.

|                 |                              |  |
|-----------------|------------------------------|--|
| Delaware:       |                              |  |
| Frederica.....  | First National Bank.....     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Laurel.....     | Peoples National Bank.....   | Do.  |
| Seaford.....    | First National Bank.....     | Do.  |
| New Jersey:     |                              |  |
| Atlantic City.. | Atlantic City National Bank  | Do.  |
| Do.....         | Union National Bank.....     | Trustee, executor, and administrator.                                |
| Cape May.....   | Merchants National Bank..    | Registrar of stocks and bonds.                                       |
| Princeton.....  | First National Bank.....     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Trenton.....    | do.....                      | Do.  |
| Do.....         | Broad Street National Bank   | Do.  |
| Pennsylvania:   |                              |  |
| Annville.....   | Annville National Bank....   | Do.  |
| Belleville..... | Belleville National Bank.... | Trustee, executor, and administrator.                                |
| Blossburg.....  | Miners National Bank.....    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| DuBois.....     | Deposit National Bank.....   | Do.  |
| Do.....         | DuBois National Bank.....    | Do.  |
| Ephrata.....    | Farmers National Bank....    | Trustee, executor, and administrator.                                |
| Harrisburg..... | Merchants National Bank..    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Hazleton.....   | Hazleton National Bank....   | Do.  |
| Huntingdon....  | First National Bank.....     | Do.  |
| Jenkintown....  | Jenkintown National Bank..   | Trustee, executor, and administrator.                                |
| Johnstown.....  | First National Bank.....     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Lansdale.....   | do.....                      | Do.  |
| Litz.....       | Farmers National Bank....    | Do.  |
| Marietta.....   | Exchange National Bank....   | Do.  |
| Mountville....  | Mountville National Bank..   | Do.  |
| Nanticoke.....  | First National Bank.....     | Do.  |
| Nazareth.....   | Nazareth National Bank....   | Do.  |
| Newville.....   | First National Bank.....     | Do.  |
| Patton.....     | do.....                      | Do.  |
| Pen Argyle....  | First National Bank.....     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Philadelphia..  | Fourth Street National Bank. | Registrar of stocks and bonds.                                       |
| Do.....         | Quaker City National Bank.   | Do.  |



## DISTRICT No. 3—Continued.

| City or town.     | Name of bank.                          | Powers granted.  |
|-------------------|--|--|
| Pennsylvania—Con. |  |  |
| Philadelphia...   | Southwark National Bank.               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Reading.....      | Penn National Bank.....                | Do.  |
| Scranton.....     | Third National Bank.....               | Registrar of stocks and bonds.                                       |
| Stroudsburg.....  | First National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Tioga.....        | Grange National Bank.....              | Do.  |
| West Chester...   | National Bank of Chester County.       | Do.  |
| York.....         | Industrial National Bank of West York. | Do.  |

## DISTRICT No. 4.

|                 |                              |  |
|-----------------|------------------------------|--|
| Kentucky:       |                              |  |
| Brooksville.... | First National Bank.....     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Mount Sterling. | Mount Sterling National..... | Do.  |
| Williamsburg..  | First National Bank.....     | Do.  |
| Ohio:           |                              |  |
| Akron.....      | National City Bank.....      | Trustee, and registrar of stocks and bonds.                          |
| Bellaire.....   | First National Bank.....     | Do.  |
| Bucyrus.....    | do.....                      | Do.  |
| Columbus.....   | City National Bank.....      | Do.  |
| Do.....         | Commercial National Bank.    | Do.  |
| Do.....         | Huntington National Bank.    | Do.  |
| Do.....         | Ohio National Bank.....      | Do.  |
| Hamilton.....   | First National Bank.....     | Do.  |
| Hillsboro.....  | Merchants National Bank.     | Do.  |
| Marietta.....   | German National Bank.....    | Do.  |
| Sidney.....     | Citizens National Bank.....  | Trustee.   |
| Steubenville..  | National Exchange Bank.....  | Do.  |
| Urbana.....     | Citizens National Bank.....  | Do.  |
| Youngstown..    | First National Bank.....     | Registrar of stocks and bonds.                                       |
| Pennsylvania:   |                              |  |
| Greenville..... | do.....                      | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Oakmont.....    | do.....                      | Trustee.   |
| Sharon.....     | McDowell National Bank..     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Zelienople..... | Peoples National Bank.....   | Do.  |

## DISTRICT No. 5.

|                       |                                      |  |
|-----------------------|--------------------------------------|--|
| District of Columbia: |                                      |  |
| Washington...         | National Metropolitan Bank.          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....               | National Bank of Washington.         | Do.  |
| Maryland:             |                                      |  |
| Baltimore.....        | Merchants-Mechanics National Bank.   | Do.  |
| Frederick.....        | Farmers & Mechanics National Bank.   | Do.  |
| Rockville.....        | Montgomery County National Bank.     | Trustee, executor, and administrator.                                |
| North Carolina:       |                                      |  |
| Elizabeth City.       | First National Bank.....             | Trustee.   |
| Oxford.....           | do.....                              | Trustee, executor, administrator, and registrar of stocks and bonds. |
| South Carolina:       |                                      |  |
| Charleston....        | Peoples National Bank.....           | Do.  |
| Greenville.....       | do.....                              | Do.  |
| Lake City.....        | Farmers and Merchants National Bank. | Do.  |
| Orangeburg...         | Edisto National Bank.....            | Do.  |
| Spartanburg...        | Central National Bank.....           | Do.  |
| Virginia:             |                                      |  |
| Alexandria.....       | Citizens National Bank.....          | Do.  |
| Do.....               | First National Bank.....             | Do.  |
| Charlottesville.      | Jefferson National Bank....          | Do.  |
| Do.....               | National Bank of.....                | Do.  |
| Do.....               | Peoples National Bank.....           | Trustee, executor, and administrator.                                |

## DISTRICT No. 5—Continued.

| City or town.     | Name of bank.                         | Powers granted.  |
|-------------------|---------------------------------------|--|
| Virginia—Contd.   |                                       |  |
| Clifton Forge.... | Clifton Forge National Bank.          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Covington.....    | Citizens National Bank....            | Do.  |
| Do.....           | Covington National Bank..             | Do.  |
| Danville.....     | National Bank of.....                 | Do.  |
| Martinsville....  | Peoples National Bank....             | Do.  |
| Newport News..    | First National Bank.....              | Do.  |
| Norfolk.....      | National Bank of Commerce             | Do.  |
| Petersburg.....   | Virginia National Bank....            | Trustee, executor, and administrator.                                |
| Richmond.....     | American National Bank..              | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....           | Merchants National Bank..             | Do.  |
| Roanoke.....      | American National Bank....            | Do.  |
| Do.....           | National Exchange Bank....            | Do.  |
| South Boston..    | Planters and Merchants National Bank. | Do.  |
| Staunton.....     | National Valley Bank.....             | Do.  |
| Warrenton.....    | Fauquier National Bank....            | Do.  |
| Winchester.....   | Shenandoah Valley National Bank.      | Do.  |
| West Virginia:    |                                       |  |
| Clarksburg....    | Empire National Bank....              | Do.  |
| Fairview.....     | First National Bank.....              | Do.  |
| Grafton.....      | do.....                               | Do.  |
| Madison.....      | Madison National Bank....             | Trustee, executor, and administrator.                                |
| Parkersburg....   | Parkersburg National Bank             | Trustee, executor, administrator, and registrar of stocks and bonds. |

## DISTRICT No. 6.

|                |   |  |
|----------------|---|--|
| Alabama:       |   |  |
| Anniston.....  | First National Bank.....                    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Bessemer.....  | Bessemer National Bank....                  | Do.  |
| Birmingham..   | First National Bank.....                    | Do.  |
| Florence.....  | do.....                                     | Do.  |
| Gadsden.....   | do.....                                     | Trustee, executor, and administrator.                                |
| Mobile.....    | do.....                                     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....        | National City Bank.....                     | Do.  |
| Montgomery..   | First National Bank.....                    | Trustee and registrar of stocks and bonds.                           |
| Piedmont.....  | do.....                                     | Trustee, executor, and administrator.                                |
| Tuskaloosa..   | do.....                                     | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Florida:       |   |  |
| Bradentown..   | do.....                                     | Do.  |
| Jacksonville.. | Barnett National Bank....                   | Do.  |
| Georgia:       |   |  |
| Colquitt.....  | Colquitt National Bank....                  | Trustee.   |
| Fitzgerald.... | Exchange National Bank..                    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....        | do.....                                     | Do.  |
| LaGrange.....  | LaGrange National Bank..                    | Trustee, executor, and administrator.                                |
| Quitman.....   | First National Bank.....                    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Savannah....   | Merchants National Bank..                   | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Louisiana:     |   |  |
| Lake Charles.. | Calcasieu National Bank of S. W. Louisiana. | Do.  |
| Mississippi:   |   |  |
| Biloxi.....    | First National Bank.....                    | Do.  |
| Meridian.....  | First National Bank.....                    | Do.  |
| Tennessee:     |   |  |
| Harriman.....  | Manufacturers National Bank.                | Do.  |
| Knoxville....  | City National Bank.....                     | Trustee for bond issue by Fidelity Trust Co.                         |
| McMinnville..  | Peoples National Bank....                   | Trustee, executor, and administrator.                                |
| Nashville....  | Broadway National Bank..                    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....        | Fourth-First National Bank                  | Do.  |
| Do.....        | Tennessee Hermitage National Bank.          | Do.  |

## DISTRICT No. 7.

| City or town.    | Name of bank.                          | Powers granted.  |
|------------------|--|--|
| <b>Illinois:</b> |  |  |
| Belvidere.....   | Second National Bank.....              | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Bloomington..    | State National Bank.....               | Do.  |
| Casey.....       | First National Bank.....               | Do.  |
| Chicago.....     | National City Bank.....                | Do.  |
| Decatur.....     | Milliken National Bank.....            | Do.  |
| Freeport.....    | First National Bank.....               | Do.  |
| Joliet.....      | do.....                                | Do.  |
| Macomb.....      | Union National Bank.....               | Do.  |
| Marseilles.....  | First National Bank.....               | Do.  |
| Mattoon.....     | National Bank of.....                  | Trustee, executor, and administrator.                                |
| Moweaqua.....    | First National Bank.....               | Do.  |
| Rockford.....    | Rockford National Bank.....            | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....          | Third National Bank.....               | Do.  |
| <b>Indiana:</b>  |  |  |
| Anderson.....    | Peoples State National.....            | Do.  |
| Batesville.....  | First National Bank.....               | Do.  |
| Brazil.....      | do.....                                | Do.  |
| Do.....          | Riddell National Bank.....             | Do.  |
| Brookville.....  | Franklin County National Bank.....     | Do.  |
| Do.....          | National Brookville Bank.....          | Do.  |
| Dyer.....        | First National Bank.....               | Do.  |
| Franklin.....    | Franklin National Bank.....            | Do.  |
| Greencastle..... | First National Bank.....               | Trustee, executor, and administrator.                                |
| Kokomo.....      | Citizens National Bank.....            | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....          | Howard National Bank.....              | Do.  |
| La Porte.....    | First National Bank.....               | Do.  |
| Liberty.....     | Union County National Bank.....        | Trustee, executor, and administrator.                                |
| Logansport....   | First National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Marion.....      | do.....                                | Do.  |
| Do.....          | Marion National Bank.....              | Do.  |
| Michigan City..  | Merchants National Bank.....           | Do.  |
| Richmond.....    | First National Bank.....               | Do.  |
| Do.....          | Second National Bank.....              | Do.  |
| Rochester.....   | First National Bank.....               | Do.  |
| Rockville.....   | Rockville National Bank.....           | Do.  |
| Rushville.....   | Rush County National Bank.....         | Do.  |
| Do.....          | Rushville National Bank.....           | Do.  |
| Russaville.....  | First National Bank.....               | Trustee, executor, and administrator.                                |
| Sheridan.....    | Farmers National Bank.....             | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....          | First National Bank.....               | Do.  |
| South Bend.....  | do.....                                | Do.  |
| Tipton.....      | Citizens National Bank.....            | Do.  |
| Valparaiso.....  | Farmers National Bank.....             | Do.  |
| Wabash.....      | Farmers & Merchants National Bank..... | Do.  |
| Whiteland.....   | Whiteland National Bank.....           | Do.  |
| Wilkinson.....   | Farmers National Bank.....             | Trustee, executor, and administrator.                                |
| <b>Iowa:</b>     |  |  |
| Boono.....       | First National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Cedar Rapids..   | Merchants National Bank.....           | Do.  |
| Do.....          | Cedar Rapids National Bank.....        | Do.  |
| Clarence.....    | First National Bank.....               | Do.  |
| Clinton.....     | City National Bank.....                | Do.  |
| Coon Rapids...   | First National Bank.....               | Trustee, executor, and administrator.                                |
| Council Bluffs   | City National Bank.....                | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Des Moines....   | Des Moines National Bank.....          | Do.  |
| Fonda.....       | First National Bank.....               | Do.  |
| Humboldt.....    | do.....                                | Do.  |
| Independence..   | do.....                                | Do.  |
| Indianola.....   | do.....                                | Trustee, executor, and administrator.                                |
| Le Mars.....     | do.....                                | Do.  |
| Marengo.....     | do.....                                | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Montezuma.....   | do.....                                | Do.  |
| Odebolt.....     | do.....                                | Do.  |
| Oskaloosa.....   | Oskaloosa National Bank.....           | Trustee, executor, and administrator.                                |
| Peterson.....    | First National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Sibley.....      | do.....                                | Trustee, executor, and administrator.                                |
| Sioux Rapids..   | do.....                                | Do.  |

## DISTRICT No. 7—Continued.

| City or town.          | Name of bank.                      | Powers granted.  |
|------------------------|------------------------------------|--|
| <b>Iowa—Continued.</b> |                                    |  |
| Stanton.....           | First National Bank.....           | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Story City.....        | do.....                            | Do.  |
| Waterloo.....          | Commercial National Bank.....      | Do.  |
| Do.....                | Leavitt-Johnson National Bank..... | Do.  |
| Webster City..         | Farmers National Bank....          | Do.  |
| <b>Michigan:</b>       |                                    |  |
| Battle Creek...        | Old National Bank.....             | Do.  |
| Bay City.....          | First National Bank.....           | Do.  |
| Boyne City.....        | do.....                            | Trustee, executor, and administrator.                                |
| Grand Rapids..         | Old National Bank.....             | Trustee and registrar of stocks and bonds.                           |
| Petoskey.....          | First National Bank.....           | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Port Huron....         | First National Exchange Bank.....  | Do.  |
| Rochester.....         | First National Bank.....           | Do.  |
| Saginaw.....           | Second National Bank.....          | Do.  |
| St. Clair Hts..        | Michigan National Bank...          | Do.  |
| Traverse City..        | First National Bank.....           | Trustee, executor, and administrator.                                |
| <b>Wisconsin:</b>      |                                    |  |
| Beaver Dam...          | Old National Bank.....             | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Janesville.....        | First National Bank.....           | Do.  |
| Monroe.....            | do.....                            | Do.  |
| Waukesha.....          | National Exchange Bank....         | Do.  |

## DISTRICT No. 8.

|                   |                                      |  |
|-------------------|--------------------------------------|--|
| <b>Illinois:</b>  |                                      |  |
| Anna.....         | First National Bank.....             | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Jacksonville...   | Ayers National Bank.....             | Do.  |
| Nokomis.....      | Nokomis National Bank.....           | Trustee, executor, and administrator.                                |
| Pittsfield.....   | First National Bank.....             | Trustee, executor, administrator, and registrar of stocks and bonds. |
| <b>Indiana:</b>   |                                      |  |
| Bedford.....      | Bedford National Bank.....           | Trustee, executor, and administrator.                                |
| Evansville.....   | City National Bank.....              | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....           | Old State National Bank...           | Do.  |
| Mount Vernon..    | First National Bank.....             | Do.  |
| Tell City.....    | Citizens National Bank....           | Do.  |
| <b>Kentucky:</b>  |                                      |  |
| Elizabethtown..   | First Hardin National Bank..         | Do.  |
| Glasgow.....      | Farmers National Bank.....           | Do.  |
| Henderson.....    | Henderson National Bank....          | Do.  |
| Hopkinsville...   | First National Bank.....             | Do.  |
| Lebanon.....      | Citizens National Bank....           | Do.  |
| Do.....           | Marion National Bank.....            | Do.  |
| Morganfield....   | Morganfield National Bank..          | Do.  |
| <b>Missouri:</b>  |                                      |  |
| Columbia.....     | Boone County National Bank.....      | Do.  |
| Do.....           | Exchange National Bank....           | Do.  |
| St. Louis.....    | Merchants-Laclede National Bank..... | Do.  |
| Sedalia.....      | Citizens National Bank.....          | Do.  |
| Versailles.....   | First National Bank.....             | Trustee, executor, and administrator.                                |
| <b>Tennessee:</b> |                                      |  |
| Memphis.....      | Central State National Bank..        | Trustee, executor, administrator, and registrar of stocks and bonds. |

## DISTRICT No. 9.

|                      |                               |  |
|----------------------|-------------------------------|--|
| <b>Michigan:</b>     |                               |  |
| Negaunee.....        | Negaunee National Bank....    | Trustee, executor, and administrator.                                |
| <b>Montana:</b>      |                               |  |
| Great Falls....      | Great Falls National Bank.... | Trustee, executor, administrator, and registrar of stocks and bonds. |
| <b>North Dakota:</b> |                               |  |
| Ellendale.....       | First National Bank.....      | Do.  |
| <b>South Dakota:</b> |                               |  |
| Aberdeen.....        | Aberdeen National Bank....    | Do.  |
| Colman.....          | First National Bank.....      | Do.  |

## DISTRICT No. 9—Continued.

| City or town.     | Name of bank.                    | Powers granted.  |
|-------------------|----------------------------------|--|
| South Dakota—Con. |                                  |  |
| Flandreau.....    | First National Bank.....         | Trustee, executor, and administrator.                                |
| Lake Preston..... | do.....                          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Sioux Falls.....  | Security National Bank.....      | Do.  |
| Spearfish.....    | American National Bank.....      | Trustee, executor, and administrator.                                |
| Webster.....      | First National Bank.....         | Do.  |
| Wisconsin:        |                                  |  |
| Appleton.....     | Commercial National Bank.....    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Ashland.....      | Ashland National Bank.....       | Do.  |
| Clintonville..... | First National Bank.....         | Do.  |
| Neenah.....       | National Manufacturers Bank..... | Trustee, executor, and administrator.                                |
| Oshkosh.....      | City National Bank.....          | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....           | Commercial National Bank.....    | Do.  |

## DISTRICT No. 10.

|                       |  |  |
|-----------------------|--|--|
| Colorado:             |  |  |
| Canon City.....       | Fremont County National Bank.....        | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Colorado Springs..... | Exchange National Bank.....              | Trustee, executor, and administrator.                                |
| Do.....               | First National Bank.....                 | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Denver.....           | Colorado National Bank.....              | Do.  |
| Do.....               | Denver National Bank.....                | Do.  |
| Do.....               | First National Bank.....                 | Do.  |
| Do.....               | U. S. National Bank.....                 | Do.  |
| Eagle.....            | First National Bank of Eagle County..... | Do.  |
| Fort Morgan.....      | First National Bank.....                 | Do.  |
| Greeley.....          | do.....                                  | Do.  |
| Do.....               | Greeley National Bank.....               | Trustee, executor, and administrator.                                |
| Do.....               | Union National Bank.....                 | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Idaho Springs.....    | First National Bank.....                 | Do.  |
| Trinidad.....         | do.....                                  | Trustee, executor, and administrator.                                |
| Kansas:               |  |  |
| Anthony.....          | do.....                                  | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Goodland.....         | Farmers National Bank.....               | Do.  |
| Horton.....           | First National Bank.....                 | Do.  |
| Hutchinson.....       | do.....                                  | Do.  |
| Jewell City.....      | do.....                                  | Trustee, executor, and administrator.                                |
| Ottawa.....           | Peoples National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Sabetha.....          | National Bank of Sabetha.....            | Do.  |
| Missouri:             |  |  |
| Carthage.....         | Central National Bank.....               | Trustee, executor, and administrator.                                |
| Kansas City.....      | Drovers National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....               | New England National Bank.....           | Do.  |
| Neosho.....           | First National Bank.....                 | Trustee, executor, and administrator.                                |
| St. Joseph.....       | Burnes National Bank.....                | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....               | Tootle - Lemon National Bank.....        | Do.  |
| Nebraska:             |  |  |
| Butte.....            | First National Bank.....                 | Trustee, executor, and administrator.                                |
| Decatur.....          | do.....                                  | Do.  |
| Lyons.....            | do.....                                  | Do.  |
| Utica.....            | do.....                                  | Executor and administrator.  |
| Oklahoma:             |  |  |
| Muskogee.....         | do.....                                  | Trustee, executor, and administrator.                                |
| Tulsa.....            | do.....                                  | Trustee, executor, and registrar of stocks and bonds.                |
| Woodward.....         | do.....                                  | Trustee, executor, and administrator.                                |
| Wyoming:              |  |  |
| Cheyenne.....         | do.....                                  | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Evanston.....         | do.....                                  | Trustee, executor, and administrator.                                |
| Kemmerer.....         | do.....                                  | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Rawlins.....          | Rawlins National Bank.....               | Trustee, executor, and administrator.                                |

## DISTRICT No. 11.

| City or town.    | Name of bank.                      | Powers granted.  |
|------------------|------------------------------------|--|
| Arizona:         |                                    |  |
| Tucson.....      | Consolidated National.....         | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Louisiana:       |                                    |  |
| Shreveport.....  | First National Bank.....           | Do.  |
| New Mexico:      |                                    |  |
| Albuquerque..... | State National Bank.....           | Do.  |
| Texas:           |                                    |  |
| Abilene.....     | Citizens National Bank.....        | Trustee and executor.  |
| Austin.....      | American National Bank.....        | Trustee, executor, and administrator.                                |
| Beaumont.....    | First National Bank.....           | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Bonham.....      | do.....                            | Trustee, executor, and administrator.                                |
| Colorado:        |                                    |  |
| .....            | City National Bank.....            | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Corsicana.....   | Corsicana National Bank.....       | Do.  |
| Dallas.....      | City National Bank.....            | Do.  |
| Do.....          | National Bank of Commerce.         | Do.  |
| Fort Worth.....  | First National Bank.....           | Trustee, executor, and registrar of stocks and bonds.                |
| Do.....          | Stockyards National Bank.....      | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Galveston.....   | First National Bank.....           | Do.  |
| Granger.....     | do.....                            | Trustee and executor.  |
| Greenville.....  | Greenville National Exchange Bank. | Trustee, executor, administrator, and registrar of stocks and bonds. |
| McKinney.....    | First National Bank.....           | Do.  |
| Marshall.....    | do.....                            | Trustee, executor, and administrator.                                |
| Do.....          | Marshall National Bank.....        | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Mexia.....       | First National Bank.....           | Do.  |
| Port Arthur..... | do.....                            | Do.  |
| San Angelo.....  | Central National Bank.....         | Do.  |
| Do.....          | First National Bank.....           | Do.  |
| Sealy.....       | Sealy National Bank.....           | Do.  |
| Stanton.....     | First National Bank.....           | Trustee, executor, and administrator.                                |
| Troup.....       | do.....                            | Trustee.   |
| Tyler.....       | Citizens National Bank.....        | Trustee, executor, and administrator.                                |
| Victoria.....    | Victoria National Bank.....        | Trustee, executor, administrator, and registrar of stocks and bonds. |

## DISTRICT No. 12.

|                     |   |   |
|---------------------|---|---|
| California:         |   |   |
| Calexico.....       | First National Bank.....                  | Registrar of stocks and bonds.  |
| Fullerton.....      | Farmers & Merchants National Bank.        | Do.   |
| Los Angeles.....    | Continental National Bank.                | Do.   |
| Mountain View.....  | First National Bank.....                  | Do.   |
| Oakland.....        | Central National Bank.....                | Do.   |
| Orland.....         | First National Bank.....                  | Do.   |
| Pleasanton.....     | do.....                                   | Do.   |
| Sacramento.....     | Capital National Bank.....                | Do.   |
| San Francisco.....  | American National Bank.....               | Do.   |
| Do.....             | Bank of California, National Association. | Trustee, executor, administrator, and registrar of stocks and bonds (limited to registrar in California). |
| Visalia.....        | First National Bank.....                  | Registrar of stocks and bonds.  |
| Wilmington.....     | do.....                                   | Do.   |
| Nevada:             |   |   |
| Tonopah.....        | Nevada First National Bank.               | Do.   |
| Oregon:             |   |   |
| Ashland.....        | First National Bank.....                  | Trustee.  |
| Corvallis.....      | do.....                                   | Trustee, executor, administrator, and registrar of stocks and bonds.                                      |
| Eugene.....         | do.....                                   | Do.   |
| Harrisburg.....     | do.....                                   | Trustee, executor, and administrator.   |
| Junction City.....  | do.....                                   | Do.   |
| Milton.....         | do.....                                   | Trustee, executor, administrator, and registrar of stocks and bonds.                                      |
| Ontario.....        | do.....                                   | Executor and administrator.   |
| Pendleton.....      | American National Bank.....               | Trustee, executor, administrator, and registrar of stocks and bonds.                                      |
| Do.....             | First National Bank.....                  | Do.   |
| Portland.....       | do.....                                   | Do.   |
| Utah:               |   |   |
| Salt Lake City..... | Deseret National Bank.....                | Trustee, executor, administrator, and registrar of stocks and bonds.                                      |

DISTRICT No. 12—Continued.

| City or town.     | Name of bank.              | Powers granted.  |
|-------------------|----------------------------|--|
| Washington:       |                            |  |
| Bellingham.....   | Bellingham National Bank.. | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Ellensburg.....   | Washington National Bank   | Trustee, executor, and administrator.                                |
| Mount Vernon..... | First National Bank.....   | Do.  |
| Seattle.....      | do.....                    | Trustee, executor, administrator, and registrar of stocks and bonds. |
| Do.....           | National Bank of Commerce  | Do.  |
| Do.....           | Seattle National Bank..... | Do.  |
| Vancouver.....    | Vancouver National Bank..  | Do.  |
| Walla Walla.....  | First National Bank.....   | Do.  |

## Exhibit N.—PERSONNEL AND SALARIES.

### *Salaries of officers and employees of Federal Reserve Banks.*

#### FEDERAL RESERVE BANK OF BOSTON.

|   | Number of officers and employees. |           | Salaries.     |                |
|---|-----------------------------------|-----------|---------------|----------------|
|   | 1915                              | 1916      | 1915          | 1916           |
| Chairman and Federal Reserve agent..... | 1                                 | 1         | \$10,000      | \$10,000       |
| Governor.....                           | 1                                 | 1         | 15,000        | 20,000         |
| Other officers.....                     | 2                                 | 3         | 8,500         | 10,900         |
| Banking department.....                 | 4                                 | 13        | 6,100         | 15,260         |
| Bookkeeping department.....             | 3                                 | 12        | 3,100         | 11,300         |
| Transit department.....                 | 3                                 | 25        | 2,100         | 24,460         |
| Federal Reserve Agents' department..... | 2                                 | 3         | 2,500         | 3,680          |
| General.....                            | 4                                 | 13        | 3,580         | 10,280         |
| <b>Total.....</b>                       | <b>20</b>                         | <b>71</b> | <b>50,880</b> | <b>105,940</b> |

#### FEDERAL RESERVE BANK OF NEW YORK.

|   |           |            |                |                |
|---|-----------|------------|----------------|----------------|
| Chairman and Federal Reserve agent..... | 1         | 1          | \$16,000       | \$16,000       |
| Governor <sup>1</sup> .....             | 1         | 1          | 30,000         | 15,000         |
| Deputy governor <sup>2</sup> .....      | 1         | 1          | 20,000         | 20,000         |
| Other officers.....                     | 4         | 6          | 32,800         | 42,000         |
| Banking department.....                 | 47        | 88         | 60,588         | 97,552         |
| Bookkeeping department.....             | 5         | 10         | 4,620          | 10,700         |
| Transit department.....                 | 9         | 57         | 6,430          | 36,480         |
| Federal Reserve Agents' department..... | 6         | 9          | 5,540          | 8,460          |
| General.....                            | 6         | 9          | 5,540          | 8,460          |
| <b>Total.....</b>                       | <b>73</b> | <b>173</b> | <b>155,978</b> | <b>246,192</b> |

#### FEDERAL RESERVE BANK OF PHILADELPHIA.

|   |           |           |               |                |
|---|-----------|-----------|---------------|----------------|
| Chairman and Federal Reserve agent..... | 1         | 1         | \$10,000      | \$10,000       |
| Governor.....                           | 1         | 1         | 20,000        | 20,000         |
| Other officers.....                     | 1         | 2         | 5,000         | 10,200         |
| Banking department.....                 | 8         | 12        | 14,400        | 15,940         |
| Bookkeeping department.....             | 4         | 10        | 3,300         | 9,360          |
| Transit department.....                 | 6         | 35        | 5,880         | 24,180         |
| Federal Reserve Agents' department..... | 5         | 5         | 5,976         | 7,140          |
| General.....                            | 19        | 23        | 12,480        | 14,672         |
| <b>Total.....</b>                       | <b>45</b> | <b>89</b> | <b>77,036</b> | <b>111,492</b> |

#### FEDERAL RESERVE BANK OF CLEVELAND.

|   |           |           |               |               |
|---|-----------|-----------|---------------|---------------|
| Chairman and Federal Reserve agent..... | 1         | 1         | \$10,000      | \$10,000      |
| Governor.....                           | 1         | 1         | 18,600        | 20,000        |
| Other officers.....                     | 2         | 3         | 7,000         | 10,750        |
| Banking department.....                 | 9         | 7½        | 16,900        | 13,430        |
| Bookkeeping department.....             | 4         | 4         | 5,160         | 4,380         |
| Transit department.....                 | 2         | 36½       | 1,080         | 23,370        |
| Federal Reserve Agents' department..... | 2         | 2         | 3,500         | 3,780         |
| General.....                            | 10        | 10        | 6,900         | 8,040         |
| <b>Total.....</b>                       | <b>31</b> | <b>65</b> | <b>68,540</b> | <b>93,750</b> |

<sup>1</sup> On leave of absence.

<sup>2</sup> Acting governor.



*Salaries of officers and employees of Federal Reserve Banks—Continued.*

FEDERAL RESERVE BANK OF RICHMOND.

|   | Number of officers and employees. |      | Salaries. |          |
|---|-----------------------------------|------|-----------|----------|
|   | 1915                              | 1916 | 1915      | 1916     |
| Chairman and Federal Reserve agent..... | 1                                 | 1    | \$10,000  | \$10,000 |
| Governor.....                           | 1                                 | 1    | 10,000    | 12,000   |
| Other officers.....                     | 2                                 | 2    | 5,978     | 9,428    |
| Banking department.....                 | 10                                | 11   | 12,742    | 13,956   |
| Bookkeeping department.....             | 3                                 | 5    | 4,748     | 5,520    |
| Transit department.....                 | 7                                 | 36   | 2,278     | 11,599   |
| Federal Reserve Agents' department..... | 1                                 | 1    | 945       | 916      |
| General.....                            | 5                                 | 6    | 6,439     | 8,819    |
| Total.....                              | 30                                | 63   | 53,130    | 72,238   |

FEDERAL RESERVE BANK OF ATLANTA.

|   |    |    |         |         |
|---|----|----|---------|---------|
| Chairman and Federal Reserve agent..... | 1  | 1  | \$7,500 | \$9,000 |
| Governor.....                           | 1  | 1  | 9,000   | 9,000   |
| Other officers.....                     | 4  | 4  | 13,100  | 12,000  |
| Banking department.....                 | 23 | 21 | 23,928  | 21,828  |
| Bookkeeping department.....             | 3  | 5  | 3,600   | 5,100   |
| Transit department.....                 | 2  | 24 | 1,260   | 15,900  |
| Federal Reserve Agents' department..... | 2  | 3  | 3,200   | 4,380   |
| General.....                            | 5  | 6  | 3,180   | 4,080   |
| Total.....                              | 41 | 65 | 64,768  | 81,348  |

FEDERAL RESERVE BANK OF CHICAGO.

|   |    |     |          |          |
|---|----|-----|----------|----------|
| Chairman and Federal Reserve agent..... | 1  | 1   | \$10,000 | \$10,000 |
| Governor.....                           | 1  | 1   | 20,000   | 20,000   |
| Other officers.....                     | 2  | 3   | 14,000   | 17,500   |
| Banking department.....                 | 18 | 33  | 21,428   | 31,880   |
| Bookkeeping department.....             | 4  | 9   | 4,100    | 8,700    |
| Transit department.....                 | 9  | 40  | 8,700    | 30,240   |
| Federal Reserve Agents' department..... | 2  | 2   | 7,200    | 7,800    |
| General.....                            | 13 | 21  | 11,134   | 20,985   |
| Total.....                              | 50 | 110 | 96,560   | 147,105  |

FEDERAL RESERVE BANK OF ST. LOUIS.

|   |    |    |          |          |
|---|----|----|----------|----------|
| Chairman and Federal Reserve agent..... | 1  | 1  | \$10,000 | \$10,000 |
| Governor.....                           | 1  | 1  | 20,000   | 20,000   |
| Other officers.....                     | 2  | 2  | 13,500   | 13,500   |
| Banking department.....                 | 8  | 12 | 12,820   | 17,180   |
| Bookkeeping department.....             | 5  | 6  | 6,200    | 6,200    |
| Transit department.....                 | 14 | 24 | 9,660    | 16,140   |
| Federal Reserve Agents' department..... | 3  | 3  | 5,900    | 5,900    |
| General.....                            | 5  | 4  | 2,820    | 2,820    |
| Total.....                              | 39 | 53 | 80,900   | 91,800   |

FEDERAL RESERVE BANK OF MINNEAPOLIS.

|   |    |    |         |         |
|---|----|----|---------|---------|
| Chairman and Federal Reserve agent..... | 1  | 1  | \$7,500 | \$9,000 |
| Governor.....                           | 1  | 1  | 15,000  | 15,000  |
| Other officers.....                     | 1  | 3  | 4,500   | 6,000   |
| Banking department.....                 | 9  | 12 | 8,720   | 11,440  |
| Bookkeeping department.....             | 2  | 6  | 1,680   | 5,540   |
| Transit department.....                 | 1  | 28 | 2,000   | 18,020  |
| Federal Reserve Agents' department..... | 4  | 3  | 8,020   | 6,830   |
| Total.....                              | 19 | 54 | 47,420  | 72,430  |

*Salaries of officers and employees of Federal Reserve Banks—Continued.*

## FEDERAL RESERVE BANK OF KANSAS CITY.

|   | Number of officers and employees. |      | Salaries. |         |
|---|-----------------------------------|------|-----------|---------|
|   | 1915                              | 1916 | 1915      | 1916    |
| Chairman and Federal Reserve agent..... | 1                                 | 1    | \$7,500   | \$7,500 |
| Governor.....                           | 1                                 | 1    | 7,500     | 10,000  |
| Other officers.....                     | 1                                 | 2    | 6,000     | 8,800   |
| Bookkeeping department.....             | 6                                 | 4    | 6,120     | 4,500   |
| Transit department.....                 | 16                                | 26   | 10,980    | 18,780  |
| Federal Reserve Agents' department..... | 3                                 | 3    | 4,080     | 4,380   |
| General.....                            | 12                                | 15   | 13,460    | 18,460  |
| Total.....                              | 40                                | 52   | 55,640    | 72,420  |

## FEDERAL RESERVE BANK OF DALLAS.

|   |    |    |         |         |
|---|----|----|---------|---------|
| Chairman and Federal Reserve agent..... | 1  | 1  | \$7,500 | \$9,000 |
| Governor.....                           | 1  | 1  | 10,000  | 10,000  |
| Other officers.....                     | 2  | 3  | 11,000  | 15,000  |
| Banking department.....                 | 11 | 12 | 17,140  | 17,760  |
| Bookkeeping department.....             | 2  | 5  | 1,620   | 5,100   |
| Transit department.....                 | 2  | 27 | 2,100   | 20,760  |
| Federal Reserve Agents' department..... | 2  | 2  | 7,400   | 3,700   |
| General.....                            | 10 | 12 | 9,060   | 11,680  |
| Total.....                              | 31 | 63 | 65,820  | 93,000  |

## FEDERAL RESERVE BANK OF SAN FRANCISCO.

|   |    |    |          |          |
|---|----|----|----------|----------|
| Chairman and Federal Reserve agent..... | 1  | 1  | \$12,000 | \$12,000 |
| Governor.....                           | 1  | 1  | 15,000   | 15,000   |
| Other officers.....                     | 3  | 4  | 12,600   | 14,600   |
| Banking department.....                 | 4  | 7  | 7,020    | 9,240    |
| Bookkeeping department.....             | 2  | 5  | 2,520    | 4,620    |
| Transit department.....                 | 1  | 24 | 780      | 17,520   |
| Federal Reserve Agents' department..... | 3  | 2  | 7,000    | 1,620    |
| General.....                            | 7  | 18 | 7,200    | 17,310   |
| Total.....                              | 22 | 62 | 64,120   | 91,910   |

SALARIES OF OFFICERS AND EMPLOYEES OF THE FEDERAL RESERVE BOARD AS OF  
DEC. 31, 1916.

## OFFICE OF THE SECRETARY.

|  |          |
|--|----------|
| H. Parker Willis, secretary.....                         | \$9,000  |
| Sherman Allen, assistant secretary and fiscal agent..... | 6,000    |
| Staff:   |          |
| 3 at \$1,800.....  | 5,400    |
| 4 at \$1,200.....  | 4,800    |
| 3 at \$1,080.....  | 3,240    |
| 1 at \$960.....  | 960      |
| 1 at \$780.....  | 780      |
| 1 at \$720.....  | 720      |
| 1 at \$120.....  | 120      |
|  | \$31,020 |

## OFFICES OF MEMBERS OF THE BOARD.

|                   |        |
|-------------------|--------|
| Staff:            |        |
| 1 at \$3,000..... | 3,000  |
| 5 at \$2,500..... | 12,500 |
| 5 at \$1,200..... | 6,000  |
|                   | 21,500 |

## OFFICE OF COUNSEL.

|                                       |         |                 |
|---------------------------------------|---------|-----------------|
| Milton C. Elliott, counsel.....       | \$9,000 |                 |
| J. P. Cotton, consulting counsel..... | 5,000   |                 |
| Staff:                                |         |                 |
| 1 at \$4,500.....                     | 4,500   |                 |
| 1 at \$3,300.....                     | 3,300   |                 |
| 1 at \$1,800.....                     | 1,800   |                 |
| 1 at \$1,200.....                     | 1,200   |                 |
|                                       |         | <u>\$24,800</u> |

## DIVISION OF AUDIT AND EXAMINATION.

|   |       |               |
|---|-------|---------------|
| Joseph A. Broderick, chief of division..... | 6,000 |               |
| Staff:                                      |       |               |
| 1 at \$3,600.....                           | 3,600 |               |
| 1 at \$2,500.....                           | 2,500 |               |
| 1 at \$1,800.....                           | 1,800 |               |
| 2 at \$1,080.....                           | 2,160 |               |
|   |       | <u>16,060</u> |

## DIVISION OF REPORTS AND STATISTICS.

|   |       |               |
|---|-------|---------------|
| Morris Jacobson, chief of division..... | 3,600 |               |
| Staff:                                  |       |               |
| 1 at \$1,800.....                       | 1,800 |               |
| 3 at \$1,200.....                       | 3,600 |               |
| 2 at \$1,080.....                       | 2,160 |               |
|   |       | <u>11,160</u> |

## DIVISION OF ISSUE.

|                                     |       |              |
|-------------------------------------|-------|--------------|
| W. E. Buell, chief of division..... | 2,500 |              |
| Staff:                              |       |              |
| 1 at \$1,800.....                   | 1,800 |              |
| 1 at \$1,080.....                   | 1,080 |              |
| 2 at \$840.....                     | 1,680 |              |
| 1 at \$720.....                     | 720   |              |
|                                     |       | <u>7,780</u> |

## MESSENGERS.

|                 |       |              |
|-----------------|-------|--------------|
| 1 at \$780..... | 780   |              |
| 5 at \$720..... | 3,600 |              |
|                 |       | <u>4,380</u> |

## CHARWOMEN.

|                 |     |            |
|-----------------|-----|------------|
| 3 at \$240..... | 720 |            |
|                 |     | <u>720</u> |

|            |  |                |
|------------|--|----------------|
| Total..... |  | <u>117,420</u> |
|------------|--|----------------|

SALARIES OF NATIONAL BANK EXAMINERS EFFECTIVE IN THE YEAR ENDING  
DEC. 31, 1916.

|  |         |
|--|---------|
| Stephen L. Newnham, supervising examiner, not assigned to any<br>Federal Reserve District..... | \$4,200 |
|--|---------|

## DISTRICT NO. 1—BOSTON.

(397 national member banks.)

|  |         |               |
|--|---------|---------------|
| J. D. Brennan chief examiner.....  | \$8,000 |               |
| 1 examiner, at \$3,600; 3 examiners, at \$3,300; 1 examiner, at \$3,000; |         |               |
| 1 examiner, at \$2,400.....  | 18,900  |               |
|  |         | <u>26,900</u> |

## DISTRICT NO. 2—NEW YORK.

(620 national member banks.)

|   |                  |               |
|---|------------------|---------------|
| Charles F. Richmond, acting chief examiner.....   | ( <sup>1</sup> ) |               |
| 1 examiner, at \$5,000; 2 examiners, at \$4,200; 1 examiner, at \$3,600;<br>2 examiners, at \$3,000; 3 examiners, at \$2,400..... |                  | \$30,200      |
|   |                  | <u>45,200</u> |

## DISTRICT NO. 3—PHILADELPHIA.

(632 national member banks.)

|  |        |               |
|--|--------|---------------|
| E. I. Johnson, chief examiner.....   | 8,000  |               |
| 1 examiner, at \$4,500; 1 examiner, at \$3,600; 1 examiner, at \$3,300;<br>2 examiners, at \$3,000; 3 examiners, at \$2,400..... | 24,600 | 32,600        |
|  |        | <u>32,600</u> |

## DISTRICT NO. 4—CLEVELAND.

(753 national member banks.)

|   |        |               |
|---|--------|---------------|
| Silas H. L. Cooper, chief examiner.....   | 8,000  |               |
| 1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,900;<br>3 examiners, at \$3,600; 1 examiner, at \$3,000; 1 examiner, at \$2,700;<br>1 examiner, at \$2,400..... | 35,900 | 43,900        |
|   |        | <u>43,900</u> |

## DISTRICT NO. 5—RICHMOND.

(514 national member banks.)

|  |        |               |
|--|--------|---------------|
| Thomas P. Howard, chief examiner.....  | 6,500  |               |
| 1 examiner, at \$6,000; 2 examiners, at \$3,300; 2 examiners, at \$3,000;<br>2 examiners, at \$2,700; 3 examiners, at \$2,400..... | 31,200 | 37,700        |
|  |        | <u>37,700</u> |

## DISTRICT NO. 6—ATLANTA.

(383 national member banks.)

|   |        |               |
|---|--------|---------------|
| James K. Doughton, chief examiner.....                                    | 6,000  |               |
| 1 examiner, at \$3,600; 3 examiners, at \$3,000; 1 examiner, at \$2,700.. | 15,300 | 21,300        |
|   |        | <u>21,300</u> |

## DISTRICT NO. 7—CHICAGO.

(984 national member banks.)

|   |        |               |
|---|--------|---------------|
| Sherrill Smith, chief examiner.....   | 12,000 |               |
| 1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,600;<br>3 examiners, at \$3,300; 5 examiners, at \$3,000; 4 examiners, at<br>\$2,400..... | 50,900 | 62,900        |
|   |        | <u>62,900</u> |

## DISTRICT NO. 8—ST. LOUIS.

(468 national member banks.)

|   |        |               |
|---|--------|---------------|
| Joseph M. Logan (acting chief examiner).....  | 7,500  |               |
| 1 examiner, at \$4,200; 3 examiners, at \$3,600; 2 examiners, at \$3,000;<br>2 examiners, at \$2,400..... | 25,800 | 33,300        |
|   |        | <u>33,300</u> |

## DISTRICT NO. 9—MINNEAPOLIS.

(758 national member banks.)

|   |        |               |
|---|--------|---------------|
| Peter M. Kerst, chief examiner.....   | 8,000  |               |
| 1 examiner, at \$4,200; 3 examiners, at \$3,600; 2 examiners, at \$3,000;<br>2 examiners, at \$2,700; 1 examiner, at \$2,400..... | 28,800 | 36,800        |
|   |        | <u>36,800</u> |

<sup>1</sup> The salary of the chief examiner has heretofore been \$15,000 a year, but the salary of the present incumbent of the office, Charles Starek, has been suspended since Nov. 15, 1916, pending the selection of his successor. Acting Chief Examiner Richmond, the Chief of the Examining Division of the Comptroller's Office, is now temporarily in charge of the New York office.

<sup>2</sup> One examiner (salary \$2,700) whose resignation took effect Dec. 31, 1916, omitted from list.

DISTRICT NO. 10—KANSAS CITY.

(938 national member banks.)

|  |         |          |
|--|---------|----------|
| Jay D. Rising, chief examiner.....   | \$6,000 |          |
| 1 examiner, at \$4,200; 2 examiners, at \$3,600; 1 examiner, at \$3,300;<br>1 examiner, at \$3,000; 4 examiners, at \$2,700; 5 examiners, at<br>\$2,400..... | 40,500  | \$46,500 |

DISTRICT NO. 11—DALLAS.

(609 national member banks.)

|  |        |        |
|--|--------|--------|
| John C. Chidsey, chief examiner.....   | 6,000  |        |
| 1 examiner, at \$4,200; 2 examiners, at \$3,600; 3 examiners, at \$3,000;<br>1 examiner, at \$2,700..... | 23,100 | 29,100 |

DISTRICT NO. 12—SAN FRANCISCO.

(521 national member banks.)

|   |        |         |
|---|--------|---------|
| Claud Gatch, chief examiner.....  | 8,500  |         |
| 1 examiner, at \$6,000; 3 examiners, at \$4,200; 1 examiner, at \$3,900;<br>2 examiners, at \$2,700; 2 examiners, at \$2,400..... | 32,700 | 41,200  |
| Total.....  |        | 461,600 |

RECAPITULATION.

Examining staff:

Chief examiners—

|                            |   |
|----------------------------|---|
| At \$15,000 per annum..... | 1 |
| At \$12,000 per annum..... | 1 |
| At \$8,500 per annum.....  | 1 |
| At \$8,000 per annum.....  | 4 |
| At \$7,500 per annum.....  | 1 |
| At \$6,500 per annum.....  | 1 |
| At \$6,000 per annum.....  | 3 |

Total chief examiners..... 12

Salaries, chief examiners..... 99,500

Other examiners—

|                           |                 |
|---------------------------|-----------------|
| At \$6,000 per annum..... | 2               |
| At \$5,000 per annum..... | 3               |
| At \$4,500 per annum..... | 1               |
| At \$4,200 per annum..... | <sup>2</sup> 12 |
| At \$3,900 per annum..... | 3               |
| At \$3,600 per annum..... | 19              |
| At \$3,300 per annum..... | 10              |
| At \$3,000 per annum..... | 24              |
| At \$2,700 per annum..... | 13              |
| At \$2,400 per annum..... | 25              |

Total other examiners..... 112

Salaries, other examiners..... 362,100

Total examining staff..... 124

Total salaries..... 461,600

<sup>1</sup> Acting.

<sup>2</sup> Includes 1 supervising examiner.

# Exhibit O.—DIRECTORY OF THE FEDERAL RESERVE BOARD AND FEDERAL RESERVE BANKS.

## FEDERAL RESERVE BOARD.

### EX OFFICIO MEMBERS.

WILLIAM G. McADOO,  
*Secretary of the Treasury,*  
*Chairman.*

JOHN SKELTON WILLIAMS,  
*Comptroller of the Currency.*

W. P. G. HARDING, *Governor.*  
PAUL M. WARBURG, *Vice Governor.*  
FREDERIC A. DELANO.  
ADOLPH C. MILLER.  
CHARLES S. HAMLIN.

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H. PARKER WILLIS, *Secretary.*  
SHERMAN ALLEN, *Assistant Secretary and*  
*Fiscal Agent.*

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M. C. ELLIOTT, *Counsel.*

## OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

### DISTRICT NO. 1.—FEDERAL RESERVE BANK OF BOSTON.

[Frederic H. Curtiss, chairman and Federal Reserve Agent. Walter S. Hackney, deputy chairman and deputy reserve agent. Alfred L. Aiken, governor.]

| Class. | Name.                       | Residence.             | Term expires. |
|--------|-----------------------------|------------------------|---------------|
| A      | { T. P. Beal .....          | Boston, Mass .....     | Dec. 31, 1917 |
|        | { Thomas W. Farnam .....    | New Haven, Conn .....  | Dec. 31, 1919 |
| B      | { A. M. Heard .....         | Manchester, N. H. .... | Dec. 31, 1918 |
|        | { Chas. A. Morss .....      | Boston, Mass .....     | Dec. 31, 1917 |
|        | { E. R. Morse .....         | Frazer, Vt. ....       | Dec. 31, 1919 |
| C      | { Chas. G. Washburn .....   | Worcester, Mass .....  | Dec. 31, 1918 |
|        | { Frederic H. Curtiss ..... | Boston, Mass .....     | Dec. 31, 1917 |
|        | { Walter S. Hackney .....   | Providence, R. I. .... | Dec. 31, 1919 |
|        | { Allen Hollis .....        | Concord, N. H. ....    | Dec. 31, 1918 |

### DISTRICT NO. 2.—FEDERAL RESERVE BANK OF NEW YORK.

[Pierre Jay, chairman and Federal Reserve Agent. George F. Peabody, deputy chairman and deputy reserve agent. Benjamin Strong, jr., governor.]

| Class. | Name.                     | Residence.                   | Term expires. |
|--------|---------------------------|------------------------------|---------------|
| A      | { William Woodward .....  | New York, N. Y. ....         | Dec. 31, 1919 |
|        | { R. H. Treman .....      | Ithaca, N. Y. ....           | Dec. 31, 1917 |
|        | { F. D. Locke .....       | Buffalo, N. Y. ....          | Dec. 31, 1918 |
| B      | { H. R. Towne .....       | New York, N. Y. ....         | Dec. 31, 1919 |
|        | { W. B. Thompson .....    | Yonkers, N. Y. ....          | Dec. 31, 1917 |
|        | { L. R. Palmer .....      | Croton-on-Hudson, N. Y. .... | Dec. 31, 1918 |
| C      | { Pierre Jay .....        | New York, N. Y. ....         | Dec. 31, 1919 |
|        | { George F. Peabody ..... | Lake George, N. Y. ....      | Dec. 31, 1918 |
|        | { W. L. Saunders .....    | New York, N. Y. ....         | Dec. 31, 1917 |

## DISTRICT NO. 3.—FEDERAL RESERVE BANK OF PHILADELPHIA.

[Richard L. Austin, chairman and Federal Reserve Agent. H. B. Thompson, deputy chairman and deputy reserve agent. Charles J. Rhoads, governor.]

| Class. | Name.                  | Residence.              | Term expires. |
|--------|------------------------|-------------------------|---------------|
| A..... | C. J. Rhoads.....      | Philadelphia, Pa.....   | Dec. 31, 1917 |
|        | W. H. Peck.....        | Scranton, Pa.....       | Dec. 31, 1918 |
|        | M. J. Murphy.....      | Clarks Green, Pa.....   | Dec. 31, 1919 |
| B..... | A. B. Johnson.....     | Philadelphia, Pa.....   | Do.           |
|        | E. S. Stuart.....      | do.....                 | Dec. 31, 1917 |
|        | G. W. F. Gamut.....    | Mullica Hill, N. J..... | Dec. 31, 1918 |
| C..... | Richard L. Austin..... | Philadelphia, Pa.....   | Dec. 31, 1917 |
|        | H. B. Thompson.....    | Wilmington, Del.....    | Dec. 31, 1919 |
|        | J. Davis Brodhead..... | Bethlehem, Pa.....      | Dec. 31, 1918 |

## DISTRICT NO. 4.—FEDERAL RESERVE BANK OF CLEVELAND.

[D. C. Wills, chairman and Federal Reserve Agent. Lyman H. Treadway, deputy chairman and deputy reserve agent. E. R. Fancher, governor.]

| Class. | Name.                  | Residence.                  | Term expires. |
|--------|------------------------|-----------------------------|---------------|
| A..... | Robert Wardrop.....    | Pittsburgh, Pa.....         | Dec. 31, 1917 |
|        | W. S. Rowe.....        | Cincinnati, Ohio.....       | Dec. 31, 1919 |
|        | S. B. Rankin.....      | South Charleston, Ohio..... | Dec. 31, 1918 |
| B..... | T. A. Combs.....       | Lexington, Ky.....          | Dec. 31, 1917 |
|        | R. P. Wright.....      | Erie, Pa.....               | Dec. 31, 1919 |
|        | John Stambaugh.....    | Youngstown, Ohio.....       | Dec. 31, 1918 |
| C..... | D. C. Wills.....       | Bellevue, Pa.....           | Dec. 31, 1917 |
|        | Lyman H. Treadway..... | Cleveland, Ohio.....        | Dec. 31, 1919 |
|        | H. P. Wolfe.....       | Columbus, Ohio.....         | Dec. 31, 1918 |

## DISTRICT NO. 5.—FEDERAL RESERVE BANK OF RICHMOND.

[Caldwell Hardy, chairman and Federal Reserve Agent. James A. Moncure, deputy chairman and deputy reserve agent. George J. Seay, governor.]

| Class. | Name.                    | Residence.            | Term expires. |
|--------|--------------------------|-----------------------|---------------|
| A..... | H. B. Wilcox.....        | Baltimore, Md.....    | Dec. 31, 1918 |
|        | J. F. Bruton.....        | Wilson, N. C.....     | Dec. 31, 1919 |
|        | Edwin Mann.....          | Bluefield, W. Va..... | Dec. 31, 1917 |
| B..... | Edmund Strudwick.....    | Richmond, Va.....     | Dec. 31, 1918 |
|        | D. R. Coker.....         | Hartsville, S. C..... | Dec. 31, 1917 |
|        | J. F. Oyster.....        | Washington, D. C..... | Dec. 31, 1919 |
| C..... | James A. Moncure.....    | Richmond, Va.....     | Do.           |
|        | M. F. H. Gouverneur..... | Wilmington, N. C..... | Dec. 31, 1918 |
|        | Caldwell Hardy.....      | Norfolk, Va.....      | Dec. 31, 1917 |

## DISTRICT NO. 6.—FEDERAL RESERVE BANK OF ATLANTA.

[M. B. Wellborn, chairman and Federal Reserve Agent. Edward T. Brown, deputy chairman and deputy reserve agent. Joseph A. McCord, governor.]

| Class. | Name.                | Residence.             | Term expires. |
|--------|----------------------|------------------------|---------------|
| A..... | L. P. Hillyer.....   | Macon, Ga.....         | Dec. 31, 1918 |
|        | F. W. Foote.....     | Hattiesburg, Miss..... | Dec. 31, 1919 |
|        | W. H. Toole.....     | Winder, Ga.....        | Dec. 31, 1917 |
| B..... | P. H. Saunders.....  | New Orleans, La.....   | Do.           |
|        | J. A. McCrary.....   | Decatur, Ga.....       | Dec. 31, 1918 |
|        | W. H. Hartford.....  | Nashville, Tenn.....   | Dec. 31, 1919 |
| C..... | M. B. Wellborn.....  | Anniston, Ala.....     | Dec. 31, 1917 |
|        | Edward T. Brown..... | Atlanta, Ga.....       | Dec. 31, 1918 |
|        | W. H. Kettig.....    | Birmingham, Ala.....   | Dec. 31, 1919 |

## DISTRICT NO. 6.—NEW ORLEANS BRANCH OF FEDERAL RESERVE BANK OF ATLANTA.

[P. H. Saunders, chairman; Branch Bank. Marcus Walker, manager. W. D. Wellborn, Representative Federal Reserve Agent.]

| Class. | Name.                 | Residence.            | Term expires. |
|--------|-----------------------|-----------------------|---------------|
| A..... | Frank Roberts.....    | Lake Charles, La..... | Dec. 31, 1917 |
|        | J. E. Bouden, jr..... | New Orleans, La.....  | Do.           |
| B..... | Marcus Walker.....    | do.....               | Do.           |
|        | H. B. Lightcap.....   | Jackson, Miss.....    | Do.           |
| C..... | P. H. Saunders.....   | New Orleans, La.....  | Do.           |
|        | A. P. Bush.....       | Mobile, Ala.....      | Do.           |
|        | Jas. E. Zunts.....    | New Orleans, La.....  | Do.           |

## DISTRICT NO. 7.—FEDERAL RESERVE BANK OF CHICAGO.

[William A. Heath, chairman and Federal Reserve Agent. W. F. McLallen, deputy chairman and deputy reserve agent. James B. McDougal, governor.]

| Class. | Name.                 | Residence.              | Term expires. |
|--------|-----------------------|-------------------------|---------------|
| A..... | Geo. M. Reynolds..... | Chicago, Ill.....       | Dec. 31, 1918 |
|        | J. B. Forgan, jr..... | do.....                 | Dec. 31, 1919 |
|        | E. L. Johnson.....    | Waterloo, Iowa.....     | Dec. 31, 1917 |
| B..... | John W. Blodgett..... | Grand Rapids, Mich..... | Dec. 31, 1919 |
|        | M. B. Hutchison.....  | Ottumwa, Iowa.....      | Dec. 31, 1917 |
|        | A. H. Vogel.....      | Milwaukee, Wis.....     | Dec. 31, 1918 |
| C..... | William A. Heath..... | Evanston, Ill.....      | Do.           |
|        | W. F. McLallen.....   | Columbia City, Ind..... | Dec. 31, 1917 |
|        | E. T. Meredith.....   | Des Moines, Iowa.....   | Dec. 31, 1919 |

## DISTRICT NO. 8.—FEDERAL RESERVE BANK OF ST. LOUIS.

[William McC. Martin, chairman and Federal Reserve Agent. Rolla Wells, governor.]

| Class. | Name.                | Residence.            | Term expires. |
|--------|----------------------|-----------------------|---------------|
| A..... | Walker Hill.....     | St. Louis, Mo.....    | Dec. 31, 1917 |
|        | F. O. Watts.....     | do.....               | Dec. 31, 1918 |
|        | Sam A. Ziegler.....  | Albion, Ill.....      | Dec. 31, 1919 |
| B..... | David C. Biggs.....  | St. Louis, Mo.....    | Dec. 31, 1918 |
|        | W. B. Plunkett.....  | Little Rock, Ark..... | Dec. 31, 1919 |
|        | Leroy Percy.....     | Greenville, Miss..... | Dec. 31, 1917 |
| C..... | W. McC. Martin.....  | St. Louis, Mo.....    | Dec. 31, 1918 |
|        | John W. Bochner..... | Evansville, Ind.....  | Dec. 31, 1917 |

## DISTRICT NO. 9.—FEDERAL RESERVE BANK OF MINNEAPOLIS.

[John H. Rich, chairman and Federal Reserve Agent. Wm. H. Lightner, deputy chairman and deputy reserve agent. Theodore Wold, governor.]

| Class. | Name.                | Residence.             | Term expires. |
|--------|----------------------|------------------------|---------------|
| A..... | E. W. Decker.....    | Minneapolis, Minn..... | Dec. 31, 1919 |
|        | L. B. Hanna.....     | Fargo, N. Dak.....     | Dec. 31, 1917 |
|        | J. C. Bassett.....   | Aberdeen, S. Dak.....  | Dec. 31, 1918 |
| B..... | F. R. Bigelow.....   | St. Paul, Minn.....    | Dec. 31, 1919 |
|        | F. P. Hixon.....     | La Crosse, Wis.....    | Dec. 31, 1918 |
|        | N. B. Holter.....    | Helena, Mont.....      | Dec. 31, 1917 |
| C..... | John H. Rich.....    | Red Wing, Minn.....    | Do.           |
|        | Wm. H. Lightner..... | St. Paul, Minn.....    | Dec. 31, 1918 |
|        | John W. Black.....   | Houghton, Mich.....    | Dec. 31, 1919 |



## DISTRICT NO. 10.—FEDERAL RESERVE BANK OF KANSAS CITY.

[Chas. M. Sawyer, chairman and Federal Reserve Agent. F. W. Fleming, deputy chairman and deputy reserve agent. J. Z. Miller, jr., governor.]

| Class. | Name.                | Residence.           | Term expires. |
|--------|----------------------|----------------------|---------------|
| A..... | J. C. Mitchell.....  | Denver, Colo.....    | Dec. 31, 1918 |
|        | W. J. Bailey.....    | Atchison, Kans.....  | Dec. 31, 1919 |
|        | C. E. Burnham.....   | Norfolk, Nebr.....   | Dec. 31, 1917 |
| B..... | M. L. McClure.....   | Kansas City, Mo..... | Dec. 31, 1919 |
|        | T. C. Byrne.....     | Omaha, Nebr.....     | Dec. 31, 1918 |
|        | Harry W. Gibson..... | Muskogee, Okla.....  | Dec. 31, 1917 |
| C..... | Chas. M. Sawyer..... | Kansas City, Mo..... | Do.           |
|        | F. W. Fleming.....   | do.....              | Dec. 31, 1919 |
|        | R. H. Malone.....    | Denver, Colo.....    | Dec. 31, 1918 |

## DISTRICT NO. 11.—FEDERAL RESERVE BANK OF DALLAS.

[W. F. Ramsey, chairman and Federal Reserve Agent. W. B. Newsome, deputy chairman and deputy reserve agent. R. L. Van Zandt, governor.]

| Class. | Name.                 | Residence.              | Term expires. |
|--------|-----------------------|-------------------------|---------------|
| A..... | J. T. Scott.....      | Houston, Tex.....       | Dec. 31, 1918 |
|        | E. K. Smith.....      | Shreveport, La.....     | Dec. 31, 1917 |
|        | B. A. McKinney.....   | Durant, Okla.....       | Dec. 31, 1919 |
| B..... | Marion Sansom.....    | Port Worth, Tex.....    | Do.           |
|        | Frank Kell.....       | Wichita Falls, Tex..... | Dec. 31, 1918 |
|        | J. J. Culbertson..... | Paris, Tex.....         | Dec. 31, 1917 |
| C..... | W. F. Ramsey.....     | Dallas, Tex.....        | Do.           |
|        | W. B. Newsome.....    | do.....                 | Dec. 31, 1918 |
|        | H. O. Wooten.....     | Abilene, Tex.....       | Dec. 31, 1919 |

## DISTRICT NO. 12.—FEDERAL RESERVE BANK OF SAN FRANCISCO.

[John Perrin, chairman and Federal Reserve Agent. Walton N. Moore, deputy chairman and deputy reserve agent. Archibald Kains, governor.]

| Class. | Name.                 | Residence.              | Term expires. |
|--------|-----------------------|-------------------------|---------------|
| A..... | C. K. McIntosh.....   | San Francisco, Cal..... | Dec. 31, 1919 |
|        | J. K. Lynch.....      | do.....                 | Dec. 31, 1917 |
|        | Alden Anderson.....   | Sacramento, Cal.....    | Dec. 31, 1918 |
| B..... | A. B. C. Dohrman..... | San Francisco, Cal..... | Dec. 31, 1917 |
|        | J. A. McGregor.....   | do.....                 | Dec. 31, 1918 |
|        | E. H. Cox.....        | Madera, Cal.....        | Dec. 31, 1919 |
| C..... | John Perrin.....      | Pasadena, Cal.....      | Dec. 31, 1917 |
|        | E. C. Bradley.....    | San Francisco, Cal..... | Dec. 31, 1919 |
|        | Walton N. Moore.....  | do.....                 | Dec. 31, 1918 |

## FEDERAL ADVISORY COUNCIL.

DISTRICT No. 1.—Daniel G. Wing, president First National Bank, Boston, Mass.

DISTRICT No. 2.—J. P. Morgan, of J. P. Morgan & Co., New York City.

DISTRICT No. 3.—L. L. Rue, president Philadelphia National Bank, Philadelphia, Pa.

DISTRICT No. 4.—W. S. Rowe, president First National Bank, Cincinnati, Ohio; director Federal Reserve Bank of Cleveland.

DISTRICT No. 5.—J. W. Norwood, president Norwood National Bank, Greenville, S. C.

DISTRICT No. 6.—Charles A. Lyerly, president First National Bank, Chattanooga, Tenn.

DISTRICT No. 7.—James B. Forgan, president First National Bank, Chicago, Ill.; director Federal Reserve Bank of Chicago.

DISTRICT No. 8.—F. O. Watts, president Third National Bank, St. Louis, Mo.; director Federal Reserve Bank of St. Louis.

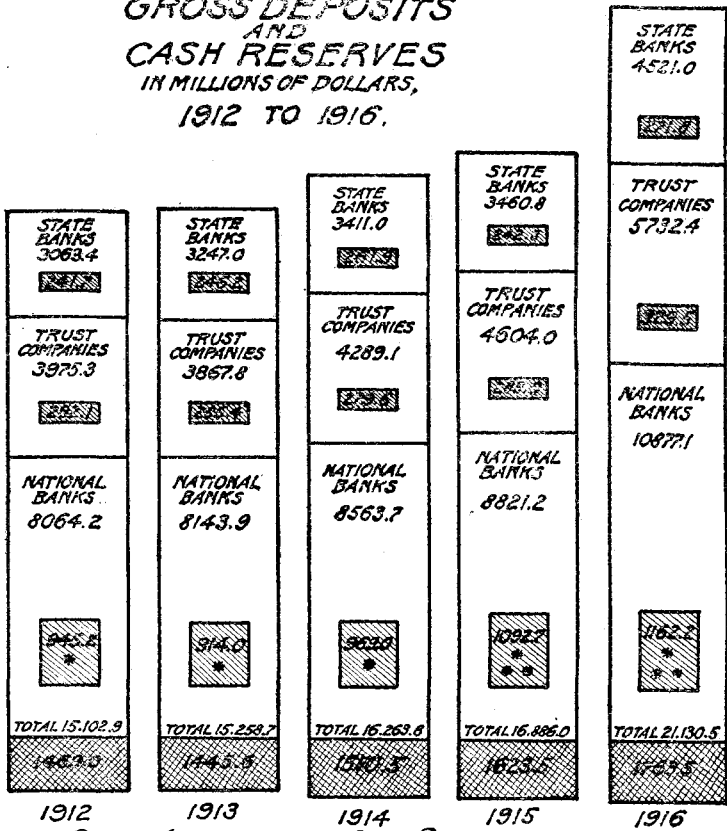
DISTRICT No. 9.—J. R. Mitchell, president Capital National Bank, St. Paul, Minn.

DISTRICT No. 10.—E. F. Swinney, president First National Bank, Kansas City, Mo.

DISTRICT No. 11.—T. J. Record, president City National Bank, Paris, Tex.

DISTRICT No. 12.—Herbert Fleishhacker, president Anglo and London-Paris National Bank, San Francisco, Cal.

## GROSS DEPOSITS AND CASH RESERVES IN MILLIONS OF DOLLARS, 1912 TO 1916.



*Blank Areas represent Gross Deposits.  
Shaded portions within represent Cash Reserves.  
Double-shaded Areas below represent  
Cash Resources of all three groups combined.  
Amounts marked \* are Specie and Legal Tender in Vault.  
Amounts marked \*\* include Cash Reserve of the Fed. Res. Banks.*

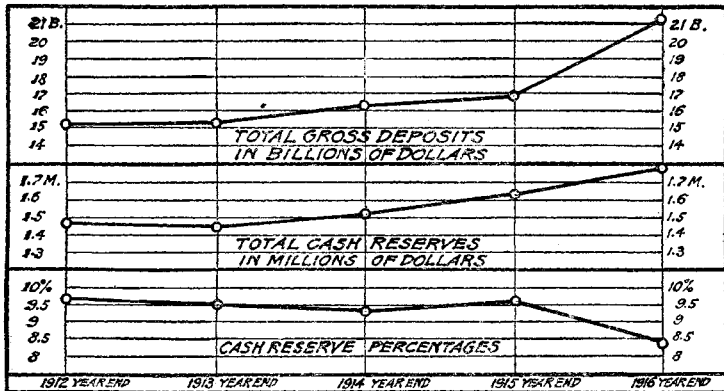


Chart showing deposits and cash reserves held by commercial banks in the United States about close of fiscal years 1912 to 1916.

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PART II.

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REPORTS OF FEDERAL RESERVE AGENTS TO  
FEDERAL RESERVE BOARD.

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## REPORTS OF FEDERAL RESERVE AGENTS.

In accordance with a request from the Federal Reserve Board, each Federal Reserve Agent has submitted a report to it concerning the operation of the Federal Reserve Bank of his district for the past year. These reports are herewith presented as personal expressions of the Federal Reserve Agents.

### DISTRICT NO. 1—BOSTON.

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FREDERIC H. CURTISS, Chairman and Federal Reserve Agent.

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#### FINANCIAL RESULTS OF OPERATION.

Steady progress has been made during the year 1916 in broadening the activities of the Federal Reserve Bank of Boston. On January 1, 1916, the bank became the fiscal agent of the United States Government. The first steps were taken on April 1 toward refunding United States bonds as provided by the Federal Reserve Act. The general country-wide collection of checks for member banks was undertaken on July 15. These developments necessitated an enlargement of the bank's staff, clerical force, and accommodation, and brought an increase in operating expense. Their effect has been to bring the Federal Reserve Bank in closer touch with its member banks, increasing its use by these banks, and strengthening its place as a factor in the financial life of the district.

General activity in manufacturing industries has developed a large increase in the use of the bankers' acceptance by member banks under the privilege given them by the Federal Reserve Act, and the use of the acceptance has been encouraged in every way by the Federal Reserve Bank of Boston. Bankers' acceptances and municipal notes constituted the principal investments of the bank, especially during the first six months of the year, but with the inauguration of the check collection system in July and the rise of money rates member banks began the rediscounting of commercial paper, which continued in fair volume throughout the remainder of the year and did much to increase the earnings of the bank.

It will be recalled that the operations of the Federal Reserve Bank of Boston up to the end of the year 1915 resulted in no surplus of earnings over expenses. The surplus earnings for the year 1916, on the other hand, have been such that it has been not only possible to charge off all expense of organization and furniture and fixtures, but

also to allow for the payment of a dividend of 6 per cent to member banks covering the period from November 2, 1914, to December 31, 1915, and, in addition, to leave a surplus of \$11,596.56 out of actual accrued earnings. (See Schedule 1.)

Additional transfers of reserves were made by member banks in accordance with the requirements of the Federal Reserve Act on May 15, 1916, and on November 15, 1916. These deposits, together with the transfer of Government funds to the bank, account for the increases shown on the accompanying balance sheet. (Schedule 2.)

#### GENERAL BUSINESS AND BANKING CONDITIONS IN THE DISTRICT.

The year has been unusual in many respects, both in business and banking. Industries in the district have been running at full capacity. Low money rates have prevailed throughout the greater part of the year. During the first few months, business activity was due largely to demand for goods for foreign consumption. As the year advanced the domestic demand, principally from the South and West, increased and extended to all lines of trade. This activity continued throughout the year. The increasing cost of production, due to the high price of raw materials and the demands of labor, has made the task of the manufacturer no easy one. These problems have been met and with but few exceptions the year has been prosperous in all lines of industry.

Under normal conditions this business situation would have brought a heavy demand on the banks for additional capital with firm money rates. More potent factors, however, have controlled the money market. Bank deposits have steadily increased through the manufacturer turning his goods quickly for cash. A steady flow of gold into the country has provided for a large credit expansion. Low money rates have prevailed in the country and have influenced rates in this district. The rates at which commercial paper has been offered in this market by note brokers have been so low that member banks have invested a large proportion of their surplus funds in securities and loans secured by collateral, thereby obtaining a return higher than the current rate on commercial paper. (See schedule 3.)

From the middle of July until the end of the year, the current rates for money did not reflect the condition of the supply of money in this district, but were influenced by rates ruling in New York and Chicago. The usual demand for financing the movement of the crops in the south and west prevailed and this, together with the increased cost of production, brought a heavy demand on the member banks, particularly in manufacturing centers, for accommodation from their commercial customers. The banks, however, were able to take care of this demand and to renew their depleted reserves through rediscounting with the Federal Reserve Bank.

ACTIVITIES OF THE FEDERAL RESERVE BANK DURING THE YEAR.  
DISCOUNT OPERATIONS.

During the first six months of the year, discount operations for member banks were more or less desultory and in limited volume. After the general check collection system had started on July 15, and as the movement of the different crops from the south and west began to be felt in this district, the demand for rediscounts became more pronounced. From early in the fall to the end of the year rediscounts were in such volume that not only did the bank advance its discount rates on December 7, but also reduced its open-market purchases of bankers' acceptances and kept out of the market for municipal notes.

The amendment of the Federal Reserve Act, passed in September, allowing member banks to borrow on short-time notes secured by eligible paper has proved of advantage, especially to the out-of-town banks. It will be noticed by the accompanying schedule 4 that rediscounts for member banks have increased in volume during the year, a larger number of banks having availed themselves of that privilege. All the member banks in Boston and many of the large out-of-town banks have taken advantage of the rediscount privilege. It will be noticed from schedule 4 that most of the paper offered for rediscount has been for short maturities. This has especially been true in the case of the Boston banks, but several out-of-town banks have used this short-time discounting privilege for collecting their maturing notes.

Schedule 5 shows the discount rates established and maintained by this bank throughout the year. It will be noticed that these rates continued constant until December 7, 1916, when, owing to the increase in volume of rediscounts and the general strengthening of the money market, the directors of the bank deemed it advisable that rates for short maturities be increased.

Incidental to the financing of the cotton requirements of the New England mills, the trade acceptance appeared for the first time to any extent in this district, acceptances being created between the cotton broker and the mill and the mill and the selling house. While this bank has not purchased any of these trade acceptances in the open market, a limited volume has been rediscounted for member banks, as will be seen by schedule 6. Although the bank has maintained a rate for commodity paper, no notes of that character have been offered.

ACCEPTANCE BUSINESS.

With one small exception, the Federal Reserve Bank of Boston has not rediscounted any domestic or foreign acceptances for its member banks, all of its holdings having been purchased in open market from

member banks or through other Federal Reserve Banks or brokers. The development of the bankers' acceptance in this district during the past year has been second only to that of the New York district. This bank has endeavored not only to encourage the development of these American bills by establishing favorable rates of discount, but, in order to encourage member banks to purchase these acceptances and carry them in their own portfolios as secondary reserve, has adopted a preferential rate of one-fourth per cent on acceptances indorsed by member banks.

During the year these bankers' acceptances, as will be seen from schedule 7, have constituted the principal investment of this bank. Especially was this true during the period when rediscounts from member banks were small in volume. During the year this bank has purchased and distributed to other Federal Reserve Banks a large volume of these acceptances, as shown by schedule 8. While, for the most part, the acceptances created in this market have been in connection with foreign trade, since local industries call for heavy importations of wool, hides, jute, and cotton, there has been a fair volume of domestic acceptances created in connection with the movement of cotton.

In the case of foreign bankers' acceptances, the open market rate established by the board of directors has been from 2 per cent to 4 per cent. In the case of domestic acceptances this rate is from 3 per cent to 4 per cent. The range of rates at which acceptances were purchased is shown in the accompanying schedules 7 and 8.

#### UNITED STATES BOND OPERATIONS.

Inasmuch as under the provisions of section 18 of the Federal Reserve Act, this bank could be required to purchase during the year a certain amount of Government bonds, the directors deemed it inadvisable to increase their investments in those securities through open-market purchases.

On April 1, through the provisions of the above section, this bank purchased through the Treasurer of the United States from member banks, \$2,303,250 of United States 2 per cent bonds. In order to make up certain odd amounts the bank purchased from these banks \$28,750 additional bonds. Under the provisions of this same section, \$2,000,000 of the above United States 2's with circulating privileges were converted into \$1,000,000 one-year 3 per cent gold notes and \$1,000,000 thirty-year 3 per cent bonds. The long-term bonds have been disposed of from time to time in the open market at prices varying from  $100\frac{3}{4}$  to  $101\frac{1}{4}$ , the 3 per cent notes being held by the Federal Reserve Bank for investment.

## MUNICIPAL WARRANTS.

As in the case of the bankers' acceptance, the municipal warrants formed a substantial part of the investments of this bank for the first six months of the year when the demand for rediscounts from its member banks was limited. For the most part, these notes were of Massachusetts cities and towns and as the volume was in excess of the bank's own needs a large portion of the amount purchased during the year was distributed to other Federal Reserve Banks. The volume of warrants purchased by this bank during the year and the character of the issuing public bodies will be found in schedule 9 attached.

## CHANGES IN THE RESERVE POSITION OF THE BANK.

As will be seen from schedule 10, the percentage of cash reserve against all liabilities during the year has averaged about 60 per cent. There has been no liability against Federal Reserve notes outstanding as this liability had been reduced by the deposit with the Federal Reserve Agent of an equal amount of gold. On the few occasions when reserves fell below 60 per cent, balances were due from other Federal Reserve Banks, so that the bank's reserve position was stronger than the percentages would indicate. Furthermore, its open market purchases were of short maturities, so that the reserve could be materially strengthened at any time by allowing these investments to run off.

The reserve policy of this bank has been conducted with due regard to the condition of the money market in this district and to the reserve condition of the other Federal Reserve Banks.

## CHANGES IN MEMBERSHIP DUE TO TRANSFERS FROM AND TO OTHER DISTRICTS.

On January 1, 1916, there were 433 member banks in this district. Under a decision of the Federal Reserve Board, Fairfield County, Conn., was transferred to the New York district on April 1, 1916. Fifteen banks surrendered their stock in this bank and were transferred to the New York district.

## MOVEMENT OF MEMBERSHIP WITHIN THE DISTRICT.

During the year 21 banks in the district have liquidated and withdrawn from the system, converting into State institutions or consolidating with other member banks, as shown by schedule 11. No definite, well defined reasons can be assigned for the changes from national to State charters made by these banks.

There is the impression which is referred to elsewhere and which should be dispelled, that a State bank may receive all the benefits



of the Federal Reserve System through its city correspondents without contributing to its support.

Two banks have been organized during the year—the Colonial National Bank of Hartford, Conn., and the Roxbury National Bank of Roxbury, Mass.—the membership at the end of the year being 399 banks.

In several places in the district the organization of new national banks is being considered and several applications are pending. Charters have already been granted to the following banks: South Boston National Bank, South Boston, Mass.; Manufacturers' National Bank, Cambridge, Mass.; Back Bay National Bank, Boston, Mass.

#### RELATIONS WITH MEMBER BANKS.

There has been a marked increase in the use of the facilities of the Federal Reserve Bank by member banks during the past year. Especially is this true of the Boston banks. The settlement of the clearings on the books of the Federal Reserve Bank has kept the Boston banks in daily touch with it, and since the absorption by that bank of the New England department of the Boston Clearing House and the development of a general check-collection system the Boston banks have made their accounts increasingly active.

The out-of-town banks are also taking advantage of their membership in the Federal Reserve System, although in most cases the accounts of these banks are relatively inactive. The out-of-town bank continues to carry its active account with its Boston correspondent. Under the collection system, checks are sent daily to the country bank for collection, and these checks are generally covered by transfers on banks in Boston or elsewhere, when they have been charged to the member bank's account. However, several of these out-of-town banks are doing an active business with the Federal Reserve Bank, sending it most of their checks and studying how they can make best use of its services. Member banks are continually finding ways to take advantage of the additional powers the Federal Reserve Act gives them in reducing their reserves and releasing funds which they can loan to advantage. The cheaper and more direct collection of checks, the domestic and foreign acceptance, which enables a bank to extend additional credit to its customers, are being found of benefit.

#### RELATIONS WITH NONMEMBER BANKS.

Relations with nonmember banks are most satisfactory. There have been frequent conferences with the officers of these banks which have interested them in the activities of the bank and the benefits which the Federal Reserve System is giving to its members. There

is an inclination on the part of several large Boston trust companies to apply for membership. Especially is this true of those doing a commercial business. The officials of the Federal Reserve Bank, whenever given the opportunity, have studied and analyzed the business of these banks, showing how membership in the Federal Reserve System would benefit them and affect their reserve requirements. Without a stringency in the money market, or some other demonstration of usefulness, these banks may be slow in applying for membership.

Much the same situation exists with the out-of-town State banks. The officials of these banks are also keeping themselves informed on the benefits accruing to the member banks, but the large number of out-of-town member banks which have converted into trust companies have made those banks cautious about applying for membership. They, too, have the impression that they can reap the benefits of the Federal Reserve System through their city correspondents without contributing to the support of the new banking system.

#### ACCOMMODATION OF MEMBER BANKS THROUGH DISCOUNTS AND THE PURCHASE OF ACCEPTANCES.

During the latter part of the year member banks, and particularly the large city banks, have made use of the facilities of the Federal Reserve Banks both through rediscounting their customers' paper and by selling it bank acceptances, several of the large banks which had been carrying acceptances as secondary reserve selling these acceptances to the Federal Reserve Bank instead of calling their demand loans or selling their securities. Member banks, as shown by schedule 12, have continued to borrow to a considerable extent from their city correspondents who have granted this accommodation on demand loans and on certificates of deposit. For the most part loans were made without collateral and at slightly lower rates than those established by the Federal Reserve Bank.

#### DEPOSITS.

In accordance with the Federal Reserve Act, two transfers of reserves were made to this bank, the first on May 16 and the second on November 16. Each payment called for the transfer of an additional one-twelfth of reserve by country banks and one-fifteenth of reserve by city banks. These increases have been offset to some extent by the transfer of deposits of the Fairfield County, Conn., banks to the Federal Reserve Bank of New York. These deposits amounted to \$578,171.91. Schedule 13 shows the range of deposits of this bank by weeks during the year.

There have been but few actual overdrafts during the year. These, with some possible exceptions, have occurred only in the case of two

or three of the smaller banks and for but a short period. There have been a number of cases, however, where member banks have been deficient in the reserve required by the Federal Reserve Act to be carried in the Federal Reserve Banks, either having drawn into uncollected funds or failed to carry the necessary reserve balances. Such banks have not been penalized, as it was felt that time should be allowed for banks to become accustomed to the operation of the collection system. Members have been advised that after February 1, 1917, they will be expected to carry the required reserve in collected balances and will be penalized by interest charges for a deficiency in such reserve. Several of the out-of-town banks report excess deposits with the Federal Reserve Bank, especially since the passage of the amendment in September allowing member banks to count excess balances with the Federal Reserve Bank as part of their required reserve. This practice has been especially true of the Boston banks who, during most of the year, have carried excess balances with the Federal Reserve Bank.

#### PERIODIC REPORTS REGARDING CONDITION OF MEMBER BANKS.

An analytical record of the reports of member banks to the Comptroller of the Currency showing a comparison of their condition on different dates has been kept. A member of the staff of this bank was authorized by the Federal Reserve Board to take part in the examination by certified public accountants of the Old Colony Trust Co., which is a member of the Federal Reserve System. This method of obtaining a report of their condition proved satisfactory.

The relations existing between the officers of this bank and the officials of the banking departments of the different States in New England have been most cordial and in every case where they have been brought in touch with each other the State officials have shown a willingness to cooperate. Especially is this true in the case of the Massachusetts bank commissioner. In the analysis of condition of member banks, the cooperation of the chief national bank examiner of this district has been most helpful, and any question raised as to the condition or management of any particular banks has been discussed with him.

There have been no failures among the member banks in the district and all paper discounted by member banks has been paid at maturity.

#### FEDERAL RESERVE BANK AND THE PUBLIC.

The discount rate policy of the Federal Reserve Bank has been more effective during the past year than ever before. The bank's rates on bankers' acceptances have affected somewhat the rates on commercial paper, and the rediscounts by the member banks in

July and during the last months of the year were an important factor in keeping rates steady. The public, especially the merchant, is realizing the importance of the Federal Reserve Bank as a steadying factor. Money rates, for the most part, have been too low to make this bank's position felt to any marked extent. Money rates in Boston during the year are shown in schedule 23.

#### PUBLICITY AND EDUCATIONAL WORK.

It has been the policy of the officers of this bank to furnish the daily press from time to time with information regarding any new special feature of the bank's activities.

Banking and trade organizations have been addressed by the bank's officers and matters pertaining to the work and service of the Federal Reserve Bank have been freely and openly discussed. Copies of addresses by different members of the Federal Reserve Board have been sent throughout the district. These have been read with much interest and have done much to educate the banker and merchant in the broader and bigger problems which the Federal Reserve System and its officers are endeavoring to solve. The monthly reports on financial and mercantile conditions in the district are furnished to the press.

From the very first it has been realized that it was necessary to demonstrate to the member banks how to make the best use of the facilities of the Federal Reserve Bank. Although circular letters have been sent out with the inauguration of each new activity, it was found that these were not read or, if read, were not fully understood. Officials of the bank have visited individual banks, examined the character of their business and suggested methods to be adopted in dealing with the Federal Reserve Bank and the Federal Reserve System. The officials of banks, member and nonmember, in turn come to the Federal Reserve Bank and discuss their problems with its officers. Similar relations exist between the merchant and the Federal Reserve Bank in connection with the development of trade and bankers' acceptances.

#### THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

##### GOVERNMENT DEPOSITS.

Following the letter of the Secretary of the Treasury of November 24, 1915, designating this bank as a depository and fiscal agent of the United States, a transfer of funds from the Boston banks was made by the Government on January 1. Boston banks continued to collect checks on the Government through the subtreasury until this

bank notified them that it was prepared to handle the entire business. In this, as in all other matters pertaining to operation, the officials of the Boston banks have been of much assistance in their willingness to cooperate with the officers of the Federal Reserve Bank.

Deposits are made daily by the collectors of customs and internal revenue and a considerable volume of checks on the Government is received each day from member banks. Transfers are still made between the Treasury and subtreasury. Inasmuch as payments on account of warrants are in excess of deposits made by the Government officers, it has been necessary to transfer to this bank funds from other Federal Reserve Banks. This has been done through the gold settlement fund in Washington. This bank has not been called upon to exercise any other duties as fiscal agent of the Government. Details of these operations will be found appended hereto (schedules 14-14A).

#### FEDERAL RESERVE BANK AND NOTE ISSUES.

The policy regarding the issuance of Federal Reserve notes has been continued along lines similar to those of the previous year. Notes have been issued against rediscounted paper and bankers' acceptances, the bank reducing its liability by withdrawing the paper and substituting gold with the Federal Reserve Agent. In this way, Federal Reserve notes have been put into circulation and the gold holdings of the Federal Reserve system increased. Taking into consideration the cost of the notes and that of handling and sorting, the issuing of this currency has been a heavy expense to the bank, but this was felt to be justified. Since the opening of this bank, there have been issued \$20,944,700 Federal Reserve notes, of which \$10,520,000 were issued prior to January 1, 1916. Schedule 15 shows the denominations of these notes. Notes unfit for circulation have been redeemed and canceled to the amount of \$7,401,615, of which \$500,000 were canceled prior to January 1, 1916. The denominations are shown in schedule 16. Although no statistics have been compiled showing the average life of Federal Reserve notes, it is estimated that it is not over six months.

It has been the policy of the Federal Reserve Agent to keep on hand a sufficient supply of Federal Reserve notes to meet any unusual demands of the member banks. A large supply is always available in Washington which could be obtained in a very short time should necessity arise.

No Federal Reserve Bank notes (i. e. notes secured by Government bonds) have thus far been issued by this bank, the directors believing that such bank notes should be issued only when an unusual demand for currency exists.

Federal Reserve notes of other banks are continually being deposited in this bank and are promptly sorted and returned to the bank of issue. Notes of this bank are being received daily from other Federal Reserve Banks. Schedule 17 shows the transactions of this character.

#### INTERNAL MANAGEMENT OF THE BANK.

During the year the policy of fortnightly meetings of the board of directors has been continued, thus keeping the directors in close touch with the operations of the bank. The executive committee meets on the morning of the day on which directors' meetings are held. This committee approves all loans and investments made by the bank, recommends changes in discount rates to the board of directors, and discusses policies regarding reserves and investments. The directors have passed on all applications of member banks for permission to exercise fiduciary functions under the Federal Reserve Act. (Schedule 18.)

The term of Mr. Charles G. Sanford, the Class A director representing member banks in Group 2, expired on December 31, 1916, and he was ineligible for reelection as he was a resident of Fairfield County, Conn., transferred to District No. 2. Mr. Thomas W. Farnam of New Haven, Conn., vice president of the New Haven Bank, N. B. A., was elected as his successor.

At an early meeting of the Board, Mr. Daniel G. Wing, president of the First National Bank of Boston, was again elected a member of the Advisory Council representing this district for the term ending December 31, 1916. At subsequent meetings, Mr. Charles A. Ruggles was elected manager of the clearing department, Mr. C. C. Bullen was elected assistant cashier, and Mr. William Willett was elected assistant auditor.

With the broadening of its activities by the Federal Reserve Bank it was found necessary to increase its force to 78 employees. There were but 18 a year ago. This number includes the entire clerical force of the Boston Clearing House which was added to the staff on July 15. On the same date this bank assumed the lease of the quarters formerly occupied by the Boston Clearing House and these rooms are now used to house the check collection department.

During the year this bank was twice examined by the Federal Reserve bank examiner and his staff. These examinations covered the Federal Reserve Agent's department as well as the bank. Examinations were also made of both the bank and the Federal Reserve Agent's department by the bank's auditors.

## CLEARINGS AND COLLECTIONS.

The voluntary system of check collection inaugurated June 15, 1915, was continued until July 15, 1916. Only a small proportion of the member banks joined that system and those for the most part from a disposition to cooperate with all of this bank's undertakings. Forty-three member banks out of a total of 442 joined at the outset. That number had been increased to 50 when the system was discontinued. Apart from the disinclination of banks to have checks charged to their account before they had an opportunity of examining them, the member banks had difficulty in maintaining adequate balances and continual overdrafts ensued, although banks joining the system were given the privilege of immediate credit for transfer checks on New York, Philadelphia, and Albany, the three principal collection centers, outside of Boston, for this district. The operations of this clearing system from January 1, 1916, to July 1, 1916, are shown in schedule 19.

On July 15, 1916, Federal Reserve Banks inaugurated a system for the general collection of checks which included checks on all member banks throughout the country and checks on nonmember banks that would remit at par to a Federal Reserve Bank. Under this system the factor of time was recognized and checks were not charged to a member bank's account until sufficient time had elapsed for it to advise payment or in the case of checks on nonmember banks, until the receipt of remittances to cover. While under this plan immediate credit is given for checks to the depositing bank, the proceeds do not count as part of the reserve which member banks are required to carry in the Federal Reserve Bank, nor do they become available for checking purposes until actually collected. This system is similar to the one in active operation since 1900 in the so-called foreign department of the Boston Clearing House Association which had proved most satisfactory and effective. Under that plan, checks drawn upon all country banks throughout the New England States were daily assembled and forwarded for collection and remittance, the transit time in most cases being but two days and, with the exception of about 85 banks, free of exchange charges. In establishing this system the Federal Reserve Bank made similar arrangements, so that checks on all New England banks could be handled on a basis of two days' deferred payment, and the banks that had refused to waive exchange charges to the Boston Clearing House Association all agreed to remit for their checks at par.

Checks on the other districts are handled according to schedule No. 20. The basis of this schedule is the time needed for the pro-

ceeds of a check to reach the Federal Reserve Bank in the district on which drawn, clearings between Federal Reserve Banks being made weekly through the Gold Settlement Fund.

Where a member bank has a sufficient volume of checks on certain points or districts, special arrangements have been made for the direct routing of such items and member banks have availed themselves of this privilege to reduce transit time. As the advantage of direct routing of items becomes better understood and appreciated, more member banks will undoubtedly avail themselves of this service.

In order to prevent duplication of work, the committee of the Boston Clearing House Association was approached before the inauguration of the new collection system by the officers of this bank with the suggestion that the management and operation of the foreign department of the Boston Clearing House be taken over by the Federal Reserve Bank. This suggestion was accepted and on July 15 this bank took over the entire equipment of the Boston Clearing House including the staff and clerical force, and assumed the lease of its premises. Mr. Charles A. Ruggles, manager of the Boston Clearing House, was elected manager of the clearing department of the Federal Reserve Bank.

Daily clearing of checks between the associated banks of Boston is now made on the premises of the Federal Reserve Bank under the supervision and management of Mr. Ruggles, who still continues as manager of the Boston Clearing House Association, this bank furnishing for the purpose of this clearing the clerical force, equipment, and space at a nominal annual charge. Clearing balances once having been established, all settlements are effected through the Federal Reserve Bank, as has been the practice in Boston since that bank was opened. The cooperation of the Boston Clearing House committee in this connection and in many other matters pertaining to the development of the Federal Reserve Bank of Boston has been of the greatest help.

It will be seen from schedule No. 21 that check collection operations under the present system have been active and of an increasing volume. Each month more and more member banks are availing themselves of the facilities of this department. The tendency has been for the country banks to send their checks for collection to their city correspondents and, therefore, most of the checks handled for collection have been received from the Boston banks. The use of the collection department of the Federal Reserve Bank will require some educational effort, since member banks accustomed to send their checks, especially those on points outside of the district, to collection centers such as Albany and Philadelphia, are slow to change their methods for the more direct collection facilities



offered by this bank. There has been a disposition shown on the part of out-of-town member banks to eliminate the practice of sending checks to these collection centers outside of the district and to consolidate their balances in the Boston banks.

Under the Boston Clearing House system, the cost of collection of New England checks had been assessed on the members on a per thousand dollar basis, the charge averaging about 7 cents a thousand dollars. An analysis of the accounts of the Boston Clearing House covering those operations showed that the figure of 7 cents per thousand did not represent the actual cost of handling these items. The Boston city clearing carried a considerable part of the expense of this business, the city clearings being charged with a large part of the rent and a proportion of all the other expenses of the conduct of the clearing house entirely out of proportion to the labor and expense involved in handling city clearings. An analysis of the cost of collecting checks in this district outside of Boston for several years shows that with the fair proportion of the expenses charged to the city clearing, the cost of the country clearing was nearer 12 cents a thousand dollars than 7 cents. That this work is now being done cheaper and to better advantage is best demonstrated by the fact that the member banks are using it more and more each month and that the volume of checks now handled by the Federal Reserve Bank largely exceeds that formerly handled by the clearing house.

The bank established a per item charge based upon the cost of maintenance of the transit department as on the whole the fairer method, although it was realized that banks having a large number of small items would be charged more proportionately than banks with fewer but larger items. To the present time, the cost per item has been levied on member banks at the rate of nine-tenths of a cent for checks on all districts, and a uniform charge of  $1\frac{1}{2}$  cents has been made between Federal Reserve Banks. It is expected that this cost will be materially reduced as time goes on, for it is believed that, with the present equipment, the collection department can handle a large increase of items without materially increasing its operating force.

In continuation of the practice established by the foreign department of the Boston Clearing House, the Boston banks assemble their checks on each New England bank in packages before depositing them in the Federal Reserve Bank. This has been a saving of work to the Reserve Bank. As a result it has been possible to receive these checks to a much later hour than if checks were deposited unsorted.

Most of the checks received have been from Boston banks or other Federal Reserve Banks, rather than from member banks outside of

Boston. Only a few of these outside banks have used the check collection facilities of the Federal Reserve Bank to a large extent. These banks offer no criticism of the way their business has been handled, but state that they have been able to consolidate their accounts with correspondents and through this, and the more direct routing of checks, have been enabled to reduce their reserve requirements and thereby increase their loaning ability.

The effect of the clearing system of the Federal Reserve Bank on the Boston banks is more apparent. It has brought to the Boston banks from out-of-town banks and from their commercial depositors as well, a volume of business which formerly went to Albany, Philadelphia, and other collection points. The charge made by the Federal Reserve Bank on these outside items has given the Boston banks a basis on which to analyze the accounts of customers depositing these outside items, whereas previously the cost was to a considerable extent estimated. It has also tended to reduce the reciprocal account which has always been of doubtful value. By this new collection system, not alone is time saved, but also exchange charges, and, in addition, balances which have been scattered over the country have been greatly reduced and used to increased advantage.

The change in method of charging for collecting checks from a per volume basis to a per item basis has made many changes in the value of different accounts. The Boston Clearing House banks, dealing with their depositors, both banks and individuals, are handling free of exchange such items as may be collected at par through the Federal Reserve Banks of Boston, New York, and Philadelphia.

The Federal Reserve Bank has as yet taken no steps to inaugurate a department for the general collection of time items, but as the check collection department becomes more and more firmly established and the reserves of the member banks are transferred, such a department will inevitably have to be established.

Certain member banks have found it convenient to send in their maturing notes for rediscount for one or two days, evidently with the idea of using the bank for collection purposes. These notes have been forwarded for collection, the member bank paying for any expense incurred. This bank has also acted as an agency for the collection of time items received from other Federal Reserve Banks.

#### GOLD SETTLEMENT FUND.

The Gold Settlement Fund, through which clearings and transfers are made between the 12 Federal Reserve Banks, has demonstrated its great usefulness and value during the past year. Not only have member banks used the Federal Reserve Banks to make a vast volume of transfers through this medium to and from other districts, but bal-

ances created through the operations of the check collection department have been settled through this gold fund. While transfers to and from any Federal Reserve Bank can be made at any time, the general settlements between the Federal Reserve Banks continue to be made on Thursday of each week. The indirect savings to all member banks through the settling of balances between the different districts obviating the shipment of actual currency and the maintaining of unnecessary bank balances are very considerable. The volume of transactions settled through this fund is shown in schedule 22.

#### CONCLUSION.

It will be seen from the foregoing statement and from the attached schedules that much progress has been made during the past year by the Federal Reserve Bank of Boston, and that its operations have increased in volume. The member banks have been brought in closer touch with and have used the Federal Reserve Bank to a greater extent than last year. Especially has this been true during the last six months. The cooperation which the bank received from the officials of its member banks has been most helpful and of great value in increasing the bank's usefulness and efficiency. It has been shown that even under the existing low rates for money and with the limited call for rediscounts, the bank has been able to earn its dividends. Its investments have been of a character and maturity to keep its assets in a liquid and convertible state to meet any unusual demands of its member banks for rediscounts. Schedule 24 shows the maturities of all investments, excepting Government notes and bonds, at close of business December 31, 1916.

The management of the bank has pursued a policy of developing new activities as far as was consistent with prudence, and in accordance with the needs of the district.

The most pressing needs of the member banks which are being given careful consideration by the officers of the bank are, that the bank should be in a position to furnish currency for pay-roll purposes, and to furnish facilities for the collection of time items. With the transfer of further reserve balances, the Federal Reserve Bank should be in a position to handle checks on all banks in the United States. In developing the activities of the bank and in formulating its policies of operation, due regard has been given to the needs of the district and to the policies and activities of other Federal Reserve Banks.

## SCHEDULE 1.—Profit and loss account.

|  |                   |   |                   |
|--|-------------------|---|-------------------|
|  | 1916.             |   | 1916.             |
| Paid in lieu of dividends on stock canceled.....                       | \$2,804.17        | Discount from member banks on—                      |                   |
| Organization expense.....  | 17,301.73         | Notes discounted.....                               | \$39,641.83       |
| Furniture and equipment.....   | 15,352.04         | Collateral notes.....                               | 2,153.23          |
| Exchange paid.....   | .40               | Trade acceptances.....                              | 1,508.14          |
| Difference account.....  | 88.98             |   | \$43,303.20       |
| Current expense.....   | 156,139.16        | Discount on open market purchases—                  |                   |
|  |                   | Bankers' acceptance, domestic.....                  | 7,709.16          |
|  |                   | Bankers' acceptance, foreign.....                   | 229,147.58        |
|  |                   | State, city, and town notes.....                    | 78,578.27         |
|  |                   |   | 315,435.01        |
|  |                   | Interest on United States bonds.....                | 57,194.16         |
|  |                   | Appreciation and profit on United States bonds..... | 20,575.00         |
|  |                   |   | 77,769.16         |
| Dec. 31, to balance.....   | 258,527.42        | Commissions.....                                    | 10,558.55         |
|  | <u>450,213.90</u> | Sundry profits.....                                 | 3,147.98          |
|  |                   |   | <u>450,213.90</u> |
|  | 1917.             |   | 1917.             |
| Dividends paid member banks, period Nov. 2, 1914, to Jan. 1, 1916..... | 246,930.86        | Jan. 2, balance forward.....                        | 258,527.42        |
| Balance.....   | 11,596.56         |   |                   |
|  | <u>258,527.42</u> |   | <u>258,527.42</u> |
|  |                   | Jan. 3, balance.....                                | 11,596.56         |

## SCHEDULE 2.—Comparative balance sheet Dec. 31, 1915, and Dec. 31, 1916.

|   | Dec. 31, 1915.       | Dec. 31, 1916.       |
|---|----------------------|----------------------|
| <b>RESOURCES.</b>   |                      |                      |
| Bills discounted for member banks.....                          | \$235,471.40         | \$3,745,315.28       |
| Bankers' acceptances.....                                       | 6,519,332.02         | 12,725,107.81        |
| United States bonds.....  | 986,250.00           | 2,332,000.00         |
| State, city, and town notes.....                                | 3,140,914.95         | 890,002.23           |
|   | \$10,881,968.37      | \$19,692,485.32      |
| Interest accrued on United States bonds.....                    | 4,945.61             | 13,870.83            |
| Check collection expense (recoverable).....                     | .....                | 8,384.44             |
| Furniture and fixtures.....                                     | 9,395.24             | .....                |
| Expenses paid in advance.....                                   | 970.00               | 1,564.72             |
| Cost of Federal Reserve notes (unissued).....                   | 38,633.35            | 29,230.20            |
| Expense—organization.....                                       | 34,603.45            | .....                |
| Due from Federal Reserve Banks.....                             | 2,137,664.12         | 4,836,131.06         |
| Due from Federal Reserve Banks (in transit).....                | .....                | 6,492,548.08         |
| Due from member banks (overdrafts).....                         | 27,893.10            | .....                |
| Due from member and nonmember banks (in transit).....           | .....                | 6,099,619.31         |
| Exchanges for clearing house.....                               | 114,012.74           | 328,149.59           |
| Federal Reserve notes on hand.....                              | 721,930.00           | 630,500.00           |
| National bank notes and Federal Reserve notes, other banks..... | 211,855.00           | 185,000.00           |
| Nickels and cents.....  | 12.13                | 95.87                |
| Cash reserve:   |                      |                      |
| Gold coin and gold certificates.....                            | 14,154,370.00        | 11,774,857.50        |
| Gold settlement fund.....                                       | 4,279,000.00         | 14,737,000.00        |
| Other lawful money.....   | 786,198.00           | 427,683.00           |
|   | 19,219,568.00        | 26,939,540.50        |
|   | <u>33,403,651.11</u> | <u>65,257,119.92</u> |
| <b>LIABILITIES.</b>   |                      |                      |
| Capital paid in.....  | 5,158,150.00         | 4,989,700.00         |
| Profit and loss account.....                                    | .....                | 258,527.42           |
| Unearned discount and interest.....                             | 35,438.28            | 61,209.64            |
| Due to member banks.....  | 27,889,242.70        | 56,757,135.68        |
| Due to Federal Reserve Banks (uncollected checks).....          | .....                | 1,058,988.16         |
| United States deposits.....                                     | 192,057.99           | 2,130,617.72         |
| Cashier's checks outstanding.....                               | 128,762.14           | 941.30               |
|   | <u>33,403,651.11</u> | <u>65,257,119.92</u> |

SCHEDULE 3.—*Bonds and securities and loans secured by stocks and bonds held by member banks June 23, 1915, and Nov. 17, 1916.*

| State.             | Bonds and securities. |                | Loans secured by stocks and bonds. |                |
|--------------------|-----------------------|----------------|------------------------------------|----------------|
|                    | June 23, 1915.        | Nov. 17, 1916. | June 23, 1915.                     | Nov. 17, 1916. |
| Maine.....         | \$18,911,000          | \$24,807,000   | \$8,386,096                        | \$8,513,336    |
| New Hampshire..... | 6,577,000             | 9,081,000      | 5,511,925                          | 5,990,500      |
| Vermont.....       | 6,159,000             | 8,726,000      | 3,143,093                          | 3,354,580      |
| Massachusetts..... | 34,752,000            | 44,646,000     | 32,568,345                         | 38,963,954     |
| Boston.....        | 30,404,000            | 32,099,000     | 60,448,570                         | 99,863,363     |
| Rhode Island.....  | 8,635,000             | 11,508,000     | 5,731,842                          | 5,407,317      |
| Connecticut.....   | 17,468,000            | 130,234,000    | 123,331,515                        | 30,085,369     |
| Total.....         | 122,906,000           | 161,101,000    | 139,121,386                        | 192,184,419    |

<sup>1</sup> Includes 15 banks in Fairfield County.

