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# STATEMENT FOR THE PRESS

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St. 1696  
Federal Reserve Board  
December 31, 1920

## FEDERAL RESERVE BANKING DURING 1920.

Changes in the condition of the Federal Reserve Banks during the year just passed reflect to a large extent the changes in the credit policy originated about the close of 1919 and continued during the year under review. Preferential rates on paper secured by Liberty bonds and Victory notes were abrogated by some Reserve Banks and raised by others to a level more nearly approximating the rate level for ordinary commercial paper. In the case of paper secured by Treasury certificates the rates adopted were in most cases identical with the higher coupon rates fixed by the Government, thus holding out no inducement to the member banks to carry these securities among their own investments and use them as collateral for loans at the Federal Reserve Banks, but rather providing a stimulus to place them in the hands of ultimate investors. The results are seen in the gradual decrease of the amounts of war paper held during the year by the Reserve Banks. From nearly 1,500 millions at the opening of the year the holdings of paper secured by Government war obligations declined to 1,141 millions on December 30. Of the latter total 188 millions, or 16.5 per cent, were secured by Treasury certificates, compared with 461.5 millions, or over 31 per cent, held at the opening of the year - this decrease corresponding in a general way to the reduction in the amount of certificates held by the member banks. Much smaller reductions are shown in the Reserve Banks' holdings of paper secured by Liberty bonds and Victory notes, the December 30 total, 953 millions, being only 70 millions less than the amount reported at the beginning of the year. On the other hand, holdings of other discounted paper which at the opening of the year totaled 746.9 millions show an almost steady growth, being in excess of 1,500 millions at the end of September, and fluctuating between about 1,500 and 1,600 millions during the last three months of the year. At the end of the year out of a total of 2,719.1 millions of discounted bills about 42 per cent was composed of paper secured by United States war obligations, against 67 per cent of a total of 2,231.2 millions held on the first Friday of the year.

Early in the year the Federal Reserve Banks raised their discount rates on commercial paper, but the influence of the higher rates is seen in retarding the progress of borrowings rather than in restricting them. In fact, total Federal Reserve Bank holdings of discounted bills, 2,231.2 millions at the beginning of the year, increased by over 300 millions up to the end of April, and by another 200 millions during the next four months. The peak of 2,826.8 millions was reached on November 5, while the total held on December 30, 2,719.1 millions, is 487.9 millions larger than at the beginning of the year.

Holdings of bills purchased in open market show an almost uninterrupted decline for the period under review. From a total of 574.6 millions at the beginning of the year, a decline to 255.7 millions on December 30 is shown, the decrease of 318.9 millions being due largely to the increased demand for this class of bills by savings banks, trust companies, also corporate and individual investors. No appreciable changes are shown in the amounts and classes of United States bonds held.

Fluctuations in the holdings of Treasury certificates during the year are largely the result of the issuance by the Government from time to time of temporary certificates pending collection of funds from depository institutions. The largest figures are shown for the four Fridays following the quarterly income tax dates, when temporary advances to the Government by the Reserve Bank for the redemption of tax certificates were at their maximum. Total earning assets of the Federal Reserve Banks, which stood at 3,181.8 millions on January 2, reached the high point of 3,422 millions on October 15, and at the end of the year stood at 3,263 millions, an increase of over 80 millions for the year.

Net deposits of the Reserve Banks show a general downward tendency for the year, the December 30 total of 1,504.2 millions being 280.4 millions below the maximum amount shown, for February 27, and 246.9 millions below the corresponding total at the beginning of the year, decreases in reserve and net deposits reflecting reductions in demand deposits of member banks, especially during the latter part of the year.

Federal Reserve note circulation, after the usual contraction at the beginning of the year, when a return flow of notes issued during the holiday season occurs, shows an almost uninterrupted expansion from the minimum amount of 2,844 millions on January 23 to a maximum of 3,404.9 millions on December 23. The total of 3,344.7 millions on December 30 marks a reduction of 60.2 millions for the week, but an expansion of 345.7 millions from the beginning of January, note expansion rather than growth of deposits accompanying the increase in the borrowings of member banks. Federal Reserve Bank note circulation shows a practically steady decline from 259 millions on January 2 to 177 millions on May 14, but since that date an increase to 217 millions on December 30 is noted.

