

Released for publication
 Sunday morning, December 28, 1919;
 not earlier.

Federal Reserve Board,
 December 27, 1919

FEDERAL RESERVE BANKING IN 1919.

During the calendar year 1919 activities of the Federal Reserve banks continued in undiminished scope and volume. Cessation of actual hostilities did not end the war work of the banks, and loan operations for the Government in close harmony with the Treasury, involving the flotation of the last popular war loan and the placing of the several issues of loan and tax certificates, continued to be one of the leading, if not the leading function of the Reserve banks. This task involved collection, concentration and disbursement on government account of 15,659 million dollars, of which 4,491.5 millions represents the total of the Victory Loan allotted; 6,754.4 millions - the combined amounts of eight series of Certificates issued during the year in anticipation of the Victory Loan and of four series of the so-called loan certificates; and 4,413.6 millions - the total of eleven series of certificates issued in anticipation of income and excess profits taxes due in 1919 and 1920.

The success of these issues was due in part to the accommodation accorded to member banks through the discount at preferential rates of so-called war paper, i.e., member banks' own notes and customers' paper secured by United States war bonds and Certificates. Reported holdings of war paper which totaled slightly over 1,400 millions at the close of 1918 and reached a maximum of 1,863.5 on May 16, about the time of the consummation of the Victory loan, when war paper constituted 91.4 per cent of the total discounts held by the Federal Reserve banks, gradually declined to 1,383.9 millions, or 84.1 per cent of the total discounts held by these banks on September 19. Between that date and the middle of November these totals followed an upward course. Since then, as the result of rate revision, the amount of war paper has gone down to 1,510.4 millions, or 68.8 per cent of the total discounts held on December 26. Of this total, 732.4 millions, or 48.5 per cent, were secured by Liberty bonds, 337.7 millions, or 22.3 per cent, - by Victory notes and 440.3 millions, or 29.2 per cent, by Treasury certificates. Other discounts, which aggregated 302.5 millions at the close of 1918, continued at a comparatively low level during the greater part of the year. It was only at about the close of September that the discounts of ordinary commercial paper began to show material increases. On December 26 holdings of this class of paper aggregated 684.5 millions, and constituted 31.2 per cent of the Reserve banks' total holdings of discounted bills, as against less than 18 per cent the year before. Acceptances on hand, which totaled 303.7 millions on December 27, 1918, moved within moderate limits during the first part of the present year; about the end of June the total for the first time in the year was in excess of 300 millions. During the last two months of the year, however, the accumulation of acceptances in the portfolios of the Reserve banks proceeded at a rapid pace, the total held on the last Friday of the present year, 585.2 millions, being over 21 per cent of the total bills held by the Reserve banks, compared with 15 per cent the year before.

During the year the Banks' holdings of U.S. bonds show a reduction from 28.9 to 26.8 millions, the present holdings comprising largely circulation bonds and 3 per cent conversion bonds and, only to a very small extent, Liberty bonds. An increase since January 3 of 148.4 millions in Treasury certificate holdings represents largely additional investments of the Banks in 1-year 2 per cent certificates to secure F.R. bank note circulation. Total earning assets increased during the year from 2,318.2 to 3,080.5 millions, or nearly 33 per cent.

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 During the earlier part of the year while gold embargo was still in force, and between August and November, the banks' gold reserves were increased through net imports of gold and through the acquisition of German gold and its transfer to London. These gains were practically offset, however, by the amount of gold withdrawn for foreign shipments, largely to Spain, Argentina and the Far East, with the result that gold reserves at the close of the present year, 2,078.4 millions, are 11.9 millions less than a year ago. Total cash reserves show a similar decline from 2,146.2 to 2,135.5 millions.

As against moderate changes in the banks' reserve holdings, their net deposits, because of the increase in membership and in consequence of the general credit expansion, show an increase during the year from 1,552.9 to 1,704.5 millions. Federal Reserve note circulation on the last Friday in 1918 totaled 2,685.2 millions. During the early part of the present year there was considerable contraction of the note circulation, followed by moderate expansion up to the close of September, when it reached a total of 2,655.3 millions. Since then the volume of circulating notes has increased by over 400 millions, or at an average weekly rate of over 30 millions. In addition there has been an increase during the year of 143.9 millions of Federal Reserve ^{bank} notes in circulation, issued largely to take the place of silver dollars melted and silver certificates withdrawn from circulation under the Pittman Act.