SCHEDULE 4.—*Distribution, by maturities, of bills rediscounted for member banks, Jan. 1, 1916, to Dec. 31, 1916.*

| Month.         | 1 to 10 days. | 11 to 30 days. | 31 to 60 days. | 61 to 90 days. | Over 90 days. | Total.        |
|----------------|---------------|----------------|----------------|----------------|---------------|---------------|
| January.....   | \$31,311.30   | \$36,583.00    | \$41,480.61    | \$19,906.83    | \$1,809.00    | \$131,090.74  |
| February.....  | 2,808.40      | 36,752.37      | 20,081.00      | 4,875.00       | .....         | 114,516.77    |
| March.....     | .....         | 162,993.00     | 17,463.03      | 32,893.93      | .....         | 213,349.96    |
| April.....     | 50,095.00     | 352,600.00     | 10,000.00      | 7,100.00       | .....         | 419,795.00    |
| May.....       | 41,000.00     | 72,885.54      | 26,250.00      | 17,752.12      | .....         | 157,887.66    |
| June.....      | 53,200.00     | 373,325.00     | 23,177.99      | 12,050.62      | .....         | 466,753.61    |
| July.....      | 2,762,652.37  | 2,165,000.00   | 61,000.00      | 12,236.77      | 280.00        | 5,001,169.14  |
| August.....    | 2,626,300.00  | 1,690,247.35   | 125,029.99     | 23,708.20      | 700.00        | 4,465,985.54  |
| September..... | 61,212.85     | 180,952.82     | 522,104.98     | 71,308.00      | .....         | 835,578.65    |
| October.....   | 374,124.13    | 51,648.51      | 7,176.03       | 7,075.69       | .....         | 440,024.36    |
| November.....  | 4,729,229.65  | 1,879,472.42   | 45,808.62      | 211,127.82     | .....         | 6,865,638.51  |
| December.....  | 7,336,432.92  | 7,216,498.24   | 121,311.89     | 135,859.59     | .....         | 14,810,092.64 |
| Total.....     | 18,073,366.62 | 14,268,948.25  | 1,020,884.14   | 555,894.57     | 2,789.00      | 33,921,882.58 |

SCHEDULE 5.—*Discount rates.*

| Date.               | Maturities of 10 days or less. | Maturities of 11 to 30 days. | Maturities of 31 to 60 days. | Maturities of 61 to 90 days. | Agricultural and live-stock paper 91 days to 6 months. | Promissory notes not over 15 days. | Trade acceptances. | Commodity paper. |
|---------------------|--------------------------------|------------------------------|------------------------------|------------------------------|--|------------------------------------|--------------------|------------------|
| Jan. 13, 1916.....  | 3                              | 3½                           | 4                            | 4                            | 5  | .....                              | 3½                 | 3½               |
| Feb. 21, 1916.....  | 3                              | 3½                           | 4                            | 4                            | 5  | .....                              | 3                  | 3½               |
| July 20, 1916.....  | 3                              | 3½                           | 4                            | 4                            | 5  | .....                              | 3½                 | 3½               |
| Sept. 18, 1916..... | 3                              | 3½                           | 4                            | 4                            | 5  | 3½                                 | 3½                 | 3½               |
| Dec. 7, 1916.....   | 3½                             | 4                            | 4                            | 4                            | 5  | 4                                  | 3½                 | 4                |

SCHEDULE 6.—*Division of rediscounts by classes.*

|                        | Number of items. | Number of applications. | Average rate earned. | Amount.         |
|------------------------|------------------|-------------------------|----------------------|-----------------|
| Bills receivable.....  | 2,223            | 251                     | Per cent.<br>3.626   | \$31,461,047.29 |
| Trade acceptances..... | 54               | 17                      | 3.374                | 429,222.40      |
| Collateral notes.....  | 28               | 28                      | 3.413                | 2,031,612.89    |
|                        | 2,305            | 296                     | .....                | 33,921,882.58   |

Number of banks accommodated during 1916..... 56  
 Number of banks accommodated previous to 1916 but not during that year..... 10

Total banks accommodated to Dec. 31, 1916..... 66

SCHEDULE 7.—Acceptances purchased for own account.

| Month.         | Foreign acceptances. |                   | Low and high rate. | Domestic acceptances. |                 | Low and high rate. |
|----------------|----------------------|-------------------|--------------------|-----------------------|-----------------|--------------------|
|                | Items.               | Amount.           |                    | Items.                | Amount.         |                    |
|                |                      |                   | <i>Per cent.</i>   |                       |                 | <i>Per cent.</i>   |
| January.....   | 150                  | \$2, 330, 499. 03 | 2-2½               |                       |                 |                    |
| February.....  | 175                  | 3, 728, 796. 41   | 2-2½               |                       |                 |                    |
| March.....     | 240                  | 6, 011, 254. 80   | 2-2½               |                       |                 |                    |
| April.....     | 81                   | 1, 731, 854. 98   | 2-2½               |                       |                 |                    |
| May.....       | 141                  | 3, 860, 258. 86   | 2-2½               |                       |                 |                    |
| June.....      | 339                  | 7, 670, 702. 47   | 2-2½               |                       |                 |                    |
| July.....      | 23                   | 1, 395, 437. 14   | 2½-2½              |                       |                 |                    |
| August.....    | 152                  | 4, 339, 564. 16   | 2½-2½              |                       |                 |                    |
| September..... | 286                  | 4, 673, 573. 97   | 2½-3               |                       |                 |                    |
| October.....   | 97                   | 2, 279, 809. 51   | 2½-2½              |                       |                 |                    |
| November.....  | 411                  | 7, 738, 414. 04   | 2½-2½              | 12                    | \$905, 690. 70  | 3                  |
| December.....  | 140                  | 3, 014, 286. 55   | 2½-3½              | 93                    | 2, 198, 819. 47 | 3                  |
| Total.....     | 2, 241               | 49, 272, 451. 92  |                    | 105                   | 3, 104, 510. 17 |                    |

SCHEDULE 8.—Acceptances purchased for other Federal Reserve Banks.

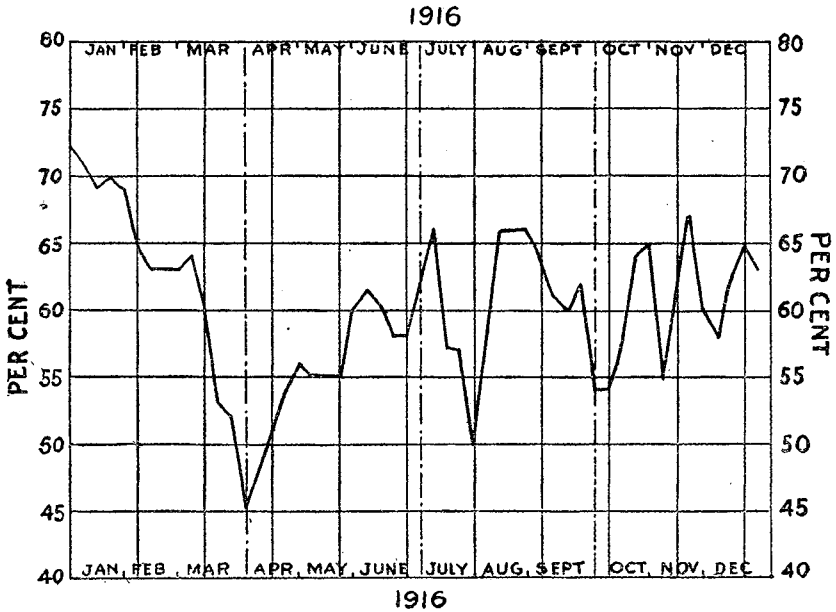
| Month.         | Foreign acceptances. |                   | Low and high rate. | Domestic acceptances. |                | Low and high rate. |
|----------------|----------------------|-------------------|--------------------|-----------------------|----------------|--------------------|
|                | Items.               | Amount.           |                    | Items.                | Amount.        |                    |
|                |                      |                   | <i>Per cent.</i>   |                       |                | <i>Per cent.</i>   |
| January.....   |                      |                   |                    |                       |                |                    |
| February.....  | 43                   | \$1, 914, 854. 84 | 2-2                |                       |                |                    |
| March.....     | 27                   | 751, 585. 41      | 2-2                |                       |                |                    |
| April.....     | 139                  | 2, 636, 510. 59   | 2-2½               |                       |                |                    |
| May.....       | 1                    | 4, 806. 25        | 2-2                |                       |                |                    |
| June.....      | 35                   | 1, 635, 549. 93   | 2-2½               |                       |                |                    |
| July.....      | 345                  | 6, 844, 956. 19   | 2-2½               |                       |                |                    |
| August.....    | 103                  | 2, 204, 039. 64   | 2½-2½              |                       |                |                    |
| September..... | 40                   | 700, 749. 67      | 2½-2½              |                       |                |                    |
| October.....   | 70                   | 1, 631, 917. 83   | 2½-2½              |                       |                |                    |
| November.....  | 153                  | 2, 359, 820. 67   | 2½-2½              |                       |                |                    |
| December.....  | 461                  | 9, 951, 164. 11   | 2½-3               | 20                    | \$343, 579. 82 | 3                  |
| Total.....     | 1, 417               | 30, 635, 955. 13  |                    | 20                    | 343, 579. 82   |                    |

SCHEDULE 9.—Warrants.

| Month.        | Purchased for own account. | Purchased for other Federal Reserve Banks. | Month.         | Purchased and held. | Purchased for other Federal Reserve Banks. |
|---------------|----------------------------|--|----------------|---------------------|--|
| January.....  | \$447, 000                 | \$135, 000                                 | August.....    | \$511, 500          | \$340, 000                                 |
| February..... | 541, 000                   | 105, 000                                   | September..... | 1, 582, 000         | 2, 180, 000                                |
| March.....    | 1, 065, 000                | 40, 000                                    | October.....   | 180, 000            | 435, 000                                   |
| April.....    | 32, 500                    | 100, 000                                   | November.....  | 515, 900            | 237, 500                                   |
| May.....      | 2, 179, 000                | 1, 730, 000                                | December.....  |                     |  |
| June.....     | 320, 000                   | 1, 228, 000                                |                |                     |  |
| July.....     | 190, 000                   | 160, 000                                   |                | 7, 563, 900         | 6, 750, 500                                |

Average rate earned on warrants during year 2.729 per cent. Warrants of 98 different municipalities held during year as follows: Cities, 41; towns, 52; counties, 3; States, 2; total, 98.

SCHEDULE 10.—Percentage of reserve carried by Federal Reserve Bank of Boston at close of business each Friday.



SCHEDULE 11.—Member banks liquidated during 1916.

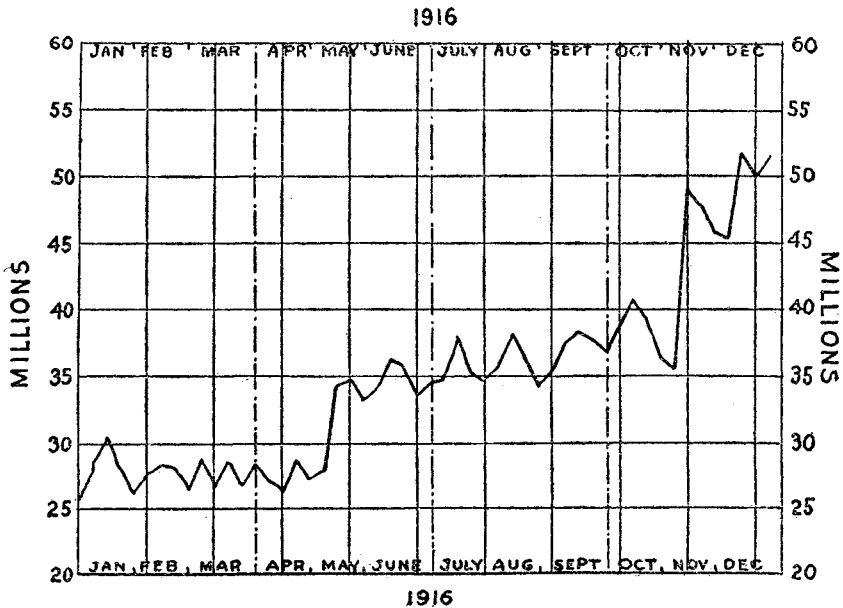
| Name of Bank.                  | Location.             | Disposition.   |
|--------------------------------|-----------------------|--|
| First National Bank            | Plainville, Conn.     | Formed Plainville Trust Co., Plainville, Conn.                 |
| United National Bank           | Providence, R. I.     | Consolidated with Industrial Trust Co., Providence, R. I.      |
| Middlesex County National Bank | Middletown, Conn.     | Consolidated with Middletown National Bank, Middletown, Conn.  |
| Casco National Bank            | Portland, Me.         | Consolidated with Casco Mercantile Trust Co., Portland, Me.    |
| Melrose National Bank          | Melrose, Mass.        | Formed Melrose Trust Co., Melrose, Mass.                       |
| Hyde Park National Bank        | Hyde Park, Mass.      | Formed Hyde Park Trust Co., Hyde Park, Mass.                   |
| Neponset National Bank         | Canton, Mass.         | Succeeded by Canton Trust Co., Canton, Mass.                   |
| Southington National Bank      | Southington, Conn.    | Succeeded by Southington Bank & Trust Co., Southington, Conn.  |
| First National Bank            | Richmond, Me.         | Discontinued business.   |
| Bristol County National Bank   | Taunton, Mass.        | Succeeded by Taunton National Bank, with whom it consolidated. |
| Old Boston National Bank       | Boston, Mass.         | Consolidated with Merchants National Bank, Boston, Mass.       |
| Hingham National Bank          | Hingham, Mass.        | Succeeded by Hingham Trust Co., Hingham, Mass.                 |
| First National Bank            | Hyannis, Mass.        | Succeeded by Hyannis Trust Co., Hyannis, Mass.                 |
| First National Bank            | South Weymouth, Mass. | Succeeded by Weymouth Trust Co., South Weymouth, Mass.         |
| First National Bank            | Augusta, Me.          | Succeeded by First National Granite Bank, Augusta, Me.         |
| Middleboro National Bank       | Middleboro, Mass.     | Succeeded by Middleboro Trust Co., Middleboro, Mass.           |
| Wakefield National Bank        | Wakefield, Mass.      | Succeeded by Wakefield Trust Co., Wakefield, Mass.             |
| Natick National Bank           | Natick, Mass.         | Succeeded by Natick Trust Co., Natick, Mass.                   |
| Westminster National Bank      | Gardner, Mass.        | Succeeded by Gardner Trust Co., Gardner, Mass.                 |
| Merchants National Bank        | Haverhill, Mass.      | Consolidated with Haverhill National Bank, Haverhill, Mass.    |
| National Exchange Bank         | Hartford, Conn.       | Consolidated with First National Bank, Hartford, Conn.         |

SCHEDULE 12.—*Borrowings of national banks in New England.*

| Date.                            | Borrowed from Federal Reserve Bank of Boston. | Borrowed elsewhere. | Acceptances rediscounted. | Total borrowed. |
|----------------------------------|---|---------------------|---------------------------|-----------------|
| Dec. 31, 1915.....               | \$235,000                                     | \$5,100,000         | \$584,000                 | \$5,919,000     |
| Mar. 7, 1916.....                | 131,000                                       | 3,154,000           | 1,623,000                 | 4,908,000       |
| May 1, 1916.....                 | 275,000                                       | 3,465,000           | 3,805,000                 | 7,545,000       |
| June 30, 1916.....               | 183,000                                       | 3,702,000           | 3,879,000                 | 7,824,000       |
| Sept. 12, 1916.....              | 497,000                                       | 3,872,000           | 6,320,000                 | 10,689,000      |
| Nov. 17, 1916 <sup>1</sup> ..... | 2,917,000                                     | 4,329,000           | 5,924,000                 | 13,180,000      |

<sup>1</sup> Nov. 17, 1916, does not include 15 banks in Fairfield County, Conn.

SCHEDULE 13.—*Member bank deposits in Federal Reserve Bank of Boston at close of business each Friday.*



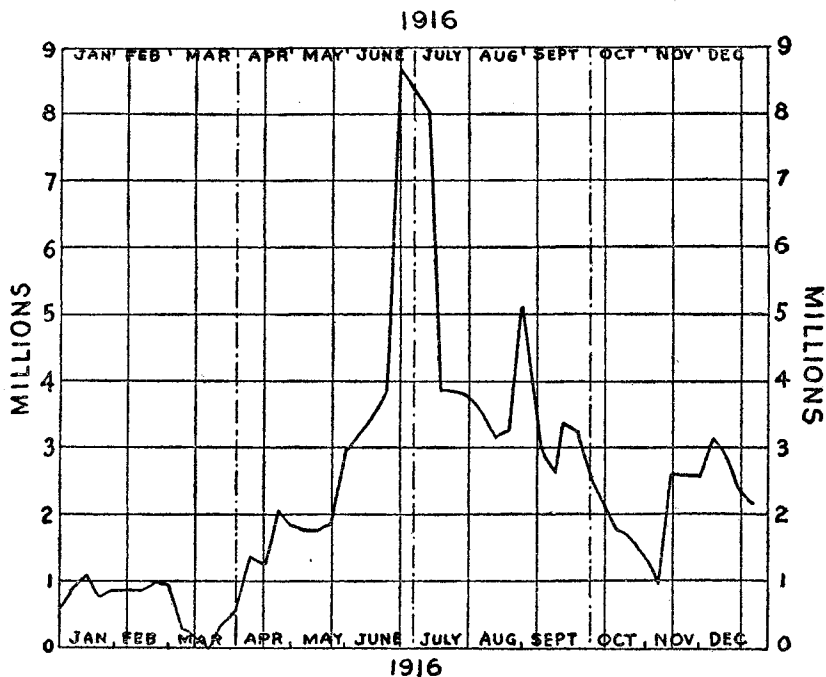
SCHEDULE 14.—*Number of checks drawn on treasurer of United States handled by Federal Reserve Bank of Boston.*

| Month.         | Number of pension checks. | Amount.      | Number of other checks. | Amount.       | Total number of checks. | Total amount. |
|----------------|---------------------------|--------------|-------------------------|---------------|-------------------------|---------------|
| January.....   | 629                       | \$30,893.80  | 2,251                   | \$306,438.82  | 2,880                   | \$337,332.62  |
| February.....  | 1,189                     | 61,222.86    | 12,703                  | 1,629,424.96  | 13,892                  | 1,690,647.82  |
| March.....     | 30,378                    | 1,631,466.50 | 15,528                  | 2,337,243.61  | 45,906                  | 2,968,710.11  |
| April.....     | 8,160                     | 441,048.75   | 14,416                  | 2,117,106.23  | 22,576                  | 2,558,154.98  |
| May.....       | 1,659                     | 81,874.38    | 13,823                  | 1,919,971.09  | 15,482                  | 2,001,845.47  |
| June.....      | 28,417                    | 1,638,894.57 | 12,956                  | 1,858,765.57  | 41,373                  | 3,497,660.14  |
| July.....      | 8,219                     | 434,429.41   | 13,788                  | 2,219,905.00  | 22,007                  | 2,654,334.41  |
| August.....    | 1,739                     | 79,841.41    | 15,071                  | 2,473,304.00  | 16,810                  | 2,553,205.41  |
| September..... | 40,674                    | 1,652,618.72 | 13,708                  | 2,846,940.41  | 54,382                  | 4,499,559.13  |
| October.....   | 9,280                     | 444,347.50   | 15,253                  | 2,577,499.74  | 24,533                  | 3,021,847.24  |
| November.....  | 2,911                     | 112,423.12   | 15,145                  | 2,499,359.07  | 18,056                  | 2,611,812.19  |
| December.....  | 32,120                    | 1,765,606.46 | 14,213                  | 2,126,533.50  | 46,333                  | 3,892,139.96  |
| Total.....     | 165,375                   | 8,374,667.48 | 158,855                 | 24,912,582.00 | 324,230                 | 33,287,249.48 |

These are not included in schedules of check collection No. 19 and No. 21.



SCHEDULE 14a.—Government deposits in Federal Reserve Bank of Boston at close of business each Friday.



SCHEDULE 15.—Federal Reserve notes issued.

| Denomination. | 1916        | 1915        | Total.      |
|---------------|-------------|-------------|-------------|
| 5s.....       | \$6,226,600 | \$3,620,000 | \$9,846,600 |
| 10s.....      | 3,965,600   | 4,680,000   | 8,645,000   |
| 20s.....      | 88,200      | 640,000     | 728,200     |
| 50s.....      | 42,000      | 600,000     | 642,000     |
| 100s.....     | 102,300     | 980,000     | 1,082,300   |
| Total.....    | 10,424,700  | 10,520,000  | 20,944,700  |

SCHEDULE 16.—Federal Reserve notes redeemed.

| Denomination. | January. | February  | March.    | April.    | May.      | June.     | July.     | August.   |
|---------------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 5s.....       |          | \$243,200 | \$189,750 | \$270,050 | \$271,600 | \$352,300 | \$157,450 | \$330,300 |
| 10s.....      |          | 261,309   | 207,200   | 283,400   | 243,700   | 315,400   | 157,100   | 315,300   |
| 20s.....      |          | 20,300    | 32,000    | 6,700     | 27,500    | 25,800    | 11,300    | 21,200    |
| 50s.....      |          | 16,800    | 11,350    | 13,150    | 15,800    | 14,300    | 5,950     | 16,300    |
| 100s.....     |          | 19,000    | 21,900    | 24,800    | 19,400    | 27,400    | 13,500    | 38,200    |
| Total.....    |          | 560,600   | 453,200   | 598,100   | 578,000   | 735,200   | 345,300   | 721,300   |

| Denomination. | September. | October.  | Novem-ber. | Decem-ber. | Total.      | Redeemed by United States Treasury. | Redeemed by Federal Reserve Agent. |
|---------------|------------|-----------|------------|------------|-------------|-------------------------------------|------------------------------------|
| 5s.....       | \$122,050  | \$320,860 | \$265,550  | \$203,400  | \$3,017,510 | \$1,219,510                         | \$1,798,000                        |
| 10s.....      | 478,500    | 372,705   | 223,800    | 222,400    | 3,180,895   | 1,309,895                           | 1,880,000                          |
| 20s.....      | 39,600     | 27,200    | 10,900     | 35,400     | 257,900     | 85,900                              | 172,000                            |
| 50s.....      | 35,850     | 9,350     | 12,250     | 13,800     | 164,900     | 49,900                              | 115,000                            |
| 100s.....     | 55,100     | 26,400    | 21,200     | 13,600     | 230,500     | 75,500                              | 205,000                            |
| Total.....    | 1,031,100  | 756,515   | 633,700    | 488,600    | 6,901,615   | 2,731,615                           | 4,170,000                          |

SCHEDULE 17.—Federal Reserve notes of the Federal Reserve Bank of Boston received from other Federal Reserve Banks and notes of other Federal Reserve Banks returned by Federal Reserve Bank of Boston to bank of issue.

|                    | Received.   | Returned.   |
|--------------------|-------------|-------------|
| New York.....      | \$1,261,750 | \$3,039,000 |
| Philadelphia.....  | 133,380     | 180,000     |
| Cleveland.....     | 13,820      | 150,000     |
| Richmond.....      | 15,020      | 185,000     |
| Atlanta.....       | 19,465      | 112,000     |
| Chicago.....       | 96,500      | 24,000      |
| St. Louis.....     | 12,150      | 25,000      |
| Minneapolis.....   | 10,440      | 68,500      |
| Kansas City.....   | 1,785       | 49,000      |
| Dallas.....        | 4,420       | 74,000      |
| San Francisco..... | 18,240      | 57,000      |
| Total.....         | 1,586,970   | 3,968,500   |

SCHEDULE 18.—Banks granted fiduciary powers under section 11 (k) of the Federal Reserve Act.

| Date.   | Name.                          | Location.              | Powers granted.  |
|---------|--------------------------------|------------------------|--|
| 1916.   |                                |                        |  |
| Jan. 1  | First National Bank....        | Bangor, Me.....        | Trustee, executor, registrar of stocks and bonds.                |
| Jan. 7  | Second National Bank..         | Nashua, N. H.....      | Trustee and registrar of stocks and bonds.                       |
| Jan. 28 | Manufacturers National Bank.   | Lewiston, Me.....      | Trustee, executor, registrar of stocks and bonds.                |
| Jan. 28 | Bath National Bank....         | Bath, Me.....          | Trustee, executor, administrator, registrar of stocks and bonds. |
| Jan. 28 | Canal National Bank....        | Portland, Me.....      | Trustee, executor, registrar of stocks and bonds.                |
| Apr. 20 | Ansonia National Bank..        | Ansonia, Conn.....     | Registrar of stocks and bonds.                                   |
| May 31  | Beverly National Bank..        | Beverly, Mass.....     | Trustee, executor, administrator, registrar of stocks and bonds. |
| Aug. 23 | Fourth Atlantic National Bank. | Boston, Mass.....      | Do.  |
| Aug. 23 | National Bank of Commerce.     | New London, Conn.      | Registrar of stocks and bonds.                                   |
| Sept. 7 | State National Bank....        | Windsor, Vt.....       | Limited.   |
| Oct. 6  | First National Bank....        | Gardner, Mass.....     | Trustee, executor, administrator, registrar of stock and bonds.  |
| Nov. 27 | Portland National Bank         | Portland, Me.....      | Trustee, executor, registrar of stocks and bonds.                |
| Nov. 27 | Chapin National Bank..         | Springfield, Mass..... | Trustee.   |
| Dec. 8  | Safety Fund National Bank.     | Fitchburg, Mass.....   | Trustee, executor, administrator, registrar of stocks and bonds. |

SCHEDULE 19.—Volume and amount of checks collected by Federal Reserve Bank of Boston Jan. 1, 1916, to July 1, 1916.

|               | Checks drawn on Boston banks. |                 | Checks drawn on members of collection system outside of Boston. |                |
|---------------|-------------------------------|-----------------|---|----------------|
|               | Items.                        | Amount.         | Items.  | Amount.        |
| 1916:         |                               |                 |   |                |
| January.....  | 12,361                        | \$31,220,960.00 | 21,814  | \$2,870,172.61 |
| February..... | 9,603                         | 30,459,112.59   | 13,585  | 2,549,194.29   |
| March.....    | 9,986                         | 39,302,937.67   | 21,371  | 3,095,024.57   |
| April.....    | 10,626                        | 29,336,030.10   | 18,447  | 2,269,966.96   |
| May.....      | 11,058                        | 45,785,432.18   | 20,300  | 2,417,845.19   |
| June.....     | 8,781                         | 52,679,765.88   | 20,993  | 2,586,395.20   |

SCHEDULE 20.—*Schedule showing when the proceeds of items will become available.*

## Immediate credit:

Checks payable through clearing house in Boston.

## One day after receipt:

Checks payable through clearing houses in New York and Philadelphia.

## Two days after receipt:

Checks payable through clearing houses in Atlanta, Chicago, Cleveland, Kansas City, Minneapolis, Richmond, St. Louis.

Checks on banks in Connecticut, Delaware, Maine, Massachusetts,<sup>1</sup> New Hampshire, New Jersey, New York,<sup>1</sup> Pennsylvania,<sup>1</sup> Rhode Island, Vermont.

## Four days after receipt:

Checks payable through clearing houses in Dallas and New Orleans.

Checks on banks in Alabama, Arkansas, District of Columbia, Florida, Georgia,<sup>1</sup> Illinois,<sup>1</sup> Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota,<sup>1</sup> Mississippi, Missouri,<sup>1</sup> North Carolina, Ohio,<sup>1</sup> South Carolina, Tennessee, Virginia,<sup>1</sup> West Virginia, Wisconsin.

## Eight days after receipt:

Checks on banks in Arizona, California, Colorado, Idaho, Louisiana,<sup>1</sup> Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas,<sup>1</sup> Utah, Washington, Wyoming.

| Checks payable through clearing houses in— | Days. | Checks on banks in—Continued.    | Days. |
|--|-------|----------------------------------|-------|
| Atlanta.....                               | 2     | Maryland.....                    | 4     |
| Boston.....                                | 0     | Massachusetts <sup>1</sup> ..... | 2     |
| Chicago.....                               | 2     | Michigan.....                    | 4     |
| Cleveland.....                             | 2     | Minnesota <sup>1</sup> .....     | 4     |
| Dallas.....                                | 4     | Mississippi.....                 | 4     |
| Kansas City.....                           | 2     | Missouri <sup>1</sup> .....      | 4     |
| Minneapolis.....                           | 2     | Montana.....                     | 8     |
| New Orleans.....                           | 4     | Nebraska.....                    | 8     |
| New York.....                              | 1     | Nevada.....                      | 8     |
| Philadelphia.....                          | 1     | New Hampshire.....               | 2     |
| Richmond.....                              | 2     | New Jersey.....                  | 2     |
| St. Louis.....                             | 2     | New Mexico.....                  | 8     |
| Checks on banks in—                        |       | New York <sup>1</sup> .....      | 2     |
| Alabama.....                               | 4     | North Carolina.....              | 4     |
| Arizona.....                               | 4     | North Dakota.....                | 8     |
| Arkansas.....                              | 4     | Ohio <sup>1</sup> .....          | 4     |
| California.....                            | 8     | Oklahoma.....                    | 8     |
| Colorado.....                              | 8     | Oregon.....                      | 8     |
| Connecticut.....                           | 2     | Pennsylvania <sup>1</sup> .....  | 2     |
| Delaware.....                              | 2     | Rhode Island.....                | 2     |
| District of Columbia.....                  | 4     | South Carolina.....              | 4     |
| Florida.....                               | 4     | South Dakota.....                | 8     |
| Georgia <sup>1</sup> .....                 | 4     | Tennessee.....                   | 4     |
| Idaho.....                                 | 8     | Texas <sup>1</sup> .....         | 8     |
| Illinois <sup>1</sup> .....                | 4     | Utah.....                        | 8     |
| Indiana.....                               | 4     | Vermont.....                     | 2     |
| Iowa.....                                  | 4     | Virginia <sup>1</sup> .....      | 4     |
| Kansas.....                                | 4     | Washington.....                  | 8     |
| Kentucky.....                              | 4     | West Virginia.....               | 4     |
| Louisiana <sup>1</sup> .....               | 8     | Wisconsin.....                   | 4     |
| Maine.....                                 | 2     | Wyoming.....                     | 8     |

<sup>1</sup> Except checks payable through clearing houses in Federal Reserve cities.

SCHEDULE 21.—Volume of checks handled for members and for other Federal Reserve Banks, July 15, 1916, to Dec. 31, 1916.

| Date and by whom deposited.      | Drawn on N. E., including Boston. |               | Drawn on other districts. |              | Total.    |               |
|----------------------------------|-----------------------------------|---------------|---------------------------|--------------|-----------|---------------|
|                                  | Items.                            | Amount.       | Items.                    | Amount.      | Items.    | Amount.       |
| <b>July 15 to Aug. 31:</b>       |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 1,157,250                         | \$128,744,928 | 41,887                    | \$29,566,301 | 1,199,137 | \$158,311,229 |
| Other Federal Reserve Banks..... | 39,974                            | 50,299,024    | .....                     | .....        | 39,974    | 50,299,024    |
| Total.....                       | 1,197,224                         | 179,043,952   | 41,887                    | 29,566,301   | 1,239,111 | 208,610,253   |
| <b>September:</b>                |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 733,690                           | 88,160,535    | 40,879                    | 27,712,638   | 774,569   | 115,873,173   |
| Other Federal Reserve Banks..... | 48,543                            | 44,999,100    | .....                     | .....        | 48,543    | 44,999,100    |
| Total.....                       | 782,233                           | 133,159,635   | 40,879                    | 27,712,638   | 823,112   | 160,872,273   |
| <b>October:</b>                  |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 791,203                           | 102,688,132   | 56,020                    | 35,897,946   | 847,223   | 138,586,078   |
| Other Federal Reserve Banks..... | 58,870                            | 60,615,197    | .....                     | .....        | 58,870    | 60,615,197    |
| Total.....                       | 850,073                           | 163,303,329   | 56,020                    | 35,897,946   | 906,093   | 199,201,275   |
| <b>November:</b>                 |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 773,984                           | 104,927,606   | 59,862                    | 35,642,472   | 833,846   | 140,570,078   |
| Other Federal Reserve Banks..... | 69,718                            | 74,410,506    | .....                     | .....        | 69,718    | 74,410,506    |
| Total.....                       | 843,702                           | 179,338,112   | 59,862                    | 35,642,472   | 903,564   | 214,980,584   |
| <b>December:</b>                 |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 817,258                           | 104,106,865   | 75,334                    | 37,306,389   | 892,592   | 141,413,254   |
| Other Federal Reserve Banks..... | 83,273                            | 77,706,585    | .....                     | .....        | 83,273    | 77,706,585    |
| Total.....                       | 900,531                           | 181,813,450   | 75,334                    | 37,306,389   | 975,865   | 219,119,839   |
| <b>Total:</b>                    |                                   |               |                           |              |           |               |
| Members District No. 1.....      | 4,273,385                         | 528,628,066   | 273,982                   | 166,125,746  | 4,547,367 | 694,753,812   |
| Other Federal Reserve Banks..... | 300,378                           | 308,030,412   | .....                     | .....        | 300,378   | 308,030,412   |
| Total.....                       | 4,573,763                         | 836,658,478   | 273,982                   | 166,125,746  | 4,847,745 | 1,002,784,224 |

This schedule does not include Government checks shown in schedule 14.

SCHEDULE 22.—Gold Settlement Fund operations, Jan. 1, 1916, to Dec. 31, 1916.

|                    | Amount received in settlement of accounts due from other Federal Reserve Banks. | Amount paid in settlement of accounts due to other Federal Reserve Banks. | Net gain.    | Net loss.   |
|--------------------|---|---|--------------|-------------|
| New York.....      | \$227,904,000   | \$197,825,000   | \$30,079,000 | .....       |
| Philadelphia.....  | 146,203,000   | 97,118,000  | 49,085,000   | .....       |
| Cleveland.....     | 15,289,000  | 11,288,000  | 4,001,000    | .....       |
| Richmond.....      | 10,185,000  | 16,878,000  | .....        | \$6,693,000 |
| Atlanta.....       | 6,466,000   | 10,548,000  | .....        | 4,082,000   |
| Chicago.....       | 61,901,000  | 96,796,000  | .....        | 34,895,000  |
| St. Louis.....     | 16,369,000  | 25,069,000  | .....        | 8,700,000   |
| Minneapolis.....   | 4,840,000   | 8,655,000   | .....        | 3,815,000   |
| Kansas City.....   | 3,400,000   | 15,510,000  | .....        | 12,110,000  |
| Dallas.....        | 1,526,000   | 3,357,000   | .....        | 1,831,000   |
| San Francisco..... | 3,098,000   | 1,385,000   | 1,713,000    | .....       |
| Total.....         | 497,181,000   | 484,429,000   | 84,878,000   | 72,126,000  |
| Gain.....          | .....   | 12,752,000  | .....        | 12,752,000  |

SCHEDULE 22.—*Gold Settlement Fund operations, Jan. 1, 1916, to Dec. 31, 1916—Con.*

## TOTAL EXCHANGE THROUGH GOLD SETTLEMENT FUND BY MONTHS.

|                | Amount received. | Amount paid. |
|----------------|------------------|--------------|
| 1916:          |                  |              |
| January.....   | \$18,914,000     | \$20,816,000 |
| February.....  | 22,207,000       | 24,326,000   |
| March.....     | 31,708,000       | 31,427,000   |
| April.....     | 27,892,000       | 22,893,000   |
| May.....       | 30,720,600       | 28,843,000   |
| June.....      | 38,381,000       | 35,935,000   |
| July.....      | 36,019,000       | 31,229,000   |
| August.....    | 38,513,000       | 35,879,000   |
| September..... | 39,940,000       | 39,966,000   |
| October.....   | 57,416,000       | 54,909,000   |
| November.....  | 95,417,000       | 96,208,000   |
| December.....  | 60,054,000       | 61,998,000   |
| Total.....     | 497,181,000      | 484,429,000  |

SCHEDULE 23.—*Money rates in Boston, 1916.*

|                       | Jan.  | Feb. | Mar.  | Apr. | May.  | June. | July. | Aug.  | Sept. | Oct.  | Nov.  | Dec.  |
|-----------------------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| Call money.....       | 3     | 3    | 3     | 3    | 3     | 3-31  | 3-4   | 3     | 3     | 3     | 3-4½  | 4-6   |
| Commercial paper..... | 3-4   | 3-3½ | 3½-4  | 3½-4 | 3½-3½ | 3½-1½ | 4-4½  | 4-4½  | 3½-4½ | 3½-4½ | 3½-4½ | 3½-5  |
| Year money.....       | 4-4½  | 4-4½ | 4-4½  | 4-4½ | 4-4½  | 4½-1½ | 4½    | 4-4½  | 4½-1½ | 4-1½  | 4½-4½ | 4½-1½ |
| Acceptances.....      | 2-3   | 2-3  | 2-3   | 2-3  | 2-3   | 2-3   | 2½-3  | 2½-3  | 2½-2½ | 2½-2½ | 2½-2½ | 2½-3½ |
| Town notes.....       | 1½-2½ | 2½   | 2½-2½ | 2½-3 | 2½-2½ | 2½-3½ | 3½-3½ | 3½-3½ | 2½-3  | 2½-3½ | 2½-3½ | 3-3½  |

SCHEDULE 24.—*Classification by maturities of investments (exclusive of United States securities) at close of business Dec. 31, 1916.*

|                                    | 10 days.       | 30 days.     | 60 days.     | 90 days.     | Over 90 days. | Total.         |
|------------------------------------|----------------|--------------|--------------|--------------|---------------|----------------|
| Bills discounted, members.....     | \$1,977,417.33 | \$786,840.60 | \$61,818.65  | \$34,509.00  |               | \$2,860,576.58 |
| Trade acceptances discounted.....  | 25,694.53      | 76,221.88    | 257,822.29   |              |               | 359,738.70     |
| Member bank collateral notes.....  | 525,000.00     |              |              |              |               | 525,000.00     |
| Foreign bankers' acceptances.....  | 488,600.10     | 1,443,820.75 | 5,552,499.82 | 2,135,736.88 |               | 9,620,657.64   |
| Domestic bankers' acceptances..... | 255,481.93     | 503,573.22   | 1,224,724.83 | 1,118,730.19 |               | 3,104,510.17   |
| Warrants.....                      | 74,087.50      | 186,509.00   | 265,179.88   | 195,343.90   | \$170,900.00  | 890,022.28     |
| Total.....                         | 3,346,281.48   | 2,998,956.45 | 7,362,036.42 | 3,482,310.97 | 170,900.00    | 17,360,485.32  |

## DISTRICT NO. 2—NEW YORK.

PIERRE JAY, Chairman and Federal Reserve Agent.

### RESULTS OF OPERATION.

#### (1) BALANCE SHEET.

The following is a statement comparing the condition of the Federal Reserve Bank of New York on December 31, 1915, and December 30, 1916, and showing the increase and decrease in the various items of resources and liabilities.

|   | Dec. 30, 1916.        | Dec. 31, 1915.        | Increase.            | Decrease.           |
|---|-----------------------|-----------------------|----------------------|---------------------|
| <b>RESOURCES.</b>                                   |                       |                       |                      |                     |
| <b>Earning assets:</b>                              |                       |                       |                      |                     |
| Bills discounted for member banks.....              | \$7,071,158.55        | \$236,472.08          | \$6,834,686.47       | .....               |
| Acceptances purchased.....                          | 41,457,184.04         | 9,546,011.06          | 31,911,172.98        | .....               |
| Municipal warrants.....                             | 972,311.62            | 1,198,585.98          | .....                | \$226,274.36        |
| United States bonds.....                            | 1,042,550.00          | .....                 | 1,042,550.00         | .....               |
| United States one-year Treasury notes.....          | 1,205,000.00          | .....                 | 1,205,000.00         | .....               |
| <b>Total.....</b>                                   | <b>51,748,204.21</b>  | <b>10,981,969.12</b>  | <b>40,993,409.45</b> | <b>226,274.36</b>   |
| <b>Reserve cash:</b>                                |                       |                       |                      |                     |
| Gold coin and certificates.....                     | 159,321,257.50        | 169,073,827.50        | .....                | 9,752,570.00        |
| Gold settlement fund.....                           | 20,570,000.00         | 5,717,000.00          | 14,853,000.00        | .....               |
| Gold redemption fund for Federal Reserve notes..... | 250,000.00            | 55,000.00             | 195,000.00           | .....               |
| Legal tender notes.....                             | 11,188,200.00         | 5,691,765.00          | 5,496,435.00         | .....               |
| Silver certificates and coin.....                   | 4,077,274.80          | 284,322.40            | 3,792,952.40         | .....               |
| <b>Total.....</b>                                   | <b>195,406,732.30</b> | <b>180,821,914.90</b> | <b>24,337,387.40</b> | <b>9,752,570.00</b> |
| <b>Other resources:</b>                             |                       |                       |                      |                     |
| Federal reserve notes and other cash on hand.....   | 13,865,897.46         | 16,180,530.94         | .....                | 2,314,633.48        |
| Items in process of collection.....                 | 23,077,418.64         | .....                 | 23,077,418.64        | .....               |
| Exchanges for clearing house and cash items.....    | 2,503,168.21          | 987,566.35            | 1,515,601.86         | .....               |
| Interest accrued on United States bonds.....        | 12,501.88             | 8,147.92              | 4,353.96             | .....               |
| Cost of unissued Federal Reserve notes.....         | 235,598.86            | 232,036.79            | 3,512.07             | .....               |
| Expense of organization.....                        | .....                 | 122,335.01            | .....                | 122,335.01          |
| Furniture and equipment.....                        | .....                 | 26,980.36             | .....                | 26,980.36           |
| Expenses paid in advance, etc.....                  | 8,753.52              | 6,312.18              | 2,441.34             | .....               |
| <b>Total.....</b>                                   | <b>39,703,338.57</b>  | <b>17,563,959.55</b>  | <b>24,603,327.87</b> | <b>2,463,948.85</b> |
| <b>Total resources.....</b>                         | <b>286,858,275.08</b> | <b>209,366,943.57</b> | <b>77,491,331.51</b> | .....               |
| <b>LIABILITIES.</b>                                 |                       |                       |                      |                     |
| <b>Capital fund:</b>                                |                       |                       |                      |                     |
| Capital paid in.....                                | 11,865,750.00         | 11,063,150.00         | 802,600.00           | .....               |
| Profit and loss.....                                | 163,063.98            | <sup>2</sup> 111.22   | 163,175.20           | .....               |
| <b>Total.....</b>                                   | <b>12,028,813.98</b>  | <b>11,063,038.78</b>  | <b>965,775.20</b>    | .....               |
| <b>Deposits:</b>                                    |                       |                       |                      |                     |
| Due to United States Government.....                | 3,571,391.94          | .....                 | 3,571,391.94         | .....               |
| Due to member banks, reserve balances.....          | 237,907,354.87        | 179,404,501.65        | 58,502,853.22        | .....               |
| Due to member banks, uncollected funds.....         | 18,552,984.84         | .....                 | 18,552,984.84        | .....               |
| Due to other Federal Reserve Banks—                 |                       |                       |                      |                     |
| Collected funds, net.....                           | 12,373,721.91         | 17,886,055.54         | .....                | 5,512,333.63        |
| Uncollected funds.....                              | 2,085,975.49          | .....                 | 2,085,975.49         | .....               |
| Cashier's checks outstanding.....                   | 188,275.81            | 841,219.44            | .....                | 652,943.63          |
| <b>Total.....</b>                                   | <b>274,679,704.86</b> | <b>198,131,776.63</b> | <b>82,713,205.49</b> | <b>6,165,277.26</b> |

<sup>1</sup> Net.

<sup>2</sup> Deficit.

|   | Dec. 30, 1916. | Dec. 31, 1915. | Increase.     | Decrease.    |
|---|----------------|----------------|---------------|--------------|
| LIABILITIES—continued.                        |                |                |               |              |
| Other liabilities:                            |                |                |               |              |
| Liability on Federal Reserve notes.....       |                | \$140,000.00   |               | \$140,000.00 |
| Unearned discount.....                        | \$140,246.60   | 31,520.01      |               |              |
| Sundry reserves.....                          | 9,509.64       | 608.15         | \$117,628.08  |              |
| Total.....                                    | 149,756.24     | 172,128.16     | 117,628.08    | 140,000.00   |
| Total liabilities.....                        | 286,858,275.08 | 209,366,943.57 | 77,491,331.51 |              |
| FEDERAL RESERVE AGENT.                        |                |                |               |              |
| Resources: Gold to reduce note liability..... | 107,093,765.00 | 89,440,000.00  | 18,563,765.00 |              |
| Liabilities: Notes outstanding.....           | 107,093,765.00 | 89,440,000.00  | 18,563,765.00 |              |

<sup>1</sup> Net.

The most noticeable features of the statement are the increase in the investments, principally acceptances purchased, and the increase in the member bank deposits, due partly to expansion of their own deposits and partly to the excess balances which some of them maintain.

## (2) INCOME AND EXPENSES.

The following statement shows the income and expenses of the bank for the years 1915 and 1916:

|  | 1916        | 1915        |
|--|-------------|-------------|
| INCOME.  |             |             |
| Bills discounted for members.....                                      | \$37,368.26 | \$36,840.98 |
| Acceptances bought.....  | 530,483.75  | 97,054.10   |
| United States securities.....  | 81,644.49   |             |
| Municipal warrants.....  | 214,122.13  | 191,868.68  |
| Profit realized on United States bonds.....                            | 43,515.01   |             |
| Commissions received.....  | 42,387.09   | 9,437.72    |
| Service charges.....   | 32,959.90   |             |
| Sundry profits.....  | 1,128.59    | 9,833.85    |
| Excess of expense over income, carried to profit and loss.....         |             | 111.22      |
| Total.....   | 983,609.22  | 345,146.55  |
| EXPENSE.   |             |             |
| Directors' fees, outside conferences and Federal Advisory Council..... | 10,764.51   | 18,240.72   |
| Salaries.....  | 215,307.83  | 154,043.05  |
| Rent.....  | 45,810.04   | 42,749.95   |
| General expenses.....  | 151,200.36  | 44,472.23   |
| Cost of Federal Reserve notes used.....                                | 95,240.00   | 63,800.00   |
| Assessment for expenses of Federal Reserve Board.....                  | 39,029.38   | 21,840.60   |
| Total.....   | 557,352.12  | 345,146.55  |
| Net earnings.....  | 426,257.10  |             |
| Charged off, Dec. 30, 1916:  |             |             |
| Organization expense.....  | \$72,289.96 |             |
| Furniture and equipment.....   | 63,442.17   |             |
| Sundry.....  | 347.98      |             |
| Dividend paid.....   | 127,113.01  |             |
|  | 263,193.12  |             |
| Amount carried over to profit and loss.....                            | 163,063.98  |             |

The principal increase is due to the income from acceptances purchased. The item "Commissions received" represents, principally the allowance made by other Federal Reserve Banks to this bank for,

purchasing and caring for investments made for their account in the New York market. The item "Service charges" represents the aggregate of charges, at 1 cent per item, made to member banks depositing checks with this bank for collection. Both of these items are, in their nature, deductions from the expenses of the bank rather than credits to income, but it has seemed clearer to show them among the items of income.

The increase in the salary item arises from the increase of the staff, due partly to the general development of the business of the bank and partly to the growth of the collection system. The general expense item for 1916 includes \$58,751.15, charged to general expenses in monthly installments during the year, representing the amortization of the organization expenses and furniture and equipment; \$12,937.70 representing the cost of redeeming Federal Reserve notes, and \$12,582.92, representing service charges paid other Federal Reserve Banks for items sent them for collection, no similar items having been included in general expenses for 1915.

At the close of the year, in connection with the payment of the first installment of the accrued dividends, the entire balance in the organization expense and the furniture and equipment accounts, aggregating \$135,732.13, was charged off and a balance of \$163,063.98 was carried forward to profit and loss. The only item of a nonliquidating character now carried in the balance sheet is the amount of \$235,598.86 representing the cost of unissued Federal Reserve notes. The cost of printing Federal Reserve notes and maintaining a large supply of them in New York and Washington is charged to this account, and whenever any are issued to this bank for use the account is credited with the proportionate cost.

On December 15 the directors declared a dividend at the rate of 6 per cent per annum from November 2, 1914, to March 31, 1915, aggregating \$127,113.01, which was credited to the member banks on December 30, 1916.

### (3) RESERVE POSITION.

The following table shows the reserve position of the bank at the close of business each month during the year:

| 1916.         | Net deposits.    | Total reserve.   | Legal tender notes. | Silver and silver certificates. | Gold and gold certificates. | Gold with Federal Reserve Agent. |
|---------------|------------------|------------------|---------------------|---------------------------------|-----------------------------|----------------------------------|
| Jan. 31.....  | \$208,798,935.54 | \$176,166,295.25 | \$3,050,435         | \$2,546,060.25                  | \$170,569,800.00            | \$94,240,000                     |
| Feb. 29.....  | 209,818,946.99   | 178,143,417.00   | 5,034,685           | 284,947.00                      | 172,823,785.00              | 77,634,700                       |
| Mar. 31.....  | 207,446,502.45   | 170,140,997.90   | 1,741,047           | 113,658.40                      | 168,286,292.50              | 75,125,400                       |
| Apr. 29.....  | 192,610,702.28   | 156,189,343.35   | 1,840,765           | 3,995,545.85                    | 150,353,032.50              | 70,791,200                       |
| May 31.....   | 215,138,290.18   | 167,565,327.30   | 13,079,355          | 5,961,134.80                    | 148,504,837.50              | 74,390,200                       |
| June 30.....  | 218,614,623.88   | 181,180,118.30   | 9,639,020           | 10,972,688.30                   | 161,568,410.00              | 69,473,500                       |
| July 31.....  | 217,325,003.36   | 175,842,078.15   | 5,574,565           | 8,913,683.15                    | 161,353,830.00              | 66,041,200                       |
| Aug. 31.....  | 207,995,176.68   | 165,664,667.10   | 1,767,645           | 3,778,552.10                    | 160,118,470.00              | 68,995,800                       |
| Sept. 30..... | 210,134,122.36   | 174,708,731.55   | 2,258,605           | 725,669.05                      | 171,724,457.50              | 78,413,600                       |
| Oct. 31.....  | 228,771,932.10   | 191,848,674.70   | 1,837,510           | 566,729.15                      | 189,444,435.55              | 84,230,815                       |
| Nov. 30.....  | 203,290,119.62   | 165,764,526.80   | 2,973,380           | 1,084,437.40                    | 161,706,709.40              | 90,733,015                       |
| Dec. 31.....  | 249,099,118.01   | 195,406,732.30   | 11,188,200          | 4,077,274.80                    | 180,141,257.50              | 107,003,765                      |



## (4) DISCOUNT RATES.

The discount rates established by the Federal Reserve Bank of New York during the year and the rates at which acceptances were purchased in the open market have been as follows:

| Month.         | Discount rates for various maturities. |   |                           |                           |                           |                           | Rates at which acceptances were purchased in the open market. |                                  |   |
|----------------|--|---|---------------------------|---------------------------|---------------------------|---------------------------|---|----------------------------------|---|
|                | 10 days or less.                       | 15 days or less (including collateral loans). | 11 to 30 days, inclusive. | 16 to 30 days, inclusive. | 31 to 60 days, inclusive. | 61 to 90 days, inclusive. | Agricultural paper. 91 days to 6 months.                      | Bankers' acceptances.            | Indorsed trade bills of foreign origin. |
| January.....   | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                |   |
| February.....  | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$                         |
| March.....     | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| April.....     | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| May.....       | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| June.....      | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| July.....      | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2-2 $\frac{1}{2}$                | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| August.....    | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| September..... | 3                                      |   | 4                         |                           | 4                         | 4                         | 5   | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$        |
| October.....   |  | 3   |                           | 4                         | 4                         | 4                         | 5   | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | 2 $\frac{1}{2}$ -3                      |
| November.....  |  | 3   |                           | 4                         | 4                         | 4                         | 5   | 2 $\frac{1}{2}$ -2 $\frac{3}{4}$ | 2 $\frac{1}{2}$ -3                      |
| December.....  |  | 3   |                           | 4                         | 4                         | 4                         | 5   | 2 $\frac{1}{2}$ -3 $\frac{1}{4}$ | 3-3 $\frac{1}{4}$                       |

January to September, trade acceptances, 11 to 90 days, 3 $\frac{1}{2}$  per cent. October to December, trade acceptances, 16 to 90 days, 3 $\frac{1}{2}$  per cent.

The established discount rates, until the last few weeks of the year, were above the market rates for commercial paper. In accordance with the policy referred to in the last annual report and during the present period of abundant bank reserves this bank has continued to maintain its discount rates somewhat higher than the level of current rates for commercial paper in order not to stimulate the use of its resources. In periods of ease of money it is not to be expected that member banks will rediscount with this bank, but during the rise in money which occurred in December, 1916, when rates for commercial paper rose somewhat above the level of the established discount rates of this bank member banks did not hesitate to rediscount freely.

During the first half of the year the purchases of bankers' acceptances in the open market in increasing volume by Federal Reserve Banks undoubtedly had the effect of keeping the market rate for such acceptances slightly below the level it would otherwise have maintained. One of the purposes of the Federal Reserve Banks in purchasing acceptances at rather low rates was to stimulate the drawing of "dollar bills" in foreign countries. While this gave the holder of such bills a very profitable market in which to sell them, it tended, on the other hand, to keep that market rather limited and to discourage many possible purchasers from entering it. During the late autumn the rates at which Federal Reserve Banks purchased bills

gradually rose and a freer market developed, attracting the funds of many institutions throughout the country which had hitherto refrained from purchasing acceptances.

## (5) MATURITIES.

The following statement shows the maturities of investments, other than United States securities, held by the Federal Reserve Bank of New York December 30, 1916:

|                         | Bills dis-<br>counted. | Warrants.   | Acceptances.   | Totals.        |
|-------------------------|------------------------|-------------|----------------|----------------|
| Within 10 days.....     | \$566,258.63           |             | \$7,142,789.23 | \$7,709,047.86 |
| 11 to 30 days.....      | 5,397,785.01           | \$76,516.74 | 11,211,476.10  | 16,685,777.85  |
| 31 to 60 days.....      | 1,012,548.41           | 365,512.50  | 12,770,380.96  | 14,148,441.87  |
| 61 to 90 days.....      | 94,566.50              | 334,943.46  | 10,332,537.75  | 10,762,047.71  |
| 91 days (6 months)..... |                        | 195,338.92  |                | 195,338.92     |
| Total.....              | 7,071,158.55           | 972,311.62  | 41,457,184.04  | 49,500,654.21  |

**INVESTMENTS OF THE FEDERAL RESERVE BANK OF NEW YORK  
DURING 1916.**

## (1) MEMBER BANK REDISCOUNTS AND ADVANCES.

Since January 1, 1916, 302 applications for rediscounts or advances aggregating \$22,501,332.41 have been received from 62 member banks, of which 16 were located in New York City and 46 elsewhere in the district.

A recent amendment to the Federal Reserve Act permits a member bank to borrow for not exceeding 15 days from a Federal Reserve Bank on its own note secured by eligible paper or United States bonds. Member banks are thus enabled to borrow for short periods on the security of paper having not more than 90 days to run and without the accounting labor either to them or to the Reserve Bank of recording and computing interest on large numbers of small notes. The total amount advanced by the bank in this manner during the year was \$7,939,400 out of a total of \$22,329,581.81 borrowed by member banks. The total amount of trade acceptances discounted was \$166,564.16.

During the period of unsettlement which prevailed in the stock and money markets during the latter part of December several of the large New York City banks made use of the rediscount facilities of this bank for the first time. The amount thus rediscounted for or advanced to New York City banks during the month of December was \$15,621,973.

The district is distinctly a creditor district, and its banks are lenders rather than borrowers of money. On June 30, 1916, the total amount borrowed by our member banks from all sources was

\$4,909,000 against total member bank borrowings for the entire country on the same date of \$69,067,000.

The following is a statement of discounts for and advances to member banks, by months, during 1916 as compared with similar transactions during 1915:

| Month.         | 1916             |               | 1915             |                |
|----------------|------------------|---------------|------------------|----------------|
|                | Number of items. | Amount.       | Number of items. | Amount.        |
| January.....   | 117              | \$125,655.65  | 139              | \$1,642,303.85 |
| February.....  | 73               | 98,304.35     | 184              | 1,046,307.55   |
| March.....     | 249              | 304,638.35    | 167              | 190,652.27     |
| April.....     | 149              | 149,950.15    | 241              | 216,449.17     |
| May.....       | 307              | 191,290.38    | 207              | 235,957.67     |
| June.....      | 325              | 348,405.34    | 426              | 289,518.48     |
| July.....      | 116              | 235,494.37    | 259              | 333,949.18     |
| August.....    | 241              | 536,851.00    | 124              | 157,026.34     |
| September..... | 105              | 560,583.29    | 211              | 286,208.77     |
| October.....   | 177              | 1,035,118.65  | 107              | 137,183.62     |
| November.....  | 79               | 715,293.90    | 64               | 152,330.23     |
| December.....  | 567              | 17,977,996.38 | 132              | 131,661.74     |
| Total.....     | 2,505            | 22,329,581.81 | 2,261            | 4,819,548.87   |

The following figures show certain data concerning the rediscount operations during 1915 and 1916:

|  | 1916            | 1915            |
|--|-----------------|-----------------|
| Number of applications received.....                                 | 302             | 277             |
| Amount of applications received.....                                 | \$22,501,332.41 | \$11,384,037.63 |
| Amount of applications accepted and discounted or advanced upon..... | \$22,329,581.81 | \$9,668,632.41  |
| Largest application.....   | \$3,877,000.00  | \$2,182,500.00  |
| Smallest application.....  | \$450.00        | \$1,015.00      |
| Number of pieces of paper discounted.....                            | 2,502           | 2,676           |
| Largest piece of paper discounted.....                               | \$1,000,000.00  | \$300,000.00    |
| Smallest piece of paper discounted.....                              | \$18.00         | \$20.20         |
| Average size of notes discounted.....                                | \$8,914.01      | \$3,613.09      |
| Number of banks rediscounting.....                                   | 62              | 49              |

## (2) BANKERS' ACCEPTANCES AND THE DISCOUNT MARKET.

This year has witnessed a remarkable increase in the volume of business financed in this country under bankers' acceptance credits, or "dollar credits" as they are called both at home and abroad.

The following is a statement gathered from reports made to public officials in the months of March, September, and November, 1916, showing the amount of acceptance liabilities of national banks in district No. 2 and trust companies and State banks in the State of New York:

|                      | March.       | September.   | November.    |
|----------------------|--------------|--------------|--------------|
| National banks.....  | \$21,361,952 | \$44,300,877 | \$54,445,056 |
| Trust companies..... | 55,374,903   | 68,588,558   | 88,733,874   |
| State banks.....     | 2,301,970    | 2,787,995    | 4,254,738    |
| Total.....           | 79,238,825   | 115,677,430  | 147,433,668  |

As originally passed, the Act permitted national banks to accept only bills arising out of transactions involving the importation or exportation of goods, but under the amendment of September 7, 1916, national banks may now accept bills covering domestic shipments or secured by the pledge of readily marketable goods in storage. The immediate effect of this amendment was to cause a substantial volume of staple commodities, such as cotton, grain, and metals, to be carried or shipped within the United States under bank acceptances instead of under direct bank loans, with beneficial results to the producers, merchants, and manufacturers affected owing to their ability to draw their supply of funds from wider markets and sometimes at lower rates than before.

The permission granted by the same amendment to member banks to accept bills for the purpose of furnishing "dollar exchange" in certain countries where trade usages require it is already beginning to be availed of.

Some progress has been made during the year in the development of a discount market. Responsible banking and brokerage houses have become dealers and specialists in bankers' acceptances, purchasing them at wholesale as they are accepted and offered in this country, quoting rates by cable to foreign countries where they originate as bills of exchange, and contracting for their purchase upon arrival here. This is giving an increasing currency and stability to the "dollar" bill in foreign markets.

The demand for such bills during the year from banks and other investors requiring liquid assets of short maturity has generally exceeded the supply and has tended to keep the rates for them well below those commanded by any other form of commercial credit instrument. The ease with which they were negotiated at stable rates during periods when other money rates rose abruptly demonstrated in a convincing way their desirability as prime and liquid banking assets, which has long been recognized in other countries.

The liberal purchase of bankers' acceptances by the reserve banks has undoubtedly added stability to the open market and aided its development.

The number of makers as well as of buyers of bankers' acceptances increased substantially during the year. During the latter half of the year the somewhat higher discount rates which prevailed for bankers' acceptances induced many banks outside of the larger cities, including a number of banks in western and southern points, to make investments in them and added in an encouraging manner to the breadth of the discount market. Among those undertaking the granting of acceptance credits were a number of private bankers, most of whom have cooperated and established relations with the Federal Reserve Bank of New York by giving its officers such state-

ments of condition as the regulations of the Federal Reserve Board require to make their acceptances eligible for purchase by Federal Reserve Banks. During the year also several of the foreign-trade banks of other countries having branches in New York City have likewise filed statements of condition with this bank in order that this bank might be in a position to purchase trade bills on American firms indorsed by them.

The volume of American acceptances current at the close of 1916, including those of nonmember banks and private bankers, and trade bills of foreign origin drawn on American firms and indorsed by banks, is estimated to be about \$250,000,000.

During the year the Federal Reserve Bank of New York has followed the same policy in purchasing acceptances as during the previous year. The acceptances of nonmember banks and of private bankers have been purchased as freely as those of member banks, although the rate on the latter has been slightly more favorable. In order to encourage the indorsement of bills a slight differential has also been made in favor of bills indorsed by prime banks or bankers.

The monthly purchases of acceptances and indorsed trade bills by this bank for itself and other Federal Reserve Banks have been as follows:

*Acceptances purchased.*

| Month.   | For account of Federal Reserve Bank of New York. |                       | For account of other Federal Reserve Banks. |                       |
|--|--|-----------------------|---|-----------------------|
|  | Number of items.                                 | Amount.               | Number of items.                            | Amount.               |
| January .....                                  | 321  | \$3,952,829.10        | 163   | \$1,748,101.40        |
| February .....                                 | 318  | 5,332,262.69          | 308   | 4,132,336.01          |
| March .....                                    | 422  | 8,360,862.35          | 441   | 5,902,385.17          |
| April .....                                    | 375  | 6,315,912.77          | 186   | 4,506,359.68          |
| May .....                                      | 248  | 5,310,107.67          | 565   | 9,448,715.52          |
| June .....                                     | 821  | 15,676,835.43         | 1,287                                       | 18,302,523.60         |
| July .....                                     | 617  | 13,645,319.31         | 976   | 10,413,591.87         |
| August .....                                   | 241  | 8,352,138.82          | 776   | 11,727,725.41         |
| September .....                                | 391  | 8,218,059.57          | 967   | 13,586,894.24         |
| October .....                                  | 673  | 13,600,297.20         | 1,042                                       | 15,145,972.77         |
| November .....                                 | 844  | 17,982,141.64         | 919   | 14,192,741.94         |
| December .....                                 | 1,025  | 16,659,784.94         | 1,032                                       | 17,380,591.85         |
| <b>Total .....</b>                             | <b>6,295</b>                                     | <b>123,405,549.59</b> | <b>8,667</b>                                | <b>126,487,939.46</b> |
| CLASSIFICATION.                                |  |                       |   |                       |
| <b>Import and export .....</b>                 |  | <b>112,664,618.27</b> |   | <b>121,536,653.33</b> |
| Domestic .....                                 |  | 6,187,112.43          |   | 1,362,255.07          |
| Indorsed trade bills of foreign origin .....   |  | 4,026,813.89          |   | 3,589,001.06          |
| Bills drawn to furnish "Dollar exchange" ..... |  | 230,000.00            |   |                       |
| <b>Total .....</b>                             |  | <b>123,406,549.59</b> |   | <b>126,487,939.46</b> |

(3) UNITED STATES BOND OPERATIONS.

During the year this bank has purchased from member banks and in the open market \$7,818,750 of United States 2 per cent bonds bearing the circulation privilege, of which it has converted \$6,476,200, its full

quota under the provisions of law and the rulings of the Secretary of the Treasury and the Federal Reserve Board, into \$3,239,200 30-year 3 per cent "conversion bonds" and \$3,237,000 1-year 3 per cent gold notes of the United States.

The 30-year 3 per cent conversion bonds have no circulation privilege, but are accepted as security for deposits of public moneys.

Believing that it was one of the purposes of the Act to refund the United States 2 per cent bonds by issues, devoid of special features attractive only to banks, which would find a market among investors desiring a bond of the highest security and at the same time exempt from both personal and income taxes, this bank has sold in the open market a portion of its holdings of both classes of bonds. The bonds have been taken largely by private investors and have not come again in the market, indicating a steady demand for the issues.

The outstanding national-bank notes decreased from \$746,679,970 on December 31, 1915, to \$708,817,446 on December 30, 1916, largely through the purchase of United States 2 per cent bonds by Federal Reserve Banks.

Details of transactions in United States bonds will be found in the appendix.

#### (4) MUNICIPAL WARRANTS.

During the year the monthly purchases of warrants by this bank for itself and other Federal Reserve Banks have been as follows:

| Month.        | For account of Federal Reserve Bank of New York. | For account of other Federal Reserve Banks. | Month.         | For account of Federal Reserve Bank of New York. | For account of other Federal Reserve Banks. |
|---------------|--|---|----------------|--|---|
| January.....  | \$6,110,000                                      | \$1,115,000                                 | August.....    | \$112,500  | .....                                       |
| February..... | 5,530,000  | 6,990,000                                   | September..... | 1,202,000  | \$313,000                                   |
| March.....    | 1,536,000  | 4,030,000                                   | October.....   | 3,560,000  | 4,650,000                                   |
| April.....    | 5,797,500  | 293,000                                     | November.....  | 4,971,500  | 365,000                                     |
| May.....      | 1,532,000  | 2,800,000                                   | December.....  | 1,925,000  | 1,300,000                                   |
| June.....     | 2,068,000  | 2,947,000                                   | Total.....     | 36,328,000                                       | 26,199,000                                  |
| July.....     | 1,983,500  | 1,396,000                                   |                |  |   |

Average rate for year, 2.46+.

The rates have ranged from  $2\frac{1}{4}$  per cent to  $3\frac{1}{2}$  per cent, according to the state of the market, the maturities, and the credit of the issuing municipality.

The requirements of eligibility for purchase by reserve banks have become better understood both by municipalities issuing warrants and by dealers, with the result that of those offered fewer have to be declined on account of technical defects, and more standard forms of instruments are now being issued.

While the larger municipalities have quite generally availed of the wider market thus created for eligible warrants, the smaller ones have

not done so, and member banks located in the smaller municipalities have seldom offered their local warrants, which would be eligible for purchase if indorsed by them.

#### FEDERAL RESERVE NOTE ISSUES.

During the year the policy of issuing Federal Reserve notes in exchange for gold, through the medium of commercial paper as provided in the Act, has been followed consistently. The net amount of Federal Reserve notes of this bank in circulation increased from \$73,300,720 at the beginning of the year to \$93,426,100 at the end, a gain of \$20,125,380 during the year. On July 31 the net amount in circulation had declined to \$54,210,745 owing to seasonal redemptions.

The Federal Reserve note has been used not to increase the circulating medium, which seems already to be adjusted in volume to our periods of maximum demand under normal conditions, but as a means of steadily accumulating gold. In this respect the bank has followed the practice of the note-issuing banks of other countries which are authorized to issue currency against less than 100 per cent of metallic cover. Through the medium of notes the gross gold accumulated at the close of 1916 by this bank and held by the Federal Reserve Agent, was \$107,003,765, and by the system as a whole \$282,523,000, none of which appears in the balance sheets of Federal Reserve Banks. The ability of this bank and of the system to supply demands for gold are greater by 60 per cent of these respective amounts than they would be had no notes been put in circulation. While the policy of accumulating gold through the issuing of notes has been misunderstood and even criticized in some quarters, it has had the hearty approval of the member banks, and, with some exceptions, of the financial and general press.

In order to facilitate the accumulation of gold and to place member banks not in New York City on a basis of equality with the New York City banks with respect to the use of Federal Reserve notes, this bank has offered to pay to the country member banks the cost of shipping gold to it and the cost of shipping Federal Reserve notes to them in return. Through their cooperation a substantial volume of gold has been thus accumulated.

During the year there has been no change in the policy adopted by this bank of keeping on reserve in New York and Washington a very large supply of unissued Federal Reserve notes sufficient in its opinion to meet any possible demands upon it for currency, based upon past experience.

The redemption of Federal Reserve notes unfit for circulation has begun and \$54,509,235 of notes have been thus retired. Whenever practicable soiled notes are laundered and placed again in circulation. The cost of printing the notes has been slightly increased during the

year, and is now on the basis of \$10.58 per thousand bills, irrespective of the denominations.

In the latter part of the year the demand for notes has largely been for those of the denomination of \$5. It would greatly facilitate the use of Federal Reserve notes with the larger institutions if the Federal Reserve Banks were authorized to issue the notes in the form of certificates drawn to order in denominations of \$5,000 and \$10,000.

Further details of the transactions in and movements of Federal Reserve notes will be found in the appendix.

## COLLECTIONS AND CLEARINGS.

### (1) THE COLLECTION SYSTEM.

The voluntary intradistrict collection system which this bank inaugurated on June 1, 1915, was continued on the same basis until July 15, 1916. The first six months of the operation of this system, established on a basis of immediate debit and credit, demonstrated clearly that it was impossible on a voluntary basis to extend the system materially either within this district or across district lines, and, furthermore, that the immediate debit and credit basis was unsatisfactory to both the member banks and the Federal Reserve Bank of New York for the following reasons:

The member banks, having items charged to their accounts a day before the items could reach them, were always uncertain how their reserve account with this bank stood until the following day. This uncertainty required them either to keep large excess balances with this bank or expose their reserve accounts to impairment, even to being overdrawn. Nearly every day a large percentage of the accounts of the country members of the collection system was impaired, many of them to such an extent that they were actually overdrawn.

The Federal Reserve Bank of New York found its resources reduced by the impairment of these reserve balances and found itself compelled, against its express determination to the contrary, to purchase from its member banks their out-of-town checks, commonly called "float."

On May 1 the Federal Reserve Board issued a circular requiring each of the Federal Reserve Banks, under section 16 of the Federal Reserve Act, "to exercise the function of clearing houses for its member banks." Each Federal Reserve Bank was authorized to receive at par from its member banks checks drawn on all member banks, whether in its district or other districts, and checks drawn on all nonmember banks which could be collected at par. Immediate credit entry was to be given upon receipt for all items received, but the proceeds were not to be counted as reserve or to become available to meet checks drawn until actually collected. Checks so received



were to be forwarded direct to the member banks and charged to their accounts after sufficient time had elapsed within which to receive advice of payment. Member banks were required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of their Federal Reserve Bank, but were permitted to ship lawful money or Federal Reserve notes to provide such funds, when necessary, at the expense of their Federal Reserve Bank. The expense of conducting the collection department was to be assessed, on a per item basis, on the member banks using its facilities. Notice was given that penalties would be assessed for the impairment of the reserves of member banks with their Federal Reserve Banks.

In order to insure the presentation of checks by the most direct route to the banks on which they are drawn, the following restriction was adopted by the Federal Reserve Bank of New York:

To insure direct routing, this bank will not accept any item drawn on a bank located outside this district when such item bears the indorsement of a bank located outside of this district.

This restriction has prevented banks outside of district No. 2 from sending items drawn upon banks in other districts to New York City for the purpose of making New York exchange.

Each Federal Reserve Bank adopted a schedule showing the number of days which must elapse before the proceeds of items deposited with it would become available as reserve or to be drawn against. Each of these schedules covers the entire country and is based upon the average time required for the Federal Reserve Bank to send items to its member banks and receive remittances from them plus the one-way mail time between Federal Reserve Banks. The schedule of the Federal Reserve Bank of New York will be found in the appendix.

The member banks in this district were advised by circular letter on June 6 concerning the operating details of the collection system which was put into operation on July 15. The immediate result was an increase in the number and amount of items handled. At the outset items were received from the New York City banks up to 1 o'clock. Early in November this hour was changed to 2 o'clock, and items of \$5,000 or over were received up to 3.30 p. m. This has resulted in increasing very largely the number as well as the amount of items, especially those drawn on banks in other Federal Reserve districts. In this district items drawn on 625 member banks and 313 nonmember banks are being accepted on December 31, 1916. No items are accepted which can not be collected at par. The service charge imposed by this bank since July 15 has been at the rate of 1 cent per item, covering the expense of conducting its collection department.

The transactions of the collection department during the year have been as follows:

[000's omitted under "Amount" column.]

|                              | Items on New<br>York clearing-<br>house banks. |           | Items on banks in<br>district No. 2. |          | Items on banks in<br>other Federal Re-<br>serve districts. |          | Items on other<br>Federal Reserve<br>Banks. |          |
|------------------------------|--|-----------|--------------------------------------|----------|--|----------|---|----------|
|                              | Number.  | Amount.   | Number.                              | Amount.  | Number.  | Amount.  | Number.                                     | Amount.  |
| <b>INTRADISTRICT SYSTEM.</b> |  |           |                                      |          |  |          |   |          |
| 1916.                        |  |           |                                      |          |  |          |   |          |
| January .....                | 45,187   | \$158,768 | 212,543                              | \$56,938 | 7,831  | \$26,550 | 802   | \$20,647 |
| February .....               | 40,803   | 165,229   | 201,775                              | 63,949   | 7,731  | 26,260   | 719   | 21,265   |
| March .....                  | 46,862   | 207,167   | 224,897                              | 64,453   | 9,117  | 27,931   | 702   | 20,751   |
| April .....                  | 44,671   | 179,643   | 234,900                              | 69,749   | 8,918  | 28,717   | 647   | 21,678   |
| May .....                    | 65,182   | 241,215   | 237,658                              | 77,298   | 9,354  | 31,834   | 601   | 23,414   |
| June .....                   | 91,455   | 271,818   | 252,336                              | 86,641   | 8,841  | 30,085   | 691   | 23,705   |
| July 1-15 .....              | 40,364   | 129,764   | 133,080                              | 38,264   | 4,471  | 15,945   | 352   | 15,436   |
| Total .....                  | 374,624  | 1,353,604 | 1,497,189                            | 446,392  | 56,263   | 187,322  | 4,514                                       | 146,896  |
| <b>COUNTRY-WIDE SYSTEM.</b>  |  |           |                                      |          |  |          |   |          |
| July 16-31 .....             | 46,615   | 119,920   | 190,149                              | 43,743   | 33,310   | 28,675   | 260   | 4,617    |
| August .....                 | 112,068  | 223,088   | 473,412                              | 77,330   | 193,902  | 68,740   | 470   | 6,339    |
| September .....              | 97,244   | 304,239   | 483,930                              | 90,866   | 234,865  | 99,688   | 337   | 4,605    |
| October .....                | 93,967   | 348,286   | 556,380                              | 109,369  | 311,652  | 123,302  | 402   | 4,020    |
| November .....               | 95,649   | 378,902   | 549,810                              | 109,326  | 340,788  | 152,138  | 484   | 3,047    |
| December .....               | 109,341  | 427,549   | 602,264                              | 114,152  | 380,927  | 176,221  | 548   | 7,316    |
| Total .....                  | 554,884  | 1,801,984 | 2,855,945                            | 545,286  | 1,495,444  | 648,764  | 2,501                                       | 29,944   |

Through the cooperation of many nonmember banks and the courtesy of most of the member banks in this district, it has been possible thus far to collect checks on 313 out of the 463 nonmember banks in this district without deduction for exchange. The total "par list" of the 12 Federal Reserve Banks on December 30, 1916, aggregated about 16,000 banks, or about 60 per cent of the number of banks in the country. It is probable, however, that the par list includes over 85 per cent of the total banking resources of the country and, therefore, over 85 per cent of the volume of checks could, if desired, be collected through the Federal Reserve system.

In order to devise a time schedule which would be practicable, it was, of course, impossible to calculate the exact time with respect to each point; therefore, average time has been used. As a result of the average time basis, this bank finds itself carrying uncollected checks deposited by its member banks to an amount between \$1,000,000 to \$2,000,000. With four times the volume of checks handled, the "float" carried is no larger than under the old intradistrict system. Under the new system, by a change in the time schedule, even this inconsiderable amount of "float" could probably be avoided if desired, but under the former system the acquisition of "float" was practically unavoidable.

The facilities of the collection system of this bank are not generally availed of by the member banks. Out of 625 member banks, only

150 send items regularly, of which one-half are country banks and the other half are situated in large cities. The number of items collected through this bank is estimated to be only about one-seventh of the total number which passes through the banks of this district (not including items on New York Clearing House banks), although in amount the items so collected are estimated at over one-third of such aggregate. Most country banks still send their collections to one or more of the large banks in reserve cities which make a specialty of collections. Many of the city banks send items direct to country banks with which they have reserve or other relations, allowing them exchange or its equivalent, time, in remitting therefor.

It is desirable for the smooth working of the collection system that it should develop gradually. This bank would be embarrassed if the total volume of items on the district were suddenly deposited with it for collection. Until the collection system is able to collect items on practically every bank in the country, its use is sure to be somewhat limited. It will be the endeavor of this bank as rapidly as possible to increase its par list within its own district and to develop its collecting organization to include the collection of notes, drafts, coupons, and other noncash items.

Since the country-wide collection system has been in operation, the New York Clearing House Association has amended its rules and regulations in such a manner as to reduce very materially its required charges for the collection of out-of-town items. On such items the members of the clearing house were formerly obliged to charge either one-tenth or one-fourth of 1 per cent, in accordance with the distance of the point from New York. The present schedule of charges is one-fortieth of 1 per cent on two-day points, one-twentieth of 1 per cent on four-day points, and one-tenth of 1 per cent on eight-day points. These charges represent a reasonable rate of interest on the funds for the number of days during which the Federal Reserve Bank defers credit.

#### (2) GOLD SETTLEMENT FUND.

During 1916 this bank has paid out through the gold settlement fund at Washington \$230,147,000 in gold. A statement of the operations of the fund as affecting this bank will be found in the appendix. The distribution through this fund of a large volume of gold paid into it by the Federal Reserve Bank of New York is a natural consequence of the importation through New York of large amounts of gold during the year, elsewhere referred to in this report, which had to be shipped to other parts of the country in payment for goods there purchased.

#### (3) THE TRANSFER SYSTEM.

The gold settlement fund has made possible the maintenance of the transfer system, inaugurated on May 26, 1915. Under this system a

Federal Reserve Bank undertakes to transfer funds for any member bank (*a*) to any other member bank in this district and (*b*) to any other Federal Reserve Bank for account of any of its member banks. If the transfers are advised by mail no charge is made. If the transfers are advised by telegram a charge at the rate of 2 per cent per annum on the funds to be transferred is made for the number of days which would have been required to effect a mail transfer. On December 30, 1916, this bank amended its rule for the telegraphic transfer of funds and notified its member banks that it would make such transfers without charge except for the cost of the telegram. This is a service which it is expected will be more and more availed of as the ease and economy of using it are understood.

#### THE FISCAL AGENCY OF THE UNITED STATES.

After carefully studying the details and preparing for it, the work of this bank as fiscal agent and depository of the United States commenced January 1, 1916.

Government funds in national banks in Greater New York, except post office and court deposits, have been transferred to this bank and collectors of customs and internal revenue have deposited their receipts with it daily throughout the year. Out of such funds are paid all checks and warrants drawn upon the Treasurer of the United States which are presented to this bank, as well as coupons of United States bonds.

During the year this bank handled 1,356,265 checks aggregating \$220,476,738.83 drawn on the Government's account.

#### RELATIONS WITH MEMBER BANKS.

Federal Reserve district No. 2 embraces New York State, Fairfield County, Conn., and the following counties in New Jersey: Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union, and Warren.

The number of member banks on December 30, 1916, was 625, as compared with 616 on December 31, 1915, located as follows:

|                        |     |
|------------------------|-----|
| Connecticut.....       | 15  |
| New Jersey.....        | 130 |
| New York, country..... | 445 |
| New York, city.....    | 35  |
|                        | 480 |
| Total.....             | 625 |

During the year one State institution was admitted to membership (the Corn Exchange Bank of New York City) and 15 member banks in Connecticut were transferred to this district from the Federal Reserve Bank of Boston.

Seventeen member banks were liquidated during the year, 6 to go out of business for one reason or another, and 11 to convert into trust companies. Ten new national banks have begun business in the district during the year.

The frank and cooperative attitude of this bank toward its member banks, referred to at some length in the last annual report, has been maintained throughout the year. Officers of the bank have attended all bankers' conventions and group meetings to which invitations have been received, as well as several local conferences of bankers, and have made addresses when requested. The executive committee of the recently organized national bank section of the New York State Bankers Association spent a day at the office of this bank conferring with its directors and officers upon its activities and familiarizing themselves with its organization and aims. Wherever opportunity has offered, officers of this bank have called upon member banks, and an increasing number of officers of member banks have called at the office of the bank in New York. Personal relations between this bank and its members, which are so essential to the success of the system, are thus being gradually established. It is believed that, as compared with a year ago, the officers of member banks understand much better the workings and purposes of the reserve system and generally are more in sympathy with them.

In order to offset any losses arising through the collection system the officers of this bank at every opportunity have pointed out to member banks the desirability of revising relations with their depositors, of analyzing depositors' accounts to ascertain the cost of handling them, and, wherever practicable, of putting each account on a paying basis by imposing such charges or requiring such balances to be maintained as will compensate the bank for services rendered; also the possibility of increasing earnings by withdrawing and loaning at home funds they have hitherto found it necessary to keep with collecting banks to compensate for collecting their items. Although many bankers, especially those in the smaller places, feel that such a course is not practicable, nevertheless the experience of a number of banks in this district which have undertaken such a revision of relations proves that in most cases depositors are reasonable and willing to compensate banks for services rendered. Letters describing their experiences are on file in this bank and will be shown to anyone interested. A convenient form for use in analyzing depositors' accounts has been prepared by this bank and distributed to its members, a number of whom have put it in practice with beneficial results. In a number of cases, upon request, one of the junior officers of the bank has visited country banks, explained methods of analyzing accounts, and generally discussed the possibility of readjustments of the kinds

referred to. The same policy will be continued during the coming year whenever such visits will not interfere too seriously with the conduct of the business of the bank.

#### RELATIONS WITH NONMEMBER BANKS.

During the year whatever relations have been had with nonmember banks in the district have been friendly and cooperative. Federal Reserve notes have been issued freely to nonmember banks in exchange for gold. No discrimination has been made against checks indorsed by nonmember banks deposited in the collection system by member banks, and the acceptances of nonmember banks have been freely purchased throughout the year. A number of nonmember banks in the country districts have agreed to remit to this bank at par for items drawn upon them, in order to assist in the development of its collection system, and their cooperation has been particularly appreciated.

With regard to becoming members of the Federal Reserve system there has been but little change in the attitude of the State institutions referred to in the last annual report. On the whole there is a growing feeling among them that our banking system should be more thoroughly unified and that the responsibilities of maintaining the Federal Reserve system should be shared by all, rather than by only a part, of the banks of the country.

#### RELATIONS WITH THE PUBLIC.

Much public interest in the Federal Reserve system has been evinced during the year. Editorials and special articles on various phases of its operations are constantly appearing in the daily press and periodicals. Addresses have been made by the officers of the bank before various associations and trade conventions. Public confidence in the system continues.

Many of those engaged in foreign trade are beginning to realize the advantages of the use of bankers' acceptances and of the development of a discount market. Considerable support has been given by important commercial organizations and houses to the movement inaugurated by the Federal Reserve system to develop the use of trade acceptances.

#### ORGANIZATION OF THE BANK.

##### (1) INTERNAL MANAGEMENT.

During the year the directors of the bank held 25 meetings, at which the average attendance has been 83 per cent; the executive committee, consisting of the governor or deputy governor, the chairman, and four directors, all of the directors serving upon it in turn, held 34 meetings; and two special committees held three meetings.

At the first meeting of the directors held in 1916 the officers of the bank were reelected for the ensuing year and the auditor was made an officer, with authority to sign correspondence and reconcilements of accounts.

On June 22 the directors, having learned with great regret that Governor Benjamin Strong, owing to ill health, had been ordered by his physician to take a complete rest, granted him a leave of absence, with the expectation that he would resume his duties as soon as practicable. They then appointed Mr. Robert H. Treman, one of the directors of the bank and president of the Tompkins County National Bank, Ithaca, N. Y., a deputy governor ad interim, and he assumed the active duties of this office on Tuesday, June 27.

On September 20, Mr. J. D. Higgins, who has been with the bank since its organization, was appointed an assistant cashier.

On January 1, 1916, the staff of the bank consisted of 6 officers and 69 clerks. On December 31 there were 9 officers and 164 clerks. The large increase in the clerical staff was occasioned partly by the general development of the business of the bank, and partly by the work of caring for the deposits of the United States, but principally by the inauguration of the country-wide collection system on July 15.

The department handling Government deposits consists of 9 men. The transit department, prior to July 15, consisted of 4 men and 3 women. Since then it has grown steadily and on December 30 consisted of 13 men and 41 women. A night force of 5 men prepares incoming mail for the department. The establishment of the collection system has affected the volume of work in all departments of the bank, necessitating the employment of a number of additional clerks.

The organization of the staff has been considerably developed during the year with a view to taking care of future growth and of any sudden demands which might be made upon it. Appreciation should be expressed of the loyalty and zeal with which the staff have dealt with the various operating and accounting problems which have arisen during the year and have carried on the constantly growing volume of transactions passing through the bank.

## (2) BANK PREMISES.

On May 1, 1916, the bank assumed tenancy of its new offices at the Pine and Nassau Streets corner of the Equitable Building. These premises are well suited to present needs, and provision is made in the lease for large additional space when required. The total floor space now occupied is 21,625 square feet.

The executive and banking departments and a room for the use of member banks are situated on the main floor. The basement contains money counting rooms and the main and emergency vaults.

The credit, audit, stenographic, mailing and filing divisions and library occupy the mezzanine. The collection and bookkeeping departments are on the fifth floor, connected with the other departments by private elevator.

The main vault is of the strongest and most modern type, large enough to hold adequate supplies of currency for all requirements. Pending the completion of this vault the funds of the bank have been kept chiefly in the vaults of the Subtreasury and the New York Clearing House.

### (3) ELECTION OF DIRECTORS.

To fill the vacancies caused by the expiration on December 30, 1916, of the terms of Messrs. William Woodward and Henry R. Towne an election was held from November 21 to December 6. Of the 209 banks in the group voting this year 130 chose electors and became entitled to vote. The following candidates for the vacancies were nominated:

For Class A director:

J. M. Carpenter, Wellsville, N. Y.; nominated by 1 bank.  
William Woodward, New York City; nominated by 85 banks.

For Class B director:

Newcomb Carlton, New York City; nominated by 9 banks.  
J. M. Carpenter, Wellsville, N. Y.; nominated by 1 bank.  
Eugenius H. Outerbridge, New York City; nominated by 10 banks.  
Henry R. Towne, New York City; nominated by 65 banks.

At the closing of the polls it appeared that the following votes had been cast in the column of first choice:

For Class A director:

|                       |     |
|-----------------------|-----|
| J. M. Carpenter.....  | 3   |
| William Woodward..... | 120 |

For Class B. director:

|                              |    |
|------------------------------|----|
| Newcomb Carlton.....         | 36 |
| J. M. Carpenter.....         | 2  |
| Eugenius H. Outerbridge..... | 11 |
| Henry R. Towne.....          | 74 |

Mr. Woodward was declared elected Class A director and Mr. Towne, Class B director, each for a term of three years, beginning January 1, 1917.

Although second notices were mailed to the district reserve electors, nevertheless only 123 of the 209 banks in the group which voted performed their important duty to participate in the election of directors of this bank.

At a meeting of the Federal Reserve Board on December 19, 1916, Mr. Pierce Jay was reelected a Class C director of the bank for a term of three years from January 1, 1917, and redesignated chairman of the board and Federal Reserve Agent for 1917.



## (4) MEMBER OF ADVISORY COUNCIL.

On January 12 the directors reelected Mr. J. P. Morgan, of New York City, a member of the Federal Advisory Council from Federal Reserve district No. 2 for the year 1916.

## GENERAL BUSINESS CONDITIONS.

## (1) BANKING POSITION OF THE DISTRICT DURING 1916.

The resources of the member banks in this district increased from 3,326 million dollars on September 2, 1915, to 4,063 million dollars on September 12, 1916, a gain of 736 millions. During substantially the same period the trust companies of New York State added to resources 470 millions and the State banks of deposit and discount gained 169 millions. Estimates based upon the figures of the national banks on September 12 and State banks on September 20 show an approximate growth of 1,376 million dollars in the resources of all the national and State banks in this district during the year ended in the latter part of September, 1916.

Liabilities to stockholders increased 80 millions, to depositors nearly 1,250 millions. An increase of 793 millions is shown in loans and discounts, and of 318 millions in bonds and other securities. Cash on hand, bank balances and cash items increased 186 millions, and acceptances and letters of credit were 53 millions higher. Of the total, the gain in resources by New York City banks was 985 millions, leaving about 390 millions increase for the rest of the State.

## (2) MONEY RATES.

Except for the brief period in December when a severe stringency occurred in money on call, a good supply of loanable funds at low and stable rates has been available in this market throughout the last year, despite the unprecedented activity of trade and industry, the great volume of stock exchange business, and the negotiations from time to time of large loans to other countries. The proceeds of these foreign loans, together with enormous importations of gold and an increasing use of bankers' acceptances, operated to finance the abnormal industrial and commercial expansion to such an extent that ordinary channels of credit were not subjected to special strain.

At the beginning of the year prime six months' commercial paper sold at 3 per cent to 3½ per cent with a restricted volume of trading at 2¾ per cent. Bankers' acceptances yielded 2 per cent to 2⅘ per cent, as was the case during the preceding five months. Call loans were made at 3 per cent early in January, but rates soon declined to 1¾ per cent and 2 per cent. Time loans on collateral ranged from 2½ per cent to 3½ per cent. These rates remained practically unchanged

during the first quarter of the year, with the exception of fractional advances on collateral time loans toward the end of February. Disturbance in foreign relations caused a somewhat firmer money market in April, when, in the third week, call loans rose to 4 per cent for a brief period. Rates quickly declined to about  $2\frac{1}{2}$  per cent and although excess reserves were steadily decreasing, remained easy until June, when the rate for bankers' acceptances advanced to  $2\frac{1}{4}$ – $2\frac{3}{4}$  per cent and there was some calling of street loans.

On July 8 excess reserves of the New York Clearing House members were reduced to \$53,546,000. Two days later call loans advanced to 6 per cent. Renewals were granted at  $4\frac{1}{2}$  per cent and 5 per cent for a few days. This quickly attracted local and out-of-town funds which reduced rates to  $2\frac{1}{2}$  per cent. Excess reserves increased \$41,000,000 during the following week and an easy money market continued during the next three months. Money rates became distinctly firmer in November. During the last week of that month call money advanced sharply. New York bank reserves had been gradually shrinking and on Saturday, December 2, the excess had declined to \$41,000,000, the lowest amount since the establishment of the Federal Reserve Banks. On the Monday following call money rose to 15 per cent, the highest rate since December 2, 1913. Loans were renewed on that date at 6 per cent and at 8 per cent the next day. Rediscounting at the Federal Reserve Bank by leading New York City banks and liberal purchases of bankers' acceptances by the Federal Reserve system brought prompt relief. Substantial improvement in the reserve position was shown in the next two weeks, and rates reacted to normal levels.

### (3) THE GOLD MOVEMENT.

The United States Treasury statement of money in circulation dated January 1, 1917, shows gold in the country \$2,864,841,650, as compared with \$2,312,444,489 on January 1, 1916, an increase of \$552,397,161.

Imports of gold from all sources during the year 1916 were \$685,990,234. Gold exports were \$155,792,927, mainly to Argentina, other South American countries, Cuba, Japan, and Spain.

The gold production of the United States and its dependencies in 1916 was \$92,316,400.

### (4) FOREIGN LOANS.

According to estimates of the Journal of Commerce, loans and credits aggregating \$2,235,900,000 have been negotiated in the United States by other countries since the outbreak of the war. It is calculated that approximately \$175,000,000 of these obligations

have been liquidated, leaving about \$2,150,000,000 outstanding at the end of the year 1916.

Following is a published compilation of foreign loans and credits negotiated in the United States during the war:

| EUROPE.   |               |
|---|---------------|
| Great Britain:  |               |
| Anglo-French Governments, 5 per cent 5-year bonds.....                                | \$250,000,000 |
| British Government, 5 per cent.....   | 250,000,000   |
| British Banking credit, 4½ per cent.....  | 50,000,000    |
| British Government, 5½ per cent.....  | 300,000,000   |
| Government grain credit.....  | 50,000,000    |
| City of Dublin, 5 per cent.....   | 2,000,000     |
| London water board.....   | 6,400,000     |
| Total Great Britain.....  | 908,400,000   |
| French Government:  |               |
| Anglo-French bonds.....   | 250,000,000   |
| Collateral loan, 5 per cent American Foreign Securities Co.....                       | 100,000,000   |
| C., M. & St. P. collateral 4 per cent.....  | 47,000,000    |
| Treasury notes, 5 per cent, one year paid.....  | 10,000,000    |
| Treasury bonds, 5 per cent, one year paid.....  | 30,000,000    |
| Commercial credits, estimated.....  | 100,000,000   |
| Collateral loan, secured by Pennsylvania and C. M. & St. P. R. R.<br>bonds, paid..... | 48,000,000    |
| Three City loan, 6 per cent.....  | 60,000,000    |
| City of Paris, 6 per cent.....  | 50,000,000    |
| Total France.....   | 695,000,000   |
| Russian Government:   |               |
| Credit, 6½ per cent, 3 years.....   | 50,000,000    |
| Acceptances, paid.....  | 25,000,000    |
| Credit to Russian-Asiatic Bank.....   | 25,000,000    |
| Treasury notes, 5 per cent, 1 year, paid.....   | 10,000,000    |
| Unsecured loan, 6 per cent.....   | 50,000,000    |
| Total Russia.....   | 160,000,000   |
| Italian Government: Bonds, 6 per cent, 1 year.....                                    |               |
|   | 25,000,000    |
| German Government:  |               |
| Notes, 5 per cent, 9 months, paid.....  | 10,000,000    |
| Notes, 6 per cent basis, due April, 1917.....   | 10,000,000    |
| German war bonds, estimated.....  | 25,000,000    |
| Total Germany.....  | 45,000,000    |
| Swiss Government: Notes, 5 per cent, 1, 2, and 3 years.....                           |               |
|   | 15,000,000    |
| Greek Government: Banking loan.....   |               |
|   | 7,000,000     |
| Swedish Government: Notes, 6 per cent.....  |               |
|   | 5,000,000     |
| Norwegian Government:   |               |
| Bonds, 6 per cent, 7 years.....   | 5,000,000     |
| Notes, 6 per cent, 2 and 3 years.....   | 3,000,000     |
| Miscellaneous loans and banking credits, estimated.....                               |               |
|   | 25,000,000    |
| Total Europe.....   | 1,893,400,000 |

## CANADA.

## Canadian Government:

|  |              |
|--|--------------|
| Notes, 5 per cent, 1 and 2 years.....                | \$45,000,000 |
| Notes, 5 per cent, 5, 10, and 15 years.....          | 75,000,000   |
| Government of Newfoundland, 5 per cent, 3 years..... | 5,000,000    |

## Province of Ontario:

|  |            |
|--|------------|
| Notes, 5 per cent, 10 years.....             | 10,000,000 |
| Bonds, 5 per cent, 5 years.....              | 3,000,000  |
| Loan, $3\frac{3}{8}$ per cent, 9 months..... | 2,000,000  |

## Province of Quebec:

|                                      |           |
|--------------------------------------|-----------|
| Bonds, 5 per cent, 10 years.....     | 4,000,000 |
| Bonds, 5 per cent, 3 to 5 years..... | 6,000,000 |

## Province of British Columbia:

|  |           |
|--|-----------|
| Bonds, $4\frac{1}{2}$ per cent, 10 years.....        | 2,000,000 |
| Bonds, $4\frac{1}{2}$ per cent, 25 years.....        | 1,000,000 |
| Treasury bills, $4\frac{1}{2}$ per cent, 1 year..... | 2,700,000 |

## Province of New Brunswick: Bonds, 5 per cent, 5 years.....

700,000

## Province of Alberta:

|                                  |           |
|----------------------------------|-----------|
| Bonds, 5 per cent, 10 years..... | 2,000,000 |
| Bonds, 5 per cent.....           | 4,000,000 |

## Province of Manitoba:

|                                 |           |
|---------------------------------|-----------|
| Bonds, 5 per cent, 3 years..... | 963,000   |
| Bonds, 5 per cent, 3 years..... | 1,000,000 |
| Bonds, 5 per cent, 5 years..... | 5,475,000 |

## Province of Saskatchewan:

|  |           |
|--|-----------|
| Bonds, 5 per cent, 5 and 10 years..... | 1,000,000 |
| Bonds, 5 per cent, 3 years.....        | 2,500,000 |
| Bonds, 5 per cent.....                 | 3,500,000 |

## Province of Nova Scotia:

|   |           |
|---|-----------|
| Bonds, 5 per cent, 10 years.....                | 1,000,000 |
| Bank loan, $4\frac{1}{2}$ per cent, 1 year..... | 1,000,000 |

## City of Toronto:

|  |           |
|--|-----------|
| Serial bonds, 5 per cent.....                          | 3,669,000 |
| Notes, $5\frac{1}{2}$ per cent.....                    | 3,000,000 |
| Bonds, $4\frac{1}{2}$ per cent, due 1949 and 1955..... | 2,500,000 |

## City of Quebec: Bonds, 5 per cent, 5 years (1920).....

2,125,000

## City of Vancouver:

|   |           |
|---|-----------|
| Treasury notes, 6 per cent.....               | 1,644,000 |
| Bonds, $4\frac{1}{2}$ per cent, 10 years..... | 827,000   |

## City of South Vancouver: Bonds, 6 per cent, 3 years.....

790,000

## City of Montreal:

|                                  |           |
|----------------------------------|-----------|
| Bonds, 5 per cent, 20 years..... | 2,000,000 |
| Bonds, 5 per cent, 3 years.....  | 6,900,000 |

## City of Ottawa:

|   |           |
|---|-----------|
| Bonds, 5 per cent, 20 and 30 years..... | 1,032,500 |
| Notes, 5 per cent, 1 year.....          | 1,000,000 |

## City of Prince Rupert.....

1,600,000

## City of Sault Ste. Marie: Bonds, 5 per cent, 30 years.....

500,000

## City of Calgary: Treasury notes, 3 years.....

2,000,000

City of Maisonneuve: Notes, 6 per cent,  $2\frac{1}{4}$  years.....

800,000

## City of Hochelaga: Bonds, 5 per cent, 28 years.....

375,000

## City of Victoria, B. C.: Bonds, 5 per cent, 3 years.....

1,000,000

## Canadian internal 5 per cent, estimated.....

30,000,000

## Toronto Harbor.....

1,500,000

|   |                      |
|---|----------------------|
| Quebec School.....  | \$200, 000           |
| Miscellaneous loans of Canadian provinces and municipalities (estimated)..... | 24, 399, 500         |
| City of Montreal.....   | 3, 800, 000          |
| <b>Total Canada.....</b>  | <b>270, 500, 000</b> |

## LATIN AMERICA.

|  |                      |
|--|----------------------|
| <b>Argentine Government:</b>   |                      |
| Notes, 6 per cent, 1, 2, and 3 years.....                                    | 15, 000, 000         |
| Bonds, 6 per cent, 5 years.....  | 50, 000, 000         |
| Loan, 6 per cent, 6 months.....  | 6, 000, 000          |
| Notes, 5 per cent, 1 year.....   | 18, 500, 000         |
| Notes, 5 per cent, 1 year.....   | 15, 000, 000         |
| Government of Chile.....   | 6, 000, 000          |
| Government of Bolivia.....   | 1, 000, 000          |
| Republic of Panama: Bonds, 5 per cent, 30 years.....                         | 3, 000, 000          |
| Uruguayan Government: Notes, 6 per cent, 6 months.....                       | 646, 375             |
| Uruguay.....   | 2, 500, 000          |
| Comision Reguladora (agency of Yucatan Government) credit on sisal hemp..... | 10, 000, 000         |
| Miscellaneous bank loans and securities.....                                 | 5, 353, 625          |
| Sao Paulo, 6 per cent.....   | 5, 500, 000          |
| Argentina banking credit.....  | 18, 500, 000         |
| <b>Total Latin America.....</b>  | <b>157, 000, 000</b> |

## ASIA.

|  |                         |
|--|-------------------------|
| China: Loan, 6 per cent.....                     | 5, 000, 000             |
| <b>Total foreign loans in United States.....</b> | <b>2, 325, 900, 000</b> |
| Less amount paid (estimated).....                | 175, 000, 000           |
| <b>Total.....</b>                                | <b>2, 150, 900, 000</b> |

## 5. FOREIGN BANKING CONDITIONS.

It has been estimated that the indebtedness of the seven principal nations engaged in the European war now exceeds \$75,000,000,000, which is an increase from \$27,000,000,000 since the middle of the year 1914. The annual interest thereon, it is calculated, will amount to \$3,800,000,000 in 1917 as against the yearly interest of \$1,070,000,000 in 1914.

The total British war credits voted between August 1, 1914, and October 11, 1916, were £3,132,000,000. England's average daily expenditure for war purposes since April 1, 1916, is reported to have been £5,000,000. The total daily cost to all the powers engaged in the war is reported to be \$105,000,000.

Among the important financial events abroad during the year was the Economic Conference held in Paris from June 14 to 17 by representatives of the allied Governments, and the recommendation by Lord Faringdon's committee for a new British foreign trade bank to be capitalized at £10,000,000.

In August, the British treasury issued a new plan for dealing with mobilized securities, under which the securities are to be borrowed for a period of five years from March 31, 1917, for an additional  $\frac{1}{2}$  per cent per annum on their face value.

Important accessions to the money holdings of the European countries have been received from purchases of gold ornaments and from deposits of coin. The gold purchasing bureau opened in Berlin on October 17 is reported to have received an immense amount of gold in the form of jewelry, plate, and heirlooms. Great quantities of gold have been shipped into the Scandinavian countries, Spain, and Holland.

The stock held in the Bank of the Netherlands on December 2, 1916, was 585,144,000 florins against an average of about 120,000,000 florins before the outbreak of the war. Rates of interest on customers' deposits were reduced in that country from  $1\frac{1}{2}$  to  $\frac{1}{2}$  per cent.

London discount rates, which were 5 to  $5\frac{1}{8}$  per cent at the first of the year, declined about  $\frac{3}{8}$  per cent toward the end of February, and ruled generally at  $4\frac{1}{2}$  to  $4\frac{5}{8}$  per cent for three months thereafter. A firmer market in June was followed by an advance from  $5\frac{1}{2}$  to  $5\frac{3}{4}$  per cent in July. During the remainder of the year rates ruled about  $5\frac{7}{16}$  to  $5\frac{5}{8}$  per cent.

Continental discount rates have been more or less nominal since the war began.

The statements of the leading European banks showing their figures at the end of last year compared with the latest statements for 1916 are as follows:

## BANK OF ENGLAND.

|  | Dec. 30, 1915. | Dec. 27, 1916. |
|--|----------------|----------------|
| Circulation.....                                     | £35,086,000    | £39,675,000    |
| Public deposits.....                                 | 49,677,000     | 52,116,000     |
| Other deposits.....                                  | 111,971,000    | 126,726,000    |
| Government securities.....                           | 32,839,000     | 57,187,000     |
| Other securities.....                                | 112,075,000    | 106,461,000    |
| Reserve.....   | 34,616,000     | 33,079,000     |
| Proportion of resources to liability..... per cent.. | 213            | 18.49          |
| Bullion.....   | 52,576,407     | 54,304,915     |

## BANK OF FRANCE.

|                             | Dec. 30, 1915.                  | Dec. 28, 1916.                  |
|-----------------------------|---------------------------------|---------------------------------|
| Gold.....                   | <i>Francs.</i><br>5,015,188,000 | <i>Francs.</i><br>5,075,914,550 |
| Silver.....                 | 352,066,000                     | 294,869,000                     |
| Discounts and advances..... | 2,150,606,000                   | 1,937,278,000                   |
| Circulation.....            | 13,309,848,000                  | 16,678,817,000                  |
| Deposits.....               | 1,844,201,000                   | 2,260,224,000                   |
| Treasury deposits.....      | 406,588,000                     | 15,009,000                      |

## IMPERIAL BANK OF GERMANY.

|                          | Dec. 31, 1915. | Dec. 30, 1916. |
|--------------------------|----------------|----------------|
|                          | <i>Marks.</i>  | <i>Marks.</i>  |
| Gold.....                | 2,445,185,000  | 2,520,473,000  |
| Loans and discounts..... | 5,803,314,000  | 9,609,767,000  |
| Circulation.....         | 6,917,922,000  | 8,054,652,000  |

## BANK OF NETHERLANDS.

|                                    | Dec. 31, 1915.  | Dec. 30, 1916.  |
|------------------------------------|-----------------|-----------------|
|                                    | <i>Florins.</i> | <i>Florins.</i> |
| Gold.....                          | 429,180,000     | 587,602,000     |
| Silver.....                        | 6,192,000       | 6,985,000       |
| Bills discounted and advances..... | 172,428,000     | 160,214,000     |
| Circulation.....                   | 577,152,000     | 758,379,000     |
| Deposits.....                      | 29,772,000      | 54,577,000      |

## BANK OF RUSSIA.

|                                 | Dec. 16/29, 1915. | Dec. 16/29, 1916. |
|---------------------------------|-------------------|-------------------|
|                                 | <i>Roubles.</i>   | <i>Roubles.</i>   |
| Gold.....                       | 1,611,740,000     | 1,472,610,000     |
| Balance abroad.....             | 270,010,000       | 2,149,850,000     |
| Silver and subsidiary coin..... | 36,750,000        | 114,740,000       |
| Securities and short loans..... | 392,870,000       | 245,570,000       |
| Treasury bonds.....             | 3,244,580,000     | 6,534,050,000     |
| Other loans and advances.....   | 905,180,000       | 664,400,000       |
| Securities.....                 | 259,440,000       | 136,110,000       |
| Circulation.....                | 5,304,620,000     | 8,591,280,000     |
| Government deposits.....        | 204,140,000       | 216,010,000       |
| Deposits, other.....            | 1,272,080,000     | 2,146,800,000     |

## (6) NEW YORK STOCK EXCHANGE.

A great volume of trading has taken place on the New York Stock Exchange during the last year. Transactions in January exceeded those of the corresponding period of any year since 1910. Then followed three months of comparatively dull markets, with a downward tendency of prices. Activity increased in May, but declined again in June on account of the Mexican situation. Less trading was recorded in July than in any of the 16 months preceding. There was a considerable increase during August and a strong upward turn in prices until the last days of the month when recessions were caused by threatened strikes on the railways. In September there began a remarkable period of speculative activity, which reached a total of 29,992,582 shares for the month against 18,399,286 shares in September, 1915. The movement continued to increase in volume during October and November. Transactions during the latter month aggregated 34,552,860 shares or nearly 100 per cent more than in November, 1915. The peace proposals caused a tremendous liquidation of stocks in December, which was accompanied

by a great fall in prices, particularly in shares of industrial corporations engaged in the manufacture of war supplies.

A large volume of bond trading has continued throughout the year with considerable transactions in Anglo-French, South American, United Kingdom, and Canadian issues.

The New York Times record of the average prices of 50 representative stocks at the high point in 1916 was 101.51 on November 20 against 94.13 in the year 1915 and 88.47 at the end of 1916. The average price of 40 representative bonds at the end of 1916 was 88.64, which may be compared with the high point, in 1915, of 87.62 on November 24.

