

SECOND ANNUAL REPORT
OF THE
FEDERAL RESERVE BOARD

FOR THE YEAR ENDING
DECEMBER 31
1915



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PART I.

REPORT OF THE FEDERAL RESERVE BOARD, WITH EXHIBITS.

ANNUAL REPORT OF THE FEDERAL RESERVE BOARD.

FEDERAL RESERVE BOARD,
Washington, February 1, 1916.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES:

SIR: The first annual report of the Federal Reserve Board, rendered in accordance with the requirements of section 10 of the Federal Reserve Act, was transmitted under date of January 15, 1915, at a time when the Federal Reserve Banks had barely begun active business operations. The Board herewith submits its second report, the first that permits a review of the actual operation of the new system.

In order to provide a complete account of the working of the Federal Reserve System, the Board has called upon each Federal Reserve Agent for a detailed report of the operations and problems of his bank during the year 1915.

The various Federal Reserve Agents have responded fully, and their reports are published as part 2 of this report. Owing to the similarity of problems and experiences in the various districts, it is inevitable that these reports to a certain extent should all cover the same ground, and repetitions were therefore unavoidable, both in the body of the reports and in the statistical material furnished. The Board has, however, deemed it best to present them in somewhat condensed form, in the belief that such publication will furnish very desirable information and will be welcome in this form, particularly to member banks desiring information concerning conditions and operations in any particular district.

GENERAL CONDITION OF MONEY MARKET.

A condition of remarkable ease has been the outstanding feature of the money market of the country during the first year of operation under the Federal Reserve Act. Whatever other causes may have contributed to this result, much of it is due to the stability established and the feeling of security inspired, by the new banking system; so much of it, indeed, as to afford a striking vindication of the wisdom of the law and the efficiency of the agencies of its administration even in advance of the fuller development of their activities. The test of a banking and financial system is its operation. More than a year will be needed for an adequate test of our new banking system. The year which has passed, however, has, owing

to the continuance of the economic disturbances and financial uncertainties engendered by the European war, been of more than ordinary significance in supplying experience of the kind that tests the strength of a financial and credit system, and deserves, therefore, extended notice as a period of importance in the history and working of the Federal Reserve Act.

The year 1915 has been a period of marked and sudden transition. In almost every department of financial life conditions have been completely altered. At the close of 1914 foreign commerce was uncertain, business conditions depressed, manufacturing conducted upon a somewhat restricted basis, a considerable floating indebtedness to foreign countries had still to be liquidated, the commodity exchanges of the country were either closed or operating under very great limitations. To-day the export trade of the country has reached the high-water mark, manufacturing is active in nearly all lines and in nearly all sections of the country. Demand for practically all agricultural products is strong, the commodity exchanges of the country are open, depression in business life has given way to a condition of extreme activity. The change has been most notable in certain special industries, where the transformation of conditions has been so great as to be startling. In this fundamental change affecting the whole basis of business and commercial life throughout the country, it has been the part of wisdom that Federal Reserve Banks should conserve their resources and hold themselves in readiness to meet any unexpected developments in the situation. This object has been constantly held in view both by the Federal Reserve Banks themselves and by the Federal Reserve Board. Preparedness and efficiency have, indeed, been the important elements in the Board's policy, and this policy, together with the disturbed conditions abroad which have prevented the reserve banks from engaging in certain classes of operations open to them under the Act, have naturally limited the scope of the operations for the first year of their existence.

GROWTH OF EXPORT TRADE.

The financial history of the year has been to an unprecedented extent founded upon development of the export trade of the United States. That trade, which had been in many departments almost prostrate immediately after the opening of the European war, promptly recovered its vigor in many branches, so that during the early stages of the year's operations, terminating about February, 1915, a surplus of exports, largely of agricultural products, was used to liquidate floating indebtedness existing at the opening of the war. This debt the Board soon after its organization estimated at about \$500,000,000. Since then large surpluses of exports have been paid for to a consid-

erable extent through the return of American securities held by foreign owners. Still later, the international balances resulting from continued purchase of goods were settled largely upon a credit basis, aided by sales and transfers of securities sent by foreign owners to the United States. It has been only within the past few months that there can be said to have been restoration of general activity resulting in the development of conditions likely to be ultimately reflected in demands upon the Federal Reserve Banks. There has been within the past few months a very great expansion of loans and deposits by member banks, as is shown by the fact that, whereas the combined loans of national banks were \$6,347,636,570.27 at the end of 1914, they were, on November 10, 1915, \$7,233,928,973.15; while total deposits between the said dates have increased from \$8,236,468,374.36 to \$10,157,472,691.86. These facts would seem to indicate that it is prudent to be prepared for a time when the reserve resources of the country will be subjected to a severe test and when the leadership and the operations of the Federal Reserve Banks will become correspondingly more influential.

DEFINITION OF PAPER.

The Board has devoted itself to a definition of different classes of paper which, under the terms of the Federal Reserve Act, may be considered eligible for discount at Federal Reserve Banks, seeking to classify and describe the various kinds, and to fix the qualifications of eligibility upon a reasonable and unmistakable basis which should make clear to the commercial world the conditions to be observed in dealings with Federal Reserve Banks. It has prepared with great care regulations fixing conditions under which banks other than national may be admitted to the system, in order that State institutions may have adequate opportunity to join and ample notice regarding the conditions under which they may be admitted to membership.

The Board has given much attention to the adoption of appropriate measures designed to facilitate the movement of exports and of others intended to promote the ready movement of crops. All this has been done upon a basis furnished by the general work previously accomplished in defining commercial paper and in issuing standard regulations designed to describe the essential elements of the principal types. Very satisfactory results have been accomplished through these efforts. The crop-moving season has been unusually easy with exceptionally little strain or indication of stringency in any locality. The process of financing an enormous and abnormal movement of exports has proceeded without shock. The development of the bankers' acceptance, by means of which American institutions are beginning to occupy a leading place in the financing of the world's international trade, has gone steadily forward. The total amount of

such acceptances outstanding at the close of the year 1915 is estimated at fully \$100,000,000—an auspicious beginning in this branch of business and one of significant importance, not only with regard to the service rendered to many who would otherwise have suffered from the withdrawal of European credit facilities, but also because of the valuable field of investment thereby opened to the Federal Reserve Banks themselves. Much, nevertheless, remains to be done. Conditions in the principal financial markets of Europe have been such that the Board has not deemed it wise to encourage the several reserve banks either to establish agencies abroad or to embark actively upon foreign exchange transactions. The coming year will see large progress in all of these respects. Foreign banking operations in some fields at least, it is hoped, will not be long deferred; and as business returns to a normal condition abroad, this branch of the operations of the Federal Reserve Banks will steadily and rapidly expand.

The operations of the banks have been limited in their scope by the fact that there was a great volume of fluid resources, due partly to the release of reserves which occurred simultaneously with the opening of the banks and partly to general conditions which have relieved the reserve institutions of demands that would otherwise have been brought to bear upon them, the most striking feature of which is the great inflow of foreign gold into the United States in consequence of enormous sales to foreign countries. As a result of these conditions, the direct discounts of reserve banks for member banks have at no time been much in excess of \$30,000,000, notwithstanding that practically every type of commercial paper available for discount at Federal Reserve Banks has been defined and described. Believing that until a firm basis for discount operations had been laid and the organization of the Federal Reserve Banks completed it would be wise to defer any general provision for open-market operations, the Board during the early part of the year confined its instructions and regulations to those classes of open-market operations which were deemed most immediately essential. Included in this category were purchases and sales of Government bonds, bankers' acceptances, and municipal warrants. More recently, in a letter of October 8, confirmed by a circular and regulation of December 6, the Board authorized the several institutions to purchase, at rates to be fixed by them within certain limits prescribed by the Federal Reserve Board, all those classes of bills of exchange which are by the Act made eligible for rediscount. It may be noted that, as shown by analysis of a recent combined statement of all Federal Reserve Banks, more than 75 per cent of the aggregate investments held by them have been obtained through open market operations in government bonds, warrants, acceptances, and com-

mercial paper. They have, therefore, open to them a wide field of operation, and there is to-day no reason why they should not employ their resources as largely as prudence and the requirements of good banking dictate.

DISCOUNT POLICY.

The Board has endeavored during the past year to develop a consistent discount policy, graduating its rates according to the maturity and character of paper discounted or purchased in the open market. Beginning at the opening of the system with a comparatively high rate for ordinary commercial paper and with more or less variation between the different districts, the reserve banks have during the year steadily reduced the general level of discount rates and have worked rapidly and effectively toward uniformity for the entire country. It may not be practicable to maintain uniform rates throughout the twelve districts, but they should unquestionably bear a consistent relation one to another, while a very much greater adherence to uniformity than before the enactment of the Federal Reserve Act will undoubtedly be secured. At the close of 1915 the lowest rates made by the Federal Reserve Banks for any class of paper were those on bankers' acceptances, approved by the Board at from 2 to 4 per cent, but running in actual practice only a little above the lower limit thus stated. Trade acceptances at a prevailing rate of about $3\frac{1}{2}$ per cent, very short-term maturities for ordinary commercial paper at 3 to $3\frac{1}{2}$ per cent, and longer term paper up to 90 days at a current rates of 4 and $4\frac{1}{2}$ per cent were the outstanding features of the discount-rate situation. The fact that commodity paper, that is, notes and bills secured by readily marketable staples, has been acquired in large amounts at rates from 3 to $3\frac{1}{2}$ per cent, and that long-term agricultural paper has, subject to the restrictions of the law, been freely taken by the reserve banks wherever offered, shows what the system can do for the agricultural short-time borrower.

More immediately important to the actual borrower than the rates maintained at the reserve banks are those established by the member banks for their customers. It is an undoubted fact that rates for good commercial paper have never approached so uniform a level in the United States as during the last year—a condition due to a variety of circumstances, prominent among which is the operation of the Federal Reserve System. It is as yet premature to speak positively on this subject, inasmuch as lending conditions and interest rates of the year 1915 are not to be regarded as normal. There can, however, be no doubt that during the year the effect of the Federal Reserve System, heightened as it has been by the steady inflow of gold from foreign countries, has resulted in a material reduction of and marked approach to uniformity of rates throughout large sections of the United States.

With our vast export trade giving rise, as it does, to an enormous quantity of foreign bills; with the gradual growth of the practice of drawing documentary bills against domestic shipments; and with the increasing tendency on the part of business men to put their paper into the trade-acceptance form in lieu of the promissory note, the Federal Reserve Banks should have no difficulty in amply supplying themselves in due time with such amounts of paper as they may deem desirable. Up to the present time it is the judgment of the Board that the banks have acted prudently in abstaining from entering the foreign field or from engaging more actively in open-market transactions than they have. Money rates have been unprecedentedly low, and any attempt of the Federal Reserve Banks to attract business by further reduction of their rates might only have produced a further depression of rates and increased the danger of inflation of credit without, at the same time, bringing additional business to the Federal Reserve Banks. Under ordinary conditions the power to engage in open-market operations will be an important factor in the control of discount rates by the Federal Reserve Banks.

The policy of the Board, for reasons already indicated, has been one of conservatism. When prevailing money rates harden, as they may be expected to in time, it will be the policy of the Board to encourage the Federal Reserve Banks, through the active purchase of paper and the increase of investments, to release funds, and thereby to steady rates at what it conceives to be the normal level.

BANKS AS FISCAL AGENTS.

An important step toward the enlargement of the scope of the reserve banks and the complete enforcement of the Federal Reserve Act was taken by the Secretary of the Treasury on November 23, when he designated the reserve banks as fiscal agents. Under his direction there were transferred, on January 1, 1916, to the reserve banks funds already on deposit with the member banks in the Federal reserve cities, an aggregate of about \$9,000,000. Thus has been begun the important fiscal reform of receiving and disbursing the funds of the United States through the Federal Reserve Banks. Prior to the action thus taken in designating all of the reserve banks as fiscal agents the Secretary of the Treasury had already placed with three of the banks public moneys under the provision which authorizes him to employ them as depositories and had offered to make similar deposits in the Federal Reserve Banks of St. Louis, Kansas City, and Minneapolis. The banks in which deposits were made were the Federal Reserve Banks of Richmond, Atlanta, and Dallas, \$5,000,000 being placed with each. Of this sum, \$14,000,000 was transferred through the instrumentality of the gold fund at Washington, and \$1,000,000 was directly deposited in cash. The reasons

of the Secretary of the Treasury for making these deposits are stated in his annual report to Congress in December, 1915.

COTTON CROP MOVEMENT.

Because of the difficult international conditions, the Federal Reserve Board early in the summer felt that it would be advisable to be prepared for any contingency that might arise in connection with the marketing of the cotton crop. Fears for the situation were widespread in the South, some pessimistic observers predicting a repetition of the disastrous experiences of 1914. The Board, therefore, in June, 1915, appointed a special committee to study the condition and needs of the cotton-growing districts. The committee, realizing the importance of fostering a financial condition in which producers would not be obliged to sacrifice their cotton, but would be assisted in the gradual and orderly marketing of the crop, began its work by investigating warehouse facilities in the cotton belt and by making a careful study of the laws governing warehousing in the Southern States. It also informed itself regarding the extent of crop diversification, which early in the year had been strongly urged by the Department of Agriculture and by bankers' associations in the South. It ascertained that the cotton acreage had been greatly reduced and that food crops had been planted to a greater extent than in previous years, and it was not long in reaching the conclusion that the yield of cotton would be much less than was the case in 1914. Finding the storage facilities for such portion of the crop as might have to be carried over generally adequate, it recommended the creation of a special kind of accommodation to assist those producers who, having made their crop, might desire temporarily to withhold a portion of it from the market. The committee entertained the view that warehouse receipts for cotton, grain, and other staple, nonperishable agricultural products of a readily marketable character, form an excellent basis for bank loans, particularly as under the terms of the Federal Reserve Act and the regulations of the Board, notes thus secured are eligible for rediscount by Federal Reserve Banks.

During the summer, the committee developed a method by which producers could secure low rates upon loans secured in this manner, and in order to encourage cooperation between member banks and producers, the Board issued on September 3, 1915, its commodity paper regulation which provided that notes secured by nonperishable staple commodities, having a specified date of maturity, and upon which member banks had not charged a rate of interest or discount, including all commissions, of more than 6 per cent per annum, should be eligible for rediscount in Federal Reserve Banks at a preferential rate. It should be especially noted that this commodity rate, so called, was

not confined to any section of the country or to loans secured by any one commodity, but was general in its nature. It applied not to cotton alone, but to other staple products, such as grain, sugar, and wool. It was, in fact, adopted by several of the reserve banks, some of them, however, receiving but little business under it owing to the abundance of funds in member banks.

The Board, moreover, in the exercise of the powers conferred upon it by the Federal Reserve Act, was fully prepared to set in operation, if it should become necessary, at rates to be fixed by it, the machinery of interbank rediscounting, in order to make available for Federal Reserve Banks requiring larger resources the available funds of other reserve banks, the collective strength of the reserve system as a whole being far in excess of any demands that might reasonably be expected to be brought to bear upon it at that time.

The Board's commodity paper regulation was issued September 3, 1915, well before the time when the movement of the cotton crop could be expected to give rise to drafts upon the southern banks, and it was some time, therefore, before any considerable number of applications for loans at the commodity rate was made. During the month of November the southern reserve banks converted many of their loans into the commodity form. Such loans aggregated \$10,300,000 to the end of the year, \$7,500,000 being the volume outstanding on December 30, 1915.

The effect of the commodity paper regulation was mainly anticipatory and protective. The certain assurance that whatever funds might be necessary for the gradual and orderly marketing of the cotton crop would be available at moderate rates had an immediate and stimulating effect on sentiment. Other factors which contributed to the same result were the evidences of an early and active buying movement and the realization that the cotton yield would be much less than that of 1914. Within 60 days, prices advanced from 8 cents to 12 cents per pound. There was a steady movement of the staple to primary markets, the price of cotton seed advanced to a figure that added from \$20 to \$25 a bale to the farmer's income, and comparatively little cotton had to be carried by banks for producers.

CURRENCY MOVEMENT.

The fact that there has been no demand for inter-bank rediscounts, and that the autumn season has passed without the usual stringency due to the necessities of crop moving, point conclusively to the benefits derived from the Federal Reserve System. It is quite true, as has often been observed, that the great release of reserves under the Federal Reserve Act produced an unusual ease of money the country over. This general ease, however, would not of itself have solved the difficulty of crop moving, or have met the regu-

larly recurring currency requirements of the various agricultural sections of the country. These requirements have been met during the present year without the great movement of currency that has been necessary in former years, and at a very greatly reduced cost to the community. This favorable result is largely due to the operation of the national clearance system conducted by the Board by means of the gold settlement fund at Washington. This fund now aggregates about \$80,000,000 and since the beginning of June, when it was inaugurated, about a billion dollars have been cleared at a negligible expense of a thousand dollars. The benefits derived in this connection are a conclusive demonstration of the merits of the reserve system in disposing of one of the Nation's most troublesome and most discussed financial problems of former years.

FOREIGN BORROWING.

In the course of the year's operations the Board has received many inquiries with reference to its attitude toward foreign borrowing in the United States, and its policy with reference to the obligations of foreign governments. The subject has received careful attention, and the Board has reached the conclusion that its province should be primarily that of overseeing the regular business operations of the Federal Reserve Banks without endeavoring to direct them. It has further reached the conclusion, supported by competent legal advice, that the purpose for which goods are sold or exported, or the use to which such goods are ultimately put, does not fall within its province or jurisdiction. If the transactions which have given rise to such sales or shipments are of a true commercial nature, if the basis upon which they rest is such as to comply with the requirements of the Federal Reserve Act, and if the maturity of the loan falls within the limitation of the law, then the paper growing out of them, no matter by whom or for what drawn, may at will be discounted by Federal Reserve Banks, and must be regarded as falling within the legitimate sphere of their operations. The Federal Reserve Act makes no provision for collateral bond or stock loans, or for the purchase by reserve institutions of foreign governments' obligations. Neither such obligations, therefore, nor loans to member banks based thereon are eligible as investments for Federal Reserve Banks. The operation of the reserve system is a matter of business to be conducted in accordance with the terms of the Reserve Act and the regulations of the Board. It is not the province of the Board to deal with problems involving international relationships of the United States, either for the purpose of restricting or extending exportations.

The eligibility of paper for reserve banks is determined by considerations which are as valid under one set of international relation-

ships as another; the function of passing upon and dealing in such paper under these regulations belongs to the several reserve banks. The Board, however, believes that the financing of the country's export trade is at the present time one of the most important financial problems with which the nation has to deal; and it is of the opinion that Federal Reserve Banks can not, even if they would, avoid their legitimate and proper share of responsibility of assisting in this process of financing.

STANDARDIZATION OF COMMERCIAL PAPER.

The belief of the Board that the Federal Reserve Banks are now in position to render efficient service in the event of stringency is in no small part based upon the response of member banks to the efforts of the Board in standardizing and unifying types of commercial paper and borrowing practices. It was a current remark when the Federal Reserve Act was under consideration that member banks would find but little of the kinds and maturities of paper made eligible for rediscount. Experience has shown the exaggerated character of this view, but it has also shown the desirability, not to say necessity, of securing a thorough standardization of paper in order that those items which might perhaps be open to technical objections should be plainly and obviously brought within the requirements of the law, and in order that member banks may obtain experience and facility in carrying through rediscount operations. In this regard much progress has been made; and many banks which believed at the opening of the year that no considerable part of their paper would be available for rediscount, now recognize that a substantial proportion of it either is already eligible or may easily be made to comply with the provisions of the law. With the aid and cooperation of Federal Reserve Agents, country bankers have been made acquainted not only with the terms of the Act, but with the Board's regulations, and it is believed that in the event of necessity, the flow of paper to Federal Reserve Banks for discount with a view to obtaining additional accommodations will be prompt and will continue steady.

During the past year the Board has held many conferences for the purpose of developing a better understanding of the duties of the Federal Reserve System and the meaning of the Federal Reserve Act, as well as for the purpose of obtaining advice and suggestions regarding problems that were before it for solution and for developing uniformity of operations upon the highest basis of efficiency.

The regulations of the Board have been prepared with a view to the necessities of practically every part of the country, including both agricultural and city constituencies, and there is now no reason why prompt and ready relief should not be rendered at any time of difficulty, or why regular relations should not be maintained

with member banks desiring accommodation in the furtherance of their business. It will be possible from this time forward greatly to simplify circulars and regulations with such few changes in substance as may be needed. At the present moment active business relations are maintained by Federal Reserve Banks with a substantial number of member banks and this number is steadily on the increase. The reserve banks are, in short, living and active members of the banking community, and not only have done a creditable amount of business thus far, incidentally relieving many strained and difficult situations, but have prepared the way for a very much larger scope of activity in the event of necessity. Meantime they have had a most important influence in securing reasonable rates for rediscounts to member banks from their correspondents. They have performed both an educational and a commercial function. In the further and progressive development of their reserve functions under the Federal Reserve Act they have, in accordance with the terms of the Act, received from member banks, under date of November 16, an additional installment of reserves, amounting from country banks to one-twelfth, and from reserve city banks to one-fifteenth of their total required reserves. Some member banks, recognizing the wisdom of maintaining the reserve institutions in as efficient a condition as possible, have already adopted the practice of keeping with their reserve bank excess balances over and above their minimum required reserves. For all these reasons the reserve banks find themselves in much stronger position than they were a year ago, the aggregate of their gold and lawful money being \$345,260,000 on December 31, as against \$229,069,000 on the same date a year earlier. It is hoped that as the system further develops member banks may, both as a matter of convenience to themselves and in order to strengthen their Federal Reserve Banks, adopt the plan of keeping with their reserve banks larger excess balances.

UNIFICATION OF BANKING.

In this process of developing the reserve power, of cultivating good relations with member banks, of educating their members to a recognition of the true theory upon which the reserve system is founded, and of otherwise carrying on the larger purposes aimed at by the Federal Reserve Act, the Board has been mindful of the delicate and important duty of unifying, so far as possible, the banking system of the country—a duty plainly imposed upon it by the provisions of the statute. This duty has presented itself in two ways—in the broadening of the power of national banks in such a way as to afford them such advantages as were deemed consistent with safety, and in the admission of State institutions to membership in the

reserve system. It was no doubt the view of the framers of the Federal Reserve Act that, because of the admission of State institutions to the full advantages of the law, national banks should be in some measure compensated by the granting of certain auxiliary privileges—the reduction of reserves against savings accounts, the extension of the power to act as trustee, executor, administrator, etc., and in other ways. The Board, however, deemed it essential that such grants of fiduciary authority should be made only to those institutions whose past record and present condition are such as to furnish evidence of their worthiness to be thus recognized. It has instituted careful examination into the condition of each institution making application for such powers, after a method fully described in this report, and has not scrupled to reject the applications of many banks which, although in a sound and solvent condition, were not considered to fulfil the several requirements of worthiness from a fiduciary standpoint.

It is with regret that the Board reports that its action in thus granting the powers authorized by the Federal Reserve Act to national banks has been the subject of much criticism and opposition on the part of a number of trust companies even in those States in which trust companies are engaged in the business of commercial banking in direct competition with national banks. Suits have been instituted in two or more States to test the constitutionality of section 11 (k) and to prevent by injunction or otherwise the exercise of the powers of trustee, executor, administrator, and registrar of stocks and bonds by national banks, either on the ground that the Act is unconstitutional or that the exercise of these powers is in contravention of the laws of the State in which such national banks are located. Advices have been received that similar suits will be brought in other States. The Board has authorized its counsel to intervene in these cases; to file briefs in support of the constitutionality of the Act; and to appear and argue the questions involved when this course is deemed necessary or advisable. Every effort will be made to obtain an early adjudication of this important question by the Supreme Court of the United States.

A somewhat similar, although less marked, situation has developed with respect to savings accounts. Under regulations carefully developed by the Board, it has been sought to limit the number of accounts against which reduction of reserves to 5 per cent has been permitted to those which are beyond question what they profess to be, the reduction, therefore, involving no element of danger to the liquid condition of the banks. Despite this care, some State officials have considered it their duty to attempt to restrict the development of the savings deposit function of national banks, and in California this attitude has been carried so far that the Board has recommended

to the local Federal Reserve Bank the institution of injunction proceedings, designed to protect the rights of the member banks. A similar condition of affairs exists with respect to the other branch of the process of unification—that relating to the admission of State banks and trust companies to membership. The Board has nevertheless deemed it wise to offer to all eligible State institutions the utmost freedom in associating themselves with the system, in order that there might, if possible, be developed a uniform banking system embodying as large a proportion as possible of the eligible commercial banks of the country under a single general oversight for the same general purposes—the prevention of stringency or financial difficulty and the strengthening and enlargement of the financial resources of the country. After full investigation, the Board, therefore, decided that State banks should be given, subject to suitable restrictions, the privilege of withdrawal from the system at their own option, and has in other ways endeavored to facilitate the process of affiliation. While the attitude of State banks and trust companies has been such that but 32 have been admitted to membership, 84 others have become members by conversion or by reorganization as national banks during 1915. This number, moreover, includes some of the best institutions in the country.

It is an unfortunate fact that in some of the States reserve requirements for State banks and trust companies have been materially lowered by legislative enactment since the adoption of the Federal Reserve Act. The only justification for the reduction of the reserve requirements for national banks is the fact that the national banks are members of the Federal Reserve System and that the Federal Reserve Banks hold a part of the consolidated reserves of the national banks, and are, therefore, in position to come immediately with all of their resources to the support of the national banks in case of necessity or emergency. In other words, the entire strength of the Federal Reserve System is substituted for the reduced reserve requirement of the national banks. On the other hand, where the State banks and trust companies have reduced their reserves to the same level as the national banks without becoming members of the Federal Reserve System, such State banks and trust companies have not available to them the strength and resources of the Federal Reserve Banks as a substitute for their lowered reserves. This is an element of danger in our banking system, because the weakening of the reserves of the State banks and trust companies makes them more vulnerable in times of emergency, and it is conceivable that a situation might arise in the affairs of such State banks and trust companies where they might have to call upon the credit structure of the national banks and the Federal Reserve System for support when they would not be entitled to it because they had not con-

tributed to the strength of the Federal Reserve System by taking membership in it. The Board is giving serious thought to this question, and to the action that may be taken to guard against the consequences of this situation. In the meantime the Board is firmly of the opinion that the States themselves should, instead of permitting a reduction in the reserves of State banks and trust companies, require them to maintain reserves higher than the reserves of national banks so long as such State banks and trust companies do not become members of the Federal Reserve System. It is scarcely necessary to say that the credit resources of the country would be greatly enlarged and strengthened, with corresponding benefit to business and to all the people of the country, were the State banks and trust companies to be joined together with the national banks in the homogeneous and well-organized banking system provided by the Federal Reserve Act.

It would be deplorable were feelings of State or local pride to lead any of the States into "competition" with the Federal Reserve System such as would prompt them to lower their own banking standards or reserve requirements with a view of enabling or inducing State banks to refrain from taking membership therein. The Board is satisfied that State banks gain in safety and that the States sacrifice none of their prerogatives or powers when such banks become members of the Federal Reserve System, and therefore expresses the hope that no seeming divergence of interest will be permitted to impede the establishment of higher standards of banking.

CLEARINGS AND COLLECTIONS.

Section 16 of the Federal Reserve Act made general provision for the establishment of a system of clearance of checks throughout the United States, each Federal Reserve Bank being required to act as a clearing house for its members if directed by the Federal Reserve Board, while the Federal Reserve Board was authorized to clear for the reserve banks themselves.

The Board had from the first recognized its duty to make this provision of the law effective as fully and at as early a date as conditions would permit; and in its first report spoke of this as "one of the most important responsibilities with which it is charged under the Act." So, regarding its duty in this particular, it undertook early in 1915 the preparation of a general circular and regulations intended to provide for the clearing of checks within the several Federal reserve districts, while it also took under advisement the establishment of a gold settlement fund at Washington for the purpose of clearing obligations between Federal Reserve Banks. The latter undertaking has been carried to a successful conclusion and the gold settlement fund has been in full and satisfactory operation since about the first of June. The Board, however, had not advanced

far with its work relating to the intradistrict branch of the clearance system before technical and other difficulties began to make their appearance. Many banks, both city and country, throughout the system were opposed to the enforcement of the provisions of the law because of the loss of exchange charges which would thereby be entailed upon them. Legal questions were also raised, it being argued that there is no power to compel a member bank not located in a Federal Reserve city to pay or have charged to its account at the Federal Reserve Bank of its district a check which it had not seen and approved prior to the time of presentation at its own counter. For the purpose of ascertaining the Board's powers in this connection the opinion of the Attorney General has been requested.

While the Board was not inclined to attach undue importance to objections based upon self-interest, it felt that it must take cognizance of all legal objections, and it recognized that the clearing question was essentially a reserve problem rather than a technical question or a mere matter of administration. Inasmuch as the Federal Reserve Act had granted a period of three years within which to effect the final transfer of reserves to Federal Reserve Banks (balances with correspondents counting as reserves in the meantime), there was a certain ground for objection to the immediate introduction of complete clearance at Federal Reserve Banks. As is well known, reserve balances in some reserve cities have heretofore been used for the purpose of providing for exchange and collection operations, and so long as this function on the part of city correspondents continued there was some argument in favor of deferring any compulsory application of par clearance at the reserve banks. Study of the problem, moreover, shows that, pending the time when State banks enter the system in larger numbers, it may be necessary for some member banks to collect and clear through their correspondents in reserve cities.

So complex was the situation and so serious the difficulty involved in the compulsory application of any system, however carefully conceived, that the Board felt it would be well if member banks could be brought to recognize of their own free will the advantages of a general and nation-wide clearing system—advantages which would inure not only to the benefit of the public at large, but ultimately to the direct benefit of the member banks themselves from the purely business standpoint. It therefore took under favorable consideration the question of a voluntary clearing system. Both the difficulties of a compulsory plan and the probable merits of a voluntary system had been strongly represented to the Board by the governors of the respective Federal Reserve Banks who at various meetings had thoroughly canvassed the whole situation. Under a plan, proposed by

the governors, which in most districts became effective during June, 1915, provision was made for the acceptance at par by the Federal Reserve Bank of each district of checks drawn upon any member bank of that district which had previously assented to the provisions of the scheme. It was hoped that a very large number of member banks would promptly affiliate themselves with the new system of clearing and that the natural force of economic competition would ultimately attract to it those who at first might hesitate.

This system, as already stated, became operative in most districts during June, 1915. Prior to this whole discussion, however, two districts had already undertaken the application of the clearing provision of the law. Early in December, 1914, district No. 10 and district No. 8 (Kansas City and St. Louis) had sought and obtained permission to apply to their members a complete system of required clearing. This system had been in full operation in both districts prior to the general application of the voluntary system. Upon the inauguration of the latter the directors of the Federal Reserve Bank of St. Louis deemed it wise to offer to their member banks the option of withdrawing from the clearance system if they so desired; but so successful had been the working of the plan that comparatively few retired, about 80 per cent of all continuing their membership. The Federal Reserve Bank of Kansas City continued its required system as before for the benefit of all its member banks, numbering 950. As about 365 banks continued their membership in the St. Louis district, a total of approximately 1,300 was included in the clearing system of the two districts in question. Outside of these two districts about 1,100 member banks voluntarily affiliated themselves with the clearing system within a short time after its inauguration, and there was a subsequent net inward movement of about 50 additional members, making approximately 1,150 banks which of their own free will have assented to the voluntary clearing plan. This is considerably less than 25 per cent of the institutions eligible for membership, and the proportion has been so small as to prove a severe disappointment to those who had confidently expected that the foresight and enlightened self-interest of the member banks would speedily accomplish the desired result. Some progress has been made through the action of the banks, both member and nonmember, in improving exchange conditions and in providing for the clearance of country checks at points where this practice has never before prevailed; but in the main comparatively small advance has thus far been made in rendering effective the provisions of the law requiring the standardization of exchange and clearance practices. This slowness is largely due to the failure of jobbers and merchants to appreciate the advantages of the clearance system and to enlarge its membership by insisting that their own banks join and cooperate in the plan. The

subject has recently been reopened at the conferences between the governors of the Federal Reserve Banks, the Federal Reserve Agents, the transit managers of the reserve banks, and the Board itself, with a view to extending the present system not only in the several districts themselves but as between the various districts. For many years it has been lawful for banks to count as reserves deposits with other banks. It was never the intention of the Federal Reserve Act that member banks should continue the maintenance of these reserve accounts. On the contrary, the full meaning of the Act is manifestly opposed to such an idea. It is the plain conception of the Act that the reserve banks should, to a very large extent, if not entirely, perform the work that is now being done by correspondent banks in this respect. This means that the reserve balances to be carried in the future by the reserve banks instead of by the correspondent banks should serve as the basis for a system of clearing and collecting the exchanges of the country. Whatever can be done to bring about the prompt and effective use of this new system of bank settlement will be done.

ISSUE OF NOTES.

During the year 1915 the circulation of Federal Reserve notes has increased to \$188,817,000 as of December 31, 1915. Believing that the country should be prepared against any contingency, the Board had authorized the printing of about \$700,000,000 of these notes. Almost one-quarter of the total supply printed has been placed in circulation. On December 31, 1915, however, only \$16,675,000 of notes secured by commercial paper pledged with the Federal Reserve Agents was outstanding as an obligation of the Federal Reserve Banks. The liability of the Federal Reserve Banks as to the remainder has been discharged by the deposit with the Federal Reserve Agents of a like amount of gold and lawful money. This result has been achieved by the Federal Reserve Banks in responding to requirements for currency by issuing Federal Reserve notes rather than by parting with gold. While the gold pledged with the Federal Reserve Agents represents a very valuable protection in case of a substantial demand for gold, it must be observed that the process is expensive without, at the same time, giving to the Federal Reserve Banks that additional strength and lending power which they would secure in case the law were amended so that the Federal Reserve Banks would remain liable for the outstanding notes, but, on the other hand, would retain property title to the gold delivered to the Federal Reserve Agents, which, in that case, would not be paid in to extinguish the liability upon the notes but would be deposited as collateral security against them.

Further reference is made to this subject under the head of amendments.

BRANCHES AND AGENCIES.

The question of branches of Federal Reserve Banks has received careful attention during the past year. There has been intimation from several quarters that the establishment of a branch at a given point would be acceptable to the banks of that place. Only in one instance—that of New Orleans—did the Board receive a definite request from a Federal Reserve Bank to establish a branch. Believing that New Orleans and the adjacent territory could make advantageous use of this additional banking machinery, the Board authorized the establishment of a branch of the Federal Reserve Bank of Atlanta to be located in New Orleans, and this branch was opened for business on September 10. Operations at the New Orleans branch have proceeded satisfactorily, and the institution has been of considerable use to the local banks. The branch is already more than self-supporting.

Investigation and experience have seemed to show that, at least for some years to come, the organization of branches with completely equipped offices, vaults, and the like, and with a full staff of salaried officials, will be too heavy an expense for most of the reserve banks, yet, that valuable service could be performed by local offices of the several banks in not a few places. The Board has, therefore, had under consideration the question whether establishing local agencies might not meet the requirements of the case better than the more fully organized branch office. Competent legal opinion is to the effect that the creation of such local offices is permissible under the terms of the law, and the Board believes that it may prove practicable to meet banking necessities in many sections of the country by this means.

CHANGES IN DISTRICTS.

Practically as soon as it was organized the Board received applications from various cities and districts asking for changes in the adjustments that had been made by the Organization Committee, under the Board's general power to review the findings of that body. As set forth in its first report, it appointed dates for the hearing of each case, and on May 4 it announced decisions readjusting the boundaries between the second and third, the boundaries between the fourth and fifth, and the boundaries between the tenth and eleventh districts. The details of this action are stated in Exhibit M. The appeals presented by the cities of Pittsburgh and Baltimore, which regarded their claims to designation as the site of a reserve bank as superior to the cities of Cleveland and Richmond, respectively, were not finally disposed of, the Board feeling that further experience would be necessary in order to reach an intelligent con-

clusion regarding this whole matter. Later requests were received from certain banks in Louisiana for transfer from the Dallas to the New Orleans district, by certain banks in Connecticut for transfer from the Boston to the New York district, and by certain other banks in southern Wisconsin for transfer from the Minneapolis to the Chicago district. Believing that the subject ought not to be delayed indefinitely, full consideration was given to it during the months of October and November by a special committee of the Board, and the question was considered whether a reduction in the number of reserve banks was not desirable and whether, if desirable, it might not be made in such a manner as incidentally to settle the various pending appeals. Further consideration of this subject was suspended, in view of an opinion rendered by the Attorney General of the United States on November 22, wherein it was held that the Board possessed no power to reduce the number of Federal Reserve Districts. The question what action to take on appeals still pending must, therefore, be considered in the light of this opinion, which has materially changed some of the aspects of the case. A further opinion has been asked as to whether the Board has power to change the location of a Federal Reserve Bank within a district.

OPERATION AND EXPENSES.

Meantime the experience already secured in the operation of Federal Reserve Banks has thrown much light both upon the conditions of their operation, the problems they will have to meet, and the cost to which they will be subjected in doing business. Due to the conditions prevailing during the past year, as already set forth, the reserve banks as a unit have done little more than to provide for their current expenses. The complete tabular statement of income and outgo, furnished on pages 87-95, shows that the current expenses for 1915 have been covered and in addition a sum of \$639,881 realized. The condition of the banks as income producers is not, however, uniform, nor should their usefulness be gauged by their earning capacity. As will be seen from the statement in question, in the case of the Richmond bank the excess of earnings over current expenses for the past calendar year was \$233,331, or over 8 per cent of the average paid-in capital, while in the case of nine other banks these excesses varied from less than \$4,000, or a fraction of 1 per cent, to \$137,336, or over 6.5 per cent of the paid-in capital. Two banks are shown to have declared dividends. There are still two institutions which during the past year have not fully covered their current expenses, although such deficiency is of relatively small amount. The Board, in submitting this tabular statement of earnings and expenses, feels warranted in expressing the conviction that the system, as a whole, has been economically and efficiently operated. In

order that the fullest information may be afforded concerning the conditions obtaining in each of the banks, there is submitted the complete salary roll of each institution, as well as an estimate, in round numbers, of the expense and dividend requirements of the several institutions. An inspection of the detailed salary rolls in comparison with the salaries for bank officers and employees in the several reserve cities will show that Federal Reserve Banks have been operated upon what is practically an ordinary commercial basis in so far as relates to expenses, the only criticism that might reasonably be made being apparently that certain of the institutions were slightly "overstaffed" at the beginning; that is to say, had in their employ a rather disproportionate number of officers of the higher class and salary rating. This difficulty of organization could not be avoided, in view of the uncertainty regarding the volume of business to be developed by the several banks and the possibility that at any time conditions might be such as to require a large and rapid expansion of the operations of the several institutions. The Board, therefore, believes that the institutions have been fulfilling their duty efficiently and satisfactorily in the face of a difficult international financial situation; and looks confidently forward to a material enlargement of operations in the near future, in the natural course of events.

"Regulation in ordinary times as well as protection in extraordinary times" was the principle laid down by the Board in its first annual report for defining the general scope of activities of the Federal Reserve Banks. The conditions of the last year, however, have happily not been such as to call for the exercise of the emergency function of the reserve banks nor have they been such as to call for much regulative action on the part of the banks. Speaking by and large of the situation in the midst of which the reserve banks have found themselves during the first year of their existence, it has been one of such ease and quiescence as not to call for much activity on the part of the reserve banks except in a few districts, but the experience gained has confirmed the Board in the conclusion expressed a year ago that "normally a considerable proportion of their resources should always be kept invested in order that the release or withdrawal from active employment of their banking funds may exercise a beneficial influence," and that "to influence the market a reserve bank must always be in the market." The events of the year also seem to make clear that in all except unusual years it may be expected that the proportion of their resources which the reserve banks will have to keep loaned or invested in order to exercise a proper regulative effect upon the market or will be able to invest through operations in the open market as such a market develops, will produce earnings sufficient for dividend purposes as well.

OPERATIONS OF THE BOARD.

The Board's own internal organization has not been materially changed since its first report. Various divisions whose organization was then outlined have continued in operation. Two (those of correspondence and mail and files) have been consolidated with the secretary's office. Only very slight changes in the personnel or size of the staff have been effected. At present the actual cost of conducting the work of the Federal Reserve Board, including members' salaries and the total payments to the staff in Washington, as well as the examining corps, is about \$18,000 per month. So far as can be judged, this sum is not likely to vary much in the near future, except in so far as it may be increased by the added cost of examining State banks which may join the system, should such action be necessary, or by the growth of the statistical department.

The Board has foreborne to enter into a multitude of details concerning its work which might prove of interest and importance. Full information with regard to the year's operations has been afforded in the Federal Reserve Bulletin, which is now published monthly and in which is given a complete account of the operations of the Board as they are developed. Full statistical data and complete detailed reports for each of the Federal reserve districts are presented in exhibits hereto attached, and a complete file of the Bulletin is herewith transmitted.

PROPOSED AMENDMENTS.

A year's experience in the operation of the Federal Reserve Act has confirmed the Board in its profound conviction that the Act has been one of the most beneficial pieces of legislation ever adopted by Congress. Not only have its fundamental principles been fully vindicated but in most details the working of the measure has been successful. The Act, however, is a progressive piece of legislation and creates new conditions as the result of its own operation. Modification in its terms growing in part out of these new conditions will subsequently be required from time to time.

For the present the Board presents the following suggestions for amendments to the Act:

- (1) In addition to powers now possessed in this connection by Federal Reserve Banks and national banks, the latter should be permitted to subscribe for and hold stock in banks organized for the special purpose of doing a banking business in foreign countries.

- (2) With the approval of the Federal Reserve Board the issue of Federal Reserve notes to Federal Reserve Banks should be permitted either against the deposit of an equal amount, face value, of

notes, drafts, bills of exchange, and bankers' acceptances acquired by Federal Reserve Banks under sections 13 and 14 of the Act, or of gold, or of both, provided, however, that gold so deposited with a Federal Reserve Agent shall count as part of the reserve required by the Act to be maintained by the bank against such notes outstanding.

(3) The acceptance system, provision for which is made in foreign trade operations by the Federal Reserve Act, should be extended to the domestic trade in so far as relates to documentary acceptances secured by shipping documents or warehouse receipts, covering readily marketable commodities or against the pledge of goods actually sold.

There can be but little question of the safety of such acceptances, and their use will tend to equalize interest rates the country over and help to broaden the discount market.

(4) Permission should be granted to national banks to establish branch offices within the city, or within the county, in which they are located.

(5) In order to enable member banks to obtain prompt and economical accommodations for periods not to exceed fifteen days, the Federal Reserve Banks should be permitted to make advances to member banks against their promissory notes secured by such notes, drafts, bills of exchange, and bankers' acceptances as the law at present permits to be rediscounted or purchased; or against the deposit or pledge of United States Government bonds, the purchase of which is now permitted under the law.

(6) The Board furthermore recommends that the power of national banks to make loans on farm lands as provided in section 24 be extended so as to permit any national bank not situated in a central reserve city to make loans secured by improved and unencumbered farm land situated within its Federal Reserve district, or within a radius of 100 miles from the place in which such bank is located, irrespective of district lines. It also recommends that the powers of national banks be further extended to permit any such bank to make loans on any improved and unencumbered real estate located within 100 miles of the place in which such bank is located, irrespective of district lines; provided, however, that the aggregate of farm land loans and other real estate loans made by any national bank shall not exceed 25 per centum of its capital and surplus or one-third of its time deposits; and provided further, that no such real estate loan, as distinguished from a farm land loan, shall exceed a period of one year nor exceed 50 per centum of the actual value of the property offered as security.

It is believed that the enactment of these amendments will, besides enlarging the usefulness of the national banks, result in greatly strengthening the operation of the Federal Reserve Act, and more completely realize the purposes of its framers. The text of the

amendments designed to carry out these recommendations will be submitted by the Board at an early date. The Board has under consideration other suggestions for amendments to the Federal Reserve Act concerning which no conclusions have yet been reached, and regarding which the Board will take occasion to submit its views to the Congress at an appropriate time in the future.

W. G. McADOO,

Secretary of the Treasury,

Chairman.

JOHN SKELTON WILLIAMS,

Comptroller of the Currency.

C. S. HAMLIN, *Governor.*

F. A. DELANO, *Vice Governor.*

P. M. WARBURG.

W. P. G. HARDING.

A. C. MILLER.

Members, Federal Reserve Board.

EXHIBITS.

Exhibit A.—DISCOUNT RATES.

Changes in discount rates during calendar year 1915.

PAPER MATURING WITHIN 10 DAYS.

	June.	July.	Sept.	Dec.		In force Jan. 1, 1916.
	25	3	10	2	11	
Boston.....		3				3
New York.....	3					3
Philadelphia.....	3					3
Cleveland.....			3½			3½
Richmond.....						
Atlanta.....						
Chicago.....					3½	3½
St. Louis.....	3					3
Minneapolis.....						
Kansas City.....				3½		3½
Dallas.....						
San Francisco.....	3					3

PAPER MATURING WITHIN 30 DAYS.

	Jan.												Feb.				Mar.	Apr.	May.	June.	In force Jan. 1, 1916.
	1	3	7	8	9	13	14	21	22	23	27	28	3	4	6	19	18	30	8	25	
Boston.....	4½												4								4
New York.....	4½												4								4
Philadelphia.....	4½												4								4
Cleveland.....	5						4½								4						4
Richmond.....	5			4½																4	4
Atlanta.....	5		4½					4									4½	4			4
Chicago.....	4½									4											4
St. Louis.....	5		4½											4							4
Minneapolis.....	5				4½											4					4
Kansas City.....	5			4½								4									4
Dallas.....	5					4½					4										4
San Francisco.....	4½			4					4										3½		3½

Changes in discount rates during calendar year 1915—Continued.

PAPER MATURING AFTER 30 BUT WITHIN 60 DAYS.

	Jan.												Feb.					Mar.	Apr.	May.	June.	In force Jan. 1, 1916.
	1	7	8	9	13	14	21	22	23	27	28	3	4	6	18	19	18	30	18	25		
Boston.....	5											4										4
New York....	5											4½			4							4
Philadelphia..	5										4											4
Cleveland....	5½					5								4								4
Richmond.....	5									4½										4		4
Atlanta.....	5						4										4½	4				4
Chicago.....	5								4													4
St. Louis.....	5½	5											4									4
Minneapolis..	5½			5												4½			4			4
Kansas City...	5½		5								4											4
Dallas.....	5				4½					4												4
San Francisco.	5½		5					4														4

PAPER MATURING AFTER 60 BUT WITHIN 90 DAYS.