Some indication of the growth of the system is afforded by the comparative figures of paid-in capital, which show an increase during the year from 80.7 to about 87.3 millions, or 6.6 millions, corresponding to an increase in the aggregate capital and surplus of member banks of 221.9 millions, as the result of accession of new members and increase in the capitalization of existing member banks. The largest relative gains in paid-in capital are shown for the San Francisco, Chicago and Kansas City banks, while the largest increases in the number of banks admitted to membership during the year are reported for the San Francisco, Chicago and Cleveland districts.

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STATEMENT OF COMBINED RESOURCES AND LIABILITIES OF THE TWELVE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS DECEMBER 26, 1919.

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	December 26, 1919	December 19, 1919	December 27, 1918
R E S O U R C E S			
Gold coin and certificates	\$229,445,000	\$241,325,000	\$337,365,000
Gold settlement fund - F.R. Board	352,785,000	399,935,000	374,758,000
Gold with foreign agencies	134,320,000	137,717,000	5,829,000
Total gold held by banks	716,550,000	778,977,000	717,952,000
Gold with Federal Reserve Agents	1,240,032,000	1,201,654,000	1,288,309,000
Gold redemption fund	121,850,000	115,182,000	84,013,000
Total gold reserves	\$2,078,432,000	\$2,095,813,000	2,090,274,000
Legal tender notes, silver, etc.	57,104,000	59,098,000	55,945,000
Total reserves	2,135,536,000	2,154,911,000	2,146,219,000
Bills discounted (Secured by Government war obligations)	1,510,364,000	1,414,950,000	1,400,371,000
(All other)	684,514,000	580,162,000	302,567,000
Bills bought in open market	585,212,000	566,266,000	303,673,000
Total bills on hand	2,780,090,000	2,561,378,000	2,006,611,000
U. S. Government bonds	26,834,000	26,846,000	28,869,000
U. S. Victory notes	64,000	54,000	-
U. S. Certificates of indebtedness	273,507,000	303,558,000	*282,677,000
All other earning assets	-	-	13,000
Total earning assets	3,080,495,000	2,891,836,000	2,318,170,000
Bank premises	13,002,000	12,986,000	-
Uncollected items and other deductions from gross deposits	1,075,100,000	1,140,224,000	759,608,000
5% Redemption fund against F.R. bank notes	13,237,000	13,333,000	5,988,000
All other resources	8,062,000	11,314,000	22,005,000
TOTAL RESOURCES	6,325,432,000	6,224,604,000	5,251,990,000
L I A B I L I T I E S			
Capital paid-in	87,339,000	87,049,000	80,681,000
Surplus	81,087,000	81,087,000	1,134,000
Government deposits	72,357,000	64,459,000	63,367,000
Due to members,- Reserve account	1,786,874,000	1,733,013,000	1,587,318,000
Deferred availability items	822,680,000	848,607,000	554,823,000
Other deposits, including foreign government credits	97,659,000	105,069,000	106,992,000
Total gross deposits	2,779,570,000	2,751,148,000	2,312,500,000
F.R. notes in actual circulation	3,057,646,000	2,988,894,000	2,685,244,000
F.R. bank notes in circulation - net liability	261,039,000	259,975,000	117,122,000
All other liabilities	58,751,000	56,451,000	55,309,000
TOTAL LIABILITIES	6,325,432,000	6,224,604,000	5,251,990,000
Ratio of total reserves to net deposit and F.R. note liabilities combined	44.8%	*Includes 1-year Treasury notes. 46.8%	50.6%
Ratio of gold reserves to F.R. notes in circulation after setting aside 35% against net deposit liabilities	50.3%		59.7%

RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS DECEMBER 26, 1919.