Comparative transactions in bonds and stocks traded in on the New York Stock Exchange during the past six years are the following:

| Year.     | Shares.     | Bonds.          | Year.     | Shares.     | Bonds.      |
|-----------|-------------|-----------------|-----------|-------------|-------------|
| 1916..... | 230,060,900 | \$1,133,935,300 | 1913..... | 76,134,996  | 497,158,600 |
| 1915..... | 173,155,644 | 955,525,200     | 1912..... | 118,452,676 | 645,300,060 |
| 1914..... | 45,989,158  | 460,472,500     | 1911..... | 127,376,149 | 878,933,700 |

## (7) CROPS.

Unfavorable weather reduced the yield and caused disappointment in the harvest of all the leading crops except hay and tobacco. All products of the soil, however, have greatly advanced in price, thus more than compensating producers for the shrinkage in volume.

The Department of Agriculture gives the following statistics:

*Crops of wheat, corn, oats, barley, and rye.*

| Total production. | 1916            | 1915            | 1914            |
|-------------------|-----------------|-----------------|-----------------|
|                   | <i>Bushels.</i> | <i>Bushels.</i> | <i>Bushels.</i> |
| Corn.....         | 2,383,241,000   | 2,994,773,000   | 2,672,804,000   |
| Wheat.....        | 639,886,000     | 1,025,801,000   | 891,017,000     |
| Oats.....         | 1,251,992,000   | 1,549,030,000   | 1,141,060,000   |
| Barley.....       | 180,927,000     | 228,851,000     | 194,953,000     |
| Rye.....          | 47,383,000      | 54,050,000      | 42,779,000      |
| Total.....        | 4,703,429,000   | 5,852,505,000   | 4,942,613,000   |

*Farm values on Dec. 1.*

| Crops.      | 1916            | 1915            | 1914            |
|-------------|-----------------|-----------------|-----------------|
| Corn.....   | \$2,295,783,000 | \$1,722,680,000 | \$1,722,070,000 |
| Wheat.....  | 1,025,765,000   | 942,303,000     | 878,680,000     |
| Oats.....   | 656,179,000     | 539,506,000     | 499,431,000     |
| Barley..... | 159,534,000     | 118,172,000     | 105,903,000     |
| Rye.....    | 57,857,000      | 45,083,000      | 37,018,000      |
| Total.....  | 4,195,118,000   | 3,387,744,000   | 3,243,102,000   |



*Average prices per bushel received by farmers and planters.*

|                | 1916          | 1915          | 1914          |
|----------------|---------------|---------------|---------------|
|                | <i>Cents.</i> | <i>Cents.</i> | <i>Cents.</i> |
| Wheat.....     | 160.3         | 91.9          | 98.6          |
| Rye.....       | 122.1         | 83.4          | 86.5          |
| Oats.....      | 52.4          | 36.1          | 43.8          |
| Barley.....    | 88.2          | 51.6          | 54.3          |
| Corn.....      | 88.9          | 57.5          | 64.4          |
| Buckwheat..... | 112.9         | 78.7          | 76.4          |
| Potatoes.....  | 146.1         | 61.7          | 48.7          |
| Flaxseed.....  | 248.0         | 174.0         | 126.0         |
| Rice.....      | 88.6          | 90.6          | 92.4          |

A cotton area larger than usual had been planted but the crop was greatly reduced by unfavorable weather conditions and the boll weevil. The yield is estimated by the Department of Agriculture at 11,511,000 bales, against 11,192,000 bales in 1915. The estimated value, however, is \$1,079,598,000, compared with \$604,210,000 for the preceding year.

## (8) EXPORTS AND IMPORTS.

Merchandise exports reached unprecedented totals throughout the year 1916, the aggregate for the twelve months ended December 30 being \$5,481,423,589, an increase over the corresponding total in 1915 of \$1,926,752,742, and more than double the movement of 1914. The value of exports for December, which shows the heaviest total of any of the 12 months of the year, was \$521,650,904. The net balance of exports for December, 1916, was \$316,816,716, as compared with \$187,473,857 for December, 1915.

The greater part of the increase in exports this year arises from shipments to Great Britain and France, but there has also been a substantial gain in exports to Cuba, China, Japan, and the South American countries. Evidence of the expansion in trade with Great Britain is measured by the calendar year figures of foreign trade, which show exports to that country aggregating \$1,888,314,301 for the year 1916, as compared with \$590,732,398 and \$599,812,295 for 1913 and 1914, respectively.

Imports of merchandise have also been very heavy this year, the falling off in trade from Europe having been more than offset by increases from Canada, Cuba, China, Japan, South America, and the East Indies. The total for the 12 months of the year was \$2,391,654,335, against \$1,778,596,695 and \$1,789,276,001 in the corresponding periods of 1915 and 1914, respectively.

## (9) GENERAL BUSINESS CONDITIONS.

The year 1916 opened upon a period of great activity in our domestic and foreign trade, with industries working at full capacity, orders

increasing, a growing scarcity of materials and labor, wages advancing, prices rising, and buying almost unrestrained. The heavy movement of exports was confronted by a shortage of vessels and inadequate loading facilities, which caused a serious congestion of freight on railroads leading to eastern ports. Upwards of 50,000 cars awaiting ocean shipment were held up in terminals and on tracks in and near New York. To relieve the situation embargoes were placed upon various lines of goods and maintained in some cases until late in the spring.

During the second quarter of the year general business was steadier and commitments were made with greater deliberation. A more conservative buying policy was accompanied by a slight decline in commodity prices. Every month, however, the volume of goods produced and sold in many lines greatly exceeded records of corresponding periods in previous years.

The usual mid-year dullness, which ordinarily causes a lull in commerce at that season, was hardly noticeable this year, for manufacturers were busy on orders booked far ahead and brisk business continued in wholesale jobbing, retail, and export trade.

In August and September growing confidence in the business outlook was evidenced by increased activity in practically all mercantile lines, notwithstanding a strong upturn in prices which raised the average price of commodities to the highest level ever recorded and developed during October into a widespread speculative movement in commodities and securities.

Bradstreet's index number for commodity prices of the year 1916 was 20 per cent above 1915 and 33 per cent above 1914. Annual index numbers for the last five years are as follows:

|           |           |                      |          |
|-----------|-----------|----------------------|----------|
| 1916..... | \$11.8251 | 1913.....            | \$9.2076 |
| 1915..... | 9.8530    | 1912.....            | 9.1867   |
| 1914..... | 8.9034    | 10-year average..... | 8.3377   |

Industry and commerce continued practically unchanged for the rest of the year, notwithstanding developments during December in the European war situation, the short but severe strain in call-money rates, and the very unsettled stock markets. An unprecedented volume of holiday trade was handled by retail stores.

The year has been one of great general prosperity which has been shared by the wage earners. Manufacturers and distributors seem to be proceeding with caution, keeping in mind the readjustments that will be necessary when peace comes.

## APPENDIX.

*Capital account reconciliation, Jan. 1, 1916, to Jan. 1, 1917.*

|  |                 |
|--|-----------------|
| Capital paid in Jan. 1, 1916.....                                  | \$11,063,150.00 |
| Sundry increases:  |                 |
| Due to increases in capital and surplus of member banks.....       | \$605,050.00    |
| Due to organization of new banks and admission of State banks..... | 318,600.00      |
|  | 923,650.00      |
|  | 11,986,800.00   |
| Sundry decreases:  |                 |
| Due to decreases in capital and surplus of member banks.....       | 6,000.00        |
| Due to banks liquidated.....                                       | 115,050.00      |
|  | 121,050.00      |
|  | 11,865,750.00   |

*Summary of Federal Reserve notes.*

|   |                 |
|---|-----------------|
| Total notes issued to bank:   |                 |
| 1914-15.....  | \$89,240,000.00 |
| 1916.....   | 71,273,000.00   |
|   | 161,513,000.00  |
| Less notes unfit for circulation, retired.....  | 54,509,235.00   |
| Net amount outstanding.....   | 107,003,765.00  |
| As follows:   |                 |
| In circulation.....   | 93,426,100.00   |
| On hand Dec. 30, 1916.....  | 13,577,665.00   |
| On Dec. 30, 1916, the Federal Reserve Agent held, against Federal Reserve notes, gold certificates aggregating..... | 107,003,765.00  |

*Total of Federal Reserve notes paid out by the Federal Reserve Bank of New York, by months, 1916.*

|                | To member banks. | To non-member banks. |  | To member banks. | To non-member banks. |
|----------------|------------------|----------------------|--|------------------|----------------------|
| January.....   | \$1,774,000      | \$479,000            | November.....                                  | \$15,579,100     | \$607,000            |
| February.....  | 5,571,500        | 686,000              | December.....                                  | 21,718,700       | 676,000              |
| March.....     | 7,158,500        | 454,000              |  |                  |                      |
| April.....     | 6,354,500        | 283,000              |  |                  |                      |
| May.....       | 5,712,500        | 401,000              | Total to nonmember banks.....                  | 113,406,800      | 4,579,000            |
| June.....      | 5,512,000        | 155,000              |  | 4,579,000        |                      |
| July.....      | 4,967,000        | 110,000              |  |                  |                      |
| August.....    | 8,752,500        | 119,500              |  | 117,985,800      |                      |
| September..... | 13,758,000       | 275,500              | Total received from Federal Reserve Agent..... | 71,273,000       |                      |
| October.....   | 13,548,500       | 333,000              |  |                  |                      |

*Movement of Federal Reserve notes between Federal Reserve Bank of New York and other Federal Reserve Banks, Jan. 3 to Dec. 31, 1916.*

|                  | Notes of Federal Reserve Bank of New York received from. | Their notes shipped to. |                    | Notes of Federal Reserve Bank of New York received from. | Their notes shipped to. |
|------------------|--|-------------------------|--------------------|--|-------------------------|
| Atlanta.....     | \$376,965  | \$2,633,310             | Philadelphia.....  | \$3,111,000  | \$1,617,500             |
| Boston.....      | 3,068,000  | 1,262,400               | Richmond.....      | 286,290  | 3,153,250               |
| Chicago.....     | 1,615,500  | 137,150                 | St. Louis.....     | 214,520  | 428,000                 |
| Cleveland.....   | 299,760  | 903,100                 | San Francisco..... | 165,485  | 1,353,600               |
| Dallas.....      | 116,805  | 1,231,550               |                    |  |                         |
| Kansas City..... | 26,000   | 772,200                 | Total.....         | 9,426,980  | 14,214,860              |
| Minneapolis..... | 146,655  | 762,800                 |                    |  |                         |

*Operations in Government bonds.*

|   | Open market purchases. | Converted and sold during 1916. | Balance Dec. 31, 1916. |
|---|------------------------|---------------------------------|------------------------|
| United States 2 per cent consols of 1930.....             | \$6,130,750            | \$5,988,200                     | \$142,550              |
| Panama 2s of 1906/36.....                                 | 410,000                | 410,000                         | .....                  |
| Panama 2s of 1908/38.....                                 | 1,028,000              | 128,000                         | 900,000                |
| United States 1-year Treasury notes due Apr. 1, 1917..... | 250,000                | 250,000                         | .....                  |
| Total.....  | 7,818,750              | 6,776,200                       | 1,042,550              |

|   | Received during 1916. | Sold during 1916. | Balance Dec. 31, 1916. |
|---|-----------------------|-------------------|------------------------|
| United States conversion 3s of 1916/46.....               | \$3,239,200           | \$3,239,200       | .....                  |
| United States 1-year Treasury notes due Apr. 1, 1917..... | 1,782,000             | 1,532,000         | \$250,000              |
| United States 1-year Treasury notes due July 1, 1917..... | 750,000               | 750,000           | .....                  |
| United States 1-year Treasury notes due Oct. 1, 1917..... | 955,000               | .....             | 955,000                |
| United States 2 per cent consols of 1930.....             | 50,000                | 50,000            | .....                  |
| Total.....  | 6,776,200             | 5,571,200         | 1,205,000              |

*Transit and exchange transactions between Federal Reserve Bank of New York and other Federal Reserve Banks, Jan. 1, 1916, to Dec. 31, 1916.*

|                    | Items deposited with Federal Reserve Bank of New York by. | Items sent by Federal Reserve Bank of New York to. |
|--------------------|---|--|
| Atlanta.....       | 126,277   | 40,745   |
| Boston.....        | 341,911   | 214,383  |
| Chicago.....       | 331,406   | 102,505  |
| Cleveland.....     | 99,785  | 81,544   |
| Dallas.....        | 127,299   | 11,229   |
| Kansas City.....   | 75,353  | 28,530   |
| Minneapolis.....   | 65,244  | 12,453   |
| Philadelphia.....  | 508,135   | 264,002  |
| Richmond.....      | 269,150   | 324,006  |
| St. Louis.....     | 160,290   | 22,333   |
| San Francisco..... | 114,944   | 9,300  |
| Total.....         | 2,219,794   | 1,111,030  |

*Summary of gold settlement fund operations, Jan. 1, 1916, to Dec. 31, 1916.*

|                    | Amount received by the New York Federal Reserve Bank in settlement of accounts due from— | Amount paid by the New York Federal Reserve Bank in settlement of accounts due to— | Net gain.    | Net loss.    |
|--------------------|--|--|--------------|--------------|
| Boston.....        | \$197,825,000  | \$227,904,000  | .....        | \$30,079,000 |
| Philadelphia.....  | 217,579,000  | 221,346,000  | .....        | 3,767,000    |
| Cleveland.....     | 78,235,000   | 67,718,000   | \$10,517,000 | .....        |
| Richmond.....      | 324,586,000  | 257,244,000  | 67,342,000   | .....        |
| Atlanta.....       | 41,653,000   | 87,021,000   | .....        | 45,368,000   |
| Chicago.....       | 100,825,000  | 69,104,000   | 31,721,000   | .....        |
| St. Louis.....     | 22,069,000   | 94,360,000   | .....        | 72,291,000   |
| Minneapolis.....   | 12,632,000   | 61,442,000   | .....        | 48,810,000   |
| Kansas City.....   | 29,088,000   | 62,076,000   | .....        | 32,988,000   |
| Dallas.....        | 11,949,000   | 71,354,000   | .....        | 59,405,000   |
| San Francisco..... | 10,135,000   | 69,089,000   | .....        | 58,945,000   |
| Total.....         | 1,046,576,000  | 1,288,649,000  | 109,580,000  | 351,653,000  |
| Loss.....          | 242,073,000  | .....  | 242,073,000  | .....        |

*Analysis of gold movement through gold settlement fund.*

|   |             |  |               |
|---|-------------|--|---------------|
| Gold settlement balance, Jan. 1, 1916..   | \$5,717,000 | Settlement loss.....   | \$242,073,000 |
| Deposited out of vault of Federal Reserve Bank of New York.....                       | 245,000,000 | Gold withdrawn.....  | 2,033,000     |
| Special deposits account Federal Reserve Bank of New York by Federal Reserve Bank of— |             | Special deposits by Federal Reserve Bank of New York, account Federal Reserve Bank of— |               |
| Atlanta.....  | 1,302,000   | Atlanta.....   | 1,500,000     |
| Boston.....   | 1,503,000   | Chicago.....   | 1,000,000     |
| Chicago.....  | 23,500,000  | Dallas.....  | 4,000,000     |
| Cleveland.....  | 4,350,000   | Kansas City.....   | 1,800,000     |
| Dallas.....   | 6,281,000   | Philadelphia.....  | 5,000,000     |
| Kansas City.....  | 590,000     | San Francisco.....   | 24,792,000    |
| Philadelphia.....   | 1,090,000   | Balance in fund Dec. 31, 1916....  | 20,570,000    |
| Richmond.....   | 7,440,000   |  |               |
| St. Louis.....  | 6,245,000   |  |               |
| San Francisco.....  | 9,900,000   |  |               |
| Total.....  | 312,735,000 | Total.....   | 312,735,000   |

## SCHEDULE SHOWING WHEN THE PROCEEDS OF ITEMS WILL BECOME AVAILABLE.

Immediate credit: New York (Manhattan).

One day after receipt: Boston, Philadelphia, and Richmond.

Two days after receipt (business days):

Cleveland and Cincinnati, Chicago, Atlanta, Minneapolis and St. Paul, St. Louis, Kansas City, Mo.; Kansas City, Kans.

Banks in Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts,<sup>1</sup> New Hampshire, New Jersey, New York,<sup>1</sup> Pennsylvania,<sup>1</sup> Rhode Island, Vermont, Virginia.<sup>1</sup>

Four days after receipt (business days):

Dallas, New Orleans.

Banks in Alabama, Arkansas, Florida, Georgia,<sup>1</sup> Illinois,<sup>1</sup> Indiana, Iowa, Kansas,<sup>1</sup> Kentucky, Michigan, Minnesota,<sup>1</sup> Mississippi, Missouri,<sup>1</sup> North Carolina, Ohio,<sup>1</sup> South Carolina, Tennessee, West Virginia, Wisconsin.

Eight days after receipt:

Banks in Arizona, California, Colorado, Idaho, Louisiana,<sup>1</sup> Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas,<sup>1</sup> Utah, Washington, Wyoming.

AUGUST 1, 1916.

NOTE.—Two-day items we forward on Saturday will be available Tuesday; four-day items we forward Thursday will be available Tuesday, and those forwarded Friday and Saturday, on Wednesday.

## AUTHORITY GIVEN TO ACCEPT UP TO 100 PER CENT OF CAPITAL AND SURPLUS.

American Exchange National Bank, New York City.  
 Bank of New York, N. B. A., New York City.  
 Chase National Bank, New York City.  
 Chemical National Bank, New York City.  
 Harriman National Bank, New York City.  
 Irving National Bank, New York City.  
 Mechanics & Metals National Bank, New York City.  
 Merchants Exchange National Bank, New York City.  
 National Bank of Commerce, New York City.  
 National City Bank, New York City.

<sup>1</sup> Except banks in cities referred to.

## DISTRICT NO. 3—PHILADELPHIA.

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R. L. AUSTIN, Chairman and Federal Reserve Agent.

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### I. GENERAL BUSINESS AND FINANCIAL CONDITIONS IN THE DISTRICT.

The year has been remarkable for the unusual business conditions that existed. The improvement in all kinds of business, which was first manifested in the summer of 1915, has continued in increasing degree all through the year 1916, offering opportunity for employment much in excess of the supply of wage earners; taxing the capacity of industrial plants to their limits; stimulating the enlargement and erection of additional manufactories; and greatly raising the wages of most classes of labor. Prices of all kinds of merchandise were much advanced; production and consumption of goods were largely increased; and the volume of business, as reflected by the reports from all sources, was far in excess of that ever before transacted in any twelve months.

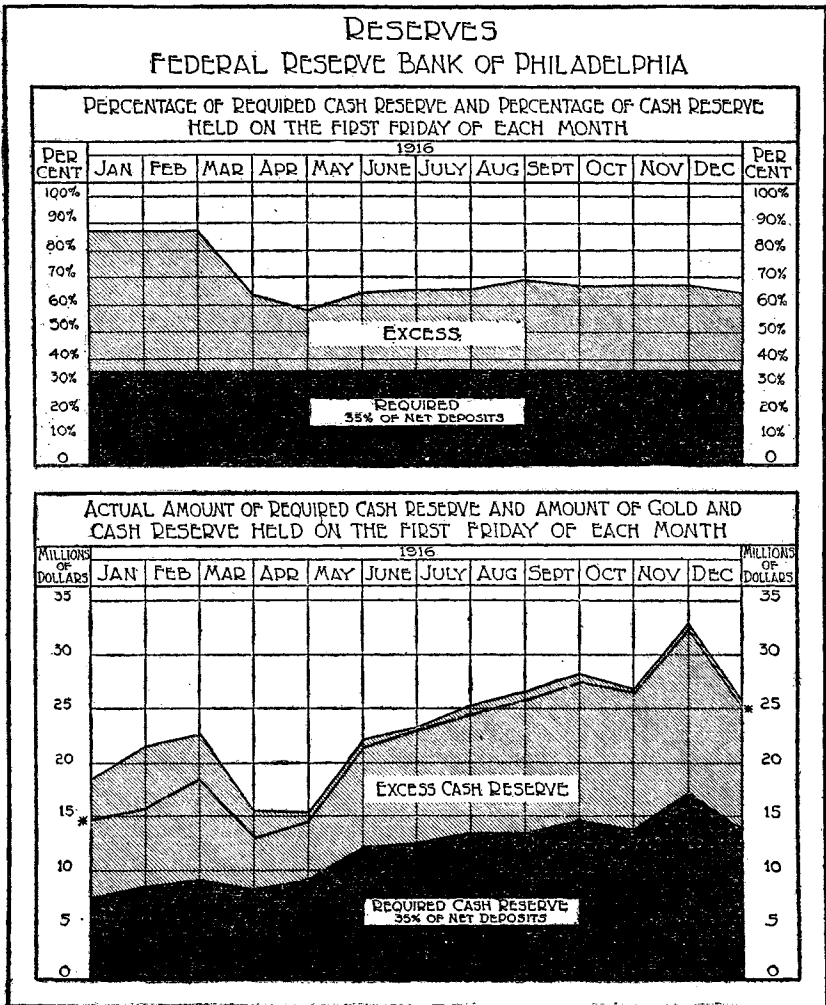
At the beginning of the year the banks of the district were carrying excessive reserves and the rates for money were unusually low. Deposits of all banks in the district increased largely, but notwithstanding the unusual expansion in business, the strong condition of the banks was maintained up to the last month of the year, by which time, however, the excess of reserves had been greatly reduced and their loaning rates had advanced  $\frac{3}{4}$  to 1 per cent from the low rates at the beginning of the year. Owing to the easy condition of our member banks, there was little borrowing by them from the Federal Reserve Bank until within the last 60 days of the year, during which time, however, there was loaned to them \$15,332,000 in the form of rediscounts and collateral loans.

This bank has been in a position during the year to perform all the functions expected of it in compliance with the requirements of the Federal Reserve Act and the regulations of the Federal Reserve Board.

The percentage of reserve carried by the Federal Reserve Bank each month during the year is shown in chart 1 and the table following.

Cash reserve.

| Month.         | Amount of cash reserve required. | Cash reserve carried. |              | Gold reserve carried. |              | Amount of excess cash reserve. |
|----------------|----------------------------------|-----------------------|--------------|-----------------------|--------------|--------------------------------|
|                |                                  | Amount.               | Percent-age. | Amount.               | Percent-age. |                                |
| 1916.          |                                  |                       |              |                       |              |                                |
| January.....   | \$7,500,000                      | \$18,600,000          | 87.2         | \$14,800,000          | 69.5         | \$11,100,000                   |
| February.....  | 8,700,000                        | 21,700,000            | 87.1         | 15,800,000            | 63.4         | 13,000,000                     |
| March.....     | 9,100,000                        | 22,800,000            | 87.3         | 18,600,000            | 71.4         | 13,700,000                     |
| April.....     | 8,500,000                        | 15,600,000            | 63.9         | 13,100,000            | 53.8         | 7,100,000                      |
| May.....       | 9,200,000                        | 15,400,000            | 58.6         | 14,400,000            | 55.0         | 6,200,000                      |
| June.....      | 12,100,000                       | 22,200,000            | 64.5         | 21,700,000            | 62.9         | 10,200,000                     |
| July.....      | 12,500,000                       | 23,300,000            | 65.2         | 23,200,000            | 64.8         | 10,800,000                     |
| August.....    | 13,400,000                       | 25,300,000            | 65.8         | 24,700,000            | 64.5         | 11,900,000                     |
| September..... | 13,400,000                       | 26,600,000            | 69.3         | 25,900,000            | 67.3         | 13,200,000                     |
| October.....   | 14,700,000                       | 28,200,000            | 66.9         | 27,600,000            | 65.6         | 13,500,000                     |
| November.....  | 13,900,000                       | 26,900,000            | 67.6         | 26,500,000            | 66.6         | 13,000,000                     |
| December.....  | 17,000,000                       | 32,800,000            | 67.4         | 32,500,000            | 66.8         | 15,800,000                     |



\*NOTE:- THE HEAVY BLACK LINE REPRESENTS THE AMOUNT OF GOLD HELD

CHART I.

## II. RESULTS OF OPERATION.

*Comparative statement of condition of the Federal Reserve Bank of Philadelphia.*

|  | Dec. 30, 1916. | Dec. 31, 1915. |
|--|----------------|----------------|
| RESOURCES.   |                |                |
| Collateral notes—members.....                          | \$900,000.00   | .....          |
| Bills discounted—members.....                          | 663,076.79     | \$168,274.06   |
| Bills bought in open market.....                       | 13,656,430.08  | 2,542,975.94   |
| United States bonds and notes.....                     | 2,825,000.00   | 1,993,750.00   |
| Municipal warrants.....                                | 465,112.22     | 1,484,147.13   |
| Earning assets.....                                    | 18,509,619.09  | 6,189,147.13   |
| Interest accrued on United States bonds.....           | 17,057.93      | 10,142.15      |
| Cost of unissued Federal Reserve notes.....            | 27,708.01      | 43,172.04      |
| Expenses paid in advance.....                          | 2,445.83       | 1,684.23       |
| Transit department expense.....                        | 1,367.18       | .....          |
| Furniture and equipment—general.....                   | .....          | 18,491.31      |
| Furniture and equipment—transit department.....        | 15,409.87      | .....          |
| Organization expense.....                              | .....          | 31,517.06      |
| Due from Federal Reserve banks—net.....                | 5,382,501.30   | 3,025,971.02   |
| Due from banks and bankers.....                        | 609,389.97     | .....          |
| Exchanges for clearing house, cash items, etc.....     | 3,864,733.22   | 1,046,543.43   |
| Due from member banks—overdrafts.....                  | .....          | 33,959.73      |
| Federal Reserve notes on hand.....                     | 171,140.00     | 380,267.50     |
| National and Federal Reserve notes of other banks..... | 463,476.00     | 215,885.00     |
| Nickels and cents.....                                 | 121.89         | 100.83         |
| Mutilated currency forwarded for redemption.....       | 132,500.00     | .....          |
| Gold settlement fund.....                              | 8,042,000.00   | 9,695,000.00   |
| Gold redemption fund.....                              | 100,000.00     | .....          |
| Gold coin and certificates.....                        | 16,988,892.50  | 7,445,485.00   |
| Other lawful money.....                                | 466,154.30     | 3,358,145.30   |
| Reserve.....   | 25,597,046.80  | 20,496,630.30  |
| Total resources.....                                   | 54,794,517.09  | 31,495,511.73  |
| LIABILITIES.   |                |                |
| Capital.....   | 5,228,100.00   | 5,269,600.00   |
| Profit and loss.....                                   | 89,966.68      | .....          |
| Unearned discount and unearned interest.....           | 39,559.33      | 14,009.25      |
| Government deposits.....                               | 3,145,549.05   | 787,178.48     |
| Due to member banks.....                               | 44,965,072.26  | 25,424,376.56  |
| Cashier's checks outstanding.....                      | 26,015.72      | 107.63         |
| Federal Reserve notes—net liability.....               | 1,300,000.00   | .....          |
| Miscellaneous liabilities.....                         | 254.05         | 239.81         |
| Total liabilities.....                                 | 54,794,517.09  | 31,495,511.73  |

The following statement shows the results of the operation of the bank for the year 1916:

*Profit and loss statement of year's operation.*

|   |              |
|---|--------------|
| Earnings, 1916.....   | \$417,939.27 |
| Expenses of operation of the bank proper, exclusive of transit department.....            | \$130,742.26 |
| Cost of Federal Reserve notes used.....   | 16,600.00    |
| Miscellaneous charges on account of note issues.....                                      | 1,002.79     |
| Depreciation in furniture and equipment.....  | 15,652.78    |
| Disbursements of transit department in excess of net service charge.....                  | 4,000.00     |
| Total.....  | 167,997.83   |
| Excess of earnings.....   | 249,941.44   |
| Deduct organization expenses.....   | 31,517.06    |
| Net earnings.....   | 218,424.38   |
| Surplus, Jan. 1, 1916.....  | .....        |
| Total.....  | 218,424.38   |
| Dividends paid Dec. 30, 1916, for period covered from Nov. 2, 1914, to June 30, 1915..... | 128,457.70   |
| Profit and loss credit balance, Jan. 1, 1917.....   | 89,966.68    |



As a result of the operations for the year, a dividend was declared on December 20 at the rate of 6 per cent per annum, for the period from November 2, 1914, to June 30, 1915, amounting to \$128,457. After charging off all expenses of organization and paying the dividend, \$89,966 remained in the profit and loss account.

The amount of earnings and current expenses, including the cost of issuing Federal Reserve notes, for each month of operation during the year 1916 is shown in chart 2 and the following table. It will be seen that earnings have increased rapidly while expenses during the year have been fairly stable. This table also shows the percentage of the net earnings to the capital stock.

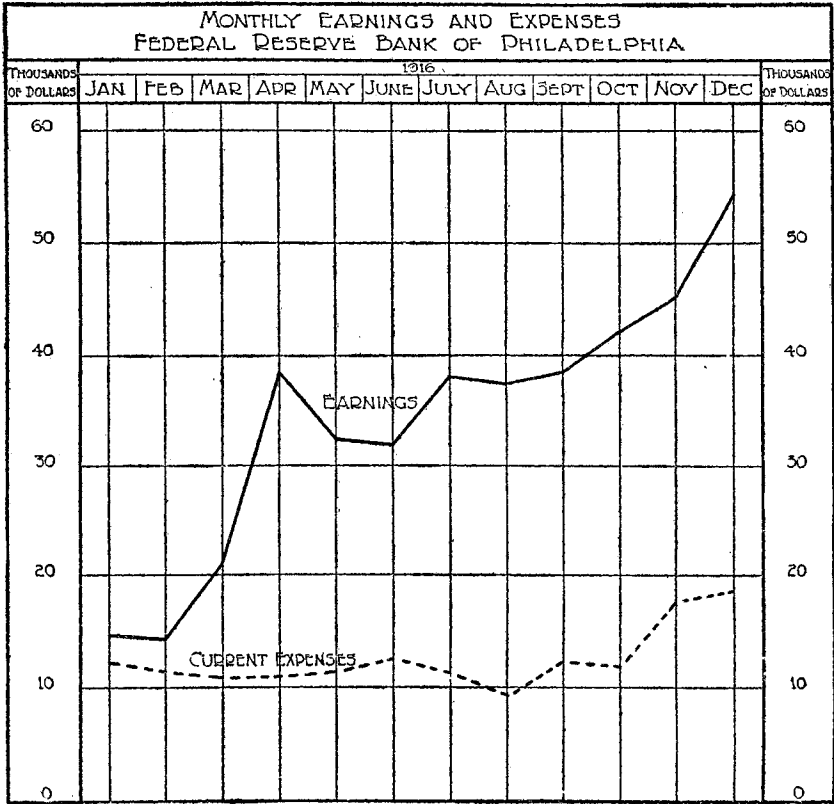


CHART 2.

*Earnings and expenses.*

| Month.         | Earnings.         |  |                |                 | Current expenses (including cost of Federal Reserve notes issued). | <sup>1</sup> Net earnings. |                                      |
|----------------|-------------------|--|----------------|-----------------|--|----------------------------|--------------------------------------|
|                | From investments. | From sale of United States securities. | Sundry profits | Total earnings. |  | Amount.                    | Percentage to paid-in capital stock. |
| 1916.          |                   |  |                |                 |  |                            |                                      |
| January.....   | \$14,512          |  | \$214          | \$14,726        | \$12,167   | \$2,559                    | 0.6                                  |
| February.....  | 14,113            |  | 17             | 14,130          | 11,210   | 2,920                      | .7                                   |
| March.....     | 20,464            |  | 378            | 20,842          | 10,649   | 10,193                     | 2.3                                  |
| April.....     | 25,619            |  | 12,910         | 38,529          | 10,758   | 27,771                     | 6.4                                  |
| May.....       | 31,969            |  | 298            | 32,267          | 11,160   | 21,107                     | 4.8                                  |
| June.....      | 31,464            |  | 299            | 31,763          | 12,410   | 19,353                     | 4.5                                  |
| July.....      | 36,418            |  | 1,713          | 38,131          | 11,031   | 27,100                     | 6.2                                  |
| August.....    | 35,566            |  | 1,869          | 37,435          | 9,254  | 28,211                     | 6.5                                  |
| September..... | 36,107            | \$1,995                                | 299            | 38,401          | 12,303   | 26,098                     | 6.0                                  |
| October.....   | 40,531            | 1,300                                  | 324            | 42,155          | 11,817   | 30,338                     | 7.0                                  |
| November.....  | 37,362            | 7,580                                  | 543            | 45,285          | 17,592   | 27,703                     | 6.4                                  |
| December.....  | 52,743            | 285                                    | 1,473          | 54,501          | 18,653   | 35,848                     | 7.9                                  |

<sup>1</sup> This item represents gross earnings less current expenses only, not including any deductions for depreciation on furniture and equipment or organization expenses.

The percentage of the net earnings to the capital stock for each month of the year is also shown in chart 3.

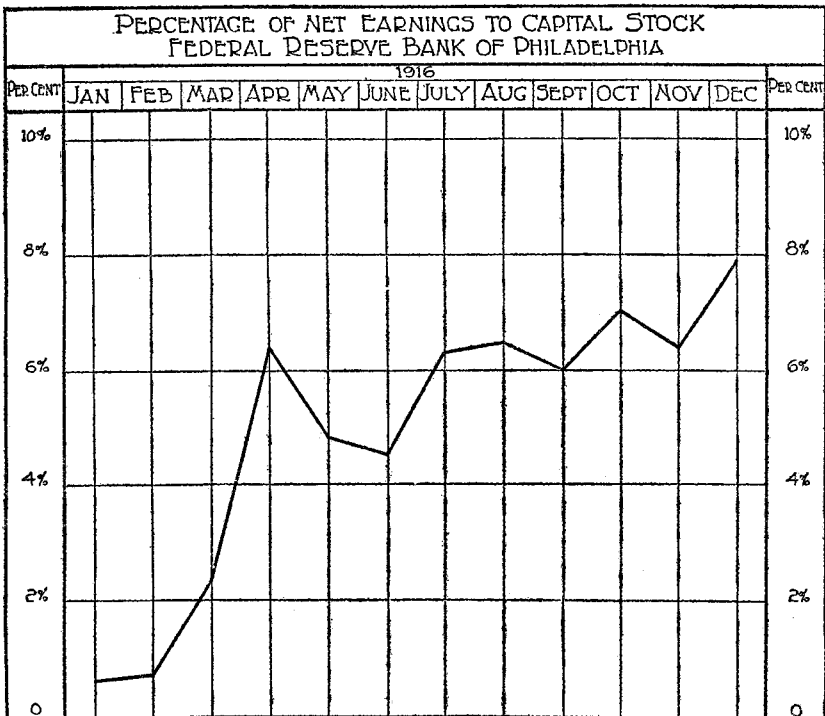


CHART 3.

Referring to the statement of condition, it indicates that the operations of all the departments of the Federal Reserve Bank increased largely during the year.

Member bank reserve deposits increased \$19,541,000 through the operation of the Federal Reserve Act, which required payments to the Federal Reserve Bank during the year of two installments of reserves of member banks.

The balance to the credit of the United States Government shows a large gain since January 1, 1916, when the Reserve Bank became the fiscal agent of the Government.

Invested funds, including the items, bills discounted-members, collateral notes-members, bills bought in the open market, United States bonds, and municipal warrants, increased \$12,320,000.

Reserve, including gold and lawful money in vault and the gold settlement fund balance in Washington, increased \$5,098,000.

The growth in total resources, cash reserve, and earning assets of the Reserve Bank during the past two years is shown in the following chart:

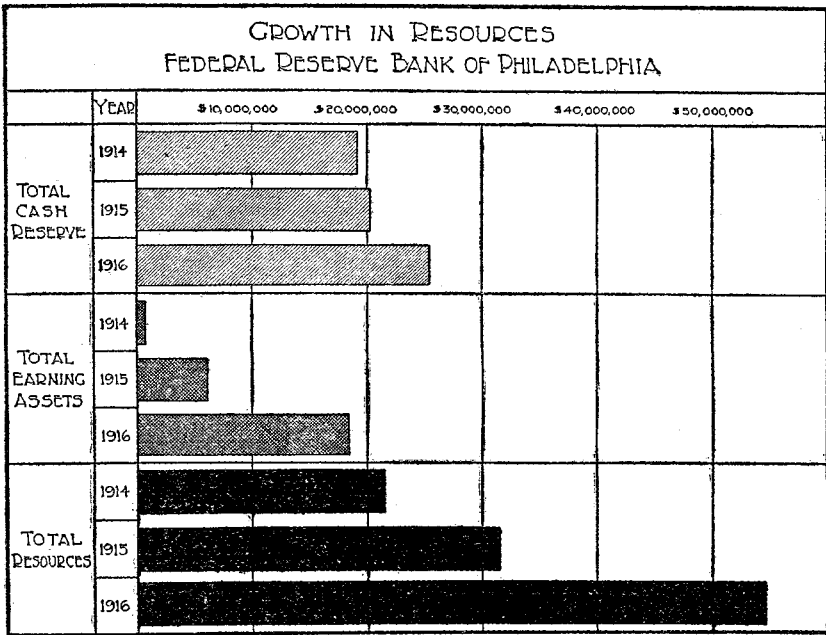


CHART 4.

The variations in total resources, member bank reserve deposits, cash reserve, and earning assets of the bank, by months during the year, are shown in chart 5. The rise in member bank deposits in May and November was due to the increase in the percentages of reserve to be carried in the Federal Reserve Bank as required by the Federal Reserve Act. Steady increase in this item is also due to the continuous growth throughout the year of the amounts of individual and bank deposits of member banks, thereby increasing

the amount of reserve required to be kept with the Federal Reserve Bank.

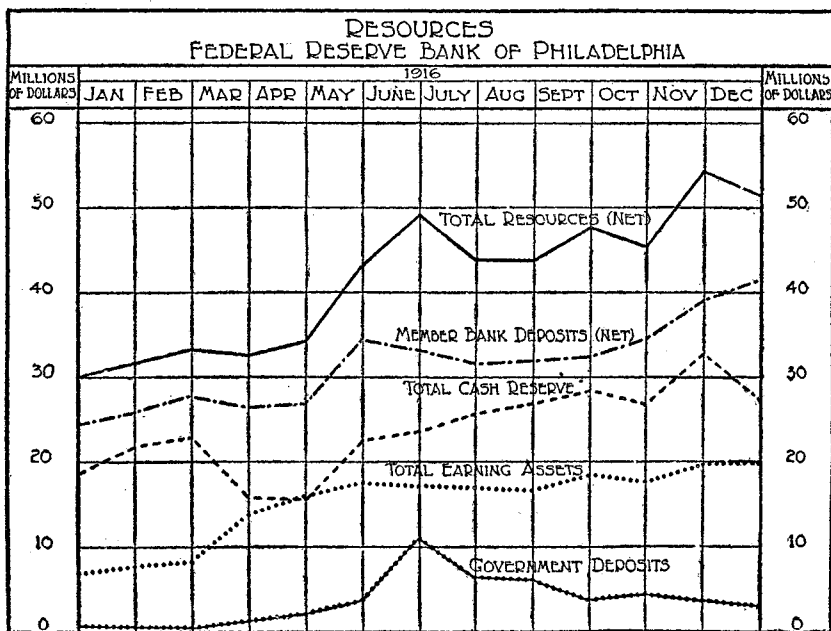


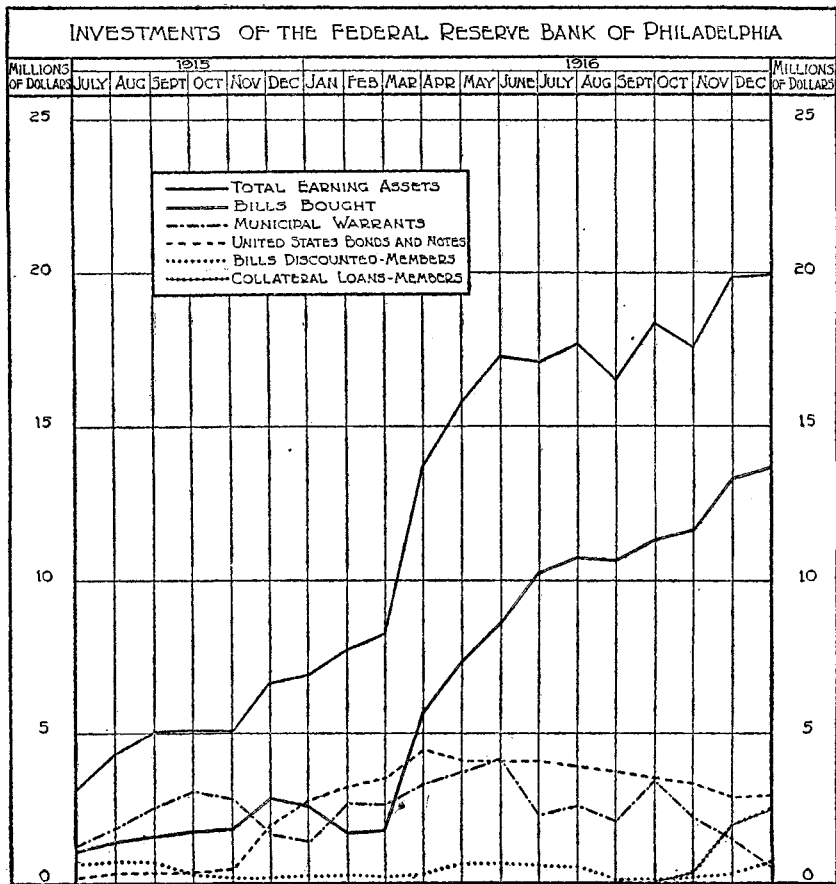
CHART 5.

### III. INVESTMENTS OF THE BANK.

Considerable increase in the earning assets of the Federal Reserve Bank is noticeable by referring to chart 6 and the following table, which show the amount of the invested funds of the bank on the first of each month:

*Total invested funds.*

| Month.         | Total investment operations. | Average daily amount of invested funds. | Earnings.                                       |                 |
|----------------|------------------------------|---|---|-----------------|
|                |                              |   | Average rate of return from all invested funds. | Total earnings. |
| 1916.          |                              |   |   |                 |
| January.....   | \$3, 012, 800                | \$7, 722, 182                           | 2. 21   | \$14, 512       |
| February.....  | 1, 948, 800                  | 8, 140, 448                             | 2. 18   | 14, 113         |
| March.....     | 6, 542, 700                  | 11, 140, 062                            | 2. 16   | 20, 464         |
| April.....     | 5, 296, 500                  | 13, 950, 526                            | 2. 24   | 25, 619         |
| May.....       | 6, 362, 000                  | 16, 719, 120                            | 2. 25   | 31, 969         |
| June.....      | 7, 329, 200                  | 17, 120, 064                            | 2. 24   | 31, 464         |
| July.....      | 7, 318, 400                  | 18, 119, 076                            | 2. 37   | 36, 418         |
| August.....    | 4, 476, 100                  | 17, 357, 542                            | 2. 42   | 35, 596         |
| September..... | 7, 571, 500                  | 17, 728, 745                            | 2. 48   | 36, 107         |
| October.....   | 7, 469, 300                  | 18, 881, 183                            | 2. 53   | 40, 531         |
| November.....  | 9, 462, 600                  | 17, 972, 828                            | 2. 53   | 37, 362         |
| December.....  | 18, 781, 700                 | 22, 239, 398                            | 2. 80   | 52, 743         |
|                | 83, 771, 600                 | 15, 590, 981                            | 2. 42   | 376, 898.       |



Reference to chart 7 and the following table shows that the major portion of the earning assets of the Federal Reserve Bank have been, as a rule, paper of less than 60 days' maturity.

*Maturities of invested funds (not including United States bonds or notes).*

| Month.         | Maturities of amounts held on last Friday of month. |                |                |                |                      |                       |
|----------------|---|----------------|----------------|----------------|----------------------|-----------------------|
|                | 1 to 10 days.                                       | 11 to 30 days. | 31 to 60 days. | 61 to 90 days. | 91 days to 6 months. | Total invested funds. |
| 1916.          |   |                |                |                |                      |                       |
| January.....   | \$921,264   | \$835,274      | \$1,406,368    | \$340,284      | \$1,770,298          | \$5,273,488           |
| February.....  | 767,035   | 849,429        | 509,576        | 269,356        | 2,336,735            | 4,732,131             |
| March.....     | 709,942   | 1,679,007      | 1,563,729      | 4,573,314      | 322,767              | 8,848,759             |
| April.....     | 642,838   | 2,047,223      | 5,519,956      | 2,446,459      | 301,090              | 10,957,596            |
| May.....       | 1,873,387   | 4,896,803      | 3,726,931      | 2,167,563      | 961,886              | 13,626,570            |
| June.....      | 1,588,427   | 2,872,628      | 3,570,247      | 3,357,641      | 1,315,597            | 12,704,540            |
| July.....      | 2,280,562   | 2,640,270      | 4,471,783      | 3,441,849      | 1,531,671            | 14,366,135            |
| August.....    | 1,742,325   | 2,932,987      | 3,848,354      | 3,739,104      | 546,085              | 12,805,855            |
| September..... | 2,420,344   | 2,918,411      | 4,604,153      | 3,872,941      | 73,013               | 13,894,862            |
| October.....   | 3,364,895   | 2,615,853      | 6,454,234      | 3,559,581      | 58,974               | 16,053,537            |
| November.....  | 2,670,292   | 5,111,535      | 5,903,828      | 2,304,225      | 82,593               | 16,072,473            |
| December.....  | 5,076,416   | 4,666,472      | 4,176,413      | 3,121,287      | 88,029               | 17,128,617            |

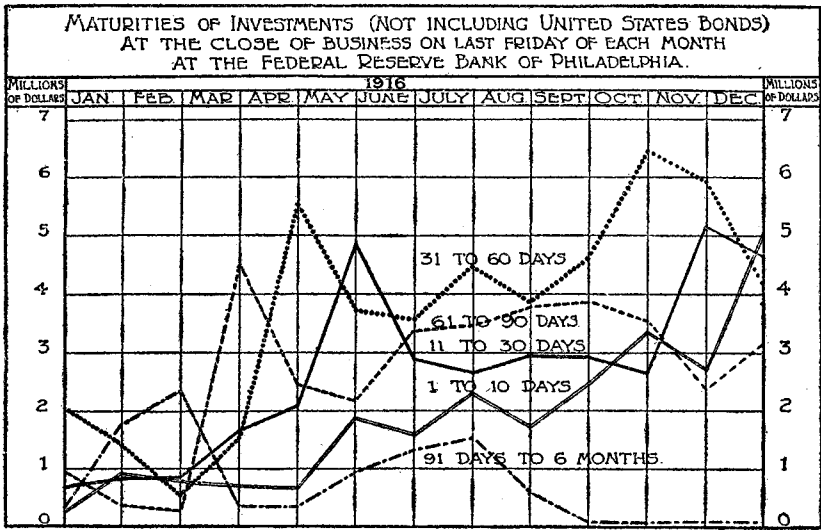


CHART 7.

BILLS DISCOUNTED—MEMBERS.

The rediscount operations for the year 1916 amounted to \$8,684,332, as compared to \$5,137,083 in 1915. Rediscounts were made for 45 member banks, of which 10 were in Philadelphia, 24 elsewhere in Pennsylvania, 10 in New Jersey, and 1 in Delaware. These were the result of 331 applications, covering 3,292 pieces of paper, averaging \$2,638 per piece. The smallest note was for \$1.33, while the largest was for \$100,000. The minimum amount of rediscounted paper held by the Reserve Bank at any time during the year was \$70,030, on October 17, while the maximum amount was \$1,219,569, on July 19. A summary of the year's operations is given in the following table:

*Bills discounted—Members (exclusive of member banks' collateral notes).*

| Month.         | Banks rediscounting. | Total rediscount operations. | Average daily amount of rediscounts on hand. | Earnings.     |         |
|----------------|----------------------|------------------------------|--|---------------|---------|
|                |                      |                              |  | Average rate. | Amount. |
| 1916.          |                      |                              |  |               |         |
| January.....   | 20                   | \$242,773                    | \$184,040                                    | 4.03          | \$629   |
| February.....  | 10                   | 109,247                      | 217,425                                      | 4.10          | 707     |
| March.....     | 13                   | 212,010                      | 243,312                                      | 4.09          | 845     |
| April.....     | 16                   | 922,680                      | 484,626                                      | 3.74          | 1,487   |
| May.....       | 15                   | 1,590,123                    | 775,309                                      | 3.78          | 2,488   |
| June.....      | 13                   | 945,730                      | 547,013                                      | 3.67          | 1,646   |
| July.....      | 11                   | 1,380,125                    | 721,273                                      | 3.93          | 2,406   |
| August.....    | 6                    | 739,515                      | 388,923                                      | 3.96          | 1,307   |
| September..... | 7                    | 521,346                      | 177,480                                      | 3.98          | 580     |
| October.....   | 7                    | 87,303                       | 93,024                                       | 4.11          | 324     |
| November.....  | 7                    | 382,521                      | 216,223                                      | 3.89          | 691     |
| December.....  | 18                   | 1,550,959                    | 661,395                                      | 3.89          | 2,183   |
|                | 143                  | 8,684,332                    | 392,504                                      | 3.90          | 15,293  |

At the beginning of the year the discount rates of the Federal Reserve Bank were as follows: Three per cent for commercial paper having a maturity not exceeding 10 days; 4 per cent for commercial paper having a maturity over 10 days, not exceeding 90 days; 4½ per cent for agricultural paper having a maturity over 90 days, not exceeding 6 months; 3 per cent for trade acceptances and commodity paper having a maturity not exceeding 90 days. These rates continued without change until July 5, when the rate for commercial paper maturing within 10 days and the rate on commodity paper and trade acceptances was advanced from 3 per cent to 3½ per cent. On September 21 the rate for commercial paper maturing within 10 days was abolished and a rate of 3½ per cent was established for the discount of paper with a maturity of not more than 15 days. On the same day a rate of 3½ per cent was established for member bank collateral notes with a maturity of not more than 15 days. Since that time there has been no change in the discount rates. The rates and changes are given in the following table:

Discount rates.

| Classes of discounts and loans.  | Changes made in rates. |                  |                    |
|--|------------------------|------------------|--------------------|
|  | Oct. 14,<br>1915.      | July 6,<br>1916. | Sept. 21,<br>1916. |
| <b>Commercial paper:</b>   |                        |                  |                    |
| 1 to 10 <sup>1</sup> days' maturity.....                                     | 3                      | 3½               | .....              |
| 11 to 30 <sup>1</sup> days' maturity.....                                    | 4                      | 4                | .....              |
| 1 to 15 days' maturity.....  |                        |                  | 3½                 |
| 16 to 30 days' maturity.....   |                        |                  | 4                  |
| 31 to 60 days' maturity.....   | 4                      | 4                | 4                  |
| 61 to 90 days' maturity.....   | 4                      | 4                | 4                  |
| <b>Agricultural and live-stock paper: 91 days to 6 months' maturity.....</b> | 4½                     | 4½               | 4½                 |
| <b>Collateral notes—members: 1 to 15 days' maturity.....</b>                 |                        |                  | 3½                 |
| <b>Trade acceptances:</b>  |                        |                  |                    |
| 1 to 10 days' maturity.....  | 3                      | 3½               | 3½                 |
| 11 to 30 days' maturity.....   | 3                      | 3½               | 3½                 |
| 31 to 90 days' maturity.....   | 3                      | 3½               | 3½                 |
| <b>Commodity paper:</b>  |                        |                  |                    |
| 1 to 30 days' maturity.....  | 3                      | 3½               | 3½                 |
| 31 to 60 days' maturity.....   | 3                      | 3½               | 3½                 |
| 61 to 90 days' maturity.....   | 3                      | 3½               | 3½                 |

<sup>1</sup> Rates discontinued Sept. 21, 1916.

Bankers' acceptances—authorized discount rate: Minimum, 2 per cent; maximum, 4 per cent.

#### COLLATERAL NOTES—MEMBERS.

Authority to make advances to member banks on their own promissory notes having a maturity of not over 15 days was given by an amendment to the Federal Reserve Act, approved September 7, 1916. Since September 21, when the discount rate was announced, the Federal Reserve Bank has made loans to member banks on their own notes amounting to \$13,644,268, the amount of such notes on hand December 30, 1916, being \$900,000. The maximum amount

held was \$5,251,268 on December 21. Detailed figures of these transactions are as follows:

*Collateral notes—members.*

| Month.         | Number of banks borrowing. | Amount of note operations. | Average daily amount on hand. | Earnings.     |         |
|----------------|----------------------------|----------------------------|-------------------------------|---------------|---------|
|                |                            |                            |                               | Average rate. | Amount. |
| 1916.          |                            |                            |                               |               |         |
| September..... | 1                          | \$25,000                   | \$4,167                       | 3.5           | \$12    |
| October.....   | 2                          | 220,000                    | 90,000                        | 3.5           | 271     |
| November.....  | 5                          | 3,032,500                  | 493,133                       | 3.5           | 1,439   |
| December.....  | 10                         | 10,366,768                 | 3,775,613                     | 3.5           | 11,379  |
|                |                            | 13,644,268                 | 1,090,728                     | 3.5           | 13,101  |

ACCEPTANCES.

By far the largest part of the Federal Reserve Bank's earning assets consists of bankers' acceptances bought in the open market. These acceptances originated in the exportation and importation of goods to and from nearly all parts of the world and cover transactions in chemicals, coal, coffee, copper, cotton, fish, flour, gold, grain, hair, hides, machinery, meat, oil, pulp, railroad cars and materials, rubber, ships, shoes, silk, steel products, sugar, tobacco, wool, and various other kinds of merchandise. The total amount of acceptances purchased during the year was \$53,122,000, as compared to \$7,566,000 in 1915. The amount of acceptances on hand has fluctuated between \$1,544,000, on February 15, and \$14,816,000 on December 8. The lowest rate at which they were bought was 2 per cent, and the highest rate was 3½ per cent, in December. There were no purchases of domestic acceptances during the year. Details of the purchase of acceptances are as follows:

*Bills bought in open market.*

| Month.         | Acceptances purchased. |                    |            | Average daily amount of acceptances on hand. | Earnings.     |         |
|----------------|------------------------|--------------------|------------|--|---------------|---------|
|                | Bankers' acceptances.  | Trade acceptances. | Total.     |  | Average rate. | Amount. |
| 1916.          |                        |                    |            |  |               |         |
| January.....   | \$194,000              |                    | \$194,000  | \$2,367,000                                  | 2.08          | \$4,179 |
| February.....  | 658,000                | \$51,000           | 709,000    | 1,674,000                                    | 2.07          | 2,743   |
| March.....     | 4,744,000              | 15,000             | 4,759,000  | 3,751,000                                    | 2.05          | 6,519   |
| April.....     | 3,837,000              | 153,000            | 3,990,000  | 5,972,000                                    | 2.03          | 9,961   |
| May.....       | 3,956,000              | 153,000            | 4,109,000  | 8,036,000                                    | 2.05          | 14,007  |
| June.....      | 5,602,000              | 164,000            | 5,766,000  | 9,611,000                                    | 2.10          | 16,581  |
| July.....      | 4,922,000              | 127,000            | 5,049,000  | 10,990,000                                   | 2.17          | 20,255  |
| August.....    | 3,582,000              | 79,000             | 3,661,000  | 10,662,000                                   | 2.28          | 20,679  |
| September..... | 6,360,000              | 231,000            | 6,591,000  | 11,624,000                                   | 2.42          | 23,092  |
| October.....   | 5,749,000              | 213,000            | 5,962,000  | 11,883,000                                   | 2.45          | 24,681  |
| November.....  | 5,514,000              | 156,000            | 5,670,000  | 12,352,000                                   | 2.43          | 24,638  |
| December.....  | 6,651,000              | 11,000             | 6,662,000  | 14,102,600                                   | 2.58          | 30,908  |
|                | 51,769,000             | 1,353,000          | 53,122,000 | 8,585,600                                    | 2.31          | 198,243 |



## UNITED STATES BONDS AND TREASURY NOTES.

Since January 1, 1916, the Federal Reserve Bank has purchased \$2,500,000 of 2 per cent United States Government bonds at an average price of 99.88 per cent. Of this total, \$1,000,000 were purchased from member banks. On December 31, 1915, there were \$1,993,750 of these bonds on hand, making a total of \$4,493,750 subject to conversion under the terms of the Federal Reserve Act. In accordance with the ruling of the Secretary of the Treasury, \$2,849,000 were converted into 30-year 3 per cent bonds and 1-year 3 per cent Treasury notes. All of the 30-year conversion three's have been sold at a premium, resulting in a profit of \$25,900. As the 2 per cent bonds were purchased at a discount and converted into three's at par, the bank derived a further profit of \$9,734, making a total profit of \$35,634 from United States bond operations during the year. The following table shows the average amounts of bonds and notes held, with earnings, for each month during the year:

*United States bonds and notes.*

| Month.                    | United States bonds.          |               |         | United States notes.          |               |         |
|---------------------------|-------------------------------|---------------|---------|-------------------------------|---------------|---------|
|                           | Average daily amount on hand. | Earnings.     |         | Average daily amount on hand. | Earnings.     |         |
|                           |                               | Average rate. | Amount. |                               | Average rate. | Amount. |
| 1916.                     |                               |               |         |                               |               |         |
| January.....              | \$2,999,844                   | 2.01          | \$4,807 |                               |               |         |
| February.....             | 3,286,891                     | 2.02          | 5,268   |                               |               |         |
| March.....                | 3,905,911                     | 2.01          | 6,651   |                               |               |         |
| April.....                | 4,175,070                     | 2.28          | 7,819   |                               |               |         |
| May.....                  | 4,000,000                     | 2.24          | 7,594   |                               |               |         |
| June.....                 | 4,000,000                     | 2.24          | 7,348   |                               |               |         |
| July.....                 | 3,172,613                     | 2.11          | 6,011   | \$818,000                     | 3.00          | \$2,068 |
| August.....               | 2,935,677                     | 2.17          | 5,414   | 818,000                       | 3.00          | 2,067   |
| September.....            | 2,819,333                     | 2.13          | 4,933   | 818,000                       | 3.00          | 2,009   |
| October.....              | 2,278,065                     | 2.25          | 4,356   | 1,174,000                     | 3.00          | 2,967   |
| November.....             | 1,874,600                     | 2.05          | 3,152   | 1,174,000                     | 3.00          | 2,871   |
| December.....             | 1,654,065                     | 1.98          | 2,787   | 1,174,000                     | 3.00          | 2,967   |
| Average for the year..... | 3,076,005                     | 2.12          | 66,140  | 498,000                       | 3.00          | 14,940  |

## MUNICIPAL WARRANTS.

Warrants amounting to \$7,823,000 were purchased during the year, the average income yield being about 2.6 per cent. These warrants were issued by cities, States, and townships of Arizona, California, Connecticut, Georgia, Kentucky, Maine, Massachusetts, Missouri, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Tennessee, and Washington. Details are given in the following table:

*Municipal warrants.*

| Month.         | Amount of warrants purchased. | Average daily amount of warrants on hand. | Earnings.     |         |
|----------------|-------------------------------|---|---------------|---------|
|                |                               |   | Average rate. | Amount. |
| 1916.          |                               |   |               |         |
| January.....   | \$1,576,000                   | \$2,361,500                               | 2.44          | \$4,897 |
| February.....  | 630,600                       | 2,962,000                                 | 2.29          | 5,395   |
| March.....     | 855,700                       | 3,240,000                                 | 2.35          | 6,449   |
| April.....     | 100,000                       | 3,318,700                                 | 2.33          | 6,352   |
| May.....       | 862,809                       | 3,908,000                                 | 2.38          | 7,880   |
| June.....      | 617,600                       | 2,962,300                                 | 2.42          | 5,889   |
| July.....      | 889,800                       | 2,416,900                                 | 2.93          | 5,680   |
| August.....    | 75,600                        | 2,553,400                                 | 2.83          | 6,129   |
| September..... | 434,200                       | 2,285,900                                 | 2.93          | 5,490   |
| October.....   | 1,200,300                     | 3,362,500                                 | 2.78          | 7,932   |
| November.....  | 378,200                       | 1,863,100                                 | 2.99          | 4,571   |
| December.....  | 202,200                       | 872,600                                   | 3.40          | 2,519   |
|                | 7,823,000                     | 2,675,600                                 | 2.58          | 69,183  |

#### IV. GENERAL BANKING CONDITIONS IN THE DISTRICT AND RELATIONS WITH MEMBER BANKS.

The Philadelphia district has a population of 6,540,000 and an area of 37,198 square miles. There are 632 national banks, 137 state banks, and 231 trust companies in the district. Five national banks have been organized during the year; two have gone into liquidation, and one has failed.

The total resources of the national banks of the district amount to \$1,195,983,000; and the resources of state institutions to \$915,084,000 making the total banking resources of the district \$2,111,067,000, exclusive of savings banks and private bankers. It should be noted that trust funds which are held by the trust companies of this district to an amount probably in excess of \$1,000,000,000 are not included in the above figures.

The Federal Reserve Bank is located in the only reserve city in the district. Only thirty member banks, or less than 5 per cent of the total number, are in Philadelphia. These have a capital and surplus of \$59,430,000 or 34 per cent of the total for all the banks of the district and carry balances with the Federal Reserve Bank of \$25,558,-482, or 58 per cent of the total member bank deposits with the Federal Reserve Bank.

Chart 8 shows that the banking resources of this district have gained materially during the last two years. The combined resources of the national banks, state banks and trust companies have increased approximately \$294,000,000, or 16 per cent within a year, as shown in the following tables. The trust companies have gained \$152,000,-000, or nearly 24 per cent, and the national banks \$141,000,000, slightly more than 13 per cent.

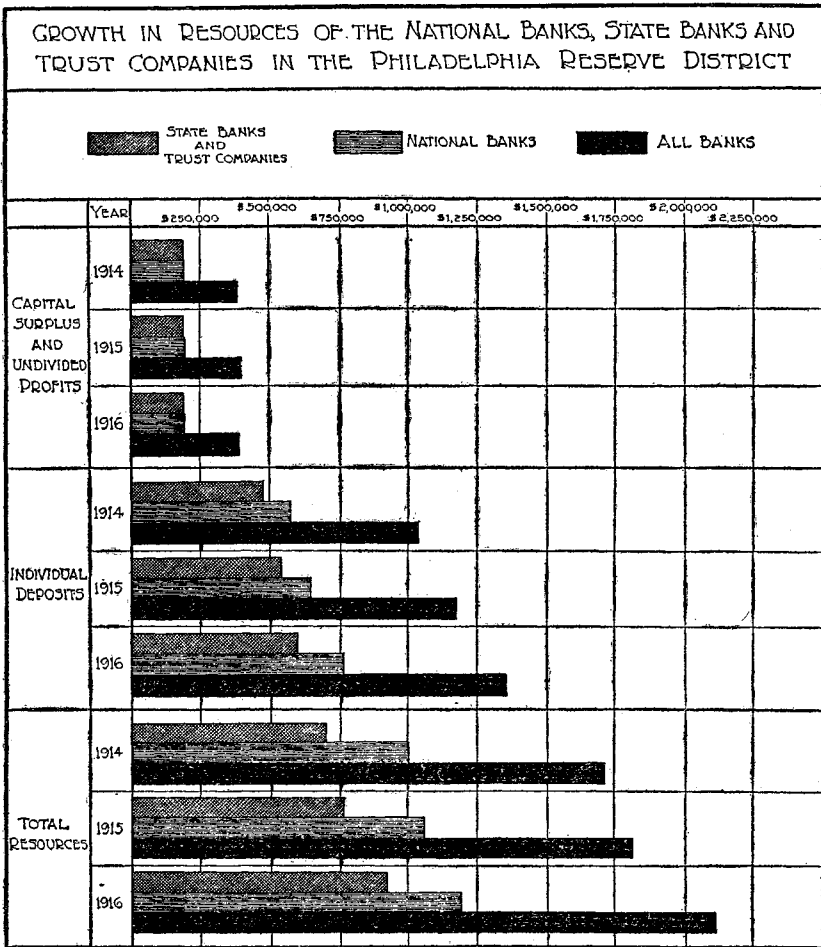


CHART 8.

Combined total resources of the national banks, State banks, and trust companies in the district.

| State.            | National banks. |               |               | State banks. |             |             |
|-------------------|-----------------|---------------|---------------|--------------|-------------|-------------|
|                   | 1914            | 1915          | 1916          | 1914         | 1915        | 1916        |
| Delaware.....     | \$14,834,000    | \$15,278,000  | \$17,689,000  | \$3,804,000  | \$4,442,000 | \$5,095,000 |
| New Jersey.....   | 77,745,000      | 81,802,000    | 95,094,000    | 9,412,000    | 9,761,000   | 9,612,000   |
| Pennsylvania..... | 910,899,000     | 958,028,000   | 1,083,200,000 | 104,103,000  | 106,344,000 | 107,069,000 |
| Total.....        | 1,003,478,000   | 1,055,108,000 | 1,195,983,000 | 117,325,000  | 120,547,000 | 121,776,000 |

| State.            | Trust companies. |              |              | Total for all banks in this district. |               |               |
|-------------------|------------------|--------------|--------------|---------------------------------------|---------------|---------------|
|                   | 1914             | 1915         | 1916         | 1914                                  | 1915          | 1916          |
| Delaware.....     | \$18,683,000     | \$21,288,000 | \$27,887,000 | \$37,321,000                          | \$41,008,000  | \$50,671,000  |
| New Jersey.....   | 43,752,000       | 45,916,000   | 52,865,000   | 130,909,000                           | 137,479,000   | 157,571,000   |
| Pennsylvania..... | 518,620,000      | 574,471,000  | 712,556,000  | 1,533,628,000                         | 1,638,843,000 | 1,902,825,000 |
| Total.....        | 581,055,000      | 641,675,000  | 793,308,000  | 1,701,858,000                         | 1,817,330,000 | 2,111,067,000 |

NOTE.—Figures of the same date could not be secured for the various classes of banks in the different States and it was impossible to get complete returns in some cases, therefore, the figures in this and the following table should be considered as reliable estimates rather than as exact calculations.

Combined total resources of the national banks, State banks, and trust companies in the district—Continued.

## PERCENTAGE OF INCREASE IN RESOURCES.

| State.            | National banks.  |                  | State banks.     |                  | Trust companies. |                  | All banks.       |                  |
|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                   | 1915 over 1914.  | 1916 over 1915.  | 1915 over 1914.  | 1916 over 1915.  | 1915 over 1914.  | 1916 over 1915.  | 1915 over 1914.  | 1916 over 1915.  |
|                   | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> |
| Delaware.....     | 3.0              | 15.8             | 16.5             | 14.8             | 14.0             | 31.0             | 9.9              | 23.3             |
| New Jersey.....   | 5.2              | 16.2             | 3.7              | 1.5              | 5.0              | 15.1             | 5.0              | 14.6             |
| Pennsylvania..... | 5.1              | 13.1             | 2.2              | 0.7              | 10.7             | 24.0             | 6.9              | 16.1             |
| Total.....        | 5.1              | 13.3             | 2.7              | 1.0              | 10.4             | 23.6             | 6.8              | 16.2             |

<sup>1</sup> Decrease.

## Combined statement of condition of member banks.

|                                      | Comptroller's call of—       |                  |                  |
|--------------------------------------|------------------------------|------------------|------------------|
|                                      | Sept. 12, 1914. <sup>1</sup> | Sept. 2, 1915.   | Sept. 12, 1916.  |
| <b>RESOURCES.</b>                    |                              |                  |                  |
| Loans and discounts.....             | \$518, 774, 000              | \$527, 799, 000  | \$597, 371, 000  |
| United States bonds.....             | 60, 843, 000                 | 61, 438, 000     | 58, 812, 000     |
| Other bonds, securities, etc.....    | 156, 673, 000                | 198, 582, 000    | 244, 462, 000    |
| All other resources.....             | 267, 188, 000                | 267, 289, 000    | 295, 338, 000    |
| Total.....                           | 1, 003, 478, 000             | 1, 055, 108, 000 | 1, 195, 983, 000 |
| <b>LIABILITIES.</b>                  |                              |                  |                  |
| Capital stock.....                   | 76, 875, 000                 | 77, 248, 000     | 76, 814, 000     |
| Surplus.....                         | 98, 761, 000                 | 98, 150, 000     | 97, 304, 000     |
| Undivided profits.....               | 20, 759, 000                 | 21, 100, 000     | 24, 460, 000     |
| National bank notes outstanding..... | 64, 197, 000                 | 58, 278, 000     | 56, 291, 000     |
| Individual deposits.....             | 570, 342, 000                | 640, 860, 000    | 759, 894, 000    |
| Bank deposits.....                   | 159, 796, 000                | 149, 604, 000    | 166, 926, 000    |
| All other liabilities.....           | 12, 748, 000                 | 9, 868, 000      | 14, 294, 000     |
| Total.....                           | 1, 003, 478, 000             | 1, 055, 108, 000 | 1, 195, 983, 000 |

<sup>1</sup> The figures for 1914 include only those banks now in this district.

Banking and credit conditions within the district during the past year have been such that there has not been much opportunity for the Federal Reserve Bank to demonstrate its real usefulness to member banks. The following table of borrowings by member banks shows, however, that the Reserve Bank is assuming an increasingly important position with its member banks.

## Summary of borrowings by member banks in district No. 3.

| Date of comptroller's call. | Number of borrowing banks. | Amount of rediscounts with Federal Reserve Bank. <sup>1</sup> | Total amount of rediscounts. | Total amount of borrowings |
|-----------------------------|----------------------------|---|------------------------------|----------------------------|
| Dec. 31, 1915.....          | 116                        | \$168, 274  | \$646, 482                   | \$2, 935, 182              |
| Mar. 7, 1916.....           | 76                         | 215, 307  | 492, 126                     | 1, 806, 126                |
| May 1, 1916.....            | 95                         | 519, 295  | 924, 948                     | 2, 757, 948                |
| June 30, 1916.....          | 92                         | 534, 242  | 942, 990                     | 2, 636, 490                |
| Sept. 12, 1916.....         | 54                         | 262, 605  | 468, 262                     | 1, 483, 762                |
| Nov. 17, 1916.....          | 61                         | 509, 667  | 804, 569                     | 1, 825, 381                |
| Dec. 27, 1916.....          | 76                         | 4, 237, 745   | 4, 452, 554                  | 5, 708, 151                |

<sup>1</sup> This amount includes collateral notes, members.

The growth and development of business in this district during the past year is evidenced by the increase in bank clearings. In Philadelphia the increase was \$4,220,000,000, or 48 per cent, for 1916 over 1915; for the other cities in the district, \$155,000,000, or 45 per cent, over last year.

The clearings for the district, for Philadelphia alone, and for the country banks of the district, by months during the past two years, are shown in chart 9 and the following table. It will be noticed that the clearings for Philadelphia and for the district, for November, 1916, were nearly twice as large as in January, 1915.

*Bank clearings.*

| City.             | Clearings,<br>1915. | Clearings,<br>1916. | Increase 1916<br>over 1915. | Per cent<br>increase<br>1916 over<br>1915. |
|-------------------|---------------------|---------------------|-----------------------------|--|
| Altoona.....      | \$27,189,489        | \$31,235,885        | \$4,046,396                 | 15   |
| Chester.....      | 39,780,519          | 61,787,108          | 22,006,589                  | 55   |
| Harrisburg.....   | 87,767,765          | 99,946,156          | 12,178,391                  | 14   |
| Lancaster.....    | 85,067,499          | 98,474,466          | 13,406,967                  | 15   |
| Norristown.....   | 25,027,504          | 29,415,156          | 3,787,652                   | 15   |
| Philadelphia..... | 8,863,033,292       | 13,083,317,712      | 4,219,684,420               | 48   |
| Reading.....      | 95,820,425          | 117,472,670         | 21,652,245                  | 23   |
| Scranton.....     | 164,023,379         | 165,075,943         | 1,052,564                   | 1  |
| Trenton.....      | 99,501,058          | 116,304,782         | 16,803,724                  | 17   |
| Wilkes-Barre..... | 87,017,610          | 92,539,090          | 5,521,480                   | 6  |
| Wilmington.....   | 107,730,062         | 156,347,614         | 48,617,552                  | 45   |
| York.....         | 47,851,799          | 53,801,515          | 5,949,716                   | 12   |
| Total.....        | 9,731,010,401       | 14,105,718,097      | 4,374,707,696               | 45   |

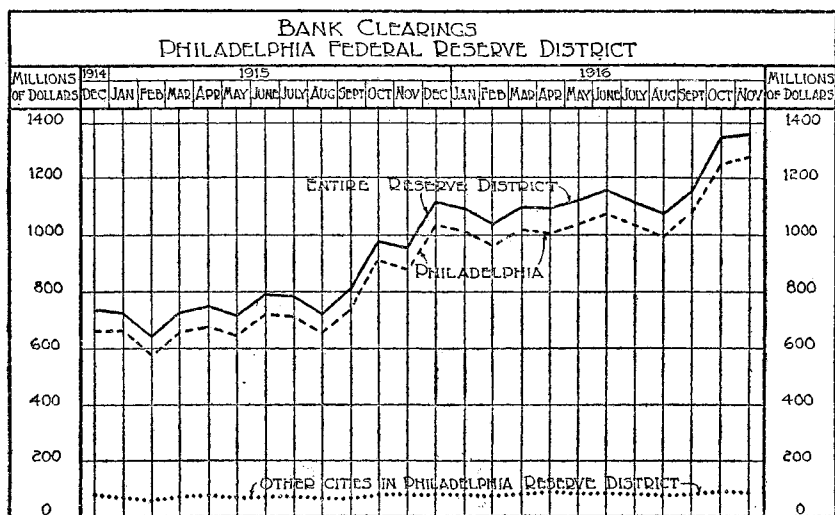


CHART 9.

The use of American bank and bankers' acceptances in financing export and import business is increasing rapidly. The following table shows aggregate acceptance liabilities of the member banks in

Philadelphia at various dates during the past year. So far as is known, nonmember banks in the district have not made any acceptances.

| Date of comptroller's call: | Acceptance liabilities: |
|-----------------------------|-------------------------|
| Dec. 31, 1915.....          | \$2, 809, 000           |
| Mar. 7, 1916.....           | 5, 751, 000             |
| May 1, 1916.....            | 6, 219, 000             |
| June 30, 1916.....          | 5, 234, 000             |
| Sept. 12, 1916.....         | 5, 084, 000             |
| Nov. 17, 1916.....          | 8, 640, 000             |
| Dec. 27, 1916.....          | 8, 309, 000             |

The subject of the use of trade acceptances has been under earnest discussion during the year and is one worthy of the attention of trade organizations, member banks, and business men. A more general adoption of this method of carrying the purchase of goods, instead of the open book accounts, would be a step forward in good banking practice.

Through the establishment of the collection system, active relations maintained with all the member banks, it is believed, will grow more intimate. Through the collection system, the Reserve Bank also has direct dealings with about half of the nonmember banks of the district, and it is expected that in the near future, direct relations will be extended to all the banks in the district.

Some member banks still follow the policy of keeping only the required portion of their reserves with their Federal Reserve Bank, while others find it to their advantage to keep a larger portion with it. As gold in the Federal Reserve Bank serves a much larger purpose than in the vaults of the member banks, it is hoped that it will not be long before all the banks will reduce their holdings of cash to the minimum necessary for counter purposes and keep as much of their reserve as possible with their Federal Reserve Bank. This would also relieve member banks of the responsibility incident to keeping on hand large amounts of cash. The following table shows the changes in the reserve position during the past 18 months:

*Reserve condition of member banks.*

[000's omitted.]

| Date of comptroller's call. | In vault. |            | With Federal Reserve Bank. |            | With approved reserve agents. |            | Total.   |            | Excess. |
|-----------------------------|-----------|------------|----------------------------|------------|-------------------------------|------------|----------|------------|---------|
|                             | Held.     | Re-quired. | Held.                      | Re-quired. | Held.                         | Re-quired. | Held.    | Re-quired. |         |
| 1915.                       |           |            |                            |            |                               |            |          |            |         |
| Sept. 2.....                | 48, 299   | 26, 516    | 19, 443                    | 16, 625    | 98, 752                       | 36, 516    | 166, 493 | 89, 657    | 76, 836 |
| Nov. 10.....                | 59, 420   | 38, 428    | 20, 233                    | 17, 550    | 94, 407                       | 38, 423    | 165, 955 | 94, 406    | 70, 659 |
| Dec. 31.....                | 59, 886   | 37, 822    | 27, 267                    | 24, 092    | 75, 215                       | 30, 957    | 153, 368 | 92, 872    | 60, 496 |
| 1916.                       |           |            |                            |            |                               |            |          |            |         |
| Mar. 7.....                 | 55, 568   | 40, 663    | 28, 899                    | 25, 954    | 93, 868                       | 33, 309    | 178, 335 | 99, 926    | 78, 409 |
| May 1.....                  | 51, 157   | 40, 898    | 26, 712                    | 26, 106    | 87, 232                       | 33, 591    | 165, 101 | 100, 595   | 64, 596 |
| June 30.....                | 46, 863   | 40, 324    | 34, 108                    | 33, 013    | 73, 487                       | 25, 704    | 154, 458 | 99, 041    | 55, 417 |
| Sept. 12.....               | 55, 485   | 42, 591    | 41, 294                    | 34, 856    | 89, 821                       | 27, 120    | 177, 690 | 104, 567   | 73, 033 |
| Nov. 17.....                | 51, 633   | 44, 308    | 47, 443                    | 44, 308    | 78, 036                       | 20, 222    | 177, 112 | 108, 838   | 68, 274 |
| Dec. 27.....                | 53, 492   | 44, 038    | 62, 114                    | 44, 038    | 66, 690                       | 20, 032    | 182, 296 | 108, 108   | 74, 183 |

It is felt desirable to remind the officers and directors of member banks that this bank is their institution and its officers would be glad to have them call more frequently to discuss the affairs of the Reserve Bank and other matters of common interest.

The Chairman wishes to express his deep appreciation of the cooperation and assistance rendered by the officers of banking institutions in the district in furnishing information as to business conditions in their communities and of the hearty way they responded to all requests for such information.

#### V. THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

Since January 1, 1916, the Federal Reserve Bank has been acting as fiscal agent of the United States Government. At that time the accounts in some of the national banks of Philadelphia were closed and the balances amounting to about \$800,000 were transferred to this bank. Since then a portion of the receipts of the Government has been deposited in the Reserve Bank daily, involving the handling of a large amount of checks and cash. The volume of such deposits varies considerably. The maximum amount to the credit of the Government was \$10,750,000 on July 8, when the receipts of the internal-revenue office were especially large, due to the payment of taxes on incomes.

The Reserve Bank has had intimate and active relations with the subtreasurer at Philadelphia and the chief national-bank examiner of the district, and it affords much pleasure to acknowledge the courteous attention and hearty cooperation which has been extended to the bank by those connected with these departments.

#### VI. FEDERAL RESERVE NOTE ISSUES.

The issuance of Federal Reserve notes largely increased during the year, as shown by the following comparative statement:

|  | Dec. 30, 1916. | Dec. 31, 1915. |
|--|----------------|----------------|
| Federal Reserve notes received from Comptroller of Currency, from organization of bank.....                              | \$30,480,000   | \$12,480,000   |
| Federal Reserve notes returned to Comptroller of Currency for redemption and destruction, from organization of bank..... | 6,150,410      | 640,000        |
| Federal Reserve notes on hand.....   | 7,260,000      | 2,680,000      |
| Federal Reserve notes issued to the bank.....  | 17,069,590     | 9,160,000      |
| Gold deposited with agent to retire outstanding Federal Reserve notes:   |                |                |
| Gold on hand.....  | \$3,730,000    | \$4,160,000    |
| Credit balance with Federal Reserve Board.....   | 11,180,000     | 5,600,000      |
| Credit balance in gold redemption fund.....  | \$59,590       |                |
| Paper held by agent to secure Federal Reserve notes.....   | 15,769,590     | 9,160,000      |
|  | 1,300,000      | None.          |

As a result of the issue of Federal Reserve notes, the gold in the hands of the Federal Reserve Agent increased \$6,609,590 during the year. Much strength is added to the Federal Reserve Bank by the accumulation of gold through the issue of Federal Reserve notes. Due to the activity of business, a much larger amount of currency

was used for pay roll and other purposes. The Federal Reserve notes outstanding have increased from \$9,160,000 to \$17,069,590, which are secured by a deposit of gold and commercial paper with the Federal Reserve Agent. Should an unusual demand for loans be experienced, the reserve of the bank could be increased through the release of all the gold held by the Federal Reserve Agent by the substitution with him by the bank of an equal amount of commercial paper. According to the statement of the agent of December 30, 1916, the bank's gold reserve in that case would be increased nearly \$10,000,000, which is evidence of the potential strength of the gold fund accumulated through the issuance of Federal Reserve notes.

The amount of Federal Reserve notes outstanding, by months, during the past two years, is shown in chart 10 and the following table:

*Federal Reserve notes.*

| Month.         | Amount outstanding at beginning of month. | Amount issued during month. | Amount redeemed. | Amount outstanding at end of month. | Amount held by bank at end of month. | Amount in circulation at end of month. |
|----------------|---|-----------------------------|------------------|-------------------------------------|--------------------------------------|--|
| 1916.          |   |                             |                  |                                     |                                      |  |
| January.....   | \$9,160,000                               | .....                       | \$500,000        | \$8,660,000                         | \$561,445                            | \$8,098,555                            |
| February.....  | 8,660,000                                 | \$325,000                   | 1,297,450        | 7,687,550                           | 292,500                              | 7,485,050                              |
| March.....     | 7,687,550                                 | .....                       | 509,300          | 7,178,250                           | 115,795                              | 7,062,455                              |
| April.....     | 7,178,250                                 | .....                       | 372,500          | 6,805,750                           | 150,695                              | 6,655,055                              |
| May.....       | 6,805,750                                 | .....                       | 490,900          | 6,314,850                           | 158,470                              | 6,156,380                              |
| June.....      | 6,314,850                                 | 1,472,700                   | 474,900          | 7,312,650                           | 633,520                              | 6,679,130                              |
| July.....      | 7,312,650                                 | 900,000                     | 380,000          | 7,832,650                           | 510,650                              | 7,322,000                              |
| August.....    | 7,832,650                                 | .....                       | 469,200          | 7,363,450                           | 443,440                              | 6,920,010                              |
| September..... | 7,363,450                                 | 680,000                     | 437,200          | 7,606,250                           | 472,170                              | 7,134,080                              |
| October.....   | 7,606,250                                 | 1,360,000                   | 493,110          | 8,473,140                           | 425,850                              | 8,047,290                              |
| November.....  | 8,473,140                                 | 6,080,000                   | 432,500          | 14,120,640                          | 1,519,010                            | 12,601,630                             |
| December.....  | 14,120,640                                | 3,340,000                   | 391,050          | 17,069,590                          | 171,140                              | 16,898,450                             |
| Total.....     | .....                                     | 14,157,700                  | 16,248,110       | .....                               | .....                                | .....                                  |

<sup>1</sup>Of this amount, \$5,510,410 were notes unfit for circulation, which were delivered to the Comptroller of Currency for destruction. The balance, \$737,700, were notes fit for circulation, which were reissued to the bank by the Federal Reserve Agent.

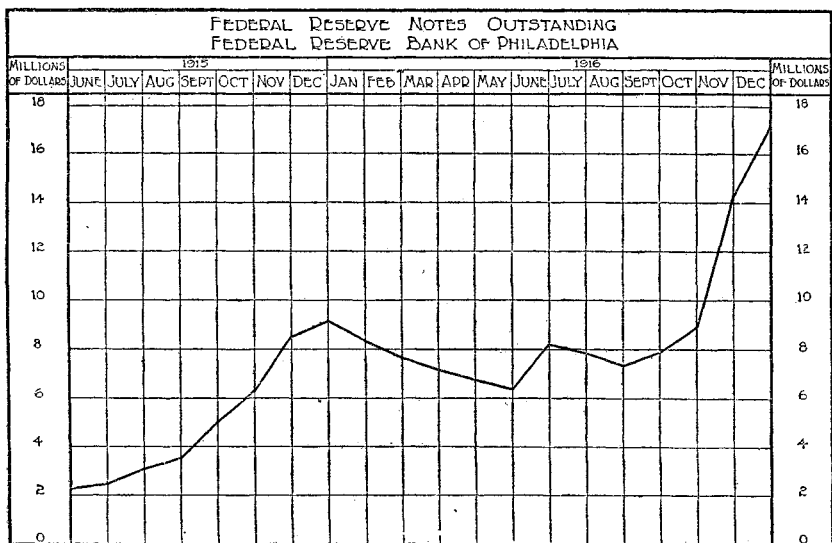


CHART 10.



The next table shows that note issues were heaviest during the fall of the year and that all of the notes issued were of \$5, \$10, and \$20 denominations.

*Denominations of Federal Reserve notes issued during 1916.*

| Month.         | Fives.    | Tens.     | Twenties. | Total.     |
|----------------|-----------|-----------|-----------|------------|
| 1916.          |           |           |           |            |
| January.....   |           |           |           |            |
| February.....  |           | \$211,800 | \$110,200 | \$325,000  |
| March.....     |           |           |           |            |
| April.....     |           |           |           |            |
| May.....       |           |           |           |            |
| June.....      | \$512,700 | 480,000   | 480,000   | 1,472,700  |
| July.....      | 260,000   | 480,000   | 160,000   | 900,000    |
| August.....    |           |           |           |            |
| September..... | 400,000   | 200,000   | 80,000    | 680,000    |
| October.....   | 640,000   |           | 720,000   | 1,360,000  |
| November.....  | 2,280,000 | 2,040,000 | 1,760,000 | 6,080,000  |
| December.....  | 1,660,000 | 560,000   | 1,120,000 | 3,340,000  |
| Total.....     | 5,752,700 | 3,974,800 | 4,430,200 | 14,157,700 |

The issue of Federal Reserve notes covered by gold is not a matter of any profit to the Reserve Bank, but is an expense equal to the cost of printing and shipping them. Experience has shown that this amounts to about 1 cent a note. As notes issued under these circumstances are for the benefit of the public, it has been suggested that the Government assume the cost of issuing them.

## VII. INTERNAL MANAGEMENT OF THE BANK.

### BOARD OF DIRECTORS.

In December, 1916, M. J. Murphy, of Clarks Green, Pa., was reelected a class A director of the Federal Reserve Bank by the member banks in group 3, for a term of three years ending December 31, 1919, and Alba B. Johnson, the only nominee for class B director, was reelected by the member banks in group 1 for a similar term.

In connection with the election of directors, it is interesting to note that as a result of the grouping of banks as required by the Act, group 1 contains 210 banks having capital and surplus of \$137,748,000, or 79 per cent of the capital and surplus of all member banks in the district; group 2 has 211 banks with capital and surplus of \$26,217,000, or 15 per cent of the total; and group 3, 211 banks with capital and surplus of \$9,653,000, or 6 per cent of the total for all the member banks.

A number of changes have occurred during the year among the class C directors. The term of George M. LaMonte, of Bound Brook, N. J., expired December 31, 1915. By the transfer of the northern part of New Jersey, in which Mr. LaMonte resided, to the New York Federal Reserve district, he became ineligible for reappointment and Vance C. McCormick, of Harrisburg, Pa., was appointed to succeed him as a director, while George W. Norris, a member of the

Board, was appointed deputy Federal Reserve Agent and deputy chairman. Mr. McCormick retired in July and J. Davis Brodhead, of South Bethlehem, Pa., was appointed in September. In August Mr. Norris resigned to become Commissioner of the Federal Farm Loan Board, and Henry B. Thompson, of Wilmington, Del., was appointed to his place and designated as deputy Federal Reserve Agent and deputy chairman. Mr. Thompson has since been appointed by the Board to serve for a three-year term, ending December 31, 1919.

The men who retired from the board were experienced in financial and commercial affairs; were highly esteemed as colleagues and respected as counsellors; and the severing of their connection with the board was the cause of the deepest regret to their associates.

With one or two exceptions in midsummer, meetings of the board of directors and of the executive committee have been held regularly during the year. All the loans and investments made were submitted to and acted upon by them, and discount rates and all other matters of importance affecting the operation of the bank were considered by them. The directors have manifested, at all times, a deep interest in the bank and have given much consideration to its affairs.

#### CHANGES IN OFFICIAL AND CLERICAL STAFF.

Thomas Gamon, jr., formerly chief clerk of the bank, was elected assistant cashier in January, 1916.

There were 89 employees of the Reserve Bank at the end of the year, as compared with 45 at the beginning; 28 men were added to the force of the transit department; 2 to the teller's department; 5 to the bookkeeping department; 1 to the auditing department; and 2 were regularly assigned to handle the work incident to Government deposits.

The clerical staff has rendered faithful and efficient service. In solving the many problems in connection with the development of the operations of the institution, especially in connection with the inauguration of the check collection system, which involved a large amount of extra service, excess hours of labor were cheerfully given and all the work most satisfactorily performed, evidencing the heartiest cooperation of officers and clerks.

#### WORK OF THE FEDERAL RESERVE AGENT'S DEPARTMENT.

On January 15, 1916, the Federal Reserve Board authorized the appointment of an assistant to the Federal Reserve Agent, and Arthur E. Post was appointed to the position.

The local office of the Federal Reserve Board has been maintained in the Federal Reserve Bank as required by the Act, with a sufficient

force to do the work in connection with the issuing of notes, making of reports, and other matters pertaining to the office.

### VIII. TRANSIT DEPARTMENT OPERATIONS.

The number of items handled by this department has increased rapidly, partly because of the gradual increase in the number of banks using the system. Chart 11, together with the following tables, shows the average number and amount of items handled daily and the total number and amount handled each month. During June, the last month of operation of the system then in force, a daily average of 6,298 items were handled, as compared to 31,299 in December under the new plan.

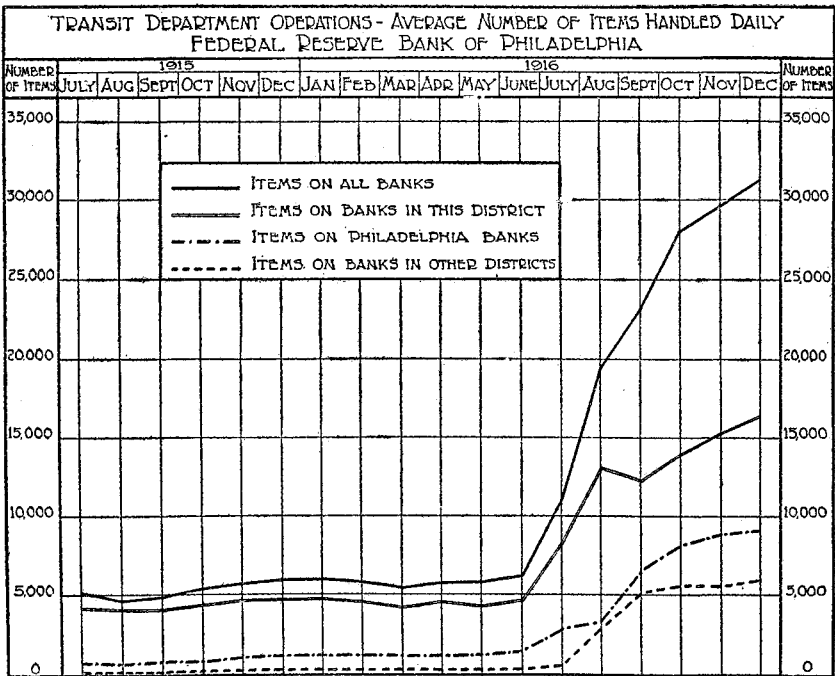
#### *Transit department operations.*

| Month.                  | Average number of items handled daily. |             |                                    |           |                                      |             |         |             |  |
|-------------------------|--|-------------|------------------------------------|-----------|--------------------------------------|-------------|---------|-------------|--|
|                         | On Philadelphia banks.                 |             | On country banks in this district. |           | On banks in other reserve districts. |             | Total.  |             |  |
|                         | Number.                                | Amount.     | Number.                            | Amount.   | Number.                              | Amount.     | Number. | Amount.     |  |
| 1916.                   |  |             |                                    |           |                                      |             |         |             |  |
| January.....            | 1,272                                  | \$1,740,993 | 4,717                              | \$464,830 | 85                                   | \$1,417,109 | 6,074   | \$3,622,872 |  |
| February.....           | 1,262                                  | 1,746,935   | 4,612                              | 432,936   | 87                                   | 1,974,414   | 5,961   | 4,154,285   |  |
| March.....              | 1,087                                  | 2,081,444   | 4,177                              | 423,187   | 127                                  | 1,819,939   | 5,391   | 4,324,570   |  |
| April.....              | 1,155                                  | 2,373,427   | 4,576                              | 464,105   | 170                                  | 2,141,092   | 5,901   | 4,978,624   |  |
| May.....                | 1,247                                  | 2,560,451   | 4,443                              | 459,918   | 178                                  | 2,024,932   | 5,868   | 5,045,301   |  |
| June.....               | 1,503                                  | 2,671,149   | 4,653                              | 471,700   | 142                                  | 2,501,917   | 6,298   | 5,644,766   |  |
| July 1 to July 14.....  | 1,684                                  | 3,356,974   | 4,661                              | 504,481   | 166                                  | 2,958,077   | 6,511   | 6,819,532   |  |
| July 15 to July 31..... | 2,322                                  | 3,957,102   | 11,437                             | 1,375,391 | 968                                  | 2,793,092   | 14,727  | 8,125,585   |  |
| August.....             | 3,438                                  | 4,497,927   | 13,124                             | 1,516,512 | 3,051                                | 3,317,912   | 19,613  | 9,332,351   |  |
| September.....          | 5,695                                  | 5,735,277   | 12,240                             | 1,589,865 | 5,011                                | 4,099,548   | 22,946  | 11,424,690  |  |
| October.....            | 8,279                                  | 6,667,741   | 14,066                             | 1,754,711 | 5,785                                | 5,196,789   | 28,130  | 14,619,241  |  |
| November.....           | 8,941                                  | 8,084,550   | 15,137                             | 1,806,792 | 5,568                                | 5,885,762   | 29,646  | 15,777,104  |  |
| December.....           | 8,987                                  | 9,025,654   | 16,374                             | 2,046,101 | 5,968                                | 6,610,018   | 31,299  | 17,681,773  |  |

<sup>1</sup> The universal par collection system started July 15, 1916.

#### *Total number and amount of checks handled monthly.*

| Month.                  | On Philadelphia banks. |               | On country banks. |              | On banks in other reserve districts. |              | Total.    |               |
|-------------------------|------------------------|---------------|-------------------|--------------|--------------------------------------|--------------|-----------|---------------|
|                         | Number.                | Amount.       | Number.           | Amount.      | Number.                              | Amount.      | Number.   | Amount.       |
| January.....            | 31,791                 | \$43,523,325  | 117,920           | \$11,620,757 | 2,136                                | \$35,427,723 | 151,847   | \$90,571,805  |
| February.....           | 29,033                 | 40,179,514    | 106,067           | 9,957,538    | 1,996                                | 45,411,514   | 137,096   | 95,548,566    |
| March.....              | 29,341                 | 56,198,999    | 112,786           | 11,426,067   | 3,417                                | 49,138,325   | 145,544   | 116,763,391   |
| April.....              | 27,729                 | 56,962,252    | 109,816           | 11,138,528   | 4,083                                | 51,386,203   | 141,628   | 119,496,983   |
| May.....                | 32,435                 | 66,571,738    | 115,526           | 11,957,845   | 4,610                                | 52,648,237   | 152,571   | 131,177,820   |
| June.....               | 39,089                 | 69,449,871    | 120,970           | 12,264,212   | 3,699                                | 65,049,832   | 163,758   | 146,763,915   |
| July 1 to July 14.....  | 18,521                 | 36,926,717    | 51,273            | 5,549,296    | 1,829                                | 32,538,848   | 71,623    | 75,014,861    |
| July 15 to July 31..... | 32,504                 | 55,399,443    | 160,123           | 19,255,471   | 13,563                               | 39,103,285   | 206,190   | 113,758,199   |
| August.....             | 92,825                 | 121,444,031   | 354,350           | 40,945,826   | 82,389                               | 89,583,625   | 529,564   | 251,973,481   |
| September.....          | 142,385                | 143,381,917   | 306,006           | 39,746,631   | 125,267                              | 102,488,698  | 573,658   | 285,617,246   |
| October.....            | 206,992                | 191,693,522   | 351,645           | 43,867,772   | 144,625                              | 129,919,727  | 703,262   | 365,481,021   |
| November.....           | 214,600                | 194,029,105   | 363,280           | 43,363,005   | 133,634                              | 141,258,294  | 711,514   | 378,650,494   |
| December.....           | 223,934                | 225,641,340   | 409,348           | 51,152,535   | 149,206                              | 165,250,451  | 782,488   | 442,044,326   |
| Total.....              | 1,121,179              | 1,301,401,864 | 2,679,110         | 312,245,482  | 670,454                              | 999,204,762  | 4,470,743 | 2,612,852,108 |



NOTE:- THE INAUGURATION OF THE INTERDISTRICT COLLECTION SYSTEM ON JULY 15, 1916 CAUSED THE INCREASE IN VOLUME OF BUSINESS HANDLED IN JULY AND SUBSEQUENT MONTHS

CHART 11.

A glance at the chart, which is based upon daily averages, reveals some striking changes under the new system. Checks on banks in other reserve districts show a large increase. These items for the most part come from Philadelphia member banks, some of which now send practically all of their foreign items to the Federal Reserve Bank. The number of items on Philadelphia banks also shows a large increase, the greater part of the gain coming from checks received from other Federal Reserve Banks.

Under the regulations of the Federal Reserve Board for the handling of checks on nonmember banks, arrangements have been made with 143 nonmember banks, outside of Philadelphia, for the collection of their checks. Checks on all nonmember banks in Philadelphia, amounting to 69, are also handled, making the total number of nonmember banks whose checks are handled through the collection system 212.

In organizing the new check collection system, this bank is indebted to the officers and transit department managers of some of the Philadelphia member banks for the helpful service they rendered.

## DISTRICT NO. 4—CLEVELAND.

D. C. WILLS, Chairman and Federal Reserve Agent.

It was to be expected that the Federal Reserve Bank of Cleveland from an earning standpoint would make a much improved showing in its operations for 1916 over 1915. The increase in revenue, however, did not come through rediscounting for member banks, but from the reserve bank's open market transactions and from purchases, conversions, and sales of United States notes and bonds. The net earnings for 1916 were sufficient to permit the charging off of the entire item of organization expense which appeared in the statement of December 31, 1915, and of all furniture and other fixtures except vault equipment and mechanical equipment which are being amortized.

On December 2 there was declared an initial dividend of 6 per cent per annum for the period to June 30, 1915. This dividend, amounting to \$143,236.51, was credited to the accounts of member banks December 30, 1916, with previous advice, in order to give them the opportunity of entering the dividend in their own earnings for the current year.

On December 31, 1915, the bank had 110 per cent of its capital in revenue-producing assets. At the close of 1916 this percentage had risen to 363 per cent, the daily average in 1916 being 246 per cent.

The following table shows the daily average of invested funds, earnings from investments, and rates of earnings for each month during the year:

*Daily average invested funds.*

|                 | Bills dis-<br>counted,<br>members. | Bills bought<br>in open<br>market. | Municipal<br>warrants. | United States<br>bonds. | Total in-<br>vested<br>funds. |
|-----------------|------------------------------------|------------------------------------|------------------------|-------------------------|-------------------------------|
| 1916            |                                    |                                    |                        |                         |                               |
| January .....   | \$414,537.89                       | \$981,173.58                       | \$2,816,477.61         | \$2,501,300.00          | \$6,713,489.08                |
| February .....  | 272,072.70                         | 976,360.05                         | 2,954,676.86           | 3,389,862.07            | 7,592,971.68                  |
| March .....     | 253,643.25                         | 1,121,630.04                       | 3,852,506.19           | 3,993,618.00            | 9,221,632.48                  |
| April .....     | 436,402.00                         | 1,683,989.00                       | 4,869,198.00           | 4,180,767.00            | 11,175,356.00                 |
| May .....       | 284,497.00                         | 2,613,216.00                       | 5,486,443.00           | 6,166,642.00            | 14,550,828.00                 |
| June .....      | 277,443.55                         | 4,400,822.83                       | 4,509,667.00           | 6,614,333.00            | 15,802,266.38                 |
| July .....      | 419,584.00                         | 6,593,523.00                       | 4,781,391.00           | 6,653,358.00            | 18,449,856.00                 |
| August .....    | 282,083.70                         | 7,051,901.80                       | 4,597,141.86           | 6,375,258.06            | 18,306,385.52                 |
| September ..... | 597,913.07                         | 7,284,596.60                       | 2,789,179.64           | 6,798,550.00            | 17,461,239.31                 |
| October .....   | 370,686.10                         | 6,695,269.52                       | 4,213,861.06           | 6,878,430.96            | 18,163,244.64                 |
| November .....  | 271,772.87                         | 6,884,224.51                       | 3,680,377.16           | 6,739,200.00            | 17,575,574.54                 |
| December .....  | 1,205,755.34                       | 9,589,687.29                       | 2,712,953.35           | 7,359,529.84            | 21,468,216.82                 |

## Daily average invested funds—Continued.

|                | Earnings.   | Average rate on invested funds. |  | Earnings.   | Average rate on invested funds. |
|----------------|-------------|---------------------------------|--|-------------|---------------------------------|
|                |             | <i>Per cent.</i>                |  |             | <i>Per cent.</i>                |
| January.....   | \$15,721.61 | 2.76                            | October.....                                       | \$44,904.20 | 2.74                            |
| February.....  | 16,869.29   | 2.71                            | November.....                                      | 40,031.23   | 2.72                            |
| March.....     | 20,413.73   | 2.62                            | December.....                                      | 51,124.91   | 2.75                            |
| April.....     | 23,300.29   | 2.53                            |  |             |                                 |
| May.....       | 29,821.61   | 2.44                            |  | 391,927.80  |                                 |
| June.....      | 31,959.46   | 2.48                            | Profits realized on United States notes and bonds. | 37,228.53   |                                 |
| July.....      | 39,826.01   | 2.55                            | Total.....   | 429,156.33  |                                 |
| August.....    | 40,260.69   | 2.60                            |  |             |                                 |
| September..... | 37,634.77   | 2.63                            |  |             |                                 |

## RECAPITULATION.

## Daily average of funds employed during year:

|                                    |                      |
|------------------------------------|----------------------|
| Bills discounted—members.....      | \$425,175.75         |
| Bills discounted—bought.....       | 4,672,647.68         |
| Municipal warrants.....            | 3,943,462.52         |
| United States notes and bonds..... | 5,692,548.42         |
| Total.....                         | <u>14,733,834.37</u> |

## Volume of business handled:

|                                    |                      |
|------------------------------------|----------------------|
| Bills discounted—members.....      | 6,792,429.30         |
| Bills discounted—bought.....       | 27,542,002.24        |
| Municipal warrants.....            | 10,660,237.46        |
| United States notes and bonds..... | 11,721,160.00        |
| Total.....                         | <u>56,715,828.99</u> |

## Average rate of earnings for year:

|                                    |                          |
|------------------------------------|--------------------------|
| Bills discounted—members.....      | <i>Per cent.</i><br>4.25 |
| Bills discounted—bought.....       | 2.29                     |
| Municipal warrants.....            | 2.97                     |
| United States notes and bonds..... | 2.54                     |
| Total funds employed.....          | <u>2.63</u>              |

## Earnings from discounts and investments:

|                                    |                   |
|------------------------------------|-------------------|
| Bills discounted—members.....      | \$18,064.41       |
| Bills discounted—bought.....       | 106,993.11        |
| Municipal warrants.....            | 116,925.13        |
| United States notes and bonds..... | 144,843.65        |
| Total.....                         | <u>396,826.30</u> |

## Other earnings:

|  |                   |
|--|-------------------|
| Sundry profits.....                          | 1,779.47          |
| Penalties.....                               | 3,322.03          |
| Profits realized on United States bonds..... | 37,228.53         |
| Total.....                                   | <u>429,156.33</u> |

|  |                          |
|--|--------------------------|
| Average capital.....                   | 5,982,695.00             |
| Rate of gross earnings on capital..... | <i>Per cent.</i><br>7.17 |

The following is a comparative balance sheet as at the close of business December 31 and 30, 1915 and 1916:

|  | 1915           | 1916            |
|--|----------------|-----------------|
| <b>RESOURCES.</b>  |                |                 |
| Bills discounted for members.....                        | \$527,762.01   | \$1,006,773.50  |
| Bills discounted, bankers' acceptances.....              | 803,724.54     | 10,153,694.75   |
| Investments—short-time municipal obligations.....        | 2,846,067.50   | 2,684,589.64    |
| United States bonds.....                                 | 2,357,000.00   | 7,979,460.00    |
|  | \$6,534,554.05 | \$21,824,517.89 |
| Premium and accrued interest on United States bonds..... | 103,808.13     | 297,660.08      |
| Cost of unissued Federal Reserve notes.....              | 42,757.61      | 39,544.25       |
| Furniture, vault and other equipment.....                | 20,187.08      | 20,163.92       |
| Expense, organization.....                               | 55,774.48      |                 |
| Expenses paid in advance.....                            | 6,486.36       | 934.76          |
|  | 62,263.84      |                 |

|  | 1915                   | 1916                   |
|--|------------------------|------------------------|
| <b>RESOURCES—continued.</b>  |                        |                        |
| Due from other Federal Reserve Banks, net.....                         | \$2,101,321.01         | \$3,657,895.98         |
| Due from banks and bankers.....  |                        | 129,610.22             |
| Deferred debits.....   |                        | 10,417,595.49          |
| Gold coin and certificates.....  | \$9,593,320.00         | \$15,761,382.50        |
| Gold settlement fund, Washington.....                                  | 11,042,000.00          | 10,953,000.00          |
| Gold redemption fund.....  |                        | 42,250.00              |
|  | 20,635,320.00          | 32,756,632.50          |
| Legal-tender notes and silver certificates.....                        | 1,206,352.00           | 484,417.00             |
| Federal Reserve notes on hand.....                                     | 271,405.00             | 588,935.00             |
| Other cash and coin.....   | 110,082.85             | 91,810.77              |
| Mutilated currency forwarded for redemption.....                       |                        | 140,000.00             |
| Other resources.....   |                        | 28,554.65              |
|  | 31,088,048.57          | 70,478,278.51          |
| <b>LIABILITIES.</b>  |                        |                        |
| Capital paid in.....   | 5,941,150.00           | 6,021,800.00           |
| Profit and loss account.....   |                        | 94,797.44              |
| Unearned interest and discount.....                                    | 21,337.34              | 37,978.59              |
| United States Government deposits.....                                 |                        | 974,809.73             |
| Due to member banks (reserve account).....                             | 25,121,175.38          | 54,586,226.61          |
| Deferred credits.....  |                        | 8,759,174.62           |
| Other liabilities.....   | 4,385.85               | 3,491.52               |
|  | 31,088,048.57          | 70,478,278.51          |
| Federal Reserve notes outstanding.....                                 | 11,000,000.00          | 10,832,305.00          |
| Gold deposited with or to the credit of the Federal Reserve Agent..... | 11,000,000.00          | 10,832,305.00          |
| Reserve required.....  | 35 % = 8,056,961.16    | 35 % = 17,482,104.85   |
| Reserve carried.....   | 94.8 % = 21,845,777.65 | 66.6 % = 33,282,180.80 |
| Excess reserve.....  | 59.8 % = 13,788,816.49 | 31.6 % = 15,800,075.95 |

The following is a detailed comparative statement of profit and loss account for the years 1915 and 1916:

*Profit and loss account.*

|   | 1915        | 1916        |
|---|-------------|-------------|
| <b>Earnings from—</b>                             |             |             |
| Bills discounted, members.....                    | \$31,632.35 | \$18,064.41 |
| Bills discounted, bankers' acceptances.....       | 11,281.48   | 106,993.11  |
| Investments—short time municipal warrants.....    | 55,971.06   | 116,925.13  |
| United States securities.....                     | 15,515.86   | 144,843.65  |
| Sundry profits.....                               | 823.88      | 5,101.50    |
| Balance to organization expense.....              | 55,774.48   |             |
| Profits realized on United States securities..... |             | 37,228.53   |
|   | 170,999.71  | 429,156.33  |
| <b>Expenses:</b>                                  |             |             |
| Current expense.....                              | 123,197.63  | 185,251.94  |
| Cost of issued Federal Reserve notes.....         | 9,014.25    | 5,870.44    |
| Organization expense.....                         | 37,377.56   |             |
| Commission paid.....                              | 1,410.27    |             |
| Dividend paid.....                                |             | 143,236.51  |
| Profit and loss credit balance.....               |             | 94,797.44   |
|   | 170,999.71  | 429,156.33  |

Percentage of net earnings to average capital 3.98 per cent.