	Jan.									Feb.					Mar.	Apr.	Aug.		Sept.				Oct.	Nov.	In force Jan. 1, 1916.		
	1	7	8	14	21	22	23	27	28	2	3	4	6	18			19	18	30	9	13	14				16	23	24	21	15
Boston.....	5										4½							4									4
New York....	5										4½			4													4
Philadelphia..	5								4½												4						4
Cleveland....	6			5									4½														4½
Richmond.....	5½						5								4½									4			4
Atlanta.....	5½				4½											5	4½						4				4
Chicago.....	5½						4½																				4½
St. Louis.....	6	5½									4½									4							4
Minneapolis..	6								5½						5							4½					4½
Kansas City..	6		5½						4½										4								4
Dallas.....	5½						4½																		4		4
San Francisco	6		5½			4½																					4½

AGRICULTURAL AND LIVE STOCK PAPER MATURING AFTER 90 DAYS.

	Jan.							Feb.				Mar.		Apr.	June.	Oct.	Nov.	In force Jan. 1, 1916.
	1	3	14	21	23	27	28	2	3	4	6	2	18	22	18	16	15	
Boston.....															5			5
New York....	6								5									5
Philadelphia..	6						5									4½		4½
Cleveland....	6										5							5
Richmond.....	6	5½				5												5
Atlanta.....	6			4½									5					5
Chicago.....	6				5									5				5
St. Louis.....	6									5½								5
Minneapolis..	6							5½				5						5
Kansas City..	6						5½								5			5
Dallas.....	6					5½				5							4½	4½
San Francisco.	6																	6

Changes in discount rates during calendar year 1915—Continued.

TRADE ACCEPTANCES MATURING WITHIN 90 DAYS.

	July.	Aug.		Sept.					Oct.		Dec.	In force Jan. 1, 1916.
	22	5	13	14	15	20	23	24	7	15	16	
Boston						3½						3½
New York	3½											3½
Philadelphia							3					3
Cleveland									1 3½ 2 4			1 3½ 2 4
Richmond					1 3½ 2 4							1 3½ 2 4
Atlanta								1 3½		3½		3½
New Orleans bch.											(4)	3½-4
Chicago												
St. Louis				3 3½								3 3½
Minneapolis												
Kansas City			3½									3½
Dallas		1 3½ 2 4										1 3½ 2 4
San Francisco		1 3 2 3½										1 3 2 3½

¹ Rate for trade acceptances maturing within 60 days.² Rate for trade acceptances after 60 but within 90 days.³ A rate of 2 to 4 per cent for bills with or without member bank's indorsement made effective December 27, 1915.⁴ A rate of 3½ to 4 per cent for trade acceptances, bought in the open market without member banks' indorsement was made effective in the New Orleans district on December 16.

COMMODITY PAPER MATURING WITHIN SIX MONTHS.

	Sept.							Oct.	In force Jan. 1, 1916.
	4	8	14	15	23	24	27	4	
Boston						1 3½			1 3½
New York									
Philadelphia					1 3				1 3
Cleveland									
Richmond				1 3					1 3
Atlanta		3							3
Chicago									
St. Louis			3						3
Minneapolis							3		3
Kansas City								3	3
Dallas		3							3
San Francisco							(2)		(2)

¹ Rate for commodity paper maturing within 90 days.² 3½ per cent for commodity paper maturing within 30 days; 4 per cent for commodity paper maturing after 30 but within 60 days; 4½ per cent for commodity paper maturing after 60 but within 90 days; 5 per cent for commodity paper maturing after 90 days.

NOTE.—Rate for bankers' acceptances, 2-4 per cent. On March 10 the Federal Reserve Board fixed the following rates for rediscounts between Federal Reserve Banks: 3½ per cent for paper maturing within 30 days; 4 per cent for paper maturing after 30 but within 90 days.

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, and 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 from Nov., 1914, to Dec. 30, 1915.

[In thousands of dollars.]

	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:													
Nov. 27, 1914.....	2,000	5,000	3,000	2,000	2,400	2,000	3,780	3,400	2,000	620	2,000	380	28,580
Dec. 31, 1914.....	2,000	10,000	3,000	2,400	2,960	2,000	3,780	3,400	2,000	2,000	2,000	2,000	37,540
Jan. 29, 1915.....	2,000	12,200	3,000	2,400	3,560	2,000	4,380	3,400	2,000	2,000	2,000	2,000	40,940
Feb. 26, 1915.....	2,000	16,200	3,000	3,000	3,960	5,800	4,380	3,400	2,000	2,000	3,000	2,000	50,740
Mar. 26, 1915.....	5,000	25,200	2,980	3,800	5,240	7,000	4,380	3,400	3,000	2,000	3,000	2,000	67,000
Apr. 30, 1915.....	5,000	29,960	2,940	5,000	6,720	7,500	4,380	3,400	3,000	2,000	4,200	2,000	76,100
May 28, 1915.....	10,000	36,920	2,920	5,000	7,780	8,500	9,380	3,400	4,000	4,000	6,700	3,600	102,200
June 25, 1915.....	11,000	42,080	5,360	6,000	8,420	8,500	9,260	3,400	4,000	6,000	7,695	3,600	115,315
July 30, 1915.....	11,700	49,840	5,310	6,400	9,160	8,500	9,260	3,400	5,000	6,800	11,895	10,000	137,265
Aug. 27, 1915.....	11,700	58,800	8,270	7,000	10,000	9,100	9,260	3,400	6,000	8,000	13,895	10,000	155,425
Sept. 24, 1915.....	11,600	63,760	9,010	8,000	11,800	12,100	9,260	3,400	9,000	8,000	15,325	10,000	171,255
Oct. 29, 1915.....	11,500	76,480	12,100	10,000	15,100	16,600	9,260	6,600	15,000	9,000	19,565	10,000	211,205
Nov. 26, 1915.....	15,960	98,440	11,940	11,560	15,100	18,900	9,260	9,600	17,000	11,000	19,555	9,770	248,085
Dec. 30, 1915.....	15,860	106,240	11,840	12,520	17,000	20,400	9,260	9,600	19,000	11,000	19,519	9,770	262,009
Federal Reserve notes issued to Federal Reserve Banks (net amount):													
Nov. 27, 1914.....	110	1,000	420	.....	100	20	1,700	.....	175	330	.....	.....	3,855
Dec. 31, 1914.....	110	10,000	740	204	790	500	2,400	700	260	335	500	660	17,199
Jan. 29, 1915.....	110	10,600	740	204	1,000	1,000	2,400	626	410	345	500	880	18,795
Feb. 26, 1915.....	110	11,800	740	354	2,700	2,600	4,380	626	860	1,360	1,200	860	27,590
Mar. 26, 1915.....	1,320	19,040	720	1,200	4,000	4,100	4,380	626	1,660	1,360	1,500	1,280	41,186

Apr. 30, 1915.....	1,320	27,040	680	2,200	5,800	4,050	4,380	626	2,460	2,000	2,500	1,280	54,336
May 28, 1915.....	2,320	31,840	1,640	2,900	7,200	4,950	4,380	626	2,660	2,600	4,000	2,040	67,156
June 25, 1915.....	3,320	40,500	2,400	3,700	7,750	5,150	4,380	626	3,300	3,600	6,195	2,040	82,961
July 30, 1915.....	4,420	47,720	2,930	4,700	8,400	5,500	4,380	626	4,400	4,100	8,615	2,040	97,831
Aug. 27, 1915.....	4,620	52,820	3,610	5,200	9,000	5,600	4,380	836	5,000	5,580	10,215	3,040	109,901
Sept. 24, 1915.....	5,120	59,220	4,670	6,400	10,760	9,280	4,380	2,425	6,700	6,780	13,325	4,000	133,060
Oct. 29, 1915.....	5,820	70,960	6,160	8,600	13,800	13,900	4,380	5,825	11,000	7,880	15,445	4,600	168,370
Nov. 26, 1915.....	7,820	79,160	7,960	9,200	14,440	15,750	4,380	6,950	12,500	9,900	15,385	4,370	187,815
Dec. 30, 1915.....	10,020	89,440	9,160	11,000	15,630	18,950	4,380	8,950	14,000	11,000	15,145	6,450	214,125
Gold and lawful money in hands of or to credit of Federal Reserve Agent:													
Nov. 27, 1914.....							225						225
Dec. 31, 1914.....	100	9,915	740	2			235	600	260	260		140	12,252
Jan. 29, 1915.....	105	10,170	740	24		36	2,400	626	410	260		630	15,401
Feb. 26, 1915.....	110	11,561	740	147		500	4,380	626	760	1,160		860	20,844
Mar. 26, 1915.....	1,310	18,833	720	1,200			4,380	626	1,460	1,160		1,280	30,969
Apr. 30, 1915.....	1,320	26,859	680	2,200	600	250	4,380	626	2,460	1,660		1,280	42,315
May 28, 1915.....	2,320	31,660	1,640	2,900	2,200	1,750	4,380	626	2,660	2,060	455	2,040	54,691
June 25, 1915.....	3,320	40,320	2,400	3,700	2,550	1,950	4,380	626	3,300	2,960	1,450	2,040	68,996
July 30, 1915.....	4,420	47,520	2,930	4,700	2,300	2,150	4,380	626	4,400	3,410	2,550	2,040	81,426
Aug. 27, 1915.....	4,620	52,550	3,610	5,200	1,900	2,250	4,380	626	4,400	4,410	4,000	3,040	90,986
Sept. 24, 1915.....	5,120	58,950	4,670	6,400	4,000	5,500	4,380	2,010	6,700	5,310	8,140	4,000	115,180
Oct. 29, 1915.....	5,820	70,740	6,160	8,600	8,500	9,650	4,380	5,325	11,000	6,015	11,040	4,600	151,830
Nov. 26, 1915.....	7,820	79,010	7,960	9,200	8,800	11,500	4,380	6,450	12,500	7,815	11,290	4,370	171,095
Dec. 30, 1915.....	10,020	89,300	9,160	11,000	9,550	14,200	4,380	8,950	14,000	9,000	11,440	6,450	197,450
Paper held by Federal Reserve Agent:													
Nov. 27, 1914.....	110	1,000	420		100	20	1,478		175	331			3,634
Dec. 31, 1914.....	10	85		202	790	500	2,171	100		75	500	520	4,953
Jan. 29, 1915.....	5	430		180	1,000	965				85	500	230	3,395
Feb. 26, 1915.....		239		207		2,100			101	201	1,200		6,749
Mar. 26, 1915.....	10	207			4,002	4,101			200	200	1,500		10,220
Apr. 30, 1915.....		181			5,201	3,804				340	2,500		12,026
May 28, 1915.....		180			5,001	3,203				540	3,546		12,470

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, and 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 from Nov., 1914, to Dec. 30, 1915—Continued.

[In thousands of dollars.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Paper held by Federal Reserve Agent—Continued.													
June 25, 1915.....		180			5,222	3,203				640	4,746		13,991
July 30, 1915.....		200			6,739	3,351				691	5,836		16,817
Aug. 27, 1915.....		270			7,506	3,359		212	602	1,170	6,231		19,350
Sept. 24, 1915.....		270			6,843	3,787		417		1,471	5,325		18,113
Oct. 29, 1915.....		220			5,301	4,250		500		1,869	4,413		16,553
Nov. 26, 1915.....		150			5,772	4,751		500		2,087	4,323		17,583
Dec. 30, 1915.....		140			6,096	4,751				2,002	3,751		16,740
Federal Reserve notes in hands of bank:													
Nov. 27, 1914.....	55	322	36		55		643		3	41			1,155
Dec. 31, 1914.....	11	5,481	8	62	10	66	449	61	13	3	90	337	6,591
Jan. 29, 1915.....	10	2,840	7	61	160	170	415	1	147	11	49	424	4,295
Feb. 26, 1915.....	10	419	11	30	187	134	2,313	11	138	523	528	329	4,633
Mar. 26, 1915.....	444	2,248	6	332	123	220	2,207	12	417	370	368	672	7,419
Apr. 30, 1915.....	284	3,328	6		123	153	2,245	26	596	303	223	605	7,892
May 28, 1915.....	372	3,358	34	267	404	323	2,300	42	175	347	290	1,397	9,309
June 25, 1915.....	357	4,646	51	283	199	397	2,306	60	284	168	404	1,317	10,472
July 30, 1915.....	419	6,463	90	307	245	522	2,370	110	534	140	333	1,171	12,704
Aug. 27, 1915.....	495	7,515	150	406	235	349	2,431	191	443	328	361	1,764	14,668
Sept. 24, 1915.....	368	8,258	599	335	315	750	2,208	914	895	477	305	1,974	17,398
Oct. 29, 1915.....	745	11,596	805	385	426	628	2,190	1,282	1,566	488	360	1,874	22,345
Nov. 26, 1915.....	1,077	13,592	249	306	286	984	1,846	395	712	1,159	361	1,544	22,511
Dec. 30, 1915.....	709	16,017	401	292	814	1,294	1,695	817	818	522	419	1,301	25,099

Federal Reserve notes issued by the Federal Reserve Bank and in circulation:

Nov. 27, 1914.....	55	678	384	45	20	1,057	172	289	2,700
Dec. 31, 1914.....	99	4,519	732	142	780	434	1,951	639	10,608
Jan. 29, 1915.....	100	7,760	733	143	840	830	1,985	625	14,500
Feb. 26, 1915.....	100	11,381	729	324	2,513	2,466	2,067	615	22,957
Mar. 26, 1915.....	876	16,792	714	868	3,877	3,880	2,173	614	33,767
Apr. 30, 1915.....	1,036	23,712	674	2,200	5,677	3,897	2,135	600	46,444
May 28, 1915.....	1,948	28,482	1,606	2,633	6,796	4,627	2,080	584	57,847
June 25, 1915.....	2,963	35,854	2,349	3,417	7,551	4,753	2,074	566	72,489
July 30, 1915.....	4,001	41,257	2,840	4,393	8,155	4,978	2,010	516	85,127
Aug. 27, 1915.....	4,125	45,305	3,460	4,794	8,765	5,251	1,949	645	95,233
Sept. 24, 1915.....	4,752	50,962	4,071	6,065	10,445	8,530	2,172	1,511	115,662
Oct. 29, 1915.....	5,075	59,364	5,355	8,215	13,374	13,272	2,190	4,543	146,025
Nov. 26, 1915.....	6,743	65,568	7,711	8,894	14,154	14,766	2,534	6,555	165,304
Dec. 30, 1915.....	9,311	73,423	8,759	10,708	14,816	17,656	2,685	8,133	189,026

Federal Reserve notes, amount of, carried to net assets:

Nov. 27, 1914.....									
Dec. 31, 1914.....	1	5,396	8				13		5,418
Jan. 29, 1915.....	5	2,410	7			415	1		3,179
Feb. 26, 1915.....	10	180	11			2,313	11	38	3,215
Mar. 26, 1915.....	434	2,041	6	332		2,207	12	217	6,091
Apr. 30, 1915.....	284	3,147	6			2,245	26	596	6,909
May 28, 1915.....	372	3,178	34	267		2,300	42	175	7,765
June 25, 1915.....	357	4,466	51	283		2,306	60	284	9,124
July 30, 1915.....	419	6,363	90	72		2,370	110	534	11,029
Aug. 27, 1915.....	495	7,245	150	406		2,431			12,491
Sept. 24, 1915.....	368	7,988	599	335		2,208	499	895	14,866
Oct. 29, 1915.....	745	11,376	805	385		2,190	782	1,566	19,723
Nov. 26, 1915.....	1,077	13,442	249	306		1,846		712	19,176
Dec. 30, 1915.....	709	15,877	401	292		1,695	817	818	21,910

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, and 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 from Nov., 1914, to Dec. 30, 1915—Continued.

[In thousands of dollars.]

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Federal Reserve notes, amount of, carried to net liabilities:													
Nov. 27, 1914.....	55	678	384		45	20	832		172	289			2,475
Dec. 31, 1914.....				140	780	434	1,716	39		72	410	183	3,774
Jan. 29, 1915.....				119	840	794				74	451		2,278
Feb. 26, 1915.....				177	2,513	1,966					672		5,328
Mar. 26, 1915.....					3,877	3,880					1,132		8,889
Apr. 30, 1915.....					5,077	3,647				37	2,277		11,038
May 28, 1915.....					4,596	2,877				193	3,255		10,921
June 25, 1915.....					5,001	2,803				472	4,341		12,617
July 30, 1915.....					5,855	2,828				550	5,732		14,965
Aug. 27, 1915.....					6,865	3,001		19	157	842	5,854		16,738
Sept. 24, 1915.....					6,445	3,030				993	4,880		15,348
Oct. 29, 1915.....					4,874	3,622				1,377	4,045		13,918
Nov. 26, 1915.....					5,354	3,266		105		926	3,734		13,385
Dec. 30, 1915.....					5,266	3,456				1,478	3,286		13,486

Statement of Federal Reserve notes by denominations, printed, shipped to Federal Reserve Agents, and on hand in reserve vault, Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston:						
Printed.....	\$18,000,000	\$13,600,000	\$6,800,000	\$2,200,000	\$4,400,000	\$45,000,000
Shipped.....	5,080,000	5,920,000	1,760,000	1,600,000	2,000,000	16,360,000
On hand.....	12,920,000	7,680,000	5,040,000	600,000	2,400,000	28,640,000
New York:						
Printed.....	107,960,000	129,000,000	51,040,000	6,000,000	8,000,000	302,000,000
Shipped.....	36,600,000	45,520,000	15,520,000	2,200,000	6,400,000	106,240,000
On hand.....	71,360,000	83,480,000	35,520,000	3,800,000	1,600,000	195,760,000
Philadelphia:						
Printed.....	20,000,000	15,000,000	7,200,000	2,600,000	5,200,000	50,000,000
Shipped.....	5,400,000	4,680,000	2,400,000	.....	.....	12,480,000
On hand.....	14,600,000	10,320,000	4,800,000	2,600,000	5,200,000	37,520,000
Cleveland:						
Printed.....	17,680,000	15,120,000	10,000,000	2,400,000	4,800,000	50,000,000
Shipped.....	2,480,000	3,520,000	4,800,000	1,000,000	800,000	12,600,000
On hand.....	15,200,000	11,600,000	5,200,000	1,400,000	4,000,000	37,400,000
Richmond:						
Printed.....	10,000,000	10,400,000	5,680,000	3,400,000	2,400,000	31,880,000
Shipped.....	4,800,000	4,880,000	4,720,000	1,800,000	800,000	17,000,000
On hand.....	5,200,000	5,520,000	960,000	1,600,000	1,600,000	14,880,000
Atlanta:						
Printed.....	10,800,000	7,000,000	4,800,000	1,400,000	2,000,000	26,000,000
Shipped.....	6,400,000	7,000,000	4,800,000	1,200,000	1,200,000	20,600,000
On hand.....	4,400,000	.....	.....	200,000	800,000	5,400,000
Chicago:						
Printed.....	24,000,000	18,040,000	8,960,000	3,000,000	6,000,000	60,000,000
Shipped.....	7,780,000	200,000	800,000	200,000	400,000	9,380,000
On hand.....	16,220,000	17,840,000	8,160,000	2,800,000	5,600,000	50,620,000
St. Louis:						
Printed.....	11,960,000	8,960,000	4,480,000	1,400,000	3,200,000	30,000,000
Shipped.....	4,360,000	2,840,000	2,000,000	400,000	.....	9,600,000
On hand.....	7,600,000	6,120,000	2,480,000	1,000,000	3,200,000	20,400,000
Minneapolis:						
Printed.....	14,000,000	8,160,000	5,040,000	800,000	2,000,000	30,000,000
Shipped.....	7,640,000	6,480,000	4,080,000	400,000	400,000	19,000,000
On hand.....	6,360,000	1,680,000	960,000	400,000	1,600,000	11,000,000
Kansas City:						
Printed.....	8,000,000	6,160,000	3,040,000	800,000	2,000,000	20,000,000
Shipped.....	8,000,000	5,160,000	2,240,000	600,000	.....	16,000,000
On hand.....	.....	1,000,000	800,000	200,000	2,000,000	4,000,000

Statement of Federal Reserve notes by denominations, printed, shipped to Federal Reserve Agents, and on hand in reserve vault, Dec. 31, 1915—Continued.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Dallas:						
Printed.....	\$9,200,000	\$7,000,000	\$5,760,000	\$1,400,000	\$1,600,000	\$24,960,000
Shipped.....	5,900,000	6,360,000	5,520,000	1,400,000	400,000	19,580,000
On hand.....	3,300,000	640,000	240,000	.....	1,200,000	5,380,000
San Francisco:						
Printed.....	14,000,000	10,600,000	5,200,000	1,600,000	3,600,000	35,000,000
Shipped.....	4,160,000	2,760,000	1,680,000	600,000	2,000,000	11,200,000
On hand.....	9,840,000	7,840,000	3,520,000	1,000,000	1,600,000	23,800,000

VAULT BALANCE, DEC. 31, 1915.

Total printed.....	\$265,600,000	\$249,040,000	\$118,000,000	\$27,000,000	\$45,200,000	\$704,840,000
Total shipped.....	98,600,000	95,320,000	50,320,000	11,400,000	14,400,000	270,040,000
Total on hand.....	167,000,000	153,720,000	67,680,000	15,600,000	30,800,000	434,800,000

Federal Reserve notes by denominations issued through the Federal Reserve Agents to the banks, also the amounts retired and outstanding, Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston:						
Issued.....	\$3,620,000	\$4,680,000	\$640,000	\$600,000	\$980,000	\$10,520,000
Retired.....	260,000	210,000	.....	10,000	20,000	500,000
Outstanding.....	3,360,000	4,470,000	640,000	590,000	960,000	10,020,000
New York:						
Issued.....	35,600,000	36,160,000	12,080,000	1,600,000	4,800,000	90,240,000
Retired.....	.....	.....	800,000	.....	.....	800,000
Outstanding.....	35,600,000	36,160,000	11,280,000	1,600,000	4,800,000	89,440,000
Philadelphia:						
Issued.....	3,840,000	3,880,000	2,080,000	.....	.....	9,800,000
Retired.....	529,000	111,000	.....	.....	.....	640,000
Outstanding.....	3,311,000	3,769,000	2,080,000	.....	.....	9,160,000
Cleveland:						
Issued.....	2,120,000	3,280,000	4,400,000	750,000	530,000	11,080,000
Retired.....	35,000	25,000	20,000	.....	.....	80,000
Outstanding.....	2,085,000	3,255,000	4,380,000	750,000	530,000	11,000,000
Richmond:						
Issued.....	4,690,000	4,990,000	4,680,000	1,650,000	670,000	16,680,000
Retired.....	110,000	200,000	340,000	260,000	140,000	1,050,000
Outstanding.....	4,580,000	4,790,000	4,340,000	1,390,000	530,000	15,630,000

Federal Reserve notes by denominations issued through the Federal Reserve Agents to the banks, also the amounts retired and outstanding, Dec. 31, 1915—Continued.

Banks.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Atlanta:						
Issued.....	\$6,480,000	\$7,011,000	\$5,650,000	\$840,000	\$1,245,000	\$21,226,000
Retired.....	280,000	291,000	850,000	355,000	520,000	2,276,000
Outstanding.....	6,220,000	6,720,000	4,800,000	485,000	725,000	18,950,000
Chicago:						
Issued.....	3,540,000	200,000	800,000	200,000	400,000	5,140,000
Retired.....	760,000					760,000
Outstanding.....	2,780,000	200,000	800,000	200,000	400,000	4,380,000
St. Louis:						
Issued.....	4,197,000	2,870,940	1,928,560	200,000		9,196,500
Retired.....	167,000	70,940	8,560			246,500
Outstanding.....	4,030,000	2,800,000	1,920,000	200,000		8,950,000
Minneapolis:						
Issued.....	5,662,000	4,960,000	3,120,000	110,000	150,000	14,002,000
Retired.....	2,000					2,000
Outstanding.....	5,660,000	4,960,000	3,120,000	110,000	150,000	14,000,000
Kansas City:						
Issued.....	5,990,000	3,410,000	1,360,000	570,000		11,330,000
Retired.....	70,000	10,000	80,000	170,000		330,000
Outstanding.....	5,920,000	3,400,000	1,280,000	400,000		11,000,000
Dallas:						
Issued.....	4,620,000	5,800,000	4,640,000	1,070,000	50,000	16,180,000
Retired.....	127,000	297,000	256,000	340,000	15,000	1,035,000
Outstanding.....	4,493,000	5,503,000	4,384,000	730,000	35,000	15,145,000
San Francisco:						
Issued.....	2,160,000	1,520,000	1,680,000	600,000	800,000	6,760,000
Retired.....	170,000	140,000				310,000
Outstanding.....	1,990,000	1,380,000	1,680,000	600,000	800,000	6,450,000

RECAPITULATION.

Total issued.....	\$82,519,000	\$78,761,940	\$43,058,560	\$8,190,000	\$9,625,000	\$222,154,500
Total retired.....	2,490,000	1,354,940	2,354,560	1,135,000	695,000	8,029,500
Total outstanding.....	80,029,000	77,407,000	40,704,000	7,055,000	8,930,000	214,125,000

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, 1915, as reported by Federal Reserve Agents.

RECEIVED FROM COMPTROLLER OF THE CURRENCY.

Federal Reserve Agent at—	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$5,080,000	\$5,920,000	\$1,760,000	\$1,600,000	\$2,000,000	\$16,360,000
New York.....	36,600,000	45,520,000	15,520,000	2,200,000	6,400,000	106,240,000
Philadelphia.....	5,400,000	4,680,000	2,400,000	.....	.....	12,480,000
Cleveland.....	2,480,000	3,520,000	4,800,000	1,000,000	800,000	12,600,000
Richmond.....	4,800,000	4,880,000	4,720,000	1,800,000	800,000	17,000,000
Atlanta.....	6,400,000	6,800,000	4,800,000	1,200,000	1,200,000	20,400,000
Chicago.....	7,780,000	200,000	800,000	200,000	400,000	9,380,000
St. Louis.....	4,360,000	2,840,000	2,000,000	400,000	.....	9,600,000
Minneapolis.....	7,640,000	6,480,000	4,080,000	400,000	400,000	19,000,000
Kansas City.....	6,200,000	4,360,000	1,280,000	600,000	.....	12,440,000
Dallas.....	5,900,000	6,360,000	5,520,000	1,400,000	400,000	19,580,000
San Francisco.....	4,160,000	2,760,000	1,680,000	600,000	800,000	10,000,000
Total.....	93,800,000	94,320,000	49,360,000	11,400,000	13,200,000	265,080,000

RETURNED BY FEDERAL RESERVE BANKS.

Boston.....	\$260,000	\$210,000	.....	\$10,000	\$20,000	\$500,000
New York.....	.....	.....	\$800,000	.....	.....	800,000
Philadelphia.....	529,000	111,000	.....	.....	.....	640,000
Cleveland.....	35,000	25,000	20,000	.....	.....	80,000
Richmond.....	110,000	200,000	340,000	260,000	140,000	1,050,000
Atlanta.....	260,000	291,000	850,000	355,000	520,000	2,276,000
Chicago.....	760,000	.....	.....	.....	.....	760,000
St. Louis.....	167,000	70,940	8,560	.....	.....	246,500
Minneapolis.....	2,000	.....	.....	.....	.....	2,000
Kansas City.....	70,000	10,000	80,000	170,000	.....	330,000
Dallas.....	127,000	297,000	256,000	340,000	15,000	1,035,000
San Francisco.....	170,000	140,000	.....	.....	.....	310,000
Total.....	2,490,000	1,354,940	2,354,560	1,135,000	695,000	8,029,500

TOTAL AMOUNTS FOR WHICH FEDERAL RESERVE AGENTS ARE ACCOUNTABLE.

Boston.....	\$5,340,000	\$6,130,000	\$1,760,000	\$1,610,000	\$2,020,000	\$16,860,000
New York.....	36,600,000	45,520,000	16,320,000	2,200,000	6,400,000	107,040,000
Philadelphia.....	5,929,000	4,791,000	2,400,000	.....	.....	13,120,000
Cleveland.....	2,515,000	3,545,000	4,820,000	1,000,000	800,000	12,680,000
Richmond.....	4,910,000	5,080,000	5,060,000	2,060,000	940,000	18,050,000
Atlanta.....	6,660,000	7,091,000	5,650,000	1,555,000	1,720,000	22,676,000
Chicago.....	8,540,000	200,000	800,000	200,000	400,000	10,140,000
St. Louis.....	4,527,000	2,910,940	2,008,560	400,000	.....	9,846,500
Minneapolis.....	7,642,000	6,480,000	4,080,000	400,000	400,000	19,002,000
Kansas City.....	6,270,000	4,370,000	1,360,000	770,000	.....	12,770,000
Dallas.....	6,027,000	6,657,000	5,776,000	1,740,000	415,000	20,615,000
San Francisco.....	4,330,000	2,900,000	1,680,000	600,000	800,000	10,310,000
Total.....	99,290,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

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, 1915, as reported by Federal Reserve Agents—Continued.

ISSUED TO FEDERAL RESERVE BANKS.

Federal Reserve Agent at—	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$3,620,000	\$4,680,000	\$640,000	\$600,000	\$980,000	\$10,520,000
New York.....	35,600,000	36,160,000	12,080,000	1,600,000	4,800,000	90,240,000
Philadelphia.....	3,840,000	3,880,000	2,080,000	.....	.....	9,800,000
Cleveland.....	2,120,000	3,280,000	4,400,000	750,000	530,000	11,080,000
Richmond.....	4,690,000	4,990,000	4,680,000	1,650,000	670,000	16,680,000
Atlanta.....	6,480,000	7,011,000	5,650,000	840,000	1,245,000	21,226,000
Chicago.....	3,540,000	200,000	800,000	200,000	400,000	5,140,000
St. Louis.....	4,197,000	2,870,940	1,928,560	200,000	.....	9,196,500
Minneapolis.....	5,662,000	4,960,000	3,120,000	110,000	150,000	14,002,000
Kansas City.....	5,990,000	3,410,000	1,360,000	570,000	.....	11,330,000
Dallas.....	4,620,000	5,800,000	4,640,000	1,070,000	50,000	16,180,000
San Francisco.....	2,160,000	1,520,000	1,680,000	600,000	800,000	6,760,000
Total.....	82,519,000	78,761,940	43,058,560	8,190,000	9,625,000	222,154,500

RETURNED TO COMPTROLLER FOR DESTRUCTION.

Boston.....	\$260,000	\$210,000	.....	\$10,000	\$20,000	\$500,000
New York.....	.....	.....	.....	.....	.....	.....
Philadelphia.....	529,000	111,000	.....	.....	.....	640,000
Cleveland.....	35,000	25,000	\$20,000	.....	.....	80,000
Richmond.....	.....	.....	.....	.....	.....	.....
Atlanta.....	.....	.....	.....	.....	.....	.....
Chicago.....	120,000	.....	.....	.....	.....	120,000
St. Louis.....	.....	.....	.....	.....	.....	.....
Minneapolis.....	.....	.....	.....	.....	.....	.....
Kansas City.....	.....	.....	.....	.....	.....	.....
Dallas.....	43,000	14,000	4,000	.....	.....	61,000
San Francisco.....	170,000	60,000	.....	.....	.....	230,000
Total.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000

IN HANDS OF FEDERAL RESERVE AGENTS, DEC. 31, 1915.

Boston.....	\$1,460,000	\$1,240,000	\$1,120,000	\$1,000,000	\$1,020,000	\$5,840,000
New York.....	1,000,000	9,360,000	4,240,000	600,000	1,600,000	16,800,000
Philadelphia.....	1,560,000	800,000	320,000	.....	.....	2,680,000
Cleveland.....	360,000	240,000	400,000	250,000	270,000	1,520,000
Richmond.....	220,000	90,000	380,000	410,000	270,000	1,370,000
Atlanta.....	180,000	80,000	.....	715,000	475,000	1,450,000
Chicago.....	4,880,000	.....	.....	.....	.....	4,880,000
St. Louis.....	330,000	40,000	80,000	200,000	.....	650,000
Minneapolis.....	1,980,000	1,520,000	960,000	290,000	250,000	5,000,000
Kansas City.....	280,000	960,000	.....	200,000	.....	1,440,000
Dallas.....	1,364,000	843,000	1,132,000	670,000	365,000	4,374,000
San Francisco.....	2,000,000	1,320,000	.....	.....	.....	3,320,000
Total.....	15,614,000	16,493,000	8,632,000	4,335,000	4,250,000	49,324,000

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, 1915, 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.....	\$5,340,000	\$5,130,000	\$1,760,000	\$1,610,000	\$2,020,000	\$16,860,000
New York.....	36,600,000	45,520,000	16,320,000	2,200,000	6,400,000	107,040,000
Philadelphia.....	5,929,000	4,791,000	2,400,000	.....	.....	13,120,000
Cleveland.....	2,515,000	3,545,000	4,820,000	1,000,000	800,000	12,680,000
Richmond.....	4,910,000	5,080,000	5,060,000	2,060,000	940,000	18,050,000
Atlanta.....	6,660,000	7,091,000	5,650,000	1,555,000	1,720,000	22,676,000
Chicago.....	8,540,000	200,000	800,000	200,000	400,000	10,140,000
St. Louis.....	4,527,000	2,910,940	2,008,560	400,000	.....	9,846,500
Minneapolis.....	7,642,000	6,480,000	4,080,000	400,000	400,000	19,002,000
Kansas City.....	6,270,000	4,370,000	1,360,000	770,000	.....	12,770,000
Dallas.....	6,027,000	6,657,000	5,776,000	1,740,000	415,000	20,615,000
San Francisco.....	4,330,000	2,900,000	1,680,000	600,000	800,000	10,310,000
Total.....	99,290,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

RECAPITULATION.

Received from comptroller.....	\$96,800,000	\$94,320,000	\$49,360,000	\$11,400,000	\$13,200,000	\$265,080,000
Returned by banks.....	2,490,000	1,354,940	2,354,560	1,135,000	695,000	8,029,500
Total.....	99,290,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500
Issued to banks.....	82,519,000	78,761,940	43,058,560	8,190,000	9,625,000	222,154,500
Returned for destruction.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000
On hand Dec. 31, 1915.....	15,614,000	16,493,000	8,632,000	4,335,000	4,250,000	49,324,000
Total.....	99,290,000	95,674,940	51,714,560	12,535,000	13,895,000	273,109,500

Mutilated Federal Reserve notes, by denominations, received from Federal Reserve Agents for destruction, to Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Fifties.	Hundreds.	Total.
Boston.....	\$278,000	\$212,000	.....	\$10,000	\$20,000	\$520,000
Philadelphia.....	511,000	109,000	.....	.....	.....	620,000
Cleveland.....	35,000	25,000	\$20,000	.....	.....	80,000
Chicago.....	120,000	.....	.....	.....	.....	120,000
Dallas.....	43,000	14,000	4,000	.....	.....	61,000
San Francisco.....	170,000	60,000	.....	.....	.....	230,000
Total.....	1,157,000	420,000	24,000	10,000	20,000	1,631,000

VAULT BALANCE (MUTILATED NOTES), DEC. 31, 1915.

Total received.....	\$1,157,000	\$420,000	\$24,000	\$10,000	\$20,000	\$1,631,000
Total destroyed.....	1,082,000	363,000	10,000	.....	.....	1,455,000
On hand.....	75,000	57,000	14,000	10,000	20,000	176,000

NOTE.—Burned, badly mutilated, and fractional parts of Federal Reserve notes, amounting to \$245 have been identified, valued, and the bank of issue determined.

Amount of Federal Reserve Bank currency received by Comptroller of the Currency from Bureau of Engraving and Printing, issued, and on hand Dec. 31, 1915.

Bank.	Fives.	Tens.	Twenties.	Total on hand.
Cleveland.....	\$1,000,000	\$1,000,000	\$1,040,000	\$3,040,000
Richmond.....	200,000	400,000	400,000	1,000,000
Chicago.....	800,000	1,200,000	560,000	2,560,000
Minneapolis.....	600,000	1,200,000	.....	1,800,000
Kansas City.....	.....	2,000,000	.....	2,000,000
Dallas:				
Received.....	40,000	400,000	560,000	.....
Issued.....	10,000	280,000	480,000	.....
On hand.....	30,000	120,000	80,000	230,000
Total on hand.....	2,630,000	5,920,000	2,080,000	10,630,000

NOTE.—Plates for fives, tens, and twenties, and printing of \$5,000,000 have been ordered for San Francisco, and plates for fives, tens, twenties, fifties, and hundreds 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, to December 31, 1915, but exclusive of cost of transmittal is as follows:

Federal Reserve Bank:

Boston.....	\$50,035.37
New York.....	336,392.93
Philadelphia.....	54,805.29
Cleveland.....	51,566.85
Richmond.....	32,171.29
Atlanta.....	29,962.09
Chicago.....	65,708.94
St. Louis.....	33,602.08
Minneapolis.....	36,085.49
Kansas City.....	22,574.59
Dallas.....	27,388.85
San Francisco.....	38,599.76
Total.....	778,893.53

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 period Nov. 16, 1914, to Dec. 31, 1915.

Federal Reserve Bank.	Boston.		New York.		Philadelphia.		Cleveland.		Richmond.		Atlanta.	
	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.	Received.	Returned.
Boston.....			\$924,655	\$240,420	\$31,690	\$29,750.00	\$24,315	\$575	\$69,865	\$1,440	\$29,800	\$1,255
New York.....	\$232,070	\$954,645			320,610	1,340,617.50	234,095	22,530	1,513,965	42,810	662,515	82,285
Philadelphia.....	29,750	31,690	1,324,615	330,590			57,405	1,055	337,750	4,155	60,105	2,525
Cleveland.....	575	24,315	22,530	246,355	1,055	57,405.00			6,730	2,135	970	6,750
Richmond.....	1,440	69,865	42,810	1,539,935	4,155	337,750.00	2,135	6,730			19,420	91,195
Atlanta.....	1,255	29,800	82,285	688,435	2,525	60,105.00	6,750	970	91,195	19,420		
Chicago.....	7,400	22,925	212,200	81,215	11,540	11,995.00	51,280	2,000	54,735	265	66,925	1,870
St. Louis.....	3,050	3,770	72,555	55,780	3,115	4,645.00	19,080	240	29,690	190	115,755	1,965
Minneapolis.....	160	20,305	2,885	114,625	260	10,935.00	560	1,185	500	350	600	1,825
Kansas City.....	550	12,485	4,470	130,695	260	11,465.00	935	1,085	1,590	420	1,685	2,235
Dallas.....	290	22,780	8,505	327,650	245	23,915.00	1,170	1,405	1,545	2,540	40,110	144,740
San Francisco.....	6,330	7,205	108,735	190,490	4,165	8,180.00	9,385	195	19,250	25	15,465	540
Total.....	282,870	1,199,785	2,806,245	3,946,190	379,620	1,896,762.50	407,110	37,970	2,126,815	73,750	1,013,350	337,185

INTERDISTRICT MOVEMENT OF FEDERAL RESERVE NOTES—Continued.

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 period Nov. 16, 1914, to Dec. 31, 1915—Continued.

Federal Reserve Bank.	Chicago.		St. Louis.		Minneapolis.		Kansas City.		Dallas.		San Francisco.		Total.	
	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Re- ceived.	Re- turned.	Received.	Returned.
Boston.....	\$22,925	\$7,400	\$3,770	\$3,050	\$20,305	\$160	\$12,485	\$550	\$22,780	\$505	\$7,205	\$6,330	\$1,169,795	\$291,435.00
New York.....	77,955	212,200	50,890	72,555	114,625	2,885	120,245	4,470	308,700	10,505	181,650	108,735	3,817,320	2,854,237.50
Philadelphia.....	11,995	11,540	4,645	3,115	10,935	270	10,535	260	23,915	415	8,180	4,165	1,879,830	389,780.00
Cleveland.....	2,000	51,280	240	19,080	1,185	560	1,085	935	1,405	1,560	195	9,385	37,970	419,760.00
Richmond.....	265	54,735	190	29,690	350	500	420	1,590	2,540	2,845	25	19,250	73,750	2,154,085.00
Atlanta.....	1,870	66,925	1,965	115,755	1,825	600	2,115	1,685	144,740	55,110	540	15,465	337,065	1,054,270.00
Chicago.....	.....	.....	38,155	41,040	252,795	5,970	192,770	950	148,680	1,065	40,895	8,900	1,077,375	178,195.00
St. Louis.....	41,040	38,155	.....	.....	24,875	435	404,030	3,090	1,569,735	9,220	6,625	3,260	2,289,550	120,750.00
Minneapolis.....	5,970	252,795	435	24,875	.....	.....	2,535	2,945	1,140	1,845	2,195	23,140	17,240	454,825.00
Kansas City.....	950	192,770	3,090	404,030	2,800	2,535	.....	.....	14,190	19,160	1,055	24,195	31,575	801,075.00
Dallas.....	1,065	148,680	7,220	1,569,735	1,845	1,140	14,160	14,190	.....	.....	725	33,765	76,880	2,290,540.00
San Francisco.....	8,900	40,895	3,260	6,625	23,140	2,195	24,195	1,055	33,765	1,045	.....	.....	256,590	258,450.00
Total.....	174,935	1,077,375	113,860	2,289,550	454,680	17,250	784,575	31,720	2,271,590	103,275	249,290	256,590	11,064,940	11,267,402.50

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 1915.

RESOURCES.

[In thousands of dollars.]

	Dec. 31, 1914.	Jan. 29.	Feb. 26.	Mar. 26.	Apr. 30.	May 28.	June 25.	July 30.	Aug. 27.	Sept. 24.	Oct. 29.	Nov. 26.	Dec. 30.
Gold coins and certificates in vault.....	228,641	235,417	248,256	241,344	237,278	219,187	222,746	212,988	211,145	229,972	218,224	245,986	266,546
Gold settlement fund.....						23,426	31,360	52,140	55,930	59,050	61,960	73,830	77,293
Gold redemption fund.....	428	488	653	824	950	1,027	1,081	1,064	1,104	1,202	1,222	1,252	1,124
Total gold reserve.....	229,069	235,905	248,909	242,168	238,228	243,640	255,187	266,192	268,179	290,224	281,406	321,068	344,963
Legal tender notes, silver, etc.....	26,578	20,882	29,085	23,098	26,518	31,989	47,848	22,092	19,878	22,920	37,058	37,212	13,525
Total reserve.....	255,647	256,787	277,994	265,266	264,746	275,629	303,035	288,284	288,057	313,144	318,464	358,280	358,488
Commercial paper <i>a</i>	9,909	13,955	18,577	22,001	22,774	24,747	25,996	29,102	29,275	31,373	30,448	32,794	32,368
Bankers' acceptances <i>a</i>			1,892	9,682	13,812	9,204	10,379	11,625	13,564	13,058	13,619	16,179	23,013
United States bonds.....	205	2,015	5,406	6,639	6,813	6,947	7,601	7,923	8,836	9,328	10,505	12,919	15,797
Municipal warrants.....	734	11,165	12,011	14,940	18,656	23,094	11,509	16,107	25,808	24,945	25,014	27,308	12,220
Federal Reserve notes, net assets.....	5,418	3,179	3,215	6,091	6,909	7,765	9,124	11,029	12,491	14,866	19,723	19,176	21,910
Due from other Federal Reserve Banks, net.....	7,930	7,421	8,088	5,573	9,468	7,435	8,311	7,078	6,990	7,409	8,533	14,053	20,767
All other resources.....	5,931	7,712	4,550	3,019	4,425	5,426	5,501	5,904	4,962	3,577	3,645	4,633	6,547
Total resources.....	285,774	302,234	331,733	333,211	347,603	360,247	381,456	377,052	389,983	417,700	429,951	485,342	491,110

LIABILITIES.

	Dec. 31, 1914.	Jan. 29.	Feb. 26.	Mar. 26.	Apr. 30.	May 28.	June 25.	July 30.	Aug. 27.	Sept. 24.	Oct. 29.	Nov. 26.	Dec. 30.
Capital paid in.....	18,051	20,440	36,069	36,105	39,669	54,158	54,200	54,181	54,689	54,748	54,838	54,846	54,915
Government deposits.....										15,000	15,000	15,000	15,000
Reserve deposits, net.....	263,948	279,516	290,336	288,217	294,832	292,050	311,349	306,183	316,989	329,941	343,554	397,952	400,012
Federal Reserve notes, net liability.....	3,775	2,278	5,328	8,889	11,038	10,921	12,617	14,965	16,738	15,348	13,918	13,385	13,486
All other liabilities.....					2,064	3,118	3,290	1,723	1,567	2,663	2,641	4,159	7,697
Total liabilities.....	285,774	302,234	331,733	333,211	347,603	360,247	381,456	377,052	389,983	417,700	429,951	485,342	491,110

(a) MATURITIES OF BILLS ON HAND.

[In thousands of dollars.]

Maturities.	Dec. 3, 1914.	Jan. 29, 1915.	Feb. 26, 1915.	Mar. 26, 1915.	Apr. 30, 1915.	May 28, 1915.	June 25, 1915.	July 30, 1915.	Aug. 27, 1915.	Sept. 24, 1915.	Oct. 29, 1915.	Nov. 26, 1915.	Dec. 30, 1915.
Within 10 days.....	4,632	6,331	7,656	9,715	16,738	12,907	14,333	12,065	4,445	7,487	6,939	6,164	6,467
Over 10 but within 30 days.....													
Over 30 but within 60 days.....													
Over 60 but within 90 days.....													
Over 90 days.....	1,746	2,721	5,711	7,454	7,790	8,621	11,972	11,774	8,582	8,173	8,462	9,524	13,696
Total.....	9,909	13,955	20,469	31,683	36,586	33,951	36,375	40,727	42,839	44,431	44,067	48,973	55,381

Commercial paper, exclusive of acceptances, held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	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.....	58	66	92	19	.....	235	0.7
New York.....	37	99	82	19	.....	237	.7
Philadelphia.....	41	65	37	18	11	172	.5
Cleveland.....	169	100	170	68	32	539	1.7
Richmond.....	1,029	2,718	2,753	933	74	7,507	23.2
Atlanta.....	1,132	1,973	2,722	1,273	1,031	8,131	25.1
Chicago.....	487	1,235	876	720	687	4,005	12.4
St. Louis.....	250	393	374	133	105	1,255	3.9
Minneapolis.....	217	164	196	212	510	1,299	4.0
Kansas City.....	630	1,056	841	521	533	3,581	11.1
Dallas.....	1,093	1,056	1,079	694	1,035	4,957	15.3
San Francisco.....	86	87	130	84	63	450	1.4
Total.....	5,229	9,012	9,352	4,694	4,081	32,368	100.0
Per cent.....	16.2	27.8	28.9	14.5	12.6	100.0	.....