During the early part of the year the Federal Reserve Banks lost gold, largely through export to South America and to the Orient, and on March 26 total gold holdings were 1,935 millions, marking a reduction of 128 millions from January 2. Since that time, partly as the result of gold shipments from England in anticipation of the maturity of the Anglo-French bonds on October 15, there has been an increase in gold reserves, the total of 2,059.3 millions on December 30 being only 3.3 millions below the total shown on January 2. During the latter part of the year all the gold held with foreign agencies, except 3.3 millions held by the Bank of France for Federal Reserve Bank account, was returned to this country. Since the gold held abroad was counted as part of the Banks' reserves, its transfer from abroad has had no effect on the reserve ratio. Total cash reserves show an increase of 127.9 millions, or from 2,121.3 millions on January 2 to 2,249.2 millions on December 30, the larger part of the increase being due to deposits of silver by the United States Treasury.

Interbank discounting showed a considerable increase about the end of April, when nearly 150 millions of rediscounted bills were carried by the Boston, New York and Cleveland Banks for seven other Reserve Banks. After a slight recession these operations were resumed on an increasing scale early in August, and on October 29 the Boston, Philadelphia and Cleveland Banks reported a maximum for the year of over 247 millions of bills held under discount for eight other Reserve Banks. At the close of the year total discounts of the above three Banks included 115.3 millions of paper discounted for five other Reserve Banks in the South and Middle West.

During the year the paid-in capital of the Federal Reserve Banks increased from 87.4 to 99.8 millions or by 12.4 millions, corresponding to an increase of over 411 millions in capital and surplus of member banks. This gain is due primarily to increases in capitalization of existing member banks and to a smaller extent to accessions of new members.

The reserve ratio of the Federal Reserve Banks, as a consequence of the changes detailed above, is higher at the end of the year than at its beginning, the percentage being 45.4 on December 30, compared with 43.7 on January 2. The ratio was brought up to 44.5 per cent on June 18, and to 45.5 per cent, the maximum for the year, on December 17, the Fridays following two of the quarterly income tax dates.

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RESOURCES AND LIABILITIES OF THE TWELVE FEDERAL RESERVE BANKS COMBINED.

	December 30, 1920	December 23, 1920	Jan. 2, 1920
<b>RESOURCES</b>			
Gold and gold certificates	\$263,952,000	\$273,749,000	\$239,609,000
Gold settlement fund - F. R. Board	356,244,000	363,723,000	363,723,000
Gold with foreign agencies	3,300,000	3,300,000	131,320,000
Total gold held by banks	623,496,000	640,772,000	734,652,000
Gold with Federal Reserve Agents	1,276,214,000	1,253,492,000	1,205,596,000
Gold redemption fund	159,623,000	161,538,000	122,367,000
Total gold reserves	\$2,059,333,000	\$2,055,802,000	2,062,615,000
Legal tender notes, silver, etc.	189,830,000	180,952,000	58,657,000
Total reserves	2,249,163,000	2,236,754,000	2,121,272,000
Bills discounted (Secured by Government war obligations)	1,141,036,000	1,177,263,000	1,484,262,000
(All other)	1,578,098,000	1,554,428,000	746,925,000
Bills bought in open market	255,702,000	241,167,000	574,631,000
Total bills on hand	2,974,836,000	2,972,858,000	2,805,818,000
U. S. Government bonds	26,859,000	26,859,000	26,836,000
U. S. Victory notes	69,000	69,000	64,000
U. S. Certificates of indebtedness	261,263,000	281,253,000	349,090,000
Total earning assets	3,263,027,000	3,281,039,000	3,181,808,000
Bank premises	18,450,000	18,168,000	10,369,000
Uncollected items and other deductions from gross deposits	717,227,000	761,005,000	1,171,778,000
5% Redemption fund against F. R. Bank notes	12,752,000	12,652,000	13,130,000
All other resources	8,898,000	8,417,000	5,733,000
<b>TOTAL RESOURCES</b>	6,269,517,000	6,318,035,000	6,504,090,000
<b>LIABILITIES</b>			
Capital paid-in	99,770,000	99,458,000	87,433,000
Surplus	164,745,000	164,745,000	120,120,000
Government deposits	27,639,000	26,049,000	38,920,000
Due to members - Reserve account	1,748,979,000	1,721,391,000	1,922,800,000
Deferred availability items	522,638,000	539,261,000	944,884,000
Other deposits, including foreign government credits	22,161,000	23,652,000	116,307,000
Total gross deposits	2,321,417,000	2,310,353,000	3,022,911,000
F. R. notes in actual circulation	3,344,686,000	3,404,931,000	2,998,992,000
F. R. Bank notes in circulation - net liability	216,960,000	218,832,000	258,561,000
All other liabilities	121,939,000	119,716,000	16,073,000
<b>TOTAL LIABILITIES</b>	6,269,517,000	6,318,035,000	6,504,090,000
Ratio of total reserves to net deposit and F. R. note liabilities combined	45.4%	45.1%	43.7%
Ratio of gold reserves to F.R. notes in circulation after setting aside 35% against net deposit liabilities	50.5%	49.8%	49.5%