The record of business and banking in district No. 4 for the year again proves the self-contained character of the district. The industries of the district not only were large beneficiaries of foreign orders, but shared in an enormous amount the domestic prosperity in such industries as steel, glass, rubber, petroleum, coal, electrical goods, automobiles, etc. Its rail, river, and lake transportation was taxed beyond capacity. Its agricultural products of corn, wheat,

oats, tobacco, sugar beets, hemp, etc., brought funds into the country banks in unprecedented amounts. Labor has been attracted to the district by the continuous advance of wages already high. In the steel and coal industries the available supply of labor has been insufficient and men by the thousands have been brought from other parts of the country, principally from the South. This remarkable situation has reflected itself in a number of directions. Trade of all kinds reports record figures. Statistics of traction travel, amusements and hotels furnish an added evidence of purchasing power of the people and their willingness to use it. Naturally the banks of the district have participated in this increase of the district's wealth and in its wide distribution. Savings banks and banks conducting savings departments report record totals of deposits, and record figures in the number of new accounts opened. The nation-wide thrift campaign has also stimulated savings in this period of increased earning power.

The following tables show the growth of resources during the year of the member banks, also comparative figures of deposits in State institutions as well as member banks in our three large centers. In the four reserve cities of this district clearings show an increase for the year of 36.5 per cent.

|                                    | Nov. 17, 1916.  | Nov. 10, 1915.  |
|------------------------------------|-----------------|-----------------|
| Member banks, total resources..... | \$1,498,514,751 | \$1,216,387,374 |
| Deposits:                          |                 |                 |
| Demand.....                        | 930,705,126     | 714,122,364     |
| Time.....                          | 235,112,452     | 170,171,513     |

*Comparison of deposits of the national banks in the three largest cities in district No. 4.*

|                       | Nov. 17, 1916. | Nov. 10, 1915. |
|-----------------------|----------------|----------------|
| Cincinnati, Ohio..... | \$97,410,620   | \$81,512,677   |
| Cleveland, Ohio.....  | 146,438,910    | 162,884,342    |
| Pittsburgh, Pa.....   | 315,130,151    | 223,736,095    |
| Total.....            | 558,949,681    | 468,133,114    |

*Comparison of deposits of the State banks and trust companies in the three largest cities in district No. 4.*

| City.                 | State banks.   |              | Trust companies. |              |
|-----------------------|----------------|--------------|------------------|--------------|
|                       | Date.          | Amount.      | Date.            | Amount.      |
| Cincinnati, Ohio..... | Sept. 30, 1916 | \$74,296,267 | Sept. 25, 1915   | \$66,439,542 |
| Cleveland, Ohio.....  | do             | 322,120,966  | do               | 258,190,273  |
| Pittsburgh, Pa.....   | Nov. 17, 1916  | 277,588,040  | Nov. 11, 1915    | 234,108,945  |
| Total.....            |                | 674,005,273  |                  | 558,738,760  |

Investment houses found a ready market for their securities within the district.



Generally the banks, member and nonmember, of this district have had on hand funds available for loaning in excess of the demands upon them, and there has been but slight demand for rediscounts during the year. Partial failure of crops in some counties, a shifting of public deposits in some communities, or other causes have led to sporadic demand for more funds than could be supplied locally, but in nearly every instance this demand has been short lived.

The following table shows the operations of the bank in rediscounts for member banks during the year, classifying the loans made as to kinds and maturities:

*Operations in discounts and investments department, year 1916.*

Bills discounted—members:

|  |                |
|--|----------------|
| Commercial and agricultural paper..... | \$4,232,244.04 |
| Trade acceptances.....                 | 175,185.26     |
| Member bank collateral notes.....      | 2,385,000.00   |
| Total.....                             | 6,792,429.30   |
| Average rate.....per cent..            | 4.25           |

Classification by maturities:

|                     |                |
|---------------------|----------------|
| Within 10 days..... | \$2,288,100.00 |
| 11 to 30 days.....  | 3,203,600.00   |
| 31 to 60 days.....  | 778,100.00     |
| 61 to 90 days.....  | 376,000.00     |
| Beyond 90 days..... | 146,600.00     |
| Total.....          | 6,792,400.00   |

The demand for money and rates of interest on loans throughout the district has changed very slightly during the year and there has been no cause for serious modification of the rates of rediscount in force at the Federal Reserve Bank of Cleveland. The following table gives the rates at the beginning of the year, and the changes made from time to time:

|                     | Maturities.       |                   |                                |                                |                                |                                 |
|---------------------|-------------------|-------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|
|                     | 10 days and less. | 15 days and less. | Over 10 to 30 days, inclusive. | Over 30 to 60 days, inclusive. | Over 60 to 90 days, inclusive. | Over 90 to 120 days, inclusive. |
| In force:           |                   |                   |                                |                                |                                |                                 |
| Jan. 1, 1916.....   | 3½                |                   | 4                              |                                | 4                              | 4½                              |
| Mar. 10, 1916.....  | 2½                |                   | 4                              |                                | 4                              | 4½                              |
| Aug. 1, 1916.....   | 3½                |                   | 4                              |                                | 4½                             | 4½                              |
| Sept. 15, 1916..... |                   | 3½                |                                | 4                              | 4½                             | 4½                              |
| Jan. 1, 1917.....   |                   | 3½                |                                | 4                              | 4½                             | 4½                              |

|                     | Agricultural and live stock paper over 90 days. | Trade acceptances. |                     |                     | Open market purchases of bankers' acceptances. |
|---------------------|---|--------------------|---------------------|---------------------|--|
|                     |   | Not over 30 days.  | Over 30 to 60 days. | Over 60 to 90 days. |  |
| In force:           |   |                    |                     |                     |  |
| Jan. 1, 1916.....   | 5   | 3½                 | 3½                  | 4                   | 2 to 4   |
| Mar. 10, 1916.....  | 5   | 3                  | 3                   | 3½                  | 2 to 4   |
| Aug. 1, 1916.....   | 5   | 3                  | 3½                  | 4                   | 2 to 4   |
| Sept. 15, 1916..... | 5   | 3                  | 3½                  | 4                   | 2 to 4   |
| Jan. 1, 1917.....   | 5   | 3                  | 3½                  | 4                   | 2 to 4   |

Bankers' acceptances form a considerable portion of the earning assets of this bank. There is a comparatively small amount of such business originating in this district, and practically all of these acceptances purchased by the bank have been secured through the Federal Reserve Banks of Boston and New York. At various times acceptances of three member banks of this district were held. The bank's officers have been constantly watchful of proper diversification of the acceptance lines purchased, both as to character of business and acceptors.

The following table succinctly shows the volume of business, classification by maturities, and character of acceptances dealt in during the year:

*Bills bought in open market (acceptances).*

|                               |                    |
|-------------------------------|--------------------|
| Export and import.....        | \$27, 237, 096. 49 |
| Domestic.....                 | 304, 905. 75       |
| Total.....                    | 27, 542, 002. 24   |
| Average rate.....per cent..   | 2. 29              |
| Classification by maturities: |                    |
| Within 10 days.....           | 0                  |
| 11 to 30 days.....            | \$1, 542, 425. 48  |
| 31 to 60 days.....            | 5, 788, 427. 94    |
| 61 days to 3 months.....      | 20, 211, 148. 82   |
| Total.....                    | 27, 542, 002. 24   |

This bank has been especially active in seeking to introduce in industrial and commercial pursuits the use of trade acceptances in place of open book accounts. What is known as the Trade Acceptance Primer, called "Why accept," was compiled in this bank, and through our agency over 120,000 of these pamphlets were distributed in 40 cities located in 19 States. A great deal of progress has been made and inquiries are received daily, not only from this district but from all over the United States, concerning the methods and manner of introducing this desirable change in relations between seller and buyer.

Statistics are not available at present covering the volume of trade acceptances now existing in the district.

While this bank has not been an active competitor in the general market for Government bonds the volume of dealings by the bank in these issues has been considerable throughout the year with substantial gain to the bank. The prices paid for bonds purchased have been maintained at a low average, and the cost of securities owned is less by a good margin than the present market price. The following table shows the bonds purchased during the year and held at the close of the year.

*United States note and bond operations.*

|  | Purchased.  | Held Dec. 31, 1916. |
|--|-------------|---------------------|
| 2 per cent consols purchased in open market.....       | \$3,196,900 | \$903,900           |
| 2 per cent Panamas purchased in open market.....       | 2,125,000   | 1,500,000           |
| 3 per cent war loan 1918 purchased in open market..... | 1,401,060   | 2,586,560           |
| 3 per cent conversion bonds.....                       | 1,000       | 1,800               |
| 4 per cent of 1925 purchased in open market.....       | 1,629,200   | 2,369,200           |
| 1-year Treasury notes.....                             | 50,000      | 618,000             |
| Total.....   | 8,403,160   | 7,979,460           |

Average rate of earnings on United States notes and bonds, 2.54 per cent.

During the year the bank, in accordance with section 24 of the Federal Reserve Act, has converted United States 2 per cent bonds into 3 per cent 1-year Treasury notes and 3 per cent 30-year conversion bonds, as follows:

|  | Conversion. | On hand Dec. 31. |
|--|-------------|------------------|
| 1-year 3 per cent Treasury notes received for 2 per cent bonds.....    | \$1,658,000 | \$618,000        |
| 30-year 3 per cent conversion bonds received for 2 per cent bonds..... | 1,660,000   | 1,800            |
| Total.....   | 3,318,000   | 619,800          |

All of the conversion bonds have been disposed of except \$1,800 par value, and several round blocks of the one-year Treasury notes have been sold. Some sales of other Government bonds have been made. The prices realized on all these transactions have resulted in a substantial profit to the bank. The following table shows bond sales during the year:

## Sales:

|  |              |
|--|--------------|
| 3 per cent Spanish war loan 1918.....    | 1,500        |
| 3 per cent 1-year Treasury notes.....    | 1,090,000    |
| 3 per cent 30-year conversion bonds..... | 1,659,200    |
| 4 per cent of 1925.....                  | 30,000       |
| Total.....                               | 2,780,700.00 |

Proper steps are being taken looking to the conversion of an additional amount of 2 per cent bonds during next year under the authorization of the Treasury Department and in accordance with the act.

From the foregoing table it will be seen that the bank owns \$2,586,560 par value of the 3 per cent Spanish war loan bonds of 1918 and \$2,369,200 of the 4 per cent bonds of 1925, the aggregate of which is available as security for Federal Reserve bank notes. If an emergency should arise in which the Federal Reserve notes of the bank would not suffice, this additional amount of currency would be promptly issued. The Comptroller of the Currency has printed and holds available for immediate issue \$5,000,000 of bank notes of this Federal Reserve Bank, which can be drawn upon when required.

In its operations in relation to the short-term borrowings of municipalities, as authorized under section 14 of the Federal Reserve Act, this bank has been specially helpful to member banks and to the municipalities served. There has been a constant effort on the part of the bank to standardize loans of this nature and to make them properly liquid investments, and this has been accomplished in practically every instance. The following table shows the volume of business of this nature handled, the time for which the borrowings were effected, and the average rate, as well as distribution and character of borrowings, whether State, county, city, town, or other political subdivision.

*Municipal warrants purchased.*

|  |                 |
|--|-----------------|
| City.....                                | \$10,051,988.72 |
| State.....                               | 260,028.02      |
| County.....                              | 172,845.36      |
| Other.....                               | 175,375.35      |
| Total.....                               | 10,660,237.45   |
| Average rate of earnings..... per cent.. | 2.97            |
| Classification by maturities:            |                 |
| Within 10 days.....                      | 0               |
| 11 to 30 days.....                       | 381,633.20      |
| 31 to 60 days.....                       | 2,221,525.66    |
| 61 to 90 days.....                       | 497,590.02      |
| Beyond 90 days to 6 months.....          | 7,559,488.57    |
| Total.....                               | 10,660,237.45   |

The reserve position of the bank has been maintained throughout the year at a percentage without material variation. It has been the general policy of the bank, under existing conditions to maintain a reserve of 65 per cent to 70 per cent, so that the bank may be in position in case of unusual demand or stress to meet calls upon it without difficulty. The following table indicates the reserve position of the bank at the close of each month throughout the year:

*Changes in the reserve position of the bank during the year.*

|                | Required (35 per cent). | Carried.        | Per cent. | Excess.         | Per cent. |
|----------------|-------------------------|-----------------|-----------|-----------------|-----------|
|                | <i>Dollars.</i>         | <i>Dollars.</i> |           | <i>Dollars.</i> |           |
| January.....   | 8,820,538.05            | 22,944,786.20   | 91        | 14,124,248.15   | 56.0      |
| February.....  | 9,339,164.20            | 23,545,064.53   | 88.2      | 14,205,840.35   | 53.2      |
| March.....     | 9,124,846.70            | 22,516,944.20   | 86        | 13,392,097.50   | 51.0      |
| April.....     | 9,478,801.76            | 20,508,231.20   | 75.7      | 11,029,429.44   | 40.7      |
| May.....       | 12,138,429.76           | 24,146,093.00   | 69.6      | 12,007,663.24   | 34.6      |
| June.....      | 12,960,406.41           | 25,220,721.80   | 68.1      | 12,260,315.39   | 33.1      |
| July.....      | 13,784,843.45           | 26,252,246.05   | 66.6      | 12,467,402.60   | 31.6      |
| August.....    | 13,953,265.97           | 26,678,284.70   | 66.9      | 12,725,018.73   | 31.9      |
| September..... | 14,178,013.77           | 28,917,345.75   | 71.3      | 14,739,331.98   | 36.3      |
| October.....   | 14,343,683.51           | 28,762,925.75   | 70.1      | 14,419,242.24   | 35.1      |
| November.....  | 17,489,737.78           | 37,826,869.30   | 75.7      | 20,337,131.52   | 40.7      |
| December.....  | 17,482,104.85           | 33,282,180.80   | 66.6      | 15,800,075.95   | 31.6      |

Below are shown the number of member banks which have liquidated during the year, as well as the number of new national banks formed, showing the total of member banks in this district to be 753 at the close of business for 1916. There is also indicated the distribution of member banks according to gross assets.

*Member banks, district No. 4.*

|   |     |
|---|-----|
| Number of member banks Dec. 31, 1915.....   | 762 |
| New banks organized.....                    | 1   |
|   | 763 |
| Closed by Comptroller of the Currency.....  | 2   |
| Liquidated.....                             | 8   |
|   | 10  |
| Number of member banks January 1, 1917..... | 753 |
| Distribution:                               |     |
| In reserve cities.....                      | 45  |
| In other than reserve cities.....           | 708 |
|   | 753 |

*Distribution according to assets.*

|                                  | Ken-<br>tucky. | Ohio. | Pennsyl-<br>vania. | West Vir-<br>ginia. | Total Nov.<br>17, 1916. | Total Nov.<br>10, 1915. |
|----------------------------------|----------------|-------|--------------------|---------------------|-------------------------|-------------------------|
| Under \$100,000 assets.....      | 1              | 1     | 0                  | 0                   | 2                       | 3                       |
| \$100,000 to \$200,000.....      | 10             | 31    | 13                 | 0                   | 54                      | 69                      |
| \$200,000 to \$300,000.....      | 12             | 41    | 28                 | 0                   | 81                      | 101                     |
| \$300,000 to \$500,000.....      | 16             | 52    | 71                 | 2                   | 141                     | 147                     |
| \$500,000 to \$2,500,000.....    | 24             | 197   | 146                | 9                   | 376                     | 357                     |
| \$2,500,000 to \$20,000,000..... | 5              | 46    | 35                 | 2                   | 88                      | 75                      |
| Over \$20,000,000.....           | 0              | 5     | 6                  | 0                   | 11                      | 10                      |
| Total.....                       | 68             | 373   | 299                | 13                  | 753                     | 762                     |

It has been reported to the Federal Reserve Bank that the reason for the liquidation of the eight national banks above reported which have converted into State banks was to enable them to make real estate loans to a greater extent than permitted under the national-bank act as amended, all of the banks being located in rural communities.

There have been adjustments of the capital stock of this bank owned by member banks by increases and reductions as shown by the following statement, leaving a net capital stock of the bank at the close of business December 31, 1916, of 120,436 shares, 50 per cent of which is fully paid.

|   |                |
|---|----------------|
| Total capital stock Dec. 31, 1915.....          | \$11, 876, 300 |
| Stock allotted member banks for quarter ending: |                |
| Mar. 31, 1916.....                              | \$48, 800      |
| June 30, 1916.....                              | 47, 700        |
| Sept. 30, 1916.....                             | 90, 700        |
| Dec. 31, 1916.....                              | 68, 900        |
|   | 256, 100       |
| Total.....                                      | 12, 132, 400   |

## Stock surrendered, quarter ending:

|                     |           |                  |
|---------------------|-----------|------------------|
| Mar. 31, 1916.....  | \$31, 200 |                  |
| June 30, 1916.....  | 9, 700    |                  |
| Sept. 30, 1916..... | 34, 900   |                  |
| Dec. 31, 1916.....  | 13, 000   |                  |
|                     |           | <u>\$88, 800</u> |

|  |                     |
|--|---------------------|
| Total capital stock Dec. 31, 1916..... | <u>12, 043, 600</u> |
|--|---------------------|

|  |             |
|--|-------------|
| Total paid-up capital stock Dec. 31, 1915..... | 5, 938, 150 |
|--|-------------|

## Subscriptions paid in quarter ending:

|                     |           |                 |
|---------------------|-----------|-----------------|
| Mar. 31, 1916.....  | \$24, 350 |                 |
| June 30, 1916.....  | 23, 900   |                 |
| Sept. 30, 1916..... | 45, 350   |                 |
| Dec. 31, 1916.....  | 34, 450   |                 |
|                     |           | <u>128, 050</u> |

|            |             |
|------------|-------------|
| Total..... | 6, 066, 200 |
|------------|-------------|

## Cash subscriptions refunded for surrender of stock, quarter ending:

|                     |           |                |
|---------------------|-----------|----------------|
| Mar. 31, 1916.....  | \$14, 400 |                |
| June 30, 1916.....  | 6, 050    |                |
| Sept. 30, 1916..... | 13, 850   |                |
| Dec. 31, 1916.....  | 10, 100   |                |
|                     |           | <u>44, 400</u> |

|  |             |
|--|-------------|
| Total paid-up capital stock Dec. 31, 1916..... | 6, 021, 800 |
|--|-------------|

In its dealings with the trust companies and State banks of the district this bank has maintained an attitude of willingness to give all information requested concerning any of the features of the Federal Reserve Act, and it has constantly evidenced a cordial spirit toward all such institutions which have indicated or might show an inclination to join the Federal Reserve System. One large State institution in one of the important cities of the district is a member bank, and it is understood that several large trust companies and State banks are considering membership.

There can be no question that the year 1916 has witnessed further progress in the development of cordial relations between the Federal Reserve Bank and its member banks. There are quite a few of the member banks which continue more or less evidence of disaffection, but in the main all of these instances can be traced to an unwillingness to become informed concerning the facilities the system affords, or more often to the lack of occasion for using the Federal Reserve Bank or meeting its officers.

A table is appended giving the number of member banks for which rediscounts have been made during the year, the number of separate pieces handled, and the range of amounts of such rediscounts.

*Accommodation of member banks through discount and purchase of acceptances.*

|                    | Banks accommodated. | Applications handled. | Number of pieces. |
|--------------------|---------------------|-----------------------|-------------------|
| Kentucky.....      | 8                   | 60                    | 231               |
| Ohio.....          | 32                  | 152                   | 1,060             |
| Pennsylvania.....  | 9                   | 26                    | 106               |
| West Virginia..... | 1                   | 2                     | 4                 |
| Total.....         | 50                  | 240                   | 1,401             |

Amount of smallest note or bill rediscounted, \$31.

Amount of largest note or bill rediscounted, \$100,000.

Thirteen meetings of the board of directors have been held during 1916, with an average attendance of seven. Twenty-five meetings of the executive committee were held. The executive committee always includes a quorum of members located in Cleveland, in order to facilitate prompt action on rediscounts. The other members of the committee alternate every 60 days.

Mr. John Stambaugh, treasurer of the Brier Hill Steel Co., Youngstown, Ohio, succeeded Mr. A. B. Patrick, of Salyersville, Ky., as a class B director on January 1, 1916. Otherwise the personnel of the board has remained the same as in 1915.

Mr. W. S. Rowe, president of the First National Bank of Cincinnati and class A director of this bank, was reelected for 1916 a member of the Federal Advisory Council, and serves on the executive committee of the council.

At the beginning of the year no marked changes were made in the internal organization of the bank, although owing to the resignation of the then acting assistant cashier, the auditor, Mr. M. J. Fleming, was made assistant cashier, the assistant auditor, Mr. W. F. Taylor, was made auditor; and Mr. L. W. Manning, who had been a member of the staff since the organization of the bank, was appointed assistant secretary. During the first half of the year only minor adjustments of duties were made. Since the inauguration of the collection system, it has been necessary to double the force of employees, and a number of changes in organization in the accounting and transit departments have been made, as a result of experiments with the aim of producing the best possible results. On July 1, the chief teller, who had served since the organization of the bank, resigned, to accept the position of secretary and cashier of a newly organized State bank in Akron, Ohio, and his place was filled by the appointment of the assistant teller, Mr. C. L. Bickford.

In all, 7 employees who were on the roll January 1, 1916, have since left, and there are 42 employees on the roll who were not in the employ of the bank on that date. The total roll of officers and employees is 65, including the department of the Federal Reserve Agent.

Conforming to the procedure suggested by the Federal Reserve Board to be adopted by banks where the Deputy Federal Reserve Agent is not active, the secretary of the Federal Reserve Agent, Mr. Horace G. Davis, was appointed assistant to the Federal Reserve Agent.

The executive and accounting offices of the bank have been located on the second floor of the Williamson Building, on one of the principal corners of Cleveland. The tellers' department surrounds the large armor-plate vault in the basement of the same building, and the transit department occupies a room which adjoins the fourth floor. This arrangement has proved satisfactory in respect to the transit department, but has been more or less unsatisfactory otherwise. The directors have therefore leased the corner room on the street floor of the same building, which has been used until recently as temporary quarters of the Union National Bank. This location is being prepared for our occupancy about the middle of January. These new offices, while not elaborate, are a more dignified and appropriate housing of the institution, and will permit of greater efficiency in conducting the bank's business, beside being more convenient for the member banks.

Two examinations of the bank were made during the year by the Federal Reserve Board examiner and his staff. Complete copies of the reports of both examinations were filed with the bank, and examined and initialed by each member of the board of directors. These examinations included an audit of the funds and accounts of the Federal Reserve Agent. The Federal Reserve Agent's funds are also audited periodically by a special examiner of the Federal Reserve Board.

On January 1, 1916, the Federal Reserve Bank of Cleveland became a Government depository, having been authorized by the Secretary of the Treasury to receive funds for the customs office and the collector of internal revenue. The balances at the close of each month in this account of the Government are shown in the following table:

*Government deposits.*

|                 |                 |                |                   |
|-----------------|-----------------|----------------|-------------------|
| January 3.....  | \$258, 851. 37  | July.....      | \$1, 948, 247. 84 |
| January 31..... | 435, 178. 31    | August.....    | 2, 356, 055. 27   |
| February.....   | 726, 226. 28    | September..... | 2, 241, 487. 51   |
| March.....      | 891, 449. 89    | October.....   | 1, 481, 872. 76   |
| April.....      | 745, 676. 82    | November.....  | 1, 543, 696. 24   |
| May.....        | 908, 899. 28    | December.....  | 974, 809. 73      |
| June.....       | 3, 244, 249. 30 |                |                   |

By the opening of this account, and also by our dealings in Government bonds through purchases, sales and conversions (April, July, and October) active relations with the United States Treasury have been established.



The cordial spirit of cooperation between the officers of this bank and the chief national bank examiner of the district continues. By direction of the Comptroller of the Currency, the chief examiner held two conferences of his examiners in Cleveland during the year. The governor and chairman of the bank were present during part of the deliberations on each occasion, by invitation of the chief examiner.

At the close of 1915 there were outstanding approximately \$11,000,000 of Federal Reserve notes of this bank. The policy during 1916 has been to maintain this amount, except during a period when there appeared to be no pressing demand, and notes were being redeemed rather freely through the Treasury Department. We were able during December to accommodate member banks requesting new currency, by issuing in that month \$2,700,000 of Federal Reserve notes.

The deposit in the Federal Reserve Bank of gold certificates of the \$10 and \$20 denominations, the retirement of emergency and national bank currency of these denominations, and the increased demand for such notes for pay-roll necessities have all tended to a shortage of currency, and it has been the policy of the bank, where practicable, to issue its Federal Reserve notes to meet the needs of the district in this respect.

The following table shows the present status of the Federal Reserve Agent's account for notes issued:

*Cover of notes issued.*

|  |                   |
|--|-------------------|
| Gold certificates.....                                 | \$1, 870, 000. 00 |
| United States Treasury gold order certificates.....    | 8, 350, 000. 00   |
|  | 10, 220, 000. 00  |
| Gold redemption fund with United States Treasurer..... | 612, 305. 00      |
| Total.....   | 10, 832, 305. 00  |

Below are given the denominations of all Federal Reserve notes issued and destroyed up to the close of 1916, and outstanding on that date:

*Denominations of Federal Reserve notes issued, destroyed, and outstanding.*

| Denominations. | Issued.       | Destroyed.    | Outstand-<br>ing. |
|----------------|---------------|---------------|-------------------|
| Fives.....     | \$3, 600, 000 | \$1, 226, 960 | \$2, 373, 040     |
| Tens.....      | 3, 840, 000   | 1, 280, 965   | 2, 559, 035       |
| Twenties.....  | 5, 440, 000   | 1, 108, 620   | 4, 331, 380       |
| Fifties.....   | 950, 000      | 66, 750       | 883, 250          |
| Hundreds.....  | 730, 000      | 44, 400       | 685, 600          |
| Total.....     | 14, 560, 000  | 3, 727, 695   | 10, 832, 305      |

|   |             |
|---|-------------|
| <sup>1</sup> Returned for destruction by Federal Reserve Agent..... | \$120, 000  |
| Returned for destruction by Federal Reserve Bank.....               | 1, 380, 000 |
| Returned for destruction by Treasurer of United States.....         | 2, 227, 695 |

3, 727, 695

The following statement shows the inter-district movements of Federal Reserve notes during the year.

FEDERAL RESERVE NOTES RECEIVED AND RETURNED.

*Amounts of Federal Reserve notes of the several denominations received from other Federal Reserve Banks for redemption or credit and returned to other Federal Reserve Banks for redemption or credit by the Federal Reserve Bank of Cleveland for the period Jan. 1, to Dec. 31, 1916.*

| Exchanged with Federal Reserve Bank of— | Fives.         |              | Tens.          |              | Twenties.      |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston .....                            | \$34,590       | \$3,750      | \$51,220       | \$5,760      | \$49,040       | \$500        |
| New York .....                          | 157,000        | 109,250      | 256,830        | 116,070      | 350,880        | 59,140       |
| Philadelphia .....                      | 34,050         | 12,480       | 64,120         | 21,440       | 88,260         | 10,500       |
| Richmond .....                          | 5,830          | 10,250       | 10,260         | 15,970       | 18,080         | 19,420       |
| Atlanta .....                           | 4,345          | 6,705        | 9,930          | 9,150        | 22,680         | 8,140        |
| Chicago .....                           | 142,000        | 8,720        | 204,500        | 1,270        | 192,000        | 4,800        |
| St. Louis .....                         | 12,125         | 7,205        | 19,710         | 4,600        | 26,300         | 2,980        |
| Minneapolis .....                       | 7,805          | 14,170       | 11,540         | 11,910       | 12,540         | 6,500        |
| Kansas City .....                       | 590            | 11,680       | 2,770          | 9,610        | 4,640          | 4,280        |
| Dallas .....                            | 1,240          | 5,100        | 3,220          | 8,620        | 5,400          | 8,660        |
| San Francisco .....                     | 2,130          | 3,090        | 5,240          | 2,230        | 8,080          | 2,280        |
| Total .....                             | 401,705        | 192,400      | 639,340        | 206,630      | 777,900        | 124,260      |

| Exchanged with Federal Reserve Bank of— | Fifties.       |              | One hundreds.  |              | Total.         |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston .....                            | \$8,950        | \$950        | \$6,200        | \$2,800      | \$150,000      | \$13,820     |
| New York .....                          | \$2,550        | 6,200        | 63,600         | 12,100       | 912,860        | 299,760      |
| Philadelphia .....                      | 20,750         | .....        | 14,190         | .....        | 221,280        | 44,420       |
| Richmond .....                          | .....          | 9,100        | 2,600          | 2,600        | 38,620         | 57,340       |
| Atlanta .....                           | 1,850          | 1,000        | 5,400          | 1,900        | 48,805         | 26,885       |
| Chicago .....                           | 19,900         | 1,700        | 13,600         | 700          | 572,000        | 17,190       |
| St. Louis .....                         | 11,900         | 450          | 5,900          | .....        | 75,935         | 15,235       |
| Minneapolis .....                       | 950            | 150          | 1,100          | 400          | 33,935         | 33,130       |
| Kansas City .....                       | 800            | 1,250        | 200            | .....        | 9,000          | 26,820       |
| Dallas .....                            | 1,350          | 1,400        | 500            | 500          | 11,710         | 24,280       |
| San Francisco .....                     | 3,760          | 800          | 4,060          | 3,200        | 23,150         | 11,600       |
| Total .....                             | 159,136        | 23,000       | 119,200        | 24,200       | 2,097,295      | 570,490      |

The following statistics concerning the cost of Federal Reserve notes are given:

*Cost of Federal Reserve notes.*

|                 | Fives.    | Tens.    | Twenties. | Fifties.  | Hundreds. | Cost.    |
|-----------------|-----------|----------|-----------|-----------|-----------|----------|
| January .....   | \$120,000 | \$40,000 | \$80,000  | .....     | .....     | \$324.88 |
| February .....  | 40,000    | .....    | 80,000    | .....     | .....     | 123.63   |
| March .....     | 140,000   | .....    | 80,000    | .....     | .....     | 316.56   |
| April .....     | .....     | .....    | .....     | .....     | .....     | .....    |
| May .....       | .....     | .....    | .....     | .....     | .....     | .....    |
| June .....      | .....     | .....    | .....     | .....     | .....     | .....    |
| July .....      | .....     | .....    | .....     | .....     | .....     | .....    |
| August .....    | .....     | .....    | .....     | .....     | .....     | .....    |
| September ..... | 40,000    | 80,000   | 80,000    | .....     | .....     | 208.29   |
| October .....   | .....     | .....    | .....     | .....     | .....     | .....    |
| November .....  | .....     | .....    | .....     | .....     | .....     | .....    |
| December .....  | .....     | .....    | .....     | .....     | .....     | .....    |
| Total .....     | 1,140,000 | 440,000  | 720,000   | \$200,000 | \$200,000 | 2,678.58 |
| Total .....     | .....     | .....    | .....     | .....     | .....     | 3,649.94 |

The banks in the cities of Cincinnati and Pittsburgh have maintained substantial excess deposits in the Federal Reserve Bank since the inauguration of the collection system, by reason of their agreement that all checks upon them should be charged immediately to their accounts.

Since the amendment of September 7 permitting a portion of vault reserve of member banks to be carried in the Federal Reserve Bank, an additional amount of excess deposits has been transferred to the Federal Reserve Bank.

The following table shows the monthly averages of member bank deposits and overdrafts.

|                | Deposits.       | Over-drafts. |                     | Deposits.       | Over-drafts. |
|----------------|-----------------|--------------|---------------------|-----------------|--------------|
| January .....  | \$25,895,145.21 | .....        | August .....        | \$39,381,867.74 | \$4,372.74   |
| February ..... | 26,774,042.88   | \$5,443.52   | September .....     | 41,198,406.77   | 51,799.76    |
| March .....    | 25,830,421.38   | 27,415.10    | October .....       | 42,534,853.12   | 828.87       |
| April .....    | 27,520,077.65   | .....        | November .....      | 53,747,310.14   | .....        |
| May .....      | 34,598,527.42   | .....        | December .....      | 54,586,226.61   | 228.22       |
| June .....     | 36,552,713.60   | .....        | Average for year .. | 37,260,372.67   | 7,780.17     |
| July .....     | 38,504,879.57   | 3,282.87     |                     |                 |              |

The bank has been almost free of overdrafts, and such as have existed, being due to remittances through the collection system, have been promptly liquidated and the reserve balances restored.

Since the organization on July 15 of the collection system, weekly reports of net deposits of member banks have been required and with very few exceptions have been regularly furnished.

The copies of called statements of condition of member banks, as requested by the Comptroller of the Currency, have been promptly received, and recently a duplicate copy of the reports of examination by the national bank examiner has been supplied by the chief national bank examiner of the district for the confidential use of the Governor and the Federal Reserve Agent. These reports are carefully examined when received, and in this manner the officers of the bank have kept in close touch with the condition of the various member banks.

There have been two failures of member banks during the year, and from reports received three State banks have been obliged to close their doors. The national banks which have been placed in receivers' hands failed by reason of mismanagement and bad loans.

At the close of business for the year 1916 the Federal Reserve Bank of Cleveland had no past due paper upon its books, and had not suffered any loss whatever by reason of charging off doubtful or worthless assets. The loans maturing September 28, 1916, and October 1, 1916, to the city of Toledo, Ohio, upon pledge of current revenues were not paid when due. Under a decision of the supreme court of Ohio the city officials of Toledo had felt obliged to make full payment of the city's sinking-fund assessments, and by so doing

depleted the funds on hand from current revenues to such extent that payment of the floating indebtedness could not be made. After conference, it was agreed to extend the time of payment of the warrants held by this bank pending sale of deficiency bonds then in process of being issued. This deficiency bond issue has since been sold, and payment of the entire amount due the bank, with interest, is now being arranged.

Prior to July 15, 1916, when the general plan of clearings went into effect, this bank had in operation a voluntary clearing system in which 116 of our member banks participated. This system was of course discontinued on the above date. Coincident with the inauguration of the present plan of clearing, the Federal Reserve Bank became a special member of the Cleveland Clearing House Association, with clearing privileges and responsibilities only. The figures appended show the progress made in collecting checks. The list of State banks agreeing to remit at par is growing. The number of items and volume represented are also increasing.

*Clearings to July 15, 1916.*

|               | Number of items. | Amount.      | Daily average.   |           |
|---------------|------------------|--------------|------------------|-----------|
|               |                  |              | Number of items. | Amount.   |
| January.....  | 52,454           | \$19,926,000 | 2,017            | \$766,361 |
| February..... | 44,364           | 16,554,000   | 1,848            | 689,750   |
| March.....    | 51,916           | 24,803,600   | 1,922            | 918,651   |
| April.....    | 45,778           | 28,887,000   | 1,831            | 1,155,480 |
| May.....      | 55,549           | 50,416,100   | 2,134            | 1,939,080 |
| June.....     | 71,084           | 56,396,300   | 2,734            | 2,165,627 |
| July.....     | 26,662           | 25,911,600   | 2,051            | 1,916,300 |

*Clearings after July 15, 1916.*

|                | Number of items. | Amount.      | Daily average.   |             |
|----------------|------------------|--------------|------------------|-------------|
|                |                  |              | Number of items. | Amount.     |
| July.....      | 118,924          | \$54,310,350 | 9,148            | \$4,177,720 |
| August.....    | 286,668          | 120,685,287  | 10,618           | 4,469,825   |
| September..... | 354,174          | 163,662,697  | 14,167           | 6,546,598   |
| October.....   | 397,818          | 189,574,370  | 15,193           | 7,582,975   |
| November.....  | 392,587          | 219,220,650  | 15,704           | 8,768,826   |
| December.....  | 445,951          | 209,933,421  | 17,838           | 8,397,337   |

NOTE.—Number of State banks in collection system December 30, 496.

Through the gold settlement fund at Washington we have been able to accept from our member banks, for credit, exchange on any of the Federal Reserve cities. Our member banks are able to replenish their reserves with us through deposits by their correspondents for our credit in the other Federal Reserve Banks, while we agree to furnish exchange for excess balances. The demand from our member banks for this service has been only nominal.

The establishment of the gold settlement fund has without doubt contributed to equalizing exchange conditions, and a constant scarcity of eastern exchange which existed in several centers of this district before the fund was available has now disappeared altogether. The following table shows the monthly aggregates of operations of this bank through the gold settlement fund for the year:

*Monthly totals of debits and credits to the Federal Reserve Bank of Cleveland in the gold settlement fund.*

|               | Debits.     | Credits.    |                | Debits.      | Credits.     |
|---------------|-------------|-------------|----------------|--------------|--------------|
| January.....  | \$4,868,000 | \$5,356,000 | August.....    | \$32,241,000 | \$30,773,000 |
| February..... | 4,163,000   | 4,346,000   | September..... | 41,021,000   | 43,219,000   |
| March.....    | 8,290,000   | 6,366,000   | October.....   | 50,245,000   | 49,017,000   |
| April.....    | 6,440,000   | 4,367,000   | November.....  | 57,217,000   | 65,162,000   |
| May.....      | 8,418,000   | 11,919,000  | December.....  | 70,908,000   | 67,963,000   |
| June.....     | 11,904,000  | 12,030,000  |                |              |              |
| July.....     | 12,714,000  | 13,822,000  | Total.....     | 308,429,000  | 314,340,000  |

Balance December 30, 1915..... \$11,042,000  
 Balance December 28, 1916..... 16,953,000

The following is a comparative schedule of the borrowings of member banks in this district, at the dates of reports:

|  | Bills payable. | Rediscounts. | Total Nov. 17, 1916. | Total Nov. 10, 1915. |
|--|----------------|--------------|----------------------|----------------------|
| With banks outside of district.....                                      | \$752,000      | \$251,472    | \$1,003,472          | \$1,347,520          |
| With other banks in district.....  | 1,203,927      | 443,879      | 1,647,806            | 2,824,540            |
| With Federal Reserve Bank.....   |                | 274,853      | 274,853              | 540,161              |
| Total.....   | 1,955,927      | 970,204      | 2,926,131            | 4,712,221            |
| Per cent with Federal Reserve Bank.....                                  |                | 28.3         | 9.3                  | 11.5                 |
| Per cent of rediscounts in district with Federal Reserve Bank.....       |                | 38.2         |                      |                      |
| Per cent of rediscounts in district with Federal Reserve Bank, 1915..... |                | 45.6         |                      |                      |

Information relative to applications for fiduciary powers granted under the provisions of section 11-k of the act, in accordance with the regulations of the Federal Reserve Board, is shown in the following exhibit:

| Powers granted.  | Ohio. | Pennsylvania. | Kentucky. | West Virginia. | Total. | Total granted since organization. |
|--|-------|---------------|-----------|----------------|--------|-----------------------------------|
| Trustee only.....  | 2     |               |           |                | 2      | 5                                 |
| Registrar of stocks and bonds.....                                       | 1     |               |           |                | 1      | 2                                 |
| Trustee and registrar of stocks and bonds.....                           | 2     |               |           |                | 2      | 8                                 |
| Trustee, executor, administrator, and registrar of stocks and bonds..... |       | 1             | 2         |                | 3      | 6                                 |
| Total.....   | 5     | 1             | 2         |                | 8      | 21                                |
| Applications pending trustee only.....                                   |       |               |           | 1              | 1      |                                   |
| Registrar of stocks and bonds.....                                       | 1     |               |           |                | 1      |                                   |
| Trustee and registrar of stocks and bonds.....                           | 3     |               |           |                | 3      |                                   |
| For executor, administrator, and registrar.....                          |       | 1             |           |                | 1      |                                   |
| Total pending.....   | 4     | 1             |           | 1              | 6      |                                   |

The following is a statement of the number of applications for permission to serve as officers and directors of two or more banks, under the Kern amendment to the Clayton Act, handled by the Federal Reserve Agent in conformity with the Board's requirements.

*Interlocking directorates.*

|                            |     |
|----------------------------|-----|
| Applications approved..... | 205 |
| Applications refused.....  | 11  |
|                            | 216 |
| Total.....                 | 216 |
| Applications pending.....  | 4   |

At the close of the year 1916 the Federal Reserve Bank of Cleveland occupies a position of unquestioned importance in its district. The inauguration of dividend payments has caused member banks to have a feeling of greater security in their investment in the capital stock. The new order of banking, noninterest-bearing reserve deposits, direct routing of checks and no remittance charge, liquidity of assets representing demand deposits, more general use of borrowers' financial statements, and other desirable changes from the old order, all have become better understood by banks and the public, and the new procedure is steadily gaining favor. A great advance has already been made, and the field of usefulness and service of the Federal Reserve Bank for the future appears broad and fertile. There is no question that the best banking opinion of the district tends more and more to recognize the Reserve Bank's ability to care for its members in an emergency and to meet its full responsibilities on any occasion.

This bank now has a force of trained officers and employees capable of handling its business satisfactorily and of expanding to meet future progress and growth. The earnings of the bank are now sufficient to meet its current operating charges and dividend requirements. The amount of the earnings will probably be augmented during the coming year so as to enable the bank to make payment of an additional amount of arrears in the cumulative dividend.

## DISTRICT NO. 5—RICHMOND.

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CALDWELL HARDY, Chairman and Federal Reserve Agent.

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### FINANCIAL RESULTS OF OPERATION.

On December 31, 1915, the bank paid its first dividend at the rate of 5 per cent per annum from the date of organization up to that date, leaving a balance of \$23,015.26 to the credit of profit and loss. On April 1, 1916, a second dividend at the rate of 1 per cent per annum was paid for the same period, making the 6 per cent per annum to December 31, 1915. On December 28, 1916, a third dividend at the rate of 6 per cent per annum was paid for the period commencing January 1 and ending October 31, 1916.

All organization expenses have been charged off, furniture and fixtures written down to a conservative figure, and all expenses incident to the operation for the full year have been charged off. After providing for the April 1 dividend of \$30,387.65 and the December dividend of \$167,534.69, a balance of \$11,664.70 remains to the credit of profit and loss. This leaves the bank in arrears at 6 per cent per annum, which is the full rate the bank is permitted to pay its stockholders, only for the months of November and December. The business of the bank has been conducted on an efficient and conservative basis, and the result should be satisfactory to its member banks.

The comparative balance sheet for December 31, 1915-16, shows a gratifying increase in the business of the bank. Deposits of member banks show an increase of nearly \$14,000,000, which reflects not only the increase in the percentage of reserves which are required to be kept with us by the member banks, but also the very largely increased amount which is required to be kept against the much larger deposits held by member banks themselves.

### GENERAL BUSINESS AND BANKING CONDITIONS IN THE DISTRICT.

A summary of conditions throughout the district, as shown by our monthly reports, evidences an extraordinary condition of continued prosperity. Business in all lines, with a few exceptions, has been in unprecedented volume and at high prices. Labor has been well employed at high wages, traffic has been somewhat impeded owing to

scarcity of cars, and raw materials of all descriptions have been difficult to obtain in satisfactory volume, even at the high prices which have been ruling. Notwithstanding this, products of all descriptions have not only sold freely but as a rule have been in urgent demand at prices affording, in most instances, very satisfactory returns to the producers.

Results from agriculture have been highly satisfactory and in many cases were beyond any which had ever been obtained before. Crops have been produced in only fair volume as a rule, some restricted sections having produced only very limited crops owing to special conditions, particularly flood damage. Prices, however, have been exceedingly high, average grades of cotton having sold as high as 20 cents per pound and tobacco at an average of 18 to 20 cents per pound. In some cases special grades brought even higher prices, the average probably showing an increase of 100 per cent over any recent prices.

#### ACTIVITIES OF THE BANK DURING THE YEAR.

Total productive assets on January 1, 1916, amounted to about \$7,750,000, which, with varying fluctuations, reached \$10,000,000 in July. This increase was represented by an accumulation of holdings in United States bonds commencing in February, and by some increase in bankers' acceptances and municipal warrants. During this period there had been a decrease since January in bills discounted for member banks of something over \$1,000,000. From September until December 1 there was a steady decrease in productive assets, owing chiefly to a decrease in notes discounted for member banks and to sales of United States 3 per cent bonds, the total volume of productive assets declining by December 1 to \$5,000,000. During the month of December there was a gradual increase, the final total of earning assets on the last day of the year being about \$10,500,000. This increase was represented almost exclusively by bankers' acceptances, and purchases from member banks in December of about \$2,000,000 of United States 2 per cent bonds.

In April, 1916, the bank was still carrying some volume of cotton loans, which it was thought desirable to liquidate prior to the approach of another cotton season. Accordingly the rate on commodity paper was raised from 3 to 3½ per cent, effective April 24, and these loans were gradually liquidated.

The \$11,000,000 of bankers' acceptances purchased during the year, as shown by Exhibit F, were almost exclusively those of our member banks, only a few acceptances of nonmember banks having been purchased, and most of these with the indorsement of member banks.

The banks' operations in United States securities are shown in Exhibit I. As will be seen, purchases of United States bonds,



\$4,335,250, have been exclusively from member banks. The amount of conversions into 3 per cent bonds and notes is shown by the exhibit referred to. It has been the bank's policy to pay our member banks full rates for bonds (par and interest) rather than to seek a profit at their expense out of these transactions.

The course of our legal cash reserve for the year is illustrated in the chart, Exhibit J. The decline to 70 per cent on the last of April was due to a decline in deposits and an increase of \$500,000 in bills discounted. The increase in May was due to an increase of deposits resulting from the 1 per cent increase in reserves of member banks, while the decline in July from 80 to 70 per cent was due to the repayment to the United States Government of its special deposit of \$5,000,000. The increase in October was due to an increase in member banks' deposits following the imposition of penalties for deficiencies in reserves, and the further increase in November was due to the increase of 1 per cent additional in member banks' reserves. The decline again in December was due to the purchase of bankers' acceptances and United States bonds.

The legal reserve of the bank during the latter part of the year was not materially affected by the increased issue of Federal Reserve notes for the reason that rediscounts of member banks were materially reduced during that period, the bank being paid in gold, which was turned over to the agent upon the withdrawal of the discounted bills held by him as collateral for outstanding Federal Reserve notes. Under these conditions, the bank having reduced its liability for outstanding Federal Reserve notes, as required by law, was not required to show a liability for such Federal Reserve notes (against which the Federal Reserve agent held 100 per cent in gold) in its statement, or to carry a gold reserve against them.

#### FEDERAL RESERVE BANK AND MEMBER BANKS.

There have been no changes in membership due to transfers from and to other districts, our district having remained unchanged during the current year. The change in members and in capital stock has been very slight, as will be seen by reference to Exhibit K. Some recent changes in capitalization and surplus, particularly of a few of the larger members, will necessitate some stock increases early in the coming year.

Relations with member banks have, as a rule, been cordial and satisfactory. The inauguration of the par collection plan in July created conditions in which some friction had to be adjusted. The charging up of matured collection items caused some impairment of reserves, the items not having been fully covered, and the enforcement for the first time of penalties for such infringement caused a temporary dissatisfaction in certain quarters.

There has been considerable irregularity in the mails in the district, apparently owing to an effort to economize, and requests have been made by member banks for additional time within which to receive and cover collection items. Where these requests seemed reasonable, as was frequently the case, concessions satisfactory to the members have been made, and with the close of the year this bank is having a minimum of friction in this regard, with a fairly full maintenance of reserves. Some of the larger cities, notably Baltimore, have undertaken to maintain reserves with us sufficient to make items on them immediately available. Member banks have evinced a disposition to cooperate to a reasonable extent in the collection of items on State banks.

Referring to Exhibit L herewith, it will be seen that during the year 202 banks were accommodated either through rediscounts or the purchase of their acceptances, the combined amount of which exceeded \$45,000,000. While rates were low, and the demand from members not urgent, the amount of accommodation extended indicated that the bank was of great service within the district.

The general attitude of State banks has been one of antagonism toward the Federal Reserve System. This attitude grows chiefly out of their hostility to the collection system. Small country banks are receiving at par miscellaneous checks, which they are collecting at considerable cost, generally by the maintenance of large balances with correspondents, and aiming to recoup themselves by the imposition of heavy charges for remittances of customers' checks on themselves. They are reluctant to yield these charges and consider reform in the collection system an invasion of their rights, although, as a matter of fact, if they would place the burden of carrying their float on their own customers, who properly ought to carry it, and lend out their idle and excessive balances now carried with correspondents, they would profit. Such a policy would foster the growth of their business and materially add to its volume and value. State banks realize that they are receiving the benefit indirectly of the Federal Reserve system and would not see it abandoned; yet they are not willing to give it their support.

The establishment by member banks of differential rates for checks on nonmember banks, which decline to remit at par, has been suggested as a possible help to the collection system, and the establishment of such differential rates has been strongly urged upon member banks. A deterring factor against State banks joining the Federal Reserve system is their unwillingness to be subjected to the present limitations of United States Statute 5200. A possible amendment to the national bank act exempting from this limitation all loans secured on readily marketable, nonperishable staples, represented by warehouse, terminal, or other similar receipts, or bills of lading, has been

suggested as worthy of consideration, such loans to be limited to 90 days. Such an amendment would appeal to our national bank members also.

The deposits of member banks, as shown by Exhibit M filed herewith, show an increase from about \$11,000,000 to over \$25,000,000.

We receive regularly from our members copies of reports to the Comptroller of the Currency on each call for statements, also copies of all examiners' reports to the Comptroller of the Currency of examinations made. These are kept on file and carefully examined with a view to passing intelligently on paper offered by member banks for rediscount, particularly where banks appear to be borrowing freely. The information given by these reports is invaluable, and the close relations which we have established with the chief national bank examiner of this district and his efficient staff have been of material assistance, particularly in the handling of rediscounts for members.

Credit statements have been given assiduous attention, and our credit files are already quite extensive and growing in importance. We are constantly using our best efforts to have our member banks realize the importance of obtaining at regular intervals up-to-date credit statements for their own information and protection.

There have been but two failures among member banks during the year. The Fourth National Bank of Fayetteville, N. C., closed its doors on February 4. It had about \$40,000 of paper under rediscount with us at the time, for which we held additional collateral, but this was taken care of within three months. When this paper had all been paid or taken up this bank paid over to the receiver the amount of the failed bank's holdings of our stock. The Williamstown National Bank of Williamstown, W. Va., closed its doors on November 15. It had no rediscounts with this bank; outstanding collection items were paid or returned, and the amount of Federal Reserve Bank stock will be paid over to the receiver in due course.

The bank has had during the year only a very small amount of overdue paper, this being indorsed by the Fourth National Bank of Fayetteville. It was all paid within a reasonable time, as referred to above. No overdue paper is held at the end of the year.

#### FEDERAL RESERVE BANK AND THE PUBLIC.

Open-market operations have so far been negligible, only five bills, amounting to less than \$100,000, having been purchased outside of the district. Our discount rate policy has had a strong tendency to reduce general rates for money to reasonable figures. The high prices of agricultural products and the large profits from general business have increased the deposits of member banks to unusual figures. This has made money extremely easy and had a consid-

erable effect upon lending rates. We do not look for the indefinite continuance of these abnormal conditions, but anticipate eventually the hardening of rates, which will make business more remunerative to the banks.

The unusual conditions above referred to and the high rates of interest paid on deposits by competing member banks has caused considerable complaint of unprofitable business. This bank's staff has availed of every opportunity to foster and maintain cordial relations between the public and our institution.

The following visits have been made and addresses or talks delivered by the officers:

Governor Seay: National Credit Men's Association at Norfolk, Va., in February; South Carolina Bankers' Association at Kanuga, N. C., June 20, and immediately following a visit made to the Virginia Bankers' Convention at Old Point Comfort; National Credit Men's Association at Richmond, Va., December 8.

Vice Governor Peple: Tri-State Convention of Accountants at Richmond, Va., April 13; Richmond Credit Men's Association at a monthly meeting; District of Columbia Bankers' Association, Washington, D. C., May 5; a number of addresses at Mechanics Institute, Richmond, Va., and to American Institute of Bank Clerks; visited Washington in November for conference with Mr. Delano and Mr. Hurley, of the Federal Trade Commission, concerning credit statements and audits, submitting report on same later.

Federal Reserve Agent: West Virginia Bankers' Association, Wheeling, W. Va., May 25; Richmond Credit Men's Association, July 25; conference with chief bank examiner and his assistants, August 3, on general relations with member banks and examinations; attended conference with Federal Reserve Board on Clayton-Kern Act cases on August 4; meeting of group 5, Virginia Bankers' Association, at Pulaski, Va., October 7; National Credit Men's Association, Richmond, Va., December 8.

Auditor W. E. Cadwallader, assistant to Federal Reserve Agent: Group 3 of South Carolina Bankers' Association at Chester, S. C., May 25; group 6 of South Carolina Bankers' Association at Lancaster, S. C., May 26.

#### FEDERAL RESERVE BANK AND THE GOVERNMENT.

The bank has extended every possible service to the Government in the transaction of its business, and is in a position to further extend this service by exercising eventually the present functions of subtreasuries. Among other services rendered has been the making of transfers to the Government for member banks, simply by debit and credit entries on our books.

There was repaid to the Government in July a special deposit of \$5,000,000, but the current operations of the Treasury have resulted in the carrying with the bank since that date of an average balance of \$3,000,000.

Our relations with the office of the Comptroller of the Currency have been most cordial, and we have had the cooperation of the chief bank examiner and his assistants to the fullest possible extent.

We have been called upon for reports on member banks applying for the exercise of fiduciary powers, and our management is strongly of the opinion that these powers should not be too liberally granted. It will be exceedingly difficult for examiners to check up all possible fiduciary liabilities, and with inexperienced employees the possibility of mistakes and errors in the conduct of such business is manifest. Unexpected liabilities might therefore develop, and where the capital of banks is small might seriously affect the solvency of the institution and the protection afforded to commercial and other depositors.

#### FEDERAL RESERVE BANK AND NOTE ISSUES.

Operations in Federal Reserve notes are shown in Exhibit N; approximate average life of Federal Reserve notes in Exhibit O; inter-district movement of Federal Reserve notes in Exhibit P.

The general policy of this bank has been to supply member banks with Federal Reserve notes whenever desired. Immediately after the opening of the bank and for some time after, transportation charges were paid on Federal Reserve notes. It was necessary, however, to stop this practice when the new collection system went into operation. One of the features of this system was the payment by the bank of charges on incoming Federal Reserve notes and lawful money, in case the member bank was unable to supply exchange. Even this led sometimes to possible imposition, but the cases were rare and were promptly eliminated by efficient attention. It has been the bank's policy in every way to encourage the circulation of Federal Reserve notes and retain gold in the hands of the Federal Reserve Agent rather than to pay it out to member banks.

There has been \$1,000,000 of Federal Reserve bank notes printed for this bank, but none have been used. In view of the contemplated gradual retirement of national-bank notes, we do not under present conditions favor the use of Federal Reserve bank notes. On the other hand, the extension and general use of Federal Reserve notes would seem very desirable.

#### INTERNAL MANAGEMENT OF THE BANK.

The functions of the directors, executive committee, executive officers, and other departments of the bank seem admirably adjusted

for the effective administration of the affairs of the bank. These seem to be most wisely coordinated, and with the cordial cooperation which exists throughout our entire organization, have brought efficiency to the highest degree and accomplished correspondingly satisfactory results.

Board meetings have been most regularly attended by members, the entire membership usually being present. The reading of the minutes of previous meetings and their approval, as well as the approval of the acts of the executive committee, is always first in order. The governor reviews at each meeting the general status of the bank as shown by the daily balance sheet, calling attention to changes and matters of importance, all of which are freely and fully discussed with and by the board. Letters of importance are read and all subjects of interest and importance are reported. The chairman of the board presides at all meetings, and, as Federal Reserve Agent, reads all important correspondence with the Federal Reserve Board or others, relating to his department, discussing fully all matters under consideration.

During August, September, and October, in the neighborhood of 175 applications for permission to serve in two or more banks under the Kern amendment to the Clayton Act were referred by the Federal Reserve Board to the Federal Reserve Agent for investigation and report. This involved detailed inquiries and investigations with regard to the location and status of most of the banks in Washington and Baltimore and numerous banks in other locations throughout the district.

On October 20 an election circular was issued to 170 banks in group 2 for the election of one class A director, and to 178 banks in group 3 for the election of one class B director. As a result of the election, out of 108 ballots cast by group 2, 100 were first choice for Col. John F. Bruton, of Wilson, N. C., as class A director, and out of 77 ballots cast by group 3, 68 were first choice for Capt. James F. Oyster, of Washington, D. C., as class B director, and these gentlemen were therefore reelected for a term of three years each, beginning January 1, 1917.

On December 19 the chairman was advised of the reappointment by the Federal Reserve Board of Mr. James A. Moncure as class C director for a three-year term, beginning January 1, 1917, and of his designation as deputy chairman and Deputy Federal Reserve Agent for the year 1917.

The governor, vice governor, cashier, and Federal Reserve Agent meet daily at 10 o'clock, or as soon thereafter as the mails are distributed and read. All communications of interest are reviewed and discussed, thus keeping all of these officers in daily and constant touch with current business of every description. A full inter-

change of views is had on all subjects with practically unanimous decisions. Daily meetings of the executive committee are held at 12 o'clock, attended by the Federal Reserve Agent, the governor, and the third member of the board if available, these meetings also being attended by the vice governor and cashier. The passing upon discounts is the chief function exercised at these meetings. There has been the best possible service and cooperation on the part of the employees.

Mr. J. W. Norwood, member of the advisory council, has, after conferences with our officers before the meetings of the advisory council, reported the result of these conferences and kept us in touch with their spirit and results.

Mr. William Ingle, original chairman of the board of directors and Federal Reserve Agent, resigned on February 3 (his resignation to take effect on February 12), having accepted the presidency of the Baltimore Trust Co., Baltimore, Md. He left behind him a high record of efficiency and of prompt discharge of his official duties.

The present incumbent, Mr. Caldwell Hardy, was appointed on March 7 a class C director to succeed Mr. William Ingle for his unexpired term to December 31, 1917, and designated chairman of the board of directors and Federal Reserve Agent. He took office on April 1, the official duties of the position between Mr. Ingle's retirement having been efficiently discharged by the deputy chairman and Deputy Federal Reserve Agent, Mr. James A. Moncure.

On April 6 Mr. W. E. Cadwallader, auditor, was appointed also assistant to the Federal Reserve Agent, the appointment being confirmed by the Federal Reserve Board on April 7.

The present bank premises and office are totally inadequate for the requirements of the bank. It is located in an old store building on Main Street, the main floor of which was first fitted up in very primitive style for the use of a bank, and for which an annual rental of \$4,000 is paid.

The increase of force to a total of 63 due to the inauguration of the collection system in July has necessitated the use of three floors in the present building. The bank occupies seven large safes in the modern vault of the First National Bank, for which it is paying an annual rental of \$2,100.

With the approval of the Federal Reserve Board, our board of directors in April appointed a committee consisting of Messrs. Hardy, Seay, and Moncure to consider and report on a site for a new bank building. This resulted in the acquisition at a cost of \$122,500 of a site containing about 11,000 square feet, fronting 93 feet on Ninth Street, opposite Capitol Square, running back 120 feet on Franklin Street to a 20-foot lane, the front exposure being to the east and the Franklin Street exposure to the south. It is little more than one

square from the post office, and very accessible to the entire financial district of the city. Of all the sites available, this one was the most reasonable in price per square foot, presenting also decided advantages over all other possible locations with reference to exposure, light, and air. In addition to this, it was the only location in which a bank building could be erected that would be entirely isolated from all buildings on its four sides. Steps have been taken to procure plans for a suitable building to be erected at once on this site.

A general examination of the bank was made by the division of audit and examination, Federal Reserve Board, as of March 28, 1916. This examination was most thorough, and conducted with the greatest possible consideration for the convenience of the officers and employees. Examinations were made of the accounts of Federal Reserve Agent William Ingle on January 3, and again on February 11, when he retired. The Federal Reserve Agent's accounts were again audited on March 28, when Mr. Caldwell Hardy assumed office. Mr. Hardy's accounts were audited on December 28. Efficient examinations, such as these, are most gratifying as well as essential, and it is a pleasure to report satisfactory results both to the examiners and the examined.

#### CLEARING PROBLEM.

Between January 1 and July 14 (under the voluntary collection plan) the total number of items cleared was 582,935, amounting to \$431,174,700, or a daily average of 3,576 items, amounting to \$2,645,244.

From July 15 to December 31 (Exhibit Q herewith) under the new collection plan the total number of items cleared was 2,020,065, amounting to \$891,077,800, or an average of 14,429 items per day amounting to \$6,346,842.

Comparison of these figures will show that under the new collection system more than four times as many items are being cleared daily on the average, while the amount is considerably more than doubled. A comparison of these average figures with the averages for the last months in the year would indicate a much greater ratio of increase.

The gold settlement fund has afforded facilities for receiving deposits from member banks in Washington and Baltimore, and making payments to the Government for member banks; also for making payments for the purchase from member banks of United States bonds held by the Treasurer as security for circulation. It has also provided a ready means of adjusting transactions between the bank and Federal Reserve Agent by transfers to and from either's account, beside rendering invaluable aid in the settlement of balances, without the physical transfer of moneys, between the 12 Federal Reserve Banks, in adjustment of the extensive and continuous



transactions between them. It is to be hoped that its efficiency may be furthered in the near future through the adoption of daily gold settlements between the 12 banks.

A recent canvass of the fifth district, at important clearing-house points, indicates varying policies in regard to collection charges. There is a largely prevalent custom among banks of receiving all items at par, resulting in a considerable loss to the banks receiving items under these conditions. These banks are either at considerable direct expense in collecting such items, or maintain at central points considerable balances with correspondents, on which there is a large loss of interest, as an inducement to such correspondents to clear these items at par. Where clearing houses have established uniform collection charges on items received from depositors, there has not been, as a rule, a proper differential established between items on member banks of the Federal Reserve System, which clear items at par, and State banks declining to remit at par. Efforts are being made to correct these conditions in order that checks on member banks of the Federal Reserve system may receive the preferential consideration to which they are entitled.

#### SUMMARY OF CONDITIONS IN DISTRICT.

Attention is called to Exhibit R filed herewith. This chart shows the fluctuations in our total productive assets, consisting of notes discounted, bankers' acceptances, municipal warrants, United States securities, and member banks collateral notes, total active assets at the close of business for the year being \$10,537,168.08.

The remarkable increase which has taken place in the last few months of the year in the use of bankers' acceptances, and the increased interest (as shown by our correspondence) in the use of the trade acceptance indicate a growing disposition on the part of the bankers and the public generally to make full use of the facilities offered by the Federal Reserve system.

The officers of this bank have lost no opportunity to spread and increase the knowledge of the general principles, as well as the technical details with reference to these two matters, and it is confidently expected that both the bankers' acceptance and the trade acceptance will play a much larger part in the business of this bank during the coming year.

The outlook for general business in 1917 is most encouraging.

EXHIBIT A.—*Earnings on loans, bankers' acceptances, warrants and United States securities purchased and sundry profits.*

| Quarterly periods.      | Volume. |                 | Daily averages. |                   | Days in period. | Annual rate of income, earned (actual). |
|-------------------------|---------|-----------------|-----------------|-------------------|-----------------|---|
|                         | Pieces. | Amount.         | Pieces handled. | Balances current. |                 |   |
| 1916.                   |         |                 |                 |                   |                 |   |
| Jan. 1 to Mar. 31.....  | 6,479   | \$11,457,445.24 | 71              | \$7,680,108.47    | 91              | \$3.627                                 |
| Apr. 1 to June 30.....  | 6,418   | 11,069,931.24   | 70              | 8,164,041.37      | 91              | 3.592                                   |
| July 1 to Sept. 30..... | 5,985   | 13,500,414.48   | 65              | 9,058,222.49      | 92              | 3.673                                   |
| Oct. 1 to Dec. 31.....  | 2,208   | 14,520,978.17   | 24              | 6,912,779.55      | 92              | 3.453                                   |
| Total.....              | 21,090  | 50,554,769.13   | 58              | 7,953,961.26      | 366             | 3.594                                   |

| Quarterly periods.                                      | Discount and interest. |                  |                | Sundry profits. |  |                                     | Total credits to earnings. |                |
|---|------------------------|------------------|----------------|-----------------|--|-------------------------------------|----------------------------|----------------|
|   | Earned (actual).       | Extra earnings.  |                | Total.          | Profit on sales of United States securities. | Penalties for deficits in reserves. |                            | Miscellaneous. |
|   |                        | Minimum charges. | Anticipations. |                 |  |                                     |                            |                |
| 1916.   |                        |                  |                |                 |  |                                     |                            |                |
| Jan. 1 to Mar. 31.....                                  | \$69,259.14            | \$31.76          | \$109.33       | \$69,400.23     |  |                                     | \$69,400.23                |                |
| Apr. 1 to June 30.....                                  | 72,917.63              | 19.77            | 197.36         | 73,134.76       |  | \$19.71                             | 73,154.47                  |                |
| July 1 to Sept. 30.....                                 | 83,643.76              | 14.74            | 144.82         | 83,803.32       | \$3,575                                      | \$4,554.37                          | 91,979.29                  |                |
| Oct. 1 to Dec. 31.....                                  | 60,005.97              | 11.36            | 342.20         | 60,359.53       | 8,942  | 7,836.02                            | 77,224.33                  |                |
| Total.....  | 285,826.50             | 77.63            | 793.71         | 286,697.84      | 12,517                                       | 12,390.39                           | 311,758.32                 |                |
| Add excess of service charges over transit expense..... |                        |                  |                |                 |  |                                     | 1,033.17                   |                |
| Gross earnings.....                                     |                        |                  |                |                 |  |                                     | 312,791.49                 |                |

EXHIBIT B.—*Comparative expense accounts.*

|  | Year 1916, exclusive of transit expense. | Year 1915. |                                      | Year 1916, exclusive of transit expense. | Year 1915. |
|--|--|------------|--------------------------------------|--|------------|
| <b>Current:</b>                                |  |            | <b>Current—Continued.</b>            |  |            |
| Federal Advisory Council.....                  | \$150.00                                 | \$86.59    | Telegraph.....                       | \$225.79                                 | \$270.70   |
| Assessment Federal Reserve Board expenses..... | 11,743.48                                | 6,709.80   | Postage.....                         | 3,408.91                                 | 2,910.93   |
| Directors' fees.....                           | 3,760.00                                 | 3,280.00   | Expressage.....                      | 779.71                                   | 2,712.23   |
| Legal.....                                     | 1,425.00                                 | 941.12     | Rent (including outside vaults)..... | 6,034.00                                 | 5,822.92   |
| Salaries—                                      |  |            | Fidelity insurance.....              | 1,498.85                                 | 1,862.24   |
| Officers.....                                  | 31,427.97                                | 25,977.79  | Light, heat, and power.....          | 901.11                                   | 672.10     |
| Clerical staff.....                            | 26,789.12                                | 24,736.18  | Printing and stationery.....         | 3,576.79                                 | 4,038.80   |
| Watchman.....                                  | 648.33                                   | 1,026.46   | Repairs and alterations.....         | 44.78                                    | 1,780.15   |
| Other.....                                     | 1,774.23                                 | 1,389.50   | Miscellaneous.....                   | 3,160.58                                 | 1,677.97   |
| Traveling expenses—                            |  |            | Total current.....                   | 104,257.94                               | 91,519.76  |
| Directors.....                                 | 2,505.38                                 | 1,951.07   | Organization.....                    |  | 14,770.68  |
| Officers and clerks.....                       | 406.93                                   | 454.70     | Cost of Federal Reserve notes.....   | 18,247.82                                | 5,178.38   |
| Federal Reserve Agents' conferences.....       | 320.89                                   | 201.76     | Depreciation of equipment.....       | 3,713.95                                 | 1,527.42   |
| Governors' conferences.....                    | 1,444.78                                 | 850.98     | Total.....                           | 126,219.71                               | 112,996.24 |
| Per diem allowances, directors.....            | 1,840.00                                 | 1,880.00   |                                      |  |            |
| Telephone.....                                 | 391.31                                   | 305.77     |                                      |  |            |

## EXHIBIT C.—Capital stock as of Dec. 31, 1916.

|                           | Number of members. |        |        | Shares to which entitled Nov. 17, 1916. | Shares allotted. | Allotments. |       |
|---------------------------|--------------------|--------|--------|---|------------------|-------------|-------|
|                           | National.          | State. | Total. |   |                  | Short.      | Over. |
| Maryland.....             | 96                 |        | 96     | 16,389                                  | 16,065           | 327         | 3     |
| District of Columbia..... | 14                 | 1      | 15     | 8,118                                   | 8,098            | 20          |       |
| Virginia.....             | 144                | 1      | 145    | 19,211                                  | 19,055           | 160         | 4     |
| West Virginia.....        | 104                |        | 104    | 8,479                                   | 8,463            | 22          | 6     |
| North Carolina.....       | 81                 |        | 81     | 7,573                                   | 7,570            | 40          | 37    |
| South Carolina.....       | 74                 | 4      | 78     | 7,690                                   | 7,672            | 18          |       |
| Total.....                | 513                | 6      | 519    | 67,460                                  | 66,923           | 587         | 50    |

|                           | 50 per cent of par of allotments paid. | Dividends.                              |   |                                     |
|---------------------------|--|---|---|-------------------------------------|
|                           |  | 6 per cent cumulative to Dec. 31, 1916. | 6 per cent paid from Jan. 1 to Oct. 31, 1916. | 6 per cent unpaid to Dec. 31, 1916. |
| Maryland.....             | \$803,250.00                           | \$49,400.32                             | \$41,367.82                                   | \$8,032.50                          |
| District of Columbia..... | 404,900.00                             | 24,178.47                               | 20,123.47                                     | 4,049.00                            |
| Virginia.....             | 952,750.00                             | 56,821.17                               | 47,295.25                                     | 9,525.92                            |
| West Virginia.....        | 423,150.00                             | 25,331.03                               | 21,008.93                                     | 4,232.10                            |
| North Carolina.....       | 378,500.00                             | 22,462.37                               | 18,609.17                                     | 3,763.20                            |
| South Carolina.....       | 383,600.00                             | 22,779.05                               | 18,944.05                                     | 3,835.00                            |
| Total.....                | 3,346,150.00                           | 200,972.41                              | 167,534.69                                    | 33,437.72                           |

## EXHIBIT D.—Comparative balance sheets (condensed).

|  | Dec. 31, 1916.  | Dec. 31, 1915.  |
|--|-----------------|-----------------|
| ASSETS.                                    |                 |                 |
| Cash:                                      |                 |                 |
| Gold reserve.....                          | \$24,532,111.00 | \$15,445,785.00 |
| Legal tender, silver, etc.....             | 64,938.40       | 99,230.65       |
|  | 24,597,049.40   | 15,545,015.65   |
| Other cash and cash items.....             | 1,708,107.87    | 1,041,719.80    |
| Total cash.....                            | \$26,305,157.27 | \$16,586,735.45 |
| Transit items (deferred debits, net).....  | 179,491.01      | 1,161,905.12    |
| Overdrafts.....                            | 5,078.46        | 66,776.15       |
| Productive assets:                         |                 |                 |
| Loans and bills purchased.....             | 7,213,968.08    | 7,650,865.56    |
| Municipal warrants.....                    | 60,750.00       | 82,271.76       |
| United States securities.....              | 3,262,450.00    |                 |
| Par values.....                            | 10,537,168.08   | 7,733,137.32    |
| Deduct unearned discount.....              | 20,310.96       | 27,369.46       |
|  | 10,516,857.12   | 7,705,767.86    |
| Add accrued interest.....                  | 4,033.20        |                 |
| Liquid values.....                         | 10,520,890.32   | 7,705,767.86    |
| Real estate, furniture, and equipment..... | 133,475.77      | 9,500.00        |
| Deferred charges.....                      | 14,034.57       | 17,368.34       |
|  | 147,510.34      |                 |
|  | 37,158,127.40   | 25,548,052.92   |
| LIABILITIES.                               |                 |                 |
| Deposits.....                              | 28,512,966.44   | 16,091,237.66   |
| Due to other Federal Reserve Banks.....    | 1,457,347.26    |                 |
|  | 29,970,312.70   |                 |
| Federal Reserve notes:                     |                 |                 |
| Issued.....                                | 31,015,600.00   | 15,630,000.00   |
| Redeemed.....                              | 27,185,600.00   | 9,550,000.00    |
|  | 3,830,000.00    | 6,080,000.00    |
| Outstanding.....                           |                 |                 |
| Liability to shareholders:                 |                 |                 |
| Capital stock.....                         | 3,346,150.00    | 3,353,800.00    |
| Undivided profits.....                     | 11,664.70       | 23,015.26       |
|  | 3,357,814.70    | 3,376,815.26    |
|  | 37,158,127.40   | 25,548,052.92   |

## EXHIBIT D.—Comparative balance sheets (condensed)—Continued.

|   | Dec. 31, 1916. | Dec. 31, 1915. |
|---|----------------|----------------|
| <b>LIABILITIES—continued.</b>                   |                |                |
| Contingent:                                     |                |                |
| Obligation to purchase United States bonds..... | \$1,070,000    | .....          |
| Cumulative dividend to date (undeclared).....   | 33,437.72      | \$30,387.65    |

## EXHIBIT E.—Comparative profit and loss accounts—Dividends and undivided profits.

|  | Year 1916.   | Year 1915.   |
|--|--------------|--------------|
| <b>Gross earnings:</b>   |              |              |
| On loans and investments.....  | \$286,697.84 | \$319,096.16 |
| Exchange.....  |              | 483.50       |
| Profits on securities sold.....  | 12,527.84    |              |
| Service charges (net over transit expenses).....   | 1,033.17     |              |
| Penalties for deficiencies in reserves.....  | 12,390.39    |              |
| Miscellaneous.....   | 142.25       |              |
|  | \$312,791.49 | \$319,579.66 |
| <b>Deduct:</b>   |              |              |
| Expenses.....  | 126,219.71   | 144,624.71   |
| Net profit for year.....   | 186,571.78   | 174,954.95   |
| Balance undivided profits Dec. 31, 1915.....   | 23,015.26    |              |
|  | 209,587.04   |              |
| <b>Dividends declared:</b>   |              |              |
| 5 per cent Nov. 16, 1914, to Dec. 31, 1915.....  |              | 151,939.69   |
| 1 per cent Nov. 16, 1914, to Dec. 31, 1915.....  | 30,387.65    |              |
| 6 per cent Dec. 31, 1915, to Oct. 31, 1916.....  | 167,534.69   |              |
|  | 197,922.34   |              |
| Balance of undivided profits.....  | 11,664.70    | 23,015.26    |
| <b>Add 1916 profits applied to 6 per cent cumulative dividend to Dec. 31, 1915, balance of 6 per cent cumulative dividend to Dec. 31, 1915, paid Apr. 1, 1916.....</b> |              | 7,372.39     |
|  |              | 30,387.65    |

## EXHIBIT F.—Productive assets acquired during the year 1916, classified as to rates.

|   | 2 per cent.         | 3 per cent.          | 3½ per cent.     | 3¾ per cent.        |
|---|---------------------|----------------------|------------------|---------------------|
| United States bonds.....                    | \$1,335,250.00      |                      |                  |                     |
| Bankers' acceptances.....                   |                     | \$11,051,810.13      | \$40,000.00      | \$229,866.65        |
| Commodity paper.....                        |                     | 3,570,679.67         |                  | 3,455,165.23        |
| Warrants.....                               |                     | 461,790.63           |                  | 60,750.00           |
| Trade acceptances.....                      |                     |                      |                  | 1,468,509.91        |
| Notes unsecured.....                        |                     |                      |                  |                     |
| Member banks' collateral notes.....         |                     |                      |                  | 2,715,500.00        |
| Notes secured by agricultural products..... |                     |                      |                  |                     |
| Notes secured by live stock.....            |                     |                      |                  |                     |
| Notes secured by merchandise.....           |                     |                      |                  |                     |
| <b>Total.....</b>                           | <b>4,335,250.00</b> | <b>15,084,280.43</b> | <b>40,000.00</b> | <b>7,920,791.79</b> |

|   | 4 per cent.          | 4½ per cent.        | 5 per cent.       | Total.               |
|---|----------------------|---------------------|-------------------|----------------------|
| United States bonds.....                    |                      |                     |                   | \$1,335,250.00       |
| Bankers' acceptances.....                   |                      |                     |                   | 11,312,676.78        |
| Commodity paper.....                        |                      |                     |                   | 7,025,844.90         |
| Warrants.....                               | \$7,021.33           |                     |                   | 529,561.96           |
| Trade acceptances.....                      | 40,637.87            |                     |                   | 1,509,147.78         |
| Notes unsecured.....                        | 18,639,060.68        | \$2,762,318.67      | \$836,901.00      | 22,238,270.35        |
| Member banks' collateral notes.....         | 560,000.00           |                     |                   | 3,275,500.00         |
| Notes secured by agricultural products..... | 284,143.33           |                     | 5,558.75          | 289,702.13           |
| Notes secured by live stock.....            | 20,705.90            |                     | 1,632.33          | 22,348.23            |
| Notes secured by merchandise.....           | 16,467.00            |                     |                   | 16,467.00            |
| <b>Total.....</b>                           | <b>19,568,036.16</b> | <b>2,762,318.67</b> | <b>844,092.08</b> | <b>50,554,769.13</b> |

United States securities purchased at 2 per cent since converted to 3 per cent, \$2,142,899.

## EXHIBIT G.—Discounts, and bills purchased during the year 1916.

|                                    | Maturities as of date of acquisition. |                |                |                 |               | Total.          |
|------------------------------------|---------------------------------------|----------------|----------------|-----------------|---------------|-----------------|
|                                    | 10 days and less.                     | 11 to 30 days. | 31 to 60 days. | 61 to 90 days.  | Over 90 days. |                 |
| Notes.....                         | \$366,221.71                          | \$3,657,026.79 | \$7,166,861.65 | \$10,444,528.68 | \$932,148.88  | \$22,566,787.71 |
| Member banks collateral notes..... | 2,275,000.00                          | 1,000,500.00   | .....          | .....           | .....         | 3,275,500.00    |
| Trade acceptances.....             | 15,887.13                             | 367,064.33     | 744,718.47     | 381,477.85      | .....         | 1,509,147.78    |
| Commodity paper.....               | 166,614.00                            | 1,907,078.48   | 2,416,153.19   | 2,334,699.23    | 201,300.00    | 7,025,844.90    |
| Total discounts.....               | 2,823,722.84                          | 6,931,669.60   | 10,327,733.31  | 13,160,705.76   | 1,133,448.88  | 34,377,280.39   |
| Bankers' acceptances.....          | 719,480.00                            | 6,200,962.07   | 2,319,781.36   | 2,081,453.35    | .....         | 11,312,676.78   |
| Municipal warrants.....            | .....                                 | .....          | 257,021.33     | 201,790.63      | 70,750.00     | 529,561.96      |
| Grand totals.....                  | 3,534,202.84                          | 13,132,631.67  | 12,904,536.00  | 15,443,949.74   | 1,204,198.88  | 46,219,519.13   |

## EXHIBIT H.—Discount rates, current, from Jan. 1, 1916, to Dec. 31, 1916.

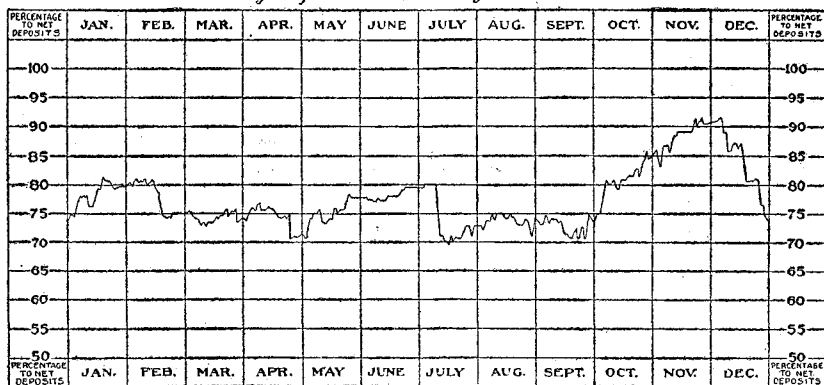
| Date effective.                             | Member banks collateral notes, 15 days. | Commercial paper. |                     |                     | Agricultural paper only, 91 days to 6 months. | Commodity paper, maturity 60 days. | Trade acceptances. |                     |
|---|---|-------------------|---------------------|---------------------|---|------------------------------------|--------------------|---------------------|
|   |   | Maturity 30 days. | From 31 to 60 days. | From 61 to 90 days. |   |                                    | Maturity 60 days.  | From 61 to 90 days. |
| 1916.                                       |   |                   |                     |                     |   |                                    |                    |                     |
| Jan. 1 (effective since Oct. 21, 1915)..... |   | 4                 | 4                   | 4                   | 5   | 3                                  | 3½                 | 4                   |
| Apr. 22.....                                |   | 4                 | 4                   | 4                   | 5   | 3½                                 | 3½                 | 3½                  |
| Aug. 4.....                                 |   | 4                 | 4                   | 4                   | 4½  | 3½                                 | 3½                 | 3½                  |
| Sept. 7.....                                | 4                                       | 4                 | 4                   | 4                   | 4½  | 3½                                 | 3½                 | 3½                  |
| Oct. 6.....                                 | 3½                                      | 4                 | 4                   | 4                   | 4½  | 3½                                 | 3½                 | 3½                  |

## EXHIBIT I.—Operations in United States securities during the year 1916.

|                            | 2 per cent. | 3 per cent. | United States notes. | Total.      |
|----------------------------|-------------|-------------|----------------------|-------------|
| Purchased:                 |             |             |                      |             |
| Members.....               | \$4,335,250 | .....       | .....                | \$4,335,250 |
| Open market.....           | .....       | .....       | .....                | .....       |
| Converted.....             | 2,142,800   | \$1,072,800 | \$1,070,000          | .....       |
| Total.....                 | 2,192,450   | 1,072,800   | 1,070,000            | 4,335,250   |
| Sold.....                  | .....       | 1,072,800   | .....                | 1,072,800   |
| Balance Dec. 31, 1916..... | 2,192,450   | .....       | 1,070,000            | 3,262,450   |

## EXHIBIT J.

FEDERAL RESERVE BANK of RICHMOND  
 Chart of Legal Reserve Cash for the Year 1916



## EXHIBIT K.—Capital stock.

[Analysis for the year 1916.]

|  | Maryland. |         | District of Columbia. |         | Virginia. |         |  |  |
|--|-----------|---------|-----------------------|---------|-----------|---------|--|--|
|  | Banks.    | Shares. | Banks.                | Shares. | Banks.    | Shares. |  |  |
| Balance Dec. 31, 1915.....                                 | 98        | 16,908  | 14                    | 7,932   | 137       | 18,781  |  |  |
| Additional allotments on increased capital or surplus..... |           | 318     |                       | 60      |           | 107     |  |  |
| Reduction on decreased capital or surplus.....             | 98        | 17,226  | 14                    | 7,992   | 137       | 18,888  |  |  |
|  |           | 300     |                       | 15      |           | 2       |  |  |
| Additions to membership during the year.....               | 98        | 16,926  | 14                    | 7,977   | 137       | 18,886  |  |  |
|  |           |         | 1                     | 121     | 8         | 169     |  |  |
| Liquidations during the year.....                          | 98        | 16,926  | 15                    | 8,098   | 145       | 19,055  |  |  |
|  | 2         | 861     |                       |         |           |         |  |  |
| Balance Dec. 31, 1916.....                                 | 96        | 16,065  | 15                    | 8,098   | 145       | 19,055  |  |  |

|  | West Virginia. |         | North Carolina. |         | South Carolina. |         | Total. |         |
|--|----------------|---------|-----------------|---------|-----------------|---------|--------|---------|
|  | Banks.         | Shares. | Banks.          | Shares. | Banks.          | Shares. | Banks. | Shares. |
| Balance Dec. 31, 1915.....                                 | 104            | 8,390   | 81              | 7,631   | 74              | 7,503   | 508    | 67,145  |
| Additional allotments on increased capital or surplus..... |                | 97      |                 | 168     |                 | 50      |        | 800     |
| Reduction on decreased capital or surplus.....             | 104            | 8,487   | 81              | 7,799   | 74              | 7,553   | 508    | 67,945  |
|  |                | 24      |                 | 7       |                 | 69      |        | 417     |
| Additions to membership during the year.....               | 104            | 8,463   | 81              | 7,792   | 74              | 7,484   | 508    | 67,528  |
|  |                |         | 3               | 38      | 5               | 227     | 17     | 555     |
| Liquidations during the year.....                          | 104            | 8,463   | 84              | 7,830   | 79              | 7,711   | 525    | 68,083  |
|  |                |         | 3               | 260     | 1               | 39      | 6      | 1,160   |
| Balance Dec. 31, 1916.....                                 | 104            | 8,463   | 81              | 7,570   | 78              | 7,672   | 519    | 66,923  |

EXHIBIT L.—*Rediscounts, and acceptances purchased—Distribution by States.*

|                           | Jan. 1 to Mar. 31, 1916. |              | Apr. 1 to June 30, 1916. |                | July 1 to Sept. 30, 1916. |                |
|---------------------------|--------------------------|--------------|--------------------------|----------------|---------------------------|----------------|
|                           | Banks accommodated.      | Amount.      | Banks accommodated.      | Amount.        | Banks accommodated.       | Amount.        |
| Maryland.....             | 11                       | \$425,089.37 | 12                       | \$1,844,982.80 | 6                         | \$3,996,798.31 |
| District of Columbia..... | 2                        | 186,702.28   | 2                        | 236,402.71     | 1                         | 152,928.09     |
| Virginia.....             | 43                       | 2,035,388.70 | 41                       | 1,648,880.35   | 34                        | 1,252,821.04   |
| West Virginia.....        | 10                       | 182,416.55   | 8                        | 183,616.97     | 8                         | 138,519.35     |
| North Carolina.....       | 35                       | 2,916,924.55 | 36                       | 3,877,417.96   | 41                        | 4,268,533.23   |
| South Carolina.....       | 50                       | 3,942,293.03 | 50                       | 2,843,224.20   | 55                        | 3,276,167.44   |
| Total.....                | 151                      | 9,688,814.53 | 149                      | 10,634,524.99  | 145                       | 13,085,767.46  |

|                            | Oct. 1 to Dec. 31, 1916. |                | Total period.       |                | Balance under discount Dec. 31, 1916. |
|----------------------------|--------------------------|----------------|---------------------|----------------|---------------------------------------|
|                            | Banks accommodated.      | Amount.        | Banks accommodated. | Amount.        |                                       |
| Maryland.....              | 8                        | \$3,381,880.30 | 18                  | \$9,648,750.78 | \$2,576,373.37                        |
| District of Columbia.....  | 3                        | 506,930.39     | 4                   | 1,082,903.47   | 409,528.34                            |
| Virginia.....              | 18                       | 2,420,443.06   | 59                  | 7,357,533.15   | 311,479.31                            |
| West Virginia.....         | 4                        | 69,093.83      | 13                  | 573,046.70     | 41,500.00                             |
| North Carolina.....        | 24                       | 2,150,070.56   | 48                  | 13,212,946.30  | 1,297,075.23                          |
| South Carolina.....        | 27                       | 3,425,892.05   | 60                  | 13,487,576.77  | 2,251,471.83                          |
| Open market purchases..... |                          | 326,540.00     |                     | 326,540.00     | 326,540.00                            |
| Total.....                 | 84                       | 12,280,850.19  | 202                 | 45,689,957.17  | 7,213,908.08                          |

NOTE.—Total of bankers' acceptances included in the above figures (\$11,312,676.78). Purchases from member banks were distributed as follows: Maryland, \$8,339,225.01; Washington, D. C., \$50,000; Virginia, \$554,625.59; North Carolina, \$400,326; South Carolina, \$1,641,960.18; open market, \$326,540.

EXHIBIT M.—*Daily averages by months during the year 1916.*

|                | Member banks deposits. | Government deposits. | Overdue paper. |
|----------------|------------------------|----------------------|----------------|
| January.....   | \$11,199,805.77        | \$5,658,432.64       |                |
| February.....  | 11,483,882.66          | 6,328,866.43         | \$2,120.77     |
| March.....     | 11,536,144.10          | 6,875,443.03         | 11,070.64      |
| April.....     | 11,545,076.04          | 6,420,260.32         | 11,342.10      |
| May.....       | 13,249,437.88          | 6,346,514.23         | 872.20         |
| June.....      | 14,901,902.86          | 7,191,234.58         |                |
| July.....      | 15,956,127.43          | 5,671,597.44         |                |
| August.....    | 16,330,973.91          | 3,320,534.36         |                |
| September..... | 16,615,271.11          | 2,968,816.83         |                |
| October.....   | 20,013,963.91          | 3,594,049.51         |                |
| November.....  | 23,466,288.63          | 2,921,533.37         |                |
| December.....  | 25,486,796.81          | 2,845,368.45         |                |
| Year.....      | 15,999,616.04          | 5,014,378.72         | 2,109.27       |

## EXHIBIT N.—Operations in Federal Reserve notes from Nov. 16, 1914, to Dec. 31, 1916.

|   | Units—denominations. |           |                |          |                | Pieces.    | Values.      |
|---|----------------------|-----------|----------------|----------|----------------|------------|--------------|
|   | Fives.               | Tens.     | Twen-<br>ties. | Fifties. | Hun-<br>dreds. |            |              |
| Received from Comptroller.....  | 1,740,000            | 940,000   | 440,000        | 36,000   | 8,000          | 3,164,000  | \$29,500,000 |
| Received from Federal Reserve Bank  | 197,000              | 121,500   | 51,000         | 12,000   | 2,600          | 384,100    | 4,080,000    |
| Received from Treasurer of United States (fit notes).....   | 2,860                | 1,270     | 220            | 44       | 20             | 4,414      | 35,600       |
| Received by Comptroller from Treasurer of United States for destruction and credit of Federal Reserve Agent's account (unfit notes).....                        | 482,804              | 194,000   | 79,115½        | 8,193    | 1,233          | 765,345½   | 6,469,230    |
| Total.....  | 2,422,664            | 1,256,770 | 570,335½       | 56,237   | 11,853         | 4,317,859½ | 40,084,880   |
| Issued to Federal Reserve Bank.....   | 1,815,860            | 1,006,770 | 463,220        | 37,744   | 7,170          | 3,330,764  | 31,015,600   |
| Returned to Comptroller of the Currency for destruction, including notes returned by United States Treasurer for credit of Federal Reserve Agent's account..... | 502,804              | 194,000   | 79,115½        | 8,193    | 1,233          | 785,345½   | 6,569,280    |
| Notes on hand at end of month.....  | 104,000              | 56,000    | 28,000         | 10,300   | 3,450          | 201,750    | 2,500,000    |
| Total.....  | 2,422,664            | 1,256,770 | 570,335½       | 56,237   | 11,853         | 4,317,859½ | 40,084,880   |
| Actually destroyed as per certificates received from Washington.....  | 499,224              | 192,680   | 78,505½        | 8,125    | 1,228          | 779,762½   | 6,522,080    |
| Balance in hands of public, including Federal Reserve Banks.....  | 1,136,776            | 601,320   | 333,494½       | 17,575   | 3,322          | 2,182,487½ | 20,477,920   |

## EXHIBIT O.—Average lives of Federal Reserve notes redeemed by Treasurer of United States from the time issued by Federal Reserve Agent until received by comptroller for destruction.

|                               | Fives.  | Tens.   | Twen-<br>ties. | Fifties. | Hun-<br>dreds. | Total.   |
|-------------------------------|---------|---------|----------------|----------|----------------|----------|
| To Feb. 27, 1916, pieces..... | 134,140 | 46,390  | 21,470         | 2,640    | 482            | 205,122  |
| Average life in days.....     | 405     | 387     | 432            | 388      | 398            | 404      |
| To Dec. 31, 1916.....         | 502,804 | 194,000 | 79,115½        | 8,193    | 1,233          | 785,345½ |
| Average life in days.....     | 419     | 454     | 486            | 493      | 487            | 435      |

NOTE.—The first lot redeemed (205,122 pieces) had been accumulated by the Treasurer and was reported handed to the comptroller for destruction Feb. 27, 1916; it is obvious that the figures arrived at would not properly reflect in such a situation actual lives of such notes. The figures for the entire redemption to Dec. 31, 1916, will, of course, be bettered as time passes by accumulating redemptions from the beginning. Averages should be more reliable with each succeeding year's redemptions considered as part of the whole.



EXHIBIT P.—Amounts of Federal Reserve notes of the several denominations received from other Federal Reserve Banks for redemption or credit and return to other Federal Reserve Banks for redemption or credit during the year 1916.

| Exchanged with Federal Reserve Bank of— | Fives.         |              | Tens.          |              | Twenties.      |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | \$35,350       | \$3,280      | \$55,320       | \$6,800      | \$58,380       | \$1,240      |
| New York.....                           | 834,000        | 65,910       | 1,008,110      | 113,070      | 947,860        | 41,460       |
| Philadelphia.....                       | 128,895        | 16,385       | 149,940        | 30,940       | 142,780        | 20,540       |
| Cleveland.....                          | 10,250         | 5,830        | 15,970         | 10,260       | 19,420         | 18,080       |
| Atlanta.....                            | 135,455        | 48,270       | 144,380        | 53,760       | 93,480         | 36,980       |
| Chicago.....                            | 69,500         | 760          | 97,500         | 160          | 104,500        | 980          |
| St. Louis.....                          | 11,840         | 2,515        | 17,760         | 2,850        | 17,640         | 2,660        |
| Minneapolis.....                        | 3,840          | 1,510        | 4,610          | 3,430        | 7,200          | 2,760        |
| Kansas City.....                        | 300            | 3,390        | 1,340          | 4,050        | 2,420          | 2,200        |
| Dallas.....                             | 2,505          | 3,620        | 5,040          | 7,920        | 5,780          | 6,940        |
| San Francisco.....                      | 1,715          | 945          | 3,440          | 1,320        | 6,600          | 1,980        |
| Total.....                              | 1,233,650      | 152,415      | 1,503,420      | 234,560      | 1,406,060      | 135,820      |

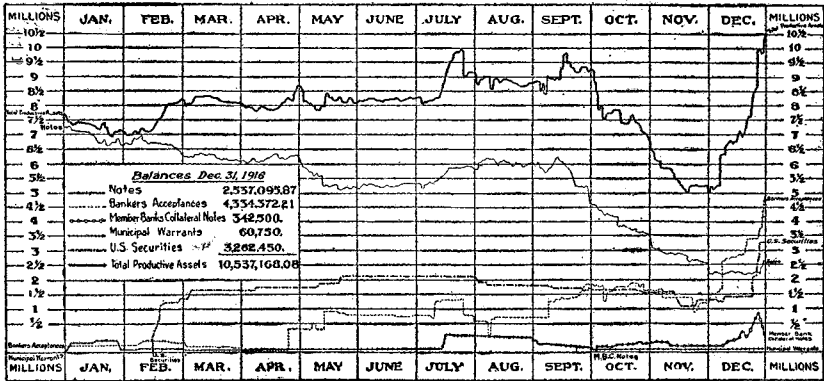
| Exchanged with Federal Reserve Bank of— | Fifties.       |              | One hundreds.  |              | Total.         |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | \$25,850       | \$1,100      | \$10,100       | \$2,600      | \$185,000      | \$15,020     |
| New York.....                           | 273,950        | 22,050       | 117,300        | 43,800       | 3,181,220      | 286,290      |
| Philadelphia.....                       | 55,100         | .....        | 18,000         | .....        | 494,715        | 67,865       |
| Cleveland.....                          | 9,100          | 1,850        | 2,600          | 2,600        | 57,340         | 38,620       |
| Atlanta.....                            | 17,350         | 2,100        | 5,200          | 3,200        | 395,875        | 144,310      |
| Chicago.....                            | 42,300         | 300          | 14,200         | 400          | 328,000        | 2,600        |
| St. Louis.....                          | 5,100          | 100          | 1,500          | .....        | 53,840         | 8,125        |
| Minneapolis.....                        | 2,950          | 100          | 600            | .....        | 19,200         | 7,800        |
| Kansas City.....                        | 850            | 450          | 700            | .....        | 5,610          | 10,090       |
| Dallas.....                             | 2,950          | 1,350        | 400            | .....        | 16,675         | 19,830       |
| San Francisco.....                      | 6,850          | 400          | 3,600          | 400          | 22,205         | 5,045        |
| Total.....                              | 442,350        | 29,800       | 174,200        | 53,000       | 4,759,680      | 605,595      |

EXHIBIT Q.—Clearing operations for the period from July 15 to Dec. 31, 1916.

|   | Number of items. | Amount.       | Average daily (140 business days). |             | Average amount per item. | Equivalent cost per \$1,000 with service charge at 1½ cents per item. |
|---|------------------|---------------|------------------------------------|-------------|--------------------------|---|
|   |                  |               | Number of items.                   | Amount.     |                          |   |
| Through Richmond clearing house.....                      | 134,958          | \$255,405,300 | 964                                | \$1,824,324 | \$1,892                  | No charge.  |
| On other points in district 5.....                        | 1,681,761        | 383,532,000   | 12,013                             | 2,739,514   | 228                      | .0548   |
| On points in other Federal Reserve districts.....         | 203,346          | 252,140,500   | 1,452                              | 1,801,004   | 1,240                    | .0101   |
| Direct to members in other Federal Reserve districts..... | None.            | .....         | .....                              | .....       | .....                    | .....   |
| Total.....  | 2,020,065        | 891,077,800   | 14,429                             | 6,364,842   | 441                      | .0283   |

EXHIBIT R.

FEDERAL RESERVE BANK of RICHMOND  
 Chart of Productive Assets for the Year 1916



## DISTRICT NO. 6—ATLANTA.

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M. B. WELLBORN, Chairman and Federal Reserve Agent.

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The bright outlook at the beginning of the year has been realized in a prosperity extending throughout the sixth Federal Reserve district. The effectiveness of the Federal Reserve System has been more fully demonstrated and its early popularity crystallized into fixed public opinion as to its great commercial value and aid in the development of industrial and agricultural activities. In submitting the Second Annual Report of the Federal Reserve Bank of Atlanta, there are presented some of the main factors of the year's operations, with a summary of business and banking conditions.

### FINANCIAL RESULTS OF OPERATION.

(a) Earnings, expenses, dividends, etc.: A comparative statement, marked "Schedule No. 1," is attached hereto showing earnings and expenses for the calendar years 1915 and 1916; amounts of net earnings and rates for the respective periods; also amounts required to pay the 6 per cent dividends.

(b) Comparative balance sheets for December 30, 1915 and 1916; schedule No. 2, attached, shows combined results of the Atlanta office and the New Orleans branch.

(c) Profit-and-loss statements for 1915 and 1916. (See schedule No. 3, attached.)

### GENERAL BUSINESS CONDITIONS.

While there may be a weak spot here and there, the general business conditions of the sixth Federal Reserve district are considerably above normal, with expectations of further development to higher levels.

The excessive rains and winds of July caused considerable damage to agriculture and especially to the cotton crop of middle and southern Alabama. The fruit crops of the district, though light, were up to the standard in variety and quality and sold at increased prices over previous years. The tobacco fields of Tennessee produced the largest crop in many years. The demand has been good and prices are ranging high. Sugar and rice crops have been the most satisfactory for many years.

The rigid economy experienced in the previous year was productive of larger interest in diversification, and there was an especially marked increase in cattle and hogs throughout the district. The establishment of packing-house plants in a number of places has given an added impetus to cattle and hog raising.

Production of iron and steel products continued at a high point throughout the year, pig-iron prices reaching \$20 per ton, the highest mark in many years. Orders run well into the middle of the coming year.

War conditions caused more distress in the lumber market and in naval-stores fields than in any other activity in this district. Lately lumber has strengthened materially, and naval-stores products are firmer and more steady.

Phosphate production continues below normal. Zinc and graphite mines have been operating at full capacity. Coal operators were considerably handicapped by low prices and car shortages.

In the general trade wholesalers and retailers have had a very satisfactory year.

Labor conditions have been quite satisfactory during the year, with the exception of shortage during the last few months, due to emigration of negroes to the North.

Financial conditions are excellent, and bank deposits continue to grow. Very little change in rates has been noted during the past 12 months. Fall and winter collections were good.

#### FEDERAL RESERVE BANK AND MEMBER BANKS.

In accordance with the resolution passed by the Federal Reserve Board, "That all of Louisiana north of the parishes of Vernon, Rapides, and Avoyelles remain in the eleventh Federal Reserve district; and that the remaining part of the State of Louisiana now in the eleventh district be transferred to the sixth Federal Reserve district," the Federal Reserve Bank of Dallas transferred the member banks within said territory to the Federal Reserve Bank of Atlanta. The governor of the Federal Reserve Bank of Atlanta, under resolution adopted by the board of directors, was authorized to enter into an agreement with the Federal Reserve Bank of Dallas to assume on the part of the Atlanta bank the responsibility for the cumulative dividends to be determined after the payment by the Dallas Bank of all the earned dividends up to the time of the transfer.

On January 1, 1916, the capital stock of the Federal Reserve Bank of Atlanta amounted to \$4,844,800, representing a paid-in capital of \$2,422,400. During the year the capital stock was increased by 2,678 shares, with a decrease of 2,126 shares, making a net increase of 552 shares, the paid-in capital as of December 31, 1916, being

\$2,450,000. Twenty-two banks were added to the system and 21 banks withdrawn, including liquidations, consolidations, etc.

The records of the State banking departments in the several States in the sixth Federal Reserve district show 36 charters granted to State banks in the year 1916, with 55 withdrawn on account of failures, liquidations, and consolidations.

While the most pleasant relations continue to exist between the Federal Reserve Bank of Atlanta and its member banks, and there is no opposition as a whole to the Federal Reserve system, there exists a certain amount of dissatisfaction on the part of a number of the member banks due in a large extent to the par-clearing system.

During the first year of operations some of the member banks seemed to have a hesitancy in furnishing the credit statements required, but this has been entirely overcome, and the member banks now promptly furnish any credit statements desired. These statements are more uniform, and the banks now find it far easier to secure complete statements from their customers than was the case prior to the Federal Reserve requirements. Through experience in rediscounting paper with the Federal Reserve Bank the member banks have a better understanding as to the class of paper eligible, and these requirements are being reflected in the paper carried in their portfolios, so that we now find the member banks with more paper eligible for rediscount with Federal Reserve Banks than at the close of the previous year.

#### DISCOUNT ACTIVITIES OF THE FEDERAL RESERVE BANK.

Schedule No. 4, attached hereto, shows the discount operations, rates, etc. The accommodations requested by member banks have not been very heavy, and we have at all times been in a position to take care of their needs.

#### STATE BANKS.

During the year a few State banks have entered the system by converting into national banks. The American Trust & Savings Bank of Birmingham, Ala. (capital and surplus, \$750,000), and the Bank of Iota, Iota, La. (capital and surplus, \$25,000), joined the system, retaining their State charters.

#### MEMBER BANK DEPOSITS—EXCESS DEPOSITS—OVERDRAFTS.

Schedule No. 5, attached hereto, shows the gross balances, overdrafts, required reserves, uncollected balances, and deficient reserves, by States, in the district as of close of business December 31, 1916.

## REPORTS AND EXAMINATIONS.

From time to time the chairman of the board reports to the Federal Reserve Board regarding the condition of member banks, and during the past year it was found necessary in only one instance to have an examination made by the Federal Reserve Bank of the condition of a member bank.

During the year there has been no failure of a national bank in the sixth district, while there have been numerous failures of State institutions in the several States in the district.

The overdue paper on hand consists of \$1,863.65, representing balances due on discounts handled for the First National Bank of Wartrace, Tenn., declared insolvent by the Comptroller of the Currency December 16, 1915. These amounts are now in litigation, and it is expected that the account will eventually be closed with little, if any, loss to the Federal Reserve Bank of Atlanta.

## THE FEDERAL RESERVE BANK AND THE PUBLIC.

## OPEN-MARKET OPERATIONS.

Through "Open-market operations," the Federal Reserve Bank of Atlanta has been enabled to render valuable service, especially in the distribution of such products as rice, sugar, naval stores, and cotton. The operations through this medium, largely confined to the past three months, involving the purchase of \$8,779,500 of bankers' domestic acceptances and \$3,764,500 bankers' foreign acceptances, have aided materially as an auxiliary in the promotion of trade and commerce, and have been of great value in facilitating and broadening the field of activity for member banks.

## TRADE ACCEPTANCES.

Considerable progress has been made in the development of trade acceptances. Business men are becoming more favorably impressed with the substitution of trade acceptances for open accounts, and the hesitancy of establishing their use for fear of questioning their customers' credit is being overcome. Again, the merchants realize the advisability of taking discounts and being able to buy in less restricted markets by the use of the trade acceptance.