Bankers' acceptances held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	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 ¹	285	1,338	2,559	2,311	.....	6,493	28.2
New York.....	748	1,977	1,844	4,146	.....	8,715	37.9
Philadelphia.....	73	591	1,107	772	.....	2,543	11.0
Cleveland.....	10	235	257	302	.....	804	3.5
Richmond.....	.....	.....	.....	150	.....	150	.6
Atlanta.....	.....	7	19	46	.....	72	.3
Chicago.....	25	481	905	605	.....	2,016	8.8
St. Louis.....	29	183	239	210	.....	661	2.9
Minneapolis.....	14	160	173	131	.....	478	2.1
Kansas City.....	22	105	150	152	.....	429	1.9
Dallas.....	.....	.....	.....	.....	.....	.....	.....
San Francisco.....	30	188	256	178	.....	652	2.8
Total.....	1,236	5,265	7,509	9,003	.....	23,013	100.0
Per cent.....	5.4	22.9	32.6	39.1	.....	100.0	.....

¹ Includes \$3,000 of trade acceptances bought in the open market.

Short-term investments (municipal warrants) held by each Federal Reserve Bank on Dec. 30, 1915, distributed by maturities.

[In thousands of dollars.]

MATURITIES.

	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.....	227	92	302	630	1,790	3,041	24.9
New York.....	90	267	385	90	437	1,269	10.4
Philadelphia.....	97	40	920	173	308	1,538	12.6
Cleveland.....	79	352	383	39	1,993	2,846	23.3
Richmond.....			82			82	.7
Atlanta.....			330			330	2.7
Chicago.....	198	55	206	82	715	1,256	10.3
St. Louis.....	10	12	189	26	55	292	2.4
Minneapolis.....		10	165	625	61	861	7.0
Kansas City.....	10	55	188	20	35	288	2.3
Dallas.....			72			72	.6
San Francisco.....	10	24	137	76	98	345	2.8
Total.....	721	907	3,339	1,761	5,492	12,220	100.0
Per cent.....	5.9	7.4	27.3	14.4	45.0	100.0	.....

Amounts of bankers' acceptances, distributed by classes of acceptors, held by all Federal Reserve Banks, according to schedules on file with the Federal Reserve Board on the last Monday of each month in 1915.

	Member bank ac- ceptances.	Nonmember bank acceptances.			Total.
		Trust com- panies.	State banks.	Private banks.	
Feb. 22.....	93				93
Mar. 31.....	3,075	7,734	10	87	10,906
Apr. 26.....	4,593	8,848	10	110	13,561
May 31.....	5,294	3,774	10	110	9,188
June 28.....	4,211	4,801		161	9,173
July 26.....	5,165	4,832	20	367	10,384
Aug. 30.....	6,274	6,599	20	457	13,350
Sept. 27.....	7,281	5,314	74	408	13,077
Oct. 26.....	8,109	4,419	193	237	12,958
Nov. 29.....	10,902	4,549	275	396	16,122
Dec. 27.....	13,790	5,697	292	820	20,599

United States bonds held by each Federal Reserve Bank on Dec. 31, 1915, distributed by classes.

Banks.	2 per cent.	3 per cent.	4 per cent.	Total.
Boston.....	\$1,000,000	.....	.....	\$1,000,000
New York.....	.....	.....	.....	.....
Philadelphia.....	2,000,000	.....	.....	2,000,000
Cleveland.....	400,000	\$1,187,000	\$770,000	2,357,000
Richmond.....	.....	.....	.....	.....
Atlanta.....	.....	.....	.....	.....
Chicago.....	2,525,000	1,706,000	.....	4,231,000
St. Louis.....	970,000	.....	.....	970,000
Minneapolis.....	1,025,000	303,820	.....	1,328,820
Kansas City.....	2,151,350	300	.....	2,151,650
Dallas.....	870,000	.....	.....	870,000
San Francisco.....	1,010,000	.....	.....	1,010,000
Total.....	11,951,350	3,197,120	770,000	15,918,470

Short-term investments (municipal warrants) held by each Federal Reserve Bank on Dec. 31, 1915, distributed by classes.

[In thousands of dollars.]

	City warrants.	State warrants.	All other warrants.	Total.
Boston.....	2,274	382	485	3,141
New York.....	882	138	179	1,199
Philadelphia.....	1,304	77	103	1,484
Cleveland.....	2,634	69	143	2,846
Richmond.....	.....	82	.....	82
Atlanta.....	.....	325	5	330
Chicago.....	672	56	528	1,256
St. Louis.....	170	76	96	342
Minneapolis.....	300	568	43	911
Kansas City.....	210	78	.....	288
Dallas.....	.....	76	.....	76
San Francisco.....	246	74	25	345
Total.....	8,692	2,001	1,607	12,300
Percent.....	70.7	16.3	13.0	100.0

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915.

RESOURCES.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column, representing consolidated figures of weekly statement, printed in italics.]

	Boston.		New York.		Philadelphia.	
Gold bullion and United States coin.....	\$4,000.00	.....	\$1,447.50	.....	\$55,405.00	.....
United States gold certificates (including clearing-house certificates).....	14,093,220.00	.....	168,963,490.00	.....	6,384,280.00	.....
Gold coin and certificates in vault.....	<i>\$14,097,220.00</i>	.....	<i>\$168,964,937.50</i>	.....	<i>\$6,439,685.00</i>	.....
Gold settlement fund.....	4,279,000.00	<i>4,279,000.00</i>	6,717,000.00	<i>6,717,000.00</i>	8,695,000.00	<i>8,695,000.00</i>
Gold redemption fund with United States Treasurer.....	5,500.00	<i>5,500.00</i>	55,000.00	<i>55,000.00</i>	.....	.....
<i>Total gold reserve.....</i>	.....	<i>18,381,720.00</i>	.....	<i>175,736,937.50</i>	.....	<i>15,134,685.00</i>
Legal tender notes.....	216,405.00	.....	6,164,410.00	.....	1,832,380.00	.....
United States silver certificates.....	145,104.00	.....	1,312,241.00	.....	1,264,880.00	.....
United States silver coin.....	.....	.....	406.05	.....	339.10	.....
Legal tender notes, silver, etc.....	.....	<i>361,509.00</i>	.....	<i>7,477,057.05</i>	.....	<i>3,097,599.10</i>
<i>Total reserve.....</i>	.....	<i>18,743,229.00</i>	.....	<i>183,213,994.55</i>	.....	<i>18,232,284.10</i>
Commodity paper.....	.....	.....	.....	.....	.....	.....
Trade acceptances.....	.....	.....	.....	.....	.....	.....
Commercial paper n. s.....	235,471.40	.....	237,572.08	.....	172,146.06	.....
Bankers' acceptances.....	6,492,578.20	.....	8,714,697.71	.....	2,542,975.94	.....
<i>Total bills discounted and bought.....</i>	.....	<i>6,728,049.60</i>	.....	<i>8,952,269.79</i>	.....	<i>2,715,122.00</i>
United States bonds.....	986,250.00	<i>986,250.00</i>	.....	.....	1,973,247.50	<i>1,973,247.50</i>
Investments (municipal warrants).....	3,041,004.95	<i>3,041,004.95</i>	1,268,975.55	<i>1,268,975.55</i>	1,537,814.63	<i>1,537,814.63</i>
Federal Reserve notes on hand.....	709,095.00	.....	16,016,710.00	.....	401,387.50	.....
Less liability on Federal Reserve notes.....	.....	.....	140,000.00	.....	.....	.....
<i>Federal Reserve notes—Net.....</i>	.....	<i>709,095.00</i>	.....	<i>15,876,710.00</i>	.....	<i>401,387.50</i>
Due from other Federal Reserve Banks.....	2,724,886.03	.....	.....	.....	4,254,613.76	.....
Less due to other Federal Reserve Banks.....	1,096,318.59	.....	.....	.....	586,669.14	.....
<i>Due from other Federal Reserve Banks—net.....</i>	.....	<i>1,628,567.44</i>	.....	.....	.....	<i>3,667,944.62</i>

All other resources:

Difference account.....	15.00				
Interest accrued on investments.....	4,891.22		8,465.14		10,499.10
National bank notes and Federal Reserve notes of other banks.....	134,000.00		72,095.00		261,645.00
Nickels and cents.....	13.46		21.07		101.34
Commissions paid.....	997.79				1,540.51
Expenses paid in advance.....	970.00		3,965.78		1,684.23
Furniture and equipment.....	9,595.24		26,980.36		18,491.31
Expense—Current.....	66,084.37		217,713.40		121,691.09
Expense—Organization.....	30,265.19		122,335.01		31,700.74
Cost of unissued notes.....	33,287.30		232,086.79		55,772.04
Due from other Federal Reserve Banks—Account investments.....	247,082.77				552,843.37
Redemption account (mutilated currency).....					
Premium and discount.....					
Bank premises.....					
Sundry debits.....			2,346.40		
Profit and loss.....	26,330.86				
Total of all other resources, gross.....	553,533.20		686,008.95		1,055,968.73
Less liability for:					
Unearned discount.....	18,367.70		25,448.69		8,126.21
Unearned interest on investments.....	16,580.88		3,095.11		6,418.24
Discount, earned.....	40,371.96		67,462.39		49,450.78
Interest on investments, earned.....	45,597.74		88,347.41		62,011.42
Sundry profits.....	2,401.60		16,534.28		3,289.83
Reserved for Federal income tax.....	190.00		584.83		239.81
Difference account.....			123.26		2.52
Premium and discount.....					
Exchange.....			113.93		
Provision for disbursements.....					
Profit and loss.....			43,064.21		
Total deductions.....	123,509.88		244,774.11		129,538.81
All other resources, net.....		430,023.32		441,234.84	926,429.92
Total resources.....		32,266,219.31		209,753,184.73	29,464,230.27

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915.—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column, representing consolidated figures of weekly statement, printed in italics.]

	Cleveland.		Richmond.		Atlanta.	
Gold bullion and United States coin	\$1,504,410.00	.....	\$478,220.00	.....	\$1,421,189.90	.....
United States gold certificates (including clearing-house certificates)	8,054,900.00	.....	4,744,900.00	.....	3,451,000.00	.....
Gold coin and certificates in vault	<i>\$9,559,310.00</i>	.....	<i>\$5,223,120.00</i>	.....	<i>\$4,872,189.90</i>	.....
Gold settlement fund	11,042,000.00	<i>11,042,000.00</i>	9,875,000.00	<i>9,875,000.00</i>	3,717,000.00	<i>3,717,000.00</i>
Gold redemption fund with United States Treasurer			333,500.00	<i>333,500.00</i>	307,512.36	<i>307,512.36</i>
<i>Total gold reserve</i>		<i>20,601,310.00</i>		<i>15,431,620.00</i>		<i>8,896,702.26</i>
Legal tender notes	1,018,260.00	.....	44,750.00	.....	34,650.00	.....
United States silver certificates	188,642.00	.....	21,166.00	.....	126,973.00	.....
United States silver coin	4,098.25	.....	1,201.55	.....	23,405.75	.....
Legal tender notes, silver, etc.		<i>1,211,000.25</i>		<i>67,117.55</i>		<i>185,028.75</i>
<i>Total reserve</i>		<i>21,812,310.25</i>		<i>15,498,737.55</i>		<i>9,081,731.01</i>
Commodity paper .....		.....	2,406,341.51	.....	4,836,925.80	.....
Trade acceptances .....		.....	216,655.29	.....	183,319.53	.....
Commercial paper n. s.	539,106.09	.....	4,883,729.44	.....	3,111,149.70	.....
Bankers' acceptances	803,724.54	.....	150,000.00	.....	71,665.22	.....
<i>Total bills discounted and bought</i>		<i>1,342,830.63</i>		<i>7,656,726.24</i>		<i>8,203,060.25</i>
United States bonds	2,357,000.00	<i>2,357,000.00</i>		.....		.....
Investments (municipal warrants)	2,846,067.50	<i>2,846,067.50</i>	82,271.76	<i>82,271.76</i>	330,177.58	<i>330,177.58</i>
Federal Reserve notes on hand	291,820.00	.....		.....		.....
Less liability on Federal Reserve notes .....		.....		.....		.....
<i>Federal Reserve notes—Net</i>		<i>291,820.00</i>		.....		.....
Due from other Federal Reserve Banks	2,368,492.66	.....	2,076,777.18	.....	816,975.20	.....
Less due to other Federal Reserve Banks	156,059.24	.....	918,795.51	.....	200,490.63	.....
<i>Due from other Federal Reserve Banks—Net</i>		<i>2,212,433.42</i>		<i>1,157,981.67</i>		<i>616,484.57</i>

All other resources:

Difference account.....					
Interest accrued on investments.....	11,817.19				
National bank notes and Federal Reserve notes of other banks.....	88,025.00	103,190.00		867,500.00	
Nickels and cents.....	.67				
Commissions paid.....	1,410.27				
Expenses paid in advance.....	2,283.42				
Furniture and equipment.....	20,187.08				
Expense—Current.....	136,883.29				
Expense—Organization.....	37,377.56				
Cost of unissued notes.....	42,757.61				
Due from other Federal Reserve Banks—Account investments.....					
Redemption account (mutilated currency).....				118,000.00	
Premium and discount.....	91,990.94				
Bank premises.....					
Sundry debits.....					
Profit and loss.....					
Total of all other resources—Gross.....	432,732.94	103,190.00		985,500.00	
Less liability for:					
Unearned discount.....	4,711.37				
Unearned interest on investments.....	17,082.55				
Discount, earned.....	42,692.83				
Interest on investments, earned.....	71,251.94				
Sundry profits.....	823.88				
Reserved for Federal income tax.....	171.76				
Difference account.....					
Premium and discount.....	2,312.50				
Exchange.....					
Provision for disbursements.....	5,268.29				
Profit and loss.....					
Total deductions.....	144,315.12				
All other resources—Net.....		288,417.82	103,190.00		985,500.00
Total resources.....		31,150,879.62	24,498,907.22		19,216,953.41

Statement showing condition of each Federal Reserve Bank and of the system at close of business on Dec. 30, 1915—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Chicago.		St. Louis.		Minneapolis.	
Gold bullion and United States coin.....	\$2,540,007.50				\$469,008.00	
United States gold certificates (including clearing-house certificates).....	32,622,340.00		\$2,967,000.00		2,230,650.00	
Gold coin and certificates in vault.....		<i>\$35,162,347.50</i>		<i>\$2,967,000.00</i>		<i>\$2,699,658.00</i>
Gold settlement fund.....	1,256,000.00	<i>1,256,000.00</i>	6,072,000.00	<i>6,072,000.00</i>	4,355,000.00	<i>4,355,000.00</i>
Gold redemption fund with United States Treasurer.....			25,050.00	<i>25,050.00</i>	30,000.00	<i>30,000.00</i>
Total gold reserve.....		<i>36,418,347.50</i>		<i>9,064,050.00</i>		<i>7,084,658.00</i>
Legal-tender notes.....	239,350.00		65,000.00		14,620.00	
United States silver certificates.....	390,777.00		28,431.00		5,035.00	
United States silver coin.....	10.00					
Legal tender notes, silver, etc.....		<i>630,137.00</i>		<i>93,431.00</i>		<i>19,655.00</i>
Total reserve.....		<i>37,048,484.50</i>		<i>9,157,481.00</i>		<i>7,104,313.00</i>
Commodity paper.....			66,400.00		19,000.00	
Trade acceptances.....			91,758.08			
Commercial paper n. s.....	4,005,390.06		1,096,762.08		1,280,485.50	
Bankers' acceptances.....	2,015,664.20		661,230.23		477,806.40	
Total bills discounted and bought.....		<i>6,021,054.26</i>		<i>1,916,150.39</i>		<i>1,777,291.90</i>
United States bonds.....	4,218,000.00	<i>4,218,000.00</i>	970,000.00	<i>970,000.00</i>	1,303,820.00	<i>1,303,820.00</i>
Investments (municipal warrants).....	1,255,737.27	<i>1,255,737.27</i>	291,552.60	<i>291,552.60</i>	860,513.28	<i>860,513.28</i>
Federal Reserve notes on hand.....	1,694,640.00		817,460.00		817,775.00	
Less liability on Federal Reserve notes.....						
Federal Reserve notes—Net.....		<i>1,694,640.00</i>		<i>817,460.00</i>		<i>817,775.00</i>
Due from other Federal Reserve Banks.....	11,094,607.36		2,997,558.12		4,461,867.11	
Less due to other Federal Reserve Banks.....	1,208,043.40		1,630,527.91		22,603.72	
Due from other Federal Reserve Banks—Net.....		<i>9,886,563.96</i>		<i>1,367,030.21</i>		<i>4,439,263.39</i>
All other resources:						
Difference account.....						
Interest accrued on investments.....	19,715.46		4,797.57		6,339.17	

National-bank notes and Federal Reserve notes of other banks.....	203,300.00	582,355.00	2,855.00
Nickels and cents.....	2.59	27.77	79.87
Commissions paid.....		770.85	787.88
Expenses paid in advance.....			
Furniture and equipment.....	26,210.18	20,346.13	54,133.14
Expense—Current.....	91,696.63	154,544.62	57,225.94
Expense—Organization.....	23,821.47	15,702.85	21,738.04
Cost of unissued notes.....	65,708.94	34,483.46	38,634.12
Due from other Federal Reserve Banks account investments.....			
Redemption account (mutilated currency).....			
Premium and discount.....			
Bank premises.....			
Sundry debits.....	749.69		
Profit and loss.....			
Total of all other resources—Gross.....	431,204.96	813,028.25	181,793.16
Less liability for:			
Unearned discount.....	32,322.49	7,306.16	13,546.00
Unearned interest on investments.....	8,825.43	1,048.35	5,042.71
Discount, earned.....	58,652.96	60,505.99	42,729.90
Interest on investments, earned.....	72,443.29	23,731.98	21,440.00
Sundry profits.....	170.64	3,046.61	4,073.11
Reserve for Federal income tax.....	310.00	277.77	
Difference account.....	7.12		
Premium and discount.....	8,177.70	17,565.64	7,521.64
Exchange.....	11,753.36		
Provision for disbursements.....	416.88	426.47	15.83
Profit and loss.....			
Total deductions.....	193,079.87	113,908.97	94,369.19
All other resources—Net.....		238,125.09	699,119.23
Total resources.....		60,362,605.08	15,218,793.48
			16,390,400.54

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

RESOURCES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Kansas City.		Dallas.		San Francisco.		Total.	
Gold bullion and United States coin.....	\$3,833,700.00		\$234,330.00		\$1,503,650.00		\$12,045,367.90	
United States gold certificates (including clearing-house certificates).....	4,546,640.00		3,740,400.00		2,701,280.00		254,500,100.00	
Gold coin and certificates in vault.....		<i>\$3,380,340.00</i>		<i>\$3,974,730.00</i>		<i>\$4,204,930.00</i>		<i>\$266,545,467.90</i>
Gold settlement fund.....	2,464,000.00	<i>2,464,000.00</i>	8,941,000.00	<i>8,941,000.00</i>	9,880,000.00	<i>9,880,000.00</i>	77,293,000.00	<i>77,293,000.00</i>
Gold redemption fund with United States Treasurer.....	107,000.00	<i>107,000.00</i>	259,800.00	<i>259,800.00</i>			1,123,362.36	<i>1,123,362.36</i>
Total gold reserve.....		<i>10,951,340.00</i>		<i>13,175,530.00</i>		<i>14,034,930.00</i>		<i>344,961,830.26</i>
Legal-tender notes.....	71,260.00		53,050.00		2,260.00		9,756,395.00	
United States silver certificates.....	42,808.00		62,000.00		2,479.00		3,590,536.00	
United States silver coin.....	5,500.00		144,436.95		25.35		179,423.00	
Legal-tender notes, silver, etc.....		<i>119,568.00</i>		<i>259,486.95</i>		<i>4,764.35</i>		<i>13,526,354.00</i>
Total reserve.....		<i>11,070,908.00</i>		<i>13,435,016.95</i>		<i>14,089,694.35</i>		<i>358,488,184.26</i>
Commodity paper.....			214,000.00				7,542,667.31	
Trade acceptances.....	83,279.22		96,000.00		16,833.70		687,845.82	
Commercial paper, n. s.....	3,498,201.76		4,647,460.53		433,236.52		24,140,711.22	
Bankers' acceptances.....	428,872.29				652,254.93		23,011,469.66	
Total bills discounted and bought.....		<i>4,010,353.27</i>		<i>4,957,460.53</i>		<i>1,102,325.15</i>		<i>55,382,694.01</i>
United States bonds.....	2,119,221.95	<i>2,119,221.95</i>	870,000.00	<i>870,000.00</i>	1,000,475.00	<i>1,000,475.00</i>	15,798,014.45	<i>15,798,014.45</i>
Investments (municipal warrants).....	288,015.84	<i>288,015.84</i>	71,888.16	<i>71,888.16</i>	344,978.13	<i>344,978.13</i>	12,218,997.25	<i>12,218,997.25</i>
Federal Reserve notes on hand.....					1,300,980.00		22,049,867.50	
Less liability on Federal Reserve notes.....							140,000.00	
Federal Reserve notes—Net.....						<i>1,300,980.00</i>		<i>21,909,867.50</i>
Due from other Federal Reserve Banks.....	572,274.77		329,676.10		3,491,304.32		35,189,032.61	
Less due to other Federal Reserve Banks.....	425,022.78		160,820.32		6,293.31		6,411,644.55	
Due from other Federal Reserve Banks—Net.....		<i>147,251.99</i>		<i>168,855.78</i>		<i>3,485,011.01</i>		<i>120,766,791.30</i>
All other resources:								
Difference account.....							15.00	
Interest accrued on investments.....	8,652.82		449.22		5,050.00		80,676.89	

National-bank notes and Federal Reserve notes of other banks.....	126,475.00		1,060,890.00		10,500.00		3,512,830.00	
Nickels and cents.....	1.99		10,991.50		3.56		11,243.82	
Commissions paid.....	861.03						6,368.33	
Expenses paid in advance.....							8,903.43	
Furniture and equipment.....	46,828.85		33,255.41		6,422.59		262,450.29	
Expense—Current.....	131,425.64		61,644.66		9,064.32		1,047,973.87	
Expense—Organization.....	45,164.51				33,626.49		361,731.86	
Cost of unissued notes.....			9,924.60		41,961.96		554,616.82	
Due from other Federal Reserve Banks account investments.....	823,499.18						1,623,425.32	
Redemption account (mutilated currency).....	3,263.00		36,000.00				157,263.00	
Premium and discount.....							91,990.94	
Bank premises.....			144,783.85				144,783.85	
Sundry debits.....							3,096.09	
Profit and loss.....			9,395.95		9,521.80		45,248.61	
Total of all other resources—Gross.....	1,186,172.02		1,367,335.19		116,150.72		7,912,618.12	
Less liability for:								
Unearned discount.....	21,818.96		30,657.67		8,244.89		170,550.14	
Unearned interest on investments.....	741.21		221.26				59,055.74	
Discount, earned.....	81,100.61		146,386.95		1,543.84		590,898.21	
Interest on investment, earned.....	20,421.49		829.47		2,860.06		408,934.80	
Sundry profits.....	647.21		391.19				31,378.35	
Reserve for Federal income tax.....					210.00		1,984.17	
Difference account.....							132.90	
Premium and discount.....			6,337.50				41,914.98	
Exchange.....			1,222.69				13,089.98	
Provision for disbursements.....					149.96		6,277.43	
Profit and loss.....							43,064.21	
Total deductions.....	124,729.48		186,046.73		13,008.75		1,367,280.91	
All other resources—Net.....		1,061,442.54		1,181,288.46		103,141.97		6,545,337.2
Total resources.....		18,697,193.59		20,684,509.88		21,426,605.61		491,109,885.91

¹ Items in transit, i. e. total amounts due from less total amounts due to other Federal Reserve Banks.

LIABILITIES.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Boston.		New York.		Philadelphia.	
Capital.....	\$5,158,150.00		\$11,055,200.00		\$5,269,600.00	
Capital—suspense account.....			7,950.00			
Capital paid in		<i>\$5,158,150.00</i>		<i>\$11,063,150.00</i>		<i>\$5,269,600.00</i>
Government deposits.....						
Reserve deposits:						
Due to member banks.....	27,243,543.90		181,799,307.21		25,783,564.88	
Due to member banks—transit.....						
Due to Reserve city clearing-house banks.....						
Transit account.....	1,315.70					
Return item checks.....			44.35			
Cashiers' checks.....	10,787.66		2,113,342.26		107.63	
Expense checks.....			13,198.58			
Total reserve deposits—gross.....	27,255,647.26		183,925,892.40		25,783,672.51	
Less:						
Exchanges for clearing house.....	115,413.83		694,711.57		1,577,487.57	
Checks and other cash items.....	15.00		1,409.03			
Dues from member banks—overdrafts.....	30,833.42		22,648.95		21,554.67	
Due from banks and bankers.....						
Due from Reserve city clearing-house banks.....						
Deferred credits.....	1,315.70					
Total deductions.....	147,577.95		718,769.55		1,599,042.24	
Reserve deposits—net.....		<i>27,108,069.31</i>		<i>183,207,122.85</i>		<i>24,184,630.27</i>
Due to other Federal Reserve Banks.....			11,266,607.05			
Less due from other Federal Reserve Banks.....			3,256,010.29			

<i>Due to other Federal Reserve Banks—net</i>				8,010,596.76	
<i>Federal Reserve note liability</i>					
<i>Less Federal Reserve notes on hand</i>					
<i>Federal Reserve notes—net</i>					
<i>All other liabilities:</i>					
<i>Due to other Federal Reserve Banks—investment account</i>			7,472,315.12		
<i>Unearned discount</i>					
<i>Unearned interest on investments</i>					
<i>Discount, earned</i>					
<i>Interest on investments, earned</i>					
<i>Sundry profits</i>					
<i>Provision for disbursements</i>					
<i>Profit and loss</i>					
<i>Total all other liabilities—gross</i>			7,472,315.12		
<i>Less:</i>					
<i>Furniture and equipment</i>					
<i>Expense—current</i>					
<i>Expense—organization</i>					
<i>Cost of unissued Federal Reserve notes</i>					
<i>Nickels and cents</i>					
<i>Total deductions</i>					
<i>All other liabilities—net</i>				7,472,315.12	
<i>Total liabilities</i>		32,266,219.31		209,753,184.73	29,454,230.27

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Cleveland.		Richmond.		Atlanta.	
Capital.....	\$5,941,150.00		\$3,353,800.00		\$2,422,400.00	
Capital—suspense account.....						
<i>Capital paid in.....</i>	<i>\$5,941,150.00</i>		<i>\$3,353,800.00</i>		<i>\$2,422,400.00</i>	
Government deposits.....			5,000,000.00	<i>5,000,000.00</i>	5,000,000.00	<i>5,000,000.00</i>
Reserve deposits:						
Due to member banks.....	25,204,595.81		10,901,417.15		8,404,281.97	
Due to member banks—transit.....						
Due to reserve city clearing-house banks.....						
Transit account.....						
Return item checks.....						
Cashiers' checks.....	5,133.81		9,744.46		97,230.71	
Expense checks.....						
Total reserve deposits—gross.....	25,209,729.62		10,911,161.61		8,501,512.68	
Less:						
Exchanges for clearing house.....			2,522.79		74,439.16	
Checks and other cash items.....			596.92		42,746.73	
Due from member banks—overdrafts.....			51,976.36		103,077.12	
Due from banks and bankers.....					44,838.76	
Due from reserve city clearing-house banks.....						
Deferred credits.....						
Total deductions.....			55,096.07		265,101.77	
<i>Reserve deposits—net.....</i>	<i>25,209,729.62</i>		<i>10,856,065.54</i>		<i>8,236,410.91</i>	
Due to other Federal Reserve Banks.....						
Less due from other Federal Reserve Banks.....						

<i>Due to other Federal Reserve Banks—net.</i>					
Federal Reserve note liability			6,080,000.00		4,750,000.00
Less Federal Reserve notes on hand			813,650.00		1,294,250.00
<i>Federal Reserve notes—net.</i>				5,266,350.00	3,455,750.00
All other liabilities:					
Due to other Federal Reserve Banks—investment account					
Unearned discount			27,132.71		34,966.04
Unearned interest on investments			212.54		877.42
Reserve discount, earned			798.69		229,273.83
Interest on investments, earned					1,513.48
Sundry profits					4,829.08
Provision for disbursements					313.54
Profit and loss			91,948.55		
Total all other liabilities—gross			120,092.49		271,773.39
Less:					
Furniture and equipment			9,500.00		8,545.68
Expense—Current			55,473.59		103,025.70
Expense—Organization			15,058.00		23,597.22
Cost of unissued Federal Reserve notes			17,368.34		34,058.68
Nickels and cents			.88		153.61
Total deductions			97,400.81		169,380.89
<i>All other liabilities—net</i>				22,691.68	102,392.50
<i>Total liabilities</i>		31,150,879.62		24,498,907.22	19,216,953.41

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Chicago.		St. Louis.		Minneapolis.	
Capital.....	\$6,644,600.00		\$2,781,000.00		\$2,546,550.00	
Capital—suspense account.....					300.00	
Capital paid in.....		<i>\$6,644,600.00</i>		<i>\$2,781,000.00</i>		<i>\$2,546,850.00</i>
Government deposits.....			<i>1100,878.99</i>	<i>1100,878.99</i>		
Reserve deposits:						
Due to member banks.....	53,540,972.32		12,124,877.10		13,843,550.54	
Due to member banks—transit.....	266,649.10					
Due to reserve city clearing-house banks.....						
Transit account.....						
Return item checks.....	1,193.13					
Cashiers' checks.....	49,992.50		247,734.29			
Expense checks.....	60.15					
Total reserve deposits—gross.....	53,858,867.20		12,372,611.39		13,843,550.54	
Less:						
Exchanges for clearing house.....	79,194.97					
Checks and other cash items.....			30.63			
Due from member banks—overdrafts.....	61,667.15		35,666.27			
Due from banks and bankers.....						
Due from reserve city clearing-house banks.....						
Deferred credits.....						
Total deductions.....	140,862.12		35,696.90			
Reserve deposits—net.....		<i>53,718,005.08</i>		<i>12,336,914.49</i>		<i>13,843,550.54</i>
Due to other Federal Reserve Banks.....						
Less due from other Federal Reserve Banks.....						

<i>Due to other Federal Reserve Banks—net</i>					
Federal Reserve note liability.....					
Less Federal Reserve notes on hand.....					
<i>Federal Reserve notes—net</i>					
All other liabilities:					
Due to other Federal Reserve Banks—investment account.....					
Unearned discount.....					
Unearned interest on investments.....					
Discount earned.....					
Interest on investments, earned.....					
Sundry profits.....					
Provision for disbursements.....					
Profit and loss.....					
Total all other liabilities—gross.....					
Less:					
Furniture and equipment.....					
Expense—current.....					
Expense—organization.....					
Cost of unissued Federal Reserve notes.....					
Nickels and cents.....					
Total deductions.....					
<i>All other liabilities—net</i>					
<i>Total liabilities</i>		60,362,605.08		15,218,793.48	16,390,400.54

¹ Shown among all other liabilities in weekly statement.

Statement showing condition of each Federal Reserve Bank and of the system at close of business on December 30, 1915—Continued.

LIABILITIES—Continued.

[Detailed figures by ledger items shown for each bank in first column; figures in the second column representing consolidated figures of weekly statement, printed in italics.]

	Kansas City.		Dallas.		San Francisco.		Total.	
Capital.....	\$3,037,800.00		\$2,752,816.67		\$3,941,800.00		\$54,904,866.67	
Capital—suspense account.....							8,250.00	
Capital paid in.....		<i>\$3,037,800.00</i>		<i>\$2,752,816.67</i>		<i>\$3,941,800.00</i>		<i>\$54,913,116.67</i>
Government deposits.....			5,000,000.00	<i>5,000,000.00</i>			15,100,878.99	<i>15,100,878.99</i>
Reserve deposits:								
Due to member banks.....	14,359,046.26		9,783,296.47		17,539,455.88		400,527,909.49	
Due to member banks—transit.....							266,649.10	
Due to reserve city clearing house banks.....			21,500.00				21,500.00	
Transit account.....					15,508.35		16,824.05	
Return item checks.....							1,237.48	
Cashiers' checks.....	4,387.76		9,476.80				2,547,937.88	
Expense checks.....					6,928.16		20,186.89	
Total reserve deposits—gross.....	14,363,434.02		9,814,273.27		17,561,892.39		403,402,244.89	
Less:								
Exchanges for clearing house.....	148,193.23				51,001.87		2,742,964.99	
Checks and other cash items.....	344.04		288.99				45,431.34	
Due from member banks—overdrafts.....	33,998.16						361,422.10	
Due from banks and bankers.....			17,276.07				62,114.83	
Due from reserve city clearing-house banks.....			151,000.00				151,000.00	
Deferred credits.....					26,084.91		27,400.61	
Total deductions.....	182,535.43		168,565.06		77,086.78		3,390,333.87	
Reserve deposits—net.....		<i>14,180,898.59</i>		<i>9,645,708.21</i>		<i>17,484,805.61</i>		<i>400,011,911.02</i>
Due to other Federal Reserve Banks.....							11,266,607.05	

Less due from other Federal Reserve Banks.....						3,256,010.29	
<i>Due to other Federal Reserve Banks—net</i>							
Federal Reserve note liability.....	2,000,000.00		3,705,000.00			16,535,000.00	
Less Federal Reserve notes on hand.....	521,505.00		419,015.00			3,048,420.00	
<i>Federal Reserve notes—net</i>		1,478,495.00		3,285,985.00			13,486,580.00
All other liabilities:							
Due to other Federal Reserve Banks—in- vestment account.....						7,472,315.12	
Unearned discount.....						62,098.75	
Unearned interest on investments.....						1,089.96	
Discount earned.....						230,072.52	
Interest on investments, earned.....						1,513.48	
Sundry profits.....						4,829.08	
Provision for disbursements.....						313.54	
Profit and loss.....						91,948.55	
Total all other liabilities—gross.....						7,864,181.00	
Less:							
Furniture and equipment.....						18,045.68	
Expense—current.....						158,499.29	
Expense—organization.....						38,655.22	
Cost of unissued Federal Reserve notes.....						51,427.02	
Nickels and cents.....						154.49	
Total deductions from all other liabili- ties—gross.....						266,781.70	
<i>All other liabilities—net</i>							¹ 7,597,399.30
<i>Total liabilities</i>		18,697,193.59		20,684,509.88		21,426,605.61	491,109,885.98

¹ Difference between above amount and corresponding amount shown in weekly statement—\$100,878.99—represents the amount of Government deposits shown separately in above statement, but included among other liabilities in the weekly statement.

Exhibit D.—DISCOUNT AND OTHER INVESTMENT OPERATIONS OF FEDERAL RESERVE BANKS.

Amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and total amounts discounted during 1914 and 1915.

PAPER MATURING WITHIN 30 DAYS.

[In thousands of dollars.]

Federal Reserve Bank.	1914			1915													Total since Nov. 16, 1914.	Per cent.
	Novem-ber.	Decem-ber.	Total in 1914.	Jan-uary.	Feb-ruary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.	Total in 1915.		
Boston.....	15.1	181.4	196.5	103.0	102.0	86.8	153.4	52.5	162.6	59.7	19.2	28.0	5.0	72.9	67.8	911.9	1,108.4	2.9
New York.....	2,509.9	1,556.6	4,066.5	1,204.9	878.6	6.7	54.2	26.3	36.8	68.7	2.9	26.4	36.9	60.7	22.7	2,425.8	6,492.3	16.7
Philadelphia.....	909.1	642.9	1,552.0	173.9	321.3	375.9	46.0	79.7	210.3	225.6	701.2	283.9	216.5	74.6	65.2	2,774.1	4,326.1	11.1
Cleveland.....	41.1	224.1	265.2	30.1	208.5	104.7	66.4	109.1	183.0	192.0	30.0	120.3	87.3	56.9	26.9	1,215.2	1,480.4	3.8
Richmond.....	49.7	530.1	579.8	1,004.4	573.1	302.5	363.3	548.8	637.9	580.3	462.6	420.6	534.0	562.7	558.8	6,549.0	7,128.8	18.3
Atlanta.....	1.1	257.8	258.9	362.6	354.1	340.6	174.1	173.9	199.5	175.3	218.9	186.6	258.0	502.1	293.0	3,238.7	3,497.6	9.0
Chicago.....	2,143.5	391.1	2,534.6	54.7	34.1	149.4	23.5	44.6	55.7	93.2	26.6	32.4	49.9	90.6	930.2	1,584.9	4,119.5	10.6
St. Louis.....	985.1	149.5	1,134.6	314.9	26.9	46.6	30.3	41.0	52.3	64.8	41.1	77.0	145.9	259.1	128.8	1,228.7	2,363.3	6.1
Minneapolis.....	200.0	355.7	555.7	7.1	38.7	70.9	11.3	42.8	46.0	29.5	42.6	50.9	60.4	64.7	46.1	511.0	1,066.7	2.7
Kansas City.....	402.6	3.2	405.8	55.8	130.7	69.0	108.0	20.5	21.6	107.3	83.2	307.9	268.7	731.9	458.8	2,363.4	2,769.2	7.1
Dallas.....	47.0	173.6	220.6	174.9	221.8	140.8	180.9	118.0	103.5	14.8	31.3	224.0	456.9	254.6	210.5	2,132.0	2,352.6	6.1
San Francisco.....	2.0	608.5	610.5	623.0	67.7	105.7	27.6	374.3	101.1	104.7	40.7	71.9	40.9	.....	16.9	1,574.5	2,185.0	5.6
Total.....	7,306.2	5,074.5	12,380.7	4,109.3	2,957.5	1,798.6	1,239.0	1,631.5	1,810.3	1,715.9	1,700.3	1,829.9	2,160.4	2,730.8	2,825.7	26,509.2	38,889.9	100.0
Per cent.....	18.8	13.0	31.8	10.6	7.6	4.6	3.2	4.2	4.7	4.4	4.4	4.7	5.5	7.0	7.3	68.2	100.0	.....

PAPER MATURING AFTER 30 DAYS BUT WITHIN 60 DAYS.

Boston.....	10.5	48.3	58.8	11.6	21.5	66.0	131.1	99.2	143.2	104.9	8.6	17.9	24.4	58.5	41.3	728.2	787.0	1.2
New York.....	571.3	102.1	673.4	353.2	92.7	83.5	55.2	63.1	82.0	157.6	92.7	42.9	44.2	43.6	60.5	1,171.2	1,844.6	2.9
Philadelphia.....	9.7	73.7	83.4	46.2	144.8	470.7	68.7	170.3	149.0	168.4	44.1	25.2	59.1	33.0	26.4	1,405.9	1,489.3	2.4
Cleveland.....	31.4	136.7	168.1	28.4	266.5	224.0	174.1	157.8	198.7	103.4	174.0	267.6	152.9	184.9	40.3	1,972.6	2,140.7	3.4
Richmond.....	139.7	806.2	945.9	1,078.9	2,000.0	1,736.2	1,121.2	1,151.9	1,294.5	1,762.2	1,937.3	1,848.2	1,476.1	1,793.9	1,503.3	18,703.7	19,649.6	31.2
Atlanta.....	21.9	355.1	377.0	1,389.3	1,254.6	1,274.8	751.7	941.8	725.4	755.1	908.0	1,396.2	977.3	1,355.8	1,367.0	13,097.0	13,474.0	21.4
Chicago.....	557.9	1,253.3	1,811.2	168.2	121.6	227.4	67.5	124.7	151.7	245.4	95.0	276.6	268.6	376.3	544.0	2,667.0	4,478.2	7.1
St. Louis.....	508.1	84.9	593.0	174.8	102.3	70.1	105.6	107.4	113.3	126.7	234.7	284.6	399.5	292.3	217.1	2,228.4	2,821.4	4.5
Minneapolis.....	.....	23.1	23.1	37.3	43.3	101.4	55.3	111.7	103.8	287.6	187.1	153.5	168.5	126.7	68.8	1,445.0	1,468.1	2.3
Kansas City.....	25.7	16.8	42.5	38.0	90.6	87.0	177.6	82.2	162.9	208.3	327.4	544.4	680.4	879.5	652.2	3,930.5	3,973.0	6.3
Dallas.....	47.4	261.0	308.4	226.1	960.6	663.8	690.6	576.3	597.5	358.9	790.7	1,228.6	996.0	1,045.8	517.8	8,652.7	8,961.1	14.2
San Francisco.....	5.5	89.7	95.2	75.0	323.2	252.5	102.3	214.4	183.3	233.9	191.3	94.3	80.4	51.7	32.9	1,835.2	1,930.4	3.1
Total.....	1,929.1	3,250.9	5,180.0	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	63,017.4	100.0
Per cent.....	3.1	5.1	8.2	5.8	8.6	8.3	5.6	6.0	6.2	7.2	7.9	9.8	8.5	9.9	8.0	91.8	100.0	.....

PAPER MATURING AFTER 60 DAYS BUT WITHIN 90 DAYS.

Boston.....	1.0	43.9	44.9	11.7	16.1	26.4	41.1	30.9	38.3	32.3	41.3	43.9	25.1	39.4	75.1	421.6	466.5	0.8
New York.....	31.6	77.5	109.1	84.2	74.7	98.4	107.0	142.9	169.3	106.3	61.4	215.8	56.1	48.0	47.6	1,211.7	1,320.8	2.2
Philadelphia.....	1.4	65.1	66.5	57.6	59.8	190.4	163.8	110.6	95.5	89.1	42.4	28.5	20.6	41.4	19.0	918.7	985.2	1.6
Cleveland.....	31.3	169.8	201.1	125.4	92.1	123.2	147.3	120.2	50.2	64.0	66.0	45.3	76.8	71.2	53.3	1,035.0	1,236.1	2.0
Richmond.....	99.7	514.4	614.1	650.7	995.9	2,033.1	1,430.7	1,510.4	1,667.3	1,793.9	1,485.7	1,218.4	1,208.2	2,202.8	1,531.5	17,728.6	18,342.7	30.3
Atlanta.....	21.8	448.5	470.3	785.4	1,181.2	1,148.6	750.4	738.7	1,092.7	910.0	1,110.5	1,418.6	1,713.2	2,124.4	1,510.3	14,464.0	14,934.3	24.7
Chicago.....	231.0	625.9	856.9	90.3	96.2	78.7	99.9	116.2	212.8	200.1	80.9	359.3	418.1	326.5	428.0	2,507.0	3,363.9	5.5
St. Louis.....	79.0	99.5	178.5	99.0	178.8	133.4	107.5	134.1	159.3	205.3	213.0	225.4	375.2	250.0	172.2	2,253.2	2,431.7	4.0
Minneapolis.....	.....	30.0	30.0	30.9	20.3	63.2	38.4	41.2	187.3	197.7	150.0	171.8	177.9	107.1	98.1	1,283.9	1,313.9	2.2
Kansas City.....	13.1	35.1	48.2	6.4	89.3	75.0	104.9	58.7	65.5	214.3	234.0	368.5	704.8	634.2	340.4	2,896.0	2,944.2	4.9
Dallas.....	70.6	197.9	268.5	341.8	245.1	876.2	947.9	762.3	959.3	1,113.4	870.2	981.0	668.5	888.3	865.5	9,519.5	9,788.0	16.2
San Francisco.....	5.1	313.3	318.4	101.7	216.4	316.3	227.5	564.9	489.7	367.9	164.7	230.0	226.5	57.9	119.7	3,083.2	3,401.6	5.6
Total.....	585.6	2,620.9	3,206.5	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	6,791.2	5,260.7	57,322.4	60,528.9	100.0
Per cent.....	1.0	4.3	5.3	3.9	5.4	8.5	6.9	7.1	8.6	8.7	7.5	8.8	9.4	11.2	8.7	94.7	100.0	.....

Amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and total amounts discounted during 1914 and 1915—Continued.

AGRICULTURAL AND LIVE STOCK PAPER MATURING AFTER 90 DAYS.

[In thousands of dollars.]

Federal Reserve Bank.	1914			1915													Total since Nov. 16, 1914.	Per cent.
	November.	December.	Total in 1914.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total in 1915.		
Boston.....								8.7	3.3	4.8	6.7	1.5				25.0	25.0	0.1
New York.....					0.3	2.1		3.7	1.4	1.4		1.1			0.9	10.9	10.9	.1
Philadelphia.....		0.7	0.7	0.1	1.4	4.4	10.0	7.5				0.3		7.7	7.0	38.4	39.1	.2
Cleveland.....		40.9	40.9		39.4	10.3	37.1	44.2	5.3	13.6	6.1	48.1	74.1	15.4	9.6	303.2	344.1	1.7
Richmond.....	4.7	40.2	44.9	68.5	89.7	193.3	251.0	369.7	404.6	217.8	88.0	50.2	41.9	53.5	81.9	1,910.1	1,955.0	9.6
Atlanta.....	2.5	18.7	21.2	160.2	154.9	126.1	181.0	384.4	340.4	150.6	92.3	192.0	517.6	733.4	376.7	3,409.6	3,430.8	16.9
Chicago.....	58.4	148.7	207.1	48.6	46.6	135.5	75.1	161.0	227.9	123.2	103.3	284.8	490.4	464.8	318.6	2,479.8	2,686.9	13.2
St. Louis.....		7.5	7.5	25.2	31.2	15.9	37.4	105.6	76.0	70.0	63.1	25.0	33.0	68.5	56.4	607.3	614.8	3.0
Minneapolis.....	13.4	41.6	55.0	52.3	12.9	28.5	74.0	139.1	457.9	285.5	127.4	72.2	198.5	321.9	196.4	1,966.6	2,021.6	9.9
Kansas City.....	1.3	12.0	13.3	27.1	52.4	45.8	73.4	46.4	83.5	113.4	131.2	117.0	254.8	383.7	356.9	1,685.6	1,698.9	8.4
Dallas.....	47.9	193.5	241.4	193.7	301.8	549.2	832.5	1,028.1	816.8	649.1	352.4	252.9	242.8	447.3	786.1	6,452.7	6,694.1	32.9
San Francisco.....		11.8	11.8	35.7	154.6	69.7	71.5	83.9	86.1	86.0	51.6	43.8	38.9	9.5	63.5	794.8	806.6	4.0
Total.....	128.2	515.6	643.8	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	20,327.8	100.0
Per cent.....	0.6	2.6	3.2	3.0	4.4	5.8	8.1	11.7	12.3	8.4	5.0	5.4	9.3	12.3	11.1	96.8	100.0	.....

Total amounts of commercial paper, exclusive of acceptances, discounted by the several Federal Reserve Banks during each month from Nov. 16, 1914, to Dec. 31, 1915, and aggregate amounts discounted during 1914 and 1915.

[In thousands of dollars.]