	R E S O U R C E S												Total
	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St.Louis	Minn.	Kans.Cy.	Dallas	San Fran.	
Federal Reserve Bank of													
Gold coin and certificates	7,844	147,197	1,182	10,220	2,402	8,350	24,060	2,738	8,261	168	6,617	10,406	229,445
Gold Settlement Fund - F.R.Board	36,211	41,560	28,344	33,966	25,152	25,734	68,856	13,374	1,338	27,192	14,772	36,286	352,785
Gold with foreign agencies	9,805	49,296	10,746	11,014	6,582	4,835	15,984	6,313	3,627	6,447	3,492	6,179	134,320
Total gold held by banks	53,860	238,053	40,272	55,200	34,136	38,919	108,900	22,425	13,226	33,807	24,881	52,871	716,550
Gold with F. R. Agents	73,782	307,385	82,491	125,048	41,036	64,734	245,883	65,920	35,570	39,858	27,878	130,447	1,240,032
Gold redemption fund	25,223	25,000	15,578	1,005	6,371	7,053	17,572	5,922	2,377	4,023	3,422	8,304	121,850
Total gold reserves	152,865	570,438	138,341	181,253	81,543	110,706	372,355	94,267	51,173	77,688	56,181	191,622	2,078,432
Legal tender notes, silver, etc.	3,238	45,602	539	533	188	970	1,829	2,240	72	343	1,166	384	57,104
Total reserves	156,103	616,040	138,880	181,786	81,731	111,676	374,184	96,507	51,245	78,031	57,347	192,006	2,135,536
Bills discounted:													
Secured by Government war obligations (a)	138,206	584,588	178,648	120,536	87,901	61,379	146,840	44,142	22,465	36,897	42,634	46,128	1,510,364
All other	56,630	203,606	29,492	47,041	20,760	28,843	128,429	34,093	47,592	50,536	11,427	26,065	684,514
Bills bought in open market (b)	16,506	191,312	4,698	56,923	16,031	16,231	108,352	36,936	14,401	19,981	7,734	96,107	585,212
Total bills on hand	211,342	979,506	212,838	224,500	124,692	106,453	383,621	115,171	84,458	107,414	61,795	168,300	2,780,090
U.S. Government bonds	539	1,257	1,385	833	1,235	375	4,476	1,153	116	8,867	3,966	2,632	26,834
U.S. Victory notes	-	50	-	10	-	4	-	-	-	-	-	-	64
U.S. certificates of indebtedness	21,661	67,347	30,529	24,817	12,260	15,666	39,754	17,216	8,480	15,249	9,090	11,438	273,507
Total earning assets	233,542	1,048,160	244,752	250,160	138,187	122,498	427,851	133,540	93,054	131,530	74,851	182,370	3,080,495
Bank premises	1,091	3,994	500	895	519	515	2,936	691	600	462	399	400	13,002
Uncollected items and other deductions from gross deposits	81,682	235,089	86,294	91,234	90,283	50,072	139,834	70,669	29,285	90,664	62,236	47,758	1,075,100
5% Redemption fund against F.R. bank notes	1,072	2,929	1,475	1,146	443	798	2,116	647	428	958	560	665	13,237
All other resources	280	1,306	1,061	344	1,506	141	1,785	316	157	481	261	424	8,062
TOTAL RESOURCES	473,770	1,907,518	472,962	525,565	312,669	285,700	948,706	302,370	174,769	302,126	195,654	423,623	6,325,432
(a) Includes bills discounted for other F.R. Banks, viz:	-	-	-	-	-	-	14,670	-	-	-	25,945	-	40,615
(b) Includes bankers' acceptances bought from other F. R. banks:													
With their endorsement	-	-	-	-	5,080	5,065	25,307	19,301	-	-	5,065	10,081	69,899
Without their endorsement	-	-	-	12,265	-	-	20,113	9,721	-	9,805	1,113	5,184	58,201

RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS DECEMBER 26, 1919.

(In thousands of dollars.)