## EFFECT OF THE DISCOUNT-RATE POLICY OF THE BANK UPON GENERAL MARKET RATES.

In view of the fact that there is a plethora of money in the East, eastern bankers are coming into this territory offering to take the best paper at rates lower than the established rates of the Federal Reserve Bank. It is not deemed advisable, under present condi-

tions, that our rates should be increased until there is a corresponding increase of rates in the financial centers. The paper held by the Federal Reserve Bank of Atlanta is largely composed of notes based on commodities in storage, bankers' acceptances, and trade acceptances for goods bought and sold.

Schedule No. 6, attached hereto, is a comparative statement of the amount of rediscounts with Federal Reserve Bank and bills payable and rediscounts with other than Federal Reserve Bank, as shown in the Comptroller's report of condition of member banks as of November 10, 1915, and November 17, 1916.

#### PUBLIC RELATIONS WORK.

The public relations work of the bank has been largely restricted to the active personal work of the chairman of the board and the governor of the bank, supplemented by the personal work of the directors. The chairman of the board and the governor of the bank have delivered a number of addresses during the year at bankers' conventions and elsewhere. Monthly reports of business conditions and interviews on matters of bank interest have been furnished to the newspapers. Pamphlets on acceptances, credit statements, warehouse receipts, etc., have been sent to the member banks from time to time.

#### THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

Since the withdrawal by the Government on July 10, 1916, of the \$5,000,000 special deposit, the balance standing to the Government's credit with us, including our New Orleans branch, has varied in amounts from \$1,000,000 to \$3,000,000, but owing to the fact that we never know when we may be called upon by the Treasurer of the United States to transfer a large part of the balance to some other Federal Reserve Bank we can scarcely use it with safety as loanable funds for rediscounting purposes or as a reserve against Federal Reserve notes issued.

Except to the extent that we are a designated depository for any checks and warrants drawn on the Treasurer of the United States, we have no business relations with the United States Treasury, other than those any bank may have in the redemption of unfit currency, national bank notes, and Federal Reserve notes. When Federal Reserve Banks are permitted to discharge more of the functions of the subtreasuries the deposits of Government funds with the banks could be greatly increased and the Federal Reserve Banks could be of much more service to their respective districts as well as to the Government in the payment of Government obligations and in supplying their respective districts with coin at considerably less expense than is possible under the present subtreasury system.

It is very desirable, from the standpoint of general business interests, that the reserve position of the Federal Reserve Banks be strengthened, as would be the case were they made depositories of much larger amounts of Government funds. It would be practicable to greatly increase the amounts of Government deposits with the Federal Reserve Banks if they were permitted to take over some of the business of the subtreasuries.

The close relations between the Federal Reserve Bank and the office of Comptroller of the Currency have proven very valuable. Information in the office of the chief examiner for the district is available to the chairman of the board and Federal Reserve Agent.

#### FEDERAL RESERVE BANK AND NOTE ISSUES.

It has been the policy to issue Federal Reserve notes and concentrate as large an amount of gold in our vaults and in the gold fund at Washington as possible. Outstanding Federal Reserve notes on December 31, 1916, amounted to \$25,919,530 and were secured by \$4,284,869.62 of discounted paper and \$21,648,430 of gold.

Schedule No. 7, attached hereto, shows the denominations of Federal Reserve notes issued and the cost of these notes.

The interdistrict movement of notes shows only a limited number of notes being returned by this bank to other Federal Reserve Banks, with the exception of notes to the Federal Reserve Banks of New York, Richmond, and Dallas. Of the \$1,806,960 notes returned by us during the year ending December 31, 1916, \$376,965 were returned to the Federal Reserve Bank of New York; \$395,875 were returned to the Federal Reserve Bank of Richmond; \$736,585 were returned to the Federal Reserve Bank of Dallas, or a total of \$1,509,425 out of \$1,806,960 returned to all Federal Reserve Banks.

The excess of notes returned to Richmond and Dallas compared with the amount of notes returned to other banks can probably be accounted for by the fact that the Richmond and Dallas districts border on the Atlanta district. The amount of notes returned to New York is small in comparison with the amount of notes of this bank received from the Federal Reserve Bank of New York, amounting to \$2,691,730, out of a total of \$4,515,135 received from all banks.

By the end of 1916 damaged and mutilated Federal Reserve notes sent to the Comptroller of the Currency for cancellation and destruction amounted to \$3,835,470.

The Federal Reserve Agent endeavors to keep on hand at all times a large supply of Federal Reserve notes of all denominations and has adopted the policy of having printed and available at Washington a sufficient supply of notes for emergency purposes. A few days prior to the threatened railroad strike the Federal Reserve Agent caused



to be shipped to Atlanta and to have placed in the subtreasury at New Orleans an extra supply of Federal Reserve notes in view of the threatening interruption of shipping facilities.

#### INTERNAL MANAGEMENT OF THE BANK.

The internal management of the bank continues with the same relationship as to division of work between the bank proper and the office of the chairman of the board.

The same manner of selection of an executive committee is in force. The directors are very faithful in attendance at meetings of the board and meetings of the executive committee. All applications for rediscounts are submitted to the executive committee on the day received and advice as to action of the committee mailed to member banks on the same day. A detailed written report of the operations of the bank is mailed to each director a week in advance of the monthly meeting of the board of directors.

At the January, 1916, meeting of the board of directors, Mr. Charles A. Lyerly, of Chattanooga, Tenn., was reelected a member of the advisory council, representing the sixth district. Upon invitation from the chairman of the board, Mr. Lyerly has frequently appeared at meetings of the board and discussed matters which were up for consideration by the advisory council.

Mr. Joseph A. McCord was reelected governor of the bank for the year 1916.

Mr. J. M. Slattery, deputy secretary, was elected assistant to the Federal Reserve Agent.

At the August meeting of the board of directors, Mr. J. B. Pike, tendered his resignation as cashier to accept the vice presidency of the Heard National Bank of Jacksonville, Fla. Mr. M. W. Bell, assistant cashier, was elected to fill the vacancy. Mr. W. S. Graves was elected assistant cashier.

November 1 Mr. R. H. Hemphill, manager of the credit bureau, resigned. The vacancy caused by his resignation will be filled at the January meeting of the board of directors.

The inauguration of the par-clearing system necessitated the employment of 24 additional clerks and the enlargement of our banking quarters.

Mr. Edward T. Brown, deputy Federal Reserve Agent, continues to serve only in the absence of the Federal Reserve Agent.

At the December election of directors, Mr. F. W. Foote, class A group 2, director, and Mr. W. H. Hartford, class B, group 3, director, were reelected without opposition for a period of three years from January 1, 1917.

**BANK QUARTERS AND VAULT FACILITIES.**

In view of the fact that the lease of our present quarters will expire in November, 1917, we approached our landlord for a proposition looking to a new lease for another year. The new rental demanded was \$12,500 per annum. Our present lease for three years averages \$9,600 per annum. Our board of directors then took up for consideration the question of purchasing a lot and the erection of a permanent home.

After considering the matter fully in all of its phases and, especially in view of the large proposed increase in rent, our board decided it would be much more economical to own a building. We had offered to us many available lots, in our very thorough canvass of the real estate situation in Atlanta, and purchased a site 90 by 202 feet on Marietta Street, within two blocks of the post office and the express office. Aside from a saving in rent, a building of our own would afford better and more ample vault facilities and a more conveniently arranged banking room.

The board of directors of the Federal Reserve Bank of Atlanta believe that a Reserve Bank, as well, if not more so than a member bank, can well afford to own its own building. We usually have such a large amount of idle funds in excess of our own legal reserve that the payment of a rental under these circumstances might be considered an unnecessary tax on our earnings and the sum thus saved in owning our building would contribute very materially toward meeting our dividend requirements.

**EXAMINATION OF FEDERAL RESERVE BANK AND FEDERAL RESERVE AGENT.**

During the year the Federal Reserve examiners have made two complete examinations of the bank and special Federal Reserve examiners have made four examinations of the Federal Reserve Agent's department.

**GOLD SETTLEMENT FUND.**

It would be difficult to overestimate the value of the services rendered to the Federal Reserve Bank by the operations of the gold settlement fund. It has obviated the necessity for the shipment of millions of dollars in settlement of balances between Federal Reserve Banks, thus relieving the banks of effecting those settlements, and entirely eliminating the risk that would attend the movement of large amounts of currency. There are no suggestions to be offered as to improvement of methods in handling transactions through the gold settlement fund, except that later on, with the further development of the collection systems of the banks, it may become desirable to have settlements made at more frequent intervals than once a week.

## THE CLEARING PROBLEM.

Schedule No. 8, attached hereto, shows the transit operations for the year, by months, to July 15 and after July 15; together with the cost of operation and revenue since the transit department was inaugurated on the latter date.

## NEW ORLEANS BRANCH, FEDERAL RESERVE BANK OF ATLANTA.

The branch bank of the Federal Reserve Bank of Atlanta comprises that part of Louisiana and Mississippi located in the sixth Federal Reserve district and in addition thereto the counties of Mobile and Baldwin, Ala. During the year there were added to the sixth Federal Reserve district, and allotted to the branch bank, the 15 member banks, situated in northern Louisiana, and transferred from the Federal Reserve Bank of Dallas; one new national bank and one State bank, making a total of 42 banks allotted to the branch bank.

Little change has been made in the operation of the branch; and, the result of the year's business has been very satisfactory. While the volume of business during the first six months was small, during the latter half of the year there was quite an increased demand. The branch has engaged largely in open-market operations, with rates ranging at the beginning of the season from  $2\frac{1}{2}$  to  $2\frac{3}{4}$  per cent, and for the past six months from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent. The volume of this class of paper amounted to \$7,579,128.26, principally domestic acceptances of 90 days' maturity, about 80 per cent of which were purchased from member banks and about 20 per cent from non-member banks. Bills discounted amounted to \$2,997,129.96, largely commodity paper offered by the member banks in New Orleans. Member banks outside of New Orleans discounted only a small amount of commercial paper. Offerings of trade acceptances have been very limited, totaling \$223,237.

The earnings of the branch bank for the year 1916 amount to \$62,051.95, with a total expense of \$28,649.69, leaving net earnings of \$33,402.26. The branch bank is only charged with the actual expenses of operation of the branch and no proportionate charge is made for administrative and general operative expenses of the parent bank. A charge is made for their proportionate share of the expense of the Federal Reserve Board. The reserves of the parent bank are available for, and are used by the branch bank.

Including the manager of the branch bank and the representative of the Federal Reserve Agent, there are a total of 11 employees, with a total monthly compensation of \$1,305.

The system originally adopted of appointing a representative of the Federal Reserve Agent at New Orleans to represent the Federal Reserve Agent in transactions involving the issuance of Federal Reserve notes, has proven entirely satisfactory. During the year

there was issued to the branch bank a total of \$2,380,000 in Federal Reserve notes. A sufficient quantity of all denominations of Federal Reserve notes are always kept on deposit with the Assistant Treasurer of the United States at New Orleans, to meet the requirements of the branch bank.

SCHEDULE 1-A.—*Comparative statement of earnings and expenses of Federal Reserve Bank of Atlanta (including New Orleans branch.)*

|   | 1916.               | Nov. 16,<br>1914 to Dec.<br>31, 1915. |
|---|---------------------|---------------------------------------|
| <b>EARNINGS.</b>                                |                     |                                       |
| Bills discounted and bought:                    |                     |                                       |
| Bills discounted—member banks.....              | \$141, 774. 27      | \$230, 020. 43                        |
| Bills bought in open market.....                | 52, 473. 79         | 88. 63                                |
| Investments:                                    |                     |                                       |
| United States securities.....                   | 40, 725. 41         | .....                                 |
| Municipal warrants.....                         | 5, 101. 85          | 1, 541. 13                            |
| Commissions received.....                       | 153. 07             | 201. 45                               |
| Purchase United States bonds.....               | 1, 530. 27          | .....                                 |
| Sundry profits.....                             | 20, 185. 94         | 4, 605. 73                            |
| <b>Total earnings.....</b>                      | <b>261, 944. 60</b> | <b>236, 460. 37</b>                   |
| <b>EXPENSES.</b>                                |                     |                                       |
| Assessment, expenses Federal Reserve Board..... | 8, 546. 82          | 4, 831. 60                            |
| Federal advisory council.....                   | 357. 68             | 402. 63                               |
| Governor's conferences.....                     | 1, 095. 89          | 958. 37                               |
| Federal Reserve Agent's conferences.....        | 182. 60             | 223. 76                               |
| Salaries:                                       |                     |                                       |
| Officers.....                                   | 31, 016. 63         | 29, 106. 53                           |
| Clerks.....                                     | 31, 317. 33         | 26, 546. 00                           |
| Watchmen.....                                   | 3, 258. 15          | 2, 654. 32                            |
| Directors:                                      |                     |                                       |
| Fees.....                                       | 2, 790. 00          | 5, 485. 00                            |
| Per diem.....                                   | 2, 038. 00          | 2, 593. 00                            |
| Traveling.....                                  | 2, 251. 46          | 3, 892. 16                            |
| Officers and clerks, traveling expenses.....    | 1, 299. 44          | 1, 463. 23                            |
| Legal fees.....                                 | 1, 400. 00          | 1, 304. 10                            |
| Rent.....                                       | 11, 572. 18         | 8, 664. 90                            |
| Telephone.....                                  | 348. 69             | 313. 59                               |
| Telegraph.....                                  | 569. 63             | 548. 75                               |
| Postage.....                                    | 4, 569. 70          | 3, 704. 83                            |
| Expressage.....                                 | 661. 87             | 8. 47                                 |
| Premium on fidelity bonds.....                  | 1, 192. 23          | 1, 851. 67                            |
| Light, heat, and power.....                     | 141. 76             | 91. 23                                |
| Printing and stationery.....                    | 4, 340. 33          | 4, 803. 44                            |
| Repairs and alterations.....                    | 205. 55             | 107. 20                               |
| All other expenses.....                         | 7, 583. 92          | 3, 885. 82                            |
| <b>Total expenses of operation.....</b>         | <b>116, 639. 86</b> | <b>103, 440. 30</b>                   |
| Cost of Federal Reserve notes issued.....       | 12, 166. 93         | 24, 573. 70                           |
| Organization expenses.....                      | .....               | 23, 597. 22                           |
| Depreciation of furniture and equipment.....    | 3, 830. 71          | 2, 316. 76                            |
| <b>Total current expenses.....</b>              | <b>132, 637. 50</b> | <b>153, 927. 98</b>                   |
| Gross earnings.....                             | 261, 944. 60        | 236, 460. 37                          |
| Less total expenses.....                        | 132, 637. 50        | 153, 927. 98                          |
| <b>Net earnings.....</b>                        | <b>129, 307. 10</b> | <b>82, 532. 39</b>                    |

SCHEDULE 1-B.—*Capital stock and dividend.*

| Name.                                | Number<br>of banks. | Atlanta.               | New<br>Orleans.     | Combined.              |
|--------------------------------------|---------------------|------------------------|---------------------|------------------------|
| Paid in capital stock Dec. 30, 1916: |                     |                        |                     |                        |
| Alabama.....                         | 91                  | \$506, 950. 00         | \$33, 000. 00       | \$539, 950. 00         |
| Florida.....                         | 55                  | 323, 000. 00           | .....               | 323, 000. 00           |
| Georgia.....                         | 109                 | 691, 150. 00           | .....               | 691, 150. 00           |
| Louisiana.....                       | 22                  | .....                  | 29, 650. 00         | 295, 650. 00           |
| Mississippi.....                     | 18                  | .....                  | 117, 150. 00        | 117, 150. 00           |
| Tennessee.....                       | 92                  | 482, 800. 00           | .....               | 482, 800. 00           |
| <b>Total.....</b>                    | <b>389</b>          | <b>2, 004, 200. 00</b> | <b>445, 800. 00</b> | <b>2, 450, 000. 00</b> |

## SCHEDULE 1-B.—Capital stock and dividend—Continued.

| Name.  | Number of banks. | Atlanta.    | New Orleans. | Combined.   |
|--|------------------|-------------|--------------|-------------|
| Atlanta office.....  | 347              |             |              |             |
| New Orleans branch.....  | 42               |             |              |             |
| Dividend accrued for six months ending June 30, 1916,<br>payable Jan. 2, 1917: |                  |             |              |             |
| Alabama.....   |                  | \$14,394.06 | \$390.00     | \$15,384.06 |
| Florida.....   |                  | 9,596.93    |              | 9,596.93    |
| Georgia.....   |                  | 19,774.60   |              | 19,774.60   |
| Louisiana.....   |                  |             | 8,409.55     | 8,409.55    |
| Mississippi.....   |                  |             | 3,508.85     | 3,508.85    |
| Tennessee.....   |                  | 14,267.31   |              | 14,267.31   |
| Total dividend to June 30, 1916.....   |                  | 58,032.90   | 12,908.40    | 70,941.30   |
| Dividend accrued for six months ending Dec. 30, 1916:                          |                  |             |              |             |
| Alabama.....   |                  | 15,103.60   | 990.00       | 16,093.60   |
| Florida.....   |                  | 9,682.16    |              | 9,682.16    |
| Georgia.....   |                  | 19,804.58   |              | 19,804.58   |
| Louisiana.....   |                  |             | 8,840.13     | 8,840.13    |
| Mississippi.....   |                  |             | 3,514.50     | 3,514.50    |
| Tennessee.....   |                  | 14,426.60   |              | 14,426.60   |
| Total dividend to Dec. 30, 1916.....   |                  | 59,016.94   | 13,344.63    | 72,361.57   |
| Total dividend for 1916 at 6 per cent.....                                     |                  | 117,049.84  | 26,253.03    | 143,302.87  |
| 6 per cent dividend earned and paid to Dec. 31, 1915.....                      |                  |             |              | 129,198.00  |

## SCHEDULE 2.—Statement of the condition of the Federal Reserve Bank of Atlanta (including New Orleans branch).

|   | Dec. 30, 1916. | Dec. 31, 1915. |
|---|----------------|----------------|
| RESOURCES.  |                |                |
| Bills discounted—members.....                                     | \$2,412,269.37 | \$8,074,293.25 |
| Bills bought in open market.....                                  | 4,447,696.96   | 71,665.22      |
| Bills discounted—past due.....                                    | 1,863.65       |                |
| Member banks—collateral notes.....                                | 550,000.00     |                |
| Total bills discounted and bought.....                            | 7,411,829.98   | 8,145,958.47   |
| Investments—municipal warrants.....                               | 401,509.00     | 330,147.58     |
| Other United States bonds on hand.....                            | 1,710,000.00   |                |
| Interest accrued on United States securities.....                 | 14,386.66      |                |
| United States gold notes.....                                     | 824,000.00     |                |
| Total.....  | 2,949,895.66   | 330,147.58     |
| Expenses paid in advance.....                                     | 517.43         |                |
| Cost of unissued Federal Reserve notes.....                       | 19,914.87      | 9,484.98       |
| Furniture and equipment.....                                      | 12,282.26      | 6,228.92       |
| Cost of unissued Federal Reserve bank notes.....                  | 400.00         |                |
| Bank premises.....  | 102,500.00     |                |
| Total.....  | 135,614.56     | 15,713.90      |
| Due from other Federal Reserve Banks.....                         | 5,312,435.71   | 1,001,921.68   |
| Due from member banks—overdrafts.....                             | 4,819.11       | 77,012.60      |
| Due from banks and bankers.....                                   | 341,704.52     | 43,878.76      |
| Exchanges for clearing house.....                                 | 825,242.33     | 229,464.60     |
| Checks and other cash items.....                                  | 21,806.71      | 23,633.83      |
| Deferred debits (transit account).....                            | 5,117,731.24   |                |
| Total deductions from gross deposits.....                         | 11,623,739.62  | 1,375,911.47   |
| National bank notes and Federal Reserve notes of other banks..... | 1,677,795.00   | 1,072,970.00   |
| Federal Reserve notes on hand.....                                | 1,241,765.00   | 1,276,610.00   |
| Nickels and cents.....  | 160.83         | 36.81          |
| Mutilated currency forwarded for redemption.....                  | 180,000.00     | 148,000.00     |
| Total.....  | 3,099,720.83   | 2,497,616.81   |
| Gold settlement fund.....   | 7,439,000.00   | 3,717,000.00   |
| Due from Treasury of United States, gold redemption fund.....     | 348,778.29     | 307,512.36     |
| Gold bullion and coin.....  | 1,354,671.07   | 1,421,189.90   |
| Gold certificates (including clearing-house certificates).....    | 3,891,860.00   | 3,412,100.00   |
| Silver certificates (including clearing-house certificates).....  | 67,467.00      | 75,950.00      |
| Legal-tender notes (including clearing-house certificates).....   | 13,752.00      | 34,400.00      |
| Silver coin.....  | 1,407.00       | 23,403.80      |
| Total reserve.....  | 13,116,935.36  | 8,991,556.06   |
| Total resources.....  | 38,337,736.01  | 21,356,904.29  |

SCHEDULE 2.—Statement of the condition of the Federal Reserve Bank of Atlanta (including New Orleans branch)—Continued.

|  | Dec. 30, 1916. | Dec. 31, 1915. |
|--|----------------|----------------|
| LIABILITIES.   |                |                |
| Capital paid in.....                                       | \$2,450,000.00 | \$2,422,400.00 |
| Profit and loss.....                                       | 10,120.04      | 82,532.39      |
| Total.....   | 2,460,120.04   | 2,504,932.39   |
| Unearned discount—bills discounted—members.....            | 9,522.43       | 35,170.82      |
| Unearned discount—bills bought.....                        | 12,631.55      | .....          |
| Unearned interest—investments.....                         | 1,557.47       | 850.32         |
| Reserved for sundry expenses.....                          | 460.64         | 326.17         |
| Service charges (net receipts).....                        | 2,483.24       | .....          |
| Total.....   | 26,655.33      | 36,347.31      |
| Government deposits.....                                   | 3,821,076.29   | 5,000,000.00   |
| Due to other Federal Reserve Banks.....                    | 5,762,247.41   | 291,520.84     |
| Due to member banks.....                                   | 21,812,983.12  | 8,760,634.30   |
| Expense checks.....  | 1,007.06       | .....          |
| Cashier's checks outstanding.....                          | 52,828.06      | 13,669.45      |
| Deferred credits.....                                      | 58,727.49      | .....          |
| Return item checks.....                                    | 50.00          | .....          |
| Dividend checks.....                                       | 70,941.30      | .....          |
| Gross deposits.....  | 31,579,860.64  | 14,065,624.59  |
| Federal Reserve note liability.....                        | 4,271,100.00   | 4,750,000.00   |
| Total liabilities.....                                     | 38,337,736.01  | 21,356,904.29  |
| Reserve required on Federal Reserve notes 40 per cent..... | 1,708,440.00   | 1,900,000.00   |
| Reserve required on net deposits 35 per cent.....          | 6,984,642.35   | 4,441,399.59   |
| Total required reserve.....                                | 8,693,082.35   | 6,341,399.59   |
| Reserve carried, 54.3 per cent.....                        | 13,116,935.36  | 8,991,556.06   |
| Excess over required reserve, 19.3 per cent.....           | 4,423,853.01   | 2,650,156.47   |

SCHEDULE 3.—Profit and loss account.

|   | Atlanta.    | New Orleans. | Combined.    |
|---|-------------|--------------|--------------|
| <b>Earnings:</b>  |             |              |              |
| Six months ending June 30, 1916.....                                    | \$91,302.60 | \$15,386.48  | \$106,689.08 |
| Six months ending Dec. 30, 1916.....                                    | 108,590.05  | 46,665.47    | 155,255.52   |
| Total earnings for 1916.....  | 199,892.65  | 62,051.95    | 261,944.60   |
| <b>Expenses:</b>  |             |              |              |
| Six months ending June 30, 1916.....                                    | 45,644.47   | 13,208.27    | 58,852.74    |
| Six months ending Dec. 30, 1916.....                                    | 58,191.47   | 15,436.42    | 73,627.89    |
| Total expenses for 1916.....  | 103,835.94  | 28,644.69    | 132,480.63   |
| Difference account ending Dec. 30.....                                  | 151.87      | 5.00         | 156.87       |
| Total expenses for 1916.....  | 103,987.81  | 28,649.69    | 132,637.50   |
| <b>Net earnings:</b>  |             |              |              |
| Gross earnings for 1916.....  | 199,892.65  | 62,051.95    | 261,944.60   |
| Less expenses for 1916.....   | 103,987.81  | 28,649.69    | 132,637.50   |
| Net earnings for 1916.....  | 95,904.84   | 33,402.26    | 129,307.10   |
| Net earnings for 1916.....  | .....       | .....        | 129,307.10   |
| Profit and loss reported Dec. 31, 1915.....                             | .....       | 82,532.39    | .....        |
| Adjustment New Orleans branch profit and loss account.....              | .....       | 142.25       | .....        |
| Earnings received from Federal Reserve Bank, Dallas, June 29, 1916..... | .....       | 1,156.77     | 83,831.41    |
| Total net earnings to date.....   | .....       | .....        | 213,138.51   |
| <b>Less dividends paid:</b>   |             |              |              |
| June 30, 1916, from Nov. 16, 1914, to Dec. 31, 1915.....                | .....       | 129,198.00   | .....        |
| Dec. 30, 1916, from Jan. 1, 1916, to June 30, 1916.....                 | .....       | 79,941.30    | .....        |
| Total dividends paid.....   | .....       | 209,139.30   | .....        |
| Premium on surrendered stock paid during 1916.....                      | .....       | 2,879.17     | .....        |
| Total dividend payments to member banks.....                            | .....       | .....        | 203,018.47   |
| Profit and loss carried forward.....                                    | .....       | .....        | 10,120.04    |
| Profit and loss carried by Atlanta office.....                          | 7,691.23    | .....        | .....        |
| Profit and loss carried by New Orleans branch.....                      | .....       | 2,428.81     | 10,120.04    |

## SCHEDULE 4.—Discount operations.

## Discount rates prevailing during year 1916:

Paper maturing within 90 days. 4 per cent rate during entire year.

Paper maturing over 90 days. .5 per cent rate during entire year.

Trade acceptances..... 3½ per cent during entire year.

Commodity paper..... 3 per cent up to May 20, 1916; 3½ per cent May 20 to Aug. 17, 1916; 3 per cent Aug. 18 to Dec. 31, 1916.

Member banks, collateral notes. 3½ per cent Sept. 15 to Dec. 31, 1916.

## Bills discounted for members during 1916:

|  |             |
|--|-------------|
| Within 10 days.....                    | \$294, 500  |
| After 10 days, but within 30 days..... | 4, 485, 000 |
| After 30 days, but within 60 days..... | 6, 990, 600 |
| After 60 days, but within 90 days..... | 9, 420, 900 |
| Over 90 days.....                      | 1, 132, 100 |

|   |              |
|---|--------------|
| Total bills discounted for members..... | 22, 323, 200 |
|---|--------------|

## Bills bought in open market during 1916:

Prevailing rates—

Bankers' acceptances—

Domestic..... 3 per cent Feb., Mar., and Apr.

Foreign..... 3 to 4 per cent May; 2 to 4 per cent May to Dec. 31, 1916.

Trade acceptances..... 5 per cent to Oct. 1, 1916; 3½ to 5 per cent Oct. to Dec. 31, 1916.

|   |               |
|---|---------------|
| Domestic bankers' acceptances bought..... | \$8, 779, 500 |
| Foreign bankers' acceptances bought.....  | 3, 764, 500   |

|  |              |
|--|--------------|
| Total bills bought in open market..... | 12, 544, 000 |
|--|--------------|

## United States bonds bought in open market during 1916:

Bonds bearing 2 per cent interest..... \$2, 590, 500

Bonds bearing 3 per cent interest..... 5, 000

|  |               |
|--|---------------|
|  | \$2, 595, 500 |
|--|---------------|

2 per cent bonds converted into 3 per cent conversion

bonds and 1-year Treasury notes..... 1, 653, 900

2 per cent consols, on hand..... 875, 100

3 per cent 1918 bond, on hand..... 5, 000

United States bonds sold to member banks..... 61, 500

|  |             |
|--|-------------|
|  | 2, 595, 500 |
|--|-------------|

## Investments in municipal warrants made during 1916:

Prevailing rates: Jan. to Aug., 5 per cent; Aug., 3½ per cent; Sept., 3½ to 5 per cent; Oct. to Dec. 31, 3½ to 5 per cent.

Maturities—

Within 60 days..... \$8, 700

Within 90 days..... 15, 100

Over 90 days..... 396, 500

|  |            |
|--|------------|
|  | \$420, 300 |
|--|------------|

School warrants, State of Georgia..... 396, 500

School warrants, Miller County, Ga..... 5, 000

Warrants, city of Columbia, Tenn..... 7, 700

School warrants, Gadsden County, Fla..... 2, 000

Warrants—City of Canton, Miss..... 6, 100

School warrants—Beauregard Parish, La..... 3, 000

|  |          |
|--|----------|
|  | 420, 300 |
|--|----------|

SCHEDULE 5.—*Due to and due from member banks, at the close of business Dec. 30, 1916.*

[Showing gross balances and overdrafts for the Atlanta office and New Orleans branch, also required reserve, uncollected balance and deficient reserves for the Atlanta office only; New Orleans branch figures not available.]

| State.                    | Number of banks. | Gross balances. | Overdrafts. |
|---------------------------|------------------|-----------------|-------------|
| Alabama.....              | 91               | \$3,356,960.74  | \$3,123.13  |
| Florida.....              | 55               | 2,794,611.46    | 1,005.86    |
| Georgia.....              | 107              | 5,624,071.11    | 690.12      |
| Tennessee.....            | 92               | 4,595,512.32    | .....       |
| Total Atlanta office..... | 345              | 16,371,155.63   | 4,819.11    |
| New Orleans branch.....   | 42               | 5,441,827.49    | .....       |
| Total.....                | 387              | 21,812,983.12   | 4,819.11    |

|                | Required reserve. | Uncollected balances. | Deficient reserves. |
|----------------|-------------------|-----------------------|---------------------|
| Alabama.....   | \$2,489,381.00    | \$450,579.86          | \$105,087.05        |
| Florida.....   | 2,041,662.00      | 423,853.79            | 93,234.54           |
| Georgia.....   | 3,765,745.00      | 1,147,384.59          | 162,114.10          |
| Tennessee..... | 3,157,752.00      | 838,092.48            | 165,209.66          |
| Total.....     | 11,454,540.00     | 2,859,910.72          | 525,645.35          |

SCHEDULE 6.—*Comparative statement of member banks, rediscounts with Federal Reserve Bank, and bills payable and rediscounts with other than Federal Reserve Banks, as shown in Comptroller's Condition Reports, Nov. 10, 1915, to Nov. 17, 1916.*

| States.                        | Date.         | Rediscounts with Federal Reserve Bank. | Bills payable and rediscounts with other than Federal Reserve Banks. |
|--------------------------------|---------------|--|--|
| Alabama.....                   | Nov. 10, 1915 | \$1,650,249                            | \$2,311,044  |
|                                | Nov. 17, 1916 | 742,161                                | 1,055,930  |
| Florida.....                   | Nov. 10, 1915 | 988,691                                | 1,732,733  |
|                                | Nov. 17, 1916 | 403,625                                | 707,500  |
| Georgia.....                   | Nov. 10, 1915 | 2,643,320                              | 3,316,133  |
|                                | Nov. 17, 1916 | 509,138                                | 481,500  |
| Tennessee.....                 | Nov. 10, 1915 | 764,691                                | 1,204,559  |
|                                | Nov. 17, 1916 | 414,975                                | 672,000  |
| Mississippi and Louisiana..... | Nov. 10, 1915 | 888,189                                | 1,539,783  |
|                                | Nov. 17, 1916 | 1,050,436                              | 975,000  |
| Total.....                     | Nov. 10, 1915 | 6,935,140                              | 10,164,252   |
|                                | Nov. 17, 1916 | 3,120,335                              | 3,891,930  |

SCHEDULE 7.—*Federal Reserve notes.*

TOTAL NUMBER OF NOTES ISSUED IN 1915 AND 1916.

|               | 1915      |             | 1916      |             | Total.    |             |
|---------------|-----------|-------------|-----------|-------------|-----------|-------------|
|               | Number.   | Amount.     | Number.   | Amount.     | Number.   | Amount.     |
| Fives.....    | 1,244,000 | \$6,220,000 | 604,000   | \$3,020,000 | 1,848,000 | \$9,240,000 |
| Tens.....     | 672,000   | 6,720,000   | 344,000   | 3,440,000   | 1,016,000 | 10,160,000  |
| Twenties..... | 240,000   | 4,800,000   | 192,000   | 3,840,000   | 432,000   | 8,640,000   |
| Fifties.....  | 10,600    | 530,000     | 13,400    | 670,000     | 24,000    | 1,200,000   |
| Hundreds..... | 8,000     | 800,000     | 4,000     | 400,000     | 12,000    | 1,200,000   |
| Total.....    | 2,174,600 | 19,070,000  | 1,157,400 | 11,370,000  | 3,332,000 | 30,440,000  |



## SCHEDULE 7.—Federal Reserve notes—Continued.

## FEDERAL RESERVE NOTES UNISSUED ON HAND AND TOTAL PRINTED.

|               | Unissued on hand. |             | Printed.  |              |
|---------------|-------------------|-------------|-----------|--------------|
|               | Number.           | Amount.     | Number.   | Amount.      |
| Fives.....    | 1,312,000         | \$6,560,000 | 3,160,000 | \$15,800,000 |
| Tens.....     | 684,000           | 6,840,000   | 1,700,000 | 17,000,000   |
| Twenties..... | 48,000            | 960,000     | 480,000   | 9,600,000    |
| Fifties.....  | 12,000            | 600,000     | 36,000    | 1,800,000    |
| Hundreds..... | 8,000             | 800,000     | 20,000    | 2,000,000    |
|               | 2,064,000         | 15,760,000  | 5,396,000 | 46,200,000   |

|  |             |
|--|-------------|
| Cost of issuance of 2,174,600 notes in 1915, amounting to \$19,070,000, at \$11.30 per 1,000 notes, or \$1.29 per \$1,000..... | \$24,573.70 |
| Cost of issuance of 1,157,400 notes in 1916, amounting to \$11,370,000, at \$10.61 per 1,000 notes, or \$1.08 per \$1,000..... | 12,226.93   |
| Cost of issuance of 3,332,000 notes to date, amounting to \$30,440,000, at \$11.06 per 1,000 notes, or \$1.11 per \$1,000..... | 36,840.63   |
| Cost of 2,064,000 unissued notes on hand, amounting to \$15,760,000, at \$9.65 per 1,000 notes, or \$1.26 per \$1,000.....     | 19,914.87   |
| Cost of manufacturing 5,396,000 notes, amounting to \$46,200,000, at \$10.52 per 1,000 notes, or \$1.23 per \$1,000.....       | 56,755.50   |

## SCHEDULE 8.—Transit department operations (including New Orleans branch) from July 15 to Dec. 30, 1916.

## NUMBER OF ITEMS CLEARED.

|                | Clearing house. | Within district. | Other districts. | Total.    |
|----------------|-----------------|------------------|------------------|-----------|
| July.....      | 8,253           | 78,351           | 8,112            | 94,716    |
| August.....    | 21,199          | 187,111          | 24,911           | 253,221   |
| September..... | 23,851          | 226,747          | 29,008           | 279,606   |
| October.....   | 24,781          | 263,476          | 33,913           | 322,170   |
| November.....  | 27,542          | 268,728          | 32,840           | 329,110   |
| December.....  | 30,365          | 283,909          | 28,998           | 343,272   |
| Total.....     | 135,991         | 1,308,322        | 157,782          | 1,602,095 |

## AMOUNTS CLEARED.

|                |                |                |                |                 |
|----------------|----------------|----------------|----------------|-----------------|
| July.....      | \$6,012,085.41 | \$9,709,760.49 | \$5,127,957.27 | \$20,849,803.17 |
| August.....    | 14,337,332.75  | 25,857,784.65  | 18,980,491.97  | 59,175,609.37   |
| September..... | 19,014,626.59  | 36,028,775.15  | 25,359,874.42  | 80,403,276.16   |
| October.....   | 24,497,454.14  | 48,555,273.30  | 34,031,714.98  | 107,084,442.42  |
| November.....  | 28,424,733.09  | 49,718,737.19  | 36,908,492.39  | 115,051,926.67  |
| December.....  | 29,141,271.45  | 49,390,802.85  | 33,270,835.66  | 111,802,909.96  |
| Total.....     | 121,427,508.43 | 219,261,133.63 | 153,679,366.69 | 494,368,003.75  |

|  |                |
|--|----------------|
| Average number of items handled daily..... | 11,362         |
| Average amount of items handled daily..... | \$3,506,156.05 |

*Revenue and expenses of the transit department, Federal Reserve Bank of Atlanta, from July 15 to Dec. 30, 1916.*

|  | Atlanta.    | New Orleans. | Combined.   |
|--|-------------|--------------|-------------|
| <b>REVENUE.</b>                                |             |              |             |
| Service charges (net receipts) .....           | \$17,772.73 | \$2,286.04   | \$20,058.77 |
| <b>EXPENSES.</b>                               |             |              |             |
| Salaries—                                      |             |              |             |
| Officers.....                                  | 850.00      |              | 850.00      |
| Clerks.....                                    | 7,854.17    | 566.85       | 8,421.00    |
| Officers' and clerks' traveling expenses ..... | 546.25      |              | 546.25      |
| Rent.....                                      | 1,023.02    | 250.00       | 1,273.02    |
| Telephone.....                                 | 12.80       |              | 12.80       |
| Telegraph.....                                 | 3.79        |              | 3.79        |
| Postage.....                                   | 2,835.48    | 529.00       | 3,364.48    |
| Expressage.....                                |             | 2.20         | 2.20        |
| Light, heat, and power.....                    | 4.00        | 14.65        | 18.65       |
| Printing and stationery.....                   | 1,126.34    | 106.43       | 1,232.77    |
| All other expenses.....                        | 1,135.70    | 103.11       | 1,238.81    |
| Total expense of operation.....                | 15,391.53   | 1,572.24     | 16,963.77   |
| Depreciation of furniture and equipment.....   | 411.49      | 200.27       | 611.76      |
| Total transit department expense.....          | 15,803.02   | 1,772.51     | 17,575.53   |
| Total revenue received.....                    | 17,772.73   | 2,286.04     | 20,058.77   |
| Less expense.....                              | 15,803.02   | 1,772.51     | 17,575.53   |
| Excess of revenue over expense.....            | 1,969.71    | 513.53       | 2,483.24    |

## DISTRICT NO. 7—CHICAGO.

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C. H. BOSWORTH, Chairman and Federal Reserve Agent.

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### GENERAL BUSINESS AND BANKING CONDITIONS IN THE DISTRICT.

General business conditions in the seventh Federal Reserve Bank during the year 1916 have been satisfactory, the result of increasing and sustained activity in practically all lines. The banks report rising deposits and low-interest rates.

### FINANCIAL RESULTS OF OPERATIONS.

The net earnings of the Federal Reserve Bank of Chicago for the year have been \$403,206 (after charging off \$25,000 from furniture and fixtures account and \$5,113 to cover the cost of printing Federal Reserve notes issued) equivalent to 6 per cent on the average capital employed.

A dividend of \$75,873.47 was declared payable July 15, which discharged the cumulative dividend obligations of the bank up to March 31, 1915.

A dividend of \$284,775.25 was declared payable December 27, 1916, which discharged the dividend obligations accruing up to January 1, 1916, leaving but one year's dividends in arrears.

### ACTIVITIES OF THE BANK DURING THE YEAR.

#### DISCOUNT OPERATIONS.

Out of a total membership of 992 member banks, 212 have rediscounted \$23,178,116.94 of paper during the year at rates varying from  $3\frac{1}{2}$  to 5 per cent, according to the maturity of the notes. Of this amount \$16,065,839.77 was commercial and industrial paper, the remainder, amounting to \$7,112,277.17, consisted of agricultural or livestock paper. Included in the commercial paper submitted was \$105,177.45 of trade acceptances.

Under a recent amendment to the Federal Reserve Act, member banks are permitted to borrow from Federal Reserve Banks on their promissory notes, provided such notes mature within 15 days and are secured by paper which would be eligible for rediscount, or by United States Government bonds. Eight member banks of this district have

availed themselves of this privilege and borrowed \$5,417,500 in this manner at a rate of  $3\frac{1}{2}$  per cent, which amount is included in the total of rediscounts shown above.

#### OPEN-MARKET OPERATIONS.

First. Bankers' acceptances amounting to \$27,060,584.62, all maturing within 90 days, were purchased during the year. Of this amount \$26,605,811.05 consisted of bills drawn against exports or imports. The balance, amounting to \$454,773.57, were drawn against domestic shipments or goods in storage. The acceptances purchased consisted almost entirely of bills drawn against and accepted by banks located in New York and Boston. Member banks' acceptances, amounting to \$3,244,446.05, were purchased. Thus far member banks located in this district have not availed themselves to any great extent of the accepting privilege granted by the Federal Reserve Act. The export and import acceptances appear to be confined largely to banks located at the seaboard. Rates on acceptances purchased varied from 2 to  $3\frac{1}{4}$  per cent, according to the maturity of the bills and the financial standing of acceptors.

Second. United States Government bonds to the amount of \$8,644,100, all having the circulation privilege, were purchased during the year. Bonds aggregating \$8,303,100 were purchased direct from member banks, the balance being bought from brokers. United States 2 per cent bonds, amounting to \$4,035,400, were converted into \$2,518,400 United States conversion 3 per cent bonds, due 1946, and \$1,517,000 United States Treasury one-year 3 per cent notes. Practically all of the United States Government 3 per cent conversion bonds have been placed in the hands of the public through sales in the open market.

Third. Municipal warrants purchased during the year amounted to \$9,733,300, represented by bonds and warrants issued by 73 municipalities and States. Maturities ranged from 10 days to 6 months and rates varied from  $1\frac{3}{8}$  to 4 per cent.

#### CHANGES IN RESERVE POSITION.

The Federal Reserve Bank of Chicago has held strong cash reserves during the year. During the month of January the cash reserves against net deposits were as high as 87.2 per cent. This percentage gradually declined until 70.4 per cent was reached in July. From that time on the reserve position of the bank was gradually strengthened until 79 per cent was reached in December.

#### THE FEDERAL RESERVE BANK AND MEMBER BANKS.

There has been no change in the district lines during this year. The Federal Reserve Board, however, on October 13 granted an

appeal from certain Wisconsin bankers for transfer from the ninth district (Minneapolis) to this seventh district, effective January 1, 1917. The details of this transfer have been worked out and on that date 25 counties in Wisconsin will come into this district, adding 52 banks with a combined capital and surplus of approximately \$7,632,900 to the seventh Federal Reserve district and \$1,750,219.92 to the reserve deposits of the Federal Reserve Bank of Chicago.

There has been no failure of any member bank in the district during the year.

The number of member banks has been decreased by 14, eight liquidating and six converting into State banks.

The number has been increased by the addition of 7, six new national banks and one State bank joining the system.

The membership now consists of 984 national banks and 8 State institutions, the latter being the following:

- Albion, Mich., Commercial & Savings Bank.
- Chicago, Ill., Central Trust Co. of Illinois.
- Elmhurst, Ill., Elmhurst State Bank.
- Joliet, Ill., Commercial Trust & Savings Bank.
- Madison, Wis., Bank of Wisconsin.
- Milwaukee, Wis., Badger State Bank.
- Saugatuck, Mich., Fruit Growers State Bank.
- Sioux City, Iowa, Bankers' Loan & Trust Co.

During the year one small bank was examined by this bank due to persistent overdrawing of its account with the Federal Reserve Bank.

#### THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

The Federal Reserve Bank of Chicago was appointed fiscal agent of the United States Government, effective January 1, 1916. On January 3, the first business day of the year, the collector of customs and the collector of internal revenue began depositing their collections with this institution. Since that date transfers of Government funds have been made by member banks for the credit of the United States Government. On July 19, \$5,000,000 was withdrawn from the account and transferred to the Treasurer of the United States for the credit of the Treasurer's general account at Washington, D. C. All other charges to this account represent pension checks and Treasury warrants deposited by member banks. Seven hundred and thirteen thousand and three checks were paid during the year. The average balances on deposit were as follows:

|               |           |                |             |
|---------------|-----------|----------------|-------------|
| January.....  | \$683,000 | July.....      | \$7,460,000 |
| February..... | 546,000   | August.....    | 5,431,000   |
| March.....    | 791,000   | September..... | 3,488,000   |
| April.....    | 1,126,000 | October.....   | 3,190,000   |
| May.....      | 2,002,000 | November.....  | 1,985,000   |
| June.....     | 6,260,000 | December.....  | 2,149,000   |

## FEDERAL RESERVE NOTE ISSUES.

The general policy of the bank in reference to the issue of Federal Reserve notes can best be stated by reciting a resolution passed by the Board of Directors on November 12, 1915, as follows:

“Upon motion it was declared to be the sense of the Board that the Federal Reserve Bank of Chicago should not attempt to buy gold through the issue of Federal Reserve notes unless and until the Federal Reserve Act be so amended as to expressly permit same to be done and until Federal Reserve notes may be counted as legal reserve by member banks and the expense of printing the same be assumed by the Government.”

Upon reconsideration of the matter on October 27, 1916, the following resolution was adopted:

“*Resolved*, That the governor and officers of the bank shall use every means of supplying the member banks with Federal Reserve notes in the denominations they may require, with the end in view not only of meeting their requests, but also of conserving the gold reserve of the bank and of accumulating gold with the Federal Reserve Agent.”

The bank called on the Federal Reserve Agent during the year to issue \$4,500,000 of Federal Reserve notes. The outstanding notes in 1916 were all covered by an equal amount of gold deposited with the Federal Reserve Agent.

During 1916 the Federal Reserve Agent ordered \$5,000,000 of new Federal Reserve notes shipped to him as an emergency supply, and they were stored in the vaults of the Chicago Clearing House.

In April, 1916, the Comptroller of the Currency, at the request of the Federal Reserve Agent, shipped \$15,000,000 additional Federal Reserve notes to the subtreasury at Chicago, subject to his order. We therefore have on hand in Chicago, ready for use at a moment's notice, \$15,500,000 of new Federal Reserve notes. In addition, there are printed and ready at Washington for shipment on telegraphic call, to the bank \$50,620,000 additional notes. It is felt that this stock will be sufficient to meet any possible emergency that may develop, and that it is large enough to forestall any currency panic that otherwise might occur.

Five million dollars of Federal Reserve Bank notes (secured by United States bonds with the circulation privilege) have been printed and are ready for use at any time needed. These notes are issued under the same conditions as notes issued by the Government to the national banks.

EFFECT OF THE DISCOUNT-RATE POLICY OF THE BANK ON GENERAL  
MARKET RATES.

Our executive committee from time to time, and the board of directors at each monthly meeting, have given careful consideration

to the subject of discount rates, and in determining the same have been influenced by the general business situation current and by the rates maintained by the large commercial banks.

Money-market conditions during the past year, owing to the large surplus funds available, have been such as to justify the Federal Reserve Bank in following the prevailing rates rather than undertaking to regulate the same, a procedure which might have been necessary had there been a tendency toward abnormally high rates.

Generally speaking, it may be said that our rates for the rediscount of bills maturing up to 90 days have been practically in accord with those made by commercial banks to their best customers, whereas our rates on longer maturities—that is, from 90 days to 6 months—have been slightly firmer than the going rates on commercial paper, though lower than those received by the member banks offering such bills for rediscount.

Under these circumstances it is questionable whether the policy followed has materially affected the general market rates, the effect, if any, being of a sentimental character, tending to keep rates up rather than bear them down.

#### PUBLICITY WORK OF THE BANK AND THE ATTITUDE OF THE PUBLIC TOWARD THE FEDERAL RESERVE SYSTEM.

The publicity work of the bank during the past year has been conducted through personal interviews, correspondence, and attendance by the bank's officers at some of the conventions and group meetings of bankers. It has been gratifying to observe that many of the member banks, which at the outset, because of compulsory membership or for other reasons, were not entirely friendly to the system, have come to a realization of the substantial benefits which accrue to them and are now staunch supporters of the new banking system.

There is abundant evidence that the attitude of the public toward the Federal Reserve system is one of increasing confidence in its ability to perform the functions and accomplish the objects for which it was established.

#### INTERNAL MANAGEMENT OF THE BANK.

There have been held 13 directors' meetings and 47 executive committee meetings. During the year the executive committee has been composed of one director of each class, the governor, and the secretary, as follows: George M. Reynolds, James B. Forgan, C. H. Bosworth, James B. McDougal, W. F. McLallen.

Weekly meetings of the committee have been held, and all discounts, loans, and purchases of paper or securities have been submitted to the committee and approved by it.

The bank was examined twice during the year by the examiner and force of the Federal Reserve Board, namely, on March 13 and August 25. These examinations were very thorough. Copies of the reports of examinations were furnished the bank and circulated among the directors, read by each, and a certificate to this effect signed by each director on the report.

#### CLEARINGS AND GOLD-SETTLEMENT FUND.

From January 1 to July 15 the voluntary collection system was in operation. Under this system checks were handled only on such of our member banks as (under resolution of their boards of directors) authorized us to charge the items to their accounts the same day they were deposited with us. This system proved unsatisfactory, because only 114 banks participated in it, and owing to the fact that reserve balances were heavily impaired by charging checks against the accounts of the member banks on the day of transmittal, the member banks being unable to anticipate the volume of items which might be charged to their account in any one day.

#### CLEARING AFTER JULY 15, 1916.

On July 15 the voluntary collection system was superseded by the present collection system through which checks on all member banks in the 12 districts, as well as checks on nonmember banks, are collectible without exchange charges. The adoption of the new collection system greatly increased the par facilities offered member banks and increased materially the volume of items handled. On the attached table showing the operation of the transit department it will be noted that the average number of items handled per day since the opening of the new collection system is as follows:

|                                       | Items. | Amount.        |
|---------------------------------------|--------|----------------|
| Checks on Chicago banks.....          | 3,362  | \$5,684,481.20 |
| Checks on banks in this district..... | 9,423  | 1,859,673.80   |
| Checks on other districts.....        | 5,304  | 3,711,958.48   |
| Total daily average.....              | 18,089 | 11,256,113.48  |

| Date.                | Chicago items. |                 | Our district. |                 |
|----------------------|----------------|-----------------|---------------|-----------------|
|                      | Number.        | Amount.         | Number.       | Amount.         |
| July 16-31.....      | 26,279         | \$57,673,134.06 | 69,654        | \$13,873,432.86 |
| August.....          | 89,244         | 115,875,114.43  | 175,273       | 36,383,889.23   |
| September.....       | 83,260         | 135,178,663.64  | 248,900       | 45,903,705.85   |
| October.....         | 90,805         | 152,270,253.48  | 276,095       | 55,146,740.94   |
| November.....        | 91,984         | 171,434,101.78  | 281,641       | 57,901,032.92   |
| December.....        | 99,237         | 180,449,534.92  | 295,973       | 56,724,551.69   |
| Total.....           | 480,809        | 812,880,802.31  | 1,347,536     | 265,933,353.49  |
| Average per day..... | 3,362          | 5,684,481.13    | 9,423         | 1,859,673.80    |



| Date.                | Other districts. |                 | Grand totals. |                  |
|----------------------|------------------|-----------------|---------------|------------------|
|                      | Number.          | Amount.         | Number.       | Amount.          |
| July 16-31.....      | 49,068           | \$44,685,120.73 | 145,001       | \$116,231,687.65 |
| August.....          | 152,901          | 84,735,187.81   | 417,418       | 236,994,191.47   |
| September.....       | 198,639          | 96,066,112.41   | 530,799       | 277,148,481.90   |
| October.....         | 157,086          | 84,826,665.65   | 523,986       | 292,243,660.07   |
| November.....        | 103,938          | 108,367,171.46  | 477,563       | 337,702,306.16   |
| December.....        | 96,894           | 112,129,805.69  | 492,104       | 349,303,892.30   |
| Total.....           | 758,526          | 530,810,063.75  | 2,586,871     | 1,599,624,219.55 |
| Average per day..... | 5,304            | 3,711,958.48    | 18,089        | 11,186,043.49    |

*Government checks.*

|               | Items. | Amount.        |                      | Items.  | Amount.        |
|---------------|--------|----------------|----------------------|---------|----------------|
| January.....  | 78,727 | \$6,376,384.49 | September.....       | 43,729  | \$7,404,969.73 |
| February..... | 45,514 | 4,618,311.46   | October.....         | 87,911  | 8,784,634.81   |
| March.....    | 40,334 | 4,370,834.34   | November.....        | 53,328  | 6,443,904.72   |
| April.....    | 81,023 | 6,727,139.31   | December.....        | 47,832  | 5,598,768.71   |
| May.....      | 49,491 | 4,337,814.12   | Total.....           | 713,003 | 74,740,027.45  |
| June.....     | 39,862 | 4,067,992.07   | Average per day..... | 2,376   | 239,133.42     |
| July.....     | 93,446 | 9,469,184.42   |                      |         |                |
| August.....   | 51,806 | 6,540,089.27   |                      |         |                |

To provide for the increased amount of work in the transit department, 24 additional employees were engaged and 1,183 additional square feet were provided by building an extension to the mezzanine floor of the bank at our own expense, without increasing our rent.

The collection system is working satisfactorily, the number of items handled on banks in our own district showing an increase each month. While the volume of items on other districts during the last three months of the year shows a decrease each month, this is owing to the fact that banks having a large volume of items on other districts have been encouraged to route the items direct to the other Federal Reserve Banks.

As a result of the operation of the Federal Reserve Bank collection system, exchange charges in the reserve cities of this district fixed by clearing-house rules have been either reduced or abolished on all checks which can be collected through the Federal Reserve Banks.

**SERVICE RENDERED TO THE BANKS BY THE GOLD SETTLEMENT FUND.**

By referring to the tables showing the volume of transactions through the gold settlement fund, it will be seen that the volume of the transactions has greatly increased during the year, the average weekly transactions through the gold settlement fund being as follows: Debits, \$15,357,000; credits, \$14,319,000; balances, \$14,265,000.

*Transactions through the gold settlement fund weekly.*

[000's omitted.]

| Week ending. | Debits.  | Credits. | Balance. | Week ending. | Debits.  | Credits. | Balance. |
|--------------|----------|----------|----------|--------------|----------|----------|----------|
| Jan. 6       | \$10,498 | \$9,782  | \$2,372  | July 13      | \$11,068 | \$9,991  | \$11,016 |
| 13           | 15,013   | 7,221    | 10,164   | 20           | 10,767   | 13,951   | 7,832    |
| 20           | 7,480    | 5,785    | 11,859   | 27           | 18,855   | 16,912   | 9,775    |
| 27           | 9,840    | 7,547    | 14,152   | Aug. 3       | 17,535   | 14,051   | 13,259   |
| Feb. 3       | 4,456    | 6,241    | 12,367   | 10           | 15,531   | 16,016   | 12,774   |
| 10           | 6,299    | 8,530    | 10,136   | 17           | 13,984   | 11,037   | 15,721   |
| 17           | 5,738    | 3,923    | 11,951   | 24           | 17,193   | 16,335   | 16,579   |
| 24           | 7,134    | 8,316    | 10,769   | 31           | 16,940   | 15,856   | 17,663   |
| Mar. 2       | 6,587    | 12,779   | 4,577    | Sept. 7      | 17,775   | 15,745   | 20,193   |
| 9            | 12,338   | 10,213   | 6,702    | 14           | 17,505   | 12,518   | 25,180   |
| 16           | 6,004    | 7,962    | 4,774    | 21           | 22,729   | 26,278   | 21,631   |
| 23           | 8,784    | 7,039    | 6,519    | 28           | 21,260   | 23,268   | 19,623   |
| 30           | 7,547    | 6,599    | 7,467    | Oct. 5       | 23,961   | 19,248   | 24,336   |
| Apr. 6       | 9,309    | 7,250    | 9,526    | 13           | 21,223   | 17,270   | 28,289   |
| 13           | 7,857    | 7,393    | 9,990    | 19           | 20,187   | 23,312   | 25,164   |
| 20           | 7,554    | 9,385    | 8,159    | 26           | 25,792   | 28,298   | 22,658   |
| 27           | 8,320    | 8,915    | 7,564    | Nov. 2       | 26,472   | 27,001   | 22,129   |
| May 4        | 8,776    | 12,969   | 3,371    | 9            | 26,535   | 24,887   | 23,777   |
| 11           | 9,083    | 10,736   | 1,718    | 16           | 24,616   | 24,452   | 23,941   |
| 18           | 12,819   | 10,614   | 3,923    | 23           | 37,017   | 30,728   | 30,230   |
| 25           | 13,044   | 15,090   | 1,877    | Dec. 1       | 24,024   | 26,391   | 27,863   |
| June 1       | 15,577   | 9,844    | 7,610    | 7            | 24,522   | 21,341   | 31,044   |
| 8            | 12,314   | 12,813   | 7,111    | 14           | 26,735   | 20,900   | 36,879   |
| 15           | 11,488   | 11,784   | 6,815    | 21           | 28,192   | 32,643   | 32,428   |
| 22           | 10,037   | 12,290   | 4,562    | 28           | 25,125   | 31,370   | 26,183   |
| 29           | 16,207   | 11,139   | 9,630    | Total        | 798,567  | 774,570  | .....    |
| July 6       | 12,921   | 12,612   | 9,939    |              |          |          |          |

## CONCLUSION.

During the summer Mr. E. T. Meredith, of Des Moines, class C director, accepted nomination to the governorship of Iowa and tendered his resignation.

The term of C. H. Bosworth as class C director and chairman and Federal Reserve Agent expired on December 31, and Mr. Bosworth having declined reappointment, Mr. William A. Heath was elected by the Federal Reserve Board as chairman and class C director for the term expiring December 31, 1918. At the same time Mr. Meredith was reappointed as class C director for the term expiring December 31, 1919.

## DISTRICT NO. 8—ST. LOUIS.

WILLIAM McC. MARTIN, Chairman of the Board and Federal Reserve Agent.

### FINANCIAL RESULTS OF OPERATION.

During the year 1916, the earnings of the Federal Reserve Bank of St. Louis amounted to \$286,158.53. For the same period, the expenses of the bank were \$145,140.98, leaving net earnings of \$141,017.55. The organization expense, carried over from last year, amounted to \$97,169.29. This was all charged off during this year, leaving a net gain from the opening of the bank to December 31, 1916, of \$43,848.26.

All organization expenses and operating expenses having been cared for, the board of directors of the Federal Reserve Bank of St. Louis declared a dividend of 6 per cent, payable December 30, 1916, for the period from the opening of the bank to March 31, 1915. The first installment of capital stock of this bank was paid in on November 2, 1914, and on such installments the dividend commenced at that time.

After the payment of this dividend there remained on December 31, 1916, undivided profits amounting to \$12,748.15.

The ratio of expenses to earnings, which for January was 174.4 per cent, steadily decreased throughout the year, until for December this ratio was 37.35 per cent.

### COMPARATIVE BALANCE SHEETS FOR DECEMBER 31, 1915-16.

There is attached to this report, as Exhibit A, a comparative statement of the condition of this bank as of December 31, 1915, and December 31, 1916.

This statement discloses an increase in earning assets of \$8,814,675.68, the increase being very large in all classes of investments, except bills rediscounted for member banks. The latter show an increase of only \$80,859.45. The principal source of income during 1916 were open market purchases of bankers' acceptances.

Deposits, both gross and net, also show a very large increase. The total reserve cash increased from \$9,165,162, on December 31, 1915, to \$16,187,123 on December 31, 1916. However, due to a considerable increase in net deposits during the year 1916 and to the fact that we had more money invested, the percentage of cash reserve against all liabilities shows a reduction from 82.1 to 60.8 per cent.

PROFIT AND LOSS STATEMENTS FROM THE OPENING OF THE BANK  
THROUGH 1915 AND FOR THE YEAR 1916.

During the year 1914, our earnings were entirely confined to bills rediscounted for member banks, and for the month and a half we were in operation that year the earnings amounted to \$9,462.97. For the year 1915 our earnings from bills rediscounted for member banks were \$44,835.51. During 1916, our earnings from this source amounted to \$46,041.34.

Attached hereto, as Exhibit B, is a profit and loss statement. This shows a decided increase in all other forms of earnings.

Current expenses for the year 1915 were \$130,735.74. Current expenses for 1916 were \$124,571.63, showing a slight decrease.

## GENERAL BUSINESS AND BANKING CONDITIONS IN THE DISTRICT.

The year 1915 closed with business houses, generally speaking, busy. Country merchants were buying freely. There had been a steady and normal improvement throughout the year, and the indications were that the year 1916 would be a period of unusual prosperity.

The beginning of the new year showed a continued and steady improvement in business conditions in all lines, increasing from month to month. Its close found business at an extremely high level. During the year prices of commodities have steadily increased, but at the close of the year have not reached a point which has curtailed the demand. The year closes with a steady demand for both luxuries and necessities, for although prices have increased, many manufacturing and business concerns have increased the wages of their employees or have given them Christmas bonuses.

The agricultural portions of the district are in especially good condition. It is true that the major crops—cotton, corn, wheat, and oats—showed a considerable reduction in comparison with last year, but this was made up in the prices that the farmer received for them. In some portions of the district farmers paid bonuses to the banks to take up their loans before maturity, and at the same time increased their deposits in the banks. The hay crop, on the whole, was the largest ever raised, and this means that there is an abundance of food for live stock.

The cotton crop in this district came through the year in better condition than the cotton crops in other sections. It moved very rapidly in this district and the banks in the cotton sections were able to handle the situation with a minimum of outside help.

There was a car shortage throughout the year, and this had considerable effect on business in general. Because it was difficult to

get prompt shipments, in the last months of the year there arose an unusual demand for shipments in the near future.

A comparison of this year's combined averages of crop yields, by States in this district, gives the following results, counting the 10-year average at 100 per cent: Kentucky makes the best showing, with 102.5 per cent; Tennessee next, with 101 per cent; then comes Illinois, with 95.7 per cent; followed by Arkansas, with 92.4 per cent; then Missouri, with 78.8 per cent; and Mississippi, with 67.4 per cent.

The condition of the winter wheat in this district is estimated to be 3.9 per cent below last year and 4.6 per cent below the 10-year average. However, the weather is seasonable, and the snowfalls should help the wheat considerably.

According to the report of the St. Louis National Stock Yards, which fairly reflects the movement of stock in this district, on December 31, 1916, there had been an increase in the receipts of cattle during 1916 over last year of 208,621 head. There was also an increase in the shipments of cattle over last year of 43,978 head. Receipts of hogs for 1916 showed an increase over the previous year of 465,646 head, and shipments of hogs showed an increase of 79,335 head. The receipts of sheep during 1916 had increased 22,697 head over 1915, and the shipments had increased 14,388 head. Receipts of horses and mules during 1916 showed a decrease, as compared with the previous year, of 3,794 head, and the shipments showed a decrease of 11,628 head.

Postal receipts and clearings throughout the district show a general increase for the year. While there has been some increase in building, this has not kept pace with the increase in other industries.

The year ends with all the banks in this district having deposits at a high level. At the beginning of the year the average rate charged by banks to customers, in the larger cities, was approximately 5 per cent, with the rates in the smaller communities somewhat higher. As the year ends, the rates charged by St. Louis banks are from 4 to 4½ per cent, and the rates to customers in other portions of the district range from 5 to 8 per cent.

## ACTIVITIES OF THE FEDERAL RESERVE BANK DURING THE YEAR.

### DISCOUNT OPERATIONS.

Total rediscounts accepted by this bank during the year 1916 amounted to \$8,842,666.57. Of this amount \$5,379,940.45 consisted of notes or single-name paper; \$626,226.12 of trade acceptances or two-name paper; \$1,534,000 of commodity paper; and \$1,302,500 of notes of member banks secured by eligible commercial paper as col-

lateral. From the opening of the bank on November 16, 1914, to December 31, 1915, the total rediscounts accepted by the bank amounted to \$8,231,082.92. Thus there was an increase in the amount of rediscounts accepted by the Federal Reserve Bank during 1916 over the first 13½ months of the operation of the bank of \$611,583.65. Of the total amount rediscounted for member banks \$502,608.09 represents the amount of paper discounted for 18 banks in Arkansas, \$719,457.99 the amount discounted for 32 banks in Illinois, \$404,000.60 for 10 banks in Indiana, \$907,697.17 for 10 banks in Kentucky, \$485,674.73 for 7 banks in Mississippi, \$2,234,594.09 for 26 banks in Missouri, and \$3,588,633.90 for 11 banks in Tennessee.

During 1916 there were 3,133 notes rediscounted for member banks. During the first 13½ months of the bank's operations 3,828 notes were accepted, showing a decrease of 695 in the number of notes handled.

Attached hereto as Exhibit C is a table showing the volume of rediscounts accepted from each State each month, the total amount accepted from each State during the year 1916, and the number of banks in each State rediscounting each month.

#### REDISCOUNT RATES.

No changes of any importance were made in the discount rates of this bank during the year. On March 23, 1916, a rate of 3 per cent was established on trade acceptances maturing within 60 days. On September 16 a rate of 3 per cent was established on promissory notes of member banks secured by collateral having maturity of not exceeding 15 days, and the same rate was made applicable to rediscounted paper maturing within 15 days. On November 20 the rate on agricultural paper maturing from 91 days to six months was lowered from 5 to 4½ per cent. On December 29 the rate on commercial paper and promissory notes of member banks maturing within 15 days, and on commodity paper maturing within 90 days, was increased from 3 to 3½ per cent.

The following schedule shows the rates in effect at the first of the year and the changes made during the year:

|                     | 10 days. | 15 days. | 90 days. | 6 months. | Com-<br>modity<br>paper. | Trade acceptances. |          | Collat-<br>eral<br>notes. |
|---------------------|----------|----------|----------|-----------|--------------------------|--------------------|----------|---------------------------|
|                     |          |          |          |           |                          | 60 days.           | 90 days. |                           |
| Jan. 1, 1916.....   | 3        | .....    | 4        | 5         | 3                        | 3½                 | 3½       | .....                     |
| Mar. 23, 1916.....  | 3        | .....    | 4        | 5         | 3                        | 3                  | 3½       | .....                     |
| Sept. 16, 1916..... | 3        | 3        | 4        | 5         | 3                        | 3                  | 3½       | 3                         |
| Nov. 20, 1916.....  | 3        | 3        | 4        | 4½        | 3                        | 3                  | 3½       | 3                         |
| Dec. 29, 1916.....  | 3½       | 3½       | 4        | 4½        | 3½                       | 3                  | 3½       | 3½                        |

Attached hereto as Exhibit D is a table showing the rediscount operations of this bank classified by maturities, classes of paper, and months in which rediscounted.

Of the total amount of paper rediscounted by this bank, 10.06 per cent was of 10 days or less maturity; 33.14 per cent of 11 to 30 days maturity; 22.71 per cent of 31 to 60 days maturity; 29.10 per cent of 61 to 90 days maturity, and 4.97 per cent of 91 days to 6 months maturity.

#### ACCEPTANCE BUSINESS.

This bank during the year 1916 purchased a total of \$20,681,821.58 bankers' acceptances, practically all of them through the Federal Reserve Banks of New York and Boston. Only \$242,500 of acceptances were purchased in this district.

Rates on these acceptances, net to the bank, have ranged from  $1\frac{1}{2}$  to  $3\frac{1}{4}$  per cent. The average rate during 1916 was 2.34 per cent.

Domestic bankers acceptances amounting to \$1,532,365.64 were handled during 1916. Of all of the acceptances purchased during the year \$8,253,041.87 were bought from member banks and \$12,428,779.71 were purchased from nonmember banks.

#### UNITED STATES BOND OPERATIONS.

During the year all of the United States bonds purchased were bought in the open market. Our total purchases amounted to \$2,419,000. We converted \$1,786,100 United States 2 per cent bonds into \$895,100 of 3 per cent conversion bonds, without the circulation privileges, and \$891,000 of one-year Treasury notes. The bank sold during 1916 \$295,100 of the 3 per cent conversion bonds. At the close of the year there were on hand, against which circulating notes could be issued, \$1,080,000 United States 3's of 1918 and \$522,900 United States 2's, consols of 1930. This bank has not as yet issued any circulation against Government bonds.

#### MUNICIPAL WARRANTS.

We purchased during 1916 a total of \$3,582,000 par value municipal warrants at rates ranging from  $2\frac{1}{2}$  to  $3\frac{1}{2}$  per cent. The average rate on these warrants was 2.72 per cent.

The classification of these warrants by character of issuing bodies is as follows:

|                      |           |
|----------------------|-----------|
| Town warrants.....   | \$183,000 |
| City warrants.....   | 2,999,000 |
| County warrants..... | 10,000    |
| State warrants.....  | 390,000   |

## CHANGES IN THE RESERVE POSITION OF THE BANK DURING THE YEAR.

In January the bank commenced with a reserve against deposits (after deducting 40 per cent reserve against Federal Reserve notes outstanding) of 80.8 per cent. During January and February a considerable number of national bank notes were paid in by member banks chiefly in settlement of clearing-house balances in St. Louis until we held \$3,000,000 of them. This so reduced our reserve that on February 18 the reserve against deposits was 43.8 per cent. Steps were immediately taken to prevent member banks from depositing national bank notes, and a gradual reduction of the notes on hand and conversion into reserve money raised the reserve to 68.8 per cent on April 21.

In May a reduction in Government deposits by a transfer of \$3,000,000 in gold reduced the reserve to 59.3 per cent and during the months of June and July an increased investment of \$2,000,000 further tended to decrease the reserve, the figures on July 28 being 52.8 per cent. During the remainder of the year the reserve gradually increased, and on December 30 the reserve carried was 60.8 per cent.

## THE FEDERAL RESERVE BANK AND MEMBER BANKS.

## CHANGES IN MEMBERSHIP DUE TO TRANSFERS FROM AND TO OTHER DISTRICTS.

There has been no change in the boundary lines of this district during the year, and therefore no change in membership due to transfers from and to other districts.

## MOVEMENT OF MEMBERSHIP WITHIN THE DISTRICT.

On January 1, 1916, the Federal Reserve Bank of St. Louis had 467 member banks, and its authorized capital stock was \$5,565,000, of which \$2,781,000 was paid in.

During the year nine new national banks became members of this bank, increasing its authorized capital stock in the sum of \$24,100. Four of these new national banks were conversions of State institutions into national banks. The other five were new institutions. One hundred and twenty-one member banks applied for and were allotted 464 additional shares of stock of this bank, further increasing its authorized capital in the sum of \$46,400.

During 1916 six member banks, having a total of 141 shares of stock of this bank, surrendered their membership through liquidation. One, having 150 shares, surrendered its holdings through receivership proceedings, and three surrendered a portion of their holdings, aggregating 69 shares, on account of reductions in their



capital or surplus. This decreased the capital stock of this bank in the sum of \$36,000. The six member banks which liquidated were each converted into a State institution.

At the close of the year 1916 this bank had a total of 469 member banks, and its authorized capital was \$5,599,500, of which \$2,799,750 was paid in. Over 1915 this shows a net increase of two in the number of member banks and a net increase in paid-in capital stock of \$18,750.

#### RELATION TO NATIONAL BANKS, STATE BANKS, AND TRUST COMPANIES.

During the first year of this bank's existence it was not unusual to hear a member bank state that it had no paper that was eligible for rediscount with the Federal Reserve Bank. Sometimes the statement was made that a bank could not do business with the Federal Reserve Bank because there was too much "red tape." Now member banks have ceased making such statements. This is because we have been able to show practically all of our banks that the majority of the paper they have in their portfolios is eligible for rediscount, and when they have rediscounted with us they have found that in reality there is no "red tape" at all, but that their rediscounts are handled promptly and in a manner extremely satisfactory to them.

This bank has at all times done everything in its power to be of real assistance to its member banks, and the officers have considered it a privilege to explain the workings of the Federal Reserve system and to have an opportunity to show how, through the Federal Reserve Bank, the member banks can obtain a real benefit. It is believed that if there is any lack of understanding between the Federal Reserve Bank and any of its member banks it is because the member bank has not given the Federal Reserve Bank the opportunity for conference.

Circulars have been issued explaining fully the operations of the bank, but at times it has been very discouraging to discover that the circulars have not been read. There have been instances where officers of member banks have visited us and asked certain questions, saying that it would be a great help if they could do certain things. We have been able to answer their questions by handing them a circular issued by this bank showing that, in some instances as long as for two months, had the banker read the circular he might have been receiving a benefit. It is our effort never to issue an unnecessary circular, and it would be a great gratification to this bank and, we believe, a help to the member bank not only in accommodation, but frequently in profits, if our circulars were not laid down until read and thoroughly understood. If there is any question about it, the officers of this bank will take great pleasure in answering inquiries.

ACCOMMODATION OF MEMBER BANKS THROUGH DISCOUNTS AND THE  
PURCHASE OF ACCEPTANCES.

Below is given a table showing the number of different member banks offering rediscounts from each State each month during 1916, the total number of different banks offering rediscounts from the whole district each month, the number and percentage of different banks offering rediscounts from each State during the year, and the number and percentage of different banks offering rediscounts in the whole district during the year.

|                  | January. | February. | March. | April. | May. | June. | July. | August. | September. | October. | November. | December. | Number of member banks rediscounting. | Total member banks in State. | Percentage of banks rediscounting with the Federal Reserve Bank. |
|------------------|----------|-----------|--------|--------|------|-------|-------|---------|------------|----------|-----------|-----------|---------------------------------------|------------------------------|--|
| Arkansas.....    | 5        | 2         | 5      | 4      | 4    | 7     | 6     | 7       | 7          | 2        | 0         | 2         | 18                                    | 67                           | 26.8   |
| Illinois.....    | 9        | 6         | 9      | 2      | 15   | 10    | 11    | 7       | 9          | 2        | 2         | 5         | 32                                    | 157                          | 20.4   |
| Indiana.....     | 4        | 2         | 2      | 2      | 3    | 2     | 2     | 3       | 1          | 3        | 3         | 0         | 10                                    | 61                           | 16.4   |
| Kentucky.....    | 3        | 3         | 1      | 3      | 3    | 1     | 2     | 3       | 2          | 2        | 5         | 3         | 10                                    | 67                           | 14.9   |
| Mississippi..... | 3        | 0         | 3      | 1      | 2    | 2     | 2     | 3       | 4          | 3        | 2         | 1         | 7                                     | 17                           | 41.2   |
| Missouri.....    | 12       | 7         | 7      | 12     | 12   | 13    | 9     | 6       | 6          | 6        | 4         | 6         | 26                                    | 80                           | 32.5   |
| Tennessee.....   | 7        | 2         | 3      | 2      | 1    | 5     | 7     | 8       | 8          | 4        | 3         | 2         | 11                                    | 20                           | 55.0   |
| Total.....       | 41       | 22        | 30     | 32     | 40   | 40    | 39    | 37      | 37         | 28       | 25        | 19        | 114                                   | 469                          | 24.5   |

In an earlier part of this report the amount of accommodation rendered member banks through rediscounts has been given in detail.

The member banks in this district have practically made no acceptances based on imports or exports, and only toward the close of the year have they begun to make domestic acceptances. These acceptances, so far, have amounted to \$1,231,600 and have come in great part from Memphis.

Money has been exceptionally easy throughout the year. The obligations for money borrowed by member banks have been smaller in amount than usual, and this has been reflected in the extent of accommodations requested from this bank. Last year 129 different member banks rediscounted with us. This year, while the total amount of rediscounts shows a slight increase, the number of banks accommodated was only 114, showing a decrease of 15.

We have continued the policy of requiring financial statements either made by the borrowers or by the borrowing bank in every instance where paper has been accepted by us. This policy is resulting in the defining of credit terms and the standardizing of credit in this district.

The following table shows the total borrowings of member banks in this district on the dates of the different calls of the Comptroller

of the Currency during 1916, the amount rediscounted with the Federal Reserve Bank of St. Louis, and the percentage of such rediscounts of their total borrowings:

| Date of call.       | Total borrowings. | Rediscounted with Federal Reserve Bank. | Percentage. |
|---------------------|-------------------|---|-------------|
| Mar. 7, 1916.....   | \$2,205,000       | \$675,000                               | 30.6        |
| May 1, 1916.....    | 1,932,000         | 534,000                                 | 27.6        |
| June 30, 1916.....  | 1,809,000         | 584,000                                 | 32.3        |
| Sept. 12, 1916..... | 3,719,000         | 1,076,000                               | 28.9        |
| Nov. 17, 1916.....  | 3,642,000         | 1,954,000                               | 53.6        |

#### PETITION OF LOUISVILLE FOR A BRANCH BANK.

On July 5, 1916, the board of directors of the Federal Reserve Bank of St. Louis received a petition from member banks located in Louisville asking for the establishment of a branch of this bank in that city and requesting a hearing. This hearing was set for September 20, and on that day a committee of 10 gentlemen, of which Mr. Embry L. Swearingen, president of the First National Bank of Louisville, was chairman, came before the board of this bank. On their behalf, Messrs. John W. Barr, jr., F. M. Gettys, and Percy H. Johnston presented the arguments for a branch. Later, on December 21, another hearing was held in regard to this matter before the Federal Reserve Board at Washington. At this writing the petition is still under consideration.

#### MEMPHIS AGENCY.

At the request of member banks in Memphis, and in order to assist them every way in our power during the cotton season, on September 25 this bank sent Mr. T. C. Tupper, manager of the credit department, to open an agency in that city. He rented an office and the necessary safe deposit space.

Notes, trade acceptances, and bank acceptances, secured by warehouse receipts issued by the Memphis Terminal Corporation, were rediscounted for member banks and the collateral held in the custody of our agent. In this way substitutions of one receipt for another were permitted without delay and inconvenience. The bank's representative had complete charge of the collateral, but could only have access to the safe deposit boxes containing it, in the presence of a representative of a bonding company. On October 11, Mr. W. H. Glasgow, assistant to the Federal Reserve Agent, relieved Mr. Tupper, and will remain in charge of the office until it is closed.

Member banks in Memphis used the facilities offered freely, and up to December 30, 1916, this bank had accepted paper secured by

warehouse receipts for cotton in the custody of the Memphis agency to the amount of \$1,640,500.

It is proposed to maintain the Memphis office to the close of the cotton season, and unless something occurs the season will end earlier than usual. It now seems that the office may be closed by February 1, 1917. It is felt that the maintenance of this office has been of material assistance to Memphis member banks, supplying them with the necessary funds to move the crop in the territory tributary to that city.

**MEMBER BANKS' DEPOSITS IN EXCESS OF RESERVE REQUIREMENTS AND OVERDRAFTS.**

The following figures, taken from the copies of reports of condition received from member banks, rendered under calls of the comptroller, and from the books of this bank, give a comparison of the member banks' deposits with us with their reserve requirements:

|                     | Minimum<br>reserve<br>required. | Balance<br>shown by<br>Federal Re-<br>serve Bank<br>books. | Excess.     |
|---------------------|---------------------------------|--|-------------|
| Mar. 7, 1916.....   | \$13,520,000                    | \$15,405,000   | \$1,885,000 |
| May 1, 1916.....    | 14,269,000                      | 14,392,000   | 123,000     |
| June 30, 1916.....  | 16,391,000                      | 18,270,000   | 1,879,000   |
| Sept. 12, 1916..... | 17,512,000                      | 18,936,000   | 1,424,000   |

On March 7 a comparison of our member banks' reserve balances on our books with their minimum reserve requirements as calculated from copies of their reports of condition indicated that 243 members were deficient in their reserves, and that 227 members were maintaining balances equal to or in excess of their reserve requirements. The total amount of deficiencies was \$800,000, and the total excesses \$2,685,000. Most of the deficiencies were from small banks, and the majority of the excesses were from banks in reserve cities, particularly St. Louis.

On May 1 the total number of member banks deficient in their reserves was 281, and the total number maintaining balances equal to or in excess of their reserve requirement was 189. The total amount of deficiencies was \$943,000 and the total amount of excesses was \$1,066,000.

No figures in this connection are available for June 30 and September 12.

From November 1 to 12, inclusive, 121 member banks showed deficient reserves and were penalized on the deficiency, the total amount of penalties being \$1,259.86.

The following is a record of overdrafts of member banks:

|                   | Number. | Amount.     |                     | Number. | Amount. |
|-------------------|---------|-------------|---------------------|---------|---------|
| Mar. 7, 1916..... | 21      | \$38,670.00 | June 30, 1916.....  | 0       | 0       |
| May 1, 1916.....  | 15      | 56,953.00   | Sept. 12, 1916..... | 0       | 0       |

While a great many overdrafts existed prior to June 30, there is now only an occasional overdraft.

#### PENALTIES FOR RESERVE DEFICIENCIES.

On October 26 the bank sent out a circular advising that it would assess penalties, beginning November 1, 1916, for impairment of reserves. Banks were advised that this penalty would be a sum equivalent to an interest charge on the amount of the deficiency of 2 per cent per annum above the 90-day discount rate of this bank for commercial paper. Since that date to the close of 1916 the bank assessed penalties amounting to a total of \$2,036.01 for impairment of reserves.

#### PERIODIC REPORTS REGARDING CONDITION OF MEMBER BANKS; EXAMINATIONS OF MEMBER BANKS.

Copies of reports of condition made to the Comptroller of the Currency are sent to the Federal Reserve Agent and are analyzed by his department.

It has been necessary for this bank to make but one examination during the year. This was an examination of a State institution which is a member, and was made because the State banking department could make but one examination. In order to comply with the provisions of the Federal Reserve Act, requiring at least two examinations of each member bank each year, the Federal Reserve Board instructed that an additional examination be made.

#### BANK FAILURES WITHIN THE DISTRICT.

There has been but one failure of a member bank in district No. 8 during the year. We were fully informed as to the condition of the bank for several months prior to its failure, and the closing of its doors gave us no uneasiness.

#### GRANTS OF FIDUCIARY POWERS.

Up to the close of 1916 the applications of 22 national banks in this district for permission to act as trustee, executor, etc., under section 11 (k) of the Federal Reserve Act, had been granted by the Federal Reserve Board. Sixteen of these permits were granted in 1915 and six in 1916. More applications for fiduciary powers have come from those portions of our district located in Indiana and Kentucky than from any of the other States in this district.

Attached hereto as Exhibit E is a list of the national banks in this district which have been granted fiduciary powers up to December 31, 1916.

OVERDUE PAPER.

This bank has no overdue paper on hand.

BILL OF LADING DRAFTS.

On January 29, 1916, this bank issued a circular, advising that it would handle bill of lading drafts. The following is a record of the drafts we have handled, both as to number and amounts and the returns thereon:

|                | Number of drafts. | Total amount of items handled. | Total interest charged. |
|----------------|-------------------|--------------------------------|-------------------------|
| 1916.          |                   |                                |                         |
| February.....  | 1                 | \$1, 830. 00                   | \$2. 03                 |
| March.....     | 4                 | 6, 193. 83                     | 3. 60                   |
| September..... | 30                | 193, 327. 19                   | 147. 59                 |
| October.....   | 317               | 1, 780, 012. 28                | 1, 271. 70              |
| November.....  | 236               | 1, 895, 138. 79                | 1, 162. 71              |
| December.....  | 65                | 384, 708. 81                   | 267. 33                 |

All drafts have been forwarded to a bank in the town where payable for collection and remittance to the Federal Reserve Bank of the district in which the collecting bank is located. We have never had a draft returned unpaid. Our most extensive operations in this connection have never required more than a few hours time each day of one of our best clerks. The bills of lading attached to the drafts have covered shipments of flour, rice, wool, hides, cotton seed and cotton, the larger part of them being represented by cotton.

OPEN MARKET OPERATIONS OF THE FEDERAL RESERVE BANK.

This bank has purchased United States bonds in the open market, municipal warrants, and a large number of bankers' acceptances. As stated previously in this report, practically all of these acceptances have been purchased through the Federal Reserve Banks of New York and Boston, and it was not until the latter part of this year that we purchased any acceptances from banks within the district. Detailed information in regard to these acceptances is given in an earlier part of this report.

EFFECT OF THE DISCOUNT RATE POLICY OF THE BANK UPON GENERAL MARKET RATES.

Money has been plentiful in practically all of the banks throughout the year, and it has been somewhat a problem with them to keep it invested. Rates have been low, but due to the abundance of funds,

it can not be said that the discount rates of the Federal Reserve Bank have had any especial effect upon the general market rates, except to stabilize them.

#### ATTITUDE OF THE PUBLIC TOWARD THE FEDERAL RESERVE SYSTEM.

While the Federal Reserve system has not been solely responsible for the great and continued prosperity during the past year, at the same time there seems no question but that business would not have been conducted so freely and with such confidence, had not the Federal Reserve system been in existence to make the general public feel that conditions were sound and there existed an adequate financial machinery to control credit and facilitate exchange. Quite frequently during the year, large wholesalers have made the statement that they did not believe the country merchants would be buying as they were if the Federal Reserve system were not in existence.

As yet, however, the general public does not understand the Federal Reserve system as it should. It would seem that the newspapers throughout the district could not carry an item of more news interest than the rediscount rates of the Federal Reserve Bank of the district. An effort has been made to get these rates to all newspapers in this district at least once a week, but they do not seem to be giving the space to them that their value warrants, especially the country papers and farm papers.

In this district, manufacturers and distributors have made little effort to introduce the trade acceptance, though this bank has a rate on such paper having maturity not exceeding 90 days, one-half per cent lower than its 30-day discount rate on notes, and the use of them would relieve sellers from carrying the entire credit burden as imposed by the open book account method.

The general public has confidence in the Federal Reserve system, and is beginning to realize that every bank which is a member has a strength and solidity that no bank outside the system presents.

#### THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

##### GOVERNMENT DEPOSITS.

The Government deposits in this bank during 1916 averaged approximately \$3,000,000 per day, the maximum balance being reached on July 15, when a total of \$5,935,837.01 was shown. Owing to transfers at different periods, to other Federal Reserve Banks through the gold settlement fund these deposits have had a great influence on the gold reserve position of this bank, a total withdrawal during May of \$3,000,000, reducing the reserve about 10 per cent.

## RELATION TO THE UNITED STATES TREASURY.

In addition to the transactions incident to the deposit account kept with this bank by the Treasurer of the United States, we take care of transactions with the Treasury Department for member banks, including transfers of funds and deposits for the 5 per cent funds of member banks. Contrary to the opinion expressed by several authorities, the deposits for the redemption of national bank notes of member banks have not worked any hardship on us. In fact, such transactions have been scarcely noticeable in the current volume of the daily business.

## RELATION TO THE COMPTROLLER'S OFFICE.

The Comptroller's Office and this bank have cooperated with each other in every possible way throughout the year. Copies of all reports of examinations of member banks, made under the supervision of the chief examiner of this district, have been promptly filed with the Federal Reserve Agent. The chief examiner and his assistants have given us all the help in their power.

## THE FEDERAL RESERVE BANK AND NOTE ISSUES.

## GENERAL POLICY IN THE MATTER OF NOTE ISSUES.

During the year, this bank laid down as a general policy that, notwithstanding the cost to it of Federal Reserve notes, it would issue them freely whenever there was a possibility of conserving gold or reserve money by their use. It is felt that this bank should consider itself a money reservoir for this district, and so far as in its power it should render a service to member banks by giving them, without question, any kinds of money in any denominations needed the moment the need is expressed. The banks seldom need gold, but they do need notes of different denominations. Where the demand has been for fives, tens, or twenties—denominations in which Federal Reserve notes are printed—we have issued them freely. Except for one-dollar and two-dollar bills which were scarce in this district during the crop moving season we were able to supply our member banks with money in any denomination required.

## SUBSTITUTION OF FEDERAL RESERVE NOTES FOR GOLD AS CIRCULATING MEDIUM.

Our general policy in regard to note issues, as above outlined, is resulting more and more in Federal Reserve notes becoming the circulating medium and gold being conserved in this bank. However, the substitution of Federal Reserve notes for gold has not progressed as rapidly or gone as far in this district as we would like. It is still



not uncommon to find gold certificates paid out over the counter for pocket money by both member and nonmember banks when Federal Reserve notes would serve just as well. While member banks are believed to be making an effort to deposit their gold in this bank, nonmember banks seem to have quite a number of gold certificates which they are paying out freely.

#### COVER OF NOTES ISSUED.

At the close of the year 1916 the total amount of Federal Reserve notes of this bank outstanding was \$16,889,730. Of this amount, \$12,542,730 were covered by gold deposited with the Federal Reserve Agent and \$4,347,000 by rediscounts hypothecated with him. In other words, the bank has eliminated its liability on all its outstanding Federal Reserve notes by depositing gold with the Federal Reserve Agent, except to the extent of \$4,347,000, which is its present net note liability. Against this net liability of \$4,347,000 the bank has set aside a 40 per cent gold reserve.

#### DENOMINATIONS OF NOTES ISSUED.

Attached hereto as Exhibit F is a table showing amounts of each denomination of Federal Reserve notes issued to the Federal Reserve Bank of St. Louis, and dates of issue, for the period 1914-15 and the year 1916.

An examination of this table indicates that the demand has been mostly for fives, tens, and twenties, there being practically no demand for notes of the \$50 and \$100 denominations.

In both 1915 and in 1916 the demand was heaviest in the months of September, October, and November, due to the moving of crops.

#### AVERAGE LIFE OF NOTES ISSUED.

It is rather difficult to ascertain with exactness the average life of the Federal Reserve notes issued by this bank. The life of a note depends upon the use to which it is put, and this constantly varies. On the theory that the notes of smaller denominations change hands more frequently and are therefore subject to greater wear, they should not last as long as notes of larger denominations which change hands less frequently. This is borne out by the fact that of the \$2,610,270 notes of this bank which have been sent to the Comptroller of the Currency for destruction, \$1,632,205 were of the \$5 denomination, \$751,015 of the \$10 denomination, \$214,300 of the \$20 denomination, and \$12,750 of the \$50 denomination, though the total amount of the \$5, \$10, and \$20 denominations outstanding were each substantially the same. Thus, in this district, the higher the denomination the longer the life of the note.

At the close of 1915 there were outstanding \$4,197,000 in \$5 Federal Reserve notes, \$2,870,940 in \$10 notes, \$1,928,560 in \$20 notes, and \$200,000 in \$50 notes, most of which were issued in September, October, and November, 1915. As above stated, at the end of 1916 only \$1,632,205 of \$5 notes, \$751,015 of \$10 notes, \$214,300 of \$20 notes, and \$12,750 of \$50 notes had been redeemed and canceled.

#### INTERDISTRICT MOVEMENT OF NOTES.

Attached hereto as Exhibit G is a statement showing the amounts of Federal Reserve notes of this bank received from other Federal Reserve Banks for redemption or credit, and the notes of other Federal Reserve Banks returned by this bank to them for redemption or credit, from January 1, 1916, to December 30, 1916.

During the year 1916 the Federal Reserve Bank of St. Louis received from other Federal Reserve Banks \$1,378,790 of its Federal Reserve notes, and returned to other Federal Reserve Banks \$3,282,705 of their Federal Reserve notes, showing that we returned \$1,903,915 more notes of other banks than we received of our own. Chicago and New York sent us for redemption more of our notes than any other districts, and we returned for redemption more notes to the Kansas City and Dallas Federal Reserve Banks than to the Reserve Banks of any other districts.

#### REDEMPTION AND DESTRUCTION OF NOTES.

On January 25, 1916, the Federal Reserve Board, at the request of the Secretary of the Treasury and in accordance with the provisions of section 16 of the Federal Reserve Act, requested the Federal Reserve Agent at St. Louis to transmit to the Treasurer of the United States in Washington an amount in gold equal to 5 per cent of all outstanding Federal Reserve notes of the Federal Reserve Bank of St. Louis which were covered by a deposit with him of gold or lawful money. The purpose of this fund was to enable the United States Treasurer to redeem the notes presented to him by holders other than the bank itself. When notes are sent by the Federal Reserve Bank to the United States Treasurer for redemption, the Agent, under instructions from the United States Treasurer, makes settlement direct with the bank, usually by requesting the Federal Reserve Board to transfer from his account with the Board to the account of the bank in the Gold Settlement Fund an amount in gold equivalent to the value of the notes received by the Treasurer for redemption.

In accordance with the above instructions, on January 31, 1916, the Federal Reserve Agent at St. Louis deposited with the Treasurer of the United States, in Washington, \$440,000 in gold, being approxi-

mately 5 per cent of the notes of this bank outstanding at that time covered by a deposit with him of gold or lawful money, and additional deposits have been made from time to time, as notes were redeemed, in order to keep the amount up to the required 5 per cent.

Up to the close of 1916 the following notes of the Federal Reserve Bank of St. Louis, unfit for use, had been redeemed and destroyed:

|               |               |
|---------------|---------------|
| Fives.....    | \$1, 632, 205 |
| Tens.....     | 751, 015      |
| Twenties..... | 214, 300      |
| Fifties.....  | 12, 750       |
| Total.....    | 2, 610, 270   |

Only unfit notes are redeemed out of the Agent's redemption fund, and when this is done they are turned over to the Comptroller of the Currency for destruction.

The Federal Reserve Bank of St. Louis has also maintained a redemption fund with the United States Treasurer, out of which the Treasurer redeems all fit notes presented to him and returns them direct to the bank for further circulation.

Of the \$2,610,270 unfit Federal Reserve notes redeemed by the Treasurer of the United States, \$1,480,000 were shipped to him by the Federal Reserve Bank of St. Louis and \$1,130,270 by other parties.

#### COST OF FEDERAL RESERVE NOTES.

The total cost of Federal Reserve notes issued during 1916, on a basis of 1 cent per note, was \$10,400. This does not include the cost of shipping Federal Reserve notes to Washington by this bank or other parties, for redemption, and the return of fit notes to the bank. In the past year it has cost us approximately \$100 a month for the return of our Federal Reserve notes to the United States Treasurer for redemption, figured on the basis of \$0.1952 per \$1,000 for unfit notes shipped by this bank and \$0.4188 per \$1,000 for notes returned by other parties.

#### FEDERAL RESERVE BANK NOTES.

During the year, this bank has not found it necessary to issue any of its circulating notes secured by United States Government bonds.

#### FEDERAL RESERVE AGENTS AND NOTE ISSUES.

Attached hereto as Exhibit H is a statement showing the Federal Reserve notes received by the Federal Reserve Agent from the Comptroller of the Currency, giving the dates received, amounts, and denominations. This statement covers both the period 1914-1915 and the year 1916.

During the last year, six shipments of Federal Reserve notes, aggregating \$12,940,000, were received by the Federal Reserve Agent

from the Comptroller of the Currency, all of them during September, October, and November, when there was a heavy demand for notes in this district.

There is also attached as Exhibit I a summarized statement of the receipt and disposition of all Federal Reserve notes by the Federal Reserve Agent, from the opening of the bank to the end of 1916, as well as of all funds and securities under his control.

### INTERNAL MANAGEMENT OF THE BANK.

#### FUNCTIONS AND WORK OF DIRECTORS, EXECUTIVE COMMITTEE, OFFICIAL AND CLERICAL STAFF, MEMBER OF ADVISORY COUNCIL.

At the election of directors held in this district during the latter part of 1915, Mr. Frank O. Watts, president of the Third National Bank of St. Louis, was elected by the banks in group 2 to succeed himself as a class A director, and Mr. David C. Biggs, vice president of the International Shoe Company of St. Louis, was elected by the banks in group 1 as a class B director, to succeed Mr. Murray Carleton, each to serve for three years from January 1, 1916.

Our board of directors has met regularly on the first and third Wednesdays in each month. In all, 25 meetings of the board were held during 1916, at all of which there was a quorum present, with the exception of 3 meetings.

Under the by-laws, the executive committee consists of five, and during the year 1916 was composed of the governor, chairman of the board, and Messrs. Walker Hill, Frank O. Watts, and David C. Biggs. This committee meets twice a week. During the early part of the year it met on Mondays and Thursdays at 10.30 a. m. In September it began meeting on Mondays at 2 p. m. and on Fridays at 10.30 a. m., and continued this arrangement throughout the year.

Before the offerings are presented to the executive committee they are submitted by the credit department at a meeting of all of the officers of the bank, who pass upon them before they are reported to the executive committee.

Mr. Frank O. Watts has represented this bank the past year as a member of the Federal Advisory Council.

#### CHANGES IN PERSONNEL, AND IN THE ORGANIZATION OF THE DEPARTMENTS, INCLUDING THE FEDERAL RESERVE AGENT'S OFFICE.

During the year there was no resignation from our board of directors, nor was there any change in the official force. Due to increased business, the bank found it necessary to add 15 men to the clerical force, and it now has a total of 53 on its pay roll. The bank believes that it has a highly efficient force and is able, without confusion, to take care of any situation that may arise in this district.

There has been no change in the personnel of the Federal Reserve Agent's Department. The Deputy Federal Reserve Agent, Mr. T. C. Tupper, was also in charge of the credit department of the bank, which included also Mr. W. H. Glasgow, assistant to the Federal Reserve Agent.

The Federal Reserve Agent has compiled each month statistics in regard to business conditions in this district. The chief sources of these statistics are letters of inquiry sent to business houses throughout the district and letters to farmers located in different portions of the district. Every effort is made to have these statistics as reliable as possible, and it is hoped that these reports, published in the Bulletin of the Federal Reserve Board, give a dependable and accurate index of conditions during each month.

#### OFFICE AND VAULT FACILITIES; BANK PREMISES.

During the last week in December, 1915, the Federal Reserve Bank moved into its permanent rented quarters in the Federal Reserve Bank Building, located on the northeast corner of Broadway and Pine Street.

All of our departments are located on the second floor of this building in such a way that, on entering the door, one can see all of the officers and employees.

It is a light, commodious banking room, accessible to the street without the use of elevators, and we desire that everyone interested in the bank will visit these quarters whenever they find it possible. An effort is made to have all member banks feel that they not only have a bank, but also a home in our office.

Our vaults are located in the basement of our building, are among the best in the United States, and are ample for our needs.

#### EXAMINATIONS BY FEDERAL RESERVE EXAMINER.

During the year the Federal Reserve Board has made two examinations of this bank, one as at the close of business May 2 and the other as at the close of business November 27. It also examined the Federal Reserve Agent's department on these dates and also on March 11. These examinations were not hurried or superficial in regard to anything. They were thorough and, for that reason, extremely satisfactory to the officers and directors of this bank.

#### THE CLEARING PROBLEM.

CLEARING TO JULY 15, 1916.

Prior to July 15 our clearing operations were confined to the handling of checks on approximately 370 of our member banks. These banks had voluntarily agreed to our charging to their account,

on the day received by us, all checks drawn on them. This plan went into effect in May, 1915, and was operated until the early part of July, 1916. The number of the member banks availing themselves of our clearing privileges remained about the same throughout the entire period.

#### CLEARING AFTER JULY 15, 1916.

Since July 15, 1916, at which time the clearing plan proposed by the Federal Reserve Board went into effect, we have been clearing items on all of our member banks and on such nonmember banks as we could collect at par either through member banks, direct, or through nonmember banks. We are now clearing items on all member banks and 877 nonmember banks in this district. The number of nonmember banks availing themselves of our clearing privileges is constantly increasing.

Attached hereto as Exhibit J is a table showing the operations of our present clearing system.

#### SERVICE RENDERED TO THE BANKS BY THE GOLD SETTLEMENT FUND.

Through the medium of the gold settlement fund we have been able to extend to our member banks facilities whereby they can convert funds in other Federal Reserve cities into available exchange with us as quickly or quicker than they could formerly. The operation of the gold settlement fund has also stabilized exchange on other Federal Reserve cities and done away with the fictitious exchange market that previously existed and which fluctuated to such an extent as to make it very difficult for banks to be able at times to dispose of or obtain the necessary exchange.

#### CLEARING-HOUSE CHARGES.

Since the establishment of the Federal Reserve Bank, the St. Louis Clearing House has changed its rules so that the general public is receiving some benefit from the reduction in exchange charges brought about by the Federal Reserve system. In some instances, where heretofore depositors have been charged as high as \$2 per \$1,000, they are now charged only 25 cents per \$1,000. In St. Louis it is the practice to charge customers a different rate for checks cleared through the Federal Reserve Bank and checks on nonmember banks which decline to remit at par.

The Louisville Clearing House has also amended its rules, but not to the same extent as the St. Louis Clearing House.

Memphis has made no change in its clearing-house rules. They are exactly the same as they were prior to the inauguration of the Federal Reserve collection system, except that the national banks

have obtained permission from the clearing house to remit at par for checks on themselves received from their Federal Reserve Bank.

There has been no change in the rules of the Little Rock Clearing House since the establishment of the Federal Reserve Bank. It does not require its member banks to charge exchange on out-of-town items received from local customers. It, however, does require that banks charge for remitting on checks drawn on themselves, except, like Memphis, the national banks have obtained permission from the clearing house to remit at par for checks on themselves received from their Federal Reserve Bank.

The Texarkana Clearing House has done away with all rules relative to exchange charges, leaving it discretionary with each bank.

It is hoped that during the coming year clearing houses throughout the district will more generally amend their rules, so that the general public will get the benefit of a greater reduction in exchange charges.

#### VISITS BY MEMBERS OF THE FEDERAL RESERVE BOARD.

We have had the privilege of visits from a number of the members of the Federal Reserve Board throughout the year. On March 15, Gov. W. P. G. Harding and Mr. F. A. Delano made a 24-hour visit. On May 24, Mr. A. C. Miller, having come to St. Louis to address the Missouri Bankers' Association, met with us. Mr. Paul M. Warburg, on his way to address the annual convention of the American Bankers' Association, visited us on September 23, and on September 30 he and Gov. Harding, returning from that convention, made us another brief visit. Mr. Delano was with us again on October 9.

It is always a pleasure and greatly appreciated by our officers and directors when members of the Federal Reserve Board come in personal contact with them and can discuss local conditions on the ground.

#### SUMMARY OF CONDITIONS IN DISTRICT.

The year 1916 has been an extremely prosperous one for District No. 8. Activity in all lines of business has increased to record levels, except the building industry, which, while it has increased, has not kept pace with other lines.

The Federal Reserve Bank of St. Louis has had its part in giving confidence to business to expand. The bank itself, which closed the year 1915 with a deficit of \$97,169.29, has made up this deficit and in addition has earned sufficient to enable it to pay a 6 per cent dividend from the opening of the bank to March 31, 1915, and leave a surplus of \$12,748.15 on hand.

This bank has made considerable progress in the establishment of its clearing system, and it is believed that at least 80 per cent of our

member banks find it satisfactory. We also feel sure that our member banks are beginning to understand how easily they can rediscount with us and that this bank is making every effort to be of real assistance to them. The general public unquestionably has the greatest confidence in the Federal Reserve system.

During the year the Federal Reserve Bank of St. Louis has shown a steady and satisfactory development. The real results are not shown in the dividends it has paid, but in the sound basis for business it has created.