Federal Reserve Bank.	1914			1915													Total since Nov. 16, 1914.	Per cent.
	Novem-ber.	Decem-ber.	Total.	Janu-ary.	Febru-ary.	March.	April.	May.	June.	July.	August.	Sep-tember.	Octo-ber.	Novem-ber.	Decem-ber.	Total in 1915.		
Boston.....	26.6	273.6	300.2	126.3	139.6	178.2	325.6	191.3	347.4	201.7	75.8	91.3	54.5	170.8	184.2	2,086.7	2,386.9	1.3
New York.....	3,112.9	1,736.2	4,849.1	1,642.3	1,046.3	190.7	216.4	236.0	289.5	334.0	157.0	286.2	137.2	152.3	131.7	4,819.6	9,668.7	5.3
Philadelphia.....	920.2	782.4	1,702.6	277.8	527.3	1,041.4	288.5	368.1	454.8	483.1	788.0	337.6	296.2	156.7	117.6	5,137.1	6,839.7	3.7
Cleveland.....	103.8	571.5	675.3	183.9	606.5	462.2	424.9	431.3	437.2	373.0	276.1	481.3	391.1	328.4	130.1	4,526.0	5,201.3	2.9
Richmond.....	293.8	1,890.9	2,184.7	2,802.5	3,658.7	4,265.1	3,166.2	3,580.8	4,004.3	4,354.2	3,973.6	3,537.4	3,260.2	4,612.9	3,675.5	44,891.4	47,076.1	25.8
Atlanta (including New Orleans branch)	47.2	1,080.1	1,127.3	2,677.5	2,944.8	2,890.1	1,857.2	2,238.8	2,358.0	1,991.0	2,329.7	3,193.4	3,466.1	4,715.7	3,547.0	34,209.3	35,336.6	19.3
Chicago.....	2,990.8	2,419.0	5,409.8	361.8	298.5	591.0	266.0	446.5	648.1	661.9	305.8	953.1	1,227.0	1,258.2	2,220.8	9,238.7	14,648.5	8.0
St. Louis.....	1,572.2	241.4	1,913.6	613.9	339.2	266.0	280.8	388.1	400.9	466.8	551.9	612.0	953.6	869.9	574.5	6,317.6	8,231.2	4.5
Minneapolis.....	213.4	450.4	663.8	127.6	115.2	264.0	179.0	334.8	795.0	800.3	507.1	448.4	605.3	620.4	409.4	5,206.5	5,870.3	3.2
Kansas City.....	442.7	67.1	509.8	127.3	363.0	276.8	463.9	207.8	333.5	643.3	775.8	1,337.8	1,908.7	2,629.3	1,808.3	10,875.5	11,385.3	6.2
Dallas.....	212.9	826.0	1,038.9	936.5	1,729.3	2,230.0	2,651.9	2,484.7	2,477.1	2,136.2	2,044.6	2,686.5	2,364.2	2,636.0	2,379.9	26,756.9	27,795.8	15.2
San Francisco.....	12.6	1,023.3	1,035.9	835.4	761.9	744.2	428.9	1,237.5	860.2	792.5	448.3	440.0	386.7	119.1	233.0	7,287.7	8,323.6	4.6
Total.....	9,949.1	11,461.9	21,411.0	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	182,764.0	100.0
Per cent.....	5.4	6.3	11.7	5.9	6.9	7.3	5.8	6.7	7.3	7.2	6.7	7.9	8.2	10.0	8.4	88.3	100.0	

Amounts of trade acceptances discounted by each of the Federal Reserve Banks from Sept. 2, date of first discount, to Dec. 31, 1915.¹

[In thousands of dollars.]

Federal Reserve Bank.	Trade acceptances discounted during month of—				
	September.	October.	November.	December.	Total.
New York.....		4.8	.9		5.7
Cleveland.....	1.6	2.7	.6		4.9
Richmond.....	10.6	100.1	145.7	194.1	450.5
Atlanta, (including New Orleans branch)...	259.2	402.6	205.6	139.7	1,007.1
St. Louis.....	12.3	37.1	13.8	104.6	167.8
Kansas City.....	4.5		71.8	11.5	87.8
Dallas.....	2.5	59.4	37.9	61.0	160.8
San Francisco.....	28.8	22.4	19.9	3.1	74.2
Total.....	319.5	629.1	496.2	514.0	1,958.8

Amounts of commodity paper discounted by each of the Federal Reserve Banks from Sept. 8, date of first discount, to Dec. 31, 1915.¹

[In thousands of dollars.]

Federal Reserve Bank.	Commodity paper discounted during month of—				
	September.	October.	November.	December.	Total.
Richmond.....	96.0	364.4	1,523.4	897.6	2,881.4
Atlanta (including New Orleans branch)...	807.3	1,657.2	2,739.1	1,828.7	7,032.3
St. Louis.....		31.2	15.0	53.6	99.8
Minneapolis.....		1.5	12.5	11.3	25.3
Dallas.....	2.3	4.8	83.7	148.2	239.0
San Francisco ²		35.7	1.5		37.2
Total.....	905.6	2,094.8	4,375.2	2,939.4	10,315.0

¹ Included in totals of commercial paper, shown in preceding tables.

² All discounted at regular rates.

Number of member banks, by districts, accommodated through the discount of commercial paper during each month from November, 1914, to Dec. 31, 1915.

Federal Reserve Bank.	1914		1915													Total since Nov. 16, 1914.
	Novem-ber.	Decem-ber.	January.	Febru-ary.	March.	April.	May.	June.	July.	August.	Septem-ber.	October.	Novem-ber.	Decem-ber.	Total in 1915.	
Boston.....	3	7	7	6	13	13	12	13	12	6	9	7	6	9	19	29
New York.....	8	5	6	10	13	18	18	20	20	10	13	8	8	12	49	54
Philadelphia.....	7	13	12	22	25	19	24	26	24	16	14	11	16	13	65	70
Cleveland.....	2	16	12	17	22	25	31	32	24	18	19	23	21	9	81	88
Richmond.....	16	66	91	100	112	122	129	137	155	146	127	126	128	112	226	226
Atlanta.....	9	59	96	123	113	104	130	128	127	119	129	135	181	131	247	248
Chicago.....	46	55	31	31	42	32	48	57	50	35	65	78	95	83	143	221
St. Louis.....	6	21	24	24	32	34	44	44	34	52	54	45	54	45	129	131
Minneapolis.....	8	22	21	17	30	23	39	96	51	68	43	56	66	112	176	197
Kansas City.....	9	7	11	17	35	41	27	38	72	70	89	150	110	83	258	274
Dallas.....	16	54	58	70	102	138	153	166	136	129	160	128	129	118	360	366
San Francisco.....	2	14	29	32	31	37	38	56	55	42	39	27	21	27	167	169
Total number of member banks accommodated...	132	339	398	469	570	606	693	813	760	711	761	794	835	754	1,920	2,073
Total number of national and other member banks.....	7,584	7,593	7,609	7,618	7,614	7,622	7,623	7,624	7,625	7,640	7,650	7,655	7,655	7,646	.....	.....

Amounts of bankers' acceptances purchased by Federal Reserve Banks during each month from date of first purchase (Feb. 19, 1915) to Dec. 31, 1915, and total amounts purchased during the calendar year 1915.

[In thousands of dollars.]

Banks.	Febru- ary.	March.	April.	May.	June.	July.	August.	Septem- ber.	October.	Novem- ber.	Decem- ber.	Total.	Per cent.
Boston.....	340	1,030	550	643	573	1,064	1,064	781	1,792	3,347	¹ 2,921	14,105	21.7
New York.....	1,660	3,343	1,272	867	3,083	2,497	1,598	1,770	2,200	1,900	5,644	25,834	39.8
Philadelphia.....	339	857	437	170	550	801	328	994	430	709	1,950	7,565	11.7
Cleveland.....	200	931	141	73	49	298	170	137	336	316	312	2,963	4.6
Richmond.....								100			150	250	.4
Atlanta (including New Orleans branch).....											72	72	.1
Chicago.....		1,412	293	159	111	498	628	367	671	742	901	5,782	8.9
St. Louis.....		67	126	218	44	300	141	120	263	261	261	1,801	2.8
Minneapolis.....	127	210	101	59	29	191	116	72	209	178	163	1,455	2.2
Kansas City.....		82	275	352	27	194	247	86	177	179	169	1,788	2.8
Dallas.....													
San Francisco.....		424	823	324	235	143	364	121	262	287	247	3,230	5.0
Total.....	2,666	8,356	4,018	2,865	4,701	5,986	4,656	4,548	6,340	7,919	12,790	64,845	100.0
Per cent.....	4.1	12.9	6.2	4.4	7.3	8.9	7.5	6.8	10.0	12.2	19.7	100.0	

¹ Includes \$31,000 of trade acceptances purchased in open market.

Amounts of bankers' acceptances purchased during each month from date of first purchase (Feb. 19, 1915) to December, 31, 1915, distributed by maturities.

MATURITIES.

[In thousands of dollars.]

Months.	Within 30 days.	After 30 but within 60 days.	After 60 days but within 3 months.	Total.	Months.	Within 30 days.	After 30 but within 60 days.	After 60 days but within 3 months.	Total.
February.....		56	2,610	2,666	September.....	78	211	4,259	4,548
March.....	814	1,258	6,284	8,356	October.....	493	761	5,086	6,340
April.....	75	870	3,073	4,018	November.....	151	1,780	5,988	7,919
May.....	2	1,280	1,583	2,865	December.....	844	1,003	¹ 10,943	12,790
June.....	141	627	3,933	4,701	Total.....	2,980	9,057	52,808	64,845
July.....	43	736	5,207	5,986					
August.....	339	475	3,842	4,656					

¹ Includes \$31,000 of trade acceptances purchased in open market.

Amounts of United States bonds (par value) purchased by Federal Reserve Banks each month from date of opening to Dec. 31, 1915.

	1914		1915												Total purchased and on hand Dec. 31, 1915.	
	November.	December.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.		
Boston.....									\$200,000	\$300,000			\$500,000		\$1,000,000	P. ct. 6.3
New York.....																
Philadelphia.....								\$200,000	150,000			\$154,000	1,496,000		2,000,000	12.6
Cleveland.....				\$100,000			\$175,000	259,500	127,500	198,500	\$26,500	45,000	672,000	\$753,000	2,357,000	14.8
Richmond.....																
Atlanta.....																
Chicago.....		\$205,000	\$1,245,000	1,675,000	\$400,000		100,000	100,000		234,500	26,500	45,000	79,000	121,000	4,231,000	26.6
St. Louis.....				25,000	220,000							725,000			970,000	6.1
Minneapolis.....				650,000	300,000	\$75,000				2,000		55,000	105,820	141,000	1,328,820	8.3
Kansas City.....			405,500	116,250	420,000					300	435,000	176,100	136,000	462,500	2,151,650	13.5
Dallas.....														870,000	870,000	5.5
San Francisco.....			1,000,000				10,000								1,010,000	6.3
Total.....		205,000	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	100.0
Per cent.....		1.3	16.7	16.1	8.4	0.5	1.8	3.5	3.0	4.6	3.1	7.5	18.8	14.7	100.0	
Of the above totals, the following classes of bonds were purchased each month:																
2 per cent bonds.....		175,000	2,380,500	2,166,250	940,000	75,000	10,000	200,000	350,000	300,000	435,000	1,055,100	2,282,000	1,582,500	11,951,350	75.1
3 per cent bonds.....		30,000	270,000	400,000	400,000		275,000	359,500	127,500	435,300	53,000	145,000	316,820	385,000	3,197,120	20.1
4 per cent bonds.....													390,000	380,000	770,000	4.8

Amounts of municipal warrants purchased by the Federal Reserve Banks each month from date of opening to Dec. 31, 1915.

[In thousands of dollars.]

	1914		1915												Total for 1915.	Total since No- vember, 1914.	Per cent.
	Novem- ber.	Decem- ber.	January.	Febru- ary.	March.	April.	May.	June.	July.	August.	Sep- tember.	Octo- ber.	Novem- ber.	Decem- ber.			
Boston.....			555.5	320.0	307.7	635.5	658.7	732.3	434.4	1,149.1	749.0	340.2	1,706.6	670.9	8,259.9	8,259.9	12.4
New York.....			5,261.3	2,041.8	781.0	705.3	1,607.2	1,889.6	3,611.5	4,647.2	422.1	100.0	5,006.5	391.9	26,465.4	26,465.4	39.8
Philadelphia.....			1,525.1	49.6	458.0	243.1	643.5	321.5	649.7	1,001.0	724.9	218.0	684.1	881.3	7,399.8	7,399.8	11.1
Cleveland.....			820.1		493.5	616.3	632.0	348.7	513.2	1,004.8	1,660.1	454.5	73.1	188.7	6,805.0	6,805.0	10.2
Richmond.....				37.0	1.0								69.3	13.0	120.3	120.3	.2
Atlanta, including New Or- leans branch.....											4.6		325.1		329.7	329.7	.5
Chicago.....			1,525.0	105.0	969.5	432.0	375.0	502.5	935.0	1,701.0	216.6	119.3	206.3	597.4	7,684.6	7,684.6	11.6
St. Louis.....				29.8	575.0	150.9	45.8	109.4	327.1	682.6	137.9	10.0	110.9	85.4	2,264.8	2,264.8	3.4
Minneapolis.....		677.0	400.0		35.0	199.4	54.2	195.3	205.1	394.9	68.7	65.0	583.9	194.7	2,396.2	3,073.2	4.6
Kansas City.....					63.4	46.5	70.0	75.4	290.1	501.0	60.6	40.0	75.5	27.7	1,250.2	1,250.2	1.9
Dallas.....													71.9	3.8	75.7	75.7	.1
San Francisco.....					55.1	167.6	860.4	338.1	380.4	668.4	70.8	23.1	88.0	155.8	2,807.7	2,807.7	4.2
Total.....		677.0	10,087.0	2,583.2	3,739.2	3,196.6	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	66,536.3	100.0
Per cent.....		1.1	15.1	3.9	5.6	4.8	7.4	6.8	11.0	17.7	6.2	2.1	13.5	4.8	98.9	100.0	.....

NOTE.—The amounts of municipal warrants purchased by the Boston, New York, Philadelphia, Chicago, St. Louis, and San Francisco banks as shown in the above statements do not agree with the amounts shown in the reports for those banks, as the above figures represent the amounts charged to investments, whereas the figures given in the Federal Reserve Agents' reports for the banks represent in part the par value of the warrants purchased.

Total investment operations (bills discounted, bankers' acceptances, United States bonds and municipal warrants bought), by months, of each Federal Reserve Bank during the period November, 1914, to Dec. 31, 1915.

[In thousands of dollars.]

	1914			1915													Total since organization.
	November.	December.	Total.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	Total.	
Boston	26.6	273.6	300.2	681.8	799.6	1,515.9	1,511.1	1,493.0	1,652.7	1,900.1	2,588.9	1,621.3	2,186.7	5,724.4	3,776.1	25,451.6	25,751.8
New York	3,112.9	1,736.2	4,849.1	6,903.6	4,748.1	4,314.7	2,193.7	2,710.2	5,262.1	6,442.5	6,402.2	2,478.3	2,437.2	7,058.8	6,167.6	57,119.0	61,968.1
Philadelphia	920.2	782.4	1,702.6	1,802.9	915.9	2,356.4	968.6	1,181.6	1,526.3	2,083.8	2,117.0	2,056.5	1,098.2	3,045.8	2,948.9	22,101.9	23,804.5
Cleveland	103.8	571.5	675.3	1,004.0	906.5	1,886.7	1,182.2	1,311.3	1,094.4	1,311.7	1,649.4	2,304.9	1,226.6	1,389.5	1,383.8	16,651.0	17,326.3
Richmond	293.8	1,890.9	2,184.7	2,802.5	3,695.7	4,266.1	3,166.2	3,580.8	4,004.3	4,354.2	3,973.6	3,637.4	3,260.2	4,682.2	3,838.5	45,261.7	47,446.4
Atlanta	47.2	1,080.1	1,127.3	2,677.5	2,944.8	2,890.1	1,857.2	2,238.8	2,358.0	1,991.0	2,329.7	3,198.0	3,466.1	5,040.8	3,619.0	34,611.0	35,738.3
Chicago	2,990.8	2,624.0	5,614.8	3,131.8	2,078.5	3,372.5	991.0	1,080.5	1,361.6	2,094.9	2,869.3	1,503.2	2,062.3	2,285.5	3,840.2	26,731.3	32,346.1
St. Louis	1,572.2	341.4	1,913.6	613.9	394.0	1,128.0	557.7	651.9	554.3	1,093.9	1,375.5	869.9	1,951.6	1,241.8	920.9	11,353.4	13,267.0
Minneapolis	213.4	1,127.4	1,340.8	527.6	892.2	809.0	554.4	448.0	1,019.3	1,196.4	1,020.0	589.1	934.3	1,488.1	908.1	10,386.5	11,727.3
Kansas City	442.7	67.1	509.8	532.8	479.3	842.2	785.4	629.8	435.9	1,127.4	1,524.1	1,919.4	2,301.8	3,019.8	2,467.5	16,065.4	16,575.2
Dallas	212.9	826.0	1,038.9	936.5	1,729.3	2,230.0	2,651.9	2,484.7	2,477.1	2,136.2	2,044.6	2,686.5	2,364.2	2,707.9	3,253.7	27,702.6	28,741.5
San Francisco	12.6	1,023.3	1,035.9	1,835.4	761.9	1,223.3	1,419.5	2,431.9	1,433.3	1,315.9	1,480.7	631.8	671.8	494.1	635.8	14,335.4	15,371.3
Total	9,949.1	12,343.9	22,293.0	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	38,178.7	33,760.1	307,770.8	330,063.8

Exhibit E—GOLD SETTLEMENT FUND.

Preparations to “exercise the functions of a clearing house for Federal Reserve Banks,” as provided for in section 16 of the Federal Reserve Act, were taken up by the Federal Reserve Board in April, 1915, and on May 8 the following circular and regulation were issued:

(Circular No. 13, series of 1915.)

CLEARINGS BETWEEN FEDERAL RESERVE BANKS.

Section 16 of the Federal Reserve Act authorizes the Federal Reserve Board, at its discretion, to exercise the functions of a clearing house for the Federal Reserve Banks.

Pursuant to the authority of this section the Federal Reserve Board has devised a plan for the establishment of a gold fund for the weekly settlement of balances arising out of transactions among the 12 Federal Reserve Banks, to be operated under the direction of the Federal Reserve Board with the cooperation of the Treasury Department.

The regulation governing the establishment and operation of this fund is issued herewith.

(Regulation L, series of 1915.)

CLEARINGS BETWEEN FEDERAL RESERVE BANKS.

I. Statutory provisions under section 16.—“The Federal Reserve Board shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal Reserve Banks and their branches and may at its discretion exercise the functions of a clearing house for such Federal Reserve Banks or may designate a Federal Reserve Bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.”

II. General provisions.—In the exercise of the functions of the clearing house authorized under the provisions of section 16, quoted above, the Federal Reserve Board and the Federal Reserve Banks will be governed by and subject to the following regulations and the Federal Reserve Board will be the custodian of the funds herein-after termed the Gold Settlement Fund. The Board will appoint a settling agent, who shall keep the necessary records and accounts.

III. Deposits in the gold settlement fund.—(a) Each Federal Reserve Bank shall, not later than May 24, 1915, forward to the Treasury or the nearest subtreasury, for credit to the account of the Gold Settlement Fund, \$1,000,000 in gold, gold certificates, or gold order certificates, and in addition an amount at least equal to its net indebtedness due to all Federal Reserve Banks.

(b) The Treasurer of the United States or Assistant Treasurer will, in accordance with arrangements made with the Treasury Department, advise the Federal Reserve Board, by mail or telegraph, of the receipt of all funds deposited on account of the Gold Settlement Fund, and the Treasurer will issue and deliver to the Federal Reserve Board gold order certificates made “payable to the order of the Federal Reserve Board” covering the sum so deposited.

(c) Each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000.

(d) Excess balances may, at the convenience of each Federal Reserve Bank, remain deposited with the Gold Settlement Fund.

IV. Custody of funds.—(a) A safe in the Treasury vault will be set apart for the exclusive use of the Federal Reserve Board.

(b) To open the Treasury vault, the presence of two persons designated by the Secretary of the Treasury is required. The combination of the safe set apart for the use of the Board will be controlled by two persons designated by the Board.

(c) A vault record shall be kept, giving a memorandum of all entrances to the safe, by whom made, for what purpose, and the certificates deposited or withdrawn. Each entry on the vault record book shall be signed by the persons having access to the safe.

V. Accounts.—In its relations with other Federal Reserve Banks each Federal Reserve Bank shall keep an account showing balances “due to” other Federal Reserve Banks representing the proceeds of items which it has actually collected and payments and transfers which have been made to it for the account of such other Federal Reserve Banks and an account showing balances “due from” other Federal Reserve Banks

representing the proceeds of items which it has sent to such other Federal Reserve Banks and payments and transfers which have been made to such other Federal Reserve Banks for its account.

VI. *Procedure.*—(a) At the close of business each Wednesday night, each Federal Reserve Bank shall telegraph to the Federal Reserve Board, confirming such telegram by mail, the amounts in even thousands due to each other Federal Reserve Bank as of that date, as indicated by its “due to” account provided for in Rule V. If Wednesday is a holiday in the State in which a Federal Reserve Bank is located, then such bank shall telegraph, as herein provided, on Tuesday, at the close of business.

(b) The settling agent shall, on each Thursday, make the proper debits and credits in the accounts of each Federal Reserve Bank with the Gold Settlement Fund, and shall telegraph to each bank the amounts, in even thousands, of credits to its settlement account, giving the name of each Federal Reserve Bank from which each of its credits was received and also its net debit or credit balance in the weekly settlement.

(c) Each Federal Reserve Bank shall, on receipt of the telegram from the settling agent, debit the “due to” Federal Reserve Banks’ accounts, and shall credit the Gold Settlement Fund; and shall credit the “due from” Federal Reserve Banks’ accounts and charge the Gold Settlement Fund. The difference between the total debits and credits shall equal the net debit or credit to the Gold Settlement Fund, as advised in the telegram from the settling agent.

VII. *Deficits.*—(a) Should the debit settlement balance of any Federal Reserve Bank be in excess of the amount of its credit in the Gold Settlement Fund, such deficit must be immediately covered either by the deposit of gold, gold certificates, or gold order certificates in the Treasury or nearest subtreasury, or by credit operations with other Federal Reserve Banks which have an excess balance with the Gold Settlement Fund. Any delay in covering such deficit shall be subject to such charge as the Federal Reserve Board may impose.

(b) As required in III (c) of this regulation, each Federal Reserve Bank shall maintain a balance in the Gold Settlement Fund of not less than \$1,000,000. Should the credit balance of any Federal Reserve Bank in such fund fall below \$1,000,000, such bank shall restore its balance to that amount in either manner indicated under VIII (a) of this regulation on or before Tuesday of the following week.

VIII. *Excess balances.*—Any excess balance shall, on request, either by telegram or letter, of the Federal Reserve Bank to which it is due, be refunded by the return to the reserve bank of the gold order certificates held by the Gold Settlement Fund properly indorsed; or by the indorsement and delivery to the Treasurer of a like amount of such certificates for which he will give in exchange bearer gold certificates, which the Federal Reserve Board may send by registered mail, insured, to the banks, if they want funds other than gold order certificates, or in lieu of such payment the Treasurer may by wire or mail direct payment to be made by a subtreasury office through the medium of the general account, provided funds are held in such office available for the purpose. Gold order certificates will, when presented at the office of the Treasurer of the United States or any subtreasury, bearing the signatures of duly authorized officers of the Federal Reserve Bank, be payable in gold or gold certificates. If the Treasury finds it necessary to ship from one point to another in order to have the gold or gold certificates available at the subtreasury to which such gold order certificates are presented, the Federal Reserve Board will, for the account of the Gold Settlement Fund, refund any expense incurred by the Treasury in making such shipments.

IX. *Reserve.*—Each Federal Reserve Bank shall count as a part of its legal reserve the funds standing to the credit of its account on the books of the Gold Settlement Fund.

X. *Expenses.*—Cost of operation of and shipment of currency by the Gold Settlement Fund shall be apportioned by a semiannual accounting among the 12 Federal Reserve Banks on a basis to be hereafter determined by the Board after consultation with the Federal Reserve Banks.

XI. *Audit.*—At least once in each three months an audit shall be made of the Gold Settlement Fund by a representative of the Federal Reserve Board and a representative appointed by the Federal Reserve Banks.

XII.—The Federal Reserve Board reserves the right to add to, alter, or amend these regulations.

Under this regulation, each Federal Reserve Bank deposited with the Treasurer of the United States at Washington, or at any Subtreasury \$1,000,000, plus the net amount of its indebtedness to other Federal Reserve Banks. The Treasury Department had agreed to cooperate with the Federal Reserve Board in operating the fund,

and under the arrangements thus concluded the several assistant treasurers were to forward telegraphic advice of deposits received to the Treasurer of the United States at Washington, who would in turn issue gold order certificates of the \$10,000 denomination, payable to the Federal Reserve Board.

To ascertain the amount which each bank should deposit, a preliminary settlement or clearing was made May 20 on the basis of figures reported by the Federal Reserve Banks at the close of business May 19. The required deposits, aggregating approximately \$18,000,000, were made in the week following this preliminary settlement. The first regular weekly settlement was made on Thursday, May 27, each Federal Reserve Bank having on Wednesday evening transmitted to the Federal Reserve Board advice of the amount due from it to each other Federal Reserve Bank and after completion of the settlement a telegram was sent to each bank giving the amounts which other Federal Reserve Banks had reported due it, and the net amount by which it was debtor or creditor at the clearing. Upon receipt of this telegram each bank charged the accounts of other Federal Reserve Banks for the amounts it had reported due to them, and credited their accounts with the amounts which they had reported due to it, the obligations in each case having been extinguished by the operation of settling and the transfer of title to gold held in the gold settlement fund. This procedure has since been followed at each Thursday settlement.

The gold order certificates held in the fund are in the joint custody of a settling agent and deputy settling agent appointed by the Federal Reserve Board, and are deposited by them in a burglar-proof safe, controlled by double combination lock requiring the presence of both officers to obtain access. This safe is in a vault of the Treasury Department.

Transfers of funds from the credit of one Federal Reserve Bank to that of another are affected by book entries, upon telegraphic or mail request from the Federal Reserve Bank making the transfer.

Withdrawals from the fund are effected either by delivery to the Treasurer of the United States of the certificates, bearing proper indorsement, with a request that he arrange for payment to the Federal Reserve Bank making the withdrawal at the sub-treasury nearest said bank, or by return to the Federal Reserve Bank of the gold order certificates, indorsed.

Through the procedure above outlined, the Federal Reserve Board has, up to the close of the year 1915, settled through the gold settlement fund for the 12 Federal Reserve Banks an indebtedness aggregating \$1,052,649,000, with a net change of only \$95,697,000 in ownership of the gold held in the fund, or 8.14 per cent of the total amount cleared. The direct expense incidental to the administration of the gold settlement fund in handling these transactions has been approximately \$1,150, principally for equipment and telegraph service.

A noteworthy feature in the operation of the fund has been the avoidance of the necessity for shipment of funds between Federal Reserve Banks. Statements are given below, one showing the amount which each bank has deposited and withdrawn, the amount which each has collected from or paid to other Federal Reserve Banks, and the amount to which, during the period of operation ending December 31, 1915, it has been debtor or creditor. A statement is also given showing the places at which the deposits and withdrawals of funds have been made, from which it will be noted that at only one subtreasury have the withdrawals exceeded the deposits (New Orleans, where \$3,510,000 was deposited and \$7,810,000 withdrawn), and as the fiscal operations of the Treasury Department had concentrated a surplus of cash at that point, no shipment was necessary to meet this excess of withdrawals.

Condensed summary of transactions, May 20 to Dec. 31, 1915, both inclusive.

Federal Reserve Bank of—	Gold deposited.	Withdrawn.	Withdrawn by transfer to Federal Reserve Agent.	Total withdrawn.	Excess of—		Payments to and from other Federal Reserve Banks.				Balance to credit in fund Dec. 31, 1915.
					Deposits.	Withdrawals.	Total debits.	Total credits.	Net debit.	Net credit.	
Boston.....	\$3,230,000				\$3,230,000		\$134,160,000	\$135,209,000		\$1,049,000	\$4,279,000
New York.....	87,000,000				87,000,000		334,583,000	253,300,000	\$81,283,000		5,717,000
Philadelphia.....	12,450,000	\$7,000,000	\$5,000,000	\$12,000,000	450,000		129,399,000	138,644,000		9,245,000	9,695,000
Cleveland.....	3,200,000	270,000		270,000	2,930,000		17,194,000	25,306,000		8,112,000	11,042,000
Richmond.....	9,770,000	1,110,000		10,660,000		\$890,000	67,879,000	78,644,000		10,765,000	9,875,000
Atlanta.....	6,380,000		13,700,000	13,700,000		7,320,000	32,107,000	43,144,000		11,037,000	3,717,000
Chicago.....	12,030,000	2,000,000	4,260,000	6,260,000	5,770,000		156,084,000	151,670,000	4,414,000		1,356,000
St. Louis.....	3,220,000	2,000,000	5,000,000	7,000,000		3,780,000	101,517,000	111,369,000		9,852,000	6,072,000
Minneapolis.....	1,400,000		4,000,000	4,000,000		2,600,000	6,141,000	13,096,000		6,955,000	4,355,000
Kansas City.....	3,480,000	270,000	7,000,000	7,270,000		3,790,000	37,305,000	43,559,000		6,254,000	2,464,000
Dallas.....	7,660,000	7,930,000	1,900,000	9,830,000		2,170,000	20,398,000	31,876,000		11,478,000	9,308,000
San Francisco.....	5,980,000	5,000,000	2,050,000	7,050,000		1,070,000	15,882,000	26,832,000		10,950,000	9,880,000
Total.....	155,800,000	25,580,000	52,460,000	78,040,000	77,760,000		1,052,649,000	1,052,649,000	85,697,000	85,697,000	77,760,000

Deposits and withdrawals by Federal Reserve Banks, and where made, May 20 to Dec. 31, 1915.

[000's omitted.]

Treasury, subtreasury, or mint at—	Federal Reserve Bank of—													
	Boston.		New York.		Philadelphia.		Cleveland.		Richmond.		Atlanta.		Chicago.	
	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.
Boston.....	\$3,230													
New York.....			\$87,000											
Philadelphia.....					\$12,450	\$7,000					\$110			
Cincinnati.....							\$1,500							
Washington.....							1,700	\$270	\$9,770	\$1,110	6,270			
Chicago.....													\$12,030	\$2,000
Total.....	3,230		87,000		12,450	7,000	3,200	270	9,770	1,110	6,380		12,030	2,000

Treasury, subtreasury, or mint at—	Federal Reserve Bank of—											
	St. Louis.		Minneapolis.		Kansas City.		Dallas.		San Francisco.		By all banks.	
	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.	Deposited.	Withdrawn.
Boston.....											\$3,230	
New York.....											87,000	
Philadelphia.....								\$0.5			12,560	\$7,000.5
Cincinnati.....											1,500	
Washington.....						\$270	\$4,150				21,890	1,650
Chicago.....			\$1,400								13,430	2,000
St. Louis.....	\$3,220	\$2,000			\$3,480			25			6,700	2,025
New Orleans.....							3,510	7,810			3,510	7,810
San Francisco.....									\$5,980	\$5,000	5,980	5,000
Denver.....								94.5				94.5
Total.....	3,220	2,000	1,400		3,480	270	7,660	7,930	5,980	5,000	155,800	25,580

¹ Includes a deposit of \$5,000,000 made by the Treasury Department.

² Includes a deposit of \$4,000,000 made by the Treasury Department.

³ In addition to the amount shown, \$1,400,000 has been deposited with the assistant treasurer of the United States at San Francisco, to the credit, however, of the Federal Reserve Agent at San Francisco.

FEDERAL RESERVE AGENTS' FUND.

The opening of accounts with the Federal Reserve Agents was authorized by the Federal Reserve Board by a resolution adopted September 8, 1915, for the purpose of facilitating the adjustment of accounts between the several Federal Reserve Agents and the Federal Reserve Banks, and the settling agent and deputy settling agent were instructed to handle deposits received from the Federal Reserve Agents in the same manner as those received from the Federal Reserve Banks, with the proviso, however, that the accounts and records pertaining to the deposits, withdrawals, or transfers of funds to the credit of the several Federal Reserve Agents should at all times be kept separate and distinct from those relating to Federal Reserve Banks and separate and distinct from each other.

The fund thus established has been designated the "Federal Reserve Agents' fund" and amounted on December 31, 1915, to \$56,860,000, representing money held by the Federal Reserve Agents against Federal Reserve notes issued to the Federal Reserve Banks and against which the banks had deposited the funds in question to reduce or extinguish their liability for the notes.

GOLD HELD BY THE FEDERAL RESERVE BOARD TO THE CREDIT OF FEDERAL RESERVE AGENTS AS AT CLOSE OF BUSINESS DEC. 31, 1915.

Transfers made by Federal Reserve Banks from funds to their credit with the gold settlement fund to the credit of their respective Federal Reserve Agents with the Federal Reserve Agents' fund.....	\$52,460,000
Deposits made by Federal Reserve Agents with subtreasuries for credit with Federal Reserve Agents' fund.....	4,400,000
Total	56,860,000
Federal Reserve Agent at--	
Philadelphia.....	\$5,000,000
Richmond.....	9,550,000
Atlanta.....	13,700,000
Chicago.....	4,260,000
St. Louis.....	5,000,000
Minneapolis.....	4,000,000
Kansas City.....	7,000,000
Dallas.....	1,900,000
San Francisco.....	6,450,000
Total	56,860,000

Exhibit F.—INTRADISTRICT CLEARINGS.

Total number of items and amounts cleared by each Federal Reserve Bank to Dec. 31, 1915.

Federal Reserve Bank.	Number of items cleared.	Amounts cleared.
Boston.....	181,209	\$272,395,481
New York.....	1,262,211	1,334,015,772
Philadelphia.....	873,271	493,168,559
Cleveland.....	299,580	139,086,000
Richmond.....	569,146	237,877,200
Atlanta.....	186,421	101,060,344
New Orleans branch.....	6,148	18,452,426
Chicago.....	2,122,405	1,303,629,563
St. Louis.....	1,936,580	642,531,753
Minneapolis.....	22,942	23,323,569
Kansas City.....	2,059,619	748,833,696
Dallas.....	252,420	127,210,440
San Francisco.....	5,129	438,349
Total.....	9,777,081	5,442,023,252

Exhibit G.—RECEIPTS AND DISBURSEMENTS OF FEDERAL RESERVE BOARD.

There is here given a detailed account of receipts and expenditures by the Federal Reserve Board. The expenses of the Reserve Bank Organization Committee were paid from an appropriation of \$100,000 made by Congress. Of this appropriation there is a balance of \$17,708.15 unexpended.

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.

Disbursements for the Board were, until February 12, 1915, made by the governor of the Board, on which date the moneys of the Board were deposited in the Treasury of the United States to the credit of a special fund, a bonded fiscal agent having been appointed by the Board and authorized to make collections and disbursements.

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 by transfer" under "Disbursements" covers settlements made by transfers of credit authorized and directed by the auditor on the books of the Treasury Department. It is used by the Federal Reserve Board largely in connection with payments to the Bureau of Engraving and Printing for the preparation of Federal Reserve notes. The term "commitments" where used covers all obligations entered into by the Board.

Telegrams paid for by the Federal Reserve Board are billed at the Government rate. All payments for the Board are first approved either by the Board or the Committee on Budget and Expenditures and the secretary of the Board.

RECEIPTS.

Unexpended balance Jan. 1, 1915.....	\$139, 169. 80
Second assessment (made July 1, 1915).....	108, 283. 64
Reimbursements.....	528. 07
Bulletin, subscriptions to.....	521. 84
Total available.....	248, 503. 35

DISBURSEMENTS.

By governor of Board (Jan. 1 to Feb. 12, 1915).....	18, 478. 26
By fiscal agent (Feb. 13 to Dec. 31, 1915).....	172, 731. 19
Auditors settlements by transfer (Jan. 1 to Dec. 31, 1915).....	20, 004. 13
Total disbursements.....	211, 213. 58
Balances on hand Dec. 31, 1915, with Treasurer of United States to credit of—	
Fiscal agent.....	\$12, 268. 81
Federal Reserve Board.....	25, 020. 96
	37, 289. 77
	248, 503. 35

GENERAL STATEMENT.

First assessment, including \$239,871.10 for Federal Reserve notes, made	
Nov. 2, 1914.....	\$431,768.40
Overpayments first assessment.....	106.43
	<hr/>
	431,874.83
Amount assessed for Federal Reserve notes.....	239,871.10
	<hr/>
To credit of general expenses (including \$106.34 overpayment).....	192,003.73
Total disbursements to Jan. 1, 1915.....	52,833.93
	<hr/>
Unexpended balance Jan. 1, 1916.....	139,169.80
	<hr/>
To credit general expenses, 1914.....	192,003.73
Total commitments to Dec. 31, 1914.....	62,498.08
	<hr/>
Unencumbered balance Jan. 1, 1915.....	129,505.65
	<hr/>
Unexpended balance Jan. 1, 1915.....	139,169.80
Unencumbered balance Jan. 1, 1915.....	129,505.65
	<hr/>
Unpaid commitments Jan. 1, 1915.....	9,664.15
	<hr/>
Available funds during 1915 as per statement.....	248,503.35
Unpaid commitments Jan. 1, 1915.....	\$9,664.15
Commitments during 1915.....	207,722.71
	<hr/>
	217,386.86
	<hr/>
Unencumbered balance Dec. 31, 1915.....	31,116.49
Unpaid commitments Dec. 31, 1915 (estimated).....	6,173.28
	<hr/>
Unexpended balance Dec. 31, 1915.....	37,289.77

Detailed statement of expenses.

	To and including Dec. 31, 1914.	1915												
		January.	Febru-ary.	March.	April.	May.	June.	July.	August.	Septem-ber.	October.	Novem-ber.	Decem-ber.	Total for year 1915.
Personal services—Salaries:														
Board and its clerks.....	\$29,765.00	\$7,449.98	\$7,361.64	\$7,333.32	\$7,333.31	\$7,333.31	\$7,333.32	\$7,333.31	\$7,333.31	\$7,333.32	\$7,333.31	\$7,333.31	\$7,333.31	\$88,144.75
Secretary's office ¹	6,641.09	2,563.87	2,472.92	2,468.32	2,388.32	2,338.32	2,312.77	2,318.32	2,318.32	2,359.98	2,406.15	2,337.21	2,323.32	28,607.82
Counsel's office.....	1,868.33	975.00	1,058.33	1,158.33	1,158.33	1,519.44	1,574.99	1,715.82	1,950.00	1,908.34	1,866.66	1,866.66	1,866.67	18,618.57
Division of audit and ex-amination.....	1,635.01	1,183.33	1,183.33	1,183.33	976.65	1,128.33	1,133.33	1,164.16	1,164.16	1,464.16	1,426.16	1,404.16	1,404.16	14,815.26
Division of reports and sta-tistics.....	602.22	476.66	605.28	597.50	596.66	541.66	558.33	610.83	633.33	633.33	633.33	608.33	633.33	7,128.57
Division of issue.....	3,027.87	1,613.68	1,130.01	1,293.36	1,739.31	1,872.66	1,837.68	651.66	651.66	651.66	616.66	651.66	651.66	13,361.66
Telephone operator.....	93.33	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	600.00
Messengers.....	788.30	405.00	375.00	355.00	355.00	355.00	355.00	425.00	425.00	425.00	440.00	375.00	315.00	4,605.00
Charwomen.....	117.99	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	60.00	720.00
	44,539.14	14,777.52	14,296.51	14,499.16	14,657.58	15,198.72	15,215.42	14,329.10	14,585.78	14,885.79	14,832.27	14,686.33	14,637.45	176,601.63
Nonpersonal services—Trans- portation and subsistence of persons:														
Board and its clerks.....	86.80		12.00	54.10	288.62	410.37	46.59	97.44	215.00		223.75		308.40	1,656.27
Secretary's office.....						13.80			28.00					41.80
Division of audit and ex-amination.....	287.70		349.32	538.77	346.42	1,157.11	150.90	21.80	828.61	116.80	588.69	671.99	581.34	5,351.75
Counsel's office.....								27.22			14.90		11.70	53.82
Messengers (car fare).....	5.00	5.00			5.00		5.00		5.00			5.00		25.00
Transportation of things.....	1.49					1.72	.69	.24						2.65

¹ Correspondence division and division of mail and files abolished and made part of Secretary's Office Dec. 1, 1915.

Detailed statement of expenses—Continued.

	To and including Dec. 31, 1914.	1915												Total for year 1915.
		January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.	
Communication service:														
Telephone.....	\$709.59	\$45.08	\$69.48	\$36.61	\$58.80	\$67.46	\$62.50	\$57.69	\$81.15	\$44.52	¹ \$43.00	¹ \$40.00	¹ \$40.00	\$646.29
Telegraph.....	1,201.61	140.66	239.31	226.42	300.33	277.20	311.23	253.71	¹ 250.00	¹ 250.00	¹ 250.00	¹ 250.00	¹ 250.00	2,998.86
Postage.....	51.00	23.50		27.50		55.00		20.00			20.00		30.00	176.00
Printing, binding, etc.....	3,350.91	1,714.96	245.89	155.77	2,573.14	1,462.66	767.64	990.63	689.87	736.16	798.28	728.14	¹ 1,649.47	12,512.61
Engraving.....	58.82			7.10	250.00									257.10
Advertising.....	39.15													
Contract repairs.....	38.45	6.67	48.00	.15		.50	6.00	1.00		11.65	8.00	1.58	18.35	101.90
Electricity.....	60.00	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).....	30.00	15.00	15.00	15.00	15.00							15.00	15.00	90.00
Other (nonpersonal services).....	1,255.93	760.91	34.40		45.00	275.90	90.00					15.46		1,221.67
Supplies:														
Stationery.....	2,040.46	209.00	58.26	181.07	219.02	449.04	117.65	93.03	17.74	88.22	93.74	79.14	56.15	1,662.06
Periodicals.....	93.25	5.25	6.00	20.40	8.00	3.60		65.71	7.15	18.00	15.00		8.00	157.11
Other.....	646.02	12.78	14.57	7.45	8.58	40.69	31.12	8.86	8.63	2.20	16.45	22.43	33.98	207.74
Equipment:														
Furniture and office equipment.....	7,088.40	283.62	160.24	105.40	106.40	309.23	401.31	440.22	50.64	62.90	123.85	305.63	418.63	2,768.07
Books.....	27.00		5.58	15.00	25.00	1.25	92.85			6.40	27.25	136.31	72.43	382.07
Office changes and improvements.....	541.08	7.00									7.00			14.00
Reimbursable expenditures (including return of overpayments).....	346.28	106.43				47.80	56.60		19.30	2.00	115.39	85.79		433.31
	17,958.94	3,365.86	1,288.05	1,420.74	4,279.31	4,603.33	2,170.08	2,107.55	2,231.09	1,368.85	2,375.30	2,386.47	3,523.45	31,120.08
Total.....	² 62,498.08	18,143.38	15,584.56	15,919.90	18,936.89	19,802.05	17,385.50	16,436.65	16,816.87	16,254.64	17,207.57	17,072.80	18,160.90	207,722.71

¹ Estimated.

² Annual report for 1914 gave total expenses to Dec. 31, 1914, as \$59,229.87. This was necessarily an estimate. The actual payments were \$62,498.08.

Exhibit H.—EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS.

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole from Nov. 16 to Dec. 31, 1914.

EARNINGS.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total Nov.-Dec., 1914.
Bills discounted—members.....	\$828	\$13,927	\$2,729	\$2,077	\$4,730	\$2,808	\$17,625	\$9,463	\$1,322	\$1,934	\$2,679	\$2,761	\$62,883
Bills bought—bankers' acceptances.....													
Investments—													
United States bonds.....							107						107
Warrants.....													
Sundry profits.....	63		10				82						155
Total earnings.....	891	13,927	2,739	2,077	4,730	2,808	17,814	9,463	1,322	1,934	2,679	2,761	63,145

CURRENT EXPENSES.

Federal Advisory Council.....			31	188	48		251		151	60			729
Governors' conferences.....	59			137	27	63	163		178	196		301	1,124
Directors' fees.....	1,889	1,200	349	470	920	560	220	330	475	510		1,430	8,353
Legal fees.....				25	62								87
Salaries—													
Bank officers.....	3,217	10,367	3,461	3,750	4,783	2,663	6,200	6,687	3,419	3,321	4,125	5,133	57,126
Clerical staff.....	3,136	3,636	2,777	4,443	2,592	1,872	5,027	4,056	1,182	3,234	2,897	5,543	40,395
Special officers and watchmen.....		90	667	917	20	170	414	148	197	135	1	7	2,766
All other.....				200	181		588	158	53	138	116		1,434
Traveling expenses—													
Directors.....	658	531	17	736	742	313	243	8	225	809	48		4,330
Officers and clerks.....	440	285	26	183	70			496		146			1,646

CURRENT EXPENSES—Continued.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total Nov.-Dec., 1914.
Per diem allowances of directors.....		\$290	\$8	\$310	\$670	\$75	\$90	\$1,010	\$125	\$425	.....	\$30	\$3,033
Telephone.....	\$71	78	36	215	42	23	48	45	54	70	\$39	33	754
Telegraph.....	10	13	34	122	72	44	14	30	65	213	58	153	828
Postage.....	351	198	196	611	367	237	1,274	648	509	975	825	446	6,637
Expressage.....	50	37	4	8	209	.....	.....	270	816	99	.....	96	1,668
Rent.....	583	6,500	1,207	538	892	813	2,778	1,784	750	1,039	1,258	2,415	20,557
Insurance and premiums on fidelity bonds.....	.....	.....	760	1,247	103	.....	53	162	2,173	166	1,904	324	6,892
Light, heat, and power.....	.....	.....	87	.....	72	.....	116	.....	30	255	.....	45	605
Printing and stationery.....	2,499	686	730	172	312	74	2,849	3,780	901	1,451	4,296	879	18,629
Repairs and alterations.....	1	.....	66	.....	286	.....	354	.....	62	.....	.....	1,124	1,893
All other expenses, not elsewhere specified.....	746	1,093	300	797	321	217	2,660	254	282	310	196	248	7,367
Total current expenses.....	13,710	25,004	10,756	15,148	12,791	7,124	23,342	19,866	11,647	13,552	15,763	18,207	186,910
Excess of current expenses over earnings.....	12,819	11,077	8,017	15,136	8,061	4,316	5,528	10,403	10,325	11,618	13,084	15,446	123,765

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole during the calendar year 1915.