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RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS DECEMBER 30, 1920

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	R E S O U R C E S												(In thousands of dollars)
	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St. Louis	Minn.	Kans.	Cy. Dallas	San Fran.	Total
Federal Reserve Bank of													
Gold and gold certificates	11,780	135,046	6,082	10,907	5,701	8,729	29,035	5,120	9,125	4,016	9,903	28,508	263,952
Gold settlement fund - F.R. Board	41,206	36,435	53,119	81,726	21,767	4,195	33,155	21,853	10,249	21,686	2,361	28,492	356,244
Gold with foreign agencies	241	1,211	264	270	162	119	393	155	89	158	86	152	3,300
Total gold held by banks	53,227	172,692	59,465	92,903	27,630	13,043	62,583	27,128	19,463	25,860	12,350	57,152	623,496
Gold with F. R. Agents	135,357	254,575	132,916	177,694	53,917	60,836	198,554	49,668	25,905	41,248	26,484	119,060	1,276,214
Gold redemption fund	18,252	39,000	8,851	14,603	6,617	10,213	33,252	6,087	3,079	4,853	4,447	10,369	159,623
Total gold reserves	206,836	466,267	201,232	285,200	88,164	84,092	294,389	82,883	48,447	71,961	43,281	186,581	2,059,333
Legal tender notes, silver, etc.	12,322	143,975	1,025	2,126	361	1,999	13,944	6,021	257	2,313	4,351	1,136	189,830
Total reserves	219,158	610,242	202,257	287,326	88,525	86,091	308,333	88,904	48,704	74,274	47,632	187,717	2,249,163
Bills discounted: (a)													
Secured by Govt. war obligations	78,741	445,926	115,677	95,424	43,288	61,972	142,623	44,707	18,006	30,012	15,037	49,623	1,141,036
All other	99,802	458,313	57,886	103,909	69,598	72,177	333,246	69,511	63,663	81,082	53,848	115,063	1,578,098
Bills bought in open market (b)	19,532	109,902	12,893	26,581	5,252	3,492	25,961	1,146	1,413	2,017	247	47,266	255,702
Total bills on hand	198,075	1,014,141	186,456	225,914	118,138	137,641	501,830	115,364	83,082	113,111	69,132	211,952	2,974,836
U. S. Government bonds	539	1,468	1,434	834	1,233	114	4,490	1,153	116	8,867	3,979	2,632	26,859
U. S. Victory notes	5	50	-	10	-	3	-	-	-	1	-	-	69
U. S. Certificates of indebtedness	21,705	59,692	30,747	23,799	12,262	16,672	39,612	16,082	8,480	12,820	8,300	11,092	261,263
Total earning assets	220,324	1,075,351	218,637	250,557	131,633	154,430	545,932	132,599	91,678	134,799	81,411	225,676	3,263,027
Bank premises	2,697	4,377	681	1,649	1,447	629	2,379	891	658	1,041	1,639	362	18,450
Uncollected items and other de-													
ductions from gross deposits	57,596	139,020	66,789	73,367	58,487	34,597	90,431	40,000	20,359	53,618	40,355	42,608	717,227
5% Redemption fund against F. R.													
Bank notes	1,072	2,766	1,300	1,239	601	614	1,820	623	550	916	586	665	12,752
All other resources	521	1,584	1,055	318	1,177	304	939	623	298	374	1,061	644	8,898
TOTAL RESOURCES	501,368	1,833,340	490,719	614,456	281,870	276,665	949,834	263,640	162,247	265,022	172,684	457,672	6,269,517
(a) Includes bills discounted for													
other F. R. Banks, viz:	16,575	-	17,109	81,573	-	-	-	-	-	-	-	-	115,257
(b) Includes bankers' acceptances													
bought from other F.R. Banks:													
Without their endorsement	-	-	-	-	-	-	-	-	-	-	-	6,917	6,917