EXHIBIT A.—Comparative statement of condition, 1915-16.

|   | Dec. 31, 1915.       | Dec. 31, 1916.       |
|---|----------------------|----------------------|
| <b>RESOURCES.</b>   |                      |                      |
| Bills discounted—members.....   | \$1,219,852.09       | \$1,300,711.54       |
| Bills bought in open market.....  | 661,230.23           | 7,036,819.35         |
| Investments—municipal warrants.....                                       | 341,552.60           | 575,879.71           |
| United States bonds.....  | 970,000.00           | 2,202,900.00         |
| United States gold notes.....   | None.                | 891,000.00           |
| <b>Total earning assets.....</b>  | <b>3,192,634.92</b>  | <b>12,007,310.60</b> |
| Premium on United States bonds.....                                       | None.                | 17,303.15            |
| Interest accrued on United States bonds.....                              | 4,850.00             | 19,161.17            |
| Furniture and equipment.....  | 20,346.13            | 28,688.75            |
| Cost of unissued Federal Reserve notes.....                               | 22,363.46            | 19,763.00            |
| Expenses paid in advance.....   | 1,763.79             | 849.30               |
| Expense—organization.....   | 97,169.29            | None.                |
| <b>Total.....</b>   | <b>146,492.67</b>    | <b>85,765.37</b>     |
| Due from Federal Reserve Banks.....                                       | 4,890,210.45         | 20,389,339.94        |
| Deferred debits—transit account.....                                      | None.                | 3,065,478.15         |
| Due from member banks—overdrafts.....                                     | 46,126.91            | 15,595.22            |
| Due from banks and bankers.....   | None.                | 71,067.46            |
| Exchange for clearing house.....  | 9.75                 | 15,221.21            |
| <b>Total deductions from gross deposits.....</b>                          | <b>4,936,347.11</b>  | <b>23,556,701.98</b> |
| Gold coin and gold certificates.....                                      | 2,971,500.00         | 11,088,000.00        |
| Gold settlement fund.....   | 6,072,000.00         | 3,395,000.00         |
| Gold redemption fund, United States Treasurer.....                        | 25,050.00            | 254,850.00           |
| Other lawful money.....   | 96,612.00            | 1,449,273.00         |
| <b>Total reserve cash.....</b>  | <b>9,165,162.00</b>  | <b>16,187,123.00</b> |
| National-bank notes and Federal Reserve notes, other banks.....           | 651,855.00           | 806,435.00           |
| Federal Reserve notes on hand.....  | 817,460.00           | 431,445.00           |
| Nickels and cents.....  | 25.62                | 321.08               |
| <b>Total other cash.....</b>  | <b>1,469,340.62</b>  | <b>1,238,201.08</b>  |
| <b>Total resources.....</b>   | <b>18,909,977.32</b> | <b>53,075,102.03</b> |
| <b>LIABILITIES.</b>   |                      |                      |
| Capital.....  | 2,781,000.00         | 2,799,750.00         |
| Undivided profits.....  | None.                | 12,941.49            |
| Unearned discount and interest.....                                       | 8,909.70             | 26,791.25            |
| Discount on United States bonds bought.....                               | 17,565.64            | None.                |
| Government deposits.....  | 671,363.51           | 2,614,398.56         |
| Due to Federal Reserve Banks.....   | 2,069,873.74         | 12,332,388.18        |
| Due to member banks.....  | 13,076,849.50        | 30,924,797.50        |
| Cashiers' checks.....   | 283,668.56           | 15,430.91            |
| <b>Gross deposits.....</b>  | <b>16,101,755.31</b> | <b>45,887,015.15</b> |
| Federal Reserve notes—bank liability.....                                 | None.                | 4,347,000.00         |
| Reserved for sundry expenses.....   | 746.67               | 1,604.14             |
| <b>Total liabilities.....</b>   | <b>18,909,977.32</b> | <b>53,075,102.03</b> |
| Reserve carried against all liabilities..... per cent..                   | 82.1                 | 60.8                 |
| With Federal Reserve Agents to retire outstanding Federal Reserve notes.. | 8,950,000.00         | 12,542,730.00        |



EXHIBIT B.—Comparative profit and loss statement, Nov. 16, 1914, to Dec. 31, 1916.

|  | Nov. 16, 1914,<br>to<br>Dec. 31, 1915. | Jan. 1 to<br>Dec. 31, 1916. |
|--|--|-----------------------------|
| <b>Earnings from:</b>  |  |                             |
| Bills discounted—members.....                                      | \$54,298.48                            | \$46,041.34                 |
| Bills purchased—acceptances.....                                   | 6,387.06                               | 81,598.79                   |
| United States bonds.....   | 7,488.21                               | 70,362.41                   |
| Municipal warrants.....  | 16,324.65                              | 31,618.94                   |
| Exchange.....  | 3,071.29                               | 30,000.00                   |
| Interest on bill-of-lading drafts.....                             | None.                                  | 2,782.73                    |
| Appreciation on United States bonds.....                           | None.                                  | 17,873.14                   |
| Depleted reserve penalties.....                                    | None.                                  | 2,036.01                    |
| Profit on United States securities sold.....                       | None.                                  | 3,776.50                    |
| Sundry profits.....  | 33.55                                  | 68.67                       |
| <b>Total.....</b>  | <b>87,603.24</b>                       | <b>286,158.53</b>           |
| <b>Expenses:</b>   |  |                             |
| Current expenses.....  | 150,601.73                             | 124,571.63                  |
| Organization expenses prior to Nov. 16, 1914.....                  | 5,854.30                               |                             |
| Federal Reserve Board assessments.....                             | 15,425.65                              | 9,749.62                    |
| Cost of Federal Reserve currency issued.....                       | 12,120.00                              | 10,720.00                   |
| Commissions paid.....  | 770.85                                 | None.                       |
| Transit department disbursements (net).....                        | None.                                  | 99.73                       |
| <b>Total.....</b>  | <b>184,772.53</b>                      | <b>145,140.98</b>           |
| 1914-15 loss on operation transferred to organization expense..... | 97,169.29                              |                             |
| 1916 profit on operation.....                                      |  | 141,017.55                  |
| 1914-15 organization expense amortization.....                     |  | 97,169.29                   |
| 1916 surplus available for dividends.....                          |  | 43,848.26                   |
| Dividend paid Dec. 30, 1916.....                                   |  | 31,100.11                   |
| <b>Undivided profits, Dec. 31, 1916.....</b>                       |  | <b>12,748.15</b>            |

EXHIBIT C.—Table showing volume of rediscounts accepted by the Federal Reserve Bank of St. Louis from each State each month, the total amount accepted from each State during the year 1916, and the number of different banks in each State rediscounting each month.

|                   | Arkansas. |                   | Illinois. |                   | Indiana. |                   | Kentucky. |                   |
|-------------------|-----------|-------------------|-----------|-------------------|----------|-------------------|-----------|-------------------|
|                   | Banks.    | Amount.           | Banks.    | Amount.           | Banks.   | Amount.           | Banks.    | Amount.           |
| January.....      | 5         | \$26,286.41       | 9         | \$86,418.23       | 4        | \$96,500.00       | 2         | \$13,300.00       |
| February.....     | 2         | 18,817.85         | 6         | 33,699.94         | 2        | 25,928.85         | 3         | 38,660.19         |
| March.....        | 5         | 23,806.40         | 9         | 57,870.34         | 2        | 5,992.00          | 1         | 17,020.00         |
| April.....        | 4         | 87,936.43         | 8         | 26,767.60         | 2        | 16,840.00         | 3         | 40,218.02         |
| May.....          | 4         | 29,273.10         | 15        | 89,602.89         | 3        | 6,409.00          | 3         | 27,030.00         |
| June.....         | 7         | 76,897.97         | 10        | 45,618.79         | 2        | 5,052.50          | 1         | 1,000.00          |
| July.....         | 6         | 32,639.28         | 11        | 91,315.35         | 2        | 37,628.00         | 2         | 35,408.57         |
| August.....       | 7         | 67,994.39         | 7         | 69,923.50         | 3        | 5,057.00          | 3         | 23,368.64         |
| September.....    | 7         | 168,384.06        | 9         | 56,275.94         | 1        | 840.00            | 2         | 231,129.75        |
| October.....      | 2         | 5,820.20          | 8         | 38,385.83         | 3        | 134,179.21        | 2         | 9,804.50          |
| November.....     |           |                   | 8         | 79,957.70         | 3        | 69,574.04         | 5         | 440,007.50        |
| December.....     | 2         | 14,852.00         | 5         | 43,621.88         |          |                   | 3         | 30,750.00         |
| <b>Total.....</b> |           | <b>502,608.09</b> |           | <b>719,457.99</b> |          | <b>404,000.60</b> |           | <b>907,697.17</b> |

|                   | Mississippi. |                   | Missouri. |                     | Tennessee. |                     | Total.              |
|-------------------|--------------|-------------------|-----------|---------------------|------------|---------------------|---------------------|
|                   | Banks.       | Amount.           | Banks.    | Amount.             | Banks.     | Amount.             |                     |
| January.....      | 2            | \$19,782.33       | 12        | \$157,609.29        | 7          | \$183,847.46        | \$583,743.72        |
| February.....     |              |                   | 7         | 75,586.58           | 2          | 8,835.39            | 201,528.80          |
| March.....        | 3            | 56,468.83         | 7         | 59,000.98           | 3          | 13,981.94           | 234,135.49          |
| April.....        | 1            | 11,489.38         | 12        | 84,868.77           | 2          | 22,577.21           | 240,597.91          |
| May.....          | 2            | 32,817.47         | 12        | 428,933.06          | 1          | 7,402.43            | 621,467.95          |
| June.....         | 2            | 30,558.40         | 13        | 100,065.47          | 5          | 64,026.31           | 323,219.44          |
| July.....         | 2            | 27,939.56         | 9         | 171,526.93          | 7          | 151,774.72          | 548,232.41          |
| August.....       | 3            | 26,600.68         | 6         | 310,686.93          | 8          | 278,274.64          | 781,905.78          |
| September.....    | 4            | 157,503.57        | 6         | 192,965.92          | 8          | 916,683.41          | 1,723,682.65        |
| October.....      | 3            | 81,176.32         | 6         | 46,242.00           | 4          | 1,001,500.00        | 1,317,108.06        |
| November.....     | 2            | 28,192.69         | 4         | 42,239.80           | 3          | 351,837.28          | 1,012,809.01        |
| December.....     | 1            | 12,150.00         | 6         | 564,968.36          | 2          | 587,893.11          | 1,254,235.35        |
| <b>Total.....</b> |              | <b>485,674.73</b> |           | <b>2,234,594.09</b> |            | <b>3,588,633.90</b> | <b>8,842,666.57</b> |

**EXHIBIT D.**—Table showing the rediscount operations of the Federal Reserve Bank of St. Louis, classified by maturities, classes of paper, and months in which rediscounted.

|                                   | 10 days<br>and less. | 11 to 30 days.      | 31 to 60 days.      | 61 to 90 days.      | 91 days to<br>6 months. | Total.              |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|
| <b>Notes:</b>                     |                      |                     |                     |                     |                         |                     |
| January.....                      | \$40,000.00          | \$90,678.74         | \$162,926.44        | \$213,236.82        | \$44,324.01             | \$551,166.01        |
| February.....                     | 14,755.39            | 14,755.39           | 82,395.46           | 77,682.85           | 23,223.37               | 198,057.07          |
| March.....                        | 7,797.06             | 7,797.06            | 57,350.21           | 93,667.87           | 42,165.53               | 200,980.67          |
| April.....                        | 33,065.89            | 33,065.89           | 48,749.86           | 73,920.78           | 41,229.65               | 196,966.18          |
| May.....                          | 93,803.60            | 238,704.69          | 90,499.41           | 121,665.59          | 49,234.70               | 593,907.99          |
| June.....                         | 48,861.02            | 48,861.02           | 55,952.70           | 88,760.83           | 91,099.01               | 284,673.56          |
| July.....                         | 107,316.61           | 57,023.98           | 108,769.41          | 217,555.97          | 40,318.70               | 530,984.67          |
| August.....                       | 37,895.51            | 387,752.25          | 90,546.86           | 189,155.46          | 20,792.33               | 726,142.41          |
| September.....                    | 11,403.21            | 285,415.64          | 324,415.78          | 419,509.53          | 47,167.17               | 1,087,911.33        |
| October.....                      | 421.44               | 53,977.72           | 51,797.03           | 155,119.13          | 7,810.00                | 269,125.32          |
| November.....                     | 56,812.00            | 149,000.00          | 132,534.50          | 53,171.80           | 6,924.50                | 398,442.80          |
| December.....                     | 550.58               | 77,329.72           | 167,283.69          | 71,004.70           | 25,413.75               | 341,582.44          |
| <b>Total.....</b>                 | <b>348,202.95</b>    | <b>1,444,362.10</b> | <b>1,373,221.35</b> | <b>1,774,451.33</b> | <b>439,702.72</b>       | <b>5,379,940.45</b> |
| <b>Trade acceptances:</b>         |                      |                     |                     |                     |                         |                     |
| January.....                      | 2,620.68             | 13,830.95           | 1,593.75            | 14,532.33           |                         | 32,577.71           |
| February.....                     |                      | 1,751.23            | 1,720.50            |                     |                         | 3,471.73            |
| March.....                        |                      | 16,774.75           | 10,241.01           | 6,139.06            |                         | 33,154.82           |
| April.....                        |                      | 41,763.61           | 1,868.12            |                     |                         | 43,631.73           |
| May.....                          | 279.91               | 24,538.98           | 2,741.07            |                     |                         | 27,559.96           |
| June.....                         |                      | 15,145.10           | 23,069.14           | 331.64              |                         | 38,545.88           |
| July.....                         | 3,253.29             | 12,149.15           | 1,845.30            |                     |                         | 17,247.74           |
| August.....                       | 3,508.38             | 43,453.96           | 5,843.07            | 2,957.96            |                         | 55,763.37           |
| September.....                    | 624.71               | 10,860.20           | 100,682.56          | 77,103.85           |                         | 189,271.32          |
| October.....                      | 1,406.42             |                     | 5,618.78            | 68,457.54           |                         | 75,482.74           |
| November.....                     | 13,044.47            | 4,840.71            | 32,481.03           |                     |                         | 50,366.21           |
| December.....                     | 7,465.91             | 51,155.88           | 531.12              |                     |                         | 59,152.91           |
| <b>Total.....</b>                 | <b>32,203.77</b>     | <b>236,264.52</b>   | <b>188,235.45</b>   | <b>169,522.38</b>   |                         | <b>626,226.12</b>   |
| <b>Commodity paper:</b>           |                      |                     |                     |                     |                         |                     |
| September.....                    |                      | 13,000.00           | 123,000.00          | 110,500.00          |                         | 246,500.00          |
| October.....                      |                      | 222,500.00          | 301,000.00          | 449,000.00          |                         | 972,500.00          |
| November.....                     |                      | 66,000.00           | 23,000.00           | 40,000.00           |                         | 129,000.00          |
| December.....                     |                      | 156,000.00          |                     | 30,000.00           |                         | 186,000.00          |
| <b>Total.....</b>                 |                      | <b>457,500.00</b>   | <b>447,000.00</b>   | <b>629,500.00</b>   |                         | <b>1,534,000.00</b> |
| <b>Members' collateral notes:</b> |                      |                     |                     |                     |                         |                     |
| September.....                    |                      | 200,000.00          |                     |                     |                         | 200,000.00          |
| November.....                     | 10,000.00            | 425,000.00          |                     |                     |                         | 435,000.00          |
| December.....                     | 500,000.00           | 167,500.00          |                     |                     |                         | 667,500.00          |
| <b>Total.....</b>                 | <b>510,000.00</b>    | <b>792,500.00</b>   |                     |                     |                         | <b>1,302,500.00</b> |
| <b>Grand total.....</b>           | <b>890,406.72</b>    | <b>2,930,626.62</b> | <b>2,008,456.80</b> | <b>2,573,473.71</b> | <b>439,702.72</b>       | <b>8,842,666.57</b> |

**EXHIBIT E.**—National banks in district No. 8 which have been granted fiduciary powers, under section 11 (k) of the Federal Reserve Act, up to December 31, 1916.

Trustee, executor, administrator, and registrar of stocks and bonds:

- First National Bank, Anna, Ill.
- Ayers National Bank, Jacksonville, Ill.
- First National Bank, Pittsfield, Ill.
- City National Bank, Evansville, Ind.
- Old State National Bank, Evansville, Ind.
- First National Bank, Mt. Vernon, Ind.
- Citizens National Bank, Tell City, Ind.
- First-Hardin National Bank, Elizabethtown, Ky.
- Farmers National Bank, Glasgow, Ky.
- Henderson National Bank, Henderson, Ky.
- First National Bank, Hopkinsville, Ky.
- Citizens National Bank, Lebanon, Ky.
- Marion National Bank, Lebanon, Ky.

Trustee, executor, administrator, and registrar of stocks and bonds—Continued.

Boone County National Bank, Columbia, Mo.  
 Exchange National Bank, Columbia, Mo.  
 Citizens National Bank, Sedalia, Mo.  
 Merchants-Laclede National Bank, St. Louis, Mo.  
 Central-State National Bank, Memphis, Tenn.

Trustee, executor, administrator, and registrar of bonds:

Morganfield National Bank, Morganfield, Ky.

Trustee, executor, and administrator:

Nokomis National Bank, Nokomis, Ill.  
 Bedford National Bank, Bedford, Ind.  
 First National Bank, Versailles, Mo.

**EXHIBIT F.**—Table showing the dates, denominations, and amounts of the issues of Federal Reserve notes to the Federal Reserve Bank of St. Louis during the period 1914-15 and the year 1916.

## 1914-15.

| Date.               | Fives.    | Tens.     | Twenties. | Fifties.  | Hundreds. | Total.    |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Dec. 1, 1914.....   | \$260,000 | \$160,000 | \$80,000  |           |           | \$500,000 |
| Dec. 14, 1914.....  | 150,000   | 50,000    |           |           |           | 200,000   |
| Aug. 18, 1915.....  | 97,000    |           |           |           |           | 97,000    |
| Aug. 25, 1915.....  | 210,000   |           |           |           |           | 210,000   |
| Sept. 10, 1915..... | 200,000   | 100,940   | 88,560    |           |           | 389,500   |
| Sept. 18, 1915..... | 80,000    | 160,000   | 160,000   |           |           | 400,000   |
| Sept. 21, 1915..... | 320,000   | 400,000   | 80,000    |           |           | 800,000   |
| Sept. 28, 1915..... | 900,000   |           |           |           |           | 900,000   |
| Oct. 5, 1915.....   | 300,000   | 520,000   | 480,000   | \$200,000 |           | 1,500,000 |
| Oct. 29, 1915.....  | 480,000   | 320,000   | 240,000   |           |           | 1,040,000 |
| Nov. 12, 1915.....  | 525,000   | 360,000   | 240,000   |           |           | 1,125,000 |
| Nov. 22, 1915.....  | 15,000    |           |           |           |           | 15,000    |
| Nov. 29, 1915.....  | 200,000   | 400,000   | 400,000   |           |           | 1,000,000 |
| Dec. 20, 1915.....  | 460,000   | 400,000   | 160,000   |           |           | 1,020,000 |
|                     | 4,197,000 | 2,870,940 | 1,928,560 | 200,000   | None.     | 9,196,500 |

## 1916.

|                             |           |           |           |         |       |            |
|-----------------------------|-----------|-----------|-----------|---------|-------|------------|
| May 4, 1916.....            | \$110,000 | \$40,000  |           |         |       | \$150,000  |
| Sept. 14, 1916.....         | 200,000   | 400,000   | \$400,000 |         |       | 1,000,000  |
| Sept. 19, 1916.....         | 404,350   | 352,000   | 243,600   | \$50    |       | 1,000,000  |
| Sept. 23, 1916.....         | 360,000   | 400,000   | 240,000   |         |       | 1,000,000  |
| Sept. 30, 1916.....         |           | 240,000   | 320,000   |         |       | 560,000    |
| Oct. 3, 1916.....           | 440,000   | 560,000   |           |         |       | 1,000,000  |
| Oct. 6, 1916.....           |           | 360,000   | 640,000   |         |       | 1,000,000  |
| Oct. 13, 1916.....          | 240,000   | 360,000   | 400,000   |         |       | 1,000,000  |
| Oct. 16, 1916.....          | 21,600    | 480,000   |           |         |       | 501,600    |
| Oct. 20, 1916.....          | 240,000   | 200,000   | 560,000   |         |       | 1,000,000  |
| Nov. 1, 1916.....           | 200,000   | 400,000   | 400,000   |         |       | 1,000,000  |
| Nov. 3, 1916.....           | 100,000   |           |           |         |       | 100,000    |
| Nov. 6, 1916.....           | 240,000   | 520,000   | 240,000   |         |       | 1,000,000  |
| Nov. 13, 1916.....          | 280,000   | 400,000   | 320,000   |         |       | 1,000,000  |
| Dec. 5, 1916.....           | 60,000    | 440,000   |           |         |       | 500,000    |
|                             | 2,895,950 | 5,152,000 | 3,763,600 | 50      | None. | 11,811,600 |
| Total to Dec. 30, 1916..... | 7,092,950 | 8,022,940 | 5,692,160 | 200,050 | None. | 21,008,100 |

EXHIBIT G.—*Federal Reserve notes received and returned.*

[Amounts of Federal Reserve notes of the several denominations received from other Federal Reserve Banks for redemption or credit and returned to other Federal Reserve Banks for redemption or credit by the Federal Reserve Bank of St. Louis during 1916.]

| Exchanged with Federal Reserve Bank of— | Fives.    |           | Tens.     |           | Twenties. |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Received. | Returned. | Received. | Returned. | Received. | Returned. |
| Boston.....                             | \$9,290   | \$3,400   | \$10,870  | \$6,350   | \$7,340   | \$1,100   |
| New York.....                           | 183,000   | 68,790    | 127,770   | 95,320    | 97,120    | 40,360    |
| Philadelphia.....                       | 10,175    | 5,375     | 10,740    | 6,990     | 7,960     | 3,840     |
| Cleveland.....                          | 7,205     | 12,125    | 4,600     | 19,710    | 2,980     | 26,300    |
| Richmond.....                           | 2,515     | 12,840    | 2,850     | 18,760    | 2,660     | 20,640    |
| Atlanta.....                            | 24,665    | 100,230   | 23,240    | 151,520   | 19,000    | 105,240   |
| Chicago.....                            | 306,000   | 30,550    | 161,000   | 3,310     | 71,500    | 14,440    |
| St. Louis.....                          |           |           |           |           |           |           |
| Minneapolis.....                        | 11,820    | 57,260    | 8,430     | 49,290    | 5,340     | 32,220    |
| Kansas City.....                        | 13,060    | 843,605   | 19,560    | 335,270   | 10,980    | 107,280   |
| Dallas.....                             | 43,520    | 304,285   | 44,550    | 389,300   | 38,240    | 255,380   |
| San Francisco.....                      | 5,150     | 16,835    | 5,270     | 9,350     | 3,840     | 10,040    |
| Total.....                              | 616,400   | 1,455,295 | 418,880   | 1,085,170 | 266,960   | 616,840   |

| Exchanged with Federal Reserve Bank of— | Fifties.  |           | Hundreds. |           | Total.    |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Received. | Returned. | Received. | Returned. | Received. | Returned. |
| Boston.....                             | \$500     | \$700     |           | \$300     | \$28,000  | \$12,150  |
| New York.....                           | 23,000    | 3,150     |           | 6,900     | 430,890   | 214,520   |
| Philadelphia.....                       | 1,300     |           |           |           | 30,175    | 16,205    |
| Cleveland.....                          | 450       | 11,900    |           | 5,900     | 15,235    | 75,935    |
| Richmond.....                           | 100       | 5,450     |           | 1,500     | 8,125     | 59,190    |
| Atlanta.....                            | 27,100    | 3,150     |           | 6,000     | 94,005    | 366,140   |
| Chicago.....                            | 7,000     | 1,050     |           | 600       | 545,500   | 49,950    |
| St. Louis.....                          |           |           |           |           |           |           |
| Minneapolis.....                        | 200       | 500       |           | 800       | 25,790    | 140,070   |
| Kansas City.....                        | 400       | 6,450     |           |           | 44,000    | 1,292,605 |
| Dallas.....                             | 15,800    | 54,250    |           | 14,100    | 142,110   | 1,017,315 |
| San Francisco.....                      | 700       | 1,400     |           | 1,000     | 14,960    | 38,625    |
| Total.....                              | 76,550    | 88,000    |           | 37,400    | 1,378,790 | 3,282,705 |

EXHIBIT H.—*Table showing the Federal Reserve notes received by the Federal Reserve Agent from the Comptroller of the Currency during the period 1914-15 and the year 1916.*

## 1914-15.

| Date.              | Fives.      | Tens.     | Twenties. | Fifties.  | Hundreds. | Total.      |
|--------------------|-------------|-----------|-----------|-----------|-----------|-------------|
| Nov. 16, 1914..... | \$2,160,000 | \$340,000 |           |           |           | \$3,000,000 |
| Nov. 27, 1914..... |             |           | \$400,000 |           |           | 400,000     |
| Oct. 2, 1915.....  | 1,000,000   | 1,000,000 | 800,000   | \$400,000 |           | 3,200,000   |
| Nov. 1, 1915.....  | 1,200,000   | 1,000,000 | 800,000   |           |           | 3,000,000   |
| Total.....         | 4,360,000   | 2,840,000 | 2,000,000 | 400,000   |           | 9,600,000   |

## 1916.

|                                      |           |             |           |           |  |             |
|--------------------------------------|-----------|-------------|-----------|-----------|--|-------------|
| Sept. 5, 1916.....                   | \$520,000 | \$1,520,000 | \$960,000 |           |  | \$3,000,000 |
| Oct. 4, 1916.....                    | 800,000   | 480,000     | 720,000   |           |  | 2,000,000   |
| Oct. 12, 1916.....                   |           | 1,000,000   | 960,000   |           |  | 1,960,000   |
| Oct. 25, 1916.....                   |           | 1,520,000   | 480,000   |           |  | 2,000,000   |
| Nov. 6, 1916.....                    | 900,000   | 720,000     | 400,000   |           |  | 2,020,000   |
| Nov. 22, 1916.....                   | 1,000,000 | 960,000     |           |           |  | 1,960,000   |
|                                      | 3,220,000 | 6,200,000   | 3,520,000 |           |  | 12,940,000  |
| Total received to Dec. 30, 1916..... | 7,580,000 | 9,040,000   | 5,520,000 | \$400,000 |  | 22,540,000  |

EXHIBIT I.—*Statement of receipts and disposition of Federal Reserve notes by Federal Reserve Agent from opening of the Federal Reserve Bank of St. Louis, and of funds and securities in his possession on Dec. 30, 1916.*

|   |                 |
|---|-----------------|
| Federal Reserve notes received from Comptroller of Currency.....                      | \$22,540,000.00 |
| Notes issued to Federal Reserve Bank.....   | \$21,008,100.00 |
| Notes returned by Federal Reserve Bank to Federal Reserve Agent... \$1,496,500.00     |                 |
| Fit notes returned by United States Treasurer to Federal Reserve Agent                | 11,600.00       |
| Unfit notes received by comptroller from United States Treasurer for destruction..... | 2,610,270.00    |
|   | 4,118,370.00    |
| Federal Reserve notes outstanding.....  | 16,889,730.00   |
| Federal Reserve notes in hands of Federal Reserve Agent.....                          | 3,040,000.00    |
| Gold for retirement of Federal Reserve notes:   |                 |
| In hands of Federal Reserve Agent.....  | \$5,164,600.00  |
| Credit balance in gold redemption fund.....   | 868,130.00      |
| Credit balance with Federal Reserve Board....   | 6,510,000.00    |
|   | 12,542,730.00   |
| Rediscunts in hands of Federal Reserve Agent to secure Federal Reserve notes.....     | 4,350,506.38    |

EXHIBIT J.—*Table showing the operations of the clearing system of the Federal Reserve Bank of St. Louis from July 15, 1916, the date on which the present clearing plan, proposed by the Federal Reserve Board, went into effect, to Dec. 15, 1916.*

|                          | Average number of items handled daily. | Average amount of items handled daily. | Number of member banks in the district. | Number of nonmember banks on which we can handle items at par. | Average number of items sent daily by member banks direct to other Federal Reserve Banks for our account, not actually handled by us. | Average amount of items sent daily by member banks direct to other Federal Reserve Banks for our account, not actually handled by us. |
|--------------------------|--|--|---|--|---|---|
| 1916.                    |  |  |   |  |   |   |
| July 15 to Aug. 15.....  | 5,474                                  | \$2,451,748.83                         | 469                                     | 734  | 3,369   | \$665,348.29  |
| Aug. 16 to Sept. 15..... | 7,780                                  | 4,330,971.40                           | 469                                     | 763  | 7,517   | 1,127,293.35  |
| Sept. 16 to Oct. 15..... | 8,814                                  | 5,677,716.85                           | 468                                     | 805  | 8,294   | 1,731,342.81  |
| Oct. 16 to Nov. 15.....  | 9,388                                  | 6,904,130.84                           | 469                                     | 851  | 9,437   | 2,015,666.17  |
| Nov. 16 to Dec. 15.....  | 10,039                                 | 8,402,904.03                           | 469                                     | 881  | 9,739   | 1,837,642.17  |

## DISTRICT NO. 9—MINNEAPOLIS.

JOHN H. RICH, Chairman and Federal Reserve Agent.

The ninth Federal Reserve district embraces the following territory:

|   | Area—             | Population. |
|---|-------------------|-------------|
|   | <i>Sq. miles.</i> |             |
| The State of Montana.....                           | 146,382           | 376,053     |
| The State of North Dakota.....                      | 70,183            | 577,056     |
| The State of South Dakota.....                      | 76,868            | 583,888     |
| The State of Minnesota.....                         | 80,358            | 2,075,708   |
| The north one-third of Wisconsin <sup>1</sup> ..... | 23,273            | 481,515     |
| The northern peninsula of Michigan.....             | 15,774            | 319,501     |
| A total of.....                                     | 413,338           | 4,413,721   |

<sup>1</sup> As modified by the Federal Reserve Board's redistricting decision of Oct. 12, 1916.

The territory thus determined extends approximately 1,500 miles east and west and 600 miles north and south and is an area of peculiarly diversified interests. It is a heavy producer of copper and iron and has important lumber interests. It is, at the same time, largely agricultural and contains great areas given over to farming, stock raising, and dairying, which are so important as to largely determine the character of the service rendered by the Federal Reserve Bank of Minneapolis. The district has comparatively few large centers. The larger proportion of the member banks are located in rural communities and serve farming, stock raising, and dairying districts.

### AGRICULTURAL CONDITIONS, 1916.

Agricultural conditions during 1916 were peculiar. The continued rains which hampered the fall work in 1915 left the ground well filled with moisture when freezing weather came on. Heavy snows during the winter produced a very high stage of water in the early spring, which, with frequent rains, further impeded field work and made it difficult for many farmers to properly prepare the ground. As a result many fields were insufficiently cultivated. The spring growing season was very favorable, and the small grain crops obtained an excellent start, although corn planting was late, and this crop was in many cases replanted because the seed had rotted in the ground. Small grains continued to make excellent progress during the early summer, while corn advanced slowly. Excessive heat com-

ing at the time when the grains began to mature, created very severe damage and was accompanied by excessive rust and blight. Over considerable sections of North and South Dakota and Minnesota wheat sustained severe damage, the total yield being far short of a normal crop. Corn, however, made fair progress and produced a fair to good crop in most localities.

The shortage of approximately 100,000,000 bushels in the wheat crop of the district was to a very considerable extent offset by gradually rising prices, which, soon after the crop began to move, approached the highest levels known in years. In common with wheat prices on all other small grains advanced materially, and farmers were able to realize for grain of the poorest quality prices which in previous years have seldom been realized for the finest grades. This condition, coupled with the fact that there had been a pronounced disposition to hold over good wheat from the previous crop, resulted in the disbursement of large sums of money, since the greater part of the old wheat moved at high prices with the new crop. The heavy returns thus received by grain growers tended to relieve the depression that would otherwise have existed in the grain-growing districts.

An extremely satisfactory market prevailed during the year for practically all other items of farm production. Stock receipts at the important South St. Paul market ran considerably in excess of 1915 for every item except sheep. Wool, of which there is a heavy production in western North and South Dakota and Montana, commanded the highest prices growers had ever known. Dairy products, eggs, poultry, and potatoes, of which the district produced only a fair crop, and similar items likewise commanded excellent prices.

In quality the 1916 grain crop of the district was poor. A large amount of the wheat produced was small, shrunken, and light in weight. The barley crop ranked somewhat better in quality, and corn was fair to good. A severe car shortage beginning during the height of the grain moving and becoming more and more pronounced toward the end of the year, seriously hampered the handling of the crop and interfered with milling operations. Many interior mills closed down and some of the large mills in Minneapolis were compelled to cut down their production. Severe restrictions on cars moving into eastern territory likewise hampered practically all of the lines of business depending to any extent on the car supply.

Although the total grain production was far short as compared with the previous year, the extremely high prices created an unusual demand for crop-moving purposes, which was effectively met by the Federal Reserve Bank, which issued for this purpose a total of \$8,500,000 in addition to Federal Reserve notes previously issued and available in part, as against approximately \$8,000,000 during the

previous crop-moving period. The prompt support of the Federal Reserve Bank was of substantial value to the farmers, and for the second time enabled the ninth Reserve district to handle the financing that is incident to grain moving, independent of any aid or assistance from eastern money centers, which in former years had met the heavy calls for currency.

#### BUSINESS CONDITIONS, 1916.

The early part of 1916 was characterized by moderate business activity and quiet condition over the district as a whole. Retail and wholesale trade quickened perceptibly with the opening up of spring farm work, and business began to show an upward tendency, which lasted through the year. By early summer there was a noticeable improvement, not only in trade but industry as well, and the final figures for the year in practically all lines showed substantial increases over 1915. The improved purchasing power of farmers, due to the prevailing high prices, was notably evident in retail merchandising operations and in its effect upon all the lines of trade particularly dependent on conditions in the agricultural areas. Collections were excellent and most concerns closed the year with a substantial reduction of uncollected accounts.

City and country banks were in a strong position throughout the year and had comparatively small occasion to rediscount. Deposits were substantially increased as compared with the previous year. The banking position of the district in 1916 is shown by the following table:

#### *Member banks' capital, deposits, loans, and discounts.*

|               | Member banks. | Capital.     | Surplus.     | Deposits, demand. | Deposits, time. | Loans and discounts. |
|---------------|---------------|--------------|--------------|-------------------|-----------------|----------------------|
| 1915.         |               |              |              |                   |                 |                      |
| Dec. 31.....  | 733           | \$56,196,000 | \$28,903,572 | \$296,528,888     | \$187,226,827   | \$420,714,656        |
| 1916.         |               |              |              |                   |                 |                      |
| Mar. 7.....   | 740           | 56,411,000   | 29,058,000   | 296,927,000       | 196,501,000     | 440,824,000          |
| May 1.....    | 746           | 57,056,000   | 29,026,000   | 299,484,000       | 207,182,000     | 452,685,000          |
| June 30.....  | 749           | 57,141,000   | 29,116,000   | 296,105,000       | 212,128,000     | 456,890,000          |
| Sept. 12..... | 757           | 57,650,000   | 29,149,000   | 308,564,000       | 218,474,000     | 472,350,000          |
| Nov. 17.....  | 759           | 57,726,000   | 29,173,000   | 339,449,000       | 223,227,000     | 499,014,000          |

#### *Member bank reserves at comptroller's calls.*

|                             | Reserve held. | Reserve required. | Excess.      |
|-----------------------------|---------------|-------------------|--------------|
| 1915.                       |               |                   |              |
| Dec. 31.....                | \$135,473,174 | \$56,189,161      | \$79,284,012 |
| 1916.                       |               |                   |              |
| Mar. 7.....                 | 142,425,000   | 59,564,000        | 82,861,000   |
| May 1.....                  | 132,081,000   | 59,065,000        | 73,016,000   |
| June 30.....                | 115,606,000   | 56,951,000        | 58,655,000   |
| Sept. 12.....               | 121,063,000   | 60,787,000        | 60,276,000   |
| Nov. 17.....                | 133,946,000   | 66,089,000        | 67,857,000   |
| Average excess reserve..... |               |                   | \$70,325,000 |



Rates were low and free from fluctuation during practically the entire year, although with a gradually improving demand.

Conditions throughout the year were such as to demand comparatively few changes in discount rates. Upon receipt of authority from the Federal Reserve Board, the Federal Reserve Bank of Minneapolis, on March 18, established a  $3\frac{1}{2}$  per cent rate on trade acceptances, and, pursuant to the same authority, put in force a 4 per cent rate on 15-day collateral paper, effective September 20. The prevailing discount rates for the year and the dates upon which changes were made are shown in the following table:

Discount rates.

|               | 15 days.         | 30 days.         | 60 days.         | 90 days.         | 6 months.        | Trade acceptances. | Commodity paper. |
|---------------|------------------|------------------|------------------|------------------|------------------|--------------------|------------------|
|               | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i> | <i>Per cent.</i>   | <i>Per cent.</i> |
| Jan. 1.....   |                  | 4                | 4                | 4 $\frac{1}{2}$  | 5                | .....              | 3                |
| Mar. 18.....  |                  | 4                | 4                | 4 $\frac{1}{2}$  | 5                | 3 $\frac{1}{2}$    | 3                |
| May 15.....   |                  | 4                | 4                | 4 $\frac{1}{2}$  | 5                | 3 $\frac{1}{2}$    | 3 $\frac{1}{2}$  |
| July 25.....  |                  | 4                | 4                | 4 $\frac{1}{2}$  | 5                | 3 $\frac{1}{2}$    | 3 $\frac{1}{2}$  |
| Sept. 20..... | 4                | 4                | 4                | 4 $\frac{1}{2}$  | 5                | 3 $\frac{1}{2}$    | 3 $\frac{1}{2}$  |
| Dec. 31.....  | 4                | 4                | 4                | 4 $\frac{1}{2}$  | 5                | 3 $\frac{1}{2}$    | 3 $\frac{1}{2}$  |

Discount operations of the bank during the year are shown in the following table, giving, by months, the number of applications received, number of banks served, number of items discounted, maturities, and balances at the end of each month:

Rediscount operations.

|                | Number of applications received. | Number of banks served. | Number of items received. | Maturing 10 days. | Maturing 30 days. |
|----------------|----------------------------------|-------------------------|---------------------------|-------------------|-------------------|
| January.....   | 44                               | 30                      | 145                       | \$18,277          | \$6,230           |
| February.....  | 19                               | 17                      | 96                        | 0                 | 2,369             |
| March.....     | 25                               | 18                      | 117                       | 0                 | 721               |
| April.....     | 25                               | 20                      | 146                       | 0                 | 5,621             |
| May.....       | 58                               | 44                      | 281                       | 691               | 5,503             |
| June.....      | 64                               | 45                      | 409                       | 1,871             | 19,988            |
| July.....      | 79                               | 56                      | 441                       | 6,632             | 35,951            |
| August.....    | 65                               | 47                      | 400                       | 433               | 326,923           |
| September..... | 54                               | 41                      | 237                       | 0                 | 20,470            |
| October.....   | 43                               | 30                      | 259                       | 0                 | 552,281           |
| November.....  | 60                               | 38                      | 321                       | 9,795             | 14,611            |
| December.....  | 89                               | 31                      | 370                       | 0                 | 788,923           |
| Total.....     | 625                              | 417                     | 3,222                     | 37,699            | 1,779,591         |

|                | Maturing 60 days. | Maturing 90 days. | Maturing over 90 days. | Total.    | Balance end month. |
|----------------|-------------------|-------------------|------------------------|-----------|--------------------|
| January.....   | \$14,700          | \$40,224          | \$109,556              | \$188,987 | \$1,042,218.36     |
| February.....  | 11,923            | 36,087            | 46,253                 | 96,632    | 903,093.29         |
| March.....     | 21,172            | 18,318            | 71,159                 | 111,370   | 765,502.57         |
| April.....     | 22,551            | 12,059            | 81,635                 | 121,866   | 655,833.57         |
| May.....       | 53,527            | 20,133            | 247,249                | 327,103   | 679,890.04         |
| June.....      | 42,655            | 62,200            | 353,579                | 480,293   | 946,687.11         |
| July.....      | 178,674           | 170,333           | 341,583                | 733,183   | 1,520,072.71       |
| August.....    | 214,630           | 169,151           | 159,752                | 870,889   | 1,847,708.94       |
| September..... | 82,603            | 110,690           | 123,127                | 342,890   | 1,881,215.20       |
| October.....   | 544,995           | 92,821            | 117,336                | 1,307,433 | 2,503,768.86       |
| November.....  | 101,911           | 55,369            | 219,583                | 401,269   | 1,270,986.13       |
| December.....  | 441,274           | 85,082            | 176,252                | 1,491,531 | 1,985,182.75       |
| Total.....     | 1,730,615         | 872,467           | 2,053,074              | 6,473,446 | 16,002,159.53      |

Operations of the bank in the purchase of acceptances are shown in the following table, giving totals of bills bought, by months, together with maturities of the same:

*Acceptances bought.*

|                | 30 days.   | 60 days.     | 90 days.      | Total.        |
|----------------|------------|--------------|---------------|---------------|
| January.....   |            | \$25,213.24  | \$200,522.80  | \$225,736.04  |
| February.....  | \$1,473.73 | 7,230.58     | 219,291.43    | 227,995.74    |
| March.....     |            | 44,324.82    | 364,822.69    | 409,147.51    |
| April.....     |            | 152,870.36   | 381,408.10    | 534,278.46    |
| May.....       |            | 135,142.35   | 492,625.22    | 627,767.57    |
| June.....      |            | 268,598.08   | 857,791.05    | 1,126,389.13  |
| July.....      | 2,968.14   | 70,952.44    | 1,259,867.20  | 1,333,787.78  |
| August.....    | 10,251.64  | 216,453.52   | 826,646.87    | 1,053,352.03  |
| September..... | 30,789.72  | 279,192.45   | 722,180.88    | 1,032,163.05  |
| October.....   | 9,400.80   | 389,413.92   | 974,115.76    | 1,372,930.48  |
| November.....  |            | 411,688.86   | 1,022,114.35  | 1,443,803.21  |
| December.....  |            | 513,605.67   | 3,638,351.97  | 4,151,957.64  |
| Total.....     | 54,884.03  | 2,514,686.29 | 10,969,738.32 | 13,539,308.64 |

<sup>1</sup> Of this total \$11,160,726.64 was based upon foreign trade and \$2,378,582 upon domestic trade transactions.

Discount rates for commodity paper were 3 per cent from January 1 to May 15, and on the latter date were advanced to 3½ per cent, the rate remaining unchanged for the balance of the year. In the ninth Reserve district the chief application of commodity paper is to the discount of farmers' paper collateralized by grain-elevator receipts. The operations under the commodity rate are given in the following table, showing maturities and totals, by months:

*Commodity paper.*

|                | 10 days. | 30 days. | 60 days.   | 90 days.   | Total.     |
|----------------|----------|----------|------------|------------|------------|
| January.....   |          |          |            | \$1,015.00 | .....      |
| February.....  |          |          |            | 304.50     | \$1,319.50 |
| March.....     |          | \$600    | \$3,600.33 | 4,907.57   | 9,107.90   |
| April.....     |          |          |            | 913.63     | 913.63     |
| May.....       |          |          |            | 1,015.00   | 2,030.00   |
| June.....      |          |          |            | 406.00     | 5,537.00   |
| July.....      |          | 2,311    | 2,820.00   | 1,015.00   | 1,015.00   |
| August.....    |          |          |            |            |            |
| September..... |          |          |            |            |            |
| October.....   |          |          |            |            |            |
| November.....  |          |          |            |            |            |
| December.....  |          |          |            |            |            |
| Total.....     |          | 2,911    | 7,435.33   | 9,576.70   | 19,923.03  |

A rate of 3½ per cent was established for the discount of trade acceptances on March 18, continuing unchanged throughout the year. The growth of this class of business has been very slow, due partly to the reluctance of larger concerns to alter the established practice of years, and partly to the fact that the extremely low money rates have militated against such use of acceptances as can reasonably be expected in a year of normal rates. There is, however, evidence of a larger use of this class of paper than is generally supposed, with

the probability that commercial firms and banks hold substantial amounts which do not come to the attention of the Reserve Bank. The discount of trade acceptances during the year is shown in the following table:

*Trade acceptances, by maturities and months.*

|               | 10 days. | 30 days.    | 60 days.  | 90 days.   | Total.    |
|---------------|----------|-------------|-----------|------------|-----------|
| May.....      |          |             | \$557.00  |            | \$557.00  |
| December..... |          | \$17,723.00 | 19,092.00 | \$4,312.00 | 41,127.12 |
| Total.....    |          | 17,723.00   | 19,649.00 | 4,312.00   | 41,684.12 |

Pursuant to the authority of the Federal Reserve Board, a rate of 4 per cent was established on October 20 for the discount of 15-day collateral notes of member banks. The rate remained in force without change throughout the remainder of the year. The operations under this rate were as follows:

*Collateral notes—member banks.*

|               |           |
|---------------|-----------|
| October.....  | \$500,000 |
| November..... | 12,795    |
| December..... | 543,200   |
| Total.....    | 1,055,995 |

Operations of the bank in United States bonds during the year are shown in the following table, giving the amount purchased, the amount sold, and the amounts of bonds converted.

*United States bond operations.*

|                 | Purchases.  | Sales.   | Conversions into— |                 |
|-----------------|-------------|----------|-------------------|-----------------|
|                 |             |          | 3 per cent bonds. | Treasury notes. |
| 2 per cent..... | \$1,478,500 | \$40,000 | \$698,600         | \$700,000       |
| 3 per cent..... | 893,420     | 699,400  |                   |                 |
| 4 per cent..... | 181,000     |          |                   |                 |

Present bond holdings of the bank are distributed as follows:

|                                |             |
|--------------------------------|-------------|
| 2 per cent.....                | \$1,064,900 |
| 3 per cent bonds.....          | 1,196,440   |
| 3 per cent Treasury notes..... | 700,000     |
| 4 per cent.....                | 181,000     |
| Total.....                     | 3,142,340   |

Below are given the holdings of United States bonds and Treasury notes, by months, and the average earning rates per month:

|                | United States bonds. | Average rate. |
|----------------|----------------------|---------------|
| January.....   | \$1,403,277          | 2.11          |
| February.....  | 1,687,500            | 2.46          |
| March.....     | 2,069,200            | 2.19          |
| April.....     | 2,396,800            | 2.40          |
| May.....       | 3,378,100            | 2.22          |
| June.....      | 3,812,300            | 2.27          |
| July.....      | 3,512,600            | 2.15          |
| August.....    | 3,420,200            | 2.12          |
| September..... | 3,369,400            | 2.18          |
| October.....   | 2,923,500            | 2.22          |
| November.....  | 2,616,500            | 2.22          |
| December.....  | 2,446,100            | 2.08          |
|                |                      |               |
|                | Treasury notes.      | Average rate. |
| July.....      | \$350,000            | 2.95          |
| August.....    | 350,000              | 2.95          |
| September..... | 350,000              | 3.05          |
| October.....   | 688,700              | 3.00          |
| November.....  | 700,000              | 3.05          |
| December.....  | 700,000              | 2.95          |

The following table shows the volume and maturities of municipal warrants bought during the year, together with the average amounts held, by months, and the average earning rates and classification by issuing public bodies:

*Municipal warrants.*

**MATURITIES.**

|                     |                     |
|---------------------|---------------------|
| Within 10 days..... | \$75,766.67         |
| 30 days.....        | 106,344.69          |
| 60 days.....        | 748,161.28          |
| 90 days.....        | 153,931.53          |
| Over 90 days.....   | 2,650,591.96        |
| <b>Total.....</b>   | <b>3,734,796.18</b> |

**RATES  $2\frac{1}{4}$  TO  $4\frac{1}{4}$ .**

|               | Average amount held during month. | Average rate. |                | Average amount held during month. | Average rate. |
|---------------|-----------------------------------|---------------|----------------|-----------------------------------|---------------|
| 1916.         |                                   |               | 1916.          |                                   |               |
| January.....  | \$960,241                         | 3.27          | July.....      | \$1,069,900                       | 2.81          |
| February..... | 1,169,300                         | 2.93          | August.....    | 1,054,400                         | 2.88          |
| March.....    | 1,340,800                         | 2.39          | September..... | 1,041,600                         | 2.91          |
| April.....    | 1,433,700                         | 2.19          | October.....   | 1,674,900                         | 2.82          |
| May.....      | 1,926,800                         | 2.29          | November.....  | 1,281,400                         | 2.86          |
| June.....     | 1,387,600                         | 2.55          | December.....  | 675,100                           | 3.11          |

*Classification of securities by charter of issuing public bodies.*

|                   |                     |
|-------------------|---------------------|
| State.....        | \$111,925.82        |
| Municipal.....    | 2,892,665.45        |
| Other.....        | 730,204.91          |
| <b>Total.....</b> | <b>3,734,796.18</b> |

## GOLD SETTLEMENT FUND.

The rapidly increasing usefulness of the gold settlement fund, created in Washington by the Federal Reserve Board, for the adjustment of balances between Federal Reserve Banks, is demonstrated by the following tabulation, giving the average debits and credits on settlement dates for each month, and the average balances due this bank for each month, during the year:

|                | Debits.   | Credits.  | Balance.    |
|----------------|-----------|-----------|-------------|
| January.....   | \$76,750  | \$263,600 | \$3,767,000 |
| February.....  | 116,000   | 189,750   | 4,073,750   |
| March.....     | 264,600   | 130,166   | 4,380,166   |
| April.....     | 122,750   | 117,500   | 4,643,250   |
| May.....       | 141,250   | 113,200   | 4,682,600   |
| June.....      | 485,166   | 357,166   | 4,939,571   |
| July.....      | 616,250   | 590,000   | 7,745,000   |
| August.....    | 2,695,600 | 2,144,000 | 3,886,571   |
| September..... | 5,130,500 | 3,601,400 | 3,657,800   |
| October.....   | 5,719,250 | 4,642,400 | 4,396,000   |
| November.....  | 5,748,250 | 3,788,711 | 7,002,428   |
| December.....  | 5,488,400 | 5,473,200 | 8,141,600   |

## REDISTRICTING DECISION.

The so-called Wisconsin bank case was reopened before the Federal Reserve Board through informal hearing August 8, following which the Board on October 12 issued an order reducing the Wisconsin territory allotted to the ninth Reserve district and transferring the portion so affected to the seventh Reserve district. The change in the Wisconsin boundary lines leaves within the ninth Federal Reserve district approximately one-third of that State, comprising the northwestern counties. The line of division is, roughly, an irregular boundary following county lines from the southwestern boundary of the State of Minnesota at the Mississippi River, in a northeasterly direction to the Wisconsin-Northern Michigan boundary, at a point where the eastern boundary of Florence County, Wis., intersects the State line. The decision removed from the ninth district 25 counties, within which were located 52 member banks, having an aggregate capital and surplus of \$7,634,900 at the time of the filing of the order for transfer, and having a paid-in capital in the Federal Reserve Bank of Minneapolis of \$229,400, and deposited reserves of \$1,376,429.89.

Pursuant to the decision of the Federal Reserve Board, the transfer of membership was made effective January 1, and 52 banks in the territory involved were transferred from the Federal Reserve Bank of Minneapolis to the Federal Reserve Bank of Chicago. During the year 1915 the Federal Reserve Bank of Minneapolis enjoyed a growth of membership of 26 banks, bringing the total membership at the beginning of the year up to 734. There was a further increase

of 29 institutions to membership during 1916, bringing the membership up to 763, and a loss of four members through liquidation, giving a membership of 759. The transfer of the 52 banks affected by the redistricting decision left the ninth Reserve district at the close of the year with a net membership of 707 banks.

#### RELATIONS WITH MEMBER AND NONMEMBER BANKS.

The movement of State banks into membership has been very encouraging. There was received into membership during the year the largest State bank in Minnesota, which preserved its State bank identity, together with a considerable number of other State banks well distributed over the six States that in whole or in part form the ninth Federal Reserve district, which took membership by the process of conversion into national banks. From organization to the close of the year 40 different State institutions had taken membership, 39 of which were by conversion.

The relations of the Federal Reserve Bank to the State banking departments of various States have been pleasant and marked by valuable cooperation. The officers of this institution have at all times made it clear that in presenting to State banks the opportunities for membership acquired by the provisions of the Federal Reserve Act, there was no thought of indicating a preference as to the course to be pursued, and have sought to leave the alternative methods of acquiring membership entirely to the judgment of their officers and boards of directors, believing that the Federal Reserve system should be in no sense competitive with the State banking departments and State banks of the various States.

There has been an encouraging growth of understanding between the Federal Reserve Bank and its members, and closer relations have been built up during the year. Member banks have been kept thoroughly informed as to the gradual development of the functions of the reserve institutions and of their rights and privileges under the law. There has been prompt and effective action to meet their demands and requirements in every instance where opportunity offered. Substantial service was rendered during the year in meeting the demands of the agricultural sections during the spring planting season, in financing the crop movement and in meeting the requirements of members in agricultural sections during the fall period.

The district was remarkably free from emergencies or conditions necessitating rediscounting, and the volume of business coming to the Reserve Bank from this source showed the added influence of the strong position of practically all the members, and was even less than may be expected in a normal year. The average through the year showed some improvement over the previous year. This was due, not to banking or business conditions, but to a wider knowledge

on the part of the members of the rights afforded them under the act.

The course of accounts from which the principal revenue of the bank is derived is shown in the following tabulation, giving the amounts of rediscounts, collateral notes, bills bought, United States bonds and investments held at 15-day periods throughout the year:

*Earning assets.*

|               | Rediscounts. | 15-day collateral notes. | Bills bought (acceptances). | United States bonds. | Investments (warrants). |
|---------------|--------------|--------------------------|-----------------------------|----------------------|-------------------------|
| Jan. 1.....   | \$1,244,616  |                          | \$477,806                   | \$1,323,820          | \$910,513               |
| Jan. 15.....  | 1,139,845    |                          | 548,203                     | 1,392,820            | 880,243                 |
| Feb. 1.....   | 996,168      |                          | 490,710                     | 1,487,200            | 1,087,262               |
| Feb. 15.....  | 940,704      |                          | 481,844                     | 1,646,700            | 1,398,745               |
| Mar. 1.....   | 825,420      |                          | 558,710                     | 1,876,700            | 902,384                 |
| Mar. 15.....  | 804,780      |                          | 631,373                     | 2,047,700            | 1,414,227               |
| Apr. 1.....   | 760,811      |                          | 773,099                     | 2,313,700            | 1,381,242               |
| Apr. 15.....  | 707,343      |                          | 1,042,407                   | 2,463,700            | 1,418,424               |
| May 1.....    | 591,256      |                          | 1,076,356                   | 2,648,200            | 1,670,206               |
| May 15.....   | 584,418      |                          | 1,227,806                   | 3,293,700            | 1,925,662               |
| June 1.....   | 658,758      |                          | 1,325,746                   | 3,727,600            | 2,077,814               |
| June 15.....  | 816,819      |                          | 1,653,109                   | 3,842,400            | 1,218,974               |
| July 1.....   | 974,445      |                          | 2,009,816                   | 3,862,940            | 820,852                 |
| July 15.....  | 1,216,683    |                          | 2,231,052                   | 3,862,940            | 1,032,142               |
| Aug. 1.....   | 1,825,423    |                          | 2,531,802                   | 3,824,940            | 1,045,740               |
| Aug. 15.....  | 1,946,234    |                          | 2,954,490                   | 3,748,640            | 1,069,002               |
| Sept. 1.....  | 1,828,698    |                          | 2,934,054                   | 3,748,540            | 992,127                 |
| Sept. 15..... | 1,891,211    |                          | 3,024,349                   | 3,723,540            | 1,010,236               |
| Oct. 1.....   | 1,881,215    |                          | 3,050,630                   | 3,645,340            | 1,277,311               |
| Oct. 15.....  | 1,688,664    |                          | 2,964,047                   | 3,620,340            | 1,754,345               |
| Nov. 1.....   | 1,752,016    | \$500,000                | 2,533,602                   | 3,567,340            | 1,487,574               |
| Nov. 15.....  | 1,272,211    |                          | 2,606,860                   | 3,167,340            | 1,229,095               |
| Dec. 1.....   | 1,079,180    | 3,000                    | 2,956,921                   | 3,166,340            | 645,806                 |
| Dec. 15.....  | 1,054,598    | 203,000                  | 5,748,336                   | 3,142,340            | 691,665                 |
| Dec. 30.....  | 1,651,983    | 333,200                  | 6,200,000                   | 3,142,340            | 569,665                 |

Very encouraging and continuous increases in bills bought, consisting of acceptances, largely based on the export and import business of the United States, and upon the domestic movement of grain is shown by the above figures. While the rate obtained was uniformly low, the very high quality and liquidity of such paper has made it an especially desirable investment, and the revenue obtained therefrom is entirely satisfactory. A substantial increase in the amount of United States bonds held, and the very satisfactory average of investments, consisting of State, municipal, and other warrants, should also be noted. The character of these operations suggests that the normal course of business will be toward the creation of a revenue out of acceptances bought, United States bonds and investments, affording a surplus over and above the ordinary operating expenses of the institution. This point was reached at mid-year and removed the possibility of an undue interest in the accumulation of revenue from rediscounting operations. The Federal Reserve Bank was thus placed in the peculiarly independent position of being able to say to its members that it had acquired the ability to cover expenses and part of its dividend without reference to profit from rediscount. It acquired, therefore, the ability to hold its resources in a highly liquid form and conserve its financial

strength against unusual demands or emergencies as may overtake the institutions affiliated by membership.

Member banks are to be especially commended for the interest they have shown in complying strictly with the requirements of the act with reference to the character of paper offered for rediscount and statements accompanying the same. The rediscount paper held by the reserve bank during the year has been in practically every case supported by a full and complete statement of the maker. There has been an encouraging growth in the practice on the part of member banks of extending their credit files to cover all borrowers, and many such institutions have found this course greatly to their advantage. Experience has proven that by careful and persistent work, member banks have been able not only to complete such files, but to secure the cooperation of their customers. They have accomplished during the year a large amount of valuable educational work along this line in their home communities.

The gradual improvement in deposits, consisting of reserves and excess balances of member banks, continued throughout the year, the figures being substantially increased by the additional reserve payments of November 16. With respect to the member banks, the general disposition was to maintain an excess over the reserve required by law, but with the development and broadening of check clearing operations there were many instances in which it was found necessary to send notice of an impairment of reserve through overdrafts. The course of member bank deposits is shown by the following table, giving balances at the close of business on the last day of each month during the year:

*Member bank deposits.*

|               |                 |                |                 |
|---------------|-----------------|----------------|-----------------|
| January.....  | \$14,463,496.56 | July.....      | \$19,800,406.51 |
| February..... | 14,664,346.33   | August.....    | 20,316,086.22   |
| March.....    | 15,172,306.41   | September..... | 21,597,934.29   |
| April.....    | 15,780,778.42   | October.....   | 23,615,796.20   |
| May.....      | 18,908,860.08   | November.....  | 29,335,175.34   |
| June.....     | 19,378,658.91   | December.....  | 29,534,961.87   |

The reserve position of the bank during the year is indicated in the following tabulation showing the average reserve held, by months, and percentage of reserves:

*Reserves—Percentages.*

|               | Average<br>reserve. | Percent-<br>age. |                | Average<br>reserve. | Percent-<br>age. |
|---------------|---------------------|------------------|----------------|---------------------|------------------|
| January.....  | \$7,149,158         | 72.4             | July.....      | 11,636,484          | 61.5             |
| February..... | 7,538,035           | 73.4             | August.....    | 10,563,422          | 54.5             |
| March.....    | 8,355,710           | 70.3             | September..... | 9,797,841           | 53.7             |
| April.....    | 8,763,040           | 67.3             | October.....   | 10,807,855          | 55.1             |
| May.....      | 10,424,546          | 62.9             | November.....  | 13,979,832          | 65.2             |
| June.....     | 12,044,156          | 64.6             | December.....  | 16,529,748          | 61.7             |



Member banks have been prompt to forward tabulated copies of statements rendered at the comptroller's calls within the year. These were used as a basis for the periodic checking of capital stock accounts.

#### THE FEDERAL RESERVE BANK AND THE PUBLIC.

The work of the year has been characterized by a growing appreciation on the part of the general public of the services afforded by the Federal Reserve Bank and the relation of this service to the maintenance of stable financial conditions within the district. During a period of comparative quiet, when deposits have been uniformly high in all banks, and when the demand has not been sufficient to afford the reserve bank opportunity to come into intimate contact with any great proportion of its members, opportunities to demonstrate the full measure of service that may be expected from such an institution have been comparatively few. There have, however, been certain local conditions affording the bank an opportunity to exert a helpful influence. Such opportunities were afforded through the failure of the grain crop in portions of North and South Dakota and Minnesota, through the demands of crop moving during the fall period, to which previous reference has been made, through assistance to stock men, and through support of member banks that were heavily drawn upon during the closing months of the year by country correspondents.

The influence of the discount policy of this bank upon rates paid by bank customers throughout the district is not easily traced. It undoubtedly has manifested itself, not so much in the amount of the rate as in the volume of credit extended. In the stock and agricultural districts the facilities afforded by the Reserve Bank enables many member banks to continue to extend credit at reasonable rates, where, without the ability to rediscount, there would undoubtedly have been some restrictions on loans. The steadying influence of the Reserve Bank rates has been quite noticeable, and the district has been unusually free from the fluctuations in bank rates shown in previous years.

Some of the larger banks have had occasion either to rediscount or to present 15-day collateral notes, but the greater volume of the rediscounts of the bank have come from country communities and from comparatively small institutions. The paper thus taken has been very largely agricultural, and the credit extensions resulting from the rediscounts have been to farmers, stock growers, and business men at outside points in the district. The service of the bank in equalizing credit conditions by providing support to member institutions where it was needed has been of a substantial character.

Member banks have had the double advantage of being able to discount direct with the Reserve Bank at very reasonable rates, or of going to their correspondents with their paper and their discounting it upon a favorable basis, as compared with previous years. The rates of the larger city banks to their correspondents have shown a tendency to seek about the same level as the discount rates of the Reserve Bank.

#### THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

In its capacity as fiscal agent of the United States Government, the functions of the bank are not yet fully developed. In accordance with instructions of the Secretary of the Treasury, it has received and held Government deposits during the year, showing the following balances at the close of business each month:

##### *Government deposits.*

|               |                |                |                 |
|---------------|----------------|----------------|-----------------|
| January.....  | \$187, 270. 12 | July.....      | \$886, 116. 14  |
| February..... | 543, 315. 73   | August.....    | 1, 041, 839. 32 |
| March.....    | 496, 918. 72   | September..... | 1, 096, 800. 65 |
| April.....    | 440, 826. 60   | October.....   | 940, 519. 39    |
| May.....      | 639, 252. 52   | November.....  | 841, 639. 03    |
| June.....     | 800, 846. 01   | December.....  | 886, 438. 00    |

In its relations with the Treasurer's department and the Comptroller's office, the bank has enjoyed the fullest and most complete cooperation of the departmental heads and their staffs.

#### INTERNAL MANAGEMENT OF THE BANK.

The directors of the Federal Reserve Bank of Minneapolis showed a keen interest during the year in the progress of the institution. Directors' meetings were well attended, and thorough and searching consideration was given to all of the details of operation, current progress, and opportunities for the further development of the usefulness of the institution. The work of the board of directors has been notable for the cooperation and harmony with which it has been prosecuted. The executive committee followed, as in the previous year, the practice of meeting at noon on every business day, and has kept in close and constant touch with all the activities of the bank, giving especially rigid and careful attention to the rediscount of paper, purchase of acceptances, bonds, and investments.

The clerical staff has rendered excellent service, and shows but a small increase, with the exception that the development of check-clearing operations during the mid-year period, and the rapidly increasing volume of work, necessitated a large increase in the clerical force of that department, and the creation of considerable expense which is, however, recoverable through the service charge.

The bank was represented on the Advisory Council at all of its sessions during the year.

The new vault facilities, completed October 1, 1915, provided for the complete segregation of the funds of the Federal Reserve Agent and the funds of the bank, and the methods adopted at that time have proven extremely satisfactory during the year. The bank enjoys the use of two vaults, one of which was available upon the occupancy of our present quarters. It contains two large and especially heavy chests and affords facilities for the safe keeping of the tellers' funds, and storage space for books and documents.

The new vault is exclusively a money vault and is employed for the holding of all of the funds of the Federal Reserve Agent, and all of the funds of the bank, except the tellers' cash. It is of extremely heavy construction and is believed to be one of the strongest safes in the Western States. It has complete electrical protection and is inspected and guarded by a special watchman day and night.

The bank was examined by the chief examiner of the Federal Reserve Board and his staff in March and November. Both examinations were of the closest and most searching character and were accompanied by extended conferences between the chief examiner and the official staff of the bank as to minor details of operation.

#### CHECK CLEARING AND COLLECTION.

Important changes, involving a considerable expansion in the transit department, have occurred in check clearing and collection during the year. During the first six months of 1916 the so-called "voluntary" collection system was in operation. This provided for immediate credit for checks deposited with the Federal Reserve Bank drawn on banks which had agreed that their checks were to be charged to their account on day deposited, provided such checks were deposited by banks which had likewise agreed as to checks drawn upon them. In practical operation this plan was not especially successful. The actual collection of checks was limited as to number and amount, and the chief benefit resulting from the participation of this bank in clearing operations was to increase the number of banks on the par lists of member banks. During this period the daily average number of items was 185 and the average daily amount of items was \$125,138.

On July 15, 1916, the collection system formerly in operation was discontinued and the present check clearing and collection system, as authorized and established by the Federal Reserve Board, was adopted and put into operation. The immediate effect was a large increase in the par list. The ninth Reserve district contains 3,408 banks, of which 1,858 are on the par list of the Reserve Bank. A total of 302 banks have been added to the par list since July 15, an increase reflecting creditably on the management of this department.

The number of items handled and the amount of clearings and collections have shown a constant and continuous increase.

On July 1, 1916, the Federal Reserve Bank established a St. Paul-Minneapolis clearing house for the handling of inter-city checks. This is separate and distinct from the current operations of the transit department, and has proven of great value in adjusting inter-city transactions by enabling all of the banks of one city to promptly and expeditiously collect all checks drawn on the banks of the other city. The resulting balances are settled on the books of the Federal Reserve Bank. The service provided has proved efficient and very satisfactory to the banks concerned.

Owing to the operation of this plan the Federal Reserve Bank considers as reserve on day of receipt checks on all St. Paul banks as well as those on Minneapolis banks. The operations of the Twin City clearing house from its organization to the close of the year 1916 were as follows:

*Clearings through Federal Reserve Bank, 1916.*

|                |                    |               |                     |
|----------------|--------------------|---------------|---------------------|
| July.....      | \$63, 180, 272. 59 | November..... | \$122, 975, 218. 32 |
| August.....    | 76, 388, 551. 28   | December..... | 109, 069, 589. 72   |
| September..... | 88, 227, 585. 25   |               |                     |
| October.....   | 113, 996, 837. 88  | Total.....    | 573, 838, 055. 04   |

The operations of the transit department, showing total of check-clearing and collection operations from July 15 to the close of the year were as follows:

Clearing statistics.

| Date, 1916.        | Clearings.            |                       |                          | Member and nonmember. |                       |                          | Other Reserve Banks.  |                       |                          | Service charge out-of-town checks 1/2 cents equal to cost per \$1,000. | Average number remittance letters sent out daily. |
|--------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|-----------------------|-----------------------|--------------------------|--|---|
|                    | Average number daily. | Average amount daily. | Average amount per item. | Average number daily. | Average amount daily. | Average amount per item. | Average number daily. | Average amount daily. | Average amount per item. |  |   |
| July 15 to 31..... | 573                   | \$305,781.45          | \$583.65                 | 2,000                 | \$203,360.00          | \$101.68                 | 54                    | \$183,040.56          | \$3,389.64               | 7.9  | 402   |
| August.....        | 1,171                 | 560,990.97            | 479.07                   | 3,606                 | 343,759.98            | 95.33                    | 197                   | 353,555.90            | 1,794.70                 | 8.1  | 509   |
| September.....     | 1,960                 | 806,190.00            | 444.20                   | 7,831                 | 649,424.83            | 82.93                    | 403                   | 619,092.63            | 1,536.21                 | 9.7  | 1,015   |
| October.....       | 2,110                 | 1,156,280.00          | 548.00                   | 10,616                | 917,965.52            | 86.47                    | 520                   | 1,075,729.20          | 2,068.71                 | 9.8  | 1,073   |
| November.....      | 2,373                 | 1,370,004.09          | 577.33                   | 12,255                | 1,085,057.70          | 88.54                    | 542                   | 1,004,786.70          | 1,853.85                 | 9.1  | 1,155   |
| December.....      | 2,319                 | 1,215,468.61          | 524.02                   | 12,906                | 1,022,133.01          | 79.19                    | 579                   | 771,424.65            | 1,331.60                 | 10.2   | 1,158   |

| Date.                   | Clearings. |                | Member and non-members. |                | Other reserve banks. |                | Direct to members of other districts. |              |
|-------------------------|------------|----------------|-------------------------|----------------|----------------------|----------------|---------------------------------------|--------------|
|                         | Number.    | Amount.        | Number.                 | Amount.        | Number.              | Amount.        | Number.                               | Amount.      |
| 1916.                   |            |                |                         |                |                      |                |                                       |              |
| July 15 to July 31..... | 8,027      | \$4,283,659.19 | 28,003                  | \$2,847,359.14 | 748                  | \$2,510,656.12 | 13                                    | \$69,160.25  |
| August.....             | 31,628     | 15,152,040.16  | 97,376                  | 9,283,124.11   | 5,105                | 8,977,315.96   | 226                                   | 590,337.47   |
| September.....          | 45,755     | 21,657,096.96  | 195,791                 | 16,239,017.79  | 9,564                | 13,779,338.70  | 535                                   | 1,734,911.15 |
| October.....            | 54,853     | 30,084,802.40  | 276,030                 | 23,869,852.48  | 12,721               | 18,309,954.31  | 800                                   | 2,157,936.31 |
| November.....           | 56,959     | 32,875,779.67  | 294,129                 | 26,043,407.80  | 12,150               | 21,935,873.12  | 869                                   | 2,199,433.23 |
| December.....           | 57,987     | 30,386,715.31  | 322,655                 | 25,553,325.35  | 13,662               | 16,662,286.25  | 821                                   | 2,623,330.23 |
| Total.....              | 258,209    | 134,440,093.69 | 1,213,984               | 103,836,077.67 | 53,950               | 82,175,124.46  | 3,264                                 | 9,375,108.64 |

## FEDERAL RESERVE NOTES.

The policy of the bank with respect to the issue of Federal Reserve notes has not been altered or changed during the year. Careful consideration has been given to every method of promptly meeting the currency needs of the district, and an additional issue of \$9,880,000 has brought the total of Federal Reserve notes in circulation at the close of the year up to more than twenty million dollars. Such alteration in policy as has occurred, if any, was entirely confined to a more active effort than in 1915, to substitute Federal Reserve notes for gold, withdrawing the latter from circulation for storage in the bank vaults. Many obstacles present themselves when any attempt is made to thus acquire gold holdings, yet the careful pursuance of the policy of encouraging the deposit of gold has had very satisfactory results, with a continued improvement in the gold position of the bank during the year. The cooperation of interested member banks has been a valuable contributing factor in obtaining this result.

Federal Reserve notes issued by this bank have uniformly had throughout the year the full gold cover of 100 per cent. The denominations and issue by the Federal Reserve Agent's department of new and used notes during the year are shown in the following table:

| <i>Federal Reserve note issues.</i> |               |  |
|-------------------------------------|---------------|--|
| <b>Fives:</b>                       |               |  |
| New .....                           | \$2, 840, 000 |  |
| Used.....                           | 880, 000      |  |
|                                     | \$3, 720, 000 |  |
| <b>Tens:</b>                        |               |  |
| New .....                           | 2, 480, 000   |  |
| Used.....                           | 775, 000      |  |
|                                     | 3, 255, 000   |  |
| <b>Twenties:</b>                    |               |  |
| New .....                           | 2, 320, 000   |  |
| Used.....                           | 255, 000      |  |
|                                     | 2, 575, 000   |  |
| <b>Fifties:</b>                     |               |  |
| New .....                           | 70, 000       |  |
| Used.....                           | 50, 000       |  |
|                                     | 120, 000      |  |
| <b>One hundreds:</b>                |               |  |
| New .....                           | 170, 000      |  |
| Used.....                           | 40, 000       |  |
|                                     | 210, 000      |  |
| <b>Total:</b>                       |               |  |
| New .....                           | 7, 880, 000   |  |
| Used.....                           | 2, 000, 000   |  |
|                                     | 9, 880, 000   |  |

The following table shows the destruction of unfit Federal Reserve notes in the Treasury Department at Washington, the total held by the bank and the Federal Reserve Agent's department pending destruction, and the total of destroyed and unfit notes for the year:

*Redemption and destruction of notes.*

|   |               |                    |
|---|---------------|--------------------|
| Destroyed at Washington.....            |               | \$895, 955         |
| Held to be destroyed:                   |               |                    |
| Bank .....                              | \$1, 200, 000 |                    |
| Agent .....                             | 500, 000      |                    |
|   |               | <u>1, 700, 000</u> |
| Total destroyed and unfit for use ..... |               | 2, 595, 955        |

The inter-district movement of Federal Reserve notes issued by this bank is disclosed in the items in the following table, showing receipts from other Federal Reserve Banks. The items showing shipments to other Federal Reserve Banks indicate Federal Reserve notes segregated and returned by the Federal Reserve Bank of Minneapolis to the bank of issue.

*Inter-district Reserve note movement.*

|                 | Boston.        |             | New York.      |             | Philadelphia.  |             |
|-----------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                 | Received from. | Shipped to. | Received from. | Shipped to. | Received from. | Shipped to. |
| January .....   | \$7, 000       | \$1, 185    | \$62, 350      | \$14, 540   | \$3, 690       | \$850       |
| February .....  | 4, 000         | 255         | 56, 950        | 9, 115      | 4, 000         | 290         |
| March .....     | 4, 000         |             | 65, 900        | 8, 000      | 4, 000         |             |
| April .....     | 4, 000         | 1, 000      | 56, 300        | 9, 000      | 5, 000         | 1, 000      |
| May .....       | 4, 000         | 1, 000      | 28, 100        | 17, 500     | 5, 000         | 1, 000      |
| June .....      | 5, 000         | 1, 000      | 47, 000        | 15, 000     | 2, 000         | 1, 000      |
| July .....      | 3, 000         | 1, 000      | 56, 500        | 14, 000     | 4, 000         | 1, 000      |
| August .....    | 8, 500         | 2, 000      | 82, 900        | 16, 000     | 4, 000         | 1, 000      |
| September ..... | 8, 000         |             | 62, 200        | 10, 000     | 6, 000         | 1, 000      |
| October .....   | 7, 000         | 2, 000      | 63, 400        | 13, 000     | 5, 000         | 1, 000      |
| November .....  | 6, 000         | 1, 000      | 74, 600        | 11, 500     | 4, 000         |             |
| December .....  | 8, 000         |             | 64, 600        | 9, 000      | 5, 000         | 1, 000      |

|                 | Cleveland.     |             | Richmond.      |             | Atlanta.       |             |
|-----------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                 | Received from. | Shipped to. | Received from. | Shipped to. | Received from. | Shipped to. |
| January .....   | \$4, 060       | \$4, 075    | \$675          | \$1, 780    | \$2, 260       | \$2, 395    |
| February .....  | 2, 000         | 2, 360      |                | 420         | 1, 075         | 545         |
| March .....     |                | 1, 500      |                | 2, 000      | 5 530          | 2, 000      |
| April .....     | 1, 500         | 2, 500      | 2, 000         | 1, 000      | 1, 070         | 1, 000      |
| May .....       | 2, 000         | 4, 000      |                | 3, 000      | 1, 920         | 3, 000      |
| June .....      | 3, 850         | 2, 500      | 1, 000         | 1, 000      | 1, 940         |             |
| July .....      | 2, 980         | 3, 000      | 1, 000         | 2, 500      |                | 2, 500      |
| August .....    | 3, 000         | 4, 000      | 1, 375         | 2, 000      | 2, 670         | 3, 500      |
| September ..... | 3, 640         | 2, 500      |                | 1, 500      | 1, 250         | 1, 000      |
| October .....   | 3, 700         | 3, 000      | 1, 750         | 2, 500      | 1, 000         | 3, 000      |
| November .....  | 3, 000         | 2, 500      |                | 1, 000      | 1, 040         | 2, 000      |
| December .....  | 3, 400         | 2, 000      |                | 500         | 2, 135         | 1, 500      |

|                 | Chicago.       |             | St. Louis.     |             | Kansas City.   |             |
|-----------------|----------------|-------------|----------------|-------------|----------------|-------------|
|                 | Received from. | Shipped to. | Received from. | Shipped to. | Received from. | Shipped to. |
| January .....   | \$159, 500     | \$6, 870    | \$3, 500       | \$1, 935    | \$7, 630       | \$10, 755   |
| February .....  | 96, 000        | 3, 510      | 20, 895        | 355         | 4, 475         | 6, 275      |
| March .....     | 175, 000       | 4, 000      | 11, 800        | 2, 000      | 3, 490         | 5, 500      |
| April .....     | 157, 000       | 4, 000      | 7, 545         | 1, 000      | 1, 770         | 7, 000      |
| May .....       | 226, 000       | 6, 000      | 15, 950        | 4, 000      | 2, 480         | 12, 500     |
| June .....      | 207, 000       | 5, 000      | 4, 350         | 2, 000      | 1, 480         | 10, 000     |
| July .....      | 160, 000       | 4, 000      | 8, 500         | 2, 000      |                | 10, 000     |
| August .....    | 258, 000       | 6, 000      | 16, 400        | 3, 500      |                | 14, 500     |
| September ..... | 229, 000       | 3, 500      | 11, 200        | 1, 500      | 2, 500         | 9, 000      |
| October .....   | 225, 000       | 4, 000      | 12, 400        | 3, 500      |                | 14, 000     |
| November .....  | 140, 000       | 4, 000      | 13, 700        | 2, 000      |                | 11, 500     |
| December .....  | 254, 000       | 2, 500      | 13, 800        | 2, 000      | 5, 675         | 10, 000     |

*Inter-district Reserve note movement—Continued.*

|                | Dallas.        |             | San Francisco. |             |
|----------------|----------------|-------------|----------------|-------------|
|                | Received from. | Shipped to. | Received from. | Shipped to. |
| January.....   |                | \$5,240     | \$6,870        | \$6,685     |
| February.....  | \$3,455        | 3,325       | 3,765          | 4,215       |
| March.....     | 1,250          | 2,500       | 5,425          | 10,100      |
| April.....     | 2,300          | 4,000       | 5,375          | 9,000       |
| May.....       | 1,500          | 5,500       | 3,910          | 28,000      |
| June.....      | 2,135          | 5,000       | 4,430          | 14,500      |
| July.....      | 1,300          | 4,000       | 4,315          | 12,000      |
| August.....    | 2,215          | 7,000       | 4,370          | 21,000      |
| September..... | 1,110          | 3,500       | 6,920          | 12,000      |
| October.....   | 1,560          | 5,000       | 10,865         | 15,500      |
| November.....  | 3,425          | 3,000       | 25,615         | 12,000      |
| December.....  | 1,500          | 3,500       | 17,410         | 8,500       |

A longer period of observation will be required before a definite determination as to the average life of a Federal Reserve note can be reached. Obviously, the conditions existing within the district, the amount of use which a note receives before falling into the hands of another reserve bank and being sent back for redemption, and other factors, will have an important bearing upon this subject. Considering the cost of printing and engraving Federal Reserve notes, which is borne by the issuing Federal Reserve Bank, the question is important. Observation to this date would indicate that a long life can not be expected of these notes, although many of them will go out into circulation and remain in the hands of the public for long periods. The experience so far had with notes sent by commercial banks to the Treasury Department at Washington for credit and destruction, indicates that the proportion of such notes held out and returned to this bank as being still fit for use will be at all times small. This is accounted for by the fact that commercial banks will not ordinarily send notes to the Treasury Department for destruction unless received over their counters, and they have already had such use as to be unfit for further circulation. The experience of the year indicates that a considerable proportion of the notes caught by the Federal Reserve Banks in other districts and returned in accordance with the law to this bank for redemption are fit for issue a second time. Experiments made during the year with the laundering of Federal Reserve notes have been only partially successful.

The bank may undoubtedly look forward to a period when the reissue of used Federal Reserve notes will be very small in proportion to the amount of new notes put into circulation. There is an increasing demand upon the part of the public for fresh, clean money. The chief usefulness of the used notes so far reissued has been to take care of the temporary crop-moving demand in the fall of the year. As the demand for fresh money grows, the bank will be obliged to meet an increasing cost for the currency thus issued.



The following tables show Federal Reserve notes received and issued since organization, amounts destroyed, and stock on hand, also details of issue and cost:

*Notes received and issued.*

| Denomination.     | Received from comptroller. | Returned to agent by bank. | Issued to bank (new). | Reissued to bank (used). | Destroyed at Washington. | On hand.      |
|-------------------|----------------------------|----------------------------|-----------------------|--------------------------|--------------------------|---------------|
| Fives.....        | \$9, 180, 000              | \$1, 237, 000              | \$8, 500, 000         | \$882, 000               | \$467, 735               | \$1, 035, 000 |
| Tens.....         | 8, 120, 000                | 890, 000                   | 7, 440, 000           | 775, 000                 | 289, 910                 | 795, 000      |
| Twenties.....     | 6, 400, 000                | 285, 000                   | 5, 440, 000           | 255, 000                 | 132, 310                 | 990, 000      |
| Fifties.....      | 400, 000                   | 50, 000                    | 180, 000              | 50, 000                  | 2, 400                   | 220, 000      |
| One hundreds..... | 400, 000                   | 40, 000                    | 320, 000              | 40, 000                  | 3, 600                   | 80, 000       |
|                   | 24, 500, 000               | 2, 502, 000                | 21, 880, 000          | 2, 002, 000              | 895, 955                 | 3, 120, 000   |

*New notes issued to bank and cost.*

|   | Cost.         | Amount.        |
|---|---------------|----------------|
| Federal Reserve notes issued to bank Nov. 16, 1914, to Dec. 31, 1915..... | \$18, 701. 27 | \$14, 000, 000 |
| Federal Reserve notes issued to bank Jan. 1, 1916, to Dec. 31, 1916.....  | 9, 866. 06    | 7, 880, 000    |
| Total.....  | 28, 567. 33   | 21, 880, 000   |
| Amount of notes destroyed at Washington to Dec. 31, 1916.....             |               | 895, 955       |
| Amount of unfit notes held by agent Dec. 31, 1916.....                    |               | 500, 000       |
| Amount of unfit notes held by bank Dec. 31, 1916.....                     |               | 1, 200, 000    |
| Total.....  |               | 2, 595, 955    |
| Balance of notes fit for use on which all costs have been paid.....       |               | 19, 284, 045   |

In addition to the new Federal Reserve notes issued by the Federal Reserve Agent to the bank during 1916 there was a reissue of \$2,000,000, making a total of \$9,880,000 for the year. As soon as new notes are taken from the agent the full cost is charged to expense at the rate of \$36.04 per thousand sheets of notes. This rate will be in effect until we have used up our original order of \$30,000,000, the cost on further preparation of notes being at the rate of \$34.37 per thousand sheets.

The following table shows the details of the cost of printing Federal Reserve notes, the items making up the cost per thousand notes, and the cost per thousand dollars of the various denominations delivered at Minneapolis:

| Denomination.     | Number of plates. | Maximum number notes. | Number of notes printed. | Cost of plates. |
|-------------------|-------------------|-----------------------|--------------------------|-----------------|
| Fives.....        | 19                | \$3, 800, 000         | \$2, 800, 000            | \$1, 274. 00    |
| Tens.....         | 7                 | 1, 400, 000           | 816, 000                 | 469. 37         |
| Twenties.....     | 3                 | 600, 000              | 252, 000                 | 201. 15         |
| Fifties.....      | 2                 | 400, 000              | 16, 000                  | 134. 11         |
| One hundreds..... | 2                 | 400, 000              | 30, 000                  | 134. 11         |
| Total.....        | 33                | 6, 600, 000           | 3, 904, 000              | 2, 212. 74      |

*Cost per 1,000 notes (undelivered).*

|                   |              |
|-------------------|--------------|
| Plates.....       | \$0. 335     |
| Paper.....        | 1. 167       |
| Printing.....     | 7. 508       |
| <b>Total.....</b> | <b>9. 01</b> |

*Cost per \$1,000 (delivered).*

[Based on present rates.]

|                  | Fives.    | Tens.     | Twenties. | Fifties.  | One<br>hundreds. |
|------------------|-----------|-----------|-----------|-----------|------------------|
| Plates.....      | \$0. 0671 | \$0. 0335 | \$0. 0167 | \$0. 0067 | \$0. 0033        |
| Paper.....       | . 2334    | . 1167    | . 0584    | . 0233    | . 0117           |
| Printing.....    | 1. 5017   | . 7508    | . 3754    | . 1502    | . 0751           |
| Undelivered..... | 1. 8022   | . 9010    | . 4505    | . 1802    | . 0901           |
| Postage.....     | . 05      | . 0960    | . 0480    | . 0192    | . 0096           |
| Insurance.....   | . 12      | . 12      | . 12      | . 12      | . 12             |
| Delivered.....   | 1. 9722   | 1. 1171   | . 6185    | . 3194    | . 2197           |

The Bureau of Engraving in Washington has been inconvenienced during the year through the shortage of dyestuffs, banks experiencing some difficulty with respect to the paper situation. These obstacles have been to a considerable extent surmounted, with a corresponding improvement in the wearing quality and workmanship of the notes.

It has been the practice of the Federal Reserve Agent's department throughout the year to maintain in the vaults of the bank an average amount of \$5,000,000 in new and unissued Federal Reserve notes of the denominations chiefly required by the banks of the district, and to request shipments from the reserve supply held by the Treasury Department in Washington to offset from time to time issue of notes by the bank.

It was the practice during the fall and winter a year ago to gradually accumulate used notes in fit condition returned by the bank to the Federal Reserve Agent, storing them against prospective crop moving demands. This method has proven effective in guaranteeing an immediate and adequate supply of notes against all demands.

The notes so held, together with all gold and collateral standing against notes in circulation, are kept in a special vault compartment, separate and distinct from the vault accommodations of the bank, and subject to entry only by the Federal Reserve Agent, or his representative. Methods for handling and protecting such funds have been made the subject of special study and investigation, and are believed to afford the fullest possible degree of protection.

## ELECTION OF DIRECTORS.

Pursuant to law, a circular announcement of an election to fill one vacancy each in class A and class B was issued to the 301 banks composing group 1, on October 2. As a result thereof 132 banks

qualified by selecting electors, and the electors in due process cast 121 ballots. For the vacancy occurring in class A, Mr. E. W. Decker, of Minneapolis, received 118 votes and was declared reelected for a second term of three years, beginning January 1. In class B, Mr. F. R. Bigelow, of St. Paul, received 119 votes and was declared reelected for a second term of the same period, beginning at the same date.

On December 19 the chairman received official notification from the Federal Reserve Board of the reappointment of Mr. John W. Black, of Houghton, Mich., as class C director for a three-year term, beginning January 1.

An increased interest was manifested as compared with the election of one year before in which groups 2 and 3 participated, but the ballots cast were far short of the total number of banks entitled to vote, and many institutions did not avail themselves of the very important rights enjoyed under the law in making their independent nominations and casting their ballots.

#### PAYMENT OF FIRST DIVIDEND.

It was with special satisfaction that the officers and board of directors, upon authorization of the Federal Reserve Board, were permitted to announce the payment on December 30th of the first dividend, at the rate of 6 per cent established by law, covering the first eight months of operation of the bank, to all stockholders of record on June 30, 1915. The disbursement so required amounted to \$57,720, and a substantial balance remaining after payment of the dividend was transferred to profit and loss account.

The course of business during the year indicates that incident to the increasing effectiveness of the service rendered by the bank there is a corresponding improvement in its revenues, and that its gradual development constantly adds to its ability to meet the obligations imposed by law.

The bank closes the year with a substantial increase of activity in all departments, with closer and more effective touch with its membership, and with an increased confidence on the part of the general public. It appears to be clear that it is making rapid progress toward efficient performance of the functions devolving upon it under the law, and toward a full degree of banking service to its members and of service to the public at large that may be expected of it.

#### CONCLUDING REMARKS.

The policy of the bank throughout the year has been to conduct its operations carefully, economically, and efficiently. Wherever possible, it has avoided incurring expense, believing that its first obligation was to liquidate the cost of organization and make provision for the wiping out of its fixtures and equipment account. The cost of Federal Reserve notes has been charged off from month

to month as the note circulation has expanded, and the expense incident to circulation in excess of \$20,000,000 has thus been written off.

The results of careful adherence to this policy have been substantial and are disclosed in the comparative general balance sheets of 1915 and 1916, which follow.

The satisfactory result of the year could hardly have been accomplished without the loyal and intelligent cooperation of the official and clerical force of the bank. The staff at the end of the year remains approximately the same as a year ago, the only exception being the increase in the force employed in the transit department incident to the rapid expansion of check clearing operations.

In all the departments there has been keen interest in the success of the bank's operations, and the officers and employees have demonstrated a spirit which has been of the utmost value in solving numerous problems presenting themselves from day to day, and bringing about adjustments incident to the establishment of thoroughly efficient methods of work. In an institution only 26 months old, established to have a practical usefulness in a new and untried field, the problem of organization and of the development of settled and effective methods of work has been difficult. The bank closes the year after having reached a high degree of operating efficiency.

In all departments there is ample evidence that the adjustments involved in establishing settled policies and methods have been satisfactorily accomplished.

*Statement of condition Dec. 31, 1916.*

|  | Condition<br>Dec. 31, 1916. | Condition<br>Dec. 31, 1915. |
|--|-----------------------------|-----------------------------|
| <b>RESOURCES.</b>  |                             |                             |
| Bills discounted—members.....  | \$1,985,182.75              | \$1,244,615.71              |
| Bankers' acceptances.....  | 6,199,999.55                | 477,806.40                  |
| United States bonds and notes.....   | 3,178,687.85                | 1,328,820.00                |
| State and municipal warrants.....  | 569,664.72                  | 910,513.28                  |
| Accrued interest on United States securities.....                                | 15,607.73                   | 6,473.42                    |
| Furniture and equipments (including new vault and safes).....                    | 59,274.19                   | 54,159.64                   |
| Organization expense.....  | .....                       | 32,341.71                   |
| Cost of Federal Reserve notes, unissued.....                                     | 16,295.18                   | 19,932.85                   |
| Expenses paid in advance.....  | 1,250.00                    | .....                       |
| Due from other Federal Reserve Banks.....  | 3,598,997.07                | 4,390,694.20                |
| Due from banks and bankers, also deferred debits to members.....                 | 3,449,929.61                | .....                       |
| National bank notes and Federal Reserve notes, other banks.....                  | 18,800.00                   | 8,945.00                    |
| Federal Reserve notes on hand.....   | 2,374,585.00                | 868,390.00                  |
| Other lawful money.....  | 179,552.47                  | 21,416.95                   |
| Gold certificates and gold coin.....   | 8,775,637.00                | 2,747,298.00                |
| Gold in settlement fund.....   | 7,064,000.00                | 4,355,000.00                |
|  | <b>37,487,463.12</b>        | <b>16,466,407.16</b>        |
| <b>LIABILITIES.</b>  |                             |                             |
| Capital.....   | 2,609,700.00                | 2,546,850.00                |
| Profit and loss.....   | 44,541.27                   | .....                       |
| Discount and interest unearned.....  | 36,274.45                   | 18,963.25                   |
| Discount on United States bonds.....   | 22,534.74                   | 7,069.14                    |
| Withheld for Federal income tax.....   | 176.25                      | .....                       |
| Government deposits.....   | 886,437.51                  | .....                       |
| Cashier's checks.....  | 5,680.45                    | 1,822.20                    |
| Due to other Federal Reserve Banks.....  | 4,347,156.58                | 26,340.33                   |
| Due to member banks.....   | 29,534,961.87               | 13,865,362.24               |
|  | <b>37,487,463.12</b>        | <b>16,466,407.16</b>        |
| Gold with Federal Reserve Agent to retire outstanding Federal Reserve notes..... | 20,484,045.00               | .....                       |

*Profit and loss account—1916.*

|  |              |                    |
|--|--------------|--------------------|
| Gross earnings Jan. 1, 1916, to Dec. 31, 1916.....       |              | \$238, 108. 68     |
| Less:  |              |                    |
| Assessment for expenses Federal Reserve Board .....      | \$8, 962. 07 |                    |
| Cost of new Federal Reserve notes issued during year.... | 9, 866. 06   |                    |
| Operating expenses.....                                  | 79, 877. 70  |                    |
|  |              | <u>98, 705. 83</u> |
| Excess of earnings over current expenses.....            |              | 139, 402. 85       |
| Less the following items charged off:                    |              |                    |
| Organization expense.....                                | 32, 341. 71  |                    |
| Depreciation of furniture and fixtures.....              | 4, 800. 00   |                    |
| Dividend for period Nov. 2, 1914, to July 1, 1915 .....  | 57, 719. 87  |                    |
|  |              | <u>94, 861. 58</u> |
| Balance carried forward.....                             |              | 44, 541. 27        |

*Gross earnings by months—1915 and 1916.*

|               | 1916        | 1915       |                | 1916         | 1915        |
|---------------|-------------|------------|----------------|--------------|-------------|
| January.....  | 11, 471. 21 | 4, 269. 52 | August.....    | 25, 074. 83  | 10, 766. 40 |
| February..... | 10, 909. 70 | 4, 014. 08 | September..... | 27, 170. 94  | 10, 966. 71 |
| March.....    | 11, 724. 58 | 4, 932. 92 | October.....   | 30, 212. 02  | 13, 371. 14 |
| April.....    | 12, 480. 69 | 5, 109. 33 | November.....  | 28, 660. 58  | 12, 333. 42 |
| May.....      | 15, 782. 63 | 5, 942. 45 | December.....  | 27, 116. 39  | 12, 122. 61 |
| June.....     | 17, 154. 86 | 6, 741. 82 |                |              |             |
| July.....     | 20, 350. 25 | 9, 038. 91 | Total.....     | 238, 108. 68 | 99, 609. 31 |

*Classification of earnings.*

|   | 1916          | 1915          |
|---|---------------|---------------|
| Bills discounted, member banks.....                       | \$60, 937. 81 | \$50, 488. 75 |
| Bankers' acceptances.....                                 | 50, 098. 78   | 5, 247. 90    |
| United States bonds and notes.....                        | 69, 266. 49   | 18, 793. 25   |
| State and municipal warrants.....                         | 34, 267. 09   | 20, 930. 82   |
| Sundry profits including interest on transfer drafts..... | 23, 538. 51   | 4, 148. 59    |
| Total.....  | 238, 108. 68  | 99, 609. 31   |

## DISTRICT NO. 10—KANSAS CITY.

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CHARLES M. SAWYER, Chairman and Federal Reserve Agent.

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### FINANCIAL RESULTS OF OPERATION.

The year has witnessed a greater redundancy of loanable funds in the banks of this district than ever before. As a consequence, and owing to the lack of requests by member banks to rediscount, the investment operations of this bank have been confined largely to open-market transactions, under the provisions of section 14 of the Federal Reserve Act. This report will, however, show an earning account in excess of expenses and current dividend requirements. Statement attached hereto and designated Schedule A shows a comparative income, profit and loss account as of December 31, 1915 and 1916.

Out of the current earnings it has been possible to pay dividends to June 30, 1915, as well as to charge off all organization expenses. Surplus earnings now on hand indicate the further liquidation of cumulative dividends at an early date. This favorable result, attained during a period of lax demand for rediscounting, reasonably assures the ultimate payment of full dividend with the return of normal conditions.

Schedule B herewith is a comparative detailed statement as of the close of business December 31, 1915 and 1916. The material increase in the amount due to member banks has been due primarily to the payment of reserve installments required on May 16 and November 16, 1916, and further to the amendment to the Federal Reserve Act permitting member banks to carry with Federal Reserve Banks any portion or all of the cash reserve previously required to be carried in their vaults. The response to the Board's circular setting forth the desirability of a further concentration of gold in the Federal Reserve Banks, through the privileges of this amendment, has been highly gratifying.

The large increase in balances due to and from other Federal Reserve Banks, as reflected by the comparative statements, is a result of the interdistrict clearing operations. The amount due from banks and bankers, shown in the statement of December 31, 1916, represents nonmember items in process of collection, handled in

accordance with the provisions of the new collection plan. Other items in the comparative statement which show material variation are discussed in full under the proper heads elsewhere in this report.

#### GENERAL CONDITIONS.

At no time in the history of the section embraced within the boundaries of district No. 10 have general commercial conditions been so active and satisfactory as during the current year. Wholesalers, jobbers, and retailers have regularly reported unprecedented and increasing sales, with collections far above the average. Manufacturing facilities have been generally taxed to capacity. Building permits and engineering activities were reported in increasing volume, while post-office receipts, bank clearings, and deposits have gone forward by leaps and bounds, each succeeding month adding to previous records. Mineral and oil industries have enjoyed record-breaking prosperity.

While agricultural production has not been as large as in previous years, increased market prices have more than offset the shortage, and farmers have prospered as never before. Labor conditions have been satisfactory, except that a general shortage has existed in almost every line. Voluntary wage increases have been common, and such differences as have occurred between labor and employers have been amicably adjusted through compromises. At live-stock markets high prices have prevailed, many records being broken in receipts as well as in prices paid. Bank deposits have been unprecedented, but the general lack of demand and low level of interest rates have doubtless resulted in no greater profit to banks, if, indeed, the profits have equaled those of preceding years. Railroad earnings have been highly satisfactory when consideration is given to the lack of cars, high cost of materials and supplies, and the general increase in operating expenses. There has also been some diminution in tonnage occasioned by smaller crops. The high levels reached in prices of farm products have naturally been followed by an increase in price of many necessities of life.

#### INVESTMENT OPERATIONS.

Schedule C herewith is a report of rediscounts for member banks during the year, distributed by States and maturities as of date of discount, also the volume of business by months, record of the nature of the paper discounted, number and average amount of notes rediscounted, maximum and minimum amount held, and number and amount of offerings rejected in whole or in part. It will be interesting to note from this schedule that practically all of the requests to rediscount came from points outside of the larger cities of the district, the offerings consisting largely of agricultural and live-stock paper.

As soon as the recent amendment to the Federal Reserve Act permitting member banks to obtain funds from Federal Reserve Banks against their own promissory notes became effective, a general letter was addressed to the members of district No. 10, outlining the provision and announcing the rate approved for this form of credit. Inasmuch as these notes are acceptable for only 15 days, and conditions prevailing in this district have not made it necessary to seek temporary relief because of immediate need, no large volume of this paper has yet been offered. It is confidently believed that in periods of unusual happenings, uncertainty, or stress, local or general, this privilege will be thoroughly appreciated and widely employed, especially by the larger banking institutions. Natural conditions and usages in this district make 15-day paper an unfamiliar credit transaction, but, nevertheless, a sufficient number of these offerings have been handled to indicate that at all times this form of credit will be requested to some extent.

While the volume of trade acceptances handled up to date has been small, yet an active interest is being manifested in this class of paper by commercial and credit associations in this district, and this interest has been stimulated in every way possible by the official staff of this bank. It is also gratifying to note that a number of member banks are encouraging this method of settlement of accounts.

Schedule D is a statement of bankers' acceptances purchased, number of items in this class, and classification by rates and maturities.

Schedule E reflects the number and amount of warrants purchased, rates obtaining, classification by maturities, and subdivision of the aggregate amount in municipal and State warrants.

The major portion of acceptances and municipal warrants were purchased for our account by the Federal Reserve Banks of Boston and New York, the warrants consisting of issues of eastern municipalities. It will be observed that in the purchase of acceptances by far the larger amount has been based upon transactions involving the importation and exportation of goods, although a small amount of acceptances based upon domestic transactions have also been handled. There is a growing interest in domestic acceptances, as authorized by the amendment to section 13 of the Federal Reserve Act, and it is anticipated that with the return of normal conditions the use of this instrument will play a larger part in commercial transactions.

Schedule F gives a full and complete record of all transactions in United States bonds, providing descriptions of the different issues handled, the purchase prices, sales, the conversions of 2 per cent bonds, and the amount of the several issues on hand at the close of business December 31, 1916.

In the early part of the year the directors of this bank concluded to purchase United States bonds to the extent of \$10,000,000. Prac-



tically all of such bonds were purchased which were offered for sale by the member banks in the district, either directly to this bank or through the United States Treasurer, under the provisions of section 18 of the act. In order to obtain protection for the loaning power of this bank, the circulation privilege was exercised upon \$8,000,000 of bonds so purchased. It was not anticipated that this currency should be put into use except in the event of unusual demands, and, with the exception of \$2,000,000, these notes were held in vault. The \$2,000,000 were put into circulation for purposes of practical illustration and to familiarize the banks and the public with this form of currency. Following the successful consummation of this plan, the entire amount placed in circulation was retired by a deposit of gold with the United States Treasurer.

Schedule G is a recapitulation of investment transactions as detailed in previous statements affecting these operations, and supplies information as to the average holdings of the several classes, with the total earnings thereon, and the average annual rates obtained on each class of earning assets.

In Schedule H will be found the monthly changes in the reserve position of this bank during the year, covering percentages carried, required, and percentages in excess over requirements. The reserve of this bank for the year has averaged in excess of 60 per cent.

#### MEMBER BANKS.

There have been no changes in the membership due to transfers from or to other districts within the year. The movement of membership within the district shows a small net decrease, as per Schedule I, giving a record of the additions and withdrawals from membership, together with the effect on the total capital stock of this institution. The larger number of liquidations of national banks has been by reason of conversions to the State system in Nebraska. The controlling influence in such cases as have come to the attention of the officers of this bank has not been dissatisfaction with the national system nor with membership in the Federal Reserve Bank, but because of the popularity of the Nebraska law guaranteeing deposits.

Relations existing between this bank and its members have become more and more cordial with a growing appreciation of the functions of the Federal Reserve Bank and its vital part in the national financial plan. An increasing familiarity with the provisions of the law and the privileges thereunder has had a favorable effect. No effort has been spared to make the facilities of the greatest service to the banks of the district. The policy has been as liberal as the conditions and the law would permit.

The dispatch with which discount operations may be effected through the Federal Reserve Bank has thoroughly demonstrated to those who have tested its facilities that the early criticism with respect to cumbersome details was without foundation. This fact has been fully demonstrated notwithstanding that the policy of the executive committee, while liberal, has at no time sacrificed the higher prerequisites of liquid commercial paper. On the contrary, the experience has been that this committee in passing on offerings has been able to exert an influence resulting in a better knowledge of what constitutes paper available for discount and to induce bankers within the district to observe finer distinctions in credit extensions.

In the main there seems to be manifested a thoroughly cooperative spirit. The real difficulty encountered has been in bringing about a viewpoint national in its scope, the natural tendency being to consider the results of the operation of the Act from a purely local standpoint.

At every opportunity State banks and trust companies have been kept in touch with the purposes of the system, and it is believed that these institutions are becoming more and more cognizant of the accomplishments and possibilities of the Federal Reserve Act. Since membership is entirely voluntary on their part, however, although many of them have doubtless considered joining the system, but one trust company and two State banks have thus far applied for and been granted membership in this institution. Some misapprehension doubtless still exists, but through correspondence, public addresses, and personal association with our officers at conventions and elsewhere, much progress has been made in creating a better understanding of the law and its purposes.

There is submitted herewith in Schedule J a showing of the average deposits of member banks with this bank, indicating excess and deficient balances, for the period from January 1 to May 16, May 16 to July 15, July 15 to November 16, and from November 16 to December 31, inclusive. These divisions are intended to exhibit the volume of deposits prior to the call for installments of reserves due May 16 and November 16, and prior to the inauguration of the general clearing plan July 15 and subsequent thereto, because of the changed conditions affecting reserve funds due to the provisions of the new clearing plan. The figures given after July 15 deal only with net balances and eliminate from consideration credits produced by items in course of collection.

The schedule discloses that the average of deficient balances slightly exceeds the average of excess funds, with the result that the aggregate deposits of member banks have been less than the legal requirement. This condition is not so marked since the inauguration of the general

clearing plan, the provisions of which establish a penalty for the purpose of maintaining the required reserve balances. While this penalty was not assessed within the year 1916, the banks have been fully informed on the subject, and penalties will be assessed beginning with the month of January, 1917.

There is further supplied in Schedule J a monthly record of the average number of accounts overdrawn and the average amounts of overdrafts. The amounts involved have been inconsiderable in proportion to the aggregate deposits, and have not been due to a tendency to ignore requirements on the part of any particular member bank, but have been the result of error, oversight, delayed mails, or imperfect records, speedily adjusted in nearly every case. It became necessary during the year, in a few instances, to carry small amounts of overdue paper pending provision therefor by discounting banks. This, however, was invariably occasioned by lack of proper attention on the part of member banks, and the average amount was proportionately small.

The cooperation of the Comptroller of the Currency has resulted in copies of all statements of member banks, made upon official call, being filed with our records, and these reports are at all times available for the use of the executive committee in passing upon offerings for discount. Complete statistics are compiled from these reports for ready reference. Prior to June 1, 1916, brief reviews of reports of examination of member banks were secured from the chief national bank examiner, when found necessary. Since that date copies of all reports of examinations made by the examiners attached to that office have been furnished for the bank's credit files, so that at this time there is available at least one such current report on each member bank. This arrangement is appreciably more satisfactory, such files being immediately available, enabling a saving of time in matters under consideration. The reports of examination of the State bank members, as made to the respective State banking departments, have been found to be in acceptable form, and the State bank commissioners have at all times cooperated in every possible manner.

It is gratifying to note that there has not been a failure of any national bank in the district during the year. The failure of but one State bank has been reported.

#### PUBLIC RELATIONS.

In district No. 10 the attitude of the general public toward the Federal Reserve Bank is apparently one of friendliness and favor. It can not be said that this is because the average citizen has thoroughly digested the provisions of the Federal Reserve Act and comprehended the fundamental principles underlying. Nor indeed could

it be said, in the case of the average citizen, that this sentiment is due to a personal recognition of the influence exerted over general business conditions by the operation of the Federal Reserve Bank but rather to the recognition of the fact that there exists for the individual, for the business interests, and for the general public, a bulwark of strength, a safeguard against turbulent conditions, and a modern banking system adapted to the commercial and financial needs of all interests. That the larger business and financial concerns have appreciated the influence exerted, and the stability provided by the existence of the system, can not be questioned. Public appreciation of the influence of the Federal Reserve Act is developing in a marked degree, as evidenced by the recognition given by trade bodies and other organizations. This has been especially noticeable in the matter of furthering the use of the trade acceptance.

Open-market operations of this bank have been treated under another head, and the effect thereof in connection with the relation of the bank to the public can not be measured in this district by reason of the fact stated that, aside from the purchase of Government bonds which provided a market for member banks to dispose of their bonds, these transactions have consisted of investments allotted through an agreement with eastern Federal Reserve Banks.

Although the volume of discounts handled by this bank has not been large, it seems to be generally conceded that the existence of the bank, the outlet offered for liquid paper, and the rates quoted, have undoubtedly had a tendency to stabilize rates.

This institution has no department especially established to conduct publicity, or public relations work, and what has been accomplished along this line has been merely incidental to other activities. The newspapers of the district have been uniformly friendly and courteous, and have opened their columns freely to items of general public interest having to do with the general operation of the bank. Public meetings have been addressed by the officers at every opportunity, and this feature, it is believed, has had much to do with the better understanding of the law by the public and the favorable impression that is everywhere apparent. A furtherance of the general plan of public relations work is believed to be desirable. The monthly business review, covering conditions in the various industries of the district, is given special attention, and has resulted in closer relations with all the important activities. Copies of this review are distributed freely, and have been eagerly sought by the best publications.

Since January 1, the date upon which Federal Reserve Banks were designated as fiscal agents of the Government, the activities have been confined to current operations of the general account of

the Treasurer of the United States. The volume of Government business transacted is shown in Schedule K.

Relations between this bank and departments of the Government with which inter-communication has been found desirable have been most satisfactory. There has been every evidence on the part of the United States Treasury and the comptroller's office of a desire to cooperate. Direct relations of this bank with the Comptroller of the Currency have been indicative of a helpful attitude. The cooperation on the part of the chief national bank examiner of the district has been especially cordial.

#### NOTE ISSUES.

The general policy of this bank has been to further the use of Federal Reserve notes as the medium of exchange in the hands of the public wherever it could be done with a resultant accumulation of gold and gold certificates.

Schedule L indicates, with other information, the amount of Federal Reserve notes outstanding, or in circulation, the amount of gold coin and gold certificates held against the circulation, Federal Reserve notes on hand, rediscounts to secure Federal Reserve notes, and the gross amount of such notes received from the Comptroller of the Currency.

Schedule M shows in detail the number of Federal Reserve notes by denominations and aggregate amounts received by the Federal Reserve Agent, issued to the bank, returned to the Comptroller of the Currency since organization, and on hand at close of business on December 30, 1916.

It is obvious that any computation of the average life of Federal Reserve notes in circulation would result in nothing more than an estimate. It is fair to assume, however, that notes issued within the year 1916 have not been destroyed except by some unusual happening. Upon the theory, therefore, that the total destruction to date has been from the issues prior to 1916, the nearest approach to a conclusion would show an average life of the notes issued in this bank in excess of tested experience with other issues. This is apparently an inaccurate estimate, and it is believed, with longer experience than has been possible under the Federal Reserve Act, that some more definite conclusion may be reached.

The number of mutilated notes on hand, as shown in this schedule, is accounted for by the fact that until recently no adequate arrangement was arrived at, relieving the Federal Reserve Agent of the responsibility for losses without undue expense in shipment. As soon as a satisfactory plan was accepted an order was placed for the necessary perforating machine, the receipt of which has been delayed. No Federal Reserve notes have, therefore, been forwarded for redemp-

tion from this bank. The amount of notes returned to the Comptroller of the Currency consists of those forwarded direct to that office from other sources.

Schedule N will show the trend of Federal Reserve notes of this district and the extent to which they have circulated and been returned from other districts, as well as the record of such notes of other districts received by this bank and returned to the issuing bank.