EARNINGS.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Bills discounted—members.....	\$9,859	\$22,855	\$17,445	\$29,555	\$312,907	\$227,212	\$76,495	\$44,836	\$50,489	\$62,715	\$239,558	\$61,707	\$1,155,633
Bills bought—bankers' acceptances.....	49,038	97,135	29,605	11,281	858	89	24,069	6,387	5,248	7,832	.....	13,122	244,664
Investments:													
United States bonds.....	6,351	.....	8,288	15,516	.....	.....	75,591	7,488	18,793	20,631	635	18,431	171,724
Warrants.....	57,916	192,520	54,156	55,972	601	1,541	62,431	16,325	20,931	9,575	289	18,432	490,689
Commissions received.....	2,402	10,547	.....	.....	.....	201	.....	.....	.....	.....	.....	.....	13,150
Sundry profits.....	9,161	123,782	824	484	4,609	14,823	3,105	4,148	648	1,505	1,508	.....	64,597
Total earnings.....	125,566	332,218	133,276	113,148	314,850	233,652	253,409	78,141	99,609	101,401	241,987	113,200	2,140,457
Deduct commission paid.....	998	1,110	1,540	1,410	.....	.....	2,338	771	819	861	.....	.....	9,847
Earnings.....	124,568	331,108	131,736	111,738	314,850	233,652	251,071	77,370	98,790	100,540	241,987	113,200	2,130,610

CURRENT EXPENSES.

Assessment account expenses of Federal Reserve Board since July 1.....	\$9,610	\$21,841	\$10,523	\$11,901	\$6,710	\$4,832	\$13,258	\$5,577	\$4,753	\$5,928	\$5,511	\$7,871	\$108,315
Federal Advisory Council.....	410	1,000	343	386	87	403	902	150	697	297	1,387	951	7,013
Governors' conferences.....	484	1,440	912	774	851	895	785	931	1,003	728	524	2,419	11,746
Federal Reserve Agents' conferences.....	283	267	218	244	202	224	317	422	339	717	169	897	4,299
Directors' fees.....	6,938	7,340	3,153	2,090	3,260	4,925	2,430	4,460	3,410	2,970	1,800	1,320	44,096
Legal fees.....	1,200	2,250	1,969	2,500	941	1,304	5,500	.....	1,924	1,501	2,871	.....	21,960
Salaries:													
Bank officers.....	32,050	68,033	32,580	30,083	25,978	26,444	50,000	51,858	27,542	25,500	32,373	40,750	443,191
Clerical staff.....	18,641	66,708	31,309	36,089	24,736	24,674	42,225	35,164	20,745	31,681	26,255	24,032	382,259
Special officers and watchmen.....	322	2,860	5,384	1,133	1,026	2,484	4,777	1,650	1,799	2,319	1,146	113	25,013
All other.....	.....	.....	.....	.....	1,389	.....	3,434	1,185	.....	.....	1,806	.....	7,814

¹ Including \$20,503 appreciation on United States bonds.

Earnings and current expenses of each Federal Reserve Bank and of the system as a whole during the calendar year 1915—Continued.

CURRENT EXPENSES—Continued.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Traveling expenses:													
Directors.....	\$1,072	\$2,859	\$1,174	\$2,170	\$1,951	\$3,579	\$1,468	\$1,380	\$953	\$3,854	\$1,866	\$168	\$22,494
Officers and clerks.....	755	930	217	1,115	455	1,463	927	935	674	369	1,022	1,306	10,168
Per diem allowances of directors.....	1,370	2,290	1,068	1,420	1,880	2,518	790	1,170	940	3,891	1,332	330	18,999
Telephone.....	1,017	1,614	959	894	306	291	1,264	767	543	537	581	407	9,180
Telegraph.....	125	410	63	190	271	504	529	663	274	359	346	203	3,937
Postage.....	1,983	4,228	2,848	3,234	2,911	3,468	4,311	4,892	1,864	9,372	3,047	1,471	43,629
Expressage.....	2,167	797	1,572	563	2,712	8	2,101	690	345	4	5,729	220	16,908
Rent.....	13,400	39,497	7,720	6,398	5,823	7,852	25,176	16,725	5,000	8,500	8,405	15,656	160,152
Insurance and premiums on fidelity bonds..	1,345	1,603	2,761	2,298	1,862	1,852	2,731	1,822	1,144	1,188	5,401	667	24,674
Light, heat, and power.....	971		1,138		672	91	1,294		68	986	178	260	5,658
Printing and stationery.....	2,788	10,782	3,291	1,375	4,039	4,729	7,507	4,833	3,808	7,721	5,116	4,875	60,864
Repairs and alterations.....	474	243	535	40	1,780	107	995	136	507	87	98	3,039	8,041
All other expenses not elsewhere specified..	5,028	19,350	1,198	3,153	1,677	3,669	4,244	903	2,035	3,892	2,912	2,258	50,319
Total current expenses.....	102,433	256,342	110,935	108,050	91,519	96,316	176,965	136,313	80,367	112,401	109,875	109,213	1,490,729
Excess of earnings over current expenses..	22,135	74,766	20,801	3,688	223,331	137,336	74,106	158,943	18,423	111,861	132,112	3,987	639,881

¹ Deficit of operations.

EXPENSES OF THE FEDERAL ADVISORY COUNCIL AND OF THE CONFERENCES OF THE GOVERNORS AND OF THE FEDERAL RESERVE AGENTS FROM
DATE OF ORGANIZATION TO DEC. 31, 1915.

Below are given the expenses of the meetings of the Federal Advisory Council and of the conferences of Federal Reserve Agents and of the Governors of the Federal Reserve Banks. These conferences have been held in order to facilitate, through exchange of views, the development of the best methods of dealing with the problems and management of the Federal Reserve Banks and the Federal Reserve Agents' offices. Two conferences of the Federal Reserve Agents have been held and five conferences of the Governors of the Federal Reserve Banks.¹

Federal Reserve Bank.	Federal Advisory Council.	Governors' conferences.	Federal Reserve Agents' conferences.	Total.	Federal Reserve Bank.	Federal Advisory Council.	Governors' conferences.	Federal Reserve Agents' conferences.	Total.
Boston.....	\$410	\$543	\$283	\$1,236	St. Louis.....	\$150	\$931	\$422	\$1,503
New York.....	1,000	1,440	267	2,707	Minneapolis.....	848	1,181	339	2,368
Philadelphia.....	374	912	218	1,504	Kansas City.....	357	924	717	1,998
Cleveland.....	574	911	244	1,729	Dallas.....	1,387	524	169	2,080
Richmond.....	135	878	202	1,215	San Francisco.....	951	2,720	897	4,568
Atlanta.....	403	958	224	1,585	Total.....	7,742	12,870	4,299	24,911
Chicago.....	1,153	948	317	2,418					

¹ These items of expense are included in the general tabular summary of expenses and earnings herewith given. They are segregated for convenience of reference.

Organization expenses, also cost of Federal Reserve notes and equipment for the period November, 1914, to December 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Expenses prior to Nov. 16, 1914.....	\$12,999	\$30,967	\$13,305	\$15,866	\$12,012	\$15,255	\$16,641	\$5,854	\$13,205	\$15,699	\$14,556	\$19,809	\$186,168
Assessments, account expenses Federal Reserve Board, prior to July 1, 1915.....	17,266	41,368	18,396	21,511	11,556	8,342	23,307	9,849	8,533	9,880	10,164	13,817	193,989
Total organization expenses.....	30,265	72,335	31,701	37,377	23,568	23,597	39,948	15,703	21,738	25,579	24,720	33,626	380,157
Cost of Federal Reserve notes.....	50,535	345,887	55,772	51,772	31,766	34,058	65,709	34,483	38,634	25,057	28,844	42,188	804,705
Cost of furniture and equipment:													
Equipment.....	9,543	8,941	4,538	4,940	3,899	2,726	9,351	9,960	6,077	5,374	6,376	1,069	72,794
Vaults.....				9,540		1,496	6,960		44,351	15,071	19,466	600	97,484
Machines.....	1,804	8,145	9,291	4,372	7,297	4,323	7,364	10,013	3,682	12,314	7,388	4,753	80,746
Other.....		9,894	4,662	1,335	653		2,535	373	49	14,070	25		33,596
Total cost of furniture and equipment.	11,347	26,980	18,491	20,187	11,849	8,545	26,210	20,346	54,159	46,829	33,255	6,422	284,620

Organization expenses November, 1914, to December 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Expenses prior to Nov. 16, 1914.....	\$12,999	\$30,967	\$13,305	\$15,866	\$12,012	\$15,255	\$16,641	\$5,854	\$13,205	\$15,699	\$14,556	\$19,809	\$186,168
Assessment, account expenses Federal Reserve Board prior to July 1, 1915.....	17,266	41,368	18,396	21,511	11,556	8,342	23,307	9,849	8,533	9,880	10,164	13,817	193,989
Cost of Federal Reserve notes used prior to Dec. 31, 1915, not offset by current earnings.....	2,586	¹ 50,000	.....	9,014	.....	.....	.....	12,120	10,603	13,805	.....	7,273	105,401
Deficiency in earnings to Dec. 31, 1915.....	.....	.....	.....	9,383	.....	.....	.....	68,346	.....	23,479	.....	11,459	113,667
Depreciation, furniture and equipment.....	1,752	.....	.....	.....	.....	.....	.....	.....	.....	5,000	.....	.....	6,752
Total.....	34,603	122,335	31,701	55,774	23,568	23,597	39,948	97,169	32,341	67,863	24,720	52,358	605,977
Less amounts charged against current earnings to Dec. 31, 1915.....	.....	.....	184	.....	23,568	23,597	39,948	.....	.....	.....	24,720	.....	112,017
Organization expenses Jan 1, 1916...	34,603	122,335	31,517	55,774	.....	.....	.....	97,169	32,341	67,863	.....	52,358	493,960

¹ Cost of notes used from July 1 to Dec. 31, \$63,800, charged to current expenses.

Cost of Federal Reserve notes, November, 1914, to Dec. 31, 1915.

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Cost of Federal Reserve notes up to Dec. 31, 1915.....	\$50,535	\$345,887	\$55,772	\$51,772	\$31,766	\$34,058	\$65,709	\$34,483	\$38,634	\$25,057	\$28,844	\$42,188	\$804,705
Less cost of notes used up to Dec. 31, 1915:													
Charged to current expenses.....	9,316	63,800	12,600	.....	14,398	24,556	5,329	.....	8,098	.....	18,920	.....	157,017
Charged organization expense.....	2,586	50,000	.....	9,014	.....	.....	.....	12,120	10,603	13,805	.....	7,273	105,401
Total.....	11,902	113,800	12,600	9,014	14,398	24,556	5,329	12,120	18,701	13,805	18,920	7,273	262,418
Cost of unissued Federal Reserve notes 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

Cost of furniture and equipment (including vaults), November, 1914, to Dec. 31, 1915.

	Boston.	New York.	Philadel- phia.	Cleve- land.	Rich- mond.	Atlanta.	Chicago.	St. Louis.	Minne- apolis.	Kansas City.	Dallas.	San Fran- cisco.	Total.
Cost of equipment.....	\$11,347	\$26,980	\$18,491	\$20,187	\$11,849	\$8,545	\$26,210	\$20,346	\$54,159	\$46,829	\$33,255	\$6,422	\$284,620
Depreciation allowance.....	1,752	.....	.....	.....	2,349	2,317	3,210	.....	.....	5,000	.....	.....	14,628
Balance 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	6,422	269,992

Recapitulation of earnings and expenses of each Federal Reserve Bank and of the system as a whole from organization to Dec. 31, 1915.

	Boston.	New York.	Philadelphia.	Cleveland.	Richmond.	Atlanta.	Chicago.	St. Louis.	Minneapolis.	Kansas City.	Dallas.	San Francisco.	Total.
Earnings:													
Nov. 16 to Dec. 31, 1914.....	\$891	\$13,927	\$2,739	\$2,077	\$4,730	\$2,808	\$17,814	\$9,463	\$1,322	\$1,934	\$2,679	\$2,761	\$63,145
Jan. 1 to Dec. 31, 1915.....	124,568	331,108	111,233	111,738	314,850	233,652	251,071	77,370	98,790	100,540	241,987	113,200	2,110,107
Appreciation on United States bonds.....			20,503										20,503
Total.....	125,459	345,035	134,475	113,815	319,580	236,460	268,885	86,833	100,112	102,474	244,666	115,961	2,193,755
Current expenses:													
Nov. 16 to Dec. 31, 1914.....	13,710	25,004	10,756	15,148	12,791	7,124	23,342	19,866	11,647	13,552	15,763	18,207	186,910
Jan. 1 to Dec. 31, 1915.....	102,433	256,342	110,935	108,050	91,519	96,316	176,965	136,313	80,367	112,401	109,875	109,213	1,490,729
Total.....	116,143	281,346	121,691	123,198	104,310	103,440	200,307	156,179	92,014	125,953	125,638	127,420	1,677,639
Excess of earnings.....	9,316	63,689	12,784		215,270	133,020	68,578		8,098		119,028		} 516,116
Excess of current expenses.....				9,383				69,346		23,479		11,459	
Amortization:													
Cost of Federal Reserve notes used.....	11,902	113,800	12,600	9,014	14,398	24,556	5,329	12,120	18,701	13,805	18,920	7,273	262,418
Furniture and equipment.....	1,752				2,349	2,317	3,210			5,000			14,628
Total.....	13,654	113,800	12,600	9,014	16,747	26,873	8,539	12,120	18,701	18,805	18,920	7,273	277,046
Dividends paid.....					151,940						65,523		217,463
Organization expenses to Dec. 31, 1915.....	30,265	72,335	31,701	37,377	23,568	23,597	39,948	15,703	21,738	25,579	24,720	33,626	380,157
Total.....	43,919	186,135	44,301	46,391	192,255	50,470	48,487	27,823	40,439	44,384	109,163	40,899	874,666
Deduct excess earnings.....	9,316	63,689	12,784		215,270	133,020	68,578		8,098		119,028		} 516,116
Add deficit in earnings.....				9,383				69,346		23,479		11,459	
Organization expenses, Jan. 1, 1916..	34,603	122,335	31,517	55,774				97,169	32,341	67,863		52,358	493,960
Profit and loss account credit.....					23,015	82,550	20,091				9,865		135,521
Profit and loss account debit.....		111											111

¹ Cost of Federal Reserve notes used from July 1 to Dec. 31, 1915, and not offset by earnings—\$111—carried to profit and loss.

Exhibit I.—ESTIMATED EXPENSE AND DIVIDEND REQUIREMENTS OF FEDERAL RESERVE BANKS.¹

The accompanying table presents the capital, estimated expenses, and dividend requirements of each of the banks:

Paid-in capital, estimated expenses, and dividend requirements of the Federal Reserve Banks.

Bank.	Paid-in capital.	Reserve deposits.	Total capital and deposits.	Estimated yearly—		Total expenses and dividend requirements.
				Expenses.	Dividend requirements.	
Boston.....	\$5,162,000	\$18,652,000	\$23,814,000	\$110,000	\$310,000	\$420,000
New York.....	10,982,000	147,299,000	158,281,000	300,000	659,000	959,000
Philadelphia.....	5,270,000	18,637,000	23,907,000	130,000	316,000	446,000
Cleveland.....	5,946,000	17,272,000	23,218,000	120,000	357,000	477,000
Richmond.....	3,366,000	7,544,000	10,910,000	100,000	202,000	302,000
Atlanta.....	2,419,000	5,202,000	7,621,000	100,000	145,000	245,000
Chicago.....	6,625,000	47,269,000	53,894,000	180,000	398,000	578,000
St. Louis.....	2,797,000	13,068,000	15,865,000	125,000	168,000	293,000
Minneapolis.....	2,487,000	8,736,000	11,223,000	86,000	149,000	235,000
Kansas City.....	3,020,000	10,191,000	13,211,000	120,000	181,000	301,000
Dallas.....	2,757,000	6,002,000	8,759,000	130,000	165,000	295,000
San Francisco.....	3,951,000	12,444,000	16,395,000	110,000	236,000	346,000
Total.....	54,762,000	312,316,000	367,078,000	1,611,000	3,286,000	4,897,000

Portion of funds to be kept employed to meet expenses.

Bank.	At 3 per cent net.	Per cent of paid-in capital.	At 4 per cent net.	Per cent of paid-in capital.	At 5 per cent net.	Per cent of paid-in capital.	At 6 per cent net.	Per cent of paid-in capital.	Funds invested on Sept. 3, 1915.	Per cent of paid-in capital.
Boston.....	\$3,666,000	71	\$2,750,000	53	\$2,200,000	42	\$1,833,000	35	\$6,574,000	127
New York.....	10,000,000	91	7,500,000	68	6,000,000	55	5,000,000	45	15,181,000	138
Philadelphia.....	4,333,000	82	3,250,000	61	2,600,000	50	2,167,000	41	5,041,000	96
Cleveland.....	4,000,000	67	3,000,000	51	2,400,000	40	2,000,000	34	3,563,000	60
Richmond.....	3,333,000	99	2,500,000	74	2,000,000	60	1,666,000	50	3,463,000	251
Atlanta.....	3,333,000	137	2,500,000	103	2,000,000	83	1,666,000	69	5,312,000	220
Chicago.....	6,000,000	91	4,500,000	68	3,600,000	54	3,000,000	45	9,234,000	139
St. Louis.....	4,167,000	149	3,125,000	112	2,500,000	89	2,083,000	74	2,964,000	106
Minneapolis.....	2,866,000	115	2,150,000	86	1,720,000	69	1,433,000	58	4,120,000	166
Kansas City.....	4,000,000	133	3,000,000	99	2,400,000	79	2,000,000	66	3,686,000	122
Dallas.....	4,333,000	157	3,250,000	118	2,600,000	94	2,167,000	79	7,061,000	256
San Francisco.....	3,666,000	93	2,750,000	70	2,200,000	56	1,833,000	47	4,613,000	117

Portion of funds to be kept employed to meet expenses and dividend requirements.

Bank.	At 3 per cent net.	Per cent of paid-in capital.	At 4 per cent net.	Per cent of paid-in capital.	At 5 per cent net.	Per cent of paid-in capital.	At 6 per cent net.	Per cent of paid-in capital.
Boston.....	\$14,000,000	271	\$10,500,000	203	\$8,400,000	163	\$7,000,000	135
New York.....	31,967,000	291	23,975,000	218	19,180,000	175	15,983,000	145
Philadelphia.....	14,867,000	282	11,150,000	211	8,920,000	169	7,434,000	141
Cleveland.....	15,900,000	267	11,925,000	200	9,540,000	160	7,950,000	134
Richmond.....	10,067,000	299	7,550,000	224	6,040,000	179	5,033,000	150
Atlanta.....	8,167,000	338	6,125,000	253	4,900,000	202	4,084,000	169
Chicago.....	19,266,000	291	14,450,000	218	11,560,000	174	9,633,000	146
St. Louis.....	9,767,000	349	7,325,000	262	5,860,000	209	4,884,000	175
Minneapolis.....	7,833,000	315	5,875,000	236	4,700,000	189	3,916,000	157
Kansas City.....	10,033,000	332	7,525,000	249	6,020,000	199	5,017,000	166
Dallas.....	9,833,000	356	7,375,000	267	5,900,000	214	4,916,000	178
San Francisco.....	11,533,000	293	8,650,000	220	6,920,000	176	5,767,000	147

¹ Published in Federal Reserve Bulletin, Oct. 1, 1915.

Exhibit J.—PERSONNEL AND SALARIES.*Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1915.***FEDERAL RESERVE BANK OF BOSTON.**

Governor.....	\$15, 000	
Federal Reserve Agent.	10, 000	
		<u>\$25, 000</u>

STAFF.

1 at \$5,000.....	5, 000	
1 at \$3,500.....	3, 500	
2 at \$1,800.....	3, 600	
3 at \$1,600.....	4, 800	
1 at \$1,200.....	1, 200	
1 at \$1,000.....	1, 000	
4 at \$900.....	3, 600	
2 at \$780.....	1, 560	
2 at \$600.....	1, 200	
1 at \$420.....	420	
		<u>25, 880</u>
18		
Total.....		50, 880

Deputy Federal Reserve Agent \$25 per day when serving in the absence of the Federal Reserve Agent.

Counsel, \$1,200 per annum.

FEDERAL RESERVE BANK OF NEW YORK.

Governor.....	\$30, 000	
Federal Reserve Agent.	16, 000	
		<u>\$46, 000</u>

STAFF.

1 at \$12,000.....	12, 000	
1 at \$10,000.....	10, 000	
1 at \$6,000.....	6, 000	
1 at \$4,800.....	4, 800	
1 at \$4,200.....	4, 200	
1 at \$4,000.....	4, 000	
1 at \$3,500.....	3, 500	
1 at \$2,700.....	2, 700	
2 at \$2,400.....	4, 800	
1 at \$2,000.....	2, 000	
3 at \$1,800.....	5, 400	
7 at \$1,500.....	10, 500	
1 at \$1,400.....	1, 400	
7 at \$1,200.....	8, 400	
1 at \$1,140.....	1, 140	
1 at \$1,100.....	1, 100	
1 at \$1,080.....	1, 080	
1 at \$1,040.....	1, 040	
1 at \$1,000.....	1, 000	
3 at \$936.....	2, 808	
9 at \$900.....	8, 100	
1 at \$840.....	840	

FEDERAL RESERVE BANK OF NEW YORK—Continued.**STAFF—continued.**

1 at \$800.....	\$800	
2 at \$720.....	1, 440	
1 at \$700.....	700	
1 at \$624.....	624	
3 at \$600.....	1, 800	
2 at \$540.....	1, 080	
3 at \$520.....	1, 560	
1 at \$500.....	500	
2 at \$480.....	960	
2 at \$450.....	900	
1 at \$466.....	466	
4 at \$360.....	1, 440	
3 at \$300.....	900	
		<u>\$109, 978</u>
73		
Total.....		155, 978

FEDERAL RESERVE BANK OF PHILADELPHIA.

Governor.....	\$20, 000	
Federal Reserve Agent.	10, 000	
		<u>\$30, 000</u>

STAFF.

1 at \$5,000.....	5, 000	
1 at \$3,000.....	3, 000	
1 at \$2,500.....	2, 500	
1 at \$2,400.....	2, 400	
3 at \$1,800.....	5, 400	
1 at \$1,600.....	1, 600	
2 at \$1,500.....	3, 000	
1 at \$1,100.....	1, 100	
1 at \$1,080.....	1, 080	
1 at \$1,040.....	1, 040	
1 at \$1,020.....	1, 020	
1 at \$910.....	910	
6 at \$900.....	5, 400	
4 at \$840.....	3, 360	
6 at \$780.....	4, 680	
3 at \$720.....	2, 160	
1 at \$624.....	624	
1 at \$600.....	600	
1 at \$480.....	480	
2 at \$360.....	720	
2 at \$260.....	520	
1 at \$234.....	234	
1 at \$208.....	208	
		<u>47, 036</u>
43		
Total.....		77, 036

Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1914—Contd.

FEDERAL RESERVE BANK OF
CLEVELAND.

Governor..... \$18, 000
Federal Reserve Agent. 10, 000
————— \$28, 000

STAFF.

1 at \$4,000.....	4, 000
2 at \$3,000.....	6, 000
2 at \$2,500.....	5, 000
2 at \$2,400.....	4, 800
2 at \$1,800.....	3, 600
2 at \$1,500.....	3, 000
4 at \$1,200.....	4, 800
1 at \$1,000.....	1, 000
1 at \$960.....	960
1 at \$900.....	900
1 at \$840.....	840
2 at \$780.....	1, 560
1 at \$720.....	720
1 at \$660.....	660
1 at \$600.....	600
3 at \$480.....	1, 440
1 at \$420.....	420
1 at \$240.....	240
—	—
	40, 540

29 Total..... 68, 540

FEDERAL RESERVE BANK OF RICHMOND.

Governor..... \$10, 000
Federal Reserve Agent. 10, 000
————— \$20, 000

STAFF.

1 at \$4,000.....	4, 000
1 at \$3,500.....	3, 500
1 at \$3,000.....	3, 000
4 at \$2,000.....	8, 000
2 at \$1,800.....	3, 600
1 at \$1,200.....	1, 200
2 at \$1,000.....	2, 000
3 at \$900.....	2, 700
1 at \$840.....	840
2 at \$780.....	1, 560
1 at \$720.....	720
6 at \$600.....	3, 600
2 at \$480.....	960
1 at \$300.....	300
—	—
	35, 980

28 Total..... 55, 980

FEDERAL RESERVE BANK OF ATLANTA.

Governor..... \$9, 000
Federal Reserve Agent.. 7, 500
————— \$16, 500

STAFF.

1 at \$3,600.....	3, 600
1 at \$2,500.....	2, 500

FEDERAL RESERVE BANK OF ATLANTA—
Continued.

STAFF—continued.

2 at \$2,400.....	\$4, 800
1 at \$2,000.....	2, 000
3 at \$1,800.....	5, 400
3 at \$1,200.....	3, 600
3 at \$900.....	2, 700
2 at \$780.....	1, 560
1 at \$624.....	624
4 at \$600.....	2, 400
1 at \$540.....	540
1 at \$480.....	480
2 at \$300.....	600
—	—
	\$30, 804

25 Total..... 47, 304

Counsel, \$50 per month.
Secretary (serves only at
monthly meetings of
board), \$300 per annum.

FEDERAL RESERVE BANK OF CHICAGO.

Governor..... \$20, 000. 00
Federal Reserve
Agent..... 10, 000. 00
————— \$30, 000. 00

STAFF.

1 at \$10,000.....	10, 000. 00
1 at \$6,000.....	6, 000. 00
1 at \$4,000.....	4, 000. 00
1 at \$2,500.....	2, 500. 00
1 at \$2,400.....	2, 400. 00
1 at \$1,900.....	1, 900. 00
1 at \$1,800.....	1, 800. 00
4 at \$1,500.....	6, 000. 00
1 at \$1,400.....	1, 400. 00
1 at \$1,320.....	1, 320. 00
1 at \$1,300.....	1, 300. 00
7 at \$1,200.....	8, 400. 00
1 at \$1,140.....	1, 140. 00
1 at \$1,100.....	1, 100. 00
1 at \$1,080.....	1, 080. 00
2 at \$1,000.....	2, 000. 00
1 at \$960.....	960. 00
2 at \$900.....	1, 800. 00
4 at \$780.....	3, 120. 00
5 at \$720.....	3, 600. 00
1 at \$624.....	624. 00
3 at \$600.....	1, 800. 00
1 at \$540.....	540. 00
1 at \$480.....	480. 00
2 at \$375.....	750. 00
1 at \$286.08.....	286. 08
1 at \$260.....	260. 00
—	—
	66, 560. 08

48 Total..... 96, 560. 08

Annual salaries paid by Federal Reserve Banks in the year ending Dec. 31, 1915—Contd.

FEDERAL RESERVE BANK OF ST. LOUIS.

Governor..... \$20,000
Federal Reserve Agent. 10,000
\$30,000

STAFF.

1 at \$7,500.....	7,500
1 at \$6,000.....	6,000
2 at \$3,200.....	6,400
1 at \$2,700.....	2,700
1 at \$2,400.....	2,400
2 at \$2,000.....	4,000
2 at \$1,500.....	3,000
3 at \$1,200.....	3,600
1 at \$1,080.....	1,080
1 at \$960.....	960
4 at \$900.....	3,600
2 at \$780.....	1,560
2 at \$720.....	1,440
1 at \$660.....	660
5 at \$600.....	3,000
1 at \$540.....	540
3 at \$480.....	1,440
1 at \$420.....	420
1 at \$300.....	300
1 at \$240.....	240
1 at \$60.....	60

50,900

37 Total..... 80,900

FEDERAL RESERVE BANK OF MINNEAPOLIS.

Governor..... \$15,000
Federal Reserve Agent. 7,500
\$22,500

STAFF.

2 at \$3,000.....	6,000
1 at \$2,500.....	2,500
1 at \$2,000.....	2,000
1 at \$1,600.....	1,600
2 at \$1,500.....	3,000
2 at \$1,200.....	2,400
1 at \$1,020.....	1,020
1 at \$1,000.....	1,000
2 at \$900.....	1,800
1 at \$780.....	780
2 at \$480.....	960
1 at \$360.....	360

23,420

17 Total..... 45,920
Counsel, \$1,500 per annum.

FEDERAL RESERVE BANK OF KANSAS CITY.

Governor..... \$7,500
Federal Reserve Agent. 7,500
\$15,000

STAFF.

1 at \$6,000.....	6,000
1 at \$2,500.....	2,500
1 at \$2,100.....	2,100
1 at \$2,000.....	2,000
1 at \$1,800.....	1,800
1 at \$1,620.....	1,620
2 at \$1,080.....	2,160

FEDERAL RESERVE BANK OF KANSAS CITY—Continued.

STAFF—continued.

4 at \$1,020.....	\$4,080
2 at \$960.....	1,920
3 at \$900.....	2,700
4 at \$840.....	3,360
3 at \$780.....	2,340
5 at \$720.....	3,600
3 at \$600.....	1,800
1 at \$540.....	540
2 at \$480.....	960
2 at \$400.....	800
1 at \$360.....	360

\$40,640

38 Total..... 55,640

FEDERAL RESERVE BANK OF DALLAS.

Governor..... \$10,000
Federal Reserve Agent. 7,500
\$17,500

STAFF.

1 at \$6,000.....	6,000
2 at \$5,000.....	10,000
1 at \$2,500.....	2,500
2 at \$2,400.....	4,800
1 at \$2,100.....	2,100
5 at \$1,500.....	7,500
1 at \$1,320.....	1,320
2 at \$1,200.....	2,400
1 at \$1,020.....	1,020
3 at \$900.....	2,700
5 at \$720.....	3,600
1 at \$600.....	600
1 at \$480.....	480
1 at \$468.....	468
1 at \$420.....	420
1 at \$365.....	365

46,273

29 Total..... 63,773

FEDERAL RESERVE BANK OF SAN FRANCISCO.

Governor..... \$15,000
Federal Reserve Agent. 12,000
\$27,000

STAFF.

1 at \$6,000.....	6,000
1 at \$4,200.....	4,200
1 at \$3,000.....	3,000
1 at \$2,500.....	2,500
2 at \$2,400.....	4,800
2 at \$1,800.....	3,600
4 at \$1,500.....	6,000
1 at \$1,200.....	1,200
2 at \$1,020.....	2,040
2 at \$900.....	1,800
1 at \$780.....	780
1 at \$720.....	720
1 at \$480.....	480

37,120

20 Total..... 64,120

**SALARIES OF OFFICERS AND EMPLOYEES OF THE FEDERAL RESERVE BOARD AS OF
DEC. 31, 1915.**

OFFICE OF THE SECRETARY.

H. Parker Willis, secretary.....	\$7,500	
Sherman Allen, assistant secretary and fiscal agent.....	6,000	
Staff:		
2 at \$1,800.....	3,600	
1 at \$1,600.....	1,600	
3 at \$1,200.....	3,600	
3 at \$1,000.....	3,000	
2 at \$900.....	1,800	
1 at \$780.....	780	
1 at \$600.....	600	
		<hr/> \$28,480

OFFICES OF MEMBERS OF THE BOARD.

Staff:		
6 at \$2,500.....	15,000	
5 at 1,200.....	6,000	
		<hr/> 21,000

OFFICE OF COUNSEL.

Milton C. Elliott, counsel.....	7,500	
J. P. Cotton, consulting counsel.....	5,000	
Staff:		
1 at \$3,600.....	3,600	
1 at \$3,300.....	3,300	
1 at \$1,800.....	1,800	
1 at \$1,200.....	1,200	
		<hr/> 22,400

DIVISION OF AUDIT AND EXAMINATION.

Joseph A. Broderick, chief of division.....	6,000	
Staff:		
1 at \$3,600.....	3,600	
1 at \$2,250.....	2,250	
2 at \$1,500.....	3,000	
2 at \$1,000.....	2,000	
		<hr/> 16,850

DIVISION OF REPORTS AND STATISTICS.

Morris Jacobson, chief of division.....	3,600	
Staff:		
1 at \$1,200.....	1,200	
1 at \$1,000.....	1,000	
2 at \$900.....	1,800	
		<hr/> 7,600

DIVISION OF ISSUE.

W. E. Buell, chief of division.....	2,500	
Staff:		
1 at \$1,800.....	1,800	
1 at \$1,000.....	1,000	
2 at \$900.....	1,800	
1 at \$720.....	720	
		<hr/> 7,820

MESSENGERS.

1 at \$780.....	780	
4 at \$720.....	2,880	
1 at \$120.....	120	
		<hr/> 3,780

CHARWOMEN.

3 at \$240.....	720	
		<hr/> 720

Total.....		<hr/> 108,650
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SALARIES OF BANK EXAMINERS EFFECTIVE IN THE YEAR ENDING DEC. 31, 1915.¹

Section 21 of the Federal Reserve Act directs the Federal Reserve Board, upon recommendation of the Comptroller of the Currency, to fix the salaries of all (national) bank examiners and make a report thereof to Congress, the expense of examinations to 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 examinations. All national bank examiners are appointed by the Comptroller of the Currency, with the approval of the Secretary of the Treasury. The list follows:

DISTRICT NO. 1—BOSTON.

(432 national member banks.)

J. D. Brennan, chief examiner.....	\$8,000	
6 examiners, at \$3,000.....	18,000	
		<hr/> \$26,000

DISTRICT NO. 2—NEW YORK.

(612 national member banks.)

Charles Starek, chief examiner.....	15,000	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,600; 1 examiner, at \$3,000; 1 examiner, at \$2,400.....	21,800	
		<hr/> 36,800

DISTRICT NO. 3—PHILADELPHIA.

(628 national member banks.)

E. I. Johnson, chief examiner.....	7,500	
1 examiner, at \$4,200; 1 examiner, at \$3,600; 1 examiner, at \$3,000; 3 examiners, at \$2,400.....	18,000	
		<hr/> 25,500

DISTRICT NO. 4—CLEVELAND.

(761 national member banks.)

S. H. L. Cooper, chief examiner.....	7,500	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 4 examiners, at \$3,600; 2 examiners, at \$2,400.....	28,400	
		<hr/> 35,900

DISTRICT NO. 5—RICHMOND.

(502 national member banks.)

Thomas P. Howard, chief examiner.....	6,000	
1 examiner, at \$6,000; 1 examiner, at \$3,600; 5 examiners, at \$3,000; 1 examiner, at \$2,400.....	27,000	
		<hr/> 33,000

DISTRICT NO. 6—ATLANTA.

(382 national member banks.)

C. H. Abbott, chief examiner.....	6,000	
3 examiners, at \$3,600; 1 examiner, at \$3,000; 1 examiner, at \$2,400.....	16,200	
		<hr/> 22,200

DISTRICT NO. 7—CHICAGO.

(983 national member banks.)

Sherrill Smith, chief examiner.....	12,000	
1 examiner, at \$5,000; 1 examiner, at \$4,200; 2 examiners, at \$3,600; 6 examiners, at \$3,000; 2 examiners, at \$2,400.....	39,200	
		<hr/> 51,200

¹ Two examiners, whose resignations took effect Dec. 31, 1915, omitted from list.

DISTRICT NO. 8—ST. LOUIS.

(468 national member banks.)

C. E. French, chief examiner.....	\$10,000	
1 examiner, at \$4,200; 3 examiners, at \$3,000; 1 examiner, at \$2,400.....	15,600	\$25,600

DISTRICT NO. 9—MINNEAPOLIS.

(733 national member banks.)

Peter M. Kerst, chief examiner.....	7,500	
1 examiner, at \$4,200; 3 examiners, at \$3,600; 2 examiners, at \$3,000; 3 examiners, at \$2,400.....	28,200	35,700

DISTRICT NO. 10—KANSAS CITY.

(948 national member banks.)

J. D. Rising, chief examiner.....	6,000	
1 examiner, at \$4,200; 1 examiner, at \$3,600; 4 examiners, at \$3,000; 6 examiners, at \$2,400.....	34,200	40,200

DISTRICT NO. 11—DALLAS.

(637 national member banks.)

J. C. Chidsey, chief examiner.....	6,000	
1 examiner, at \$3,600; 3 examiners, at \$3,000; 2 examiners, at \$2,400.....	17,400	23,400

DISTRICT NO. 12—SAN FRANCISCO.

(527 national member banks.)

Claud Gatch, chief examiner.....	7,500	
2 examiners, at \$6,000; 3 examiners, at \$4,200; 1 examiner, at \$3,600; 2 examiners, at \$2,400.....	33,000	40,500
Total.....		396,000

RECAPITULATION.

Examining staff:

Chief examiners—

At \$15,000 per annum.....	1
At \$12,000 per annum.....	1
At \$10,000 per annum.....	1
At \$8,000 per annum.....	1
At \$7,500 per annum.....	4
At \$6,000 per annum.....	4

Total chief examiners..... 12

Salaries, chief examiners..... 99,000

Other examiners—

At \$6,000 per annum.....	3
At \$5,000 per annum.....	3
At \$4,200 per annum.....	10
At \$3,600 per annum.....	19
At \$3,000 per annum.....	32
At \$2,400 per annum.....	24

Total other examiners..... 91

Salaries, other examiners..... 297,000

Total examining staff..... 103

Total salaries..... 396,000

Exhibit K.—PROCEDURE IN PASSING UPON APPLICATIONS OF NATIONAL BANKS FOR FIDUCIARY POWERS UNDER SECTION 11 (K) OF THE FEDERAL RESERVE ACT.

The following instructions were issued to all Federal Reserve Agents:

By direction of the Board this letter is sent for your guidance in passing upon the applications of national banks for the privilege of exercising the powers of trustee, registrar, executor, and administrator.

All applications from applying banks must be transmitted first to the Federal Reserve Agent of the district in which the bank is located, who will forward the applications with his recommendations to the Federal Reserve Board. The Federal Reserve Agent in making his recommendations is expected to take into consideration the general standing of the bank, character of its management, and its fitness to exercise the fiduciary powers applied for, as well as the benefits that the community in which the bank is located will be apt to receive from the exercise of such powers by the bank. Special weight will be given by the Federal Reserve Board to the approval or disapproval of the Federal Reserve Agent. Applications that are recommended by him for approval will be referred by the Board to a committee which, after a careful examination of the records on file in the office of the Comptroller of the Currency relating to the business and the management of the bank, will report to the Board favorably or adversely, as the case may be, upon the application.

In addition to the points above outlined the Board's committee considers the strength of the bank as shown by its statements and by the examiner's reports, and especial weight is attached to the observance on the part of the bank of the requirements of law and of the regulations and admonitions which are sent out from time to time by the Comptroller's office.

It is not, as a rule, deemed advisable to grant permits for the exercise of fiduciary powers to a national bank—

- (1) Where its surplus does not amount to at least 20 per cent of its capital stock.
- (2) Where reports show that it is carrying an excessive amount of past-due or doubtful paper.
- (3) Where it is carrying real estate loans not authorized by law.
- (4) Where it is shown that the bank is in the habit of granting excessive overdrafts continuously.
- (5) Where the loans of the bank are not well distributed, by reason of an excessive proportion of the total loans having been granted to a few interests, or where loans made to officers and directors are too large in proportion to the total amount of loans, or are not well secured.
- (6) Where the examiners have reported that the directors do not direct or are lax or negligent in their attendance at board meetings or in giving attention to the bank's management and direction.

Federal Reserve Agents in making their recommendations are expected to pay particular attention to the strength of the management of the bank from a moral standpoint, and should decline to recommend any application where they feel that the officers of the bank as individuals would not be worthy of being intrusted with the management of trust funds or the administration of estates.

Exhibit L.—RESERVE REQUIREMENTS FOR STATE BANKS AND TRUST COMPANIES.

Summary of reserve requirements for State banks and trust companies.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Alabama: Every "bank, firm, person, or corporation doing a banking business."	15 per cent of demand deposits.....	Two-fifths cash on hand, remainder (three-fifths) on deposit with banks and bankers.	Foregoing is statute of Apr. 2, 1911. Amendments to Act in effect Feb. 15, 1915, do not change reserve requirement.
Arizona: State banks..... Savings banks.....	15 per cent of all deposits. No fixed requirement at present, although State comptroller may, in his discretion, impose same.	Two-fifths cash in vault, three-fifths with approved reserve agents.	Requirements specified for Arizona are those prescribed by the Revised Statutes of Arizona, 1913. No changes since made.
Arkansas: "Every bank".....	15 per cent of aggregate deposits.....	A portion (not fixed by law) of the reserve must be cash in vault; remainder may be on deposit with approved reserve agents.	Requirements specified are those prescribed by Act approved Mar. 3, 1913. No changes since made.
Banks acting as approved reserve agents.	20 per cent of aggregate deposits.....	Two-fifths cash in vault; remainder may be on deposit with approved reserve agents either in or out of the State.	
California: "Every commercial bank"— In cities having a population of 100,000 or over. In cities having a population of 50,000 to 99,999. Elsewhere.....	18 per cent of aggregate deposits..... 15 per cent of aggregate deposits..... 12 per cent of aggregate deposits.....	At least one-third of the required reserve must be cash on hand consisting of gold coin, gold bullion, United States gold certificates or United States notes; in addition thereto, at least one-sixth must be cash on hand, consisting of the foregoing or any form of currency authorized by the laws of the United States; the remainder may be on deposit with approved reserve agents or may be cash on hand, consisting of gold coin, gold bullion, United States gold certificates, United States notes, or any form of currency authorized by the laws of the United States.	Prior to Aug. 7, 1915, commercial banks receiving deposits of other banks were required to maintain a reserve equal to 20 per cent of aggregate deposits, and other commercial banks were required to maintain a reserve of 15 per cent, two-fifths in each case to be cash on hand in lawful money of the United States, or gold and silver certificates of the United States; one-half of the remaining three-fifths might be on deposit with approved reserve agents in New York, Chicago, or St. Louis, and the remainder on deposit with banks within the State other than savings banks. Savings banks were required to hold 4 per cent of aggregate deposits, one-half in lawful money, gold or silver certificates, and the remainder in United States bonds, or gold and silver certificates and lawful money, or on deposit with approved reserve agents as above indicated for commercial banks. Banks becoming members of the Federal Reserve System are to maintain the reserves required by the Federal Reserve Act.
"Every savings bank or savings department of a bank."	5 per cent of aggregate deposits.....	One-half must be cash on hand, consisting half of gold coin, gold bullion, United States gold certificates, or United States notes, and half to consist of the foregoing or any other form of currency authorized by the laws of the United States; the remainder may be in cash on hand as last above mentioned in United States bonds, or on deposit with approved reserve agents. No savings bank required to maintain reserves on hand in excess of \$400,000.	

Colorado: "Every bank except savings bank." Approved reserve agents..... Every savings bank.....	20 per cent of deposits..... 25 per cent of deposits..... 15 per cent of savings deposits, 20 per cent of other deposits.	Not less than one-fifth to be cash on hand, remainder (four-fifths) with approved reserve agents in the State or national banks in reserve or central reserve cities.	Requirements specified are those prescribed by act of Mar. 24, 1915.
Connecticut: Every State bank and trust company.	12 per cent of demand deposits (payable within 30 days), 5 per cent of time deposits.	At least one-third must consist of gold and silver coin, demand obligations of the United States, or national-bank notes, held in vault; remainder may consist of balances due from approved reserve agents in New York, Boston, Philadelphia, Chicago, Albany, New Haven, Hartford, Bridgeport, or Waterbury; and one-sixth of the total reserve may consist of bonds which are legal investments for savings banks in Connecticut.	
Delaware:	15 per cent of aggregate deposits payable within 30 days. 10 per cent of aggregate deposits payable within 30 days.	Not less than one-third in lawful money of the United States, gold certificates, silver certificates, or notes and bills issued by any lawfully organized banking association, held in vault, and remainder with an approved Delaware bank or trust company having a capital of at least \$50,000 and surplus of \$50,000, or with approved depository in New York, Philadelphia, or Baltimore.	Requirements specified are those prescribed by act approved Apr. 5, 1909.
Every bank and trust company— In cities of population of over 50,000. In cities of less than 50,000 population.			
District of Columbia: Savings and State banks.....	Must maintain the reserve required by the laws of the State under which the corporation is organized.		
Trust companies.....	Must deposit with Comptroller of the Currency, money, bonds, mortgages, deeds of trust, or other securities equal in actual value to one-fourth of the capital stock paid in.		
Florida: "Every banking company".....	20 per cent of aggregate deposits.....	Two-fifths must be in lawful money of the United States on hand. Three-fifths may be on deposit with banks and bankers, or invested in bonds of the United States, State of Florida, counties and cities of the State of Florida, such bonds to be approved by the State comptroller. (The State comptroller advises that his department does not permit banks other than savings institutions to count bonds as part of reserve.)	Requirements specified are those prescribed by act in force prior to passage of the Federal Reserve Act.

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Georgia: "Every bank or corporation doing a banking business."	25 per cent of demand deposits.....	Cash in hand including amount due by banks and bankers and the market value of bonds actually owned and held. The reserve may consist of either or all of the above items, the proportion not being fixed by law.	Act approved Aug. 13, 1915, authorizes and empowers State banks, savings banks, and trust companies organized under laws of the State of Georgia to become members of the Federal reserve system, in which case they are to conform to the regulations of the Federal Reserve Bank and the Federal Reserve Board.
Idaho: "Every bank or trust company"	15 per cent of aggregate deposits.....	Two-fifths must be actual cash in vault; three-fifths may consist of balances due from good solvent banks.	Act approved Mar. 11, 1915, reenacts former requirement as given here.
Illinois: Chicago banks.....	25 per cent of individual and bank deposits.	One-half in vault and one-half with approved reserve agents.	} No change.
Country banks.....	15 per cent of individual and bank deposits. No statutory requirements for maintenance of reserves. The State auditor of public accounts, however, under his authority, requires reserves to be maintained as above stated.	Two-fifths in vault and three-fifths with approved reserve agents.	
Indiana: State banks.....	No statutory requirements. Office ruling of bank commissioner, 15 per cent.	.....	} None.
Trust companies.....	15 per cent of commercial deposits payable upon demand and subject to check.	"Cash, currency, or current funds".....	
Iowa: State banks— In cities and towns of population under 3,000.	10 per cent of total deposits.....	One-fourth must be in vault; three-fourths may be on deposit with other banks.	} Required reserves upon time deposits in savings banks and trust companies have been reduced from 15 to 8 per cent.
In cities of population of 3,000 or over.	15 per cent of total deposits.....	.....do.....	
Trust companies and savings banks— In cities of population under 3,000.	15 per cent of demand deposits, 8 per cent of time and savings deposits.	.....do.....	
In cities of population of 3,000 or over.	20 per cent of demand deposits, 8 per cent of time and savings deposits.	.....do.....	