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# RESOURCES AND LIABILITIES OF THE FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS DECEMBER 30, 1920

(In thousands of dollars)

## LIABILITIES

Federal Reserve Bank	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St. Louis	Minn.	Kans. Cy.	Dallas	San Fran.	Total
Capital paid-in	7,718	26,376	8,485	10,654	5,269	4,053	13,913	4,364	3,457	4,456	4,098	6,927	99,770
Surplus	12,351	51,308	13,069	13,712	8,067	7,050	23,917	5,884	5,178	8,395	4,152	11,662	164,745
Government deposits	2,453	2,260	2,271	4,305	365	795	3,816	2,154	1,878	1,155	1,798	4,389	27,639
Due to members - reserve account	116,600	693,474	106,675	145,617	56,710	48,345	240,241	65,660	43,882	74,521	44,593	112,661	1,748,979
Deferred availability items	42,720	94,273	49,191	58,313	40,948	21,446	59,610	35,003	16,291	45,056	28,308	31,479	522,638
Other deposits including foreign government credits	716	11,284	1,202	413	270	251	1,946	542	512	469	268	4,288	22,161
Total gross deposits	162,489	801,291	159,339	208,648	98,293	70,837	305,613	103,359	62,563	121,201	74,967	152,817	2,321,417
F. R. notes in actual circulation	291,196	864,516	280,960	350,725	155,162	175,166	548,191	136,610	80,067	111,874	79,474	270,745	3,344,686
F. R. Bank notes in circulation - net liability	20,441	38,741	22,581	22,715	11,489	15,271	38,984	9,524	7,713	14,241	7,124	8,136	216,960
All other liabilities	7,173	51,108	6,285	8,002	3,590	4,288	19,216	3,899	3,269	4,855	2,869	7,385	121,939
TOTAL LIABILITIES	501,368	1,833,340	490,719	614,456	281,870	276,665	949,834	263,640	162,247	265,022	172,684	457,672	6,269,517

## MEMORANDA

Ratio of total reserves to net deposit and F. R. note liabilities combined, per cent	55.3	40.0	54.2	59.1	45.4	40.7	40.4	44.5	39.8	41.4	41.8	49.3	45.4
Contingent liability as endorser on discounted paper rediscounted with other Federal Reserve Banks	-	-	-	-	10,000	33,659	-	-	14,801	29,086	27,711	-	115,257
Bankers' acceptances sold to other F. R. Banks without endorsement	-	6,917	-	-	-	-	-	-	-	-	-	-	6,917
Contingent liability on bills purchased for foreign correspondents	1,168	6,076	1,280	1,312	784	576	1,904	752	432	768	416	736	16,204