	L I A B I L I T I E S												Total
Federal Reserve Bank of	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St.Louis	Minn.	Kans.Cy.	Dallas	San Fran.	
Capital paid-in	7,108	22,388	7,884	9,482	4,392	3,424	12,347	4,063	3,074	4,012	3,417	5,748	87,339
Surplus	5,206	32,922	5,311	5,860	3,800	2,805	9,710	2,589	2,320	3,957	2,029	4,578	81,087
Government deposits	8,338	12,641	2,966	6,746	8,319	5,105	1,646	3,872	2,721	6,959	5,377	7,667	72,357
Due to members - Reserve account	110,335	706,254	95,505	127,627	61,081	61,081	253,864	67,092	51,532	77,723	58,423	116,357	1,786,874
Deferred availability items	63,293	188,383	80,832	70,420	68,364	36,129	103,130	55,155	15,459	78,441	37,607	25,467	822,680
Other deposits including foreign government credits	8,288	42,685	6,832	6,147	3,610	2,681	10,036	3,588	2,216	3,645	2,066	5,865	97,659
Total gross deposits	190,254	949,963	186,135	210,940	141,374	104,996	368,676	129,707	71,928	166,768	103,473	155,356	2,779,570
F.R. notes in actual circulation	246,455	824,944	240,273	272,884	148,693	156,599	510,018	148,452	87,475	105,100	74,886	241,867	3,057,646
F.R. bank notes in circulation - net liability	20,744	54,624	29,028	22,197	12,051	15,663	41,109	15,610	8,157	19,546	10,415	11,895	261,039
All other liabilities	4,003	22,677	4,331	4,202	2,359	2,213	6,846	1,949	1,815	2,743	1,434	4,179	58,751
TOTAL LIABILITIES	473,770	1,907,518	472,962	525,565	312,669	285,700	948,706	302,370	174,769	302,126	195,654	423,623	6,325,432
Contingent liability as endorser on -													
Discounted bills rediscounted with other F.R. banks	-	-	27,615	-	-	-	-	-	-	13,000	-	-	40,615
Bankers' acceptances sold to other F. R. banks	69,899	-	-	-	-	-	-	-	-	-	-	-	69,899
FEDERAL RESERVE NOTES OUTSTANDING AND IN ACTUAL CIRCULATION													
F. R. notes outstanding	253,669	929,663	249,438	284,335	155,232	162,809	533,738	167,515	88,916	111,005	77,977	277,801	3,292,098
F. R. notes held by bank	7,214	104,719	9,165	11,451	6,539	6,210	23,720	19,063	1,441	5,905	3,091	35,934	234,452
F.R. notes in actual circulation	246,455	824,944	240,273	272,884	148,693	156,599	510,018	148,452	87,475	105,100	74,886	241,867	3,057,646

DISTRIBUTION OF BILLS AND U. S. CERTIFICATES OF INDEBTEDNESS BY MATURITIES.

	Within 15 days	16 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Bills discounted	1,484,790	244,890	292,715	152,125	20,358	2,194,878
Bills bought in open market	123,727	100,060	209,278	152,147	-	585,212
U. S. certificates of indebtedness	15,745	4,865	3,940	10,715	238,242	273,507

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FEDERAL RESERVE AGENTS' ACCOUNTS AT CLOSE OF BUSINESS DECEMBER 26, 1919.

(In thousands of dollars.)

	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St.Louis	Minn.	Kans.Cy.	Dallas	San Fran.	Total
FEDERAL RESERVE NOTES:													
Received from Comptroller	475,980	1,975,560	510,780	474,740	302,900	295,000	826,400	299,600	152,080	202,160	138,780	406,300	6,060,280
Returned to Comptroller	191,631	939,897	240,002	173,785	128,730	91,746	287,342	112,085	55,604	86,465	48,433	127,349	2,483,069
Chargeable to F. R. Agent	284,349	1,035,663	270,778	300,955	174,170	203,254	539,058	187,515	96,476	115,695	90,347	278,951	3,577,211
In hands of F. R. Agent	30,680	106,000	21,340	16,620	18,938	40,445	5,320	20,000	7,560	4,690	12,370	1,150	285,113
Issued to F.R. bank less amount returned to F.R. Agent for redemption	253,669	929,663	249,438	284,335	155,232	162,809	533,738	167,515	88,916	111,005	77,977	277,801	3,292,098

COLLATERAL SECURITY FOR OUTSTANDING NOTES:

Cold coin and certificates on hand	-	183,740	-	32,025	-	2,500	-	4,000	13,052	-	8,831	-	244,148
Gold redemption fund	14,782	13,645	16,101	13,023	1,036	4,234	8,738	2,990	2,718	2,498	4,563	19,247	103,575
Gold settlement fund - F.R.Board	59,000	110,000	66,390	80,000	40,000	58,000	237,145	58,930	19,800	37,360	14,484	111,200	892,309
Eligible paper, minimum required	179,887	622,278	166,947	159,287	114,196	98,075	287,855	101,595	53,346	71,147	50,099	147,354	2,052,066
Total	253,669	929,663	249,438	284,335	155,232	162,809	533,738	167,515	88,916	111,005	77,977	277,801	3,292,098
AMOUNT OF ELIGIBLE PAPER DELIVERED TO F. R. AGENT	211,342	977,365	176,867	222,792	120,967	106,172	383,370	115,098	69,456	107,359	61,795	159,315	2,711,898