<p>Kansas: "A bank located in a city having less than 50,000 population, in which the credits due other banks are less than 20 per cent of its deposits."</p> <p>"A bank located in a city having less than 50,000 population, in which the credits due other banks are not less than 20 per cent of its deposits, and any bank located in a city having a population of 50,000 or over."</p>	<p>12 per cent of the aggregate amount of demand deposits (payable within 30 days), 5 per cent of time deposits.</p> <p>15 per cent of the aggregate amount of demand deposits, 5 per cent of its time deposits.</p>	<p>Four-twelfths in vaults, eight-twelfths either in vaults or in other banks, provided, that upon approval of the bank commissioner, any bank located in a city having less than 1,000 population shall not be required to keep in its vaults more than three-twelfths of its reserves.</p> <p>Five-fifteenths in vaults, ten-fifteenths either in its vaults or in other banks.</p>	<p>Requirements specified are those prescribed by act of 1915 repealing section 471, General Statutes of 1909, which prescribed reserve requirements as follows: Banks in cities or towns of less than 5,000 population, 20 per cent of entire deposits, banks located in cities of population over 5,000, 25 per cent of entire deposits, of which one-fourth must be cash in vault (excluding cash items) and three-fourths might be on deposit with good solvent banks.</p>
<p>Kentucky: "Each bank and trust company authorized to receive deposits"— (1) In reserve cities..... (2) Elsewhere.....</p>	<p>15 per cent of total demand deposits, 5 per cent of time and savings deposits. 12 per cent of total demand deposits (payable within 30 days), 5 per cent of time and savings deposits.</p>	<p>One-third "shall be in money"; remainder may be in balances due from other banks and subject to call.</p>	<p>The requirements specified were enacted in 1914. Act of 1909 provided for reserve of 25 per cent of total deposits to be held by banks in cities of population of over 50,000, and for reserve of 15 per cent by banks in other cities.</p>
<p>Louisiana: State banking corporations.....</p>	<p>25 per cent of demand deposits; no requirements covering time deposits.</p>	<p>Eight-twenty-fifths in cash on hand.....</p>	<p>Act of 1914 authorizes State banks, savings banks, and trust companies to join Federal Reserve System and be bound by its regulations.</p>
<p>Maine: "Every trust and banking company" having authority to receive money on deposit.</p>	<p>15 per cent of deposits subject to withdrawal on demand or within 10 days "in the lawful money or national bank notes of the United States."</p>	<p>No statutory or departmental requirement for cash in vault; one-third of said 15 per cent may consist of the bonds of the United States, District of Columbia, and certain States; two-thirds may be on deposit with approved reserve agents.</p>	<p>Any "trust company" may become a stockholder in the Federal Reserve Bank * * * and in such case shall be subject to the provisions of said Federal Reserve Act and any amendments thereof relative to bank reserve in substitution for the requirements of this section.</p>
<p>Maryland: "State banks and trust companies."</p>	<p>15 per cent reserve against demand deposits; no reserve against time deposits.</p>	<p>One-third cash on hand (in case of trust companies cash in hand may be replaced by approved bonds), two-thirds with approved reserve agents.</p>	<p>No change.</p>

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
Massachusetts: "Every trust company"	15 per cent of demand deposits and deposits subject to withdrawal within 30 days.	Not less than two-fifths to be in lawful money of the United States, gold certificates, silver certificates, or notes and bills issued by any lawfully organized national banking association; remainder (three-fifths) due from any trust company in the city of Boston authorized, or national banks in Massachusetts or in the cities of New York, Philadelphia, Chicago, or Albany, or one-fifth may be in bonds of the United States or of Massachusetts at fair market value.	Banks joining Federal Reserve System to be subject to provision of Federal Reserve Act as to reserve in substitution for the requirements of foregoing provisions.
Trust companies doing business in Boston within 3 miles of the statehouse.	20 per cent of demand deposits and deposits subject to withdrawal within 30 days.	Boston trust companies acting as reserve agents must hold half of their required reserve in lawful money of the United States, gold certificates, silver certificates, national bank notes; remainder may be in Boston trust companies authorized or in national banks, as above.	
Michigan: Commercial banks— (1) In cities of 100,000 population or less (not being reserve banks). (2) In cities and towns of over 100,000 population (and in cities of less population when designated by the bank commissioner as "reserve cities"). Savings banks.....	15 per cent of total deposits..... 20 per cent of total deposits..... 15 per cent of total deposits.....	One-half must be in lawful money in vault, remainder on deposit in banks in approved reserve cities. do One-third in lawful money in vault, remainder on deposit with banks in approved reserve cities or invested in approved bonds.	Act of 1915 provides that State banks joining the Federal Reserve System shall be governed by the reserve requirements of the Federal Reserve Act instead of the foregoing.
Minnesota: State banks.....	15 per cent of demand deposits, 5 per cent of time deposits.	At least one-fourth in cash on hand, remainder with reserve agents.	
Mississippi: "Every bank"— (1) In towns of population less than 50,000. (2) In towns of over 50,000....	15 per cent of demand deposits, 7 per cent of time and savings deposits. 25 per cent of demand deposits, 10 per cent of time and savings deposits.	Actual cash or balances due from good solvent banks. do.....	None.

Missouri: "Every bank".....	15 per cent of aggregate demand deposits.	Two-fifths must be held in vault in coin or currency authorized by the laws of the United States, except that banks in cities of 200,000 population or over may not count Federal Reserve notes as part of their reserve on hand; three-fifths may be with approved reserve agents.	Any State bank or trust company becoming a member of a Federal Reserve Bank shall be required to maintain only such reserves as are required by the Federal Reserve Act.
"Each trust company"— (1) If located in city of over 200,000 population. (2) If located in city of population, 25,000 to 200,000. (3) If located elsewhere.....	18 per cent of aggregate demand deposits. 15 per cent of aggregate demand deposits. do.....	At least seven-eighths must be in cash on hand; may not count Federal Reserve notes. At least six-fifteenths must be cash on hand.... Law not clear, but apparently does not fix proportion to be held in vault.	
Montana: "Every bank except a reserve bank." Banks approved by superintendent of banks as reserve banks.	15 per cent of deposit liabilities..... 25 per cent of deposit liabilities.....	Such portion as directors may determine may be on deposit with approved reserve agents. do.....	None.
Nebraska: "Every bank"..... Banks in cities of more than 25,000 population. Savings banks.....	15 per cent of aggregate deposits..... 20 per cent of aggregate deposits..... 5 per cent of aggregate deposits.....	One-third must be cash in vault; two-thirds with approved reserve agents. do.....	None.
Nevada: Every bank..... Depository banks..... Savings banks and trust companies not transacting a general banking business.	15 per cent of entire deposits..... 25 per cent of deposits of the other banks. 10 per cent of deposits.....	At least one-third in actual cash; two-thirds may be on deposit with approved reserve agent. do..... One-half cash; one-half on deposit with good solvent banks.	None.
New Hampshire: "Every State bank, trust company, or similar corporation, doing a general banking business."	15 per cent of deposits in banking or commercial department.	Not less than one-third must consist of lawful money of the United States gold certificates, silver certificates, Federal Reserve notes, or national bank notes; two-thirds may consist of net balances due the corporation from approved reserve agents.	Any "trust company" may become a stockholder in Federal Reserve Bank * * * and in such cases shall be subject to the provisions of said Federal Reserve Act and any amendments thereto relative to bank reserve in substitution for the requirements of this section. Prior to 1915 the requirement for cash in vault was for "lawful money of the United States."
New Jersey: "Every bank"..... "Every trust company receiving deposits of money subject to check or payable on demand."	15 per cent of immediate liabilities.... 15 per cent of immediate demand liabilities. No reserve required against time liabilities.	Two-fifths must be in cash on hand, remainder (three-fifths) on deposit with good solvent banks and trust companies. One-fifth in cash on hand, four-fifths on deposit with good solvent banks or trust companies.	Amendment of 1914 provides that any trust company or State bank may become a member of Federal Reserve System.

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
New Mexico: All banks.....	12 per cent of entire deposits.....	Two-fifths must be in cash, balance in exchange.	Formerly 25 per cent of deposits.
New York: State banks— (1) In boroughs of 2,000,000 population or over.	18 per cent of aggregate demand de- posits.	At least two-thirds in cash in vault, of which at least one-half shall be gold or gold certificates or United States notes and remainder may be any other form of currency, except Federal Re- serve notes, authorized by the laws of the United States. Remainder with approved re- serve agents, which for banks which have joined the Federal Reserve System may in- clude the Federal Reserve Bank. .....do.....	Before passage of the Federal Reserve Act, the requirements were as follows: For State banks in boroughs having population of 1,800,000 or over, 25 per cent of deposits, of which three- fifths must be cash on hand; in boroughs hav- ing a population of 1,000,000 to 1,799,000, 20 per cent of deposits, of which one-half must be cash on hand; elsewhere, 15 per cent of deposits, of which two-fifths must be cash on hand; for trust companies in boroughs having population of 1,800,000 or over, 15 per cent of deposits, of which all must be cash on hand; in boroughs of 1,000,000 to 1,799,000, 15 per cent of deposits, of which two-thirds must be cash on hand; else- where, 10 per cent of deposits, of which one-half or six-tenths must be cash on hand. No re- serve required against time deposits.
(2) In boroughs of 1,000,000 to 1,999,999 population.	15 per cent of aggregate demand de- posits.	.....do.....
(3) Elsewhere.....	12 per cent of aggregate demand de- posits.	At least one-third in cash in vault.....	
Trust companies— (1) In boroughs of 2,000,000 population or over.	15 per cent of aggregate demand de- posits.	At least two-thirds in cash in vault.....	
(2) In boroughs of 1,000,000 to 1,999,999 population.	13 per cent of aggregate demand de- posits.	At least eight-thirteenths in cash in vault.....	
(3) Elsewhere.....	10 per cent of aggregate demand de- posits.	Four-tenths in cash in vault (for cities of first and second class), three-tenths in cash in vault (for third-class cities, incorporated or unincorpor- ated villages).	None.
North Carolina: State banks and savings banks....	No reserve required against time liabilities.	Two-fifths must be cash on hand; remainder may be on deposit with other banks.	
North Dakota: State banks.....	15 per cent of demand deposits, 5 per cent of time deposits.	Two-fifths must be cash on hand; remainder may be on deposit with approved reserve agents.	
Ohio: Commercial banks.....	20 per cent of demand deposits, 10 per cent of time deposits.	At least 6 per cent of demand deposits, and at least 4 per cent of time deposits to be kept in vault in lawful money, National bank notes or bills, notes, and gold or silver certificates issued by the United States; remainder may be on deposit with approved reserve agents.	Every State bank to have power to join the Fed- eral Reserve System, and those becoming members to be governed by the reserve require- ments of said act in lieu of foregoing.
Savings banks.....	15 per cent of total deposits.....	At least 2 per cent in vault in money as above; not more than 3 per cent in approved securi- ties; remainder on deposit with approved re- serve agents.	
	10 per cent of time deposits.....	At least 6 per cent in vault in money as above; remainder with approved reserve agents.	

Oklahoma: Every bank— In cities of less than 2,500 population. In cities of more than 2,500 population. Banks selected as depositories. Savings associations.	15 per cent of entire deposits..... 20 per cent of entire deposits..... .....do..... 10 per cent of deposits.....	At least one-third must be cash on hand; two-thirds with approved reserve agents. .....do..... .....do..... All in cash on hand.....	The requirements given are those provided by an amendment of 1915. The requirements prior to that time had been 20 per cent and 25 per cent for banks in cities of less than 2,500 population and more than 2,500 population, respectively.
Oregon: Every State bank.....	15 per cent of total demand deposits (excepting United States or postal savings deposits), 10 per cent of total time and savings deposits.	One-third cash on hand, two-thirds with approved reserve agents.	Banks joining Federal Reserve System shall maintain as reserve deposits with the Federal Reserve Bank such portion of its total reserve as shall be required of members of the Federal Reserve System. Prior to amendment of 1915, banks in cities having population of over 50,000 were required to hold 25 per cent of total demand deposits and 15 per cent of time and savings deposits, one-third to be cash on hand and the remainder with approved reserve agents.
Pennsylvania: "Every corporation receiving money subject to be paid out on demand." "Every bank, savings bank, or trust company receiving deposits payable at a future time."	15 per cent of aggregate immediate demand liabilities. 7½ per cent of time deposits.	At least one-third must consist of lawful money of the United States, gold certificates, silver certificates, National bank notes or clearing house certificates representing specie or lawful money deposited for the purpose; one-third or less may consist of United States bonds, Pennsylvania bonds, bonds of Pennsylvania municipalities and bonds which are a legal investment for savings banks; remainder may consist of money on deposit on call with approved Pennsylvania banks and trust companies or approved banks or trust companies in any reserve city.	None.
Rhode Island: "Every bank and trust company".	15 per cent of aggregate deposits. No cash reserve requirement against savings deposits.	Not less than two-fifths to be held in vault in form of gold and silver coin, demand obligations of United States, or national bank currency; remainder (three-fifths) may consist of balances subject to draft with approved reserve agents in Providence, New York, Boston, Philadelphia, Chicago and Albany.	None.
Approved reserve agents.....	25 per cent of all deposits, except that any Providence bank which is a member of the clearing house may be a reserve agent for banks in towns, but not cities, while holding only a 15 per cent reserve.	May be kept and maintained in the manner provided in the national banking act of the United States to be kept and maintained in reserve cities.	

Summary of reserve requirements for State banks and trust companies—Continued.

State, and class of institution.	Amount of reserve required.	To consist of—	Changes since passage of the Federal Reserve Act.
South Carolina: State banks.....	No law requiring reserve, left to discretion of bank.	.....	Act of 1914 authorizes any bank, banking association or trust company chartered and engaged in the banking business under the laws of South Carolina, to join any national reserve association under any law now existing or hereafter enacted by the Congress of the United States.
South Dakota: "Every bank".....	20 per cent of total deposits.....	Of which such portion as the directors may determine may be on deposit with approved agents.	None.
Approved reserve agents.....	25 per cent of total deposits.....	In lawful money or on deposit with approved reserve agents.	
Tennessee: Every bank, firm, person, or corporation doing a banking business.	10 per cent of demand deposits. No requirement against time deposits.	May consist of the balance due by banks and bankers to said bank when payable on demand.	None.
Texas: State banks— (1) Capital of \$25,000 or over..	15 per cent of demand deposits.....	Two-fifths must be cash on hand; remainder, or three-fifths, with approved reserve agents.	Former requirement prior to 1914 was 25 per cent of demand deposits. All banks, members of Federal Reserve System, have same requirements as national banks.
(2) Less than \$25,000.....	20 per cent of demand deposits.....	.....do.....	
Utah: Commercial banks.....	15 per cent of aggregate deposits and demand liabilities.	At least one-eighth to consist of lawful money of the United States on hand; remainder may be on deposit in solvent banks other than savings banks.	None.
In cities of 50,000 or more.....	20 per cent of aggregate deposits and demand liabilities.	.....do.....	
Savings banks.....	10 per cent of deposit liabilities.....	At least one-fourth in lawful money of United States; remainder may be on deposit in solvent banks other than savings banks.	
Vermont: "Every bank".....	15 per cent of commercial deposits, 3 per cent of savings deposits.	Two-fifths may be in United States bonds, or State bonds, or bonds of cities of 200,000 population or over; one-tenth must be in cash on hand; one-tenth must be in cash on hand or on deposit with banks in same county; two-fifths may be in authorized banks. Required cash in vault only 1½ per cent of commercial deposits, or 3 per cent of savings deposits.	None.
Virginia: State banks.....	No legislative enactment; banking department attempts to secure maintenance of reserves, as follows: 12 per cent of demand deposits.... 5 per cent of time deposits.....	Five-twelfths cash in vault, seven-twelfths due from solvent banks. .....do.....	Prior to passage of Federal Reserve Act, department insisted on 15 per cent, two-fifths in vault and three-fifths with other solvent banks.

Washington: "Every bank and trust company"	15 per cent of total deposits.....	Of "available funds," which may consist of balances due from approved reserve agents and actual cash or checks on solvent banks located in the same city.	Prior to the passage of the Federal Reserve Act the requirement was 20 per cent on demand liabilities.
West Virginia: "All banks".....	15 per cent of demand deposits.....	At least two-fifths must be in lawful money of United States, three-fifths may be with approved reserve agents in or out of the State.	None.
Wisconsin: State banks—			
(1) Not approved as reserve banks.	12 per cent of total deposits.....	Such portion as directors determine may be on deposit with approved reserve agents.	Prior to 1915, requirements were 15 per cent for banks not in reserve cities and 25 per cent for banks in reserve cities.
(2) Approved by commissioner of banking as reserve banks.	20 per cent of total deposits.....	In lawful money or on deposit with approved reserve agents.	
Savings banks (mutual).....	5 per cent of total deposits.....	In cash on hand, or on deposit with approved reserve agents.	
Trust companies.....	12 per cent of total deposits.....	do.....	
Wyoming: Every banking association, including trust companies and savings banks.	20 per cent of demand liabilities to depositors, 10 per cent of savings deposits.	Cash in vault or on deposit with approved reserve agents.	None.

Exhibit M.—CHANGES IN FEDERAL RESERVE DISTRICTS.**THE REDISTRICTING DECISION.¹**

Shortly after its organization, the Federal Reserve Board received petitions from banks located in several of the Federal Reserve Districts, asking the transfer of designated portions thereof to other districts. These petitions were filed under section 1 of the Federal Reserve Act, which provides for an appeal from the decision of the Organization Committee to the Board, in the following language:

"As soon as practicable * * * the Reserve Bank Organization Committee shall designate not less than eight nor more than twelve cities to be known as Federal Reserve cities, and shall divide the continental United States, excluding Alaska, 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. * * *"

The Board, recognizing the general desire for the establishment of the Federal Reserve Banks at as early a date as practicable, determined to defer the investigation and hearing of these petitions until a later date, announcing, however, that the action taken with reference to the banks would not prejudice the decision to be arrived at later, when the petitions should come up for definite determination.

When the first pressure of work attending the organization of the banks was over, dates were set for the hearing of the petitions, and during the months of January and February, 1915, all that had then been filed were heard by counsel. A detailed list of the dates set for the hearings and a statement of other facts relating to the proceedings were printed in the First Annual Report of the Board (p. 192). Subsequently the petition of certain banks in Tennessee for transfer from district No. 6 to district No. 5 was withdrawn, at least for the time being. This left the following cases pending before the Board:

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

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

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

(4) The petition of certain banks in Nebraska and Wyoming for transfer from district No. 10 to No. 7.

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

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

Meantime, on March 13, certain banks in southern Wisconsin had filed a petition for transfer from district No. 9 to district No. 7, and still more recently, on May 10, certain banks in Connecticut filed a petition for transfer from district No. 1 to district No. 2. These last two petitions, however, were received at a time when the Board had either decided or was on the point of deciding the cases already presented. They were consequently not included in the action finally taken, but were reserved for later hearing and adjudication.

When the arguments and briefs relating to the petitions already enumerated were in hand, they were apportioned to committees of the Board. These committees

¹ Reprinted from the Federal Reserve Bulletin of June 1, 1915.

reviewed the testimony and filed reports making recommendations with regard to the best method of disposing of the subjects referred to them. Action would then have been taken had it not been for the necessary absence of some members of the Board. This necessitated a postponement of action during the latter part of March and the whole of April. It was then voted to take definite action respecting the pending cases which had been heard at some time during the week beginning May 3. In accordance with this determination the Board on May 4 passed the following resolution:

"Be it resolved, That the recommendations of the respective committees be adopted and approved, and that the petitions of the banks in southern Oklahoma, northern New Jersey, Tyler and Wetzel Counties, West Virginia, be granted; and,

"Be it also resolved, That the petition of the banks of Wyoming and Nebraska be denied; and,

"Be it further resolved, That action on other pending petitions be deferred until further experience in the actual operation of the several districts, especially in the light of the new clearing system which is about to go into effect, and of the extent to which State banks take membership in the Federal Reserve System, shall have provided the Board with the necessary data for a conclusion, it being the opinion of the Board that action on petitions relating to changes in cities designated as the location of Federal Reserve Banks should be deferred until the Board shall have reached a conclusion from experience as to any further readjustments in the boundaries of the several districts, or in the number of districts, which may be desirable in the operation and development of the Federal Reserve System."

It will be seen that the Board in this decision denied one of the petitions—that of Nebraska and Wyoming—deferred action on two, those of the cities of Baltimore and Pittsburgh, for future consideration, and granted three, those of the banks of New Jersey, West Virginia, and Oklahoma.

In order to make plain exactly what changes in the previous districts were made effective by the granting of these three petitions, the accompanying map has been drawn, and is herewith presented for the purpose of showing the boundaries of the 12 districts as they stand to-day. Inasmuch as the map is drawn upon too small a scale to admit of the clear representation of counties, there is hereto appended a list of counties in each of the States affected by the redistricting.

The names and capitalization of the banks in these transferred territories are likewise given.

NEW JERSEY.

Counties transferred to district No. 2.

Bergen.	Hunterdon.	Morris.	Sussex.
Essex.	Middlesex.	Passaic.	Union.
Hudson.	Monmouth.	Somerset.	Warren.

Counties remaining in district No. 3.

Atlantic.	Cape May.	Gloucester.	Ocean.
Burlington.	Cumberland.	Mercer.	Salem.
Camden.			

OKLAHOMA.

Counties transferred to district No. 10.

Beckham.	Greer.	Kiowa.	Pittsburg.
Caddo.	Harmon.	Latimer.	Pontotoc.
Carter.	Haskell.	Le Flore.	Roger Mills.
Comanche.	Hughes.	Love.	Stephens.
Custer.	Jackson.	McClain.	Tillman.
Garvin.	Jefferson.	Murray.	Washita.
Grady.			

Counties remaining in district No. 11.

Atoka.	Choctaw.	Johnston.	Marshall.
Bryan.	Coal.	McCurtain.	Pushmataha.

WEST VIRGINIA.

In West Virginia the counties of Wetzel and Tyler were transferred from district No. 5 to district No. 4.

NEW JERSEY.

List of banks transferred to district No. 2.

Name of bank.	Location.	Capital and surplus.
Farmers National	Allentown	\$100,000
First National	Arlington	81,000
Seacost National	Asbury Park	175,000
Atlantic Highlands National	Atlantic Highlands	100,000
First National	Belleville	225,000
Do	Belmar	75,000
Belvidere National	Belvidere	175,000
Warren County National	do	100,000
Bernardsville National	Bernardsville	50,000
First National	Blairtown	50,000
Peoples National	do	75,000
Bloomfield National	Bloomfield	150,000
Citizens National	Bloomsbury	25,000
Boonton National	Boonton	200,800
Bound Brook National	Bound Brook	60,000
First National	do	125,000
Do	Bradley Beach	27,500
Do	Branchville	50,000
Do	Butler	100,000
Citizens National	Caldwell	41,000
Caldwell National	do	50,000
Califon National	Califon	31,000
Carlstadt National	Carlstadt	60,000
Clinton National	Clinton	150,000
First National	do	70,000
Do	Cranbury	150,000
Closter National	Closter	50,000
National Union	Dover	375,000
First National	Dunellen	40,000
Do	East Newark	35,000
Do	Eatontown	33,000
Do	Edgewater	50,000
National State	Elizabeth	1,000,000
Citizens National	Englewood	150,000
First National	Englishtown	58,500
Flemington National	Flemington	200,000
Hunterton County National	do	200,000
First National	Fort Lee	49,000
Central National	Freehold	100,000
First National	do	150,000
National Freehold Banking Co.	do	100,000
Union National	Frenchtown	180,000
First National	Garfield	64,000
Do	Guttenburg	75,000
Hackensack National	Hackensack	200,000
Peoples National	do	300,000
Hackettstown National	Hackettstown	250,000
Peoples National	do	100,000
Hardyston National	Hamburg	85,000
First National	High Bridge	30,000
Do	Hoboken	660,000
Second National	do	400,000
First National	Hope	32,000
Irvington National	Irvington	145,000
First National	Jamesburg	75,000
Do	Jersey City	1,200,000
Hudson County National	do	750,000
Merchants National	do	250,000
Keansburg National	do	27,500
Peoples National	Keansburg	60,000
Amwell National	Keyport	157,000
Lambertville National	Lambertville	200,000
Little Falls National	do	30,000
First National	Little Falls	35,000
	Lodi	

List of banks transferred to district No. 2—Continued.

Name of bank.	Location.	Capital and surplus.
Citizens National.....	Long Branch.....	\$250,000
First National.....	do.....	150,000
Do.....	Lyndhurst.....	55,000
Do.....	Madison.....	85,000
Manasquan National.....	Manasquan.....	75,000
Farmers & Merchants National.....	Matawan.....	150,000
Metuchen National.....	Metuchen.....	55,000
First National.....	Milford.....	45,000
Do.....	Milburn.....	87,000
Essex National.....	Montclair.....	187,500
First National.....	do.....	150,000
National Iron.....	Morristown.....	250,000
First National.....	do.....	400,000
Citizens National.....	Netcong.....	50,000
American National.....	Newark.....	375,000
Broad-Market National.....	do.....	270,000
Essex County National.....	do.....	2,000,000
Manufacturers National.....	do.....	750,000
Merchants National.....	do.....	1,000,000
National Newark Banking Co.....	do.....	2,000,000
National State Bank.....	do.....	750,000
North Ward National.....	do.....	500,000
Union National.....	do.....	3,000,000
National Bank of New Jersey.....	New Brunswick.....	500,000
Peoples National.....	do.....	250,000
Merchants National.....	Newton.....	190,000
Sussex National.....	do.....	400,000
Ocean Grove National.....	Ocean Grove.....	50,000
Orange National.....	Orange.....	300,000
Second National.....	do.....	300,000
Passaic National.....	Passaic.....	550,000
First National.....	Paterson.....	1,100,000
Paterson National.....	do.....	600,000
Second National.....	do.....	350,000
First National.....	Perth Amboy.....	300,000
Phillipsburg National.....	Phillipsburg.....	500,000
Second National.....	do.....	150,000
City National.....	Plainfield.....	300,000
First National.....	do.....	300,000
Rahway National.....	Rahway.....	150,000
First National.....	Ramsey.....	45,000
Second National.....	Red Bank.....	225,000
First National.....	Ridgefield Park.....	60,000
Do.....	Ridgewood.....	110,000
Do.....	Rockaway.....	30,000
Do.....	Roosevelt.....	50,000
Do.....	Roselle.....	65,000
Rutherford National.....	Rutherford.....	150,000
First National.....	Sea Bright.....	32,500
Do.....	Secaucus.....	25,000
Do.....	Somerville.....	250,000
Second National.....	do.....	100,000
First National.....	South Amboy.....	125,000
Do.....	South River.....	125,000
Do.....	Spring Lake.....	75,000
Do.....	Summit.....	100,000
Farmers National.....	Sussex.....	200,000
First National.....	Tenafly.....	50,000
Do.....	Town of Union.....	125,000
Do.....	Washington.....	250,000
National Bank.....	Westfield.....	123,948
Peoples National.....	do.....	80,000
National Bank of North Hudson.....	West Hoboken.....	115,000
First National.....	West Orange.....	120,000
Do.....	Westwood.....	47,000
Do.....	Whitehouse Station.....	47,000
Do.....	Woodbridge.....	40,000
Total.....		32,071,448

OKLAHOMA.

List of banks transferred to district No. 10.

Name of bank.	Location.	Capital and surplus.
The First National Bank.....	Ada.....	\$60,000
Merchants & Planters National.....	do.....	60,000
First National.....	Addington.....	26,722
Do.....	Alex.....	45,000
Do.....	Allen.....	30,000
City National.....	Altus.....	54,500
First National.....	do.....	67,250
Do.....	Anadarko.....	60,000
National Bank of.....	do.....	30,000
First National.....	Apache.....	30,000
Do.....	Arapaho.....	30,000
Ardmore National.....	Ardmore.....	120,000
First National.....	do.....	200,000
State National.....	do.....	110,000
First National.....	Berwyn.....	30,000
Do.....	Blair.....	29,000
Do.....	Blanchard.....	50,000
Calvin National.....	Calvin.....	28,000
First National.....	do.....	30,000
The Chickasha National.....	Chickasha.....	113,500
Citizens National.....	do.....	90,000
First National.....	do.....	260,000
Oklahoma National.....	do.....	125,000
First National.....	Clinton.....	35,000
Oklahoma State National.....	do.....	27,750
First National.....	Comanche.....	30,000
Cordell National.....	Cordell.....	35,000
Farmers National.....	do.....	28,500
State National.....	do.....	33,500
First National.....	Custer City.....	30,000
Peoples State National.....	do.....	30,000
First National.....	Davis.....	60,000
City National.....	Duncan.....	42,000
Duncan National.....	do.....	50,000
First National.....	do.....	60,000
Do.....	Eldorado.....	40,000
Do.....	Elk City.....	55,000
Francis National.....	Francis.....	30,000
First National.....	Frederick.....	72,000
National Bank of Commerce.....	do.....	90,000
First National.....	Gotebo.....	27,700
Do.....	Grandfield.....	30,000
Farmers National.....	Hammon.....	27,650
First National.....	Hartshorne.....	75,000
National Bank of.....	Hastings.....	28,500
First National.....	Heavener.....	31,000
State National.....	do.....	25,000
City National.....	Hobart.....	33,500
Farmers & Merchants National.....	do.....	60,000
First National.....	do.....	30,000
American National.....	Holdenville.....	30,000
Farmers National.....	do.....	27,500
First National.....	do.....	30,000
City National.....	Hollis.....	25,500
National Bank of Commerce.....	do.....	30,000
State National.....	do.....	25,000
Farmers National.....	Hydro.....	25,050
First National.....	do.....	27,500
Keota National.....	Keota.....	28,500
First National.....	Kiowa.....	36,000
Peoples National.....	do.....	27,500
City National.....	Lawton.....	100,000
First National.....	do.....	110,000
Do.....	Lindsay.....	50,000
Do.....	Lone Wolf.....	34,000
Do.....	Mangum.....	75,000
Mangum National.....	do.....	80,000
First National.....	Marietta.....	75,000
Marietta National.....	do.....	100,000
The National Bank of.....	Marlow.....	29,200
State National.....	do.....	26,750
Farmers National.....	Maysville.....	27,500
First National.....	do.....	32,500
American National.....	McAlester.....	125,000
City National.....	do.....	55,000
First National.....	do.....	135,000
Do.....	Minco.....	30,000
Do.....	Mountain View.....	30,000

List of banks transferred to district No. 10—Continued.

Name of bank.	Location.	Capital and surplus.
First National	New Wilson	\$25,000
Do	Olustee	30,000
Do	Pauls Valley	150,000
National Bank of Commerce	do	60,000
Pauls Valley National	do	30,000
First National	Poteau	42,500
National Bank of	do	60,000
The Chickasaw National	Purcell	75,000
Union National	do	33,000
First National	Quinton	30,000
Do	Ringling	50,400
Farmers & Merchants National	Roff	37,500
First National	do	36,000
Do	Rush Springs	36,000
Do	Ryan	60,000
Beckham County National	Sayre	27,500
First National	do	32,500
Do	Sentinel	27,500
Do	Snyder	27,500
Do	Spiro	29,000
American National	Stigler	30,000
First National	do	60,000
Do	Stonewall	42,000
Do	Stratford	27,500
Do	Stuart	29,000
Park National	Sulphur	30,000
First National	Talihina	26,250
Temple National	Temple	27,500
First National	Thomas	30,000
Do	Verden	26,500
National Bank of	do	30,000
First National	Walters	30,000
Walters National	do	10,000
First National	Washington	26,000
Do	Waurika	27,650
Waurika National	do	25,500
First National	Weatherford	28,500
German National	do	60,000
American National	Wetumka	30,000
First National	do	35,500
Latimer County National	Wilburton	29,000
First National	Wynnewood	100,000
Southern National	do	80,000
Total		5,994,873

WEST VIRGINIA.

List of banks transferred to district No. 4.

Name of bank.	Location.	Capital and surplus.
First National	Middlebourne	\$39,500
Do	New Martinsville	75,000
Farmers and Producers National	Sistersville	136,000
First National	do	165,000
Peoples National	do	115,000
Total		530,500

The pending cases divide themselves into two broadly distinguishable classes, the one involving extensive revision of the work already done and requiring for its elucidation and proper determination knowledge which could come only from experience and observation of the actual working of the several Federal reserve banks; the other involving simpler and less extensive interests and requiring less detailed information as to the whole problem of districting.

The Board's announcement on the whole subject, while going as far as it has been deemed practicable under existing conditions to take action, is not at all to be regarded as final and was not intended to be so. The right to act further on the matter is reserved for future exercise as that may be necessary and at any time. Although there has been no express statement to that effect, it is a clear inference from the opinion handed down that future action will depend very much upon the course of events in the districts as they are now made up, and will be determined by the conditions that are disclosed in the operations of the banks.

PART II.

REPORTS OF FEDERAL RESERVE AGENTS TO FEDERAL RESERVE BOARD.

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, all recommendations for changes in law being omitted:

DISTRICT NO. 1—BOSTON.

FREDERIC H. CURTISS, Chairman and Federal Reserve Agent.

Owing to the prevailing low rates for money, due to a large extent to the money released by the new reserve requirements and to the advances made on emergency orders, member banks have found it necessary to rediscount with this bank only to a limited extent, and, therefore, to meet operating expenses the directors of this bank have found it necessary to seek investments in the open market.

Municipal notes, bankers' acceptances, and, to a limited extent, Government bonds have thus far constituted its principal investments.

A retrospect of conditions existing at the time the Federal Reserve Banks began operations, November 16, 1914, should be of interest. There was outstanding in this district on November 16, 1914, about \$31,000,000 of emergency currency, consisting of Aldrich-Vreeland notes and clearing-house certificates. The Boston banks showed a deficit with their reserve agents and only a moderate excess in cash. The comptroller's call of October 31, 1914, showed bills payable and notes rediscounted of about \$6,000,000, most of this being borrowed by the country banks. At the date of that call many of these banks were running below their reserves and the total surplus reserve of the banks in the district was abnormally low. Money rates were high. Demand money to brokers ranged from $5\frac{1}{2}$ to 7 per cent, and the commercial borrower was obliged to pay 6 per cent and even higher for accommodation up to six months. Member banks were restricting their own customers and were out of the market for outside paper.

The Boston Stock Exchange was closed except for dealings through a committee, and only limited transactions were allowed. The associated banks of Boston were paying balances through the Boston clearing-house in clearing-house certificates and bank notes. Within a few days after the opening of the Federal Reserve Bank call money was lending at $4\frac{1}{2}$ to 5 per cent, and commercial paper was moving fairly freely at $5\frac{1}{2}$ to 6 per cent. The new reserve requirements, which went into effect at the date of opening of the bank, were materially felt throughout the district.

OPENING OF THE BANK.

As soon as the board of directors of this bank organized one of their first official actions was the selection of its executive officer, the Governor. After a most careful canvass of eligible men the position was offered to and accepted by Mr. Alfred L. Aiken, at that time president of the Worcester National Bank, Worcester, Mass.

As it was deemed advisable to have a Deputy Governor, Mr. Thomas P. Beal, class A director, and president of the Second National Bank of Boston, at the request of the directors consented to assume that position without compensation until such time as the services of an active officer were required.

Mr. Florrimon M. Howe, assistant cashier of the Old Colony Trust Co., Boston, was chosen cashier of the bank.

Temporary banking rooms were secured at 101 Milk Street and vaults were hired from the New England Trust Co.

The first payment on capital stock was received at the Subtreasury, through the courtesy of Mr. Charles S. Strecker, the assistant treasurer. This payment amounted to \$1,618,924.99 and was practically all received on or before November 2, 1914. The stock of this bank was subscribed in about the following proportions:

Banks in group 1 approximately $76\frac{3}{8}$ per cent.

Banks in group 2 approximately $16\frac{3}{10}$ per cent.

Banks in group 3 approximately $7\frac{3}{10}$ per cent.

Group 1, banks with a capital and surplus over \$250,000; group 2, banks between \$120,000 and \$250,000; group 3, banks under \$120,000.

The first shipment of Federal Reserve notes was also received at the Boston Subtreasury, where they were stored until the permanent vaults were ready for occupancy.

Acting under instructions from the Secretary of the Treasury, this bank was opened for business on November 16, 1914, and the first payment of reserves was received at the Subtreasury. This payment amounted to approximately \$15,000,000, about \$9,300,000 of this being paid in gold, showing that the request of the Federal Reserve Board to member banks that they make this payment in gold met with satisfactory response.

Permanent quarters were later secured at 53 State Street, to which the bank moved on January 1, 1915. These quarters are on the first floor of the Exchange Building, and cover about 4,283 square feet of floor space. These rooms were formerly occupied by a bank and are well adapted to present needs. They furnish adequate space for offices, a directors' room, cages, and space for clerical work. They are rented at an annual rental of \$12,500 and a lease was taken for four years from January 1, 1915. The vaults in this room are modern, well arranged, and adequate for daily needs. In the same building there has been rented from a safe-deposit company vaults formerly occupied by the Boston Clearing House Association, and in these are carried the bank's main reserves. Federal Reserve notes and the gold in the custody of the Federal Reserve Agent are kept in separate safes in the same vault.

INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The bank has a governor, a deputy governor (who is inactive), a cashier, assistant cashier, chief clerk, paying teller, receiving teller, discount clerk, assistant discount clerk, and eight other clerks, including stenographers, a telephone operator, book-keepers, etc. Owing to the exigencies connected with the early opening of the bank, the employees were chosen with emphasis given to their past experience in the position to be filled, and therefore most of them were drawn from the large commercial banks, and the efficiency of these clerks has been an important factor in keeping the staff at a minimum.

The Federal Reserve Agent is in charge of the credit and the statistical department of the bank. He has an assistant, a secretary, and a stenographer. The deputy Federal Reserve Agent, after the early stages of the organization of the bank, apart from his duties as director has been active only in the absence of the Federal Reserve Agent, the department in its present stage of development not requiring the services of two officials.

When the operating force of the bank has at any time had an unusual volume of work put upon it the clerical force of the Federal Reserve Agent's department has been freely used by the bank, and this has helped to keep the clerical force of the bank small. This department has collected a moderate-sized reference library, which has proved of considerable value to the officers of this bank and to member banks.

BY-LAWS.

At a meeting of the board of directors on November 5, 1914, the following by-laws were approved. Since that time two amendments have been made, one adopted on June 3, 1915, and the other on September 2, 1915, both being in regard to the time of directors' meetings:

BY-LAWS OF THE FEDERAL RESERVE BANK OF BOSTON.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every Thursday at 2.30 o'clock p. m. or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation. The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee. The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To make from time to time such changes in the discount rates as may seem best, the same to be reported to the board of directors at the next meeting of the directors following such changes.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security to be pledged against the issuing of such Federal reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensation.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board of directors shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor, the board shall appoint from the directors a governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in their discretion, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall be open for business for such hours as the directors may from time to time determine.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

Adopted by the Board of Directors of the Federal Reserve Bank of Boston on November 5, 1914.

The following amendment was favorably acted upon at the directors' meeting of June 3, 1915:

Before the word "Thursday," section 3, line 1, of the by-laws, insert the word "alternate"; after the word "Thursday," insert the words "beginning June 24," so that the section will read:

"There shall be a regular meeting of the board every alternate Thursday at 2.30 o'clock p. m., beginning June 24, or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice."

The following amendment was favorably acted upon September 2, 1915.

Article 1, section 3, line 2, after the word "at," strike out the words "2:30 o'clock p. m.," and substitute therefor the following: "Such time as may be fixed by the board," so that that portion of section 3, as amended will read as follows:

"Sec. 3. *Meetings.*—There shall be a regular meeting of the board every alternate Thursday at such time as may be fixed by the board, or if that day be a holiday on the first preceding full business day," etc.

DIRECTORS AND EXECUTIVE COMMITTEE.

During the first eight months the board of directors met every week, the executive committee meeting on the same day. The amendment to the by-laws of June 3, mentioned above, provided that the directors should meet every alternate Thursday, and thereafter both the executive committee and the directors' meetings were held every two weeks. The records show that 47 meetings of the board have been held, with an average attendance of about 8 directors. The executive committee has met 52 times, with an average attendance of 4 members.

The executive committee consists of the governor of the bank, who is chairman, the chairman of the board of directors, and three other members of the board. It has been found expedient to have the class A and class B directors representing group 1 serve on this committee continuously, both being Boston directors, the other two class A directors serving during alternate periods.

Records are kept of the executive committee meetings. All rediscounts for member banks and investments made are approved, and matters pertaining to the policy and conduct of the bank are discussed by that committee. The records of these meetings are read and the action of the committee confirmed at each meeting of the board of directors.

At each meeting of the board of directors a statement of the condition of the bank and a detailed record of all transactions in the way of loans and investments is presented to the directors. While the officers of the bank are in more frequent consultation with the two Boston directors, every director is in close touch with the bank's affairs, and gives careful attention and thought to the development of its usefulness.

ADVISORY COUNCIL.

The board of directors, after careful consideration of the provisions of the Federal Reserve Act regarding the functions and conception of the Federal reserve advisory council, decided to appoint a banking official not connected with this bank as an officer or director as a member of that council. On October 16, 1914, the directors chose Mr. Daniel G. Wing, president of the First National Bank of Boston, as the member of the Federal advisory council from this district for the term ending December 31, 1915. Mr. Wing accepted this position and has served without compensation other than allowances for ordinary traveling expenses. He has thus far attended every meeting of the advisory council, and after each meeting has appeared before the board of directors of this bank by invitation and informed it of the deliberations and conclusions arrived at by that council.

DISCOUNT RATES.

Rates of discount were established by the board of directors, and went into effect as follows:

	10 days.	30 days.	60 days.	90 days.	Over.
Nov. 16.....		6	6	6	
20.....		5½	6	6	
Dec. 17.....		5	5½	6	
30.....		4½	5	5	
Feb. 3.....		4	4	4½	
June 18.....		4	4	4½	5
July 1.....	3	4	4	4½	5
Aug. 6.....	3	4	4	4	5

The directors in establishing rates for the longer-time paper have had in mind the out-of-town banks. These rates have been established based on prevailing rates in the outlying districts, so that assistance could be furnished without causing undue inflation. As the money market became more normal and reserves began to accumulate in the centers, rates were maintained, as it was felt that the Boston banks, owing to their large amount of unemployed funds, would probably meet any rate established by this bank, and that a further reduction of rates might affect the general money market.

While member banks have been slow to avail themselves of the privilege of rediscounting with this bank, this is due to a considerable extent to the general belief that the process is a slow one and surrounded by much formality. Banks that have rediscounted, however, find that such is not the case, and are using that privilege whenever necessary. There is no delay in crediting a bank with its rediscounts. The governor and chairman pass on paper as presented.

The 10-day rate was established to meet the needs of those banks that carry as a secondary reserve the demand street loans of brokers, that the services of this bank might be called upon for temporary use, instead of those loans being called. In normal times it is expected that banks will use this short-time privilege, and that this rate will follow very closely the current demand rates in Boston.

A commodity rate of 3½ per cent was established on September 24, 1915, but as yet no loans of a character warranting special rates have appeared in this district.

A similar situation arises in the matter of trade acceptances. The trade acceptance in use at the present time has the character to a large extent of the ordinary two-name paper offered for rediscount.

This bank has rediscounted for 29 member banks since the inauguration of the system. These rediscounts have amounted to \$2,386,922.80. The following table shows these distributed by months:

Month.	Number of applications.	Amount.
1914		
November.....	3	\$26,577.81
December.....	9	273,577.56
1915		
January.....	9	126,343.68
February.....	8	139,595.96
March.....	15	178,163.04
April.....	22	325,652.53
May.....	21	191,338.78
June.....	22	347,359.11
July.....	21	291,668.11
August.....	15	75,847.01
September.....	17	91,264.35
October.....	9	54,546.98
November.....	12	170,799.34
December.....	18	184,188.54
Total.....		2,386,922.80

Highest point, July 2, 1915, \$436,545.87.

During November and December, 1914, 10 banks rediscounted, and during the year 1915, 28 banks rediscounted, of which 9 had rediscounted in 1914.

FEDERAL RESERVE NOTES.

This bank has issued \$10,520,000 Federal Reserve notes in the following denominations:

5's.....	\$3, 620, 000
10's.....	4, 680, 000
20's.....	640, 000
50's.....	600, 000
100's.....	980, 000

These notes have all been issued against rediscounts or indorsed bankers' acceptances, and the bank has reduced its liability by a deposit of gold. Mutilated notes have been canceled and returned to the extent of \$500,000, as follows: 5's, \$260,000; 10's, \$210,000; 50's, \$10,000; 100's, \$20,000.

The demand for these notes has come for the most part from Boston member and nonmember banks, and as their issuance has not drained the bank's gold reserve, but instead has mobilized additional gold in the hands of the Federal Reserve Agent, it has been deemed a wise policy and one giving additional strength to the bank's position. The application for notes and the pledging of collateral in each case has been approved by the executive committee. All gold held by the Federal Reserve Agent for the redemption of Federal Reserve Notes is carried in gold order certificates running in favor of the Federal Reserve Bank or Federal Reserve Agent of Boston. There has been received from the Comptroller of the Currency \$16,360,000 in Federal Reserve Notes, as follows:

5's.....	\$5, 080, 000
10's.....	5, 920, 000
20's.....	1, 760, 000
50's.....	1, 600, 000
100's.....	2, 000, 000

These notes have been carried, together with the gold certificates held by the agent, in separate safes in the bank's vaults, in the State Street safe deposit vaults located beneath the banking rooms of the Federal Reserve Bank.

Access to the bank vaults requires the presence of three officers and access to the Federal Reserve Agent's safes requires the Federal Reserve Agent and one other.

It has been intimated by member banks that the demand for \$50 and \$100 notes has been for the use of mutual savings banks. The demand for \$10 notes can partly be traced to the fact that \$10 gold certificates have been used for pay roll and other counter requirements in this district, and the Federal Reserve note has no doubt replaced much of this class of currency.

In order to meet any unusual demand for currency a supply of Federal Reserve notes of this bank amounting to \$45,000,000 has been printed, a generous supply being carried always on hand in Boston by the Federal Reserve Agent, ready for issuance. As these notes are estimated to cost \$0.00959 per note, this has been a heavy expense to the bank, but as the supply will probably cover several years' necessities the cost will be distributed over that period. Each time notes are issued the cost is charged by the bank as a current expense.

Satisfactory results have been obtained in cleaning and laundering soiled notes at a very small cost.

The Subtreasury has furnished facilities for canceling and cutting mutilated notes that have been redeemed and those notes have been forwarded to the comptroller

for destruction. Federal Reserve notes of other Federal Reserve Banks have been received on deposit by this bank and forwarded to the issuing bank as follows:

New York.....	\$954, 645
Philadelphia.....	31, 690
Cleveland.....	24, 315
Richmond.....	69, 865
Atlanta.....	29, 800
Chicago.....	22, 925
St. Louis.....	3, 770
Minneapolis.....	20, 305
Kansas City.....	12, 485
Dallas.....	22, 780
San Francisco.....	7, 205
Total.....	1, 199, 785

Notes of this bank have been received from other Federal Reserve Banks as follows:

New York.....	\$232, 070
Philadelphia.....	29, 750
Cleveland.....	575
Richmond.....	1, 440
Atlanta.....	1, 255
Chicago.....	7, 400
St. Louis.....	3, 050
Minneapolis.....	160
Kansas City.....	550
Dallas.....	290
San Francisco.....	6, 330
Total.....	282, 870

GOVERNMENT BONDS.