## FEDERAL RESERVE NOTES OUTSTANDING AND IN ACTUAL CIRCULATION

F. R. notes outstanding	305,503	1,030,354	293,624	379,751	161,252	179,946	634,429	155,722	81,836	118,605	84,714	313,144	3,738,880
F. R. notes held by banks	14,307	165,838	12,664	29,026	6,090	4,780	86,238	19,112	1,769	6,731	5,240	42,399	394,194
F. R. notes in actual circulation	291,196	864,516	280,960	350,725	155,162	175,166	548,191	136,610	80,067	111,874	79,474	270,745	3,344,686

## 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	1,632,885	280,406	430,676	311,619	63,548	2,719,134
Bills bought in open market	87,030	64,745	76,805	27,122	-	255,702
U. S. Certificates of indebtedness	10,924	3,446	4,499	9,492	232,902	261,263

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FEDERAL RESERVE AGENTS' ACCOUNTS AT CLOSE OF BUSINESS DECEMBER 30, 1920.  
(In thousands of dollars)

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Federal Reserve Agent at R E S O U R C E S	Boston	New York	Phila.	Clevel.	Richm.	Atlanta	Chicago	St.Louis	Minn.	Kans.Cy.	Dallas	San Fran.	Total
Federal Reserve notes on hand	118,840	168,000	23,380	31,080	25,579	60,390	123,360	23,780	9,440	3,820	14,170	36,540	638,379
Federal Reserve notes outstanding	305,503	1,030,354	293,624	379,751	161,252	179,946	634,429	155,722	81,836	118,605	84,714	313,144	3,738,880
Collateral security for Federal Reserve notes outstanding:													
Gold and gold certificates	5,600	209,608	-	22,775	-	3,500	-	6,060	13,052	-	4,331	-	264,926
Gold redemption fund	19,757	9,967	17,527	19,919	2,917	3,336	10,410	4,077	1,653	3,888	5,919	19,226	118,596
Gold settlement fund-F.R.Board	110,000	35,000	115,389	135,000	51,000	54,000	188,144	39,531	11,200	37,360	16,234	99,834	892,692
Eligible paper -													
Amount required	170,146	775,779	160,708	202,057	107,335	119,110	435,875	106,054	55,931	77,357	58,230	194,084	2,462,666
Excess amount held	27,929	207,707	7,661	22,493	9,840	16,263	65,544	9,152	13,302	35,574	10,902	3,972	430,339
<b>TOTAL</b>	<b>757,775</b>	<b>2,436,415</b>	<b>618,289</b>	<b>813,075</b>	<b>357,923</b>	<b>436,545</b>	<b>1,457,762</b>	<b>344,376</b>	<b>186,414</b>	<b>276,604</b>	<b>194,500</b>	<b>666,800</b>	<b>8,546,478</b>
<b>L I A B I L I T I E S</b>													
Federal Reserve notes received from Comptroller - gross	761,000	2,420,080	680,580	728,220	410,680	418,680	1,278,460	405,000	188,120	269,500	196,960	602,920	8,360,200
Less amounts returned for destruction	336,657	1,221,726	363,576	317,389	223,849	178,344	520,671	225,498	96,844	147,075	98,076	253,236	3,982,941
Net amount of Federal Reserve notes received from Comptroller of the Currency	424,343	1,198,354	317,004	410,831	186,831	240,336	757,789	179,502	91,276	122,425	98,884	349,684	4,377,259
Collateral received from Federal Reserve Bank:													
Gold	135,357	254,575	132,916	177,694	53,917	60,836	198,554	49,668	25,905	41,248	26,484	119,060	1,276,214
Eligible paper	198,075	983,486	168,369	224,550	117,175	135,373	501,419	115,206	69,233	112,931	69,132	198,056	2,893,005
<b>TOTAL</b>	<b>757,775</b>	<b>2,436,415</b>	<b>618,289</b>	<b>813,075</b>	<b>357,923</b>	<b>436,545</b>	<b>1,457,762</b>	<b>344,376</b>	<b>186,414</b>	<b>276,604</b>	<b>194,500</b>	<b>666,800</b>	<b>8,546,478</b>