All cost incidental to the issue of Federal Reserve notes prepared for the use of this district, whether put into circulation or held in reserve, is charged to a special account as paid and prorated into extraordinary expense of the bank as the notes are delivered by the Federal Reserve Agent to the bank for circulation. The cost for this district, exclusive of the expense incidental to the return of notes of this bank by other Federal Reserve banks and the cost of redemption, is approximately 1 cent per note. Inasmuch, however, as the cost per note is proportionately larger for the smaller denominations, as compared with the cost per thousand dollars of issue, it is manifestly impossible to set up a figure as the actual cost per thousand dollars, because of the varying denominations requested. The experience thus far would approximate \$1 per thousand on the average circulation of all denominations, taking into consideration only the actual cost of manufacture and transportation.

The expense incident to the return of the notes of this bank by other Federal Reserve banks has averaged about 25 cents per thousand dollars, which, proportionate to the issue, would add to the estimated per thousand dollar cost herein given almost 4 cents. In addition to this, it is estimated, on the basis of the entire circulation, that the expense of redemption will increase the per thousand dollar cost so that the figures available at this time would justify a gross estimate of \$1.10 per thousand dollars of the average circulation should the percentage of denominations issued remain as they have been in the past. It will be understood that the figures here given are approximate estimates, and Schedule O of this report will exhibit the total Federal Reserve notes issued for circulation and the actual expense of the issue, as well as other detailed information from which the conclusions stated have been reached.

Of a total amount of \$8,000,000 of Federal Reserve bank notes, which were prepared for this bank, \$2,000,000 were used in demonstrating the practicability of the issue and circulation of these notes, as previously referred to in this report. In order to avoid the tax on this circulation an equivalent amount of gold has been deposited with the Treasurer of the United States, and the net unissued amount of Federal Reserve bank notes is now \$6,000,000. As the one-half per cent tax per thousand annually on this circulation, added to the cost of issue, is in excess of the cost of Federal Reserve notes, it is not con-

templated that any further use will be made of the Federal Reserve bank notes, of which the entire \$6,000,000 are now held in vault, except in emergency.

It has been the policy of the Federal Reserve Agent to have on hand at all times an ample amount of Federal Reserve notes, not only to supply the usual requirements but to meet any occasion that might arise. To this end approximately \$3,000,000 of these notes, largely in smaller denominations have been carried in vault unissued. In addition thereto \$3,000,000 was transferred and has been held in the subtreasury at St. Louis, available upon short notice. It has furthermore been the policy to have printed and in stock in Washington Federal Reserve notes sufficient to bring the aggregate to an amount approximating the total note issuing power of this bank.

#### MANAGEMENT.

It has been deemed advisable to continue the regular meetings of the board of directors on the second and fourth Thursdays of each month during the current year. These meetings have been attended, as a rule, by the full membership, and in addition to an examination and approval of the actions taken by the executive committee, full reports of the operations of the bank have been considered and future policies discussed and outlined. Applications for fiduciary powers are submitted for any special information which any of the members may have. The members have shown a marked degree of interest in the affairs and policies of the bank and have given of their time and talents to a furtherance of its successful operation.

Previous to June 22, 1916, the executive committee, consisting of the governor, the chairman of the board of directors, and one member of the board of directors met daily. This arrangement was found expensive and cumbersome and on the date named a resolution was offered which authorized the governor and chairman of the board to pass upon the daily offerings, the third member meeting with them in executive committee weekly to pass upon their actions, all offerings of member banks being reviewed as well as investments made. The member of the board acting upon this committee has been changed monthly. In addition to approving investment transactions, the executive committee acts as a subcommittee of the board of directors in suggesting changes in discount rates, directing matters of routine, approving current bills paid, and passing upon matters affecting the employment and remuneration of employees. The record of the proceedings in executive committee meetings is preserved, and a digest of the minutes of these meetings reported to the board of directors.

The official staff consists of the governor, the chairman of the board, who is also Federal Reserve Agent, and the secretary-cashier. The

governor receives and presents the offerings of the member banks, conducts correspondence with them with relation thereto, and is joint custodian of the moneys and securities of the bank. The secretary-cashier has immediate charge of the clerical force. He is also the joint custodian of the moneys, securities, and rediscounts, and acts as secretary of the bank, of the executive committee, and of the board of directors. The Federal Reserve Agent receives, issues, and redeems all Federal Reserve notes, and has in his possession, in addition thereto, gold, moneys, and collateral deposited with him for the issuance of Federal Reserve notes, maintains all records relating thereto, has immediate charge of the credit files, and is the local representative of the Federal Reserve Board. As chairman of the board of directors this officer is kept in close touch with the current operations of the bank by membership and attendance in the executive committee meetings and meetings of the board of directors. In addition to the staff described, an assistant to the governor was elected early in the year, who has served in an official capacity, sharing the functions of the governor as well as those of the secretary-cashier.

The member of the Advisory Council of this district has taken an active interest in matters which pertain to that office, and from time to time attends meetings of the board of directors to discuss with them topics suggested for consideration at the council sessions. The relations of the officers, directors, and Advisory Council member have been marked by a spirit of cooperation in promoting the welfare of the Federal Reserve System.

Schedule P included in this report shows the number of officers, employees, and the pay roll per month, in the various departments.

On January 1 of the present year the election of J. C. Mitchell, of Denver, Colo., succeeding Gordon Jones, class A director, of the same city, became effective. In the same month Charles M. Sawyer was appointed to succeed J. Z. Miller, jr., as chairman of the board and Federal Reserve Agent, and F. W. Fleming was appointed as vice chairman and deputy Federal Reserve Agent to succeed Asa E. Ramsay, resigned. In October, L. A. Wilson presented his resignation as class B director, effective January 1, 1917, by reason of his removal from the district. The election conducted in December resulted in the selection of H. W. Gibson, of Muskogee, to fill the unexpired term of Mr. Wilson, while W. J. Bailey, class A director, and M. L. McClure, class B director, were elected to succeed themselves.

At the annual meeting in January the following official staff was elected: E. F. Swinney, member of the advisory council, succeeding himself; J. Z. Miller, jr., governor, succeeding Charles M. Sawyer; Jerome Thralls, secretary-cashier, succeeding himself. On February 10, Jerome Thralls, secretary-cashier, resigned. At this same meeting



J. L. Cross was elected assistant to the governor. On March 14, Arch W. Anderson was elected secretary-cashier to succeed Jerome Thralls. On February 1, M. A. Thompson was appointed assistant to the Federal Reserve Agent. These changes naturally brought about more or less reorganization in all departments. The work of the bank is being carried on in a capable and efficient manner.

Bank premises, office, and all facilities are the same as shown in the last annual report. The location and equipment have been found satisfactory in every way for the proper and expeditious conduct of the business.

Examinations of this bank have been conducted by the Federal Reserve examiners of the staff of the Federal Reserve Board in the usual manner.

#### CLEARING OPERATIONS.

The clearing operations of this bank up to July 15 of this year were in accord with the plan in force as amended and reported in the annual report for 1915, under which this bank was collecting for members of district No. 10 items on other members and on Federal Reserve cities. The immediate credit and debit principle was applied with certain provisions to eliminate items that would deplete member bank balances if handled. As the member banks became familiar with the practices they were more reconciled to the innovation of handling intradistrict items as outlined. It is believed that a real service was performed in a limited way, pending the adoption of a general clearing plan by the Federal Reserve Board, covering both inter and intra district operations.

Schedule Q gives a brief record of the volume of transit business handled prior to the inauguration of the new plan which went into effect July 15, the subdivisions of city and country items, and daily averages, as well as like information for the period subsequent thereto and to the close of the year.

At the time the first announcement was made of the method to be employed under the general clearing plan now in operation the official staff of this bank gave special attention to simplifying the detailed operations and fully informing the member banks on all subjects pertaining thereto. The soundness of the underlying principles was emphasized and no effort spared to provide a thorough familiarity with the methods to be employed in putting them into effect. At the same time all nonmember banks in the district were canvassed and their support solicited for this nation-wide plan inaugurated for the purpose of establishing improved clearing methods and extensive par facilities. The general letters addressed both to members and nonmembers were followed up with care and correspondence conducted in a thorough and careful manner. The result was that in the early stages a large majority of the member banks

indicated their willingness to handle the items on nonmembers located in the same city, and a goodly portion of the nonmember banks entered into agreement to remit for their own checks, and in some cases for their competitors' checks, at par. The further progressive steps have been quite satisfactory and the use made of the facilities provided in connection with the present general collection system has shown a steady increase.

The provisions of the new plan were put into practical operation with dispatch and very little attendant difficulty, and the changed conditions affecting transit items have been satisfactorily met. Under the interdistrict plan a larger volume of items has been collected for banks of other districts, while the increase in the sendings by members of this district has been more gradual. The service charge imposed has evidently deterred, to some extent, the participation on the part of member banks. This is especially true in the case of the smaller items. Experience since July 15 has been that the average amount of the individual items will exceed the average amount prior to that time.

The objection most generally raised by nonmember banks to enlisting in cooperation has been due to the fact that during the year 1916 no provision was made to supply banks remitting at par with return postage. This practice has been customary on the part of other collection agencies and will be adopted by this bank after January 1. It is believed that this small consideration will be reflected by an increased number of nonmember banks on the par list. The effect of the campaign in behalf of universal par clearings in district No. 10 has resulted in more serious consideration being given this subject from the viewpoint of the right to deduct exchange for purposes of revenue only, and there is every reason to believe that influence exerted in this direction is more real than may be apparent from the actual volume of business handled through the transit department of this bank.

In this Federal Reserve city the local organization known as the country clearing house has recognized the par list of the Federal Reserve Bank by amending its rules so as to extend the benefit thereof to all banks and their customers. Reports from like organizations in the district indicate that in the larger cities, where country items are handled to some extent through the local clearing houses, there has been some evidence of the influence exerted by the Federal Reserve clearing system. Gradual slight modifications were made by the clearing houses in their charges, so that such benefit as is experienced from the operation of the Federal Reserve clearing plan may be transmitted to the customers. This movement has not taken definite shape nor been widely extended, but there is every reason to believe that the advantage of facilities provided by the Federal

Reserve Banks has extended to the original indorser of items, and that as time goes on this movement will be more pronounced. Such transition is naturally gradual, due to reciprocal and long-established relations existing between commercial banks, but the information obtainable at this time would lead to the conclusion that where any change in method has been made it has been in recognition of and in conformity with the principles enunciated and the practices employed under the general clearing plan.

The service charge in this district was established at 1½ cents per item, applicable to all country items actually handled and reforwarded by this bank. The funds accumulated by this charge have practically offset the expense incidental to the operation of the transit department, in which has been included the equipment and all expenses of this department except overhead administration charge. With the facilities already provided an increased volume of business can be handled without proportionate increase in the expense of handling, and it is anticipated that gradually this charge may be consistently reduced.

The reserve balances have been well maintained in the aggregate, although analysis of accounts and correspondence have developed that a number of bankers have not thoroughly familiarized themselves with the effect of deferred time schedules on the available reserve.

Observers of the operation of the gold settlement fund and its effect on the trend of exchange and credit as between the Federal Reserve districts are confirmed in the opinion that this method of settlement relieves the unnecessary forward and backward flow of funds and employs an economic principle which experience has demonstrated to be of vital importance in the interrelations between the several sections of the country. That the operation of this plan has tended to stabilize the exchange market and properly distribute credit throughout the country, without large expense, as well as to meet the varying demand due to seasonal needs, is obvious. The service rendered to banks is apparent to those who have given thought to the subject, but probably has not been fully appreciated by some bankers in the smaller cities and towns. From an accounting standpoint it has materially simplified transactions with other Federal Reserve Banks, and from a practical standpoint enabled the Federal Reserve Bank to meet the demands of this section without pyramiding or depleting funds or absorbing a large volume of float, and to exert an economic influence which has resulted in a like experience for many of the larger banks of the district.

#### SUMMARY.

While the fact has been kept in mind that earnings are not the essential feature in the successful operation of a Federal Reserve

Bank, yet, in the face of an unusual plethora of loanable funds in the hands of member banks during the past year, the earnings have been sufficient to eliminate the extraordinary expense incurred in organization, to pay all operating expenses, and to partially liquidate the cumulative dividend requirements. The general increase in resources enables this institution to exert a more pronounced influence on the financial affairs of the district. The year has brought an era of prosperity to all lines of industry. The lack of demand from member banks has prompted the purchase in the open market of a volume of high class, low rate investments, including a large amount of United States bonds. The period has witnessed a noticeable improvement in the public appreciation of the purposes and benefits of the Federal Reserve Act and its operations, although this would doubtless have been more apparent had conditions made necessary a wider employment of the credit facilities. The successful inauguration of and increasing cooperation in the much discussed clearing plan have been noteworthy. The existence of the Federal Reserve Bank of Kansas City has unquestionably had a strong bearing on the commercial life of this district and on the stabilization of interest rates.

SCHEDULE A.—Income—Profit and loss account at close of business Dec. 30, 1916, and Dec. 31, 1915.

|   | Year ending<br>Dec. 30, 1916. | Year ending<br>Dec. 31, 1915. |
|---|-------------------------------|-------------------------------|
| <b>Earnings from—</b>                         |                               |                               |
| Bills discounted for member banks.....        | \$84,571.71                   | \$64,257.59                   |
| Bills bought—Acceptances.....                 | 29,601.03                     | 7,831.51                      |
| Trade acceptances.....                        |                               | 391.10                        |
| United States bonds.....                      | 186,411.19                    | 20,650.85                     |
| Municipal warrants.....                       | 14,366.41                     | 9,575.48                      |
| Profits on United States securities sold..... | 14,407.50                     |                               |
| Sundry profits.....                           | 181.91                        | 673.76                        |
| Appreciation profit, United States bonds..... | 34,463.96                     |                               |
| Exchange.....                                 | 962.96                        |                               |
| <b>Total earnings.....</b>                    | <b>364,966.67</b>             | <b>103,360.29</b>             |
| <b>Expenses:</b>                              |                               |                               |
| Federal Reserve Board assessments.....        | 10,574.64                     | 5,928.48                      |
| Federal Advisory Council.....                 | 305.85                        | 357.10                        |
| Governor's conferences.....                   | 1,244.74                      | 924.13                        |
| Federal Reserve Agents' conferences.....      | 423.08                        | 717.20                        |
| <b>Salaries—</b>                              |                               |                               |
| Bank officers.....                            | 25,972.81                     | 28,820.82                     |
| Clerical staff.....                           | 32,231.06                     | 34,915.95                     |
| Special officers and watchman.....            | 805.00                        | 2,591.83                      |
| All others.....                               | 1,599.42                      |                               |
| Directors' fees.....                          | 3,705.00                      | 3,480.00                      |
| Directors' per diem allowance.....            | 2,385.00                      | 4,316.00                      |
| Directors' traveling expenses.....            | 3,628.04                      | 4,662.51                      |
| Officers' traveling expenses.....             | 633.31                        | 514.72                        |
| Legal fees.....                               | 600.00                        | 1,501.20                      |
| Rent.....                                     | 7,949.96                      | 9,538.85                      |
| Telephone.....                                | 495.29                        | 607.18                        |
| Telegraph.....                                | 351.55                        | 572.17                        |
| Postage.....                                  | 6,457.19                      | 10,347.01                     |
| Expressage.....                               | 824.85                        | 103.24                        |
| Fidelity bond premiums.....                   | 1,226.52                      | 1,354.28                      |
| Light, heat, and power.....                   | 979.50                        | 1,241.00                      |
| Printing and stationery.....                  | 3,136.34                      | 9,171.34                      |
| Repairs and alterations.....                  | 213.36                        | 86.63                         |
| All other expenses not specified herein.....  | 4,108.18                      | 4,227.68                      |
| <b>Operating expenses.....</b>                | <b>109,850.69</b>             | <b>125,979.32</b>             |

SCHEDULE A.—*Income—Profit and loss account at close of business Dec. 30, 1916, and Dec. 31, 1915—Continued.*

|   | Year ending<br>Dec. 30, 1916. | Year ending<br>Dec. 31, 1915. |
|---|-------------------------------|-------------------------------|
| Extraordinary expenses:                                   |                               |                               |
| Commissions paid.....                                     |                               | \$861.03                      |
| Cost of Federal Reserve notes issued.....                 | \$20,436.16                   |                               |
| Cost of Federal Reserve Bank notes (including taxes)..... | 5,790.54                      |                               |
| Amortization charges—Federal Reserve notes.....           | 5,523.16                      |                               |
| Amortization charges—organization expenses (1/24).....    | 26,484.44                     |                               |
| Depreciation, furniture and equipment.....                | 3,900.00                      |                               |
| Total extraordinary expenses.....                         | 62,134.30                     | 861.03                        |
| Total all chargeable expenses.....                        | 171,984.99                    | 126,840.35                    |
| Net earnings or deficiency.....                           | 192,981.68                    | -23,480.06                    |
| Less dividends paid.....                                  | \$66,706.95                   |                               |
| Less organization expenses.....                           | 34,768.71                     |                               |
|   | 101,475.66                    |                               |
| Net earnings to profit and loss account.....              | 91,506.02                     |                               |

SCHEDULE B.—*Comparative detailed statement at close of business Dec. 30, 1916; Dec. 31, 1915.*

|   | Dec. 30, 1916. | Dec. 31, 1915. |
|---|----------------|----------------|
| RESOURCES.  |                |                |
| Bills discounted—members.....   | \$479,067.72   | \$428,872.29   |
| Bills bought in open market.....  | 3,945,180.94   | 3,580,463.35   |
| Member banks collateral notes.....  | 35,820.74      |                |
| Municipal warrants.....   | 163,813.65     | 288,015.84     |
| United States bonds to secure circulation.....  | 6,000,000.00   |                |
| United States bonds on hand.....  | 2,492,850.00   | 2,151,650.00   |
| Premium and discount on United States bonds.....  | 85,887.20      |                |
| Interest accrued on United States bonds.....  | 53,978.18      | 8,862.18       |
| United States gold notes.....   | 963,000.00     |                |
| Expense, organization.....  |                | 52,984.44      |
| Expenses paid in advance.....   | 2,062.70       | 9,879.48       |
| Cost of unissued Federal Reserve notes.....   | 27,614.85      | 11,252.52      |
| Furniture and equipment.....  | 15,982.54      | 31,828.85      |
| Furniture and fixtures, recoverable.....  | 25,978.29      | 15,000.00      |
| Cost of unissued Federal Reserve Bank notes.....  | 983.82         |                |
| Transit expense, recoverable.....   |                |                |
| Due from other Federal Reserve Banks.....   | 11,952,040.60  | 1,849,365.44   |
| Due from member banks—overdrafts.....   | 17,688.57      | 11,783.74      |
| Due from banks and bankers.....   | 1,029,956.21   |                |
| Exchanges for clearing house.....   | 10,899.57      | 5,000.00       |
| Checks and other cash items.....  | 6,415.95       | 363.85         |
| Deferred debits (transit account).....  | 4,602,501.65   |                |
| Due from United States Treasurer, 5 per cent fund (account Federal Reserve Bank notes)..... | 300,000.00     |                |
| National bank notes and Federal Reserve notes of other banks.....                           | 107,645.00     | 348,318.00     |
| Federal Reserve Bank notes on hand.....   | 6,000,000.00   |                |
| Federal Reserve notes on hand.....  | 517,120.00     | 564,850.00     |
| Nickels and cents.....  | 26.75          | 2.07           |
| Gold settlement fund, credit balance.....   | 21,235,500.00  | 2,464,000.00   |
| Due from United States Treasurer, gold redemption fund (Federal Reserve notes).....         | 150,095.00     | 107,000.00     |
| Gold bullion and coin.....  | 371,195.00     | 3,933,700.00   |
| Gold certificates.....  | 5,793,590.00   | 4,535,310.00   |
| Silver certificates.....  | 30,131.00      | 43,694.00      |
| Legal-tender notes.....   | 113,845.00     | 70,375.00      |
| Silver coin.....  | 1,287.00       | 5,500.00       |
| Total resources.....  | 66,532,157.93  | 20,518,071.05  |
| CAPITAL STOCK LIABILITIES.  |                |                |
| Capital paid in.....  | 3,073,950.00   | 3,037,800.00   |
| Unearned interest and discount.....   | 17,748.50      | 54,665.89      |
| Government deposits.....  | 275,778.80     |                |
| Due to other Federal Reserve Banks.....   | 10,336,961.54  | 492,750.72     |
| Due to member banks.....  | 44,191,246.07  | 14,930,086.68  |
| Expense checks.....   | 764.61         |                |
| Cashier's checks outstanding.....   | 1,373.07       | 2,767.76       |
| Federal Reserve Bank notes.....   | 6,000,000.00   |                |
| Net liability Federal Reserve notes.....  | 2,540,000.00   | 2,000,000.00   |
| Reserved for taxes.....   | 2,829.32       |                |
| Profit and loss undistributed earnings.....   | 91,506.02      |                |
| Total.....  | 66,532,157.93  | 20,518,071.05  |

SCHEDULE C.—Discount operations for the year 1916.

REDISCOUNTS FOR MEMBER BANKS, DISTRIBUTED BY STATES, AND MATURITIES AS OF DATE OF DISCOUNT.

| State.          | Number of member banks Dec. 31. | Number of banks accommodated. | Number of trans-actions. | Maturities.       |                                |                                |                                |               | Total.       | Balance on hand Dec. 31. |
|-----------------|---------------------------------|-------------------------------|--------------------------|-------------------|--------------------------------|--------------------------------|--------------------------------|---------------|--------------|--------------------------|
|                 |                                 |                               |                          | 10 days and less. | Over 10 to 30 days, inclusive. | Over 30 to 60 days, inclusive. | Over 60 to 90 days, inclusive. | Over 90 days. |              |                          |
| Colorado.....   | 122                             | 16                            | 44                       | \$50,000.00       | \$50,867.03                    | \$83,132.59                    | \$126,258.77                   | \$135,102.30  | \$445,360.69 | \$6,423.74               |
| Kansas.....     | 224                             | 44                            | 223                      | 58,458.32         | 239,464.21                     | 493,552.52                     | 510,782.99                     | 682,359.70    | 1,984,617.74 | 144,097.44               |
| Missouri.....   | 54                              | 12                            | 74                       | 25,714.00         | 208,922.77                     | 61,105.59                      | 504,366.27                     | 179,569.59    | 979,678.22   | 46,036.97                |
| Nebraska.....   | 193                             | 37                            | 147                      | .....             | 40,738.88                      | 193,653.29                     | 335,027.57                     | 313,944.65    | 883,364.39   | 226,686.78               |
| New Mexico..... | 9                               | 3                             | 19                       | .....             | 13,598.33                      | 58,166.48                      | 84,670.10                      | 137,386.33    | 293,821.24   | 10,870.23                |
| Oklahoma.....   | 305                             | 75                            | 351                      | 37,247.26         | 256,369.02                     | 575,596.15                     | 574,210.28                     | 775,424.91    | 2,218,847.62 | 77,173.70                |
| Wyoming.....    | 36                              | 2                             | 4                        | .....             | .....                          | .....                          | 2,210.00                       | 9,799.88      | 12,009.88    | 3,594.60                 |
| Total.....      | 943                             | 189                           | 862                      | 171,419.58        | 809,960.24                     | 1,465,206.62                   | 2,137,525.98                   | 2,233,587.36  | 6,817,699.78 | 514,888.46               |

| VOLUME BY MONTHS. |                | NATURE OF PAPER DISCOUNTED.              |              | MISCELLANEOUS.                              |              |
|-------------------|----------------|--|--------------|---|--------------|
| January.....      | \$1,364,554.05 | Trade acceptances.....                   | \$190,931.87 | 5,526 notes discounted, average amount..... | \$1,210.98   |
| February.....     | 458,476.65     | Commodity paper.....                     | 360,000.00   | 4 collateral loans, average..               | 28,955.00    |
| March.....        | 793,893.95     | Agricultural, secured by live stock..... | 3,302,966.91 | Maximum amount Jan. 3.....                  | 3,427,767.46 |
| April.....        | 564,124.44     | Agricultural, no collateral.....         | 1,964,199.53 | Minimum amount Dec. 27.....                 | 464,648.90   |
| May.....          | 627,421.49     | Industrial.....                          | 379,200.24   |   |              |
| June.....         | 824,726.89     | Commercial.....                          | 504,640.49   |   |              |
| July.....         | 819,464.19     | Member banks' collateral loans.....      | 115,820.74   |   |              |
| August.....       | 356,489.80     |  |              | OFFERINGS REJECTED.                         |              |
| September.....    | 393,936.23     |  |              | In part, 148 offerings, 317 notes.....      | \$361,341.59 |
| October.....      | 253,458.19     |  |              | In whole, 22 offerings, 142 notes.....      | 157,597.62   |
| November.....     | 211,327.61     |  |              | Total rejected.....                         | 518,939.21   |
| December.....     | 147,826.29     |  |              |   |              |
| Total.....        | 6,817,699.78   | Total.....                               | 6,817,699.78 |   |              |

SCHEDULE OF DISCOUNT RATES IN EFFECT DURING YEAR.

| Date effective.     | 10 days. | 11 to 30 days. | 31 to 60 days. | 61 to 90 days. | 91 days to 6 months. | Commodity paper. | Trade acceptances. | Member banks' collateral loans. |
|---------------------|----------|----------------|----------------|----------------|----------------------|------------------|--------------------|---------------------------------|
| Dec. 3, 1915.....   | 3½       | 4              | 4              | 4              | 5                    | 3                | 3½                 | .....                           |
| Apr. 12, 1916.....  | 4        | 4½             | 4½             | 4½             | 5                    | 3                | 3½                 | .....                           |
| July 24, 1916.....  | 4½       | 4½             | 4½             | 4½             | 5                    | 4                | 4                  | .....                           |
| Sept. 18, 1916..... | 4½       | 4½             | 4½             | 4½             | 5                    | 4                | 4                  | 4                               |

DISTRICT NO. 10—KANSAS CITY.

SCHEDULE D.—*Open-market transactions for the year 1916.*

## BILLS BOUGHT (BANKERS ACCEPTANCES).

|  |                |                                    |              |
|--|----------------|------------------------------------|--------------|
| 557 items purchased in above period,<br>total..... | \$8,191,082.48 | By maturities at date of purchase: |              |
|  |                | Up to 30 days.....                 | \$358,354.69 |
|  |                | 30 to 60 days.....                 | 1,451,320.71 |
|  |                | 60 to 90 days.....                 | 6,381,407.08 |
|  |                | Total.....                         | 8,191,082.48 |
| At following discount rates:                       |                | Classification:                    |              |
| 2 per cent.....                                    | 1,156,125.93   | Domestic.....                      | 449,300.00   |
| 2½ per cent.....                                   | 163,169.52     | Export or import.....              | 7,741,782.48 |
| 2¾ per cent.....                                   | 295,220.13     | Total.....                         | 8,191,082.48 |
| 2½ per cent.....                                   | 581,651.88     |                                    |              |
| 2¾ per cent.....                                   | 325,707.66     |                                    |              |
| 2¾ per cent.....                                   | 552,688.86     |                                    |              |
| 2½ per cent.....                                   | 1,253,956.22   |                                    |              |
| 2¾ per cent.....                                   | 1,303,004.09   |                                    |              |
| 2¾ per cent.....                                   | 435,488.68     |                                    |              |
| 2½ per cent.....                                   | 101,753.07     |                                    |              |
| 2½ per cent.....                                   | 104,170.00     |                                    |              |
| 2½ per cent.....                                   | 560,734.73     |                                    |              |
| 3 per cent.....                                    | 1,188,695.41   |                                    |              |
| 3¼ per cent.....                                   | 34,876.34      |                                    |              |
| 3½ per cent.....                                   | 133,839.96     |                                    |              |
| Total.....   | 8,191,082.48   |                                    |              |

SCHEDULE E.—*Open-market transactions for the year 1916.*

## WARRANTS.

|   |                |                                     |              |
|---|----------------|-------------------------------------|--------------|
| 39 purchases made, total (maturity<br>value)..... | \$1,946,840.70 | By maturities, at date of purchase: |              |
|   |                | Up to 30 days.....                  | \$60,052.08  |
|   |                | 30 to 60 days.....                  | 235,646.23   |
|   |                | 60 to 90 days.....                  | 227,225.54   |
|   |                | 90 days to 6 months.....            | 1,423,916.85 |
|   |                | Total.....                          | 1,946,840.70 |
| At following discount rates:                      |                | Classification:                     |              |
| 2½ per cent.....                                  | 35,127.08      | Municipal warrants.....             | 1,845,036.81 |
| 2½ per cent.....                                  | 553,341.39     | State warrants.....                 | 101,803.89   |
| 2.30 per cent.....                                | 251,906.16     | Total.....                          | 1,946,840.70 |
| 2½ per cent.....                                  | 111,057.91     |                                     |              |
| 2.40 per cent.....                                | 12,150.00      |                                     |              |
| 2½ per cent.....                                  | 60,375.00      |                                     |              |
| 2.55 per cent.....                                | 60,000.00      |                                     |              |
| 2½ per cent.....                                  | 25,307.50      |                                     |              |
| 2½ per cent.....                                  | 375,318.23     |                                     |              |
| 2.70 per cent.....                                | 109,368.78     |                                     |              |
| 2½ per cent.....                                  | 95,635.53      |                                     |              |
| 2.90 per cent.....                                | 50,725.00      |                                     |              |
| 3 per cent.....                                   | 105,170.83     |                                     |              |
| 3½ per cent.....                                  | 50,000.00      |                                     |              |
| 3.35 per cent.....                                | 8,000.00       |                                     |              |
| 3½ per cent.....                                  | 25,000.00      |                                     |              |
| 3½ per cent.....                                  | 6,114.63       |                                     |              |
| 3½ per cent.....                                  | 12,242.66      |                                     |              |
| Total.....  | 1,946,840.70   |                                     |              |

SCHEDULE F.—*Open-market transactions for the year 1916.*

## UNITED STATES BONDS.

|                               | Par value. | Price.  |
|-------------------------------|------------|---------|
| PURCHASES.                    |            |         |
| 2 per cent consols, 1930..... | \$69,800   | 99½     |
|                               | 3,750      | 99¾     |
|                               | 525,250    | 99½     |
|                               | 2,650,000  | ½ disc. |
|                               | 1,000,000  | ¾ disc. |
|                               | 2,332,200  | Par.    |
|                               | 100,000    | ½ prem. |
|                               | 6,681,000  |         |
| 2 per cent Panamas, 1936..... | 6,500      | 99½     |
|                               | 350,000    | ½ disc. |
|                               | 162,000    | Par.    |
|                               | 518,500    |         |

SCHEDULE F.—Open-market transactions for the year 1916—Continued.

UNITED STATES BONDS—Continued.

|                               | Par value.          | Price.                      |
|-------------------------------|---------------------|-----------------------------|
| PURCHASES—continued.          |                     |                             |
| 2 per cent Panamas, 1933..... | \$250,000<br>88,000 | $\frac{1}{2}$ disc.<br>Par. |
|                               | 338,000             |                             |
| 4 per cent, 1925.....         | 125,000<br>700,000  | 111.<br>111 $\frac{1}{4}$ . |
|                               | 825,000             |                             |
| Total purchased.....          | 8,362,500           |                             |
| SALES.                        |                     |                             |
| 2 per cent consols, 1930..... | 110,000             | Par.                        |
| 3 per cent, 1918.....         | 300                 | 101 $\frac{1}{2}$ .         |
| 3 per cent conversion.....    | 25,000              | 102 $\frac{1}{2}$ .         |
| 3 per cent conversion.....    | 923,000             | 101 $\frac{1}{2}$ .         |
|                               | 948,000             |                             |
| Total sold.....               | 1,058,300           |                             |

CONVERSIONS.

| Date.        | Delivered to United States Treasury. |                           |                           |           | Received from United States Treasury. |                                |           |
|--------------|--------------------------------------|---------------------------|---------------------------|-----------|---------------------------------------|--------------------------------|-----------|
|              | 2 per cent consols, 1930.            | 2 per cent Panamas, 1936. | 2 per cent Panamas, 1938. | Total.    | Conversion bonds, series 1916-1946.   | One-year Treasury notes.       | Total.    |
| Apr. 1, 1916 | \$820,600                            | .....                     | .....                     | \$820,600 | \$410,600                             | Series Apr. 1, 1916. \$410,000 | \$820,600 |
| July 1, 1916 | 412,400                              | .....                     | .....                     | 412,400   | 206,400                               | Series July 1, 1916. 206,000   | 412,400   |
| Oct. 1, 1916 | 88,100                               | 356,500                   | 250,000                   | 694,600   | 347,600                               | Series Oct. 1, 1916. 347,000   | 694,600   |
| Total.       | 1,321,100                            | 356,500                   | 250,000                   | 1,927,600 | 964,600                               | Total..... 963,000             | 1,927,600 |

UNITED STATES SECURITIES ON HAND DEC. 31.

|  | Amount.     |                                      | Amount.   |
|--|-------------|--------------------------------------|-----------|
| 2 per cent consols of 1930.....        | \$7,401,250 | 3 per cent Treasury notes, 1917..... | \$963,000 |
| 2 per cent Panama, 1936.....           | 162,000     | 4 per cent bonds, 1925.....          | 825,000   |
| 2 per cent Panama, 1938.....           | 88,000      |                                      |           |
| 3 per cent conversion bonds, 1946..... | 16,600      | Total.....                           | 9,455,850 |

SCHEDULE G.—Discount and investment operations for the year 1916—Average amount of each class of earning assets held, total earnings, and average annual rates thereon.

|                                  | Average holdings. | Earnings.   | Average rate. |
|----------------------------------|-------------------|-------------|---------------|
| Bills discounted—members.....    | \$1,771,504       | \$84,571.71 | 4.77          |
| Bills bought in open market..... | 1,237,692         | 29,601.03   | 2.39          |
| Warrants.....                    | 582,300           | 14,366.41   | 2.47          |
| United States securities.....    | 8,555,199         | 186,411.19  | 2.18          |
| Total.....                       | 12,146,725        | 314,950.34  | 2.59          |



SCHEDULE H.—*Reserve position*

[Monthly averages.]

| Month.              | Percent-<br>age<br>carried. | Percent-<br>age re-<br>quired. | Percent-<br>age ex-<br>cess over<br>requirements. | Month.                    | Percent-<br>age<br>carried. | Percent-<br>age re-<br>quired. | Percent-<br>age ex-<br>cess over<br>requirements. |
|---------------------|-----------------------------|--------------------------------|---|---------------------------|-----------------------------|--------------------------------|---|
| January, 1916.....  | 75.8                        | 35                             | 40.8  | August, 1916.....         | 62.9                        | 35                             | 27.9  |
| February, 1916..... | 76.4                        | 35                             | 41.4  | September, 1916.....      | 60.7                        | 35                             | 25.7  |
| March, 1916.....    | 52.4                        | 35                             | 17.4  | October, 1916.....        | 57.5                        | 35                             | 22.5  |
| April, 1916.....    | 51.5                        | 35                             | 16.5  | November, 1916.....       | 66.6                        | 35                             | 31.6  |
| May, 1916.....      | 48.5                        | 35                             | 13.5  | December, 1916.....       | 67.8                        | 35                             | 32.8  |
| June, 1916.....     | 56                          | 35                             | 21  | Yearly aver-<br>ages..... | 61.6                        | 35                             | 26.6  |
| July, 1916.....     | 63.1                        | 35                             | 28.9  |                           |                             |                                |   |

SCHEDULE I.—*Membership—Additions and withdrawals and effect on the total capital stock.*

## ADDITIONS.

| State.          | Number<br>of banks. | Capital sub-<br>scription to<br>Federal Re-<br>serve Bank<br>stock. | Capital and<br>surplus of<br>member<br>banks. |
|-----------------|---------------------|---|---|
| Colorado.....   | 3                   | \$5,700.00  | \$63,500.00                                   |
| Kansas.....     | 5                   | 12,400.00   | 302,480.45                                    |
| Missouri.....   | 1                   | 30,000.00   | 500,000.00                                    |
| Nebraska.....   |                     |   |   |
| New Mexico..... |                     |   |   |
| Oklahoma.....   | 6                   | 23,900.00   | 407,500.00                                    |
| Wyoming.....    | 3                   | 5,500.00  | 104,000.00                                    |
| Total.....      | 18                  | 77,500.00   | 1,377,480.45                                  |

## WITHDRAWALS.

| State.          | Number<br>of banks. | Capital<br>surrendered. | Capital and<br>surplus of<br>member<br>banks. |
|-----------------|---------------------|-------------------------|---|
| Colorado.....   | 2                   | \$17,700.00             | \$295,000.00                                  |
| Kansas.....     |                     |                         |   |
| Missouri.....   |                     |                         |   |
| Nebraska.....   | 14                  | 75,400.00               | 1,223,000.00                                  |
| New Mexico..... |                     |                         |   |
| Oklahoma.....   | 10                  | 25,500.00               | 419,250.00                                    |
| Wyoming.....    |                     |                         |   |
| Total.....      | 26                  | 118,600.00              | 1,937,250.00                                  |

SCHEDULE J.—*Member bank deposits.*

## NET DAILY AVERAGES FOR THE YEAR 1916.

| Month.            | Amount.      | Month.             | Amount.      |
|-------------------|--------------|--------------------|--------------|
| January.....      | \$15,377,420 | July 15 to 31..... | \$24,042,111 |
| February.....     | 16,345,980   | August.....        | 24,620,080   |
| March.....        | 16,616,210   | September.....     | 24,817,490   |
| April.....        | 16,571,210   | October.....       | 27,028,960   |
| May 1 to 15.....  | 17,471,120   | Nov. 1 to 15.....  | 28,980,933   |
| May 15 to 31..... | 21,415,520   | Nov. 15 to 30..... | 35,474,632   |
| June.....         | 21,686,180   | December.....      | 36,395,381   |
| July 1 to 15..... | 21,024,750   |                    |              |

SCHEDULE J.—*Member bank deposits*—Continued.

EXCESS RESERVES AND DEFICIENCIES, DAILY AVERAGES FOR THE YEAR 1916.

| Period.                                       | Excess reserves. | Deficiencies. |
|---|------------------|---------------|
| Jan. 1 to Apr. 30 (based on call Mar. 7)..... | \$1,852,800      | \$2,448,700   |
| May 1 to 15 (based on call May 1).....        | 1,625,400        | 2,855,900     |
| May 1 to July 15 (based on call June 30)..... | 1,133,700        | 3,818,900     |
| July 15 to 31.....                            | 1,325,315        | 1,455,573     |
| August.....                                   | 1,068,780        | 1,533,157     |
| September.....                                | 1,143,270        | 1,589,950     |
| October.....                                  | 1,130,200        | 1,560,323     |
| Nov. 1 to Nov. 15.....                        | 2,373,000        | 1,838,339     |
| Nov. 15 to Nov. 31.....                       | 1,898,400        | 2,168,860     |
| December (estimated).....                     | 2,227,544        | 2,064,057     |

SCHEDULE K.—*Government account, from Jan. 1916, to Dec. 30, 1916.*

|   |              |
|---|--------------|
| Total amount deposited to credit of United States Treasurer.....  | \$18,503,000 |
| Total amount of warrants paid.....                                | 14,978,000   |
| Total amount transferred by order of United States Treasurer..... | 3,250,000    |
| Balance to credit of United States Treasurer Dec. 30, 1916.....   | 275,000      |
| Average daily balance for year.....                               | 988,700      |

SCHEDULE L.—*Federal Reserve Agent's statement of Federal Reserve notes on hand, outstanding, received from Comptroller of the Currency, canceled, and coverage of total issue as of Dec. 30, 1916.*

## RESOURCES.

|  |                |
|--|----------------|
| Federal Reserve notes on hand.....   | \$3,753,000.00 |
| Federal Reserve notes outstanding.....                                     | 22,234,760.00  |
| Rediscounts to secure Federal Reserve notes.....                           | 2,545,111.66   |
| Gold to retire Federal Reserve notes on hand.....                          | \$4,370,000    |
| Credit balance in gold redemption fund.....                                | 1,064,760      |
| Credit balance with Federal Reserve Board.....                             | 14,260,000     |
| Total.....   | 19,694,760.00  |
| Federal Reserve notes sent to Comptroller of Currency for destruction..... | 2,132,240.00   |
| Total.....   | 50,359,871.66  |

## LIABILITIES.

|  |               |
|--|---------------|
| Federal Reserve notes from Comptroller of Currency, gross amount.... | 28,120,000.00 |
| Collateral received from Federal Reserve Bank.....                   | 2,545,111.66  |
| Provision for redemption of Federal Reserve notes.....               | 19,694,760.00 |
| Total.....   | 50,359,871.66 |

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SCHEDULE M.—Federal Reserve notes, statement of Federal Reserve Agent, from organization to Dec. 31, 1916.

|   | Number of pieces. |         |           |          |           | Aggregate amount. |
|---|-------------------|---------|-----------|----------|-----------|-------------------|
|   | Fives.            | Tens.   | Twenties. | Fifties. | Hundreds. |                   |
| Received from comptroller.....  | 2,608,000         | 820,000 | 284,000   | 16,000   | 4,000     | \$28,120,000      |
| Received from Federal Reserve Bank.....   | 348,800           | 79,700  | 10,700    | 5,900    |           | 3,050,000         |
| Received from Treasurer of United States (fit notes).....   |                   | 300     |           |          |           | 3,000             |
| Received by comptroller from Treasurer of United States for destruction and credit of Federal Reserve Agent's account (unfit notes).....                        | 297,558           | 50,260  | 6,025     | 427      |           | 2,132,240         |
| Total.....  | 3,254,358         | 950,260 | 300,725   | 22,327   | 4,000     | 33,305,240        |
| Issued to Federal Reserve Bank.....   | 2,613,400         | 812,600 | 265,600   | 17,900   | 200       | 27,420,000        |
| Returned to Comptroller of the Currency for destruction, including notes returned by United States Treasurer for credit of Federal Reserve Agent's account..... | 297,558           | 50,260  | 6,025     | 427      |           | 2,132,240         |
| Fit notes on hand.....  | 172,000           | 72,000  | 28,000    | 4,000    | 3,800     | 2,720,000         |
| Mutilated notes on hand.....  | 171,400           | 15,400  | 1,100     |          |           | 1,033,000         |
| Total.....  | 3,254,358         | 950,260 | 300,725   | 22,327   | 4,000     | 33,305,240        |

SCHEDULE N.—Federal Reserve notes received and returned.

[Amounts of Federal Reserve notes of the several denominations received from other Federal Reserve Banks for redemption or credit and returned to other Federal Reserve Banks for redemption or credit by the Federal Reserve Bank of Kansas City during the period since Jan. 1, 1916.]

| Exchanged with Federal Reserve Bank of— | Fives.         |              | Tens.          |              | Twenties.      |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | \$17,900       | \$175        | \$18,960       | \$780        | \$8,540        | \$180        |
| New York.....                           | 378,500        | 3,940        | 235,620        | 12,530       | 113,680        | 6,480        |
| Philadelphia.....                       | 16,850         | 210          | 15,900         | 780          | 9,760          | 560          |
| Cleveland.....                          | 11,680         | 590          | 9,610          | 2,770        | 4,280          | 4,640        |
| Richmond.....                           | 3,300          | 300          | 4,050          | 1,340        | 2,200          | 2,420        |
| Atlanta.....                            | 25,615         | 2,740        | 18,670         | 6,530        | 12,230         | 6,080        |
| Chicago.....                            | 847,500        | 1,225        | 514,500        | 340          | 117,000        | 1,180        |
| St. Louis.....                          | 843,605        | 13,060       | 335,270        | 19,560       | 107,280        | 10,980       |
| Minneapolis.....                        | 60,340         | 5,700        | 41,300         | 13,800       | 14,940         | 9,800        |
| Dallas.....                             | 107,680        | 16,310       | 77,550         | 44,220       | 41,460         | 35,820       |
| San Francisco.....                      | 31,045         | 2,070        | 26,940         | 2,380        | 20,100         | 4,300        |
| Total.....                              | 2,344,105      | 46,320       | 1,298,370      | 105,030      | 451,470        | 82,440       |

| Exchanged with Federal Reserve Bank of— | Fifties.       |              | Hundreds.      |              | Total.         |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | \$3,600        | \$250        |                | \$300        | \$49,000       | \$1,685      |
| New York.....                           | 34,850         | 850          |                | 1,200        | 762,550        | 25,000       |
| Philadelphia.....                       | 3,400          |              |                |              | 45,910         | 1,550        |
| Cleveland.....                          | 1,250          | 800          |                | 200          | 26,820         | 9,000        |
| Richmond.....                           | 450            | 850          |                | 700          | 10,090         | 5,610        |
| Atlanta.....                            | 3,100          | 250          |                | 400          | 59,615         | 16,000       |
| Chicago.....                            | 17,500         | 50           |                | 100          | 1,496,500      | 2,895        |
| St. Louis.....                          | 6,450          | 400          |                |              | 1,292,605      | 44,000       |
| Minneapolis.....                        | 950            | 200          |                |              | 117,530        | 29,500       |
| Dallas.....                             | 32,750         | 1,950        |                | 200          | 259,440        | 98,500       |
| San Francisco.....                      | 4,200          | 10,550       |                | 700          | 82,285         | 20,000       |
| Total.....                              | 108,500        | 16,150       |                | 3,800        | 4,202,445      | 253,740      |

SCHEDULE O.—*Federal Reserve notes—Federal Reserve Agent.*

|   |                 |
|---|-----------------|
| Issued to bank, 1916.....                                     | \$14,400,000.00 |
| Received by comptroller for cancellation and destruction..... | 2,132,240.00    |
| Mutilated Federal Reserve notes on hand.....                  | 1,033,000.00    |
| Federal Reserve notes on hand, new, unissued.....             | 2,720,000.00    |
| Cost of unissued notes for the year.....                      | 36,798.49       |
| Cost of notes issued for the year.....                        | 20,436.16       |

The cost estimate of issued notes was made on the following basis:

|                   |         |
|-------------------|---------|
| Cost per \$1,000: |         |
| Fives.....        | \$2.218 |
| Tens.....         | 1.172   |
| Twenties.....     | .65     |
| Fifties.....      | .34     |
| Hundreds.....     | .245    |

Federal Reserve notes of the Federal Reserve Bank of Kansas City received from other districts amounted to \$4,202,445. Shipment cost averaged 25 cents per \$1,000, and is not included in the above schedule.

SCHEDULE P.—*Official and clerical staff.*

|   |    |
|---|----|
| Number of officers.....                         | 4  |
| Number of employees in various departments..... | 48 |

## MONTHLY PAY-ROLL—EMPLOYEES.

| Department.   | Number | Monthly salaries. |
|---|--------|-------------------|
| Federal Reserve Agent's office and credit bureau.....   | 3      | \$365.00          |
| General clerical force, including discount, auditing, and all other departments except transit..... | 19     | 1,913.33          |
| Transit department (recoverable through service charges).....                                       | 26     | 1,565.00          |
| Total.....  | 48     | 3,843.33          |

SCHEDULE Q.—*Recapitulation, city and country clearings, Dec., 1914, to Dec. 30, 1916, inclusive.*

|   | Number of items. |           |           | Amounts cleared. |                  |                  |
|---|------------------|-----------|-----------|------------------|------------------|------------------|
|   | City.            | Country.  | Total.    | City.            | Country.         | Total.           |
| 1914 (December).....                      | 5,860            | 69,773    | 75,633    | \$17,559,936.75  | \$21,082,772.04  | \$38,642,708.79  |
| 1915.....                                 | 134,219          | 1,849,767 | 1,983,986 | 297,183,974.98   | 413,007,012.52   | 710,190,987.50   |
| 1916 (to July 14, inclusive).....         | 78,229           | 1,214,570 | 1,292,799 | 149,992,445.19   | 224,807,003.08   | 374,799,448.27   |
| 1916 (July 15 to Dec. 30, inclusive)..... | 303,644          | 1,259,216 | 1,562,860 | 317,971,832.66   | 527,182,424.44   | 845,154,257.10   |
| Total.....                                | 521,952          | 4,393,326 | 4,915,278 | 782,708,189.58   | 1,186,079,212.08 | 1,968,787,401.66 |

*Federal Reserve Bank of Kansas City, July 15, to Dec. 30, 1916.*

## MEMBER BANKS.

|                 | City.   |                 | Country. |                 | Total.    |                 |
|-----------------|---------|-----------------|----------|-----------------|-----------|-----------------|
|                 | Items.  | Amount.         | Items.   | Amount.         | Items.    | Amount.         |
| July 15-31..... | 19,631  | \$30,658,455.38 | 66,846   | \$11,842,438.68 | 86,477    | \$42,500,894.06 |
| August.....     | 48,135  | 43,123,948.04   | 147,893  | 27,777,320.16   | 196,028   | 70,901,268.20   |
| September.....  | 51,776  | 48,207,314.69   | 152,679  | 31,118,316.65   | 204,455   | 79,325,631.34   |
| October.....    | 62,112  | 61,974,274.72   | 170,330  | 43,127,447.29   | 232,442   | 105,101,722.01  |
| November.....   | 60,000  | 65,334,535.40   | 173,493  | 48,132,501.40   | 233,493   | 113,467,036.80  |
| To Dec. 30..... | 61,990  | 68,673,304.43   | 188,821  | 48,630,284.67   | 250,811   | 117,303,589.10  |
| Total.....      | 203,644 | 317,971,832.66  | 900,062  | 210,628,308.85  | 1,203,706 | 528,600,141.51  |

## ITEMS ON OTHER DISTRICTS.

|                 | City.  |                 | Country. |               | Total. |                 |
|-----------------|--------|-----------------|----------|---------------|--------|-----------------|
|                 | Items. | Amount.         | Items.   | Amount.       | Items. | Amount.         |
| July 15-31..... | 1,175  | \$16,815,491.27 | 2,126    | \$297,333.05  | 3,301  | \$17,112,824.32 |
| August.....     | 2,476  | 36,572,172.92   | 6,770    | 1,187,539.45  | 9,246  | 37,759,712.37   |
| September.....  | 2,560  | 42,210,235.74   | 8,088    | 1,674,024.76  | 10,648 | 43,890,260.50   |
| October.....    | 2,997  | 55,006,122.88   | 15,609   | 3,350,403.23  | 18,606 | 58,356,526.14   |
| November.....   | 3,230  | 60,393,860.27   | 15,852   | 5,334,721.63  | 19,112 | 65,728,581.90   |
| To Dec. 30..... | 3,128  | 60,523,176.06   | 14,668   | 4,479,347.41  | 17,796 | 65,002,523.47   |
| Total.....      | 15,596 | 271,527,059.14  | 63,113   | 16,323,369.56 | 78,709 | 287,850,428.70  |

## STATE BANKS.

|                 | Items.  | Amount.        |
|-----------------|---------|----------------|
| July 15-31..... | None.   | None.          |
| August.....     | 20,436  | \$2,013,651.85 |
| September.....  | 54,066  | 5,255,636.50   |
| October.....    | 62,852  | 7,140,001.12   |
| November.....   | 67,601  | 6,859,493.78   |
| To Dec. 30..... | 75,490  | 7,434,903.64   |
| Total.....      | 280,445 | 28,703,686.89  |

## DAILY AVERAGE.

|                 | City.  |                | Transit. |                |
|-----------------|--------|----------------|----------|----------------|
|                 | Items. | Amount.        | Items.   | Amount.        |
| July 15-31..... | 1,402  | \$1,475,604.00 | 5,010    | \$2,068,233.00 |
| August.....     | 1,851  | 1,658,613.00   | 6,830    | 2,598,103.00   |
| September.....  | 2,071  | 1,928,292.00   | 8,695    | 3,210,568.00   |
| October.....    | 2,389  | 2,383,626.00   | 9,684    | 4,177,845.00   |
| November.....   | 2,500  | 2,722,272.00   | 10,842   | 5,071,690.00   |
| To Dec. 30..... | 2,479  | 2,746,932.00   | 11,284   | 4,842,708.00   |

## DISTRICT NO. 11—DALLAS.

W. F. RAMSEY, Chairman and Federal Reserve Agent.

### FINANCIAL RESULTS OF OPERATION.

#### EARNINGS, EXPENSES, DIVIDENDS, ETC.

While Federal Reserve Banks were not organized for profit—a consideration always held to be subsidiary to the benefit of the system, and in no sense a test of its usefulness—it is gratifying to report that the Federal Reserve Bank of Dallas has made good headway in this respect, and has paid its members a dividend at the rate of 6 per cent per annum from the date of the capital stock payments, at the organization of the bank, to April 30, 1916. On January 7, 1916, our board of directors declared a dividend at the rate of 6 per cent per annum from the opening of the bank to June 30, 1915, and on September 15 declared another dividend at the rate of 6 per cent per annum covering the operations to December 31, 1915. On November 28, 1916, the board declared a third dividend of 6 per cent per annum to and including April 30, 1916, payable December 30, 1916. After paying these dividends, there was sufficient margin left in the profit account to take care of any depreciation of furniture and fixtures, bank building, etc.

There are attached hereto Exhibit A, Statement showing earnings and expenses of the bank for the year 1916 and since organization and Exhibit B, Comparative balance sheets for December 31, 1915-16.

#### GENERAL BUSINESS AND BANKING CONDITIONS IN THE DISTRICT.

Trade conditions in the eleventh district are, almost without exception, all that could be desired and more than could reasonably be hoped for. Crops in most parts of the district were good. The production of wheat, never large, considering the size of Texas, was scarcely up to the average, but the quality of the grain was excellent and its price very high. Corn and hay crops were about average and sufficient for home consumption. The rice crop was better than usual, with very attractive prices. There has been some depression in the lumber trade, a little slowing down of production, and even more slowing down in sales, due in part to car shortage and somewhat more to interference with export business. The live-stock industry has prospered, although there is just now a tendency to lower prices of both cattle and sheep, which, while gratifying to

the consumer, is not at all comforting to the producer. Both wool and mohair have borne high prices, and the volume of trade in both articles has been well above the average in other years. Mining in the western part of the district has been conducted on a very large scale and the copper mines have been profitable beyond any precedent in previous years. Production of petroleum during the past year has remained about stationary, but prices have been high and returns large. The factor of controlling and overshadowing importance has been the very large crop of cotton produced in this district. In the territory covered by Texas and the portions of Louisiana and Oklahoma comprised in this district the crop for the current year will not be less than 4,000,000 bales, of a value in money (including seed) of but little less, if any, than \$400,000,000. This has given, in connection with the other features noted above, a prosperity to this district which has never before been known. A cause contributing to the present prosperity of the district has been the close and rigid economy with which the crop was produced. Another most gratifying factor of the whole situation is the fact that this prosperity is very widely and generally distributed over a very great portion of the district and somewhat evenly among all classes and grades of farmers.

The conditions above noted have found reflection in very generally increased deposits in all the banks of this section. Detailed figures are not available at this time, but on October 16 of this year the increase in deposits of member banks in the reserve city banks of Dallas, Fort Worth, Waco, San Antonio, Houston, and Galveston, over like figures for a corresponding date in 1915, amounted to more than \$80,000,000, and in Dallas alone there had been an increase of more than \$25,000,000. In Houston there had been an even larger increase. According to conservative estimates the gain in all the banks in the State within a year has been approximately 70 per cent. With such an immensely increased purchasing power the improvement in both retail and wholesale trade which has followed would be expected. In postal receipts a considerable increase has been observed in all the principal cities and towns of the State, and it is a fair inference that similar increases will be found in the smaller towns and villages. All the clearing houses in the State show remarkable increases. There has as yet been no considerable gain in building permits, and real estate is so far showing little activity. The large increase in the cost of living has attracted attention and has undoubtedly worked great hardship on the laboring classes and generally on persons with fixed incomes derived from personal services, or dependent on rents or interest on moneys and dividends from stocks and bonds. Labor, both skilled and unskilled, has been and is well employed in practically all lines and in most, if not all, parts of the

district. We have been immune from strikes or lockouts and there is generally a very friendly feeling between capital and labor. It is believed that the present season of prosperity will continue throughout the current year without serious diminution. It should, and we believe will, find expression in better housing and a broader and more generous investment in articles and merchandise which make for more comfort in the home. The coming year will beyond doubt witness large investments in farming lands which have shown some depreciation since the beginning of the present European war, with the expected result of an appreciable stiffening of the price of such properties.

The situation of the banks is both unusual and fortunate. We have witnessed and are witnessing a period of increasing deposits without a parallel and a time of liquidation without a precedent. All the banks have increased their cash reserves. There has been a considerable softening of interest rates. The promise of immediate profits is not inviting. Some of the banks are buying commercial paper, but, as a rule, in moderate amounts and only of the highest grade. In a situation provocative of extravagance and inflation it is indeed a pleasure to be able to chronicle a very general attitude of conservative waiting and practice. Our own judgment is that with the beginning of 1917 there will be such a broad revival of legitimate trade and industry as will bring into requisition a large amount of the funds of the banks at fair rates and in legitimate as well as profitable lines of endeavor.

The operations of this bank in the main have been very satisfactory. The attitude of our member banks is one of cordial good will, with but few exceptions. There is a more general disposition to cooperate with us than seemed apparent even in the beginning of the year. Our business has brought us into very close personal touch with most of them. Within the past two years we have at different times rediscounted paper for more than 400 of the 621 member banks in the district to an amount aggregating \$46,000,000. Our banks appreciate our efforts to promote their welfare and have given us the strongest assurance of their cordial good will and their promise of active and friendly cooperation.

## ACTIVITIES OF THE FEDERAL RESERVE BANKS DURING THE YEAR.

### DISCOUNT OPERATIONS.

Discount operations of the bank have steadily grown, and, as indicating the extent to which we have served our member banks during the past year, there is attached a statement (Exhibit C) showing the total number of banks accommodated, the total amount of redis-



counts accepted, as well as the number of new banks which we have served in 1916. All offerings have had the attention of our executive committee, after careful analyses of credit statements and eligibility of the paper, by our credit information department. It has been the policy of the officers of this bank, both by correspondence and personal contact, to explain the workings of our discount machinery, and in every way possible to assist our member banks in taking advantage of this service, and to impress upon them the fact that where the paper was eligible for rediscount under our regulations, it was a comparatively easy matter to make use of our facilities. Our member banks have gradually become familiar with our methods, and the amount of paper returned, because of failure to meet the requirements of our executive committee, has been negligible.

The year just closed has afforded a fair opportunity for testing the discount operations of the Federal Reserve Bank. It can hardly be said to have been such a year as to put the system to the supreme test, yet it has fully demonstrated the service which the Federal Reserve Banks are capable of rendering and their ability to stabilize financial conditions. There is no doubt that this fact is appreciated by a majority of our member banks, and the passing year has cemented the friendly relations already existing between this institution and its members.

Changing seasons and conditions naturally produced fluctuations in our discount operations. The height of our discounting season was reached on September 6, when bills discounted and bought held by this bank aggregated \$8,291,647.03, classified as follows:

|                                      |              |
|--------------------------------------|--------------|
| Bills bought in the open market..... | \$649,292.00 |
| Bills discounted—members.....        | 7,642,355.03 |

Our discounting operations at this date were the largest in the history of the bank. The crop moved very rapidly, however, and when liquidation commenced the demand became light, until on December 2 our loans were at the minimum figure of \$2,421,928.31.

There has been no occasion to make any extensive changes in our discount rates in the past year. There has been no change in the rates on commercial paper, as demand has always been sufficient to warrant the present rates, and on account of the comparatively easy conditions prevailing there seemed to be no necessity for raising the same.

There is attached hereto (marked Exhibit D) a table showing the amounts of paper discounted in 1916, classified by maturities.

On account of the excellent prices obtaining for cotton and farm products in this district during the past season these commodities have been rushed to market and the amount of commodity paper

handled by this bank has been negligible. Cotton has brought the highest price in the history of the crop, and there was of course no storage of the same to any extent. Early in the fall our board of directors appointed a committee, consisting of the three class B directors, to give special attention to the handling of the crop, and to encourage in every way the gradual marketing of farm products through the medium of commodity paper. There were few offerings of this class of paper, however, and our facilities in this respect were not availed of to any considerable extent.

As in other sections of the United States, the trade acceptance system is in its infancy in this district, and there is much to be done before it will come into popular use. This bank has not handled this class of paper in any great volume. It has been the constant endeavor of the officers of the bank to popularize it and encourage wholesalers and retailers to put their book accounts into this form of negotiable paper. As will be noted in another part of this report, Cashier Talley delivered an address before the Credit Men's Association of Dallas in the early spring on the subject of "Trade acceptances," pointing out the advantages of the acceptance over book accounts and explaining some of the difficulties to be overcome before the acceptance could be generally adopted. The campaign in this regard conducted by the officers of this bank and other organizations has borne fruit, as is evidenced from the use of acceptances by some of the larger firms of the district. It is difficult to change customs long established, and especially is this true on account of keen competition and the eagerness of manufacturers and wholesalers to sell in volume to cover overhead expenses, and their willingness to accept open accounts on terms to suit the purchaser. We believe that when acceptances are freely used instead of book accounts, a general market will spring up for them and they will be sought by commercial banks seeking investments, regardless of the relations of the indorser to them. Our board of directors, on January 12, in an effort to encourage the use of trade acceptances, reduced the rate to  $3\frac{1}{2}$  per cent for 90-day maturities, the rate previously having been  $3\frac{1}{2}$  per cent for 60-day maturities and 4 per cent for 90-day maturities.

Believing that our members would welcome an opportunity for relieving their normal facilities of the tax that comes with the seasonal movement of our products, we have been accepting for immediate credit, subject to final payment, drafts with bills of lading attached and charging the low rate of 4 per cent interest for the actual time outstanding. In this manner member banks are enabled to handle that class of business more economically than by the usual reduction of lending ability through the maintenance of compensating balances intended for the collection of such items. The total number of bill

of lading drafts handled to December 30 was 1,442, classified as follows:

|                       |                        |
|-----------------------|------------------------|
| Alfalfa products..... | \$165, 215. 50         |
| Cotton products.....  | 635, 625. 72           |
| Grain products.....   | 256, 964. 09           |
| Other products.....   | 129, 968. 20           |
| Total.....            | <u>1, 187, 773. 51</u> |

#### ACCEPTANCE BUSINESS.

There is shown in the attached Exhibit E the amount of acceptances—trade and bank—discounted and bought by this bank during the past year; also the rates on this class of paper, and classification of the same by maturities. As mentioned in the paragraphs preceding, the acceptance form of credit instrument has not come into general use in the district. There is no question, however, that it will develop in time, when the advantages of acceptances as good negotiable paper are appreciated. Our board has endeavored to encourage the acceptance system by adopting as low rates for this class of paper as were consistent with safe investment.

The bank has not purchased any domestic acceptances, the paper bought being based on the importation or exportation of goods.

The amount of acceptances bought from member and nonmember banks includes trade acceptances discounted for members, and is shown in the attached table of that class of investments.

#### UNITED STATES BOND OPERATIONS.

During the year there were bought in the open market \$2,160,600 of United States bonds and \$1,578,250 from member banks in addition to \$425,000 bought during 1915 but not received until after January 1, 1916. Our transactions with the Treasury Department for the most part have been incident to the conversion of such securities. During the past year, in accordance with the regulations of the department, there were converted \$1,412,400 of 2 per cent United States bonds into 3 per cent bonds and notes. No sales of bonds were made during 1916, and the bank's holdings at the present time consist of the following:

|   |                    |
|---|--------------------|
| 2 per cent consol bonds of 1930.....                    | \$2, 923, 350      |
| 2 per cent Panama bonds, series of 1906-36.....         | 542, 500           |
| 2 per cent Panama bonds, series 1908-38.....            | 155, 000           |
| 3 per cent conversion bonds, series 1916-46.....        | 707, 400           |
| 3 per cent one-year Treasury notes, series 1916-17..... | 705, 000           |
| Total.....  | <u>5, 033, 250</u> |

Of this amount, \$2,000,000 represent bonds to secure the circulation of a similar amount of Federal Reserve bank notes.

## MUNICIPAL WARRANTS.

Investment in municipal warrants were on a limited scale, and during the past year purchases of such securities have amounted to only \$152,318 at rates ranging from 3 to 3½ per cent. Distribution by maturities and issuing authorities is shown in the Exhibit F attached.

## CHANGES IN THE RESERVE POSITION OF THE BANK DURING THE YEAR.

The reserve position of the bank has not varied materially during the year, except in the crop-moving season, when demand for accommodation was extraordinarily heavy.

## THE FEDERAL RESERVE BANK AND MEMBER BANKS.

## CHANGES IN MEMBERSHIP DUE TO TRANSFERS FROM AND TO OTHER DISTRICTS.

Upon the granting by the Federal Reserve Board on February 25, 1916, of the petition of certain banks in Louisiana to be transferred to the Atlanta district and attached to the New Orleans branch of that institution, there were transferred to the sixth district 16 banks, reducing the capital of this bank by \$69,450, together with a reduction of its reserve deposits by \$141,513.36 and rediscounts by \$9,858.24. This transfer became effective on April 27, 1916. There still remain 11 banks in the State of Louisiana which are members of the eleventh Federal Reserve district, and these banks seem to be entirely satisfied with the service rendered them by this institution.

In the early spring, one or two banks in the extreme Panhandle section of Texas petitioned the Federal Reserve Board to be transferred to the Kansas City district, claiming that the trend of business in their section was toward Kansas City and that on account of their geographical location they could be better served by the Kansas City bank. To offset this petition there were likewise presented letters and protests from many other banks in that section against this proposed transfer, and on the representations made that the Federal Reserve Bank of Dallas had in every instance served its member banks in the Panhandle in an acceptable manner, the Federal Reserve Board declined to consider the transfer.

## MOVEMENT OF MEMBERSHIP WITHIN THE DISTRICT.

Since January 1, 1916, there have been added to our membership 10 banks, increasing the capital stock of this bank by \$24,250. There have been additional stock allotments of \$15,350 to member banks on account of increase in their capital or surplus. Seventeen

banks have liquidated and reduced the capital stock of this bank by \$34,950. We have added to our membership in the past year one State bank, increasing our capital stock by \$1,500.

#### RELATION TO NATIONAL BANKS, STATE BANKS, AND TRUST COMPANIES.

The relation of the Federal Reserve Bank of Dallas to national banks, State banks, and trust companies, is one of extreme friendliness. Especially is this true of our member banks which we have served by rediscount. No efforts have been spared by the officers of the bank to impress on our members that each is a stockholder in the institution, that the Federal Reserve Bank is dedicated to service and that only through the loyal cooperation and support of its members could that end be attained. It has been the policy of this bank to invite and consider suggestions from its member banks and to have them feel that they were all welcome in the bank.

In line with the policy of the officers of the bank to keep closely in touch with our member banks and explain the operations of the Federal Reserve system this bank has been represented at all of the district bankers' conventions as well as at various State conventions. Federal Reserve Agent Ramsey and Vice Governor Hoopes attended the meeting of the Panhandle bankers at Clovis, N. Mex., in June, where Mr. Ramsey made an address on the Federal Reserve system. Mr. Hoopes attended all the district meetings of the Texas Bankers' Association, and at Houston and San Antonio delivered addresses on the operations of the clearing system. Messrs. Ramsey and Hoopes also attended the conventions of the Texas State Bankers' Association at Houston in May, where they again had the opportunity of meeting a large number of Texas bankers and of discussing informally matters in connection with the Federal Reserve Bank of Dallas. In August of this year Mr. Hoopes was called into conference with bankers, business men, and planters of central Texas, held at Bryan, to consider ways and means of handling the unusually heavy cotton crop in that section. Mr. Hoopes assured this conference of the cooperation of the Federal Reserve Bank of Dallas, and its readiness to assist in every consistent way in the movement of the crop. In November Messrs. Ramsey and Hoopes attended the annual meetings of the State Bankers' Associations of Arizona and New Mexico, held at Phoenix and Albuquerque. At each of these meetings Mr. Ramsey spoke, and it is hoped that his address may have a good effect in clearing up some of the misunderstandings on the part of the bankers in those States on the collection system and rediscounting operations of this bank.

On January 5 there was issued to all State banks in the district a circular setting out the advantages of membership in the Federal Reserve system. The State banks for the most part are friendly to

the system, and it is believed that when such banks come to realize that there is some moral obligation resting upon them to bear their part in making a unified banking mechanism they will come in, as, in any event, they are practically certain to do when more stringent financial conditions arise.

#### ACCOMMODATION OF MEMBER BANKS THROUGH DISCOUNTS AND THE PURCHASE OF ACCEPTANCES.

As has been stated in a preceding paragraph, this bank has been of real service to its member banks through the rediscounting operations and purchase of acceptances. In the exhibits attached, and previously referred to, there is shown the number of banks accommodated, amount of paper rediscounted, the volume of acceptances discounted and purchased, and the various other forms of investments made by the bank.

#### MEMBER BANK DEPOSITS, EXCESS DEPOSITS, OVERDRAFTS.

There is attached a statement (Exhibit G) showing the required reserve deposits of member banks, excesses carried, and amounts of overdrafts, by months, for the year 1916. The amount of such deposits on December 30 was \$25,742,902.

#### PERIODIC REPORTS REGARDING CONDITION OF MEMBER BANKS; EXAMINATIONS OF MEMBER BANKS.

There are compiled in our credit information department elaborate statistics and other data on the condition of member banks at the dates of the Comptroller's calls. All reports of examinations, furnished by the chief examiner, are carefully checked and memoranda made of any items or criticism or any irregularities reported.

We have had occasion during the year to make special examinations of three member banks, on account of items and transactions which appeared irregular, brought out through applications for rediscounts, or otherwise. In each instance the officer of this bank conducting the special examination has made report to the executive committee of the bank, and steps considered necessary were taken to correct the matters subjected to criticism.

#### BANK FAILURES WITHIN THE DISTRICT.

During the past year only one member bank has been closed by the chief examiner on account of insolvency. The bank in question has not been authorized to resume business, but its affairs are being liquidated, and our information is that there will be no loss to depositors. This bank was not involved in the matter, as the bank in

question had no paper with us. One member bank closed by the examiner in 1915 was authorized to resume business in January of this year.

#### OVERDUE PAPER.

Overdue paper held by member banks and reported by examiners is made a matter of record in the credit files of our credit bureau. This bank held no overdue paper during the year.

### THE FEDERAL RESERVE BANK AND THE PUBLIC.

#### OPEN-MARKET OPERATIONS.

The bank has not engaged to any large extent in open-market operations, and the scope of its activities in this respect has been the rather limited purchase of acceptances and municipal bonds and warrants. There are shown in an exhibit attached, and discussed in a preceding paragraph, the amounts of such securities handled. For the most part of the year there is sufficient demand upon the bank from its member banks to absorb a large portion of our loanable funds, and we have not, therefore, entered the open market seeking investments.

#### EFFECT OF DISCOUNT-RATE POLICY UPON GENERAL MARKET RATES.

It is believed that the discount-rate policy of this bank has had the effect of softening and stabilizing interest rates to a large extent. The past year has been a rather easy one and interest rates have been lowered generally. It is believed that our discount rates have influenced in some degree the rates charged by member banks to their customers. It is probably true that central reserve and reserve city banks have reduced their rates to their correspondents to meet the rates of this bank, and this form of competition has caused some complaint against Federal Reserve Banks. However, our rates have been in substantial harmony with those of other Federal Reserve Banks, and, as a rule, not below rates prevailing in the East.

#### PUBLICITY WORK OF THE BANK.

The newspapers of the district have been especially friendly to this bank, and through their cooperation and the assistance of various financial and trade journals, as well as addresses before the more important civic organizations, the bank has kept itself before the public. The officers of the bank have delivered several addresses before local organizations or clubs, and in each instance have been most cordially received, and it is believed much good has resulted from these discussions. Early in the year Cashier Talley addressed

the Credit Men's Association of Dallas on "Trade acceptances." Later in the spring and at different times in the year Mr. Ramsey addressed the Builders' Exchange, Ad League, Electric Club, and Lions' Club on the Federal Reserve system, and more particularly on the different phases of the operations of the Dallas bank. It is the policy of the officers of the bank to give to the press any matters affecting the institution in which the public might be interested. The monthly letter issued by the Federal Reserve Agent's department on business conditions throughout the district has also been an effective means of keeping the bank before the public, and proven of great value in our publicity work. The letter is sent to all the important newspapers of the district, as well as to leading financial and trade publications. We have established a regular mailing list, and each month the report is eagerly sought by business interests throughout the district.

## THE FEDERAL RESERVE BANK AND THE GOVERNMENT.

### GOVERNMENT DEPOSITS.

The bank has acted as fiscal agent for the Government since January 1, handling various characters of funds, making transfers, etc. Through the local officials details were arranged for receiving the deposits and effecting transfers.

### RELATION TO THE UNITED STATES TREASURY.

Government funds have been handled in accordance with regulations of the Treasury Department, and these and other transactions with the Treasury Department have been conducted without friction, delay, or the slightest inconvenience.

### RELATION TO THE COMPTROLLER'S OFFICE.

Our relations with the comptroller's office have been most agreeable and satisfactory. That bureau of the Government is so closely interwoven with the functions of Federal Reserve Banks, especially in connection with the affairs of member banks, that we are necessarily in close touch with that office, and all matters emanating from that bureau have received close attention.

### GENERAL CONSIDERATIONS.

In our opinion the second year's operations of the Federal Reserve Banks have had the effect of partially, if not entirely, removing the impression in the minds of officials of member banks that with its inception there was merely added another supervisory body in the



conduct of their affairs. The system has clearly demonstrated by practical operation that this was not true; but, on the other hand, the banks have proven their ability to cooperate with their members and not only to be of material assistance in stressful periods, but in every way consistent with safe banking to eliminate "red tape" and unnecessary restrictions in the conduct of their business.

### THE FEDERAL RESERVE BANK AND NOTE ISSUES.

#### GENERAL POLICY IN THE MATTER OF NOTE ISSUES.

The policy of this bank in the issuance of Federal Reserve notes has been to provide member banks with sufficient currency to handle the crop movement and for legitimate demands generally in the conduct of their business and there could have been no better opportunity to test our facilities in this respect than that presented during the last crop moving season. The crop moved with a rush, caused by the high prices prevailing for cotton and farm products and within less than a week from the time the movement began the bank was called upon to meet unprecedented demands for currency and silver. Never before in the history of the South has the crop brought such prices and certainly never has the crop moved with such rapidity. Owing to the extraordinary demand for currency it was necessary to forward telegraphic orders for additional Federal Reserve notes, and for a time it seemed as if the supply in the hands of the Federal Reserve Agent would be entirely exhausted. Fortunately, however, we were able to meet the emergency. In this connection a statement showing the issues of Federal Reserve notes, by weeks, for the months of August, September, and October, the height of the crop movement, may prove interesting:

| Week ending-- |              |
|---------------|--------------|
| Aug. 5.....   | \$235, 000   |
| Aug. 12.....  | 80, 000      |
| Aug. 19.....  | 1, 316, 750  |
| Aug. 26.....  | 1, 000, 000  |
| Sept. 2.....  | 4, 542, 000  |
| Sept. 9.....  | 200, 000     |
| Sept. 16..... | 360, 000     |
| Sept. 23..... | 2, 260, 000  |
| Sept. 30..... | 1, 220, 000  |
| Oct. 7.....   | 1, 340, 000  |
| Oct. 14.....  | 500, 000     |
| Oct. 21.....  | 300, 000     |
| Total.....    | 13, 253, 750 |

There is also attached a statement (Exhibit H) showing the transactions in notes from the organization of the bank to date.

## SUBSTITUTION OF FEDERAL RESERVE NOTES FOR GOLD AS CIRCULATING MEDIUM.

The bank realizes the advantages of conserving the gold supply and impounding it against the issue of Federal Reserve notes. As the volume of our rediscounts was insufficient to cover, gold has been deposited with the Federal Reserve Agent as cover for a large portion of the bank's Federal Reserve notes now outstanding. Especially has the substitution of gold for rediscounts been necessary during the latter part of the year, with the heavy decrease in our loans. This exchange has materially strengthened the bank's position. The amount of notes outstanding has varied throughout the year, reaching the highest mark on October 18, 1916, of \$25,890,000 and the minimum of \$13,555,000 on February 21, 1916.

## COVER OF NOTES ISSUED.

As stated in the preceding paragraph gold has been deposited by the bank to a very large extent against the issue of Federal Reserve notes. Rediscounts received by the bank, while of large volume, have never been sufficient to cover the amount of Federal Reserve notes required to be issued, and against this excess gold had to be deposited.

## DENOMINATIONS OF NOTES ISSUED.

In the attached table (Exhibit H) there are shown the denominations of Federal Reserve notes issued. Notes of the smaller denominations are in greater demand and, as the figures indicate, are issued in considerably larger number than notes of the higher denominations. The larger notes were used quite extensively during the past season in shipments to member banks to cover exchange drawn by their correspondents.

## INTERDISTRICT MOVEMENT OF NOTES (EXHIBIT I).

The movement of Federal Reserve notes between this bank and other Federal Reserve Banks is largely made up of notes returned to this bank. There have been returned by us in 1916 notes of other banks aggregating \$853,295, while the amount of notes of this bank returned to us by other Federal Reserve Banks was \$4,314,760. This will indicate the movement and show that approximately five times as many notes of this bank are received from other Federal Reserve Banks as are returned to the latter. On February 10 we issued a circular to member banks requesting them to separate Federal Reserve notes and send them to us against transfers to their northern and eastern correspondents instead of shipping the notes to make exchange. This action was taken on

account of the very heavy expense to this bank for transportation charges. The circular had a good effect and resulted in a saving to this bank.

#### COST OF FEDERAL RESERVE NOTES.

There is also attached a statement (Exhibit J) showing the cost of Federal Reserve notes printed for this bank.

#### FEDERAL RESERVE BANK NOTES.

In accordance with section 18 of the Federal Reserve Act, the bank has taken out \$4,000,000 in Federal Reserve bank notes against United States bonds. Of the total, two millions were placed in circulation during the crop moving season, but the bank's liability on these notes has since been extinguished through the deposit with the United States Treasurer of \$2,000,000. The other two millions are held by the bank at the present time.

#### FEDERAL RESERVE AGENTS AND NOTE ISSUES.

The Federal Reserve Agent, as the representative of the Government and the Federal Reserve Board, has issued Federal Reserve notes to the bank upon application against rediscounts or the deposit of gold. It is the practice for the bank to pledge daily with the Federal Reserve Agent all the rediscounts received and against the same to take out notes as needed, the rediscounts being taken down as they mature.

#### INTERNAL MANAGEMENT OF THE BANK.

##### FUNCTIONS AND WORK OF DIRECTORS, EXECUTIVE COMMITTEE, OFFICIAL AND CLERICAL STAFF, MEMBER OF ADVISORY COUNCIL.

There have been held during the year 1916 twelve directors' meetings, at the majority of which there was a full attendance of the board. All of the meetings have been in perfect harmony, and the three classes of directors have at all times worked for the best interests of the bank and discussed its operations in the frankest manner. Our board of directors is truly representative of the financial and business interests of the district, and it would be difficult to find a more equally balanced body. As provided by the by-laws, the board has appointed at each of its monthly meetings the third member of the executive committee, to serve with the governor and Federal Reserve Agent. The third member of the committee has been selected from class A and class B directors, and while, on account of distance and inconvenience in attending daily meetings of the executive committee and passing on offerings, it has not been possible for him to be present all the time, he has attended a large number of the meetings and assisted in the work of the committee.

In the death, on March 22, of Class C Director Felix Martinez, of El Paso, our board lost one of its valued members and a true friend of the Federal Reserve system. While Mr. Martinez found it impossible to attend many of the meetings, on account of his large personal interests and the further fact that his residence was so far removed from Dallas, yet he was ever loyal to the interests of the institution and his colleagues on the board found his counsel invaluable. On April 17 the Federal Reserve Board announced the appointment of Mr. H. O. Wooten, of Abilene, Tex., as class C director to fill the vacancy caused by the death of Mr. Martinez.

The terms of office of Class A Director B. A. McKinney, of Durant, Okla., and Class B Director Marion Sansom, of Fort Worth, Tex., expired on December 31, 1916. In accordance with the Federal Reserve Act and the regulations of the Federal Reserve Board, steps were taken looking toward the holding of an election for the successors of these two members of our board. Director McKinney was originally elected by banks in group 3, and Director Sansom was elected by banks in group 1. In conducting the election of the past year, the banks of the district were regrouped in order that each group might contain, as nearly as may be, one-third of the member banks. The necessary circulars, lists of nominees, ballots, etc., were furnished the member banks and the district reserve electors, and on November 21, the date set by the Federal Reserve Board, the polls opened for the filing of ballots. The result of the election was announced on December 6, and Messrs. McKinney and Sansom were both reelected to serve for the three-year term beginning January 1, 1917. As in previous elections conducted in the district, only a small number of banks entitled to vote exercised that privilege. Especially was this true in the latest election among banks in group 3, which contains banks with the smallest capitalization. It is to be regretted that member banks take so little interest in these elections. Any change in the present method, however, could only be accomplished by an amendment to the Federal Reserve Act.

On January 6 the Federal Reserve Board announced the acceptance of the resignation of Mr. E. O. Tenison, Federal Reserve Agent, and the appointment of Mr. W. F. Ramsey, of Austin, Tex., as his successor. Mr. Ramsey executed the oath of office and the transfer of assets of the department to him was made on January 15, 1916. The Federal Reserve Agent's department was conducted from that time until July 3, 1916, by Mr. Ramsey, with the assistance of his secretary, Mr. Charles C. Hall. On July 3 Mr. Hall was appointed assistant to the Federal Reserve Agent, and assumed his duties as such. All transactions between the Federal Reserve Agent's department and the bank, including the receipt and delivery of Federal Reserve notes, the routine work of the department, the preparation of daily, weekly,

and monthly reports, compilation of data and statistics for the monthly business letter, etc., are handled by the assistant to the Federal Reserve Agent, under his direct supervision.

In the early part of the year the Federal Reserve Board abolished as an active position the office of deputy Federal Reserve Agent. Prior to that time, and since the bank was opened, the position had been an active one in this bank, and the deputy Federal Reserve Agent drew a regular salary as such. With the ruling of the board that the class C director designated as vice chairman of the board and deputy Federal Reserve Agent should merely receive the fee of a director when attending board meetings, and preside in the absence of the Federal Reserve Agent, that policy has been followed during the past year. Mr. W. B. Newsome, of Dallas, was on February 10 appointed as class C director and designated as vice chairman and deputy Federal Reserve Agent. In the absence of the Federal Reserve Agent, Mr. Newsome has assumed charge of the department and served on the executive committee with ability and advantage to the board.

Upon the resignation of Mr. J. Howard Ardrey as member of the Advisory Council for the Eleventh Federal Reserve District, the board of directors considered the selection of his successor. After careful consideration of the names presented, the board on January 7 elected Mr. T. J. Record, president of the City National Bank, of Paris, Tex., as the member of the council from this district, and Mr. Record has served as such throughout the year. Mr. Record has attended all of the sessions of the Advisory Council, and has kept in close touch with the affairs of the bank, the business and financial development and the needs of the district. Upon invitation of our directors, he has been in attendance at many of our meetings and addressed the board on matters affecting the good of the bank, the eleventh district, and the Federal Reserve system generally.

#### CHANGES IN THE PERSONNEL.

There have been few changes in the personnel of the officers and heads of departments of the bank in the past year. On January 7 Mr. Sam R. Lawder was appointed assistant cashier, a recognition of meritorious service since the bank was established. Mr. Lawder prior to this appointment was manager of the credit department, which work he now supervises in a general way. The details of the credit department, however, are managed by Mr. R. R. Gilbert. This department is accredited to the Federal Reserve Agent's office, and in this connection it is gratifying to report the excellent work accomplished by the credit bureau in the past year. By the careful analyses of credit statements and the compilation of statistics from

statements of member banks and the copies of reports of examination the credit files of the bank have been developed to a high state of efficiency, and the work being done in that department is worthy of commendation. Indeed, Federal Reserve Examiner Broderick in his examinations of the bank has seen fit to comment on the efficiency of our credit bureau. There is no conflict of authority between the Federal Reserve Agent's department and the banking department proper. Both branches of the institution have worked harmoniously, and, with the duties and responsibilities of each defined, there is no reason why this should be otherwise.

In this connection it may be mentioned that the auditor of the bank makes a semimonthly audit of the teller's cash and a monthly audit of the vault cash, also a monthly audit of the loan department, and in addition to this keeps a continuous audit of Federal Reserve notes and gold covering the same in the hands of the Federal Reserve Agent. It is the practice for the auditor to be present at all entrances into the vault for the purpose of delivery or receipt of Federal Reserve notes between the bank and the Federal Reserve Agent's department; and in addition to this vault control a representative of the bank proper—either the vice governor, cashier, or assistant cashier—is also present when the vault is entered. All compartments in the main bank vault used by the Federal Reserve Agent are under double combinations, one combination being held by the Federal Reserve Agent and his assistant, the other by the officials of the bank proper. This vault control has been very favorably commented upon by the Federal Reserve Bank examiner.

#### OFFICE AND VAULT FACILITIES.

With the acquisition by the bank of its present quarters in the latter part of 1915 the institution has ample office and vault facilities. The bank looked ahead in the planning of the new structure and provided well for the future. Even with the inauguration of the district clearing-house department of the bank on July 6, 1916, and the addition to the force of some 20 men, together with the necessary equipment for the proper conduct of the department, the present building has afforded sufficient space without inconvenience. It is interesting to note that, on January 1, 1916, the force of the bank, officers and employees, numbered 31, whereas on December 31, 1916, the force numbered 63. This increase has been made necessary not only by the inauguration of the clearing system, which increased the work, particularly in the bookkeeping and auditing departments, but also on account of the increased work in the other departments of the bank.

## EXAMINATIONS BY FEDERAL RESERVE EXAMINER.

During the present year the bank proper has been examined once by the Federal Reserve examiner and his staff. In addition to this, the Federal Reserve Agent's accounts were examined by representatives of the Federal Reserve Board on January 15, May 8, August 8, and December 16, 1916. It may be stated in this connection that in all of these examinations there were but few matters subject to criticism, and such as were reported by the examiner and called to the attention of the officers of the bank were immediately corrected.

## THE CLEARING PLAN.

## CLEARINGS TO JULY 15, 1916.

The voluntary, or optional, clearing plan inaugurated June 1, 1915, which contemplated the reciprocal clearing of checks at par through this bank, was not generally used and proved unsatisfactory.

That the reserve city clearing house of the Federal Reserve Bank of Dallas has fulfilled expectations and is serving the commercial and banking interests of the eleventh district more expeditiously and economically in the settlement of balances than could have been done under conditions existing before its installation is, in the opinion of those most vitally interested, admittedly a matter of fact, as shown by the extracts from letters received from the officers of the participating banks.

In order that the experience gained in the eleventh district through the operations of this department may be made known, a review of its development seems appropriate.

During the month of November, 1915, the cashier of the Federal Reserve Bank of Dallas, Mr. Lynn P. Talley, who for many years had been in daily touch with the unscientific and unsatisfactory methods employed in settling balances between the banks in the reserve cities of this district, offered to the reserve city member banks a plan for settling balances with each other daily through the Federal Reserve Bank which would not entail the float of large amounts of money in transit between these banks, or needless expense, and which would make unnecessary the waste of time and energy by the officers of the banks.

Following this proposal, on December 21, 1915, about 20 representatives of the banks met in Dallas and, after a discussion of the merits of the plan, decided that, with slight modifications, it be given a thirty-day trial. The trial period was subsequently extended to March 1, and thereafter the clearing house became one of the permanent facilities of the Federal Reserve Bank. However, at the

time that general clearing operations were undertaken between all member banks, on July 5, the reserve city clearing house was discontinued, because it was thought that the general clearing plan would have the effect of making it superfluous. Those banks which had participated in the plan speedily make it known, however, by means of a post-card vote on the question, that it was their desire that the reserve city clearing house be continued, and it was opened on July 12.

Under its operations the advantages are extended to 27 banks in the cities of Fort Worth, Waco, Houston, Galveston, San Antonio, and Dallas, only five banks not availing themselves of its benefits. By mutual consent one other member, though not located in a reserve city, has been added.

The members of the clearing house continue to send the actual checks and drafts which they receive on each other to the drawee banks for credit, and against these sendings, in round amounts, they draw a draft in favor of the Federal Reserve Bank and forward it to that bank for credit in the reserve city clearing house. The aggregate amount of all drafts assembled against each bank is debited on a clearing sheet and the amount of their letters which were made up of items on other members is credited, leaving either a debit or a credit balance to be settled.

In this way the amount of float is reduced materially by off-sets, and at times certain banks, through cancellation of debits against credits, come out exactly even, and frequently banks settle hundreds of thousands of dollars with the actual transfer of a few thousand. The results of the clearings are telegraphed to the managers of the local clearing houses in each city by special code each day at 11.45 a. m., and the separate banks are notified. Settlements must be made on the date the clearings are effected and the Federal Reserve Bank advised in special code by telegraph, or, in some instances, by telephone, of the manner of settlement, not later than 3 o'clock p. m. Debit balances may be covered in any of the following ways: Debited to the reserve account of the debtor bank; remittances by mail to any other Federal Reserve Bank, for the credit of the Federal Reserve Bank of Dallas, at the prevailing rate of exchange; arrangement with any other bank to deposit funds with the Federal Reserve Bank for that purpose; and remittance of currency by registered mail insured. In the event that the latter option is chosen, the cost is assessed ratably against the banks which forwarded the items which caused the debit balance. In the absence of advice, debit balances in the district clearing house are charged to the reserve account. Disposition of credit balances is subject to the instructions of the creditor banks, and, in the absence of advice, are credited to



the reserve account. Quite often the balances received by various banks in one of the cities are traded between themselves, making transfers or currency movements useless, and obviating the attending expense.

Participating banks may, if they prefer, send the items direct to each other, taking a carbon copy of the cash letter, which, when certified by an authorized officer or employee, may be sent to us and becomes, in effect, a draft against the bank to which the items were sent, the amount of which is credited to the sending bank.

Since general clearing operations have become effective, the members of the reserve city clearing house have found this department a distinct benefit to them, in that it makes the drafts which their correspondents draw on them eligible for immediate credit with the Federal Reserve Bank. Drafts of this character are, by arrangement with the drawee bank, stamped "Charge (drawee bank) in reserve city clearing house." This method of covering items which we have sent to members not in reserve cities has been used extensively, as the following figures testify:

|                              | Amount.       | Average daily. |
|------------------------------|---------------|----------------|
| July 5 to Aug. 1.....        | \$985,772.74  | \$49,288.63    |
| Month of August.....         | 4,436,843.67  | 184,868.48     |
| Month of September.....      | 9,823,467.47  | 392,938.69     |
| Month of October.....        | 12,051,242.85 | 502,135.12     |
| Nov. 1 to 25, inclusive..... | 9,853,469.16  | 469,212.81     |
| Total.....                   | 37,150,795.89 | 1,598,443.73   |

Items handled under this arrangement are listed on a separate letter and sent to the Federal Reserve Bank, and are cleared against the drawee banks, with a resultant credit of the entire amount to the Federal Reserve Bank of Dallas, which participates in the clearings to that extent and receives acceptable funds in payment from the other participating banks.

It may be interesting to note that, on the opening day, December 28, 1915, the total clearings were \$1,175,000, with ensuing balances of only \$484,000, showing offsets of \$691,000, while on October 18, 1916, the total clearings were, in round figures, \$7,000,000, with ensuing balances of only \$1,109,000, showing offsets of \$5,891,000.

The aggregate amount cleared through the reserve city clearing house from the opening day, December 28, 1915, to November 5, 1916, inclusive, was, roundly, \$486,000,000, which was settled with balances of only \$141,000,000. The settlement of these balances entailed only the shipment of currency in the aggregate of \$8,300,000.

The bookkeeping employed is simple, and each account is closed at the end of the day's business. Drafts cleared against the banks are stamped "Cleared through the reserve city clearing house (date),"

and become debits to an account with each bank termed "Reserve city clearing house accounts," the letters received from the banks become the credits, and the difference is settled in one of the ways indicated above. Statements are rendered each day and are accompanied by the drafts which have been cleared. A composite statement of the whole clearing operation is each day rendered to all of the members of the reserve city clearing house, which shows the results of the clearings by banks, debits, credits, and balances.

It is, therefore, apparent from the foregoing that what was termed at its inception an experiment has, through the knowledge born of Mr. Talley's large experience in this field and study of the principles involved, proven to be a permanent betterment.

#### CLEARING AFTER JULY 15, 1916.

On July 6, after much preliminary work in devising forms, systems, etc., and circularizing member and nonmember banks, the district clearing house began receiving items from our member and nonmember banks within the district, and on July 15 took on inter-district clearing operations in their entirety, in accordance with Federal Reserve Board Circular No. 1, series of 1916. Owing to the unfamiliarity of new clerks with new methods and the fact that from the start items were received in increasing volume, there was for some time a good deal of confusion and the department was frequently kept at work until the early hours of the morning. This condition gradually improved until at the present time the mail is seldom deposited in the post office later than six o'clock p. m., which practice is necessary to the success of the system, as member banks can not receive the items and return funds covering the amount of debit balances in the district clearing house on schedule time unless our outgoing letters leave on the early evening trains.

It is probable that more opposition from both member and nonmember banks to establishing clearing operations was felt in this district than elsewhere, and the fact that practically all of the items handled by us have come from reserve city banks and from or for the account of other Federal Reserve Banks has prevented us from demonstrating that the principle of a clearing house at a central point which offsets and cancels the balances which have been caused between banks by the commerce of the district is correct. As has been shown by the operation of our reserve city clearing house, if each bank sent all of its outside items to the district clearing house and received from the district clearing house all of the items drawn on itself which come from outside sources, the cancellation of debits against the credits should eliminate from 75 to 90 per cent of the amount of float necessary under the methods previously employed and would result in a vast saving to the banks.

The Federal Reserve Bank of Dallas has pursued a very liberal policy toward its members in the clearing operations and has given them immediate credit on items drawn on banks in all Federal Reserve cities. During the months of September, October, November, and December the approximate amount of float carried by reason of this practice has averaged \$914,062 daily, but it was felt that, for the time being at least, some method for the immediate settlement of the balances caused by our sendings, other than by the shipment of currency or coin, should be allowed the banks. In addition to accepting Federal Reserve city exchange, the drafts of country banks on Texas reserve city banks have been placed on the same basis as those drawn on Federal Reserve city banks, by permitting them to be made payable through the reserve city clearing house, thus making them eligible for immediate credit at the Federal Reserve Bank. That this facility has been of great value is evidenced from larger amounts of such items cleared which, during the months of September, October, November, and December, averaged approximately \$445,000 daily. We have also received from member banks since the inauguration of the system shipments of currency, gold, and silver, at an expense borne by the district clearing house, to cover debit balances received by them, roundly, \$2,841,982, at a cost of approximately \$1,310.49, or \$0.461 per thousand. In explanation of the apparent high average cost, it should be considered that many of these shipments were in small amounts and of a mixed character, and the total includes gold and silver coin, which has advanced the general average cost.

The largest proportion of items handled on the deferred basis has been on member banks, of which there were, since opening of the district clearing house, July 6 to December 30, 1,193,459, aggregating \$164,274,799. Of this 530,776 items, aggregating \$76,654,028, were received from or for the account of other Federal Reserve Banks, and 662,673 items aggregating \$87,620,771 from our member banks. Items received from member banks on outside districts numbered 30,444, amounting to \$6,164,775. The volume of items on Dallas received from or for the account of other Federal Reserve Banks was 97,054, aggregating \$42,557,485, and 22,107 items on Dallas, amounting to \$54,675,102, were received from member banks. The number of nonmember banks in the eleventh district which we have been able to include in our par list has not come up to our expectations. There were originally 219 banks on this list, while at the present time this number is only 218.

The amount of this class of items sent direct was \$3,160,946 and numbered 51,191, while the amount cleared through member banks was \$10,730,925 and numbered 101,159 items. Of these 42,265 items, aggregating \$4,862,946 were received from or for the account

of other Federal Reserve Banks, and 58,894 from member banks, in the amount of \$5,876,979.

The expense of the department has shown no appreciable increase since the beginning, while the volume of items handled has practically doubled. This enabled us to announce that, beginning November 1, the service charge would be reduced from 2 cents to 1½ cents per item.

Though the volume of items handled has practically doubled since the beginning, this increase has not continued since the month of September, during which month we handled approximately the same number of items as we are handling at the present time. It has therefore seemed that, under present conditions and the system employed, the operations of this department are at their maximum. The explanation of this seems to be that in this district the country banks, having abnormal excess amounts of cash and exchange, and demand for money being less than the supply, feel it to be impractical to handle the items through the Federal Reserve Banks and absorb the service charge when they can send the items to their correspondent reserve city banks, count the proceeds as reserve the day the items leave their offices, receive immediate credit for them on receipt, and draw interest on the balances created, with no attendant cost for handling. On the other hand, the banks in the centers feel that, even with the cost otherwise being equal, they would rather send their items direct to banks which have accounts with them. In this manner they would continue the friendly relations which have heretofore resulted in increased business from other sources, by extending with profit to themselves, to allied country banks, facilities not contemplated by the Federal Reserve Act. It is also necessary for commercial banks in the centers to maintain an equipment to handle business which they receive from and on nonmember banks, which in volume is considerable, and to which the added business received from national banks carries no proportionate additional expense.

In some cases, according to information received, the collection cost on checks to individual depositors has been reduced, but on others it has been increased, and an analysis of the business of the banks handling probably the largest commercial business in the district has shown that the expense to their depositors on a whole would be, in the aggregate, about the same under a system of service charges which allows an additional cent per item to the bank which receives the items as it would under the old cost method based on the amount of the items.

#### SERVICE RENDERED TO THE BANKS BY THE GOLD SETTLEMENT FUND.

The service rendered to this bank by the gold settlement fund has been of great value in our settlements with other Federal Reserve

Banks, and in the relations between the bank proper and the Federal Reserve Agent. In our opinion the gold settlement fund has proven a very effective means of settling balances in all parts of the United States.

#### SUMMARY.

The operations of this bank for the past year have been, for the most part, entirely satisfactory. The fact of its existence has everywhere engendered and maintained a spirit and feeling of assured confidence and has dispelled any fear which might otherwise be entertained of the danger of financial disturbances. Its growth in public favor is manifest on every hand. This growth has increased, and will continue to increase, as the basic principles of the system become better understood.

The operations of the Federal Reserve system have assured an adequate supply of money for the needs of legitimate business of the country. Our own operations have shown that with seasonal developments the money supply has responded to the needs of legitimate commerce, and has been adequate to meet the demands of the most exceptional seasons.

This attitude of the Federal Reserve Banks, as well as the policy of the Federal Reserve Board, of assembling and maintaining large reserves of gold have tended to reassure even the most critical that the integrity of our financial system will under all circumstances be preserved. Our operations, as well as what we think are our reasonable requirements, have tended to insure better business methods among bankers and especially have rendered very general the use of credit statements by all borrowers. It is also true that the banks, as a rule, as they have become more familiar with the requirements of the Federal Reserve Bank, have taken especial pains, not only to better secure their loans, but to insure, in respect to them, a larger measure of liquidity. The provision of the Act for acceptances by banks in aid of exportation and importation of merchandise has been availed of to some extent, and will in the future prove of great advantage, not alone to the banks, but to the commerce of the country. We have met with a fairly liberal response on the part of our member banks in our effort to build up our supply of gold, and the excess deposits of member banks carried with us in the aggregate amount to a very substantial sum. It has been our observation that as the banks in the district have studied the Federal Reserve Act and have become more familiar with the methods and operations of this bank, that they have become better satisfied, and a large part of the antagonism toward the Federal Reserve system, which existed a year ago, has disappeared. Many of the most conservative banks in our district which have never borrowed money from anyone feel a special relief in the knowledge that the means for relief are at hand, if needed, and in the fact of the

certainty of such aid is found a strong assurance against unwise and unnecessary withdrawal of balances by their depositors.

The year has been one of great prosperity to the banks of this country, and while there has been some recession of interest rates over the district, this decrease in rate of return on loans has been more than compensated by a heavier volume of business.

The collection system, which has engendered very acute and active opposition in this district, is progressing with very satisfactory results. We have sought to so administer the Act of Congress, in harmony with the regulations of the Federal Reserve Board, as to impose as little burden as possible on our member banks and to bring to them all the benefits which this system can give. There are evident signs of some diminution of resentment or opposition to the collection system, and it is believed that a thorough and fair trial of it may ultimately satisfy most, if not all, of our member banks.

The demand for money in this section at this time is nominal. None of our banks, except a few in the cattle-raising sections, are rediscounting with us at present. Their demands are both seasonal, and so far have been very moderate.

#### SHIPMENTS OF CURRENCY AND COIN.

The members, as a whole, have been quick to grasp the benefits which may be derived by them through our shipping facilities, and our coin and currency shipments in 1916 were nearly treble those of the previous year, and consisted of \$1,413,700 in one and two dollar bills, \$42,350,760 in other currency, \$595,510 in silver dollars, \$1,043,382 in fractional silver coins, and \$123,900 in nickels and pennies, or a total of currency and coin shipments of \$45,527,252.

At one time, during the height of the cotton movement, when transportation difficulties made future shipping uncertain to a marked degree, the bank proved beyond question its usefulness to its members, and during that one week shipments amounting to \$5,062,545 were made. It was at that time that it became propitious to put in circulation \$2,000,000 in Federal Reserve Bank notes secured by United States bonds. The bank's liability on these notes has since been extinguished through the deposit of an equal amount of lawful money with the Treasurer of the United States.

On shipments of Federal Reserve notes which otherwise would be sent outside the district for the purpose of creating exchange, we have agreed to assume the cost of transportation to Dallas when we make the transfer ourselves at prevailing rates of exchange. We have also agreed to pay the transportation cost on gold certificates sent us from the vaults of member banks. All shipments upon which we absorb the cost must be made by registered mail, insured under our policy.