This bank has purchased \$1,000,000 United States Government 2's, 1930, at prices ranging from 98½ to 99. The question of purchasing Government securities has been frequently discussed by the directors of this bank. Apart from the fact that each year this bank may be called upon to purchase its pro rata of such securities presented for purchase by member banks under the provisions of the Federal Reserve Act, various arguments have been presented against the purchase of such bonds for investment.

OPEN-MARKET OPERATIONS.

In order to meet its operating expenses this bank has been a large purchaser of bankers' acceptances and city and town notes.

On February 18, 1915, the directors of this bank voted to establish a rate of not less than 2 per cent and not more than 4 per cent for the purchase of bankers' acceptances. It has purchased acceptances at rates varying from 2 per cent to 3 per cent. The following table shows the purchases by months:

Month.	Number of pur- chases.	Amount.
1915.		
February.....	3	\$340,317.18
March.....	9	1,030,278.09
April.....	11	549,853.94
May.....	9	643,209.30
June.....	10	572,516.55
July.....	20	1,063,620.68
August.....	20	1,063,486.29
September.....	14	781,224.78
October.....	21	1,791,963.05
November.....	21	3,348,051.89
December.....	31	2,920,804.84
Total.....		14,105,326.59

It is the custom of New England cities and towns, especially in Massachusetts, to issue short-time notes in anticipation of taxes, to be paid from the current taxes. These municipal warrants form a most attractive investment, a default in payment being practically unknown. Under regulations of the Federal Reserve Board this bank has purchased \$8,247,535.85 of these warrants, as shown by the following table:

Month.	Number of pur- chases.	Amount.
1915.		
January.....	5	\$555,000.00
February.....	3	320,000.00
March.....	8	306,840.00
April.....	13	635,000.00
May.....	20	658,200.00
June.....	20	731,000.00
July.....	17	433,000.00
August.....	12	1,144,000.00
September.....	18	748,000.00
October.....	7	339,000.00
November.....	23	1,706,575.27
December.....	16	670,920.58
Total.....		8,247,535.85

These have been purchased at prices ranging from 2 per cent to 3½ per cent. The prevailing prices have been somewhat higher than in past years, due to purchases by Federal Reserve Banks and low money rates. These town notes are readily convertible, there being a good demand for them from savings banks and trustees.

THE HANDLING OF CHECKS.

There is no problem that has been given more careful study by the officers of this bank than that of the handling of checks for its member banks. In this particular district, owing to the highly developed system which has been operated for several years by the Boston Clearing House Association, the necessity for this bank to develop a collection system of its own, so far as the handling of intradistrict checks is concerned, was not so imperative as in most of the other districts, for through that medium a very large percentage of checks on New England banks, member and nonmember, are being handled at par. The need of member banks is largely for the handling of interdistrict checks, which not only form a large percentage of the total amount of checks they receive, but most of which are subject to a collection charge under the Boston Clearing House rules, member banks carrying accounts in other cities—principally Albany and Philadelphia—in order to collect these checks at par. The development of this interdistrict clearing is naturally dependent upon the development of the clearing systems in other districts.

In connection with the opening of the Federal Reserve Banks this bank advised its members that it would receive on deposit for immediate credit checks drawn on any Federal Reserve Bank and checks drawn by member banks on member banks in Boston only. This practice was continued until the collection system was inaugurated on June 15, 1915.

On November 13, 1914, the Federal Reserve Bank of Boston was elected a limited member of the Boston Clearing House Association, and on November 18, 1914, began to clear its Boston checks. From that date on the Boston banks made clearing-house settlements by checks drawn on this bank, a policy which still continues and which has done away with the payment of money in clearing-house transactions and the necessity of carrying through the streets large sums of currency to and from the clearing house. The method by which this is accomplished is as follows: Boston banks having debit balances against the clearing house each day draw their check in favor of the clearing-house manager, who in turn opens a temporary account in the Federal Reserve Bank. These checks he deposits each day and draws his checks in favor of banks gaining or having a credit balance.

On June 15, 1915, this bank inaugurated the voluntary clearing system generally adopted by the Federal Reserve Banks, a system of immediate debit and immediate credit for intradistrict checks. Forty-three banks joined this system at the outset, and since that time nine additional banks have joined and two withdrawn from the system, making the present number 50, as shown by the following list:

CITY OR TOWN AND NAME OF BANK.

Attleboro, Mass., First National Bank.	Manchester, N. H., Amoskeag National Bank.
Bellows Falls, Vt., National Bank of.	Manchester, N. H., Merchants National Bank.
Boothbay Harbor, Me., First National Bank.	Marlboro, Mass., First National Bank.
Boston, Mass., Boylston National Bank.	Marlboro, Mass., Peoples National Bank.
Boston, Mass., Commercial National Bank.	Millbury, Mass., Millbury National Bank.
Boston, Mass., First National Bank.	Montpelier, Vt., First National Bank.
Boston, Mass., Fourth Atlantic National Bank.	New Bedford, Mass., Mechanics National Bank.
Boston, Mass., Merchants National Bank.	Newburyport, Mass., Merchants National Bank.
Boston, Mass., National Union Bank.	New Haven, Conn., First National Bank.
Boston, Mass., Old Boston National Bank.	North Bennington, Vt., First National Bank.
Boston, Mass., Old Colony Trust Co.	Northborough, Mass., Northborough National Bank.
Boston, Mass., Peoples National Bank of Roxbury.	Norwood, Mass., Norwood National Bank.
Boston, Mass., Second National Bank.	Plymouth, Mass., Plymouth National Bank.
Boston, Mass., Webster & Atlas National Bank.	Portsmouth, N. H., First National Bank.
Bridgeport, Conn., First Bridgeport National Bank.	Providence, R. I., National Exchange Bank.
Chelsea, Mass., Broadway National Bank.	Quincy, Mass., Mount Wollaston National Bank.
Claremont, N. H., Claremont National Bank.	Springfield, Mass., Chicopee National Bank.
Clinton, Conn., Clinton National Bank.	Springfield, Mass., Springfield National Bank.
Danbury, Conn., Danbury National Bank.	Ware, Mass., Ware National Bank.
Gloucester, Mass., Cape Ann National Bank.	Westfield, Mass., Hampden National Bank.
Greenfield, Mass., First National Bank.	Windsor, Vt., State National Bank.
Greenwich, Conn., Greenwich National Bank.	Worcester, Mass., Merchants National Bank.
Haverhill, Mass., First National Bank.	Worcester, Mass., Worcester National Bank.
Hudson, Mass., Hudson National Bank.	
Holyoke, Mass., Park National Bank.	
Hopkinton, Mass., Hopkinton National Bank.	
Lynn, Mass., Manufacturers National Bank.	

The largest number of checks handled in one day was 1,803, on October 18, 1914, and the smallest number 226, on June 15, 1915. The average number of items daily was as follows:

July, 1,023; August, 1,030; September, 1,045; October, 1,205; November, 1,255; December, 1,202. The average amount of these checks daily has been as follows:

July, \$1,064,297.36; August, \$977,795.84; September, \$1,090,206.51; October, \$2,010,813.44; November, \$2,901,186.54; December, \$2,290,814.11.

With the inauguration of this collection system the bank changed its previous schedule in reference to checks on Federal Reserve Banks taking for immediate credit drafts drawn by member banks upon the principal banks in New York, Albany, and Philadelphia, as well as drafts drawn upon the Federal Reserve Banks of New York and Philadelphia. Checks on the following Federal Reserve Banks are received on a deferred basis.

Federal Reserve Bank of Richmond, two days after receipt.

Federal Reserve Bank of Cleveland, two days after receipt.

Federal Reserve Bank of Chicago, two days after receipt.

Federal Reserve Bank of St. Louis, two days after receipt.

Federal Reserve Bank of Atlanta, three days after receipt.

Federal Reserve Bank of Minneapolis, three days after receipt.

Federal Reserve Bank of Kansas City, three days after receipt.

Federal Reserve Bank of Dallas, four days after receipt.

Federal Reserve Bank of San Francisco, six days after receipt.

With the opening of the Federal Reserve Banks, the Boston Clearing House Association passed a resolution to amend section 2 of its rules and regulations to read as follows:

"SEC. 2. For all items collected for account of the Governments of the United States, the State of Massachusetts, or the city of Boston, for New England checks collectible at par through the Boston Clearing House, and for items payable in the cities of New York, Providence, Albany, Troy, Jersey City, Newark, Hoboken, Bayonne, Philadelphia, and Baltimore, and for all items (whether such items are collected through the Federal Reserve Bank of Boston or otherwise) which the Federal Reserve Bank of Boston shall have notified the manager of the Boston Clearing House Association that it will receive from its members for immediate credit at par, the charges shall in all cases be discretionary with the collecting bank, and shall not be governed by the provisions of these rules and regulations."

Although all member banks were invited to enter the clearing system no efforts were made on the part of this bank's officers to influence member banks to join, the character of the business of the banks in New England, especially that of banks outside of Boston being such that after careful study it was concluded that these banks would have difficulty in maintaining balances to meet their checks. The country bank has been accustomed to count as reserve checks sent to its reserve correspondent as soon as those items were mailed, and balances with those correspondents being counted as reserve by the country banks as shown by their own books, and not as shown by the books of the collecting bank, although even the record of the latter bank would include uncollected checks. Furthermore, a practice has developed of allowing the out-of-town bank to remit for its own checks, and therefore the country bank has been accustomed to handle its business under the prevailing practice, the burden of carrying the uncollected checks falling on the reserve correspondent, the country bank carrying compensating balances to reimburse it.

As the reserves of the country banks are to be ultimately transferred to the Federal Reserve Banks, the Federal Reserve Banks must furnish its members with the facilities which they are receiving from their reserve correspondents. While the physical handling of items, both time and demand, is a large one, it is not insurmountable, for

that means simply men and machines. The expense will be heavy, but there is little question but that a saving can be made over the present existing methods, and under the Federal Reserve Act this expense can be prorated among the member banks.

On the other hand, as the checks pertain to the reserves of the out-of-town member banks the problem is a more serious one.

On November 10, 1915, the Boston Clearing House passed the new schedule of collection charges appended hereto, which showed a substantial reduction. There is no question but that most of these changes were brought about by the facilities offered by the Federal Reserve Banks through the gold settlement fund, and by the collection system inaugurated in the clearing houses in other cities which are based to quite an extent on the facilities given by other Federal Reserve Banks. The problems involved in the handling of checks arise largely in connection with the out-of-town banks, especially as it pertains to their reserves, and in this connection it would appear that there was need for amendments to the Federal Reserve Act.

PUBLICITY.

Each month the Federal Reserve Agent has furnished for the Federal Reserve Bulletin a report on conditions in New England. In this connection information, opinions, and statistics have been furnished freely by the merchants in the different lines of trade, and by the local bankers, and this service and cooperation has been most helpful. The officers of the bank have furnished the local newspapers from time to time with such details of its operation as they felt would be of interest to the public at large. Rates of discount established by the bank appear each day in these papers. During the past year addresses have been made before State banking associations and before many trade associations, it being thought a matter of the greatest importance to have the bankers and merchants not only familiar with the details of the Federal Reserve System, but to have them interested in the work the bank is doing and the progress being made in the development of the system. The public apparently know very little about the new banking system or its purpose and every effort should be made to give them authentic information.

RELATIONS BETWEEN THE FEDERAL RESERVE BANK OF BOSTON AND ITS MEMBER BANKS.

Owing to the unusual condition existing in the money market, and to the fact that the reserve city banks offer facilities to the country banks which this bank has not yet developed, more particularly in connection with the collection of checks and other items, the latter banks have carried only their minimum reserve requirements with this bank and have used its facilities only to a limited extent. The relations between country bank officials and the officials of this bank have been most cordial. While many of the banks in this district are borrowing, most of them find it much more convenient to go to their correspondent bank and borrow, either in the form of a demand loan, with or without collateral, or against a certificate of deposit.

The comptroller's calls on the several dates show the total borrowings of member banks in the district as compared with their rediscounts with this bank, as follows:

	Total borrowed.	Borrowed, F. R. B.
Dec. 31, 1914.....	\$4,738,416	\$105,000
Mar. 4, 1915.....	4,047,708	234,531
May 1, 1915.....	3,969,796	410,723
June 23, 1915.....	4,284,445	270,441
Sept. 2, 1915.....	3,398,856	190,849
Nov. 10, 1915.....	2,985,406	131,725

The officials of the city banks on the other hand are apparently satisfied with the progress made in the development of this bank's functions. While but few of the Boston banks have rediscounted with us, almost all have intimated that should occasion arise they would do so. Furthermore, several Boston banks have entered into the acceptance business to a large extent, and the assistance that this bank has given in the matter of rates and market for acceptances has done much to bring it into favor with those banks. The Boston banks have also used this bank to a large extent in exchange transactions, and the services offered by the gold settlement fund have been used almost exclusively by those banks.

Thus far Boston banks have received more benefits from this bank than have the other banks in this district. A possible exception to this is in Aroostook County, Me., where, owing to an unusual situation surrounding the principal industry, the potato crop, banks have relied on this bank to a considerable extent to carry them through a trying period. The moral effect of having the Federal Reserve Bank of Boston stand behind them was not only appreciated by those banks, but enabled them to handle their business much more satisfactorily and to finance themselves without having to call upon this bank to an undue extent for rediscounts or without embarrassing their customers.

THE ATTITUDE OF STATE BANKS TOWARD THE FEDERAL RESERVE SYSTEM.

The trust companies in this district, at least those doing a commercial business, are watching with interest the operations of this bank, and several are inclined to enter the Federal Reserve System.

The relations between the officials of this bank and those of the State institutions have been most satisfactory, and frequent interchange of ideas and the cooperation received by these officials have been most helpful.

The board of directors have appointed a committee consisting of the governor, the Federal Reserve Agent, and one director to examine and pass on the condition of State banks applying for membership in the system. The class B director, group 1, is the third member of this committee in the case of trust companies located in Boston, and the class A director, group 1, on trust companies outside of Boston.

On the recommendation of the above committee the Federal Reserve Board admitted the Old Colony Trust Co. to membership on August 14, 1915. This trust company subscribed for 7,200 shares of stock, making payment of \$360,000, being 50 per cent of its subscription, on August 24, 1915, and on the same day transferred to this bank \$2,600,000 reserves.

In connection with the application of State banks for admittance to the Federal Reserve System, the assistance and cooperation of the Massachusetts banking department has been of great assistance, and the relations between the officials of this bank and those in that department are most cordial.

BANKERS' ACCEPTANCES.

New England imports a large volume of hides and wool from South America and cotton and jute from the Orient and other sections of the world. These shipments in the past have been financed through credits drawn on European centers. Since the opening of the Federal Reserve Banks these foreign trade transactions have been financed to a large extent through dollar credits drawn on this country and the acceptances arising therefrom have found a ready market in the Federal Reserve Banks. Several of the member banks in this district have entered this new field of finance and the Federal Reserve Bank of Boston has used every effort to further and develop that business, not only by buying a large amount of that class of paper,

but also through furnishing favorable forward discount rates to assist in protecting its member banks. The following member banks have entered this field:

1. First National Bank, Boston, Mass.
2. Fourth-Atlantic National Bank, Boston, Mass.
3. Merchants National Bank, Boston, Mass.
4. National Shawmut Bank, Boston, Mass.
5. Old Colony Trust Co., Boston, Mass.
6. Second National Bank, Boston, Mass.
7. Merchants National Bank, Worcester, Mass.

Under special permission of the Federal Reserve Board the First National Bank, of Boston, and the National Shawmut Bank, of Boston, have been given authority to accept up to 100 per cent of their capital and surplus. It is of interest to note that the former bank has reported the largest amount of acceptances of any member bank of the Federal Reserve System.

GOLD SETTLEMENT FUND.

The inauguration of the gold settlement fund in Washington is one of the most important developments of the Federal reserve system, and its influence has been felt by the banks in the district in facilitating the handling of domestic exchange, arising for the most part in connection with the collection of checks outside of the district. While this settlement fund has been used for the most part by the city banks, it has enabled those banks to collect the checks of the out-of-town banks with less expense. The influence of this fund has also been shown in the recent regulation on checks adopted by the Boston Clearing House Association and other associations.

Since the inauguration of this clearing fund between the Federal Reserve Banks this bank has handled for its member banks without cost to them about \$267,000,000 of exchange, only having to transfer \$680,000 of gold to the fund after the initial deposit.

ELECTION.

An election was held between November 16, 1915, and December 1, 1915, for the selection of a class A and a class B director. The retiring directors represented group 3, and, therefore, only banks in that group had the right to vote for their successors. Group 3 consists of 145 of the smaller banks in the district, and of that number only 60 banks certified district reserve electors. Only a moderate amount of interest was taken in the election and only three candidates were nominated for each class. Of the 60 electors only 52 voted. A majority of the votes cast were for the outgoing directors, Mr. Arthur M. Heard, of Manchester, N. H., class A, and Mr. Charles G. Washburn, of Worcester, Mass., class B, who therefore were declared reelected.

MEMBER BANKS.

When the Federal Reserve Bank of Boston commenced business on November 16, 1914, it had 439 member banks. Soon after this the Island Pond National Bank, Island Pond, Vt., joined the system, and on June 18, 1915, the First National Bank, Van Buren, Me., which had just been organized, joined. On August 24, 1915, the Old Colony Trust Co., Boston, Mass., also became a member, making a total of 442 banks.

During the first year the following nine banks have gone into liquidation and withdrawn from the system, leaving 433 member banks in this district:

Charter Oak National Bank, Hartford, Conn., consolidated with Phoenix National Bank, Hartford, Conn.

Pacific National Bank, Lawrence, Mass., consolidated with Merchants Trust Co., Lawrence, Mass.

Aetna National Bank, Hartford, Conn., consolidated with Hartford National Bank, Hartford, Conn.

National Union Bank, Woonsocket, R. I., consolidated with Woonsocket Trust Co., Woonsocket, R. I.

Winthrop National Bank, Boston, Mass., consolidated with Merchants National Bank, Boston, Mass.

New Haven County National Bank, New Haven, Conn., consolidated with New Haven Bank, N. B. A., New Haven, Conn.

Lynn National Bank, Lynn, Mass., consolidated with Lynn Safe Deposit & Trust Co., Lynn, Mass.

First Ward National Bank, Boston, Mass., and Mutual National Bank, Boston, Mass., formed Metropolitan Trust Co., Boston, Mass.

The capital stock of this bank has been increased 6,044 shares since the original payment was made on November 2, 1914. Through the admission of the Old Colony Trust Co. of Boston and the readjustment of the capital and surplus of member banks 9,359 additional shares have been issued to member banks at par. Through the liquidation of member banks and changes in capital and surplus 3,315 shares have been surrendered.

FIDUCIARY POWERS.

Under date of February 15, 1915, the Federal Reserve Board issued its circular inclosing regulations covering the granting of special permission to national banks to perform certain fiduciary functions under section 11 (k) of the Federal Reserve Act.

Thus far the applications of the following banks have been approved by the Federal Reserve Board:

TRUSTEE, EXECUTOR, ADMINISTRATOR, AND REGISTRAR OF STOCKS AND BONDS.

CONNECTICUT.

1915.

- Mar. 22. Middletown National Bank, Middletown.
- 22. Second National Bank, New Haven.
- 22. Manufacturers National Bank, Waterbury.
- Apr. 29. National Bank of Norwalk, Norwalk.
- May 8. National Tradesmens Bank, New Haven.
- 8. Merchants National Bank, New Haven.
- July 26. Yale National Bank, New Haven.
- Aug. 20. City National Bank, South Norwalk.
- 26. City National Bank, Bridgeport.

MASSACHUSETTS.

- Mar. 15. First National Bank, Boston.
- 18. National Shawmut Bank, Boston.
- 22. Merchants National Bank, Boston.
- 22. Second National Bank, Boston.
- 22. Union Market National Bank, Watertown.
- 22. Worcester National Bank, Worcester.
- 26. Peoples National Bank, Boston.
- 26. Merchants National Bank, Salem.
- 26. Merchants National Bank, Worcester.
- Apr. 3. National Mahaiwe Bank, Great Barrington.
- 3. Norwood National Bank, Norwood.
- 12. City National Bank, Holyoke.
- 20. First National Bank, Haverhill.
- 20. First National Bank, Webster.
- 22. Chicopee National Bank, Springfield.
- 24. Crocker National Bank, Turners Falls.
- 29. Home National Bank, Holyoke.

1915.

- May 8. Massasoit-Pocasset National Bank, Fall River.
 8. Mechanics National Bank, New Bedford.
 10. Peoples National Bank, Marlboro.
 June 1. Agricultural National Bank, Pittsfield.
 July 26. Northampton National Bank, Northampton.
 Aug. 26. First National Bank, Marlboro.
 26. Pittsfield National Bank, Pittsfield.
 Sept. 10. Cape Ann National Bank, Gloucester
 13. Greylock National Bank, Adams.
 Dec. 1. Holyoke National Bank, Holyoke.

NEW HAMPSHIRE.

- Apr. 3. Claremont National Bank, Claremont.
 12. Strafford National Bank, Dover.
 20. First National Bank, Concord.
 20. Keene National Bank, Keene.

RHODE ISLAND.

- Mar. 26. Aquidneck National Bank, Newport.

VERMONT.

- May 5. Peoples National Bank, Brattleboro.
 8. Citizens National Bank, Poultney.
 Oct. 21. First National Bank, Brandon.
 Dec. 1. Welden National Bank, St. Albans.

TRUSTEE, EXECUTOR, AND ADMINISTRATOR.

CONNECTICUT.

- Mar. 22. First National Bank, Wallingford.

NEW HAMPSHIRE.

- Mar. 18. Merchants National Bank, Dover.
 May 10. Indian Head National Bank, Nashua.

TRUSTEE, EXECUTOR, AND REGISTRAR OF STOCKS AND BONDS.

- Apr. 12. First National Bank, Portland, Me.
 Oct. 6. Norway National Bank, Norway, Me.

TRUSTEE, AND REGISTRAR OF STOCKS AND BONDS.

NEW HAMPSHIRE.

- June 7. Ashuelot National Bank, Keene.
 July 13. Citizens National Bank, Newport.
 14. Wolfeboro National Bank, Wolfeboro.
 Aug. 2. Amoskeag National Bank, Manchester.
 Sept. 10. Mechanics National Bank, Concord.

TRUSTEE.

- May 6. Old Lowell National Bank, Lowell, Mass.

REGISTRAR OF STOCKS.

- Mar. 22. Essex National Bank, Haverhill, Mass.

REGISTRAR OF STOCKS AND BONDS.

- Sept. 21. City National Bank, Danbury, Conn.

In none of the New England States is there any statutory provision expressly authorizing national banks to act as trustee, executor, administrator, and registrar of stocks and bonds except Vermont. In Vermont the legislature of 1915 passed an act expressly authorizing national banks to act as executor, trustee, and administrator. New Hampshire recently passed an act forbidding banks to act as executor or administrator. The question as to whether this act applies to national banks as well as trust companies is now pending before the New Hampshire Supreme Court.

A committee, composed of the governor, the chairman, and the cashier, have passed upon the applications of member banks for powers under section 11 (k) of the Federal Reserve Act. In the case of each application this committee has scrutinized carefully both the resources and management of the applying bank before making its report. The committee makes its report to the board of directors, who make, through the chairman, a recommendation to the Federal Reserve Board based upon the report of that committee. The granting of these privileges has been greatly appreciated by member banks.

In determining the standing of these banks, the cooperation and assistance afforded by Mr. James D. Brennan, chief national-bank examiner of this district, has been of much value.

CREDIT NEEDS OF THE DISTRICT.

This is a savings district for the most part, and banking capital is in excess of the demands of local business. Therefore banks are obliged to seek investments in the open market. Commercial paper should constitute more of the investments of the commercial bank, especially of the country bank. The country bank's experience, however, in purchasing outside paper has not been very satisfactory, and this has led those banks to invest more and more in a poorer grade of bonds yielding a high per cent of income. These investments, in many cases, have not proved satisfactory, and many banks show a heavy shrinkage in their bond accounts.

The development of a credit department and its use by member banks is a subject that has been given careful consideration. Thus far the work in the credit department has been limited largely to the compiling of statistics and credit information on member banks and State banks applying for membership. The credit departments of the Boston banks have been of much assistance and have been frequently used in checking up the makers of notes offered for rediscount.

Every effort should be made by reserve banks to see that proper safeguards surround the commercial notes purchased by member banks through note brokers. It would seem advisable to standardize, as far as possible, the form of statement furnished by the broker to banks buying paper in the open market and that such statements should be certified to by outside accountants, and in the case of the larger borrowers that notes be registered by some responsible agent. This bank has furnished to its member banks a simple form of statement to be used in obtaining credit information from depositors and has recommended the forms adopted by the American Bankers' Association as a standard form when more detailed information was deemed necessary.

The provision of the Federal Reserve Act allowing member banks under certain restrictions to invest in farm mortgages has been exercised to but a limited extent by banks in this district, farm lands in New England not furnishing for the most part attractive security for loans. There is, however, in many of the country districts a demand for real-estate loans. If the Federal Reserve Act could be amended so that in lieu of the farm loan member banks outside of reserve cities could invest a certain portion of their time deposits in loans against improved local real estate, perhaps at 60 per cent of the assessed value of the land and buildings, member banks have stated they would avail themselves of that privilege, and could invest more of their surplus money locally and with greater safety.

COOPERATION BETWEEN FEDERAL RESERVE BANKS.

This bank has purchased about \$4,886,000 municipal notes, which it has distributed among the other Federal Reserve Banks. In matters pertaining to exchange between it and the other Federal Reserve Banks, this bank has allowed those exchanges to take a normal course and has not made any profit on such transactions. The board of directors voted to purchase from other Federal Reserve Banks a considerable block of rediscounts provided those banks found it necessary to rediscount.

RELATIONS BETWEEN THE GOVERNOR AND FEDERAL RESERVE AGENT.

The relations between the governor and the Federal Reserve Agent from the beginning have been those of partners rather than of officers in a corporation, both realizing that the ultimate success of the Federal Reserve Bank of Boston should be their first thought. Both have shared in the responsibilities and tried to direct the bank's policy for the greatest benefit of the commerce and member banks in this district. While the Federal Reserve Agent has had charge of the credit department and statistical work, his organization has been easy of access and freely used by the officers of the bank. On the other hand, the banking staff has assisted the Federal Reserve Agent's department in collecting statistics, in handling unfit Federal Reserve notes, and this service has been given freely when needed. There has been cooperation at all times between the banking department and the department of the Federal Reserve Agent.

EFFECT OF RATES OF DISCOUNT FIXED BY THE FEDERAL RESERVE BANK ON MONEY RATES IN THIS DISTRICT.

The opening of the Federal Reserve Bank of Boston on November 16, 1914, had a marked effect upon the then existing money rates in this district, especially so in the large centers. This, however, was caused more through the release of cash formerly held by member banks as reserve than by the establishment of discount rates by this bank.

Within a few days after the opening of the bank rates were reduced anywhere from 1 to 2 per cent and the banks in the large centers were more inclined to extend accommodation to their own customers, and the demand rate on brokers' loans was equally materially reduced. The establishment of the lower rates from time to time affected the rates paid by the country bank on its borrowings, for the Boston banks, wishing to retain the loans of the out of town banks, met those rates and the country banker has been able to borrow money during the past year probably lower than he ever has before.

On the other hand, the exceptionally large reserves in the centers have no doubt been a factor in the reducing of rates. During the past 12 months the country banks have been borrowing on an average of about \$4,000,000, and as this bank has only rediscounted on an average about \$200,000 of that amount that fact is apparent.

The following table shows that trend of rates in this district since November, 1914:

	1914		1915											
	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	June.	July.	Aug.	Sept.	Oct.	Nov.	Dec.
Call money.....	6-7	4½-5½	4-5½	3½-4	3	3	3	3	3	3	3	3	3	3
Time money, 6 months or less.....	6-7	5-6	4-5	4-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4½	3½-4	3½-4	3½-4	3½-4	3½-4
Year money.....	6	5½	5	4½	4½	4½	4½	4½	4½	4½	4½	4½	4½	4½
Acceptances.....	.....	.....	2½-2½	2-2½	2-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2½-2½	2-2½	2-2½	2-2½
Town notes.....	4	3½-4	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½	3-3½
Between banks.....	6	5½-6	4-5	3½-4	3½-4	3½-4	3½-4	3½-4	3-4	3-4	3-4	3-4	3-4	3-4

DISTRICT PROBLEMS.

The influence of the new reserve requirements, which became operative at the time the Federal Reserve Bank opened, is a subject which is worth studying. Reference to the subject of reserves has been made elsewhere in this report, especially as it refers to the problem surrounding the collection of checks and its influence in the retiring of emergency circulation.

Thus far, for the most part, the reduction in the new reserve requirements has been of little help to the out-of-town bank.

On the other hand, the Boston banks, Boston being the only reserve city in this district, have been able to reduce their reserves nearer the minimum. The releasing of these reserves and the release of reserves in central reserve cities, especially New York and Chicago, have produced a surplus in bank reserves which has greatly depressed the money market, producing low rates, which have reacted against the country bank.

Another problem, which is not perhaps peculiar to this district is so important that mention should be made of it, is the practice of allowing high rates of interest by banks on open accounts and time deposits. While competition for business has brought this practice about and will cause its continuation, still especially in the case of the out-of-town bank it weakens the bank's condition, these banks feeling obliged to invest their funds in loans and securities of a lower grade than good banking practice would warrant in order to show a profit on those accounts. This question of interest paid on accounts pertains likewise to the State institutions, and cooperation between State banking departments and the officers of the Federal Reserve System would seem advisable.

INDUSTRIAL AND AGRICULTURAL SITUATION.

The general industrial situation in this district at the time this bank began business was unsatisfactory, due to quite an extent to circumstances connected with the European struggle. Mills were running only a proportion of their capacity, and, owing to the prevailing high rates of money and the unsettled condition in staple products, general business was marking time. Orders for foreign consumption, however, were arriving in increasing amounts, and these orders for boots, shoes, leather, arms, ammunition, woolen goods, and machinery have been the principal stimulus to business for the greater part of the past year. Early in the fall, however, domestic orders began to appear, especially from the South and West, and our mills began to feel the effect of the falling off of foreign-made goods. While emergency orders are still an important factor in some centers, general business has shown a steady improvement from domestic trade, and on the whole every line, with but a very few exceptions, reports good business. Labor is apparently well employed all over the States, and especially in agricultural districts is hard to obtain. The dye situation, which affects the textile trade, has been getting more and more serious and has restricted the production of certain goods.

While New England is largely a manufacturing district, agriculture plays quite an important factor in the outlying sections. A year ago, with the exception of the potato crop, the general run of farm products was good and brought fair prices. The foot-and-mouth disease was heavily felt in the spring in certain sections where farmers have relied on carrying over stock for spring market. The season of 1915 on the whole has been unsatisfactory for the farmer, the early rainy weather, together with the unseasonable spring and summer months, has brought rather poor returns from most of the crops, especially the hay crop, which is an important one in New England. On the other hand, the potato crop in Maine, where it is the most important factor, has been unusually good and prices for that commodity range high. The farmers relying on that crop will probably more than make up for their losses last year.

EARNINGS AND EXPENSES.

Not until January 9, 1915, when the tentative regulation of the Federal Reserve Board on the purchase of town warrants was received, was this bank in a position to invest any of its money, with the exception of a limited amount of notes rediscounted for its member banks. The release on February 12, 1915, of Circular 5 of that board enabled this bank to buy bankers' acceptances, and these two classes of loans have formed the greater part of its investments throughout the year.

During the period of organization the expenses were heavy. On June 30, 1915, therefore, an operating loss of \$26,243.80 was shown. In addition to that its share of the expenses of the Federal Reserve Board, its organization expense, and the cost of preparing a large supply of Federal Reserve notes created an expense of \$56,562.70, this expense to be distributed over several years and charged off as earnings warrant.

It is the custom of this bank to count as income only actual interest and discount earned, unearned income being carried in a separate account and transferred from day to day as earned to current income. On June 30, 1915, this bank showed unearned income of \$23,550.83, or an amount nearly equal to the operating loss.

While the demand for rediscounts from member banks has not increased, investments in acceptances, town warrants, and Government bonds during the second half of the year have been such that the earnings for that period make a much more satisfactory showing, the surplus for the second period being practically enough to take care of the operating loss of the first eight months.

LINE OF DEVELOPMENT.

The past year has been one of development. The officers and directors of the bank have had no precedents to guide them. They have been blazing a new trail, and, although each step has had to be carefully thought out, progress has been steadily made. The problems of this bank have been so different from those of the ordinary commercial bank that past experience and training have been of little help in solving them. Each problem as it came up has had to be carefully analyzed and solved only after the most careful study and inquiry into all conditions affecting it. It has been the aim of the officers and directors of this bank to put it in operation and to carry on its business with as little disturbance to the financial machinery of this district as possible. Its development has not been forced, but has come naturally, adjusting its policy to present banking conditions and making innovations slowly and with due care. It has been its aim to conserve its resources in such shape as to make them available should occasion arise when member banks should need its services.

APPENDIX.

BOSTON CLEARING HOUSE ASSOCIATION.

[Collection schedule, January, 1914.]

FOR NEW ENGLAND.

Free.—All items on Providence, R. I., and checks on banking institutions remitting at par through the Boston Clearing House.

One-tenth of 1 per cent.—All other New England items (exceptions noted below).¹

OUTSIDE NEW ENGLAND.

Discretionary.—All items on Albany, N. Y.; Baltimore, Md.; Bayonne, N. J.; Hoboken, N. J.; Jersey City, N. J.; Newark, N. J.; New York, N. Y.; Philadelphia, Pa.; and Troy, N. Y.

¹ One-twentieth of 1 per cent.—Caribou, Fort Fairfield, Fort Kent, Houlton, Mars Hill, Presque Isle, Van Buren, and Washburn in State of Maine.

One-tenth of 1 per cent.—All items on Canada, Delaware, District of Columbia, Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia, West Virginia, and Wisconsin.

One-fourth of 1 per cent.—All items on Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indian Territory, Kansas, Louisiana, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, and Wyoming.

No charge less than 10 cents.

CHARGE POINTS NOVEMBER, 1914.

[Showing points that have gone on par list since that date.]

BOSTON CLEARING HOUSE.

FOREIGN DEPARTMENT.

Checks on banking institutions, as listed below, will be received on deposit subject to a discount of one-tenth or one-twentieth of 1 per cent as stated, under the rules and regulations adopted by the Clearing House Association.

VERMONT.

One-tenth of 1 per cent.

Barton Savings Bank & Trust Co.
Bethel, National White River Bank.
Bradford National Bank.
Bristol, First National Bank.
Burlington, Howard National Bank.
Burlington, City Trust Co.
Burlington, Merchants National Bank.
Burlington Trust Co.
Burlington, Chittenden County Trust Co.
Chelsea, National Bank of Orange County
Chester, National Bank of.
Danville, Caledonia National Bank.
Derby Line, National Bank of.
Enosburg Falls Savings Bank & Trust Co.
Enosburg Falls, First National Bank.
Essex Junction, Essex Trust Co.
Fairhaven, Allen National Bank.
Fairhaven, First National Bank.
Hardwick, Granite Trust Co.
Hardwick Savings Bank & Trust Co.
Hyde Park, Lamoille County National Bank.

Island Pond National Bank.
Ludlow Savings Bank & Trust Co.
Lyndonville National Bank.
Manchester Center, Factory Point National Bank.
Middlebury National Bank.
Middletown Springs, L. & A. Y. Gray.
Montpelier National Bank.
Morrisville, Union Savings Bank & Trust Co.
Newport, National Bank of.
Newport, Orleans Trust Co.¹
North Bennington, First National Bank.
Northfield National Bank.
Northfield Savings Bank.
North Troy, Valley Savings Bank & Trust Co.
Orleans, Central Savings Bank & Trust Co.

Poultney, First National Bank.
Poultney, Citizens National Bank.
Proctor Trust Co.
Proctorsville, National Black River Bank.
Randolph National Bank.
Richford Savings Bank & Trust Co.
Rutland, Clement National Bank.
Rutland, Killington National Bank.
Rutland, Rutland County National Bank.
Rutland, Rutland Trust Co.
Springfield, First National Bank.
St. Albans, Welden National Bank.
St. Albans, Franklin County Savings Bank.
St. Albans, Peoples Trust Co.
Swanton Savings Bank & Trust Co.
Vergennes, National Bank of.
West Rutland Trust Co.
White River Junction, First National Bank of.
White River Junction, Hartford Savings Bank & Trust Co.
Winooski, Champlain Trust Co.
Woodstock National Bank.

MAINE.

One-twentieth of 1 per cent.

Caribou, Aroostook Trust Co.
Caribou National Bank.
Fort Fairfield National Bank.
Fort Fairfield, Frontier Trust Co.
Fort Kent Trust Co.
Houlton, Farmers National Bank.
Houlton, First National Bank.
Houlton Trust Co.
Mars Hill Trust Co.
Presque Isle National Bank.
Presque Isle, Merchants Trust & Banking Co.
Van Buren Trust Co.
Van Buren, First National Bank.
Washburn, Aroostook Trust Co.

¹ Have gone on par list since Nov. 16, 1914.

NEW HAMPSHIRE.

One-tenth of 1 per cent.

Berlin National Bank.
 Berlin Guaranty Trust Co.
 Colebrook, Farmers & Traders National Bank.
 Colebrook National Bank.
 Conway National Bank.
 Groveton, Coos County National Bank.
 Lancaster National Bank.
 Lancaster Trust Co.
 Lishon Savings Bank & Trust Co.
 Littleton National Bank.
 North Conway Loan & Banking Co.
 Whitefield Bank & Trust Co.

Wolfborough, National Bank.
 Woodsville National Bank.

CONNECTICUT.

One-tenth of 1 per cent.

Ansonia National Bank.¹
 Darien, Home Bank & Trust Co.¹
 Derby, Birmingham National Bank.¹
 Mystic River National Bank.
 Norwalk, Fairfield County National Bank.
 Norwalk, Central National Bank & Peoples Trust Co.
 Seymour Trust Co.¹
 Shelton Trust Co.¹
 Thomaston National Bank.

C. A. RUGGLES, *Manager.*

NOVEMBER, 1914.

CHARGE POINTS, NOVEMBER 16, 1915.

BOSTON CLEARING HOUSE ASSOCIATION.

NOVEMBER 16, 1915.

At a special meeting of the Boston Clearing House Association, held to-day, the "Rules and regulations regarding collections" were amended to make discretionary the following additional points:

1. Checks on points receivable upon deposit at par by Federal Reserve Banks in the cities of Boston, New York, and Philadelphia from their respective member banks.

2. Checks on banks and trust companies in the States of New York and New Jersey receivable upon deposit at par by members of the New York Clearing House Association.

3. Checks on Federal Reserve Banks, provided that the credit of interest upon such checks shall be delayed in accordance with the schedule of deferred credit adopted by the Federal Reserve Bank of Boston.

4. Items on Chicago and St. Louis.

5. Drafts drawn upon insurance companies and mutual savings banks located in New England.

The "Rules and regulations regarding collections" as amended now read as follows:

SECTION 1. These rules and regulations shall apply to all members of the association, and to all banks or trust companies or others clearing through such members. The parties to which the same so apply are hereinafter described as collecting banks.

SEC. 2. The charges shall be discretionary with the clearing bank and shall not be governed by the provisions of these rules and regulations upon the following items:

a. All items collected for account of the Governments of the United States, the Commonwealth of Massachusetts, or the city of Boston.

b. New England checks collectible at par through the Boston Clearing House.

c. Checks which Federal Reserve Banks in the cities of Boston, New York, and Philadelphia shall give notice that they will receive upon deposit at par from their respective member banks.

d. Checks on banks and trust companies in the States of New York and New Jersey receivable upon deposit at par by members of the New York Clearing House Association.

e. Checks drawn upon any Federal Reserve Bank: *Provided*, That the credit of interest upon such checks shall be delayed in accordance with the schedule of deferred credit adopted by the Federal Reserve Bank of Boston.

f. Items payable in the cities of New York, Providence, Albany, Troy, Jersey City, Newark, Hoboken, Bayonne, Philadelphia, Baltimore, Chicago, and St. Louis.

g. Drafts drawn upon insurance companies and mutual savings banks located in New England.

SEC. 3. For all items payable at any point in New England, excepting—

a. Items on the city of Providence, R. I.,

b. Checks collectible at par through the Federal Reserve Bank of Boston,

¹ Have gone on par list since Nov. 16, 1914.

c. Checks on those banking institutions which pay checks on themselves sent through the clearing house by remitting therefor promptly on receipt thereof, without charge, checks on some member of the Boston or New York Clearing House, or upon some banking institution clearing through some such member; and

d. Drafts drawn upon insurance companies and mutual savings banks located in New England,

the collecting bank shall charge not less than one-tenth of 1 per cent of the amount of the items respectively, and in no case less than 10 cents upon any one item, but all such items received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

Until further notice from the clearing house committee, section 3 of the rules and regulations regarding collections outside the city of Boston is modified by the addition of the following:

"Should any banking institution in New England pay checks on itself sent through the clearing house by remitting therefor promptly on receipt thereof, with a charge of one-twentieth of 1 per cent, checks on some member of the Boston or New York clearing house, or upon some banking institution clearing through some such member, the collecting bank shall charge not less than one-twentieth of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all such items received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged."

SEC. 4. For all items received (except those on Federal Reserve Banks and on the points declared discretionary in sec. 2), payable at points in Delaware, District of Columbia, Indiana, Illinois, Iowa, Kentucky, Maryland, Michigan, Minnesota, Missouri, New Jersey, New York, Ohio, Pennsylvania, Virginia, West Virginia, Wisconsin, and Canada, the collecting bank shall charge not less than one-tenth of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all items described in this section received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

SEC. 5. For all items (except those on Federal Reserve Banks) payable at points in Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Indian Territory, Kansas, Louisiana, Mississippi, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Washington, and Wyoming, the collecting bank shall charge not less than one-quarter of 1 per cent of the amount of the items, respectively, and in no case less than 10 cents upon any one item; but all items described in this section received from any one depositor or correspondent on the same day may be added together and treated as one item for the purpose of fixing the amount to be charged.

SEC. 6. The charges herein specified are in all cases to be collected at the time of deposit or not later than the 10th day of the following calendar month. No collecting bank shall directly or indirectly allow any abatement, rebate, or return for or on account of such charges, or make in any form any compensation therefor.

SEC. 7. In case any member of the association shall learn that these rules and regulations have been violated by any of the collecting banks, it shall immediately report the facts to the chairman of the clearing house committee, or, in his absence, to the manager of the clearing house. Upon receiving information from any source that there has been a violation of the same, said chairman, or, in his absence, said manager, shall call a meeting of the committee. The committee shall investigate the facts, and determine whether a formal hearing is necessary. In case the committee so concludes, it shall instruct the manager to formulate charges and present them to the committee. A copy of the charges, together with written notice of the time and place fixed for hearing regarding the same, shall be served upon the collecting bank charged with such violation, which shall have the right at any hearing to introduce such relevant evidence and submit such argument as it may desire. The committee shall hear whatever relevant evidence may be offered by any person and whatever arguments may be submitted, and shall determine whether the charges are sustained. In case it reaches the conclusion that they are, the committee shall call a special meeting of the association and report thereto the facts with its conclusions. If the report of the committee is approved by the association, the collecting bank charged with such violation shall pay to the association the sum of \$1,000; and in case of a second violation of these rules and regulations any collecting bank may also, in the discretion of the association, be excluded from using its privileges directly or indirectly, and, if it is a member, expelled from the association.

CHARLES P. BLINN, Jr., *Secretary.*

BOSTON CLEARING HOUSE ASSOCIATION.

[List No. 2. December 6, 1915.]

Banks outside of New England upon which the charge is discretionary:

All items on the cities of—

Albany, N. Y.
 Baltimore, Md.
 Bayonne, N. J.
 Chicago, Ill.
 Hoboken, N. J.
 Jersey City, N. J.

Checks upon the following banks:

Federal Reserve Banks—

Atlanta, Ga.
 Chicago, Ill.
 Cleveland, Ohio.
 Dallas, Tex.
 Kansas City, Mo.
 Minneapolis, Minn.

All items on the cities of—Continued.

Newark, N. J.
 New York, N. Y.
 Philadelphia, Pa.
 St. Louis, Mo.
 Troy, N. Y.

Federal Reserve Banks—Continued.

New York, N. Y.
 Philadelphia, Pa.
 Richmond, Va.
 St. Louis, Mo.
 San Francisco, Cal.

DELAWARE.

Delmar, First National Bank.

Seaford, First National Bank.

NEW JERSEY.

Allentown, Farmers National Bank.
 Arlington, First National Bank.
 Asbury Park, Asbury Park & Ocean Grove Bank.
 Asbury Park, Asbury Park Trust Co.
 Asbury Park, Seacoast National Bank.
 Atlantic City, Boardwalk National Bank.
 Atlantic City, Marine Trust Co.
 Bayonne, all items.
 Bellevue, First National Bank.
 Berlin, Berlin National Bank.
 Bernardsville, Bernardsville National Bank.
 Blackwood, First National Bank.
 Blairstown, First National Bank.
 Bloomfield, Bloomfield National Bank.
 Bloomfield, Bloomfield Trust Co.
 Bloomfield, The Watsessing Bank.
 Boonton, Boonton National Bank.
 Bound Brook, Bound Brook National Bank.
 Bound Brook, First National Bank.
 Caldwell, Caldwell National Bank.
 Caldwell, Citizens' National Bank.
 Camden, Camden National Bank.
 Camden, Camden Safe Deposit & Trust Co.
 Camden, First National Bank.
 Carlstadt, Carlstadt National Bank.
 Clayton, Clayton National Bank.
 Clifton, Clifton Trust Co.
 Clinton, Clinton National Bank.
 Closter, Closter National Bank.
 Cranford, Cranford Trust Co.
 Dunellen, First National Bank.
 East Orange, East Orange Bank.
 East Orange, Essex County Trust Co.
 East Orange, People's Bank.