EXHIBIT A.—*Statement of earnings and expenses of the Federal Reserve Bank of Dallas for the year 1916 and since organization.*

|                                  |             |              |
|----------------------------------|-------------|--------------|
| Earnings for 1916.....           |             | \$306,874.64 |
| Expenses.....                    |             | 122,550.20   |
|                                  |             | 184,324.44   |
| Less depreciation.....           | \$16,000.00 |              |
| Less difference account.....     | 1.00        |              |
| Less counterfeit.....            | 5.00        |              |
| Less exchange.....               | 1,713.54    |              |
| Less commission paid.....        | 558.58      |              |
|                                  |             | 18,278.12    |
| Net earnings.....                |             | 166,046.32   |
| Earnings since organization..... |             | 552,316.29   |
| Less expenses.....               |             | 291,834.05   |
|                                  |             | 260,482.24   |
| Less depreciation.....           | \$16,000.00 |              |
| Less difference account.....     | 1.00        |              |
| Less counterfeit.....            | 5.00        |              |
| Less exchange dr.....            | 1,713.54    |              |
| Less commission paid.....        | 558.58      |              |
|                                  |             | 18,278.12    |
|                                  |             | 242,204.12   |
| Less dividends paid.....         |             | 200,302.19   |
|                                  |             | 41,901.93    |
| Cr. balance Jan. 1, 1917.....    |             | 41,901.93    |

EXHIBIT B.—*Comparative yearly statement Federal Reserve Bank of Dallas.*

|  | Dec. 29, 1916. | Dec. 29, 1915. |
|--|----------------|----------------|
| <b>RESOURCES.</b>  |                |                |
| Bills discounted members.....  | \$818,756.47   | \$5,001,200.31 |
| Bills bought in open market.....   | 2,201,485.70   |                |
| United States bonds to secure circulation.....   | 2,000,000.00   |                |
| United States bonds on hand.....   | 707,400.00     | 870,000.00     |
| United States bonds suspense account.....  | 1,620,850.00   |                |
| United States Treasury notes.....  | 705,000.00     |                |
| Investments, municipal warrants.....   | 127,318.87     | 71,888.16      |
|  | 8,180,811.04   | 5,943,088.47   |
| Interest accrued on United States bonds.....   | 27,234.54      | 449.22         |
| Premium and discount on United States bonds.....   | 1,406.26       |                |
| Expenses paid in advance.....  | 2,696.87       |                |
| Cost of unissued Federal Reserve notes.....  | 8,940.32       | 9,924.60       |
| Commissions paid.....  | 558.58         |                |
| Furniture and equipment.....   | 37,164.32      | 33,255.41      |
| Bank premises.....   | 144,246.31     | 144,783.85     |
| Expense current.....   | 72,795.04      | 61,624.85      |
| District clearing house expense.....   | 289.87         |                |
| Profit and loss account.....   |                | 9,395.95       |
| Interest on surrendered stock.....   | 78.18          |                |
| Due from other Federal Reserve Banks.....  |                | 878,234.24     |
| Due from member banks—overdrafts.....  | 223.84         |                |
| Due from banks and bankers.....  | 11,072.50      | 17,526.08      |
| Exchange for clearing house.....   | 2,491.70       |                |
| Checks and other cash items.....   |                | 687.58         |
| Deferred debits.....   | 5,602,784.92   | 171,500.00     |
| Gold settlement funds.....   | 14,946,500.00  | 8,669,000.00   |
| Due from Treasurer United States gold redemption fund.....                               | 56,750.00      | 264,000.00     |
| Gold coin and gold certificates.....   | 4,975,462.50   | 3,973,730.00   |
| Other lawful money.....  | 252,614.90     | 243,584.30     |
|  | 20,231,327.40  | 13,150,314.30  |
| Federal Reserve Bank notes (secured by United States bonds) on hand.....                 | 2,000,000.00   |                |
| Due from Treasurer United States 5 per cent fund account Federal Reserve Bank notes..... | 100,000.00     |                |

## EXHIBIT B.—Comparative yearly statement Federal Reserve Bank of Dallas—Contd.

|  | Dec. 29, 1916.   | Dec. 29, 1915.   |
|--|------------------|------------------|
| RESOURCES—continued.                                       |                  |                  |
| National bank notes and Federal Reserve notes on hand..... | \$718, 770. 00   | \$948, 280. 00   |
| Federal Reserve notes on hand.....                         | 574, 000. 00     | 375, 170. 00     |
| Nickels and cents.....                                     | 859. 44          | 10, 991. 36      |
| Mutilated currency forwarded for redemption.....           | 273, 000. 00     | 44, 000. 00      |
| Total cash.....  | 23, 897, 956. 84 | 14, 528, 735. 66 |
| Total resources.....                                       | 37, 990, 751. 13 | 21, 799, 205. 91 |
| LIABILITIES.   |                  |                  |
| Capital paid in.....                                       | 2, 695, 300. 00  | 2, 752, 816. 67  |
| Capital suspense account.....                              | 750. 00          | .....            |
| Discount earned on bills discount members.....             | \$102, 200. 88   | 145, 438. 32     |
| Discount earned on bills bought.....                       | 10, 321. 58      | .....            |
| Interest on investments.....                               | 547. 79          | 845. 82          |
| Interest earned on United States bonds.....                | 43, 329. 59      | 583. 65          |
| Discount on United States bonds.....                       | None.            | 6, 337. 50       |
| Transfers bought and sold.....                             | 7, 267. 45       | 1, 196. 52       |
| Sundry profits.....  | 16, 864. 49      | 282. 89          |
| Gross earnings.....  | 180, 531. 78     | .....            |
| Less applied in payment dividend to Dec. 31, 1915.....     | 16, 600. 82      | .....            |
| Unearned discount on bills discount members.....           | 163, 930. 96     | .....            |
| Unearned discount on bills bought.....                     | 3, 516. 86       | 29, 714. 18      |
| Unearned interest on investments.....                      | 8, 640. 03       | .....            |
| Difference account.....                                    | 814. 36          | 221. 26          |
| Reserved for sundry expenses.....                          | 168. 67          | .....            |
|  | 257. 25          | 106. 25          |
| Government deposits.....                                   | 1, 490, 966. 48  | 5, 000, 000. 00  |
| Due to other Federal Reserve Banks.....                    | 1, 651, 484. 73  | 336, 043. 53     |
| Due to member banks.....                                   | 26, 164, 307. 97 | 9, 791, 742. 52  |
| Expense checks.....  | 543. 51          | .....            |
| Cashier's checks.....                                      | 18, 567. 34      | 17, 476. 80      |
| Deferred credits.....                                      | 2, 091, 502. 97  | 12, 000. 00      |
| Gross deposits.....  | 31, 417, 373. 00 | 15, 157, 262. 85 |
| Federal Reserve notes.....                                 | 1, 700, 000. 00  | 3, 705, 000. 00  |
| Federal Reserve Bank notes.....                            | 2, 000, 000. 00  | .....            |
| Total liabilities.....                                     | 37, 990, 751. 13 | 21, 799, 205. 91 |

## EXHIBIT C.—Discount operations of the Federal Reserve Bank of Dallas, Tex., for the year 1916.

|   |                    |
|---|--------------------|
| Total number of banks accommodated by rediscount in 1916..... | 301                |
| Total amount of discounts for member banks in 1916.....       | \$18, 512, 542. 85 |
| Number of new banks served in 1916.....                       | 63                 |

## EXHIBIT D.—Classification of member bank discounts handled, by maturities, in 1916.

|                                      |             |
|--------------------------------------|-------------|
| Due in 10 days.....                  | \$77, 000   |
| Due after 10 but within 30 days..... | 1, 404, 467 |
| Due after 30 but within 60 days..... | 4, 077, 083 |
| Due after 60 but within 90 days..... | 6, 689, 999 |
| Due after 90 days.....               | 6, 263, 993 |

## EXHIBIT E.—Amount of acceptances—trade and bankers'—discounted and bought by the Federal Reserve Bank of Dallas in 1916.

|   |                 |
|---|-----------------|
| Trade acceptances discounted.....               | \$248, 934. 71  |
| Bankers' acceptances bought in open market..... | 3, 543, 046. 71 |

## MATURITIES OF TRADE ACCEPTANCES DISCOUNTED.

|                  |               |
|------------------|---------------|
| Thirty days..... | \$35, 555. 19 |
| Sixty days.....  | 167, 726. 94  |
| Ninety days..... | 45, 652. 58   |



EXHIBIT F.—Amount of municipal warrants purchased in 1916, rates at which purchased, and maturities of same.

| Name of warrant.  | Maturity.     | Discount rate.            | Commission.               | Amount.     |
|---|---------------|---------------------------|---------------------------|-------------|
| City of Fitchburg, Mass., anticipation revenue warrants.    | Jan. 26, 1917 | <i>Per cent.</i><br>2.825 | One-eighth of 1 per cent. | \$25,000.00 |
| City of Waltham, Mass., anticipation revenue warrants.      | Nov. 10, 1916 | 2½                        | .....do.....              | 25,000.00   |
| City of Chelsea, Mass., anticipation revenue warrants.      | Apr. 4, 1917  | 3                         | .....do.....              | 50,000.00   |
| Dallas County, Tex., courthouse and jail warrants.          | Feb. 15, 1917 | 3                         | None.....                 | 2,033.34    |
| Participation in city of New York revenue bonds.            | Jan. 15, 1917 | 2½                        | One-eighth of 1 per cent. | 25,285.53   |
| Participation in city of Brockton, Mass., revenue warrants. | May 29, 1917  | 3¾                        | .....do.....              | 25,000      |
| Total.....  |               |                           |                           | 152,318.87  |

EXHIBIT G.—Statement showing required reserve deposits of member banks, amounts actually carried, also excess and deficits, for year 1916, by months.

| Month.         | Required.   | Carried.       | Excess.       | Deficit.     | Amount of overdrafts. |
|----------------|-------------|----------------|---------------|--------------|-----------------------|
| January.....   | \$9,248,800 | \$9,987,970.48 | \$739,170.48  | .....        | \$202,323.64          |
| February.....  | 9,068,700   | 9,801,079.28   | 732,379.28    | .....        | 76,887.51             |
| March.....     | 9,219,500   | 9,956,300.64   | 736,800.64    | .....        | 21,227.44             |
| April.....     | 8,906,651   | 9,619,066.32   | 712,415.32    | .....        | 44,587.93             |
| May.....       | 11,119,871  | 10,967,888.25  | .....         | \$151,982.75 | 7,542.90              |
| June.....      | 10,992,737  | 11,921,193.17  | 928,456.17    | .....        | 6,964.48              |
| July.....      | 11,196,632  | 12,058,145.63  | 861,513.63    | .....        | 226,894.79            |
| August.....    | 11,686,887  | 11,783,942.08  | 97,055.03     | .....        | 529,213.67            |
| September..... | 14,115,700  | 13,400,727.76  | .....         | 714,972.24   | 857,559.69            |
| October.....   | 15,824,230  | 19,200,325.37  | 3,376,095.37  | .....        | 777,066.81            |
| November.....  | 16,132,900  | 23,734,004.92  | 7,601,104.92  | .....        | 351,705.28            |
| December.....  | 19,359,480  | 26,312,381.66  | 6,952,901.66  | .....        | 42,413.48             |
| Total.....     | 146,872,088 | 168,743,025.51 | 22,737,892.50 | 866,954.99   | 3,144,387.64          |

EXHIBIT H.—Federal Reserve notes—Number of Federal Reserve notes, by denominations and aggregate amounts, received, issued to the bank, and returned to the comptroller since organization and on hand at close of business on Dec. 30, 1916.

|   | Number of notes. |            |           |          |           | Aggregate amount. |
|---|------------------|------------|-----------|----------|-----------|-------------------|
|   | Fives.           | Tens.      | Twenties. | Fifties. | Hundreds. |                   |
| Received from comptroller.....  | 1,840,000        | 1,140,000  | 496,000   | 48,000   | 24,000    | \$35,320,000      |
| Received from Federal Reserve Bank.....   | 324,250          | 416,850    | 148,950   | 21,900   | 7,650     | 10,628,750        |
| Received from Treasurer of United States (fit notes).....   | 350              | 140        | 180       | 13       | None.     | 7,400             |
| Received by comptroller from Treasurer of United States for destruction and credit of Federal Reserve Agent's account (unfit notes).....                        | 416,916          | 116,386½   | 27,585    | 1,084    | 54        | 3,859,745         |
| Total.....  | 2,581,516        | 1,673,376½ | 672,715   | 70,997   | 31,704    | 49,815,895        |
| Issued to Federal Reserve Bank.....   | 1,724,950        | 1,367,540  | 580,430   | 44,400   | 21,300    | 38,258,750        |
| Returned to Comptroller of the Currency for destruction, including notes returned by United States Treasurer for credit of Federal Reserve Agent's account..... | 454,516          | 151,286½   | 32,785    | 1,084    | 54        | 4,500,745         |
| Notes on hand at end of 1916.....   | 402,050          | 154,550    | 59,500    | 25,513   | 10,350    | 7,056,400         |
| Total.....  | 2,581,516        | 1,673,376½ | 672,715   | 70,997   | 31,704    | 49,815,895        |

## EXHIBIT I.—Federal Reserve notes received and returned.

[Amounts of Federal Reserve Notes of the several denominations received from other Federal Reserve Banks for redemption or credit and returned to other Federal Reserve Banks for redemption or credit by the Federal Reserve Bank of Dallas during the calendar year 1916.]

| Exchanged with Federal Reserve Bank of— | Fives.         |              | Tens.          |              | Twenties.      |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | 11,320         | 1,835        | 22,120         | 4,930        | 22,750         | 3,340        |
| New York.....                           | 397,000        | 23,265       | 432,970        | 54,600       | 353,180        | 27,740       |
| Philadelphia.....                       | 12,030         | 865          | 23,440         | 2,130        | 27,360         | 1,280        |
| Cleveland.....                          | 51,000         | 1,230        | 8,620          | 3,060        | 8,660          | 5,180        |
| Richmond.....                           | 3,620          | 2,435        | 7,920          | 4,810        | 6,940          | 5,320        |
| Atlanta.....                            | 147,580        | 50,760       | 240,780        | 135,620      | 158,840        | 64,240       |
| Chicago.....                            | 282,500        | 2,045        | 374,500        | 570          | 249,500        | 1,780        |
| St. Louis.....                          | 304,285        | 41,280       | 389,500        | 53,050       | 255,380        | 27,240       |
| Minneapolis.....                        | 13,195         | 6,240        | 19,720         | 8,800        | 17,600         | 6,000        |
| Kansas City.....                        | 16,310         | 99,230       | 44,220         | 77,750       | 35,900         | 39,960       |
| San Francisco.....                      | 15,430         | 4,360        | 31,510         | 3,590        | 24,320         | 6,460        |
| Total.....                              | 1,208,370      | 233,450      | 1,595,100      | 348,910      | 1,160,440      | 188,540      |

| Exchanged with Federal Reserve Bank of— | Fifties.       |              | Hundreds.      |              | Total.         |              |
|---|----------------|--------------|----------------|--------------|----------------|--------------|
|   | Received from. | Returned to. | Received from. | Returned to. | Received from. | Returned to. |
| Boston.....                             | 5,400          | 5,300        | 400            | 800          | 62,000         | 16,205       |
| New York.....                           | 66,450         | 1,550        | 15,900         | 4,300        | 1,265,500      | 111,555      |
| Philadelphia.....                       | 9,100          | .....        | 2,350          | 100          | 74,280         | 4,275        |
| Cleveland.....                          | 1,400          | 1,350        | 500            | 500          | 24,280         | 11,320       |
| Richmond.....                           | 1,350          | 2,500        | .....          | 300          | 19,830         | 15,365       |
| Atlanta.....                            | 139,800        | 2,600        | 6,000          | 14,900       | 693,000        | 268,120      |
| Chicago.....                            | 21,500         | 200          | 2,500          | 200          | 930,500        | 4,795        |
| St. Louis.....                          | 54,250         | 15,800       | 14,100         | .....        | 1,017,315      | 137,370      |
| Minneapolis.....                        | 650            | 250          | 400            | 400          | 51,565         | 21,690       |
| Kansas City.....                        | 1,950          | 27,750       | 200            | .....        | 98,580         | 244,690      |
| San Francisco.....                      | 5,650          | 2,700        | 1,000          | 800          | 77,910         | 17,910       |
| Total.....                              | 307,500        | 60,000       | 43,350         | 22,300       | 4,314,760      | 853,295      |

## EXHIBIT J.—Statement of cost on Federal Reserve notes printed for Federal Reserve Bank of Dallas.

1915.

|  |             |
|--|-------------|
| Nov. 20. With Federal Reserve Agent 3,800,000, 108,000 sheets at 30.034 per 1,000.....       | \$3,243.672 |
| With Federal Reserve Board 5,380,000, 187,000 sheets at 30.034 per 1,000.....                | 5,616.358   |
| Dec. 6. Payment in full for paper used in printing 718,000 sheets Federal Reserve notes..... | 1,377.65    |
| Dec. 22. Transportation on 3,800,000 notes at 0.1783 cents per 1,000.....                    | 677.54      |
| 1916.  |             |
| Mar. 11. Postage \$800,000 Federal Reserve notes from Washington.....                        | 7.66        |
| Mar. 28. Postage on \$400,000 Federal Reserve notes, \$100 bills, from Washington.....       | 3.84        |
| Apr. 11. Charges for insurance \$800,000 from Washington 3/7... \$96.00                      |             |
| Charges for insurance \$400,000 from Washington 3/25... 48.00                                |             |
|  | 144.00      |
| May 1. Postage on \$400,000 Federal Reserve notes from Washington...                         | 7.68        |
| May 4. Postage on \$1,040,000 Federal Reserve notes from Washington 5/2.....                 | 65.28       |

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|           |   |             |
|-----------|---|-------------|
| 1916,     |   |             |
| May 11.   | Insurance on \$1,360,000 Federal Reserve notes 4/11....         | \$163. 20   |
|           | Insurance on \$400,000 Federal Reserve notes 4/26.....          | 48. 00      |
|           | Insurance on \$1,040,000 Federal Reserve notes 4/29..           | 124. 80     |
|           |   | \$336. 00   |
| May 27.   | Cost of preparing 33,000 sheets 3,280,000.....                  | 1, 134. 14  |
| June 19.  | Cost of preparing 64,000 sheets.....                            | 2, 199. 55  |
| Aug. 28.  | Postage Federal Reserve notes.....                              | 118. 62     |
| Sept. 7.  | Postage on Federal Reserve notes.....                           | 403. 08     |
| Sept. 23. | Insurance \$880,000 Federal Reserve notes.....                  | 105. 60     |
| Sept. 29. | Postage on \$1,000,000 Federal Reserve notes.....               | 96. 00      |
|           | Cost of making two dies.....                                    | 180. 00     |
| Nov. 25.  | Die for \$5 Federal Reserve notes.....                          | 90. 00      |
| Nov. 6.   | Insurance \$6,380,000 from Washington.....                      | 765. 60     |
|           | Cost of preparing 153,000 sheets.....                           | 5, 258. 31  |
|           | Cost of preparing 13,000 sheets.....                            | 446. 79     |
| Dec. 30.  | Cost of preparing 61,000 sheets (amortized in January, 1917)... | 2, 096. 44  |
|           |   | 24, 373. 81 |

EXHIBIT K.—*Investment operations of the bank, by months, showing all classes of such investments for 1916.*

| Month.      | Description of security.  | Basis. | Amount.         |
|-------------|---|--------|-----------------|
| April.....  | Registered 2 per cent Panama bonds, series 1906-36.....         | 100    | \$17, 500. 00   |
|             | Registered 2 per cent Panama bonds, series 1905-35.....         | 100    | 5, 000. 00      |
|             | Registered 2 per cent consol bonds, series 1930.....            | 100    | 1, 523, 250. 00 |
| May.....    | Registered 2 per cent Panama bonds, series 1906-36.....         | 100    | 25, 000. 00     |
|             | Registered 2 per cent Panama bonds, series 1905-35.....         | 99½    | 19, 000. 00     |
| June.....   | Registered 2 per cent consol bonds, series 1930.....            | 99½    | 226, 000. 00    |
|             | Registered 2 per cent Panama bonds, series 1906-36.....         | 99     | 45, 000. 00     |
| August..... | Registered 2 per cent Panama bonds, series 1906-36.....         | 99     | 55, 000. 00     |
|             | Registered 2 per cent consol bonds, series 1930.....            | 99½    | 65, 000. 00     |
| September.. | Registered 2 per cent Panama bonds, series 1906-36.....         | 99½    | 150, 000. 00    |
|             | Registered 2 per cent consol bonds, series 1930.....            | 100    | 25, 000. 00     |
| October.... | City of Fitchburg, Mass., anticipation revenue warrants.....    | 100    | 25, 000. 00     |
|             | City of Waltham, Mass., anticipation revenue warrants.....      | 100    | 50, 000. 00     |
| November..  | City of Chelsea, Mass., anticipation revenue warrants.....      | 100    | 2, 053. 34      |
|             | County of Dallas, Texas, courthouse and jail warrants.....      | 100    | 500, 000. 00    |
|             | Registered 2 per cent Panama bonds, series 1906-36.....         | 100    | 100, 000. 00    |
|             | Registered 2 per cent consol bonds, series 1930.....            | 100½   | 950, 000. 00    |
| December... | Participation in city of New York revenue bonds.....            | 100    | 25, 285. 53     |
|             | Participation in city of Brockton, Mass., revenue warrants..... | 100    | 25, 000. 00     |
|             | Registered 2 per cent consol bonds, series 1930.....            | 100½   | 50, 000. 00     |
|             | Registered 2 per cent consol bonds, series 1930.....            | 100    | 7, 500. 00      |

EXHIBIT L.—*Memorandum of discount rates in effect in 1916, showing dates of changes.*

| Class of paper.                                     | Time.                  | Rate.       | Effective.          |
|---|------------------------|-------------|---------------------|
| Commercial, industrial, agricultural, live stock... | Up to 90 days.....     | Per cent. 4 | Whole year 1916.    |
| Agricultural, live stock.....                       | 91 days to 6 months... | 4½          | Do.                 |
| Trade acceptances.....                              | Up to 60 days.....     | 3½          | Jan. 1 to Jan. 12.  |
| Do.....   | 61 to 90 days.....     | 4           | Do.                 |
| Do.....   | Up to 90 days.....     | 3½          | Jan. 12 to Dec. 31. |
| Commodity paper.....                                | do.....                | 3           | Whole year 1916.    |
| Fifteen-day collateral notes.....                   | Up to 15 days.....     | 3½          | Sept. 20, 1915.     |
| Open-market purchases.....                          |                        | Various.    |                     |

## DISTRICT NO. 12—SAN FRANCISCO.

JOHN PERRIN, Chairman and Federal Reserve Agent.

### FINANCIAL RESULTS OF OPERATION.

During the year 1916 the resources of this bank have more than doubled, as shown in the following comparative statement:

|   | Dec. 30,<br>1916. | Dec. 31,<br>1915. |
|---|-------------------|-------------------|
| <b>RESOURCES.</b>   |                   |                   |
| Bills discounted for member banks.....  | \$250,968         | \$467,162         |
| Bills bought, open market.....  | 12,462,266        | 683,840           |
| Municipal warrants.....   | 737,376           | 344,978           |
| United States bonds and notes.....  | 3,133,750         | 1,000,475         |
| Furniture and equipment.....  |                   |                   |
| Cost of unissued Federal Reserve notes.....   |                   |                   |
| Cost of Federal Reserve Bank notes.....   |                   | 93,996            |
| Expense of organization.....  |                   |                   |
| Other resources.....  | 465,930           | 15,553            |
| Due from other Federal Reserve Banks.....   | 4,241,904         | 3,934,866         |
| Gold, including Federal Reserve notes exchangeable for gold with Federal Reserve Agent..... | 22,795,813        | 15,173,717        |
| <b>Total.....</b>   | <b>45,088,007</b> | <b>21,714,587</b> |
| <b>LIABILITIES.</b>   |                   |                   |
| Capital paid in.....  | 3,929,300         | 3,941,800         |
| Undivided profits.....  | 15,417            | .....             |
| Unearned discount.....  | 33,188            | 4,740             |
| Due to other Federal Reserve Banks.....   | 36,947,794        | 10,541            |
| Due to member banks (net).....  | 36,477,794        | 17,321,863        |
| Government deposits.....  | 3,643,138         | 427,320           |
| Other liabilities.....  | 41,466            | 8,323             |
| <b>Total.....</b>   | <b>45,088,007</b> | <b>21,714,587</b> |

### EARNINGS, EXPENSES, AND DIVIDENDS.

The net earnings (Table 2) for the year have amounted to \$59,153.09, out of which two dividends at the rate of 6 per cent per annum have been paid, the first on October 1, 1916, covering the period November 16, 1914, to December 31, 1914, and the second on December 30, 1916, for the period from January 1, 1915, to March 31, 1915. A balance of \$15,416.87 undivided profits remains. In addition to all current expenses, there have been charged off all organization expenses, \$45,085.09, the cost of all furniture and equipment, \$12,589.59, the cost of engraving plates for Federal Reserve Bank notes, \$480, and the cost of engraving, printing, and shipping Federal Reserve notes, \$56,804.69, a total of \$114,959.37. Only cash and

current earning investments are carried on the books at this date as live assets.

The net earnings by months have been as follows:

|   | Deficit.   | Excess earnings. |
|---|------------|------------------|
| January.....  | \$5,398.74 | .....            |
| February.....                                       | 1,781.27   | .....            |
| March.....  |            | \$1,306.67       |
| April.....  |            | 4,189.81         |
| May.....  |            | 6,578.04         |
| June.....   |            | 9,350.34         |
| July.....   |            | 18,099.85        |
| August.....   |            | 18,524.51        |
| September.....                                      |            | 16,917.68        |
| October.....  |            | 22,099.55        |
| November.....                                       |            | 24,417.63        |
| December.....                                       |            | 35,545.09        |
| Total.....  | 7,180.01   | 157,029.17       |
| Net.....  |            | 149,849.16       |
| Dividend No. 1.....                                 | 12,340.97  |                  |
| Dividend No. 2.....                                 | 31,395.25  |                  |
| Charged off:  |            |                  |
| Balance furniture and equipment.....                | 12,589.59  |                  |
| Balance organization expense.....                   | 35,390.44  |                  |
| Balance cost of unissued Federal Reserve notes..... | 42,236.04  |                  |
| Cost Federal Reserve Bank notes.....                | 480.00     |                  |
|   |            | 134,432.29       |
| Undivided profits.....                              |            | 15,416.87        |

## ACTIVITIES DURING THE YEAR.

### DISCOUNT OPERATIONS.

Discount rates (Table 4) during the year have remained substantially as fixed in January, 1915. A total of \$1,973,355 has been rediscounted during the year, the classification being shown in Table 5. The largest aggregate of rediscounted paper was \$572,619, held on July 18, and the smallest \$228,922, held on October 23.

There has been no disposition manifested by member banks to avail of the opportunity to rediscount commodity paper. It may be that conditions will arise in the future which will cause more active interest in this class of paper.

There has been considerable discussion among dealers and credit men regarding trade acceptances, with here and there a concern of especial enterprise and alertness entering upon their use. To secure settlements in the form of trade acceptances for merchandise sold, instead of carrying unavailable open accounts, yields advantages so manifold and important that this method seems sure of being widely adopted when dealers realize the advantages obtainable, including lower interest rates than on direct borrowings.

### ACCEPTANCES.

This bank's most important volume of investments during the year has been in acceptances, a total of \$32,775,678 having been purchased at rates ranging from  $1\frac{7}{8}$  to  $3\frac{3}{8}$  per cent. The maxi-

imum rates for the year are prevailing as the year closes. The total held at one time has fluctuated between a minimum of \$665,880 on February 21 and a maximum of \$12,832,686 on December 14 (Table 6). These acceptances have been chiefly those of New York banks, with lesser amounts of banks in Boston and Philadelphia. Banks of the twelfth Federal Reserve district have engaged little as yet in acceptance business, although a quite important volume would apparently be possible for them in the trade with the Orient as well as in domestic transactions. Some of the most important banks have had no such transactions thus far.

Of acceptances offered for purchase in San Francisco, those of one Japanese bank have exceeded in volume those of any other bank. Purchases of acceptances of Pacific coast banks have been at the same rates as those of New York banks. With equally favorable rates, the opportunity offers for creating a discount market of some importance on this western coast with profit to acceptors and added opportunities for enlarged trade. Because of short maturity, minimum of risk, certainty of payment at maturity, and breadth of market, if sale or rediscount should be desired, such paper would seem to be an ideal investment not only for Federal Reserve banks but also for member banks.

#### EFFECT UPON GENERAL MARKET RATES.

Aside from a relatively small volume of acceptances growing chiefly out of oriental business and offered in San Francisco, and aside from the small volume of rediscounts, the investment operations of this bank have been so largely in New York that they have at present no important influence upon the general market rates of this district. The published rediscount rates have probably influenced somewhat the rates charged borrowing banks by correspondents, but credit conditions have been so easy throughout the district that any sound bank desiring to borrow has been able to secure satisfactory rates without difficulty. When lending rates advance generally, it may perhaps be reasonably anticipated that the relatively low discount rates likely to be maintained by Federal Reserve Banks, through moderating the advances in discount rates accorded to country banks by their correspondents, will influence lending rates more than during the past year.

#### UNITED STATES BOND OPERATIONS.

In addition to \$1,010,000 2 per cent United States bonds bought previously, there have been purchased during the current year 2 per cent consols amounting to \$2,623,750. Except \$25,000, these have all been bought from member banks (Table 7).

Under the privilege granted by the Federal Reserve Act \$1,000,000 of these have been converted—\$500,000 into United States 3 per cent

one-year gold notes, and \$500,000 into United States 3 per cent 30-year gold bonds. The latter have all been sold at a slight premium.

Although the one-year gold notes, at the option of the Secretary of the Treasury, carry the obligation of the recipient Federal Reserve Bank of annual renewal for 30 years, yet they constitute a security readily salable in this or other countries if need should arise.

Prior to purchase these United States bonds were pledged to secure national-bank circulation, which was retired in order to release the bonds. As similar circulation has not been issued by the Federal Reserve Bank, the net result has been a reduction in the amount of bond-secured circulation.

#### MUNICIPAL WARRANTS.

During the year a total of \$5,962,621.14 municipal warrants have been purchased, as shown in Table 8. The income basis has ranged from 2 per cent to 4 per cent, and for the most part those bought have been issued in anticipation of taxes by New York and other eastern cities. A few California bonds have been bought, classed as municipal warrants, because having maturity within six months and accumulated sinking fund. When the laws of the several States in this district are changed so as to authorize the issue of such municipal warrants, Pacific coast municipalities will also benefit by the opportunity to secure temporary loans at correspondingly low rates. Considerable interest has been manifested by citizens of Seattle in this matter.

#### CHANGES IN RESERVE POSITION.

Table 9 gives the reserve position of the bank at the beginning of each month during the year. In this calculation Federal Reserve notes held in the bank's cash have been counted as gold, because immediately exchangeable for gold by presenting to the Federal Reserve Agent.

#### FEDERAL RESERVE BANK AND MEMBER BANKS.

##### CHANGE IN MEMBERSHIP.

The capital of member banks in this district compared with one year ago is as follows:

| Date.              | Number of banks. | Capital.     |
|--------------------|------------------|--------------|
| Dec. 31, 1916..... | 524              | \$89,589,000 |
| Dec. 31, 1915..... | 526              | 89,119,000   |
| Increase.....      |                  | 470,000      |

National banks of the district show an increase over a year ago of approximately 28.3 per cent in deposits and 22.8 per cent in loans (Table 13).

During the year six national banks, having aggregate capital of \$610,000, converted into State banks, and three State banks, having aggregate capital of \$800,000, converted into national banks.

There are many evidences that the relations between this bank and its member banks are those of increasingly good understanding and mutual confidence. As opportunities have presented for personal interchanges, misapprehensions have been cleared away, and member banks more generally have come to realize the earnest purpose of this bank to render service and its sure and prompt response without red tape.

Grumbling may be an evidence of vigor. An old sea captain of this coast, when his mate reported that the crew were all grumbling, remarked: "What of it. Do you want them all sick?" In the shift from the old system to the Federal Reserve system, probably no one matter has occasioned more grumbling than that reserve deposits are required to be carried with the Federal Reserve Bank without interest in view of the fact that so-called reserve deposits previously carried with member banks in reserve and central reserve cities usually bore 2 per cent interest. That this grumbling has not been warranted is shown by the fact that lawful money reserve carried in the vaults of national banks of this district on October 31, 1914, just prior to the establishment of the Federal Reserve system, averaged 12.5 per cent of deposit liabilities, while on September 12, 1916, member banks reserve in vault and deposits with the Federal Reserve Bank taken together averaged only 11.4 per cent of deposit liabilities. (Table 14.) In other words, with less noninterest bearing reserve the advantages were had of the fortification of each member bank by the Federal Reserve system and the freedom to lend at full interest rates considerable amounts previously loaned at 2 per cent to other banks in the form of so-called reserve deposits.

Increased profit has thus been made possible and in many instances banks availing of the new opportunities under the Federal Reserve Act have shown increased income in spite of abnormally low lending rates throughout the year.

#### BRANCHES.

In no other district do the distances make it so necessary to establish branches in order to give adequate service to all member banks. This matter is one which has been under frequent consideration, but action has been deferred in order to gain fuller knowledge of the requirements and possibilities of branches from experience in the



operation of the head office and until the bank's income would justify the important increase of expense which the establishment of branches would entail. While rediscounts for the entire district can be well cared for at the head office for an indefinite period, it is recognized that efficient clearing of checks will ultimately require offices of this bank at several points in the district.

#### RELATIONS WITH STATE BANKS.

No State banks or trust companies in this district have joined the Federal Reserve system. In California this is doubtless due in part to the State banking law, and in the other States in part to the fact that near-by branches have not yet been established. In the main, however, friendly relations exist between State banks and trust companies and this bank. It is believed that there is growing appreciation of the fact that even the smallest nonmember bank benefits importantly even though indirectly by the existence of the Federal Reserve system. The following letter is from a Utah State bank dated October 28, 1916:

FEDERAL RESERVE BANK,  
*San Francisco, Cal.*

GENTLEMEN: Sometime ago we had some correspondence with you in regards to paying our checks sent us by you for collection at par. You will recall we expressed a willingness to pay all checks at par with exception of those that should come through the Salt Lake Clearing House.

Since that time we have given the matter considerable thought and have also talked it over with our bankers in Salt Lake City. We have learned more about the real value of the system and are convinced that it is a good thing. We feel eventually that all nonmember banks are going to give the system their undivided support and consequently we wish to fall in line right now. So if you will send all collections direct to us we shall be pleased to issue our Salt Lake draft and remit to you at par.

We trust this meets with your approval and hope to do our share in making the system a success.

#### SAVINGS ACCOUNTS.

The California bank act provides in part (sec. 49): "It shall not be lawful \* \* \* to solicit or receive \* \* \* savings \* \* \* except in the case of \* \* \* banks \* \* \* subject to the provisions of this act. Any \* \* \* bank violating any provision of this section shall forfeit to this State one hundred dollars a day \* \* \* ;" and in section 144: "Whenever by the terms of this act a penalty or forfeiture is imposed, the same shall be recovered in an action brought at the request of the superintendent of banks by the attorney general \* \* \*."

The superintendent of banks holds that this makes it unlawful for national banks in California to accept or advertise for savings accounts, and has indicated that he will impose the penalty provided, which he will seek to have the attorney general bring proceedings to recover in the case of any national bank acting in contravention of the act quoted. Counsel of the Federal Reserve Board and counsel of the Federal Reserve Bank hold that the Federal Reserve Act, outranking in authority the State statute, gives all national banks absolute right to receive savings accounts and to advertise for them. A number of national banks in California are accordingly accepting savings accounts and advertising for them by window signs and otherwise. In each instance in which the superintendent of banks has challenged the exercise of these rights by a national bank, the Federal Reserve Bank has offered to appear by its own counsel and defend at its own expense any action brought. The attorney general, however, has brought no action in any instance.

#### EXCESS DEPOSITS FROM MEMBER BANKS.

Although the recent amendment to the Federal Reserve Act by ruling of the Federal Reserve Board gives to member banks authority to carry with the Federal Reserve Bank any part of their total required reserve, little disposition has been manifested to carry with the Federal Reserve Bank a larger proportion than that required. All habits are slow to change, habits in banking perhaps slowest of all, as many banks still operate without availing of the new opportunities offered through the Federal Reserve Act by which their profits could be increased. But beyond this is the fact that so long as clearing-house balances must be settled with cash from vault, the cash so carried must be considerable enough to meet these daily requirements. If, however, clearing-house balances were settled by transfers on the books of the Federal Reserve Bank, excess balances would naturally be carried with the Federal Reserve Bank to meet the fluctuating requirements, and the vault cash would diminish to an amount found convenient as till money.

#### OVERDRAFTS.

The maximum deficiency in reserve deposits in any month during the year has been an average of \$69,200 in the combined balances of 38 banks in the month of September. The imposition of the penalty tax upon deficiency in reserves, as required by law, has occasioned greater care in maintaining reserve deposits at the required point.

Weekly reports are furnished by member banks showing the daily totals of demand and time deposits and the reserve required to be carried with the Federal Reserve Bank, although banks having net

deposits of less than \$1,000,000, instead of giving daily figures, give only those of each Friday. These reports are compared with the books of this bank and form the basis for computing the penalties for deficiency of reserves.

This bank has had no occasion to cause special examinations of any of its member banks to be made during the year.

#### BANK FAILURES.

Since the establishment of the Federal Reserve system, November 16, 1914, there has been no failure of a national bank in this district. During the same period there have been seven failures of State banks, three in Arizona, one in Oregon, and three in Washington.

#### OVERDUE PAPER.

It has been the practice of this bank, for the most part, to send for collection, some days before maturity, paper rediscounted for member banks, to the member bank from which received, charging the same to the account of that bank on the day of maturity. This bank has had no instance of overdue paper and no loss whatever in rediscount transactions.

#### PUBLIC RELATIONS.

The public has unquestionably accepted the Federal Reserve system as an instrumentality of inestimable value to commerce and industry in all departments. Occasional critical articles in newspapers, usually growing out of lack of understanding of principles or misinformation as to facts, seem to find no responding approval among business men. But although there is general faith, there is often haziness of ideas about the Federal Reserve system. The truth of this could not be more clearly shown than by the following selected answers to questions put to those seeking licenses as teachers in one of the States of this district:

Question:

- a. What is the Federal Reserve Act of Wilson's administration?
- b. How many banks were formed and how governed?

Answers:

1. The Federal Reserve Act was making a park in Colorado--- very much like Yellowstone National Park.
2. To form national reserve banks to aid in bringing the war in Europe to a close.
3. The regional banks are to be controlled by corporations elected by the President.

4. The Federal Reserve Act is the tax he has levied or the stamps he has caused to be put on all goods bought or sold in the United States. There is also a tax on telegrams, telephone long-distance calls, etc. This is to raise a fund to improve the Army and Navy and help pay the national debt.
5. The Federal Reserve Act is taking care of the old soldiers and having them practice war.
6. There is a Federal Reserve Bank in each city of over 10,000, controlled by the officers.
7. The Federal Reserve Act is one storing money of the country and anyone who is without money or "broke" can go to these banks and get what money they need.
8. The Federal Reserve Act was to lay aside a certain amount of the United States money and this is to be used only in times when the country is in need of it and demands its usage. This money is to be used only when all other money of the United States is at an end.

Organized and systematic public relations work would be invaluable, both in informing the public so that through knowledge they would have intelligent reliance in sound member banks fortified by a Federal Reserve Bank, and also in developing the understanding of member banks with resulting greater cooperation and consequent profit to themselves and benefit to general business. With better understanding of the purposes and possibilities of the Federal Reserve system, nonmember banks would become member banks, correspondingly strengthening the Federal Reserve system and increasing the stability of business.

The objective results of the Federal Reserve system so depend upon knowledge both of bankers and of the public that it seems important that this phase of a Federal Reserve Bank's endeavors should not be sporadic, but in conformity with a definitely organized plan. Progress in development seems likely to be in direct proportion to the character and quality of such effort.

#### FEDERAL RESERVE BANK AND THE GOVERNMENT.

The amount of the Government deposit balance with this bank at the beginning of each month during the year is shown in Table 10.

During the year gold transfers through the subtreasury, to other subtreasury cities, chiefly New York, and to the Treasury at Washington, have been made to the extent of \$26,480,000. Transfers to the extent of \$3,100,000 have been made in the reverse direction. In like manner transfers have been made to the gold settlement fund in Washington to the extent of \$82,781,000, and transfers have been received from the gold settlement fund to the amount of \$119,960,000 (Table 11).

Mr. Claud Gatch, the chief national bank examiner of the district, both from personal inclination and in accordance with instructions from the Comptroller of the Currency, cooperates fully and cordially with this bank. When examiners are called here for a periodical conference, he makes opportunities for the officials of this bank to meet them and benefit by personal discussions.

Transcripts of considerable parts of the reports of all National Bank examinations are furnished to the Federal Reserve Agent, and fuller details given upon special request.

Upon request of this bank, there has been printed a stock of its Federal Reserve notes, of which \$44,440,000 are immediately available, \$15,980,000 being stored at the San Francisco subtreasury and the remainder in Washington.

#### FEDERAL RESERVE BANK AND NOTE ISSUES.

It has been the constant policy of this bank to use Federal Reserve notes for money payments whenever possible, with the purpose of retaining gold as reserve and having cash settlements effected with credit instruments, thus adding proportionately to the strength of the Federal Reserve Bank, since each dollar in gold in its possession becomes a potential two dollars and a half by its constituting the required reserve against that amount of credit whether extended in the form of Federal Reserve notes or of a credit upon the books of the bank. Against the pledge of commercial paper, a net total of \$8,331,090 of Federal Reserve notes has been issued during the year by the Federal Reserve Agent to the Federal Reserve Bank.

The bank has reduced this liability by depositing with the Federal Reserve Agent, as provided by law, an equal amount of gold, the commercial paper pledged being thereupon surrendered to the bank. It results therefore that all the Federal Reserve notes of this bank at present outstanding are covered by 100 per cent gold. The amount of each denomination issued is shown in Table 12.

Of a total of \$20,891,000 Federal Reserve notes paid out by this bank since November 16, 1914, \$1,938,910 have been redeemed and destroyed. The interdistrict movement of the Federal Reserve notes of this bank shows that the points to which the largest volume leaving this district finds its way are in the order named: New York, Chicago, and Minneapolis. It also appears that about four times as many move out from this district as move from other districts into this.

All national-bank notes find their way to the United States Treasurer at Washington for redemption, none being presented to the issuing banks. It is in contrast with this that only about one-third of the Federal Reserve notes of this bank are presented at the Treas-

ury in Washington, while two-thirds are presented direct at the counter of this bank either by member banks for deposit or by other Federal Reserve Banks for payment. With such facility of redemption, redundancy appears impossible.

This bank has issued no Federal Reserve Bank notes, which correspond exactly to national-bank notes secured by United States bonds except that they are the issue of Federal Reserve Banks instead of national banks. Four million dollars of such notes, however, have been printed for this bank and are available for immediate issue. If this bank should have occasion to realize on the United States bonds which it owns and which are held in Washington for safe-keeping for its account, it could deposit them with the Comptroller of the Currency and receive at once the par value in Federal Reserve Bank notes.

The process of issuing Federal Reserve notes is now very cumbersome, the Federal Reserve Bank making application to the Federal Reserve Agent and pledging a part of its commercial or bank paper as collateral. These notes when issued become a first lien on all the assets of the issuing Federal Reserve Bank, which is under obligation to provide money to redeem them. The Federal Reserve Bank, of course, parts with the notes only for an equal value in gold or high-grade, well-indorsed commercial paper, payments of which continually provide it with money for redemption. There seems to be an inconsistency in the provisions for issue. The Federal Reserve Agent is now custodian of large amounts of unissued Federal Reserve notes, or of commercial paper pledged by the Federal Reserve Bank, or of gold paid to him by the Federal Reserve Bank to offset its liability on Federal Reserve notes.

Particularly, in considering the possibility of efficient service through branches, does it seem important to make a change in the method of note issues. The Federal Reserve Act makes no provision for the issue of notes at branches, and apparently the only way to have a supply of them at branches would be for the parent bank to invest a part of its means in such notes.

#### INTERNAL MANAGEMENT OF THE BANK.

With the exception of Mr. Alden Anderson, class A director, who lives in Sacramento, three hours distant, all directors live in San Francisco, and their great regularity of attendance at meetings, held on the first and third Tuesdays of each month, assures invariably larger meetings than a mere quorum of five. Matters both of general policy and to a considerable extent of detail are considered by the entire board. The members of the executive committee of five individually investigate and sign the executive committee report of investments submitted at each directors' meeting, but because of the

close touch of the whole board of directors with the bank's affairs formal meetings of the executive committee are rarely called.

Upon the expiration of the term of Mr. Charles A. Peabody, of Seattle, who found it impracticable to continue to serve because of the great distance, the Federal Reserve Board, in January, 1916, appointed as class C director Mr. Walton N. Moore, president of the Walton N. Moore Dry Goods Co. (Inc.), of San Francisco, and designated him vice chairman and deputy Federal Reserve Agent, to serve without salary, but with a per diem allowance for time given to the bank. This superseded the previous designation of Mr. Claud Gatch, chief national bank examiner, in accordance with a declaration of policy by the Federal Reserve Board that bank examiners would be ineligible to serve as class C directors and deputy Federal Reserve Agents. Mr. Gatch was continued as director to the end of his term, at the close of the year 1916.

The appointment as class C directors of men of large affairs, such as Mr. Moore, gives important dignity and influence to the Federal Reserve Board's representatives on the Board of Directors of the Federal Reserve Bank, but in such designations for vice chairman and deputy Federal Reserve Agent, without salary, it seems a reasonable view that but little active service could be expected beyond presiding at board meetings.

The department of the Federal Reserve Agent is provided with no subordinate officer for current service.

It has been a cause of much pride and satisfaction to those associated in the bank with Gov. Kains that the President of the United States honored him with an appointment as a member of the International High Commission which during the past year visited a number of South American and Central American countries with a view to opening up new opportunities for our foreign trade.

During the year there have been the following changes in the staff: Upon the resignation at the close of the year 1915 of Mr. Russell Lowry, deputy governor, to become president of the First National Bank of Oakland, Cal., Mr. John U. Calkins was promoted to be acting deputy governor, and on August 1 was elected deputy governor.

Mr. Clifford J. Shepherd, acting both as assistant to Federal Reserve Agent and as assistant cashier, relinquished the former position in compliance with a ruling of the Federal Reserve Board against division of services between the two departments. He continues as assistant cashier.

The clerical staff has been increased from 15 on January 1, 1916, to 56 on December 31, 1916.

The deputy governor carries on the correspondence in connection with rediscounts and in connection with many general matters,

and takes full charge of the governor's office during the latter's absence.

The cashier carries on the correspondence growing out of check collections and all matters pertaining to accounting, etc., the assistant cashier dividing this work with him and serving as acting cashier during the cashier's absence.

The official staff of the operating department is exceptionally well organized and efficient.

#### BANK PREMISES.

The present office of the bank, rented at \$9,600 per year, is becoming increasingly inadequate in consequence of the rapid expansion of the clerical force incident to the growing volume of check collections. Its vault facilities are unsatisfactory, in that access is had through the office of another bank, with which the vault is occupied in common. There have been rumors from time to time that this bank has arranged or is arranging to erect a building of its own. Such rumors have been without foundation, as neither the acquirement of a building site nor the erection of a building have been under consideration.

#### EXAMINATION BY FEDERAL RESERVE BANK EXAMINER.

Periodical examinations of a most thorough character have been made of this bank by the division of audit and examination of the Federal Reserve Board.

The copy left with this bank of the report of the examination as of the close of business August 12, 1916, contains the following: "The bank is economically administered and a high standard of internal management is maintained. A good credit department is maintained and the auditing system is very complete."

#### THE CLEARING PROBLEM.

##### CLEARING TO JULY 15, 1916.

General clearing of reserve balances was undertaken at the opening of this bank on November 16, 1914, at which time the bank offered to receive from its members, for immediate credit as reserve, their drafts on member banks located in reserve cities of this district. This privilege was availed of by numerous member banks, many of which left with this bank until collected the funds represented by such deposits. Immediate credit for reserve and checking purposes had been granted by this bank, however, and a number of the depositing banks immediately withdrew funds so deposited, leaving Federal Reserve Bank to carry the float until the drafts could be collected. Debit to the drawee member banks' accounts upon date



of receipt by this bank merely reduced total deposits and in no way relieved Federal Reserve Bank of carrying the float. On February 17, 1915, therefore, member banks desiring funds transferred to their credit from other member banks were requested to issue and forward their drafts direct to the drawee member banks for credit of and advice to the Federal Reserve Bank. The element of outstanding time was thus reduced to a minimum and the general clearing of reserve balances placed upon a sound economic basis.

Clearing of checks was commenced on a limited scale on August 1, 1915. The privilege of depositing out-of-town checks with the Federal Reserve Bank for collection was extended at that time only to those member banks which would agree to cover without exchange deduction all checks upon themselves received from or for account of their Federal Reserve Bank. The drawee member banks' accounts were not debited for items sent until ample time had elapsed for covering remittance to be received; the depositing banks' accounts were not credited until the items were actually collected. Banks joining the collection system were authorized to print upon their checks the words "collectible at par through Federal Reserve Bank of San Francisco." About one-third of the member banks in this district joined the collection system on this basis. Banks in the principal collection centers which had previously been charging exchange did not cooperate. Banks joining the collection system and which had previously been charging exchange gained no direct advantage through discrimination of the depositing public in favor of their checks, because the large number of points not collectible through the Federal Reserve Bank and the small degree to which the system was used by the member banks rendered ineffectual that which should have been an advantage to them of having their checks circulate at par. The limited number of items which could be collected through the Federal Reserve Bank made the service offered to joining banks of so little value as not to offset their loss of exchange charges, and the tendency was toward a decrease in the number of joining banks. It was conclusively demonstrated that the system must cover the field more thoroughly if the clearing of checks through the Federal Reserve Bank were to be effective.

#### CLEARING AFTER JULY 15, 1916.

A general clearing of checks was undertaken under date of July 15, 1916, under instructions from the Federal Reserve Board based upon the authorization to require Federal Reserve Banks to act as clearing houses for their member banks, the Board having issued a circular dated May 1, 1916, requiring all member banks to cover without exchange deduction items which they might receive from or for the account of their Federal Reserve Bank. This bank under-

took to receive checks on every bank in this district and all checks which could be collected through other Federal Reserve Banks, believing that the member banks were entitled to a clearing system as complete as possible in return for the requirement that they cover checks upon themselves without exchange deduction. As State banks were enabled to collect checks on member banks without exchange deduction through the medium of other member banks, it was felt that member banks should in turn be enabled to collect all of their State bank checks through the Federal Reserve Bank.

The collection facilities offered have been availed of by member banks to a constantly increasing extent, the average daily number of out-of-town items received from member banks of this district having increased steadily from 641 in July to 1,107 in August, 1,332 in September, 1,479 in October, 1,682 in November, and 1,705 in December. For the same months, respectively, the average daily number of out-of-town items received from all sources was 1,186, 2,166, 3,886, 4,583, 4,784, and 4,946. Items from member banks of this district have been received chiefly from reserve city banks. A large number bear the indorsement of interior banks. It is unlikely that many items will be received direct from interior banks until their balances with reserve city banks cease to count as reserve, such balances now being accepted by the reserve city banks in lieu of direct payment for the various costs which the latter are called upon to absorb in the collection of these checks.

Under the clearing system now in operation, all collectible items may be deposited direct with the Federal Reserve Bank of San Francisco; also items on member banks may be deposited direct with the drawee member banks for credit of the Federal Reserve Bank, and items on other districts, by special arrangement, may be forwarded direct to the other Federal Reserve Banks for credit of Federal Reserve Bank of San Francisco or to the drawee member banks for credit through their Federal Reserve Banks. Provision is thus made for a minimum lapse of time in the collection of checks. Member banks are permitted to debit the Federal Reserve Bank's account on their own books on the date items are mailed to this bank or to other banks for this bank's credit; until collected, the funds are not available for checking purposes nor as part of their required reserves, but may be counted as optional reserves on date of mailing. Banks near by are forwarding items for collection direct to the Federal Reserve Bank; those at a distance are forwarding them direct to member banks for credit of the Federal Reserve Bank. Service charges, to cover actual cost of handling, are made for items handled direct by the Federal Reserve Bank.

## ATTITUDE OF NONMEMBER BANKS.

Fully one-half of the nonmember banks were willing at the outset to cooperate in a plan for par clearing of checks. The attitude of the other half ranged from moderate indifference to pronounced opposition. With the conviction that no plan for collection of checks by a Federal Reserve Bank could be of important service unless open for all checks, the plan was adopted of accepting all checks on both member and nonmember banks of this district, so that all would be on the same footing. Of course there has been no restriction as to the charges of a member or nonmember bank for cashing checks drawn on other banks. While a drawee bank can make no direct profit in remitting the face value of checks drawn upon itself, the Federal Reserve Bank has granted every latitude and extended every facility possible so that remitting banks would not suffer loss.

The net result has been that with 1,286 nonmember banks in this district, checks upon 1,102 are now being collected without deduction for exchange.

## SERVICE RENDERED TO THE BANKS BY THE GOLD SETTLEMENT FUND.

The gold settlement fund established by the Federal Reserve Board on May 1, 1915, has played an important part in the Federal Reserve Bank's check-clearing operations. Approximately 75 per cent of the checks cleared by this bank have been received from other Federal Reserve districts. The amounts so received are credited to the sending Federal Reserve Banks, and, at regular intervals, the proceeds transferred to them through the gold settlement fund. Checks on other districts forwarded by banks in this district to banks in central reserve cities for collection have always been available to count as reserve from date of mailing and this condition will continue until the final transfer of reserves. Therefore very few items on other districts have been received for collection, the total number from July 15 to December 31, 1916, having been only 9,006 against 321,630 items on this district received from other Federal Reserve districts. The amount of checks diverted from their previously accustomed channels and now being collected through the Federal Reserve Bank has resulted in the member banks of this district holding an excess of eastern funds which they have found convenient to clear through the Federal Reserve Bank. During the period from July 15 to December 31, 1916, this bank's deposits have increased \$13,394,000, and the bank has received from and for the credit of other Federal Reserve Banks items to the extent of \$69,166,000, making a total received of \$82,560,000. During the same period there have been purchased from member banks net transfers of funds from other districts in an amount almost exactly offsetting, viz, \$82,061,000.

Table 15 shows in detail the relation between the net amount of cash letters received from other Federal Reserve districts and net transfers from other districts purchased by this bank. The fluctuations beyond these amounts represent withdrawals or deposits of gold through the local United States Subtreasury, together with variations in the balances due this bank from the gold settlement fund. It is also interesting to note that the amount of cash letters sent by member banks of this district direct to banks in other districts for this bank's account almost equals the amount forwarded by this bank itself.

GENERAL BUSINESS CONDITIONS OF THE TWELFTH FEDERAL RESERVE DISTRICT.

The year 1916 has been one of general prosperity throughout this district. Agricultural products have been in good volume, and high prices have been realized. The barley crop which in 1915 had a total estimated value of \$37,000,000, has been about 90 per cent of an average crop in 1916, but heavy eastern and export demand has caused prices to rule at 60 to 70 cents per cental above the average. The price has been so high that oats have been shipped in to substitute as feed.

The yield of wheat has been about normal. The estimated value of the 1915 crop was \$90,000,000.

In California, 248,000 acres were planted to beans, producing a crop of 2,000,000 (80-pound) bags, having a value of \$7,000,000 at this year's unusually high prices.

The cotton crop of the Imperial Valley in southeastern California also realized about \$7,000,000. The first cotton grown in California was in 1909, 324 acres yielding 183 bales. In 1915, 40,000 acres were planted and 98,000 acres in 1916. Because of the superior quality, unusually high prices are realized, and the yield averages 426 pounds per acre as against an average of 186 pounds for the entire United States. It has been difficult to secure labor for picking, although \$1 per hundred pounds has been paid this year.

Sugar beets with an increase of 25 per cent in acreage have averaged \$6 per ton in 1916 as against \$5.40 in 1915. There are 32 sugar factories in this district.

An embargo against the export of hops has caused low prices, ruling from 9 to 12 cents. The yield in California, Oregon, and Washington is reported as 254,000 bales. The average domestic consumption is about 200,000 bales. About 90,000 bales of the 1916 crop have not yet been sold.

The crop of prunes in California, estimated at 135,000,000 pounds, has been about 20 per cent less than in 1915, while that of the Northwest, estimated at 40,000,000 pounds, has been about 33½ per cent greater. Prices have been unusually high, averaging 5¼-5½ cents per

pound, and in spite of a smaller crop, probably \$1,000,000 more has been realized than in 1915.

For the year ending August 31, 1916, 44,473 carloads of citrus fruit were shipped (37,230 of oranges and grapefruit and 7,243 of lemons), an increase of 6,700 cars over the preceding year. The value to growers has been \$41,000,000 as against \$20,000,000 in 1915. For the current citrus crop year, September 1, 1916, to August 31, 1917, the first shipment of navel oranges was made from Fair Oaks, near Sacramento, Cal., to New Zealand on October 14. Citrus fruit ripens from four to six weeks earlier in northern than in southern California, because of higher night temperatures. At the close of the year the larger part of the navel orange crop of northern and central California had already been shipped, and shipments heavier than a year ago had been made from southern California, totaling in value materially more than the preceding year. Prices realized for the crop now moving have been much higher than for the last crop. In California 205,000 acres are in citrus fruits, of which 130,000 acres are in bearing. The Florida shipments are about one-third those of California.

The shipments of grapes and deciduous fruits in 1916 have been exceedingly heavy and have yielded growers unprecedented returns—18,000 carloads of cherries, apricots, peaches, plums, pears, grapes, etc., have been shipped in 1916, compared with 16,778 in 1915, and the net returns have aggregated about \$18,000,000 (\$1,000 per carload).

Fruit canners have had a very prosperous year, and stocks in first hands are now the smallest in many years.

This district produced 6,265,000 barrels of apples in 1916 (one-half in Washington), compared with 5,834,000 in 1915. The quality is much better than usual. Only shortage of cars has prevented growers from realizing extraordinary returns.

Live-stock interests have had very large returns because of unusual prices. The wool clip has been marketed at prices ranging from 26 to 32 cents per pound, with 40 cents offered for the coming year. Lambs have sold in the Chicago market at \$8 each with a freight rate of 90 cents.

The salmon catch of 1916 is reported as 7,121,000 cases (of 48 one-pound cans) which is above the average but less than in 1915 and 1913. The Alaska catch, 4,800,000 cases, is 300,000 cases above the previous highest record. The value of the 1915 pack was \$37,331,000. While the estimated value for 1916 has not been obtained, it is materially greater, as prices have ruled exceptionally high and stocks have been almost sold out, especially of the better grades.

Petroleum production of California in 1916 has been 93,000,000 barrels valued at \$49,000,000. This is an increase of 2,000,000 barrels, over 1915 but 10,000,000 barrels less than consumption. These conditions have resulted in continued advances in price.

The output of mines in this district, valued at more than \$300,000,000 in 1915, has had far greater value in 1916. The figures for values of 1916 production of metals are not yet available, but the proportion of increase over those of 1915 is suggested by the Government estimate of \$190,000,000 for the 1916 output of copper in Arizona, compared with \$80,000,000 for 1915. The price of copper is the highest since the Civil War, averaging about 30½ cents in December. High wages are paid to miners, \$13.50 per day being reported for Arizona. California ranks first in production of gold, Nevada first in silver and third in gold and in copper, Arizona first in copper, Utah second in copper and third in silver.

Shipbuilding on the Pacific coast has developed with great strides, 30 per cent of the total construction in the United States now being carried forward at Pacific coast ports. In shipyards of San Francisco, Portland, and Seattle 74 vessels are now under way, averaging 5,858 tons each, compared with 356 vessels averaging 3,050 tons each elsewhere in the United States.

The Union Iron Works of San Francisco, which is now building the largest ships, has under construction 28 vessels of an aggregate tonnage of 175,028.

It is reported that the Japanese merchant marine has increased 50 per cent in the last six years, and that 500,000 gross tons of bottoms have been started on Japanese stocks since January 31, 1916.

Charter rates reached their highest point during January and February, 1916, about double those of a year before, and have fluctuated but little since.

Exports from San Francisco in 1916 show a gain of 40 per cent over 1915, and those from Seattle about 175 per cent. There have been important shipments through Seattle to Russia.

Lumbering in the Pacific Northwest has shown improvement during the year. On December 26 it was reported that there were in hand unshipped orders aggregating 12,356 cars. The advances in price, which have been considerable, have been largely offset by increases in the cost of labor and of supplies, so that it is doubtful if the producers' margin has increased. There has been a great lack of bottoms for off-shore shipment, so that it is the more surprising that the demand for shipment by rail to the interior has so fully absorbed the cut, especially in view of the acute shortage of cars. It is expected that transportation facilities will soon be better, partly from putting into commission wooden vessels now building for this trade and partly, by early spring, from a more adequate supply of cars. The outlook for the coming year is regarded as distinctly more favorable.

Commerce with Alaska is steadily increasing, the large salmon catch and large output of copper (amounting this year to \$25,000,000)

being important factors. Indications point to a total trade with Alaska during 1916 in excess of \$100,000,000.

Bank clearings, building permits, and post-office receipts all show important increases during the year.

The extent of the expansion in the volume of general business in this district since the outbreak of the European war is well indicated by a comparison of the amount of loans and investments and the amount of deposits of national banks on June 30, 1914, just before the declarations of war, with those on corresponding dates in 1915 and 1916 and on November 17, 1916, as shown in Table 16.

On June 30, 1914, loans and investments were slightly more than the total of deposits viz: 100.5 per cent. From that date to November 17, 1916, deposits increased 48.6 per cent, while loans and investments increased only 21.9 per cent, then equaling 82.5 per cent of deposits.

A condition reflected by an increase in deposits of national banks in 2½ years from \$576,000,000 to \$857,000,000 could be only one of general prosperity. A concurrent increase in loans and investments relatively so moderate as that from \$579,000,000 to \$706,000,000 would seem to give warrant for the belief that, if a period of general contraction shall follow the return of peace, this district, in which the expansion has been moderate, will experience only moderate contraction, developing in the orderly deliberate fashion in which the expansion has developed.

TABLE 1.—Comparative yearly statement.

|  | December 30,<br>1916. | December 31,<br>1915. |
|--|-----------------------|-----------------------|
| <b>ASSETS.</b>   |                       |                       |
| Bills discounted—members.....                                  | \$250,968.05          | \$467,162.67          |
| Bills discounted—bought.....                                   | 12,462,265.95         | 683,839.77            |
| United States bonds and notes.....                             | 3,133,750.00          | 1,000,475.00          |
| Investments.....   | 737,376.13            | 344,978.13            |
| <b>Total.....</b>  | <b>16,584,360.13</b>  | <b>2,496,455.57</b>   |
| Interest accrued on United States bonds.....                   | 16,918.75             | 5,050.00              |
| Accrued service charges—transit items.....                     | 126.96                |                       |
| Difference account.....  | 7.00                  |                       |
| Furniture and equipment.....                                   |                       | 6,422.59              |
| Cost, unissued Federal reserve notes.....                      |                       | 34,914.91             |
| Cost of Federal Reserve bank notes.....                        |                       | 300.00                |
| Expense—organization.....                                      |                       | 52,358.44             |
| Due from other Federal Reserve Banks (collected funds).....    | 2,691,903.93          | 1,894,866.87          |
| Transfer drafts purchased.....                                 | 2,550,000.00          | 2,040,000.00          |
| Exchanges for clearing house.....                              | 491,698.67            | 187,568.09            |
| Transit items.....   | 2,905,740.60          | 15,640.04             |
| National bank notes and Federal Reserve notes—other banks..... | 378,804.00            | 10,500.00             |
| Federal Reserve notes on hand.....                             | 1,682,975.00          | 1,237,980.00          |
| Nickels and cents.....   | 23.15                 | 3.52                  |
| Mutilated currency forwarded for redemption.....               | 70,000.00             |                       |
| Gold coin and gold certificates.....                           | 10,535,160.00         | 4,050,960.00          |
| Other lawful money.....  | 78,677.95             | 4,777.50              |
| Gold settlement fund.....                                      | 10,489,000.00         | 9,880,000.00          |
| 5 per cent redemption fund.....                                | 10,000.00             |                       |
| <b>Total cash reserve.....</b>                                 | <b>21,112,837.95</b>  | <b>13,935,737.50</b>  |
| <b>Total assets.....</b>                                       | <b>48,485,396.14</b>  | <b>21,917,797.53</b>  |

TABLE 1.—Comparative yearly statement—Continued.

|   | December 30,<br>1916. | December 31,<br>1915. |
|---|-----------------------|-----------------------|
| LIABILITIES.                                      |                       |                       |
| Capital paid in.....                              | \$3,929,300.00        | \$3,941,800.00        |
| Profit and loss.....                              | 15,416.87             |                       |
| Unearned discount.....                            | 33,188.52             | 4,740.44              |
| Unearned interest—investments.....                | 2,306.76              | 1,628.13              |
| Due to member banks.....                          | 37,852,375.89         | 17,509,724.63         |
| Due to Federal Reserve Banks.....                 | 947,794.18            | 10,541.09             |
| United States Government deposit.....             | 3,643,138.44          | 427,321.10            |
| Deferred credits—other Federal Reserve Banks..... | 2,022,717.31          | 15,346.84             |
| Cashiers' checks outstanding.....                 | 189.30                |                       |
| Expense checks.....                               | 7,573.62              | 6,485.30              |
| Dividend checks.....                              | 31,395.25             |                       |
| Withheld for Federal income tax.....              |                       | 210.00                |
| Total liabilities.....                            | 48,485,396.14         | 21,917,797.53         |

TABLE 2.—Earnings, expenses, and dividends.

|   |              |                          |
|---|--------------|--------------------------|
| Balance, profit and loss, Jan. 1, 1916.....   |              | <sup>1</sup> \$11,458.60 |
| Gross earnings, year 1916.....  |              | 316,450.10               |
| Current expenses.....   | \$142,337.64 |                          |
| Organization expense.....   | 45,085.09    |                          |
| Cost of engraving, printing, and shipping Federal Reserve notes.....                            | 56,804.69    |                          |
| Furniture and equipment.....  | 12,589.59    |                          |
| Cost of engraving plates for Federal Reserve bank notes.....                                    | 480.00       |                          |
|   |              | 257,297.01               |
| Net earnings for the year 1916.....   |              | 59,153.09                |
| Oct. 1, 1916, dividend No. 1, at 6 per cent per annum from Nov. 16, 1914, to Dec. 31, 1914..... | 12,340.97    |                          |
| Dec. 31, 1916, dividend No. 2, at 6 per cent per annum from Jan. 1, 1915, to Mar. 31, 1915..... | 31,395.25    |                          |
|   |              | 43,736.22                |
| Balance, profit and loss, Dec. 31, 1916.....  |              | 15,416.87                |

TABLE 3.—Earnings of the Federal Reserve Bank of San Francisco for the year 1916.

|                                      |  |             |
|--------------------------------------|--|-------------|
| Earnings from:                       |  |             |
| Bills discounted—member banks.....   |  | \$20,682.97 |
| Bills bought in the open market..... |  | 133,331.07  |
| United States bonds.....             |  | 67,529.54   |
| Municipal warrants.....              |  | 49,772.61   |
| Premium on bonds.....                |  | 14,487.50   |
| Transfer charges interdistrict.....  |  | 18,200.00   |
| Service charges collected.....       |  | 7,660.26    |
| Sundry profits.....                  |  | 4,786.15    |
| Total earnings.....                  |  | 316,450.10  |

<sup>1</sup> Deficit; charged to organization expense.



TABLE 3a.—*Expenditures of the Federal Reserve Bank of San Francisco, Jan. 1, 1916—Dec. 31, 1916.*

## I. CURRENT EXPENSES.

|  |             |             |
|--|-------------|-------------|
| Federal Reserve Board assessment for general expenses..... |             | \$13,785.82 |
| Federal advisory council (fees and expenses).....          |             | 150.00      |
| Legal fees.....  |             | 2,420.67    |
| Directors' fees.....                                       |             | 1,850.00    |
| Salaries:  |             |             |
| Bank officers.....   | \$41,208.35 |             |
| Clerical staff.....  | 33,553.05   |             |
| Special officers and watchmen.....                         | 123.00      |             |
| Total.....   |             | 74,884.40   |
| Traveling expenses, officers and clerks:                   |             |             |
| Federal Reserve Agents' conferences.....                   | 1,043.92    |             |
| Governors' conferences.....                                | 2,965.79    |             |
| Within twelfth district.....                               | 1,164.37    |             |
| Total.....   |             | 5,174.08    |
| Per diem allowance of directors.....                       |             | 400.00      |
| Telephone.....   |             | 465.98      |
| Telegraph.....   |             | 507.05      |
| Postage.....   |             | 4,786.48    |
| Expressage.....  |             | 7,595.36    |
| Rent.....  |             | 11,731.50   |
| Insurance and premiums on fidelity bonds.....              |             | 1,226.54    |
| Light, heat, and power.....                                |             | 432.27      |
| Printing and stationery.....                               |             | 8,472.17    |
| Repairs and alterations.....                               |             | 5,132.99    |
| All other expenses, not elsewhere specified.....           |             | 3,322.33    |
| Total current expenses.....                                |             | 142,337.64  |

## 2. ORGANIZATION EXPENSES.

|   |            |           |
|---|------------|-----------|
| San Francisco clearing-house membership.....  | \$1,000.00 |           |
| Alterations to banking quarters.....  | 1,568.05   |           |
| Traveling expenses, October conference, 1914, nine directors<br>and governor.....                       | 4,607.00   |           |
| Express on coin and currency in connection with initial pay-<br>ments of capital stock and reserve..... | 6,682.09   |           |
| Assessments of Federal Reserve Board.....   | 13,817.08  |           |
| Stationery (ordered by Federal Reserve Board).....  | 5,952.27   |           |
| Total (carried from current expenses, account expenses<br>prior to Nov. 16, 1914).....                  | 33,626.49  |           |
| Deficit in earnings for year 1915.....  | 11,458.60  |           |
| Total.....  |            | 45,085.09 |

## 3. COST OF FEDERAL RESERVE NOTES.

|   |             |           |
|---|-------------|-----------|
| Cost of manufacturing Federal Reserve notes amounting to<br>\$62,160,000..... | \$45,954.48 |           |
| Transportation, etc., on new notes.....                                       | 9,869.50    |           |
| Sundry costs.....   | 980.71      |           |
| Total.....  |             | 56,804.69 |

4. COST OF FEDERAL RESERVE BANK NOTES.

Cost of engraving plates for Federal Reserve bank notes..... \$480.00

5. EQUIPMENT.

|                                 |            |
|---------------------------------|------------|
| Furniture and fixtures.....     | \$1,054.09 |
| Vaults.....                     | .....      |
| Safes.....                      | 600.00     |
| Machines, typewriters, etc..... | 10,935.50  |
| Total.....                      | 12,589.59  |
| Total expenditures.....         | 257,297.01 |

TABLE 4.—Fluctuations in the discount rates of the Federal Reserve Bank of San Francisco.

| Effective.          | Maturities of 10 days and less. | Maturities of over 10 to 30 days, inclusive. | Maturities of over 30 to 60 days, inclusive. | Maturities of over 60 to 90 days, inclusive. | Agricultural and live-stock paper over 90 days. | Trade acceptances.     |                        |                                | Commodity paper maturing within 90 days. | Member banks, collateral loans. |
|---------------------|---------------------------------|--|--|--|---|------------------------|------------------------|--------------------------------|--|---------------------------------|
|                     |                                 |  |  |  |   | To 30 days, inclusive. | To 60 days, inclusive. | Over 60 to 90 days, inclusive. |  |                                 |
| Jan. 1, 1916.....   | 3                               | 3½   | 4  | 4½   | 6   | 3                      | 3                      | 3½                             | (1)                                      | .....                           |
| Feb. 24, 1916.....  | 3                               | 3½   | 4  | 4½   | 5½  | 3                      | 3                      | 3½                             | (1)                                      | .....                           |
| Sept. 28, 1916..... | 3                               | 3½   | 4  | 4½   | 5½  | 3                      | 3                      | 3½                             | (1)                                      | 4                               |

1 Rate for commodity paper maturing within 30 days, 3½ per cent; over 30 to 60 days, 4 per cent; over 60 to 90 days, 4½ per cent; over 90 days, 5 per cent.

NOTE.—Rate for bankers' acceptances, 2 to 4 per cent.

TABLE 5.—Volume and classification of rediscounts, Jan. 1, 1916, to Dec. 31, 1916.

| Classifications.                                  | Arizona. |         | California. |           | Idaho.  |          | Nevada. |         |
|---|----------|---------|-------------|-----------|---------|----------|---------|---------|
|   | Pieces.  | Amount. | Pieces.     | Amount.   | Pieces. | Amount.  | Pieces. | Amount. |
| Agriculture.....                                  |          |         | 563         | \$663,776 | 87      | \$69,011 |         |         |
| Live stock.....                                   |          |         | 14          | 28,709    | 16      | 29,113   |         |         |
| Grain, flour, feed.....                           |          |         | 4           | 15,822    | 1       | 7,000    |         |         |
| Fruit packers and shippers.....                   |          |         | 32          | 126,124   |         |          |         |         |
| Meat and fish packers.....                        |          |         | 2           | 4,017     |         |          |         |         |
| Lumber.....                                       |          |         | 8           | 17,676    | 1       | 3,000    |         |         |
| Manufacturing.....                                |          |         | 19          | 57,194    |         |          |         |         |
| Wholesale merchandise.....                        |          |         | 2           | 5,000     |         |          |         |         |
| Retail merchandise.....                           |          |         | 98          | 203,493   | 10      | 15,384   |         |         |
| Miscellaneous.....                                |          |         | 40          | 141,410   | 1       | 412      |         |         |
| Total rediscounts, 1916.....                      |          |         | 782         | 1,263,221 | 116     | 123,920  |         |         |
| Total number of banks re-discounting to date..... | 2        |         | 106         |           | 20      |          | 1       |         |

| Classifications.                                  | Oregon. |          | Utah.   |         | Washington. |          | Totals by classifications. |           |
|---|---------|----------|---------|---------|-------------|----------|----------------------------|-----------|
|   | Pieces. | Amount.  | Pieces. | Amount. | Pieces.     | Amount.  | Pieces.                    | Amount.   |
| Agriculture.....                                  | 31      | \$41,357 | 1       | \$3,410 | 54          | \$75,094 | 736                        | \$852,648 |
| Live stock.....                                   | 33      | 79,772   | 2       | 2,573   |             |          | 65                         | 140,167   |
| Grain, flour, feed.....                           | 11      | 13,239   |         |         | 14          | 35,369   | 30                         | 71,430    |
| Fruit packers and shippers.....                   | 3       | 16,530   |         |         |             |          | 35                         | 142,634   |
| Meat and fish packers.....                        | 3       | 60,050   |         |         |             |          | 5                          | 64,067    |
| Lumber.....                                       | 13      | 63,416   |         |         |             |          | 22                         | 84,092    |
| Manufacturing.....                                | 2       | 7,952    |         |         | 7           | 35,000   | 28                         | 100,146   |
| Wholesale merchandise.....                        |         |          |         |         | 1           | 5,000    | 3                          | 10,000    |
| Retail merchandise.....                           | 32      | 86,255   |         |         | 14          | 39,311   | 154                        | 344,443   |
| Miscellaneous.....                                | 1       | 1,886    |         |         | 1           | 20,000   | 43                         | 163,708   |
| Total rediscounts, 1916.....                      | 129     | 370,457  | 3       | 5,983   | 91          | 209,774  | 1,121                      | 1,973,355 |
| Total number of banks re-discounting to date..... | 35      |          | 3       |         | 21          |          | 188                        |           |

TABLE 6.—Acceptances purchased during 1916.

|                                   | January.     | February.   | March.       | April.       | May.         | June.          |
|-----------------------------------|--------------|-------------|--------------|--------------|--------------|----------------|
| Acceptances in the foreign trade: |              |             |              |              |              |                |
| Member banks.....                 | \$122,738.75 | \$62,466.76 | \$137,798.78 | \$293,682.42 | \$331,020.60 | \$1,426,349.07 |
| Nonmember banks.....              | 200,208.44   | 370,262.53  | 328,182.79   | 756,110.43   | 1,225,955.51 | 666,610.43     |
| Commercial acceptors.....         |              | 124,789.50  | 100,313.67   | 138,205.80   | 430,230.99   | 1,897,687.00   |
| Total.....                        | 322,947.19   | 557,518.79  | 566,295.24   | 1,187,998.65 | 1,987,207.10 | 3,990,646.50   |

|                                   | July.          | August.      | September.   | October.       | November.    | December.      | Total.          |
|-----------------------------------|----------------|--------------|--------------|----------------|--------------|----------------|-----------------|
| Acceptances in the foreign trade: |                |              |              |                |              |                |                 |
| Member banks.....                 | \$1,552,111.47 | \$529,726.67 | \$739,090.54 | \$2,232,538.27 | \$861,309.63 | \$1,732,385.67 | \$10,021,218.63 |
| Nonmember banks.....              | 892,046.86     | 1,080,859.60 | 1,599,194.16 | 2,650,930.67   | 1,687,531.43 | 2,556,119.54   | 14,014,012.39   |
| Commercial acceptors.....         | 1,027,113.76   | 965,149.65   | 203,515.23   | 928,601.73     | 1,401,947.33 | 1,255,834.00   | 8,473,388.66    |
| Domestic acceptances.....         |                |              |              | 200,000.00     |              | 67,058.22      | 67,058.22       |
| Total.....                        | 3,471,272.09   | 2,575,735.92 | 2,541,799.93 | 6,012,070.67   | 3,950,788.39 | 5,611,397.43   | 32,775,677.90   |

TABLE 7.—United States bonds and notes purchased from member banks and in the open market and sold during 1916.

|  | Maturity. | Rate.          | Basis. | Par value.       | Carried at. | Total.           |
|--|-----------|----------------|--------|------------------|-------------|------------------|
| On hand Jan. 1, 1916.....                                      |           | <i>Per ct.</i> |        |                  |             | \$1,010,000      |
| PURCHASED.   |           |                |        |                  |             |                  |
| United States consols of 1930 purchased in open market.....    | 1930      | 2              | 2.005  | \$25,000         | \$25,000    | .....            |
| United States consols of 1930 purchased from member banks..... | 1930      | 2              | Par.   | 2,598,000        | 2,598,750   | .....            |
| Purchased during 1916.....                                     |           |                |        |                  |             | 2,623,750        |
| Total purchases to date.....                                   |           |                |        |                  |             | 3,633,750        |
| NOTE.—Of these, \$1,000,000 were exchanged for—                |           |                |        |                  |             |                  |
| 3 per cent 1-year gold notes....                               |           |                |        | \$500,000        |             |                  |
| 3 per cent 30-year gold bonds..                                |           |                |        | 500,000          |             |                  |
|  |           |                |        | <u>1,000,000</u> |             |                  |
| SOLD.  |           |                |        |                  |             |                  |
| United States 3 per cent 30-year conversion bonds.....         | 1946      | 3              | 101    |                  | 500,000     |                  |
| Sold during 1916.....  |           |                |        |                  |             | 500,000          |
| Total on hand Dec. 31, 1916.....                               |           |                |        |                  |             | <u>3,133,750</u> |
| As follows:  |           |                |        |                  |             |                  |
| United States 2 per cent consols, 1930.....                    |           |                |        |                  |             | 2,633,750        |
| United States 3 per cent 1-year gold notes.....                |           |                |        |                  |             | 500,000          |
|  |           |                |        |                  |             | <u>3,133,750</u> |

TABLE 8.—Municipal warrants purchased during the year 1916.

| Rates.                            | California. <sup>1</sup> | Connecticut. | Massachusetts. | Rhode Island. | Maine.      | New York.    |
|-----------------------------------|--------------------------|--------------|----------------|---------------|-------------|--------------|
| 2.1 to 2.125 per cent . . . . .   |                          | \$25,177.08  |                |               |             | \$412,610.90 |
| 2.126 to 2.25 per cent . . . . .  | \$7,175.00               | 25,253.39    |                |               |             | 524,541.78   |
| 2.251 to 2.375 per cent . . . . . |                          |              |                |               | \$75,000.00 | 391,536.87   |
| 2.376 to 2.5 per cent . . . . .   | 70,846.75                |              | \$178,253.89   |               |             | 1,090,478.74 |
| 2.501 to 2.625 per cent . . . . . |                          |              | 202,500.28     |               |             | 421,316.81   |
| 2.626 to 2.75 per cent . . . . .  |                          |              | 200,797.80     |               |             | 332,407.39   |
| 2.751 to 2.875 per cent . . . . . |                          |              | 125,372.20     |               |             | 40,677.44    |
| 2.876 to 3 per cent . . . . .     | 2,625.00                 |              | 100,000.00     |               |             | 125,742.23   |
| 3.001 to 3.125 per cent . . . . . |                          |              | 70,352.70      |               |             |              |
| 3.126 to 3.25 per cent . . . . .  |                          |              | 25,000.00      |               |             |              |
| 3.251 to 3.375 per cent . . . . . |                          |              | 85,000.00      | \$100,000.00  |             |              |
| 3.376 to 3.5 per cent . . . . .   |                          |              |                |               |             |              |
| 3.501 to 3.625 per cent . . . . . |                          |              |                |               |             | 26,525.77    |
| 3.876 to 4 per cent . . . . .     |                          |              |                |               |             |              |
| Total . . . . .                   | 80,646.75                | 50,431.47    | 987,276.87     | 100,000.00    | 75,000.00   | 3,365,837.93 |

| Rates.                            | New Jersey. | Virginia.    | Mississippi. | Utah.       | Total.       |
|-----------------------------------|-------------|--------------|--------------|-------------|--------------|
| 2.1 to 2.125 per cent . . . . .   | \$25,062.50 |              |              |             | \$462,850.48 |
| 2.126 to 2.25 per cent . . . . .  | 35,353.64   | \$250,000.00 |              |             | 842,323.81   |
| 2.251 to 2.375 per cent . . . . . | 328,984.17  |              |              |             | 795,521.04   |
| 2.376 to 2.5 per cent . . . . .   | 20,301.67   |              |              |             | 1,359,881.05 |
| 2.501 to 2.625 per cent . . . . . |             |              |              |             | 623,817.09   |
| 2.626 to 2.75 per cent . . . . .  |             |              |              |             | 533,205.19   |
| 2.751 to 2.875 per cent . . . . . |             |              |              |             | 166,049.64   |
| 2.876 to 3 per cent . . . . .     |             |              |              |             | 228,367.23   |
| 3.001 to 3.125 per cent . . . . . | 126,737.50  |              |              |             | 197,090.20   |
| 3.126 to 3.25 per cent . . . . .  |             |              |              |             | 25,000.00    |
| 3.251 to 3.375 per cent . . . . . | 62,026.68   |              |              |             | 247,026.68   |
| 3.376 to 3.5 per cent . . . . .   |             |              | \$194,294.76 |             | 194,294.76   |
| 3.501 to 3.625 per cent . . . . . | 204,000.00  |              |              |             | 230,525.77   |
| 3.876 to 4 per cent . . . . .     |             |              |              | \$56,668.20 | 56,668.20    |
| Total . . . . .                   | 802,466.16  | 250,000.00   | 194,294.76   | 56,668.20   | 5,962,621.14 |

<sup>1</sup> Bonds maturing within 6 months, having accumulated sinking funds.

TABLE 9.—Reserve at the beginning of each month, counting as gold Federal Reserve notes held by the bank.

| Date.            | Amount of reserve. | Date.             | Amount of reserve. |
|------------------|--------------------|-------------------|--------------------|
| 1916.            |                    | 1916.             |                    |
| Jan. 3 . . . . . | \$15,397,748.60    | Aug. 1 . . . . .  | \$15,571,998.90    |
| Feb. 1 . . . . . | 15,889,802.10      | Sept. 1 . . . . . | 13,458,719.25      |
| Mar. 1 . . . . . | 13,338,019.40      | Oct. 2 . . . . .  | 16,784,935.50      |
| Apr. 1 . . . . . | 14,633,895.40      | Nov. 1 . . . . .  | 15,739,094.30      |
| May 1 . . . . .  | 11,951,335.90      | Dec. 1 . . . . .  | 10,553,832.15      |
| June 1 . . . . . | 17,725,521.85      |                   |                    |
| July 1 . . . . . | 17,442,282.15      | Average . . . . . | 15,373,932.12      |

TABLE 10.—Deposit of the Treasurer of the United States at the beginning of each month during 1916.

| Date.            | Amount of deposit. | Date.             | Amount of deposit. |
|------------------|--------------------|-------------------|--------------------|
| 1916.            |                    | 1916.             |                    |
| Jan. 3 . . . . . | \$522,965.79       | Aug. 1 . . . . .  | \$3,121,955.45     |
| Feb. 1 . . . . . | 872,810.67         | Sept. 1 . . . . . | 4,027,060.55       |
| Mar. 1 . . . . . | 1,240,562.45       | Oct. 2 . . . . .  | 2,857,018.60       |
| Apr. 1 . . . . . | 1,432,859.63       | Nov. 1 . . . . .  | 2,762,431.00       |
| May 1 . . . . .  | 1,723,892.46       | Dec. 1 . . . . .  | 2,691,720.87       |
| June 1 . . . . . | 2,190,104.02       |                   |                    |
| July 1 . . . . . | 5,230,131.11       | Average . . . . . | 2,391,959.38       |

TABLE 11.—*Gold settlement fund—Tabulation of transfers for calendar year 1916.*

[000's omitted.]

| For account of—   | We debit<br>gold<br>settlement<br>fund. | We credit<br>gold<br>settlement<br>fund. | Net.                                    |  |
|---|---|--|---|--|
|   |   |  | We debit<br>gold<br>settlement<br>fund. | We credit<br>gold<br>settlement<br>fund. |
| Boston:   |   |  |   |  |
| Special transfers.....  |   |  |   |  |
| Settlements.....  | \$1,385                                 | \$6,258                                  |   | \$4,873                                  |
| New York:   |   |  |   |  |
| Special transfers.....  |   |  |   |  |
| Settlements.....  | 103,871                                 | 19,035                                   | \$84,836                                |  |
| Philadelphia.....   | 33                                      | 8,841                                    |   | 8,808                                    |
| Cleveland.....  | 221                                     | 4,119                                    |   | 3,898                                    |
| Richmond.....   | 30                                      | 1,029                                    |   | 999                                      |
| Atlanta:  |   |  |   |  |
| Special transfers.....  |   |  |   |  |
| Settlements.....  | 347                                     | 1,415                                    |   | 1,068                                    |
| Chicago.....  | 10,807                                  | 21,796                                   |   | 10,989                                   |
| St. Louis:  |   |  |   |  |
| Special transfers.....  |   |  |   |  |
| Settlements.....  | 564                                     | 6,718                                    |   | 6,154                                    |
| Minneapolis.....  | 1,084                                   | 1,528                                    |   | 444                                      |
| Kansas City.....  | 922                                     | 11,295                                   |   | 10,373                                   |
| Dallas:   |   |  |   |  |
| Special transfers.....  |   |  |   |  |
| Settlements.....  | 696                                     | 747                                      |   | 51                                       |
| Federal Reserve Agent.....  | 3,820                                   | 12,840                                   |   | 9,020                                    |
| Gold deposited through assistant treasurer of United States, San Francisco..... | 3,100                                   | 26,480                                   |   | 23,380                                   |
| Miscellaneous.....  |   | 4,170                                    |   | 4,170                                    |
| <b>Total.....</b>   | <b>126,880</b>                          | <b>128,271</b>                           | <b>84,836</b>                           | <b>84,227</b>                            |

TABLE 12.—*Federal Reserve notes issued and redeemed by Federal Reserve Agent during 1916.*

|                                 | Fives.      | Tens.       | Twenties.   | Fifties.    | Hundreds.   | Total.           |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|------------------|
| Outstanding Dec. 31, 1915.....  |             |             |             |             |             | \$6,450,000      |
| Issued during 1916.....         | \$3,280,000 | \$1,840,000 | \$3,520,000 | \$1,400,000 | \$2,800,000 | 12,840,000       |
| Returned by the bank.....       | 1,800,000   | 1,000,000   |             |             |             | 2,800,000        |
| Unfit notes redeemed.....       | 958,110     | 444,200     | 266,400     | 19,900      | 20,300      | 1,708,910        |
| <b>Total redeemed.....</b>      |             |             |             |             |             | <b>4,508,910</b> |
| <b>Net issued during 1916..</b> |             |             |             |             |             | <b>8,331,090</b> |
| Outstanding Dec. 31, 1916.....  |             |             |             |             |             | 14,781,090       |

TABLE 13.—Comparison of deposits and of loans and discounts of National Banks of the twelfth Federal Reserve district on Nov. 10, 1915, and Nov. 17, 1916.

## DEPOSITS.

|                                     | Nov. 17, 1916. | Nov. 10, 1915. | Increase.    | Per cent increase. |
|-------------------------------------|----------------|----------------|--------------|--------------------|
| <b>Banks in reserve cities:</b>     |                |                |              |                    |
| Los Angeles.....                    | \$89,705,000   | \$73,884,000   | \$15,821,000 | 21.4               |
| San Francisco.....                  | 248,689,000    | 196,227,000    | 52,462,000   | 26.7               |
| Portland.....                       | 55,521,000     | 42,273,000     | 13,248,000   | 31.3               |
| Salt Lake City.....                 | 28,612,000     | 20,451,000     | 8,161,000    | 39.9               |
| Seattle.....                        | 52,833,000     | 42,480,000     | 10,353,000   | 24.3               |
| Spokane.....                        | 28,613,000     | 20,446,000     | 8,167,000    | 39.9               |
| Tacoma.....                         | 9,216,000      | 7,491,000      | 1,725,000    | 23.0               |
| Total.....                          | 513,189,000    | 403,252,000    | 109,937,000  | 27.2               |
| <b>Banks not in reserve cities:</b> |                |                |              |                    |
| Alaska.....                         | 188,000        | 97,000         | 91,000       | 94.0               |
| Arizona.....                        | 7,585,000      | 5,775,000      | 1,810,000    | 31.4               |
| California.....                     | 522,800,000    | 416,468,000    | 106,332,000  | 25.5               |
| Idaho.....                          | 37,898,000     | 28,472,000     | 9,426,000    | 33.1               |
| Nevada.....                         | 10,595,000     | 7,616,000      | 2,979,000    | 39.1               |
| Oregon.....                         | 96,852,000     | 73,899,000     | 22,953,000   | 31.1               |
| Utah.....                           | 42,797,000     | 31,557,000     | 11,240,000   | 35.6               |
| Washington.....                     | 138,466,000    | 104,199,000    | 34,267,000   | 32.8               |
| Total.....                          | 857,181,000    | 668,083,000    | 189,098,000  | 28.3               |

## LOANS AND DISCOUNTS.

|                                     |              |              |              |      |
|-------------------------------------|--------------|--------------|--------------|------|
| <b>Banks in reserve cities:</b>     |              |              |              |      |
| Los Angeles.....                    | \$58,666,000 | \$48,402,000 | \$10,264,000 | 21.2 |
| San Francisco.....                  | 156,557,000  | 114,888,000  | 41,669,000   | 36.2 |
| Portland.....                       | 31,105,000   | 24,992,000   | 6,113,000    | 24.4 |
| Salt Lake City.....                 | 15,350,000   | 12,328,000   | 3,022,000    | 24.5 |
| Seattle.....                        | 28,915,000   | 22,887,000   | 6,028,000    | 26.3 |
| Spokane.....                        | 17,379,000   | 12,682,000   | 4,697,000    | 27.3 |
| Tacoma.....                         | 5,205,000    | 4,524,000    | 684,000      | 15.1 |
| Total.....                          | 313,180,000  | 240,703,000  | 72,477,000   | 30.1 |
| <b>Banks not in reserve cities:</b> |              |              |              |      |
| Alaska.....                         | 46,000       | 25,000       | 21,000       | 84.0 |
| Arizona.....                        | 4,582,000    | 4,030,000    | 552,000      | 13.7 |
| California.....                     | 339,600,000  | 272,624,000  | 66,976,000   | 24.5 |
| Idaho.....                          | 22,950,000   | 19,123,000   | 3,827,000    | 20.0 |
| Nevada.....                         | 6,178,000    | 5,183,000    | 695,000      | 12.7 |
| Oregon.....                         | 58,431,000   | 50,194,000   | 8,237,000    | 16.4 |
| Utah.....                           | 24,067,000   | 19,782,000   | 4,285,000    | 21.2 |
| Washington.....                     | 82,235,000   | 66,655,000   | 15,580,000   | 23.4 |
| Total.....                          | 538,089,000  | 437,916,000  | 100,173,000  | 22.8 |

TABLE 14.—Reserve in vault just prior to establishment of Federal Reserve System and reserve in vault combined with deposit in Federal Reserve Bank at present.

|                                     | Reserve in vault Oct. 31, 1914. | Per cent of total deposits. | Reserve in vault and deposit with Federal Reserve Bank Sept. 12, 1916. | Per cent of total deposits. |
|-------------------------------------|---------------------------------|-----------------------------|--|-----------------------------|
| <b>Banks in reserve cities:</b>     |                                 |                             |  |                             |
| Los Angeles.....                    | \$7,404,000                     | 14.9                        | \$11,471,000   | 16.6                        |
| San Francisco.....                  | 20,048,000                      | 15.1                        | 20,756,000   | 11.6                        |
| Portland.....                       | 6,301,000                       | 18.8                        | 4,957,000  | 12.6                        |
| Salt Lake City.....                 | 1,634,000                       | 12.9                        | 1,788,000  | 9.7                         |
| Seattle.....                        | 6,083,000                       | 18.7                        | 5,112,000  | 12.7                        |
| Spokane.....                        | 2,056,000                       | 14.2                        | 2,193,000  | 10.8                        |
| Tacoma.....                         | 1,197,000                       | 19.1                        | 1,057,000  | 13.6                        |
| Total.....                          | 44,723,000                      | 15.8                        | 47,334,000   | 12.2                        |
| <b>Banks not in reserve cities:</b> |                                 |                             |  |                             |
| Alaska.....                         | 186,000                         | 19.1                        | 94,000   | 57.3                        |
| Arizona.....                        | 973,000                         | 10.6                        | 1,596,000  | 10.9                        |
| California.....                     | 9,847,000                       | 7.9                         | 16,262,000   | 9.9                         |
| Idaho.....                          | 1,961,000                       | 9.6                         | 2,678,000  | 8.9                         |
| Nevada.....                         | 590,000                         | 9.4                         | 913,000  | 9.7                         |
| Oregon.....                         | 2,803,000                       | 9.4                         | 3,514,000  | 10.1                        |
| Utah.....                           | 566,000                         | 7.0                         | 824,000  | 7.3                         |
| Washington.....                     | 2,562,000                       | 8.2                         | 3,388,000  | 8.7                         |
| Total.....                          | 19,488,000                      | 8.4                         | 29,269,000   | 9.4                         |
| <b>Total banks:</b>                 |                                 |                             |  |                             |
| Alaska.....                         | 186,000                         | 19.1                        | 361,000  | 19.4                        |
| Arizona.....                        | 973,000                         | 10.6                        | 1,596,000  | 10.9                        |
| California.....                     | 37,299,000                      | 12.1                        | 48,489,000   | 11.8                        |
| Idaho.....                          | 1,961,000                       | 9.6                         | 2,678,000  | 8.9                         |
| Nevada.....                         | 590,000                         | 9.4                         | 913,000  | 9.7                         |
| Oregon.....                         | 9,104,000                       | 14.1                        | 8,471,000  | 11.4                        |
| Utah.....                           | 2,200,000                       | 10.6                        | 2,612,000  | 8.8                         |
| Washington.....                     | 11,898,000                      | 14.1                        | 11,750,000   | 11.7                        |
| Total.....                          | 64,211,000                      | 12.5                        | 76,870,000   | 11.4                        |

TABLE 15.—Check collection—Interdistrict transactions, July 15–Dec. 31, 1916.

[000's omitted.]

|                | Incoming cash letters from and for account of other Federal Reserve Banks. | Deduct cash letters sent by this bank to other districts. | Deduct cash letters sent by member banks this district direct to other Federal Reserve Banks for our %. | Net excess of incoming cash letters. | Transfers sold. | Deduct transfers purchased by this bank. | Net transfers purchased. |
|----------------|--|---|---|--------------------------------------|-----------------|--|--------------------------|
| July.....      | \$3,984  | \$144   | .....   | \$3,870                              | \$2,400         | \$2,551                                  | \$151                    |
| August.....    | 7,952  | 339   | .....   | 7,613                                | 100             | 11,220                                   | 11,120                   |
| September..... | 12,139   | 1,016   | \$226   | 10,897                               | 300             | 15,550                                   | 15,250                   |
| October.....   | 14,400   | 493   | 1,146   | 12,761                               | 40              | 11,735                                   | 11,695                   |
| November.....  | 15,506   | 626   | 1,278   | 13,602                               | 2,500           | 23,690                                   | 21,190                   |
| December.....  | 15,185   | 757   | 503   | 13,925                               | 45              | 22,700                                   | 22,655                   |
|                | 69,166   | 3,375   | 3,153   | 62,668                               | 5,385           | 87,446                                   | 82,061                   |

Memo.—Net increase in member banks' deposits for same period (000 omitted): July, \$626; August, \$590; September, \$1,544; October, \$1,969; November, \$7,514; December, \$1,150. Total increase, \$13,393.

TABLE 16.—Comparison of loans, investments, and deposits on June 30, 1914, with those on corresponding dates in 1915 and 1916 and on Nov. 17, 1916.

## LOANS AND INVESTMENTS.

| Date of call.   | Amounts.      | Per cent of loans and investments to deposits. | Per cent increase over preceding figure. | Per cent increase over June 30, 1914. |
|-----------------|---------------|--|--|---------------------------------------|
| June 30, 1914:  |               |  |  |                                       |
| Loans.....      | \$439,092,000 |  |  |                                       |
| Bonds, etc..... | 140,723,000   |  |  |                                       |
|                 | 579,815,000   | 100.5  |  |                                       |
| June 23, 1915:  |               |  |  |                                       |
| Loans.....      | 440,555,000   |  |  |                                       |
| Bonds, etc..... | 147,650,000   |  |  |                                       |
|                 | 588,205,000   | 100.1  | 1.5                                      | 1.5                                   |
| June 30, 1916:  |               |  |  |                                       |
| Loans.....      | 482,570,000   |  |  |                                       |
| Bonds, etc..... | 157,255,000   |  |  |                                       |
|                 | 639,825,000   | 91.7   | 8.8                                      | 10.4                                  |
| Nov. 17, 1916:  |               |  |  |                                       |
| Loans.....      | 538,092,000   |  |  |                                       |
| Bonds, etc..... | 168,857,000   |  |  |                                       |
|                 | 706,949,000   | 82.5   | 10.5                                     | 21.9                                  |

## DEPOSITS.

| Date of call.      | Amounts.      | Per cent of deposits to loans and investments. | Per cent of increase over preceding figure. | Per cent included over June 30, 1914. |
|--------------------|---------------|--|---|---------------------------------------|
| June 30, 1914..... | \$576,852,000 | 99.5   |   |                                       |
| June 23, 1915..... | 587,678,000   | 99.9   | 1.9   | 1.9                                   |
| June 30, 1916..... | 698,620,000   | 108.3  | 18.9  | 21.1                                  |
| Nov. 17, 1916..... | 857,181,000   | 121.2  | 22.7  | 48.6                                  |



EXHIBIT A.—*Banking power of the twelfth district.*

[000's omitted.]

| State.....                               | Arizona.  |                     | California. |                  | Idaho.      |           | Nevada.         |           |
|--|-----------|---------------------|-------------|------------------|-------------|-----------|-----------------|-----------|
|  | National. | State. <sup>1</sup> | National.   | State.           | National.   | State.    | National.       | State.    |
| Supervision.....                         |           |                     |             |                  |             |           |                 |           |
| Number of banks....                      | 6         | 55                  | 265         | 462              | 57          | 130       | 10              | 21        |
| Date of report (1916)...                 | Nov. 17.  | Nov. 17.            | Nov. 17.    | Aug. 31.         | Nov. 17.    | Sept. 12. | Nov. 17.        | June 30.  |
| ASSETS.                                  |           |                     |             |                  |             |           |                 |           |
| Loans and discounts..                    | \$4,582   | \$21,887            | \$339,600   | \$499,111        | \$22,950    | \$20,351  | \$6,178         | \$8,752   |
| Stocks, bonds, and other securities..... | 1,361     | 3,502               | 102,090     | 152,099          | 6,493       | 1,288     | 2,579           | 1,254     |
| Banking house, furniture and fixtures..  | 304       | 1,456               | 13,430      | 27,430           | 1,251       | 1,225     | 373             | 404       |
| Cash and exchange...                     | 3,159     | 16,261              | 208,786     | 147,716          | 15,512      | 8,932     | 4,470           | 4,275     |
| Other assets.....                        | 57        | 426                 | 15,025      | 9,362            | 438         | 606       | 104             | 383       |
| Total.....                               | 9,463     | 43,532              | 678,931     | 835,718          | 46,644      | 32,402    | 13,704          | 15,068    |
| LIABILITIES.                             |           |                     |             |                  |             |           |                 |           |
| Capital.....                             | 650       | 2,868               | 58,623      | 64,610           | 3,600       | 3,588     | 1,435           | 1,694     |
| Surplus and undivided profits.....       | 636       | 2,220               | 46,246      | 42,155           | 2,180       | 1,284     | 433             | 685       |
| Due to banks.....                        | 616       | ( <sup>2</sup> )    | 138,522     | 13,137           | 5,443       | 1,092     | 1,284           | 142       |
| Deposits:                                |           |                     |             |                  |             |           |                 |           |
| Demand.....                              | 6,573     | 38,299              | 318,344     | 710,939          | 25,177      | 18,436    | 7,553           | 6,731     |
| Time.....                                | 396       | ( <sup>2</sup> )    | 65,934      | ( <sup>2</sup> ) | 7,278       | 7,459     | 1,758           | 5,710     |
| Rediscunts and money borrowed.....       |           |                     | 464         | 533              | 30          | 408       |                 |           |
| Circulation outstanding.....             | 544       |                     | 39,945      |                  | 2,936       |           | 1,230           |           |
| Other liabilities.....                   | 48        | <sup>3</sup> 145    | 10,853      | 4,344            |             | 135       | 11              | 106       |
| Total.....                               | 9,463     | 43,532              | 678,931     | 835,718          | 46,644      | 32,402    | 13,704          | 15,068    |
| -----                                    |           |                     |             |                  |             |           |                 |           |
| State.....                               | Oregon.   |                     | Utah.       |                  | Washington. |           | Total district. |           |
|  | National. | State.              | National.   | State.           | National.   | State.    | National.       | State.    |
| Supervision.....                         |           |                     |             |                  |             |           |                 |           |
| Number of banks....                      | 82        | 177                 | 23          | 96               | 77          | 279       | 520             | 1,220     |
| Date of report (1916)...                 | Nov. 17.  | Nov. 17.            | Nov. 17.    | Sept. 21.        | Nov. 17.    | Nov. 17.  | .....           | .....     |
| ASSETS.                                  |           |                     |             |                  |             |           |                 |           |
| Loans and discounts..                    | \$58,431  | \$42,635            | \$24,067    | \$45,021         | \$82,238    | \$84,816  | \$538,046       | \$722,573 |
| Stocks, bonds, and other securities..... | 19,794    | 8,409               | 7,465       | 5,208            | 29,064      | 20,987    | 168,846         | 192,747   |
| Banking house, furniture and fixtures..  | 2,650     | 1,860               | 1,510       | 1,544            | 3,027       | 6,715     | 22,545          | 40,634    |
| Cash and exchange...                     | 36,779    | 23,384              | 18,361      | 14,477           | 48,235      | 40,559    | 335,302         | 255,604   |
| Other assets.....                        | 1,807     | 1,880               | 148         | 1,903            | 6,528       | 1,901     | 19,480          | 21,148    |
| Total.....                               | 119,461   | 78,168              | 51,551      | 68,213           | 164,465     | 159,605   | 1,084,219       | 1,232,706 |
| LIABILITIES.                             |           |                     |             |                  |             |           |                 |           |
| Capital.....                             | 10,066    | 8,724               | 3,355       | 6,893            | 11,760      | 15,848    | 89,489          | 104,225   |
| Surplus and undivided profits.....       | 6,270     | 4,440               | 2,190       | 3,555            | 6,749       | 8,872     | 64,704          | 63,211    |
| Due to banks.....                        | 17,817    | 6,507               | 13,254      | 4,461            | 24,665      | 11,545    | 201,601         | 36,884    |
| Deposits:                                |           |                     |             |                  |             |           |                 |           |
| Demand.....                              | 58,493    | 35,324              | 21,440      | 22,466           | 75,950      | 64,961    | 513,530         | 897,156   |
| Time.....                                | 20,542    | 19,931              | 8,103       | 20,082           | 37,851      | 56,826    | 141,862         | 110,008   |
| Rediscunts and money borrowed.....       | 57        | 2,947               | 40          |                  | 235         | 773       | 826             | 4,661     |
| Circulation outstanding.....             | 5,973     |                     | 3,134       |                  | 6,549       |           | 60,311          |           |
| Other liabilities.....                   | 243       | 295                 | 35          | 10,756           | 706         | 780       | 11,896          | 16,561    |
| Total.....                               | 119,461   | 78,168              | 51,551      | 68,213           | 164,465     | 159,605   | 1,084,219       | 1,232,706 |

<sup>1</sup> Includes 4 counties in the Eleventh Federal Reserve District.<sup>2</sup> Included in demand deposits.<sup>3</sup> Includes rediscunts and money borrowed.

EXHIBIT B.—*Bank clearings of principal cities in twelfth district.*

[000,000 omitted.]

|                     | 1911             | 1912  | 1913  | 1914  | 1915  | First 11 months 1916. |
|---------------------|------------------|-------|-------|-------|-------|-----------------------|
| Bakersfield.....    | ( <sup>1</sup> ) | 22    | 24    | 24    | 20    | 25                    |
| Fresno.....         | 40               | 51    | 57    | 53    | 54    | 61                    |
| Long Beach.....     | ( <sup>2</sup> ) |       |       | 17    | 26    | 28                    |
| Los Angeles.....    | 943              | 1,169 | 1,211 | 1,145 | 1,048 | 1,155                 |
| Oakland.....        | 173              | 223   | 189   | 176   | 181   | 201                   |
| Pasadena.....       | 42               | 47    | 48    | 44    | 44    | 45                    |
| Sacramento.....     | 78               | 93    | 108   | 103   | 101   | 113                   |
| San Diego.....      | 83               | 132   | 134   | 103   | 100   | 103                   |
| San Francisco.....  | 2,427            | 2,678 | 2,624 | 2,516 | 2,694 | 3,123                 |
| San Jose.....       | 30               | 36    | 36    | 36    | 35    | 40                    |
| Santa Rosa.....     |                  |       |       | 13    | 12    | 11                    |
| Stockton.....       | 40               | 45    | 46    | 47    | 50    | 64                    |
| Reno.....           |                  | 15    | 15    | 14    | 15    | 19                    |
| Portland.....       | 557              | 596   | 628   | 577   | 554   | 589                   |
| Salt Lake City..... |                  | 369   | 333   | 315   | 350   | 449                   |
| Seattle.....        | 553              | 602   | 665   | 628   | 612   | 714                   |
| Spokane.....        |                  | 225   | 219   | 203   | 193   | 228                   |
| Tacoma.....         |                  | 139   | 133   | 110   | 99    | 104                   |
| Total.....          | 4,966            | 6,442 | 6,470 | 6,124 | 6,188 | 7,072                 |

<sup>1</sup> Organized 1912.<sup>2</sup> Organized 1914.EXHIBIT C.—*Applications under Kern amendment to the Clayton Act.*

| State.          | Applica-<br>tions<br>made. | Granted. | Refused. |
|-----------------|----------------------------|----------|----------|
| Arizona.....    | 0                          | 0        | 0        |
| California..... | 113                        | 110      | 3        |
| Idaho.....      | 2                          | 2        | 0        |
| Nevada.....     | 0                          | 0        | 0        |
| Oregon.....     | 7                          | 7        | 0        |
| Utah.....       | 17                         | 14       | 3        |
| Washington..... | 36                         | 33       | 1        |
| Total.....      | 175                        | 168      | 7        |

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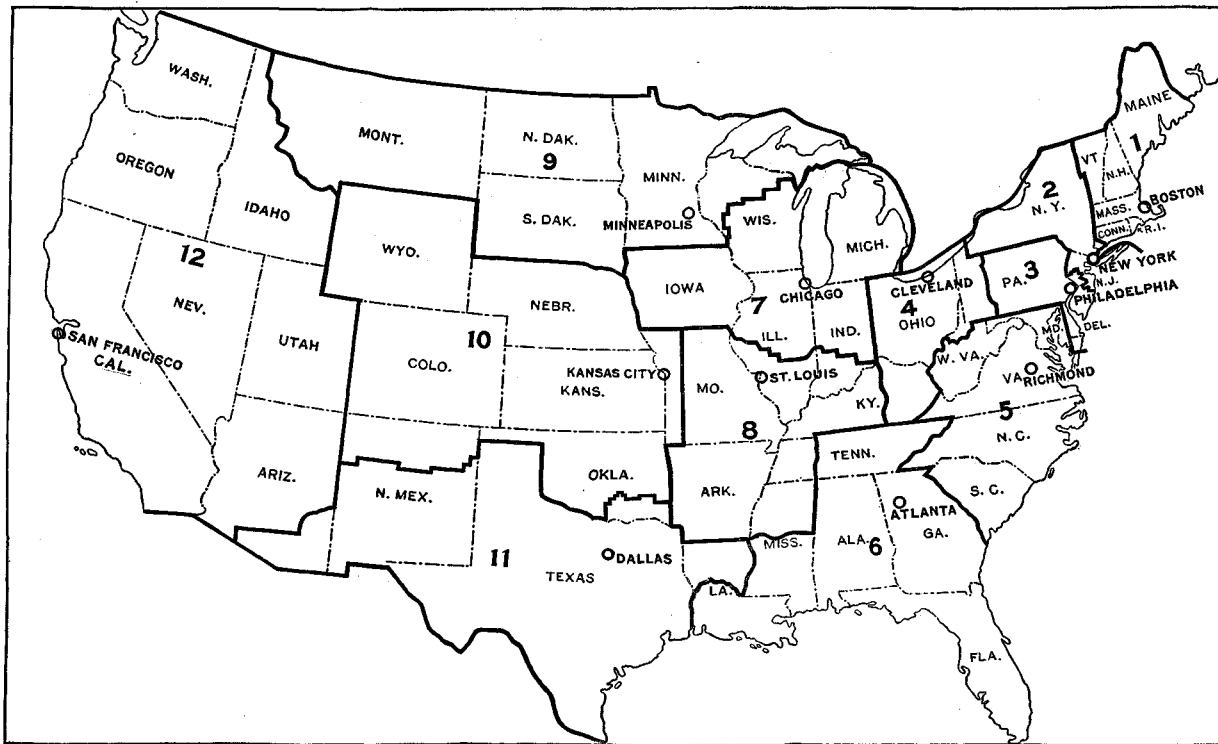
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