East Orange, Savings, Investment & Trust Co.
 Edgewater, First National Bank.
 Edgewater, Northern New Jersey Trust Co.
 Elizabeth, Elizabethport Banking Co.
 Elizabeth, Elizabeth Trust Co.
 Elizabeth, National State Bank.
 Elizabeth, Union County Trust Co.
 Englewood, Citizens' National Bank.
 Englewood, Palisades Trust & Guaranty Co.
 Englishtown, First National Bank.
 Flemington, Flemington National Bank.
 Flemington, Hunterdon County National Bank.
 Fort Lee, First National Bank.
 Freehold, National Freehold Banking Co.
 Garfield, First National Bank.
 Glen Ridge, Glen Ridge Trust Co.
 Guttenberg, First National Bank.
 Hackensack, Hackensack National Bank.
 Hackensack, Hackensack Trust Co.
 Hackensack, Peoples National Bank.
 Hackettstown, Hackettstown National Bank.
 Hackettstown, Peoples National Bank.
 Haddon Heights, Haddon Heights National Bank.
 Harrison, West Hudson County Trust Co.
 Hoboken, all items.
 Hope, First National Bank.
 Jersey City, all items.
 Lakewood, People's National Bank.
 Lyndhurst, First National Bank.
 Manasquan, Manasquan National Bank.
 Matawan, Farmers & Merchants National Bank.

Millville, Mechanics National Bank.
 Montclair, Bank of Montclair.
 Montclair, Essex National Bank.
 Montclair, Essex Title Guaranty & Trust Co.
 Montclair, First National Bank.
 Montclair, Montclair Trust Co.
 Moorestown, Moorestown National Bank.
 Morristown, American Trust Co.
 Morristown, First National Bank.
 Morristown, Morristown Trust Co.
 Morristown, National Iron Bank.
 Mount Holly, Union National Bank.
 Netcong, Citizens National Bank.
 Newark, all items.
 New Brunswick, National Bank of New Jersey.
 New Brunswick, New Brunswick Trust Co.
 New Brunswick, Peoples National Bank.
 Nutley, Bank of Nutley.
 Orange, Orange National Bank.
 Orange, Second National Bank.
 Passaic, Hobart Trust Co.
 Passaic, Merchants Bank.
 Passaic, Passaic National Bank.
 Passaic, Passaic Trust & Safe Deposit Co.
 Passaic, Peoples Bank & Trust Co.
 Paterson, Citizens Trust Co.
 Paterson, First National Bank.
 Paterson, German-American Trust Co.
 Paterson, Hamilton Trust Co.
 Paterson, Paterson National Bank.
 Paterson, Paterson Safe Deposit & Trust Co.
 Paterson, Second National Bank.
 Paterson, Silk City Safe Deposit & Trust Co.
 Pedricktown, First National Bank.
 Perth Amboy, First National Bank.
 Perth Amboy, Perth Amboy Trust Co.
 Pitman, Pitman National Bank.
 Plainfield, City National Bank.
 Plainfield, First National Bank.
 Plainfield, Plainfield Trust Co.
 Plainfield, State Trust Co.
 Pompton Lakes, First National Bank.
 Port Norris, First National Bank.
 Princeton, Princeton Bank.
 Ridgefield Park, First National Bank.
 Ridgewood, First National Bank.
 Ridgewood, Ridgewood Trust Co.
 Rockaway, First National Bank.
 Roosevelt, First National Bank.
 Roselle, First National Bank.
 Rutherford, Bergen County Bank.
 Rutherford, Rutherford National Bank.
 Rutherford, Rutherford Trust Co.
 Secaucus, First National Bank.
 Somerville, First National Bank.
 Somerville, Second National Bank.
 South Orange, People's Bank (branch of East Orange).
 South Orange, Savings Investment & Trust Co.
 South River, First National Bank.
 South River, South River Trust Co.

Spring Lake, First National Bank.
 Summit, First National Bank.
 Summit, Summit Trust Co.
 Swedesboro, Swedesboro National Bank.
 Tenafly, First National Bank.
 Toms River, First National Bank.
 Union, Town of, First National Bank.
 Vineland, Tradesmen's Bank.
 Weehawken (see Union, town of).
 Westfield, National Bank of Westfield.
 Westfield, Peoples National Bank.
 Westfield, Westfield Trust Co.
 West Hoboken, Commonwealth Trust Co.
 West Hoboken, National Bank of North Hudson.
 West New York, N. J. Title Guaranty & Trust Co.
 West Orange, First National Bank.
 Westwood, First National Bank.
 Woodbridge, First National Bank.
 Williamstown, First National Bank.

NEW YORK.

Albany, all items.
 Amityville, Bank of Amityville.
 Amityville, First National Bank.
 Amsterdam, First National Bank.
 Astoria, all items.
 Babylon, Babylon National Bank.
 Babylon, Bank of Babylon.
 Bay Shore, First National Bank.
 Bay Shore, South Side Bank.
 Bayside, all items.
 Bronxville, Gramatan National Bank.
 Brooklyn, all items.
 Buffalo, Bank of Buffalo.
 Buffalo, Buffalo Trust Co.
 Buffalo, Central National Bank.
 Buffalo, Commonwealth Trust Co.
 Buffalo, German-American Bank.
 Buffalo, Manufacturers & Traders National Bank.
 Buffalo, Marine National Bank.
 Buffalo, Market Bank.
 Buffalo, Peoples Bank.
 Buffalo, Third National Bank.
 Cazenovia, Cazenovia National Bank.
 College Point, all items.
 Corona, all items.
 Dundee, Dundee National Bank.
 Elmhurst, all items.
 Elmira, Merchants National Bank.
 Elmira, Second National Bank.
 Far Rockaway, all items.
 Farmingdale, Bank of Farmingdale.
 Farmingdale, First National Bank.
 Fleischmanns, Citizens Bank of Griffins' Corner.
 Floral Park, Floral Park Bank.
 Flushing, all items.
 Freeport, First National Bank.
 Freeport, Freeport Bank.
 Geneva, First National Bank.
 Glen Cove, Glen Cove Bank.
 Glen Cove, Nassau Union Bank.
 Glens Falls, First National Bank.

Glens Falls, National Bank of Glens Falls.
 Granville, Washington County National Bank.
 Great Neck, Bank of Great Neck.
 Greenwich, First National Bank.
 Groton, Mechanics Bank.
 Gouverneur, First National Bank.
 Hempstead, First National Bank.
 Hempstead, Hempstead Bank.
 Highland Falls, First National Bank.
 Hoosick Falls, Peoples National Bank.
 Hudson Falls, Peoples National Bank.
 Huntington, Bank of Huntington.
 Huntington, First National Bank.
 Ithaca, First National Bank.
 Ithaca, Tompkins County National Bank.
 Jamaica, all items.
 Lake Placid, Lake Placid National Bank.
 Larchmont, Larchmont National Bank.
 Lawrence, Bank of Lawrence.
 Lockport, National Exchange Bank.
 Lockport, Niagara County National Bank.
 Long Island City, all items.
 Lynbrook, Lynbrook National Bank.
 Mamaroneck, First National Bank.
 Mariners Harbor, all items.
 Mechanicsville, Manufacturers National Bank.
 Middleport, First National Bank.
 Millbrook, Bank of Millbrook.
 Mineola, First National Bank.
 Mineola, Nassau County Trust Co.
 Mount Vernon, First National Bank.
 Mount Vernon, Mount Vernon Trust Co.
 Newburgh, Highland National Bank.
 New Brighton, all items.
 New Rochelle, Huguenot Trust Co.
 New Rochelle, National City Bank.
 New Rochelle, New Rochelle Trust Co.
 New Rochelle, North Avenue Bank.
 New York City, all items.
 Niagara Falls, Niagara Falls Trust Co.
 Niagara, Power City Bank.
 Northport, First National Bank.
 Northport, Northport Trust Co.
 Nyack, Nyack National Bank.
 Nyack, Rockland County Trust Co.
 Ogdensburg, National Bank of Ogdensburg.
 Ossining, First National Bank.
 Ossining, Ossining National Bank.
 Oyster Bay, North Shore Bank.
 Oyster Bay, Oyster Bay Bank.
 Ozone Park, all items.
 Pearl River, First National Bank.
 Peekskill, Westchester County National Bank.
 Perry, First National Bank.
 Philmont, First National Bank.
 Plattsburg, First National Bank.
 Pleasantville, Mount Pleasant Bank.
 Port Chester, First National Bank.
 Port Chester, Mutual Trust Co. of Westchester County.
 Port Jefferson, Bank of Port Jefferson.
 Port Jefferson, First National Bank.
 Port Richmond, all items.

Port Washington, Bank of North Hempstead.
 Richmond Hill, all items.
 Ridgewood, Ridgewood National Bank.
 Rochester, Traders National Bank.
 Rockaway Beach, all items.
 Rockville Center, Bank of Rockville Center.
 Rockville Center, First National Bank.
 Roslyn, Bank of Hempstead Harbor.
 Rye, Rye National Bank.
 Salem, Peoples National Bank.
 Saranac Lake, Adirondack National Bank.
 Saratoga Springs, Adirondack Trust Co.
 Saratoga Springs, Citizens National Bank.
 Schenectady, Citizens Trust Co.
 Schenectady, Mohawk National Bank.
 Schenectady, Schenectady Trust Co.
 Schenectady, Union National Bank.
 Smithtown Branch, National Bank of Smithtown Branch.
 Southampton, First National Bank.
 Stapleton, all items.
 Stony Brook, Bank of Suffolk County.
 Syracuse, Central City Trust Co.
 Syracuse, City Bank of Syracuse.
 Syracuse, Commercial National Bank.
 Syracuse, First National Bank.
 Syracuse, Merchants National Bank.
 Syracuse, National Bank of Syracuse.
 Syracuse, Salt Springs National Bank.
 Syracuse, Syracuse Trust Co.
 Syracuse, Third National Bank.
 Syracuse, Trust & Deposit Co. of Onondaga.
 Tottenville, all items.
 Troy, all items.
 Tuckahoe, First National Bank.
 Westbury, Bank of Westbury.
 Westhampton Beach, Seaside Bank.
 Whitestone, all items.
 White Plains, Central Bank of Westchester County.
 White Plains, Citizens Bank.
 White Plains, County Trust Co.
 White Plains, First National Bank.
 Woodhaven, all items.
 Yonkers, First National Bank.
 Yonkers, Westchester Trust Co.
 Yonkers, Yonkers National Bank.

PENNSYLVANIA.

Allentown, Allentown National Bank.
 Allentown, Merchants National Bank.
 Allentown, Second National Bank.
 Altoona, First National Bank.
 Altoona, Second National Bank.
 Blue Ball, Blue Ball National Bank.
 Bradford, Bradford National Bank.
 Canton, Farmers National Bank.
 Canton, First National Bank.
 Catasauqua, National Bank of Catasauqua.
 Chambersburg, National Bank of Chambersburg.

Clarks Summit, Abington National Bank.
 Coatesville, National Bank of Chester Valley.
 Collegeville, Collegeville National Bank.
 Coplay, Coplay National Bank.
 Danville, Danville National Bank.
 Danville, First National Bank.
 Duncannon, Duncannon National Bank.
 Duncannon, Peoples National Bank.
 Dunmore, First National Bank.
 East Berlin, East Berlin National Bank.
 Fawn Grove, First National Bank.
 Freeland, First National Bank.
 Girardville, First National Bank.
 Glenside, Glenside National Bank.
 Hamburg, First National Bank.
 Hazleton, First National Bank.
 Honey Brook, First National Bank.
 Howard, First National Bank.
 Huntingdon, First National Bank.
 Lancaster, Northern National Bank.
 Lancaster, Peoples National Bank.
 Landisville, First National Bank.
 Lansdale, First National Bank.
 Lehigh, First National Bank.
 Lemasters, Lemasters National Bank.
 McConnellsburg, First National Bank.
 Marietta, Exchange National Bank.
 Millersville, Millersville National Bank.
 Milton, Milton National Bank.
 Mount Joy, First National Bank.
 Mount Union, First National Bank.
 Mountville, Mountville National Bank.
 Nazareth, Nazareth National Bank.
 Norristown, Peoples National Bank.

North Wales, North Wales National Bank.
 Philadelphia, all items.
 Phoenixville, National Bank of Phoenixville.
 Pottsville, Miners National Bank.
 Pottsville, Pennsylvania National Bank.
 Quakertown, Quakertown National Bank.
 Reading, National Union Bank.
 Ridgway, Elk County National Bank.
 Scranton, First National Bank.
 Scranton, Third National Bank.
 Scranton, Traders National Bank.
 Selins Grove, Farmers National Bank.
 Shippensburg, Peoples National Bank.
 Tamaqua, First National Bank.
 Terre Hill, Terre Hill National Bank.
 Tremont, Tremont National Bank.
 Troy, Grange National Bank of Bradford County.
 Waynesboro, Citizens National Bank.
 Waynesboro, Peoples National Bank.
 West Chester, First National Bank.
 West Chester, National Bank of Chester County.
 Williamsport, First National Bank.
 Williamsport, West Branch National Bank.
 York, Central National Bank.
 York, First National Bank.
 York, York National Bank.

VIRGINIA.

Richmond, checks on all banks.

C. A. RUGGLES, *Manager*.

DISTRICT NO. 2—NEW YORK.

PIERRE JAY, Chairman and Federal Reserve Agent.

CHAPTER I.—ORGANIZATION.

DESIGNATION OF DISTRICT NO. 2.

The designation of New York State as Federal Reserve District No. 2, with New York City as the location of the Federal Reserve Bank, was made by the reserve bank organization committee on April 2, 1914.

CERTIFICATE OF INCORPORATION.

The certificate of incorporation, signed by the following as incorporators: The National Commercial Bank, Albany; National Park Bank, New York; Marine National Bank, Buffalo; First National Bank, Syracuse; Irving National Bank, New York, was filed with the Comptroller of the Currency May 18, 1914, whereupon the Federal Reserve Bank of New York became a body corporate.

BOARD OF DIRECTORS.

The election of the three class A and the three class B directors of the Federal Reserve Bank of New York was conducted by the organization committee during June and July, 1914, and announcement of the election was made August 10. The appointment of the three class C directors by the Federal Reserve Board was announced on September 30, completing the board of directors. On October 5 the first meeting of the board of directors was held in the office of the Bank of the Manhattan Co., 40 Wall Street, New York. Mr. Benjamin Strong, jr., then president of the Bankers Trust Co. of New York, was elected governor of the bank, and Mr. Leslie R. Palmer, a member of the board, secretary pro tempore. At the second meeting of the board the terms of office of the directors were designated as follows:

Class A, representing the member banks: Franklin D. Locke, term expires December 31, 1915; William Woodward, term expires December 31, 1916; Robert H. Treman, term expires December 31, 1917.

Class B, representing commerce, agriculture, or industry: Leslie R. Palmer, term expires December 31, 1915; Henry R. Towne, term expires December 31, 1916; William B. Thompson, term expires December 31, 1917.

Class C, representing the Federal Reserve Board: George Foster Peabody, term expires December 31, 1915; Pierre Jay, term expires December 31, 1916; Charles Starek, term expires December 31, 1917.

A meeting of the directors and governors of all the reserve banks, called by the Federal Reserve Board, was held in Washington October 20–22. At this meeting, which was attended by over 80 directors and governors of Federal Reserve Banks, standard by-laws were prepared, a uniform plan of accounting was tentatively approved on, and various problems relating to the inauguration of the system and the operation of the banks were discussed.

During October Mr. William Woodward, president of the Hanover National Bank and a class A director, consented to become acting deputy governor, and Mr. James F. Curtis was elected secretary and counsel for the bank.

On October 26 the following telegram was received:

"PIERRE JAY,

"Chairman, Board of Directors,

"Federal Reserve Bank, New York.

"Please call a meeting of the directors of the Federal Reserve Bank of your district and advise them that all necessary statutory requirements having already been complied with by the several Federal Reserve Banks, the Comptroller of the Currency will forward to each bank on or before November 16, 1914, the certificate authorizing such bank to commence business as prescribed by section 4 of the Federal Reserve Act, and the Secretary of the Treasury will, in conformity with section 19 of the Act, formally announce the establishment of the Federal Reserve Banks in each of the Federal reserve districts on the 16th day of November, 1914. Please also assure the directors that this department will gladly extend to them every facility and all possible assistance in opening the banks on that date and also assure them of my very best wishes and of my earnest desire to cooperate with them in every possible manner to render this great public service.

"W. G. McADOO,

"Secretary of the Treasury."

To this telegram the directors replied on October 28, assuring the Secretary of the Treasury of their desire to cooperate with the plan set forth in his telegram, as follows:

"Hon. W. G. McADOO,

"Secretary of the Treasury, Washington:

"At the meeting of the directors of the Federal Reserve Bank of New York to-day your telegrams of Monday to Gov. Strong and myself were presented, and I was authorized to express to you the entire concurrence of the board of directors in the telegraphic replies sent you on Monday by Gov. Strong and myself and to thank you for your good wishes and offer of assistance and to assure you of their desire to cooperate with your plan.

"PIERRE JAY, *Chairman.*"

From its first meeting until December 31, 1915, the board of directors has held 50 meetings, of which 18 have been attended by the full board, 24 by eight directors, 7 by seven directors, and 1 by six directors.

The relatively small size of this Federal reserve district has made it practicable to hold frequent meetings of the board of directors, which has therefore been a more active body than the executive committee. At these meetings the affairs and development of both the bank and the system have been discussed and considered at length.

The executive committee, consisting of the governor, as chairman, and four directors, has held 59 meetings, of which 9 have been attended by the full committee, 10 by five members, 22 by four members, and 18 by three members. The governor and chairman are ex officio members of the committee. Mr. Woodward was elected a member to serve till December 31, 1915, and all the other directors have served upon it in turn. Mr. Starek, vice chairman, has been invited to attend all meetings of the committee.

During the first five months all applications for rediscount were acted on by the executive committee, but on April 7, 1915, the senior officers were authorized, within certain limits, to pass upon them, since which date relatively few meetings of the committee have been held.

There have also been 13 subcommittees of the board for the consideration of special matters, several of which have held two or more meetings.

BY-LAWS.

The by-laws of the bank were originally adopted on October 28, 1914. They have been amended from time to time, and a copy of them in their present form is attached hereto.

PAYMENT OF CAPITAL.

One-half of the subscribed capital of the bank has been called during the period covered by this report. The Federal Reserve Board designated November 2, 1914, as the day for the payment of the first installment of one-sixth of the subscribed amount. This installment aggregated \$3,321,950, and as the office of the bank at that time was not suitable for the purpose it was received in a room in the New York clearing house by the three acting assistant cashiers of the bank and a number of volunteer clerks from New York member banks.

Two other installments, each one-sixth of the amount subscribed, have been received, one on February 2, 1915, aggregating \$3,318,183.35, and one on May 2, 1915, aggregating \$3,317,516.65. On July 1, 1915, the capital subscribed by 131 banks in northern New Jersey, which by the adjustment of the district became members of the Federal Reserve Bank of New York, was received, aggregating \$962,650. Sundry increases and decreases have brought the total capital paid up to \$11,063,150 on December 31, 1915.

The details of the capital account will be found in the Appendix.

TEMPORARY STAFF AND OPENING OF BANK.

On October 26, when the telegram was received from the Secretary of the Treasury advising that he would announce the establishment of the Federal reserve banks on November 16, no staff had been assembled, nor had a banking room been secured. Over 2,000 applications for positions in the bank were on file, but it was obviously impossible during the intervening three weeks to attempt the organization of a permanent staff. The expedient of a temporary staff was therefore determined upon.

Mr. G. E. Gregory, cashier of the National City Bank of New York, consented to become acting cashier of the bank, and Messrs. B. W. Jones, assistant secretary, and R. H. Giles, assistant treasurer, respectively, of the Bankers Trust Co., and Mr. S. A. Welldon, assistant cashier of the First National Bank, to become acting assistant cashiers to effect the assembling and organization of a staff. Through the generous cooperation of the subtreasury at New York and of several New York banks an efficient volunteer staff was borrowed, each man experienced in his particular department.

On Monday, November 9, possession was obtained of the banking room at 62 Cedar Street, which had been leased, and during the week the officers and clerks met daily for drill in the various branches of the work.

On November 16 the bank opened its doors with a staff of 7 officers and 85 clerks. During the day \$99,611,670 of reserves were taken in from 211 banks. The tellers reported their accounts in balance at 5.30, and at 8 p. m. the first balance sheet of the Federal Reserve Bank of New York was mailed to the Federal Reserve Board.

PERMANENT ORGANIZATION.

During the next eight weeks the permanent staff of the bank was gradually organized. Mr. E. R. Kenzel was appointed assistant cashier, Mr. H. M. Jefferson auditor; Mr. L. H. Hendricks transit manager. By the middle of January, 1915, a permanent staff of 5 officers and 36 clerks had been assembled, 9 of them having remained from the volunteer body. June 9, 1915, Mr. L. F. Sailer, assistant cashier of the National Park Bank of New York, was elected cashier and Mr. L. H. Hendricks assistant cashier. The staff on December 31, 1915, consists of the governor, the acting deputy governor, the secretary, the cashier, two assistant cashiers, the auditor, and 67 clerks and other employees; the Federal Reserve Agent, deputy Federal Reserve Agent, an assistant, and one clerk.

In assembling the permanent staff and organizing the accounting system of the bank the plan has been to free the departments as much as possible from mixed classes of

duties and yet so to interlock their work that automatic checks could be established between the departments and on the accounts generally. It has also been planned as far as possible to educate the employees in all branches of the work in order to be ready at all times to handle a large volume of business in any particular department.

The accounting system provides a set of records both efficient and complete, yet understandable to the layman, and so devised as to facilitate the preparation of the many forms of statistics which are required. All work, including the general ledger, is subject to countercheck. Bound books of entry are provided at some point in every chain of operations.

The principal difference between the accounting plan of this and other large banks is the introduction of separate debiting and crediting departments, which prepare the debit and credit journals for the bookkeepers, and to which all departments originating debits and credits route such items. This makes possible a valuable check on the ledger accounts.

The auditor's department is not an operating department, but an independent organization with authority to audit all of the departments, reporting to the directors, the executive committee, and the officers. The proofs of all departments are audited by it daily.

The work of the bank is divided among the following departments: Paying teller, receiving teller, note teller, discount mail teller, securities, foreign exchange, crediting, debiting, bookkeeping, general bookkeeping, credit, auditing, statistics, transit statement, filing, stationery, stenographic, telephone, pages, floormen, and watchmen. A separate department is also maintained by the Federal Reserve Agent.

DEPARTMENT OF THE FEDERAL RESERVE AGENT.

The Federal Reserve Agent's department, by early agreement with the deputy, was organized in such a way as to relieve these two statutory officers of clerical duties and the handling of Federal reserve notes, gold, lawful money, and collateral. A responsible assistant, with necessary clerical assistance from the bank, has kept all records of the receipt and issue of Federal reserve notes, and under the responsibility of the agent jointly with one of the officers of the bank has had custody of all Federal reserve notes, gold, lawful money, and collateral held by the department.

OFFICES.

A temporary office at 27 Pine Street was used from October 10 to November 9, 1914. On that day the bank occupied the office at 62 Cedar Street, which had been leased from Messrs. Harvey Fisk & Sons, consisting of a banking room, suitable rooms for directors, officers, and clerks, and a security vault. The bank was very fortunate, on such short notice, to be able to obtain an office so well fitted for its initial and organization period. But as its work progressed it became apparent that offices better suited to its ultimate development should be obtained. The time consumed and the inconvenience caused by the frequent visits by officers to the subtreasury and the clearing-house vaults alone seemed to necessitate moving to an office adequately equipped with vault accommodation. On December 16, 1915, therefore, a lease was entered into with the Equitable Building Corporation for offices at the Pine and Nassau Streets corner of its building, opposite the subtreasury, under which the building corporation provides a very satisfactory banking room, vault, and working space, including accommodations for officers of member banks, with options on other space to cover future expansion. The term of the lease begins May 1, 1916.

SUBTREASURY COOPERATION.

Immediately after designating the date for the inauguration of the Federal Reserve System the Secretary of the Treasury advised this bank that the subtreasury at New York would do everything in its power to facilitate its operations. Hon. Martin

Vogel, assistant treasurer in New York, placed at the disposal of the bank two large compartments in the subtreasury vaults, one for the bank and the other for the Federal Reserve Agent, both of which have been in constant use since the day the bank began business, requiring at each entry the presence of two members of the subtreasury staff.

At the opening of the bank, and for a few days thereafter, the assistant treasurer detailed a number of his most experienced money counters to assist in counting the large volume of reserves then transferred. He also extended to the bank the facilities of the subtreasury for cutting and mutilating Federal reserve notes unfit for circulation as the first step in the process of their retirement. All gold coin received by the bank has been weighed for it by the subtreasury. The attitude of the assistant treasurer and his staff throughout the period covered by this report has been cooperative in every way and the assistance given by them to the bank has been material and is gratefully acknowledged.

CLEARING-HOUSE COOPERATION.

At every step in the organization and operation of the bank the attitude of the New York Clearing House Association has been one of active cooperation. On November 2, 1914, when the first installment of the capital stock of the bank was paid in, the clearing house set apart a room in which the gold might be received and a vault for its custody. The greater part of the reserves of the bank, from the day of its opening, has been kept in the vaults of the clearing house. These vaults have been used almost daily, and often more than once a day, each entry requiring the presence of the manager of the clearing house as well as a representative of the chairman of the clearing-house committee.

On November 9, 1914, the directors authorized the governor to apply for limited membership in the clearing house as a convenience both to it and the member banks. On November 13 the application was approved and the bank became a limited member, for the purpose of clearing checks, but without the usual financial responsibilities. Full acknowledgment is made of the indebtedness of this bank to the officers and members of the clearing house for the cooperation and assistance which they have always given it.

MEMBER OF FEDERAL ADVISORY COUNCIL.

On November 25, 1914, the board of directors elected Mr. J. P. Morgan, of New York City, a member of the Federal Advisory Council from Federal reserve district No. 2 for the year 1915.

CHAPTER II.—DEVELOPMENT OF FUNCTIONS, AND OPERATIONS THEREUNDER.

DEPOSITORY OF THE RESERVES OF MEMBER BANKS.

The initial transfer of the reserves of 480 member banks in November, 1914, amounted to \$106,702,995.81. Of these deposits \$97,954,175.84 came from banks in the city of New York and \$8,748,819.97 from other banks.

The second transfer of reserves began on November 16, 1915, and amounted to approximately \$3,700,000. The wide difference in the two amounts is due to the fact that New York City banks were required to transfer at the outset their entire contribution of reserves, while in the case of other banks the transfer is distributed over a period of 36 months. Most of the initial transfer was made in gold, gold certificates, and lawful money. The second and third transfers were made largely in checks on New York correspondents.

Outside of banks which have joined the collection system, and whose accounts are therefore active, only about 36 banks draw on their accounts from time to time. The accounts of the other 410 banks remain practically dormant. Of those banks whose

accounts are active, New York City banks usually replenish their balances by depositing their own cashier's checks, which are settled on the following day through the clearing house; and other banks by transfers from New York City correspondents. Some New York banks have been depositing items on banks in our collection system and on the other Federal Reserve Banks. A certain volume of gold, silver, legal-tender notes, and Federal reserve notes unfit for circulation is also deposited, but as yet the bank has not accepted national-bank notes on deposit, as it is unwilling to become practically a redemption agency for the volume of notes which would be deposited and assume the resulting expense.

It is difficult for this bank to ascertain whether the reserves of member banks are unimpaired, as their position is learned only from the reports made in response to the periodical calls of the comptroller. It seems desirable not only for this purpose but as a measure of general banking publicity that the position of all member banks with respect to reserves, loans and discounts and deposits should be presented more frequently and made public as is done by clearing houses and by a number of State banking departments.

The total gold held by the bank and its Federal Reserve Agent on December 31, 1915, is \$264,144,380, an increase of \$182,610,665 over the amount held at the close of business on the day of opening.

During the period about \$110,000,000 in gold was received from member banks by direct transactions outside of clearing house settlements.

The following statement shows, at the end of each month, the deposits of member banks, the total reserve held, the composition of the reserve, and the gold held by the Federal Reserve Agent. The growth in deposits is due largely to the increased reserves which the expanding deposits of the member banks require them to carry.

	Deposits of member banks.	Total reserve.	Composition of reserve.			Gold with Federal Reserve Agent.
			Legal-tender notes.	Silver and silver certificates.	Gold and gold certificates.	
Nov. 16, 1914	\$101,816,801.29	\$102,933,569.00	\$10,485,613	\$10,914,241.00	\$81,533,715.00	.....
Dec. 31, 1914	110,114,812.84	99,999,258.00	11,854,300	5,010,073.00	82,234,885.00	\$9,115,000
Jan. 31, 1915	118,587,486.21	93,407,196.75	2,793,650	4,658,571.75	85,954,975.00	9,370,000
Feb. 28, 1915	124,946,634.28	112,234,489.20	5,154,000	8,084,741.70	98,995,747.50	11,560,550
Mar. 31, 1915	125,306,078.26	112,393,305.55	3,105,200	12,549,698.05	96,738,407.50	18,833,350
Apr. 30, 1915	131,826,629.32	107,261,027.25	2,417,500	12,903,194.75	91,940,332.50	26,858,700
May 31, 1915	128,143,549.39	125,181,895.10	4,521,545	17,121,267.60	103,539,082.50	31,660,000
June 30, 1915	141,929,512.72	151,345,687.40	15,066,605	16,180,474.90	120,098,607.50	40,320,000
July 31, 1915	147,581,376.68	143,274,771.35	4,286,275	10,806,233.85	128,182,262.50	47,520,000
Aug. 31, 1915	155,069,198.47	144,274,273.25	2,542,740	11,577,495.75	130,154,037.50	52,550,000
Sept. 30, 1915	155,203,832.64	147,328,951.20	7,011,435	11,800,761.20	129,516,755.00	61,350,000
Oct. 31, 1915	178,765,123.50	172,323,885.60	19,153,460	12,587,570.60	140,582,855.00	70,740,000
Nov. 30, 1915	185,052,512.32	185,690,699.25	23,998,035	8,936,229.25	152,756,435.00	79,010,000
Dec. 31, 1915	179,433,322.16	180,821,914.90	5,691,765	284,322.40	174,845,827.50	89,300,000

ACCOUNTS WITH OTHER FEDERAL RESERVE BANKS.

In accordance with the decision of the conference of directors and governors at Washington October 20-22, 1914, the Federal Reserve Bank of New York on opening announced its readiness to receive at par for immediate credit checks on all other Federal Reserve Banks. The New York Clearing House immediately placed such checks on its discretionary list.

On November 19 the People's National Bank of Brooklyn deposited a check of \$76.80 drawn on the Federal Reserve Bank of Kansas City. This was the first inter-district transaction and the item was sent to the Federal Reserve Bank of Kansas City for the credit of this bank. The volume of such transactions grew rapidly, and the method of settling the resulting balances between Federal Reserve Banks became one of the matters requiring immediate attention.

At the first conference of the governors of Federal Reserve Banks, December 10-12 1914, it was agreed that at any time debtor banks might make settlement and creditor banks might require settlement, in which latter case the expense of settlement should be divided between the settling banks. It was decided to continue for a few months the practice of receiving at par checks on Federal Reserve Banks in order to observe the results of facilitating in this way the transfer of money between the 12 Federal reserve cities. Member banks in debtor districts promptly took advantage of it to make exchange without cost on points in creditor districts. The result was that the Federal Reserve Banks in debtor districts soon found themselves owing large sums to reserve banks in creditor districts. In order to prevent the further accumulation of such balances and avoid a heavy burden of expense, reserve banks in debtor districts charged member banks drawing such checks with exchange thereon at the current rate for exchange on the points to which they were sent. This had the effect of restraining the process and the transfer of funds returned to its normal basis.

When the gold settlement fund was established, May 19, 1915, thus providing a method of settling balances weekly, the total debit balances paid in by all reserve banks in settlement of balances then unliquidated, and after six months of heavy transactions, were only \$6,383,000.

On June 15, by agreement between the Federal Reserve Banks and at their request, this bank ceased receiving for immediate credit at par checks on other Federal Reserve Banks, except those of Boston and Philadelphia, and deferred the credit of such checks for a sufficient number of days to allow them to reach the paying bank. The New York Clearing House, however, made no change in its rules except to impose a small charge on checks drawn on the Federal Reserve Bank of San Francisco.

The aggregate transactions between this bank and other Federal Reserve Banks from November 16, 1914, to December 31, 1915, have been \$1,229,982,000.

Details of transactions between Federal Reserve Banks will be found in the appendix.

GOLD SETTLEMENT FUND.

In view of the volume of transactions which had developed between Federal Reserve Banks during the early part of 1915 and of the proposal that they should establish a system of check collection, it became evident that some method must be devised of settling balances between them promptly, economically, and with minimum shipments of coin or currency. A plan whereby each Federal Reserve Bank should deposit with the Federal Reserve Board in Washington a portion of its gold reserve to be used in settling balances with other Federal Reserve Banks was put into operation on May 19, 1915, each reserve bank being required to pay into the fund \$1,000,000 and its net debit to the other reserve banks. The total initial deposits were \$18,450,000.

Deposits in and withdrawals from the fund are made by banks at the nearest sub-treasury. At the close of business each Wednesday each bank advises the Board the amount due by it to any other bank, and the resultant net balance is charged or credited to it on the books of the gold settlement fund. The transfer is a bookkeeping rather than a physical one. Many banks maintain open exchange accounts with other banks which are not settled. Special interim settlements may also be arranged between banks when desired, and for convenience and safety in the custody and transfer of their funds, Federal Reserve Agents are authorized to deposit gold with the gold settlement fund.

In the domestic exchange markets which exist in several of the Federal Reserve cities, New York is one of the principal cities on which exchange is bought and sold. No such market for exchange on other points exists in New York. Also all the other reserve banks receive checks on this bank at par for immediate credit, while New York defers credit on all reserve bank checks save those of Boston and Philadelphia,

and more lately of Richmond. This bank therefore has been unable to secure an offset to the large volume of New York exchange deposited with it by other reserve banks, and it has been obliged to settle for it through the gold settlement fund in gold, although in collecting such exchange through the clearing house it has been paid largely in silver certificates or legal-tender notes, both of which currencies, as well as gold, may be used by its members in paying debits. The total amount which this bank has paid in gold to other reserve banks through the fund up to December 31, 1915, has been \$83,283,000. At one time through these exchange operations of other reserve banks it had an accumulation of \$30,252,000 of silver, and \$13,502,000 of legal-tender notes, which, however, through the cooperation of member banks in this city was later largely reduced. The neutralization of this process of drawing out the gold of this bank, putting it in circulation in other centers, and leaving the bank with silver in its place is one of the matters requiring study and adjustment.

Further details of the operation of the fund will be found in the appendix.

ESTABLISHMENT OF RATES OF DISCOUNT.

The Federal Reserve System was inaugurated at a time when the stringency of money rates which had prevailed during August, September, and the early part of October, 1914, was perceptibly easing. During these months purchases of commercial paper by the banks had shrunk to a minimum, and the open-market rates ruled from 6 to 7½ per cent.

The announcement on October 26 that the Federal Reserve System would be opened in three weeks, releasing a volume of reserves estimated at over \$450,000,000, the free issue of emergency currency under the Aldrich-Vreeland Act, the steady liquidation in merchandise and many commodities, and the decline in foreign exchange all combined to reduce rates to a normal basis. The first rates established by the Federal Reserve Bank of New York on November 16, 1914, were 5½ per cent for paper not exceeding 30 days and 6 per cent for paper of longer maturities. At that time there was still a substantial volume of New York Clearing House loan certificates outstanding bearing 6 per cent interest. Surplus reserves of New York Clearing House institutions increased from \$19,200,000 on November 14, 1914, to \$127,400,000 on November 21, 1914, owing to the reductions in required reserves permitted by the Act. This transfer of \$108,200,000 in New York alone from the category of required reserves to that of excess reserves produced an effect which was promptly felt throughout the country. The relief felt by bankers and business men at the establishment of the reserve system, the complete retirement of clearing house loan certificates in New York, the beginning of the retirement of emergency currency, the reopening of the stock and cotton exchanges, the return of foreign exchange substantially to normal, the dullness of trade and business, and the inevitable tendency of bankers to put at least a portion of their surplus reserves to work led to a further easing of the money market. On December 18 the bank rate for 30-day paper was reduced to 5 per cent and on December 23 to 4½ per cent.

In the belief that a period of easy money was at hand, the directors of the reserve bank adopted the policy of keeping its rediscount rates slightly above the market rates for commercial paper, so that, unless member banks really needed them, its resources, most of which had hitherto been kept in the vaults of the member banks, should not be forced upon a market already oversupplied with funds. This policy has prevailed throughout the period under review. While business dullness has given place to business activity, the great importations of gold have been more than sufficient to support the credits—"domestic and foreign"—which the various activities and developments have required. The surplus reserves of the country have continued to increase in spite of the unparalleled expansion of loans and the withdrawal from circulation of \$89,300,000 of gold through the issue of Federal Reserve notes against it.

Except in time of commercial or financial crisis, the normal aggregate borrowing by member banks in this district seldom exceeds \$5,000,000. It seems likely, therefore, that of the funds of this bank which will normally be put into use only a small portion will be absorbed by rediscounts of member banks. The balance will be invested in Government obligations, in municipal warrants, bankers' acceptances, and other bills purchased in the open market. The same will be true of other reserve banks in districts where normal borrowing by member banks is light. The influence of this bank on interest rates and the expansion and contraction of credits is likely to be exercised more through its open-market operations than through the rediscounts of the member banks, or of other Federal Reserve Banks. But, as it has never possessed any volume of such paper, it has thus far been unable to exert any influence over rates.

It should be the policy of reserve banks to maintain a fairly stable rate on such paper. Then in times of expansion or demand for credit, when market rates rise above theirs, such paper will flow into them in substantial volume and the gold released in payment will find its way into the reserves of member and other banks, increasing their credit power and checking extreme advances in rates. In times of contraction or abundant credit, when market rates fall below those of the reserve banks, the investments of the latter will be absorbed, as they mature, by banks and other institutions, thereby transferring gold from their reserves to the reserve banks, reducing the credit power of the member banks and checking extreme declines in rates.

Similarly, if a sufficient volume of bankers' acceptances based on imports and exports is developed to create a stable discount market in New York or elsewhere in the United States, an international ebb and flow may be effected. When the dollar acceptance reaches a degree of currency comparable with that of the sterling acceptance, its use will depend largely upon whether, on arrival in New York, it can be discounted at a rate lower than the rate for sterling acceptances in London. Those engaged in international business will draw on the city where their drafts can be discounted at the lowest rate.

When the London rate rises above the New York rate, a substantial volume of such bills will be transferred from the London to the New York market and be absorbed by American banks. If in turn the New York rate rises above the London rate, a substantial volume of bills formerly drawn on New York will be drawn on London, thereby transferring the burden of absorbing them from New York to London and raising the New York reserve percentage by reducing the volume of both loans and deposits. The greater stability of exchange resulting from greater flexibility of international discount markets should tend in time to reduce transfers of gold reserves between New York and London.

Through the creation of the bankers' acceptance an international credit instrument has been introduced into our banking system which when developed is likely to prove a potent influence in regulating the flow of credit between Europe and America. It should enable America, in normal times, to regulate its credit position primarily by recourse to the European market, thereby rendering domestic rate fluctuations less violent. Greater stabilization of interest rates is one of the most valuable contributions the system is capable of making to the orderly progress of business.

The rates established by this bank have been as follows:

Date established.	10 days.	11 to 30 days.	31 to 60 days.	61 to 90 days.	91 days to 6 months.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16, 1914.....		5½	6	6	
Dec. 18, 1914.....		5	5½	6	
Dec. 23, 1914.....		4½	5	5	6
Feb. 3, 1915.....		4	4½	4½	5
Feb. 17, 1915.....		4	4	4	5
June 24, 1915.....	3	4	4	4	5
SPECIAL RATES.					
Feb. 17, 1915, bankers' acceptances, 2 to 4 per cent.					
July 24, 1915, trade acceptances, 3½ per cent.					

An inquiry has recently been made concerning the effect the rates of this bank have had on rates charged by its member banks to their customers. Outside of New York City they are reported to have had no effect on the rates charged by member banks. In New York City the consensus of opinion is that they have had no effect on rates charged to commercial customers, but that member banks in this district have had to meet the reserve bank rates of other districts, and on loans to member banks in those districts the rates have been slightly lower than heretofore would have been charged. On the market for acceptances and warrants the rates at which reserve banks have been willing to buy have probably had a softening effect. This inquiry, however, related to the direct effect of the rates officially established by this bank and neither to the influence for lower rates exerted by the great reduction in required reserves permitted by the act nor to the indirect influence exerted by the mere existence of the Federal Reserve System.

ELIGIBLE PAPER.

At the inception of the Federal Reserve System no subject aroused more general interest among the banks and the public than the kind of paper which would be defined as eligible for rediscount with Federal Reserve Banks. Circular No. 13, issued by the Federal Reserve Board November 10, 1914, defined paper eligible for rediscount in such a manner as to create the impression that very strict tests would be applied to paper submitted for rediscount, and that onerous requirements with regard to statements of borrowers would be insisted upon. The general effect of the circular was to lead country bankers to believe that their paper would not meet the requirements and that they were without means of availing themselves of the resources of the reserve bank. At bankers' gatherings held in the autumn and early winter the complaint was frequently heard that country banks held no paper eligible for rediscount.

Notwithstanding the general feeling with regard to the eligibility of their paper, a number of banks, both country and city, from time to time applied for rediscounts. The application blank required the member bank to certify the eligibility of the paper under the terms of the Act and the regulations of the Federal Reserve Board. The policy of this bank has been to accept such certificate without further inquiry except in cases which indicated a possible misunderstanding of the definition of eligible paper and to be liberal rather than technical where construction has been necessary.

In revising and republishing the various regulations for the year 1915 the Reserve Board simplified the regulation concerning eligible paper so as to leave no reasonable doubt in the mind of any banker that at least a substantial part of his normal discounts would fall within its terms. The revised regulation was received with great satisfaction by the member banks. To the request of the comptroller in his call of

March 4, 1915, that each bank should state approximately how much paper it held which was eligible for rediscount, 81 banks replied that they held none. Shortly after receiving these reports letters were written by this bank to such banks inviting their officers to call and discuss the question of eligibility. In this way a much better understanding of the subject was established.

As a result of several months' experience in making rediscounts and discussing the subject with bankers this bank, on June 19, 1915, issued its circular No. 25 on eligible paper with a view to further clarifying the subject and enabling a banker readily to determine which of his notes could be certified as eligible.

The regulation defining eligible paper required a bank applying for rediscounts after July 1, 1915, to state whether or not it held statements from borrowers in all cases of rediscounts aggregating \$5,000 or over, or 10 per cent of its capital, and in all cases of purchased paper. To assist the member banks in obtaining such statements, the reserve bank prepared four standard statement forms:

- (a) For individual farmers or live-stock dealers.
- (b) For individual merchants, manufacturers, etc.
- (c) For firms.
- (d) For corporations.

A large number of these were printed and offered without charge to member banks in sufficient volume to use with all their borrowers. One hundred and ten banks replied, taking about 38,000 of the forms. Subsequent correspondence with these banks indicates that although the progress in getting statements from small borrowers is slow, the fact that the statement is requested on a form bearing the name of the Federal Reserve Bank leads many to comply who have never before been willing to furnish statements.

REDISCOUNTS.

The first application for rediscount, received at the opening of the bank, was for \$2,182,500 from the Chemical National Bank of New York. One other rediscount was also made on the opening day. During the period under review there have been received from 54 banks 277 applications for rediscounts aggregating \$11,384,937.63. The largest application was for \$2,182,500; the smallest for \$1,015. The largest piece of paper rediscounted was \$300,000; the smallest, \$20.20.

Applications are acted upon on the day of receipt, and the applying bank is advised by telegram. The lack of understanding of the requirements, which sometimes led to delays at the outset, has largely disappeared, and except for slightly more formality in making the application, there is little difference between discounting at the reserve bank and at other banks. The impression that the operation is surrounded with difficulties has been overcome, at least with those banks which have applied. A few days before maturity each piece of paper is sent for collection to the bank which rediscounted it and on the day of maturity is charged to its account. This gives the rediscounting bank an opportunity to protect all indorsements. The provision of the Act requiring a rediscounting bank in indorsing paper to "include a waiver of demand, notice, and protest," while intended to protect the reserve bank, really works against its interests. Being obliged to relieve the reserve bank of responsibility to protect prior indorsements, the member banks, if rediscounting becomes general, are likely to select for the purpose paper which has no indorsements. The reserve bank should assume as much responsibility in this respect as any other bank.

Although the normal amount of borrowing by the banks in this district is light, yet the proportion of even this amount done at the reserve bank has been very small. The banks naturally continue borrowing at equal or lower rates from correspondents with whom they have had relations for years. In many cases they leave bonds on deposit with their city correspondents against which, on telegraphic advice, they may borrow. Other banks which borrow on their commercial paper instead of rediscounting it use it as collateral to their own notes. This is simpler for both lender and bor-

rower. It would greatly facilitate the operations of the reserve bank if member banks were permitted to borrow from it on their own notes secured by commercial paper, duly indorsed and certified to as to eligibility, as collateral. Not only would it greatly reduce the accounting labor of recording and computing interest on large numbers of small notes, a consideration of first importance in times of stress, but the margin of collateral which commercial banks receive on such loans could be obtained by the reserve bank, when desirable, without the formalities otherwise necessary. It would enable member banks to borrow for short periods, which they are often unable to do at present for lack of the proper maturities. It would provide that desirable element of flexibility in rediscounting relations with member banks which is entirely lacking under the present provisions of the Act.

Further statistics of the rediscounts made during the period will be found in the Appendix.

FEDERAL RESERVE NOTES.

On November 16, 1914, the first shipment of Federal Reserve notes was received by the Federal Reserve Agent from the Comptroller of the Currency. On November 19 the bank pledged with the Federal Reserve Agent \$500,000 of commercial paper rediscounted by member banks and received from him a similar amount of Federal Reserve notes. These notes were not required by the banks which made the rediscounts, as they had already withdrawn by check the credits so established. They were taken by this bank for its general use. The issue of Federal Reserve notes gave the reserve bank the opportunity of affording to its member banks complete interchangeability between book and note credits. The bank therefore established the policy of issuing Federal Reserve notes freely to any member bank desiring them whether the credit thus withdrawn was established by it through rediscounting, or the deposit of checks, or the deposit of gold or lawful money. In practice, however, most credits withdrawn by notes have been established by the deposit of checks which have been collected by this bank in gold or lawful money through the clearing house. Accordingly, the accumulation of cover in the hands of the Federal Reserve Agent has been mainly gold, with but a small amount of rediscounts. The processes provided by the Act for the issue of Federal Reserve notes to the reserve bank permit complete interchangeability between gold and rediscounts held by the agent. Gold may be substituted for rediscounts and rediscounts for gold, in accordance with the requirements of the reserve bank. During the entire period its requirements have been for notes with which it might exercise its statutory right to "exchange Federal Reserve notes for gold, gold coin, or gold certificates."

The policy of the Federal Reserve Bank has resulted in greatly strengthening its gold position and its ability to assist its member banks or other Federal Reserve Banks should they at any future time seek credit in order to withdraw gold for domestic or foreign uses. Through this policy also it has been able potentially, at least, to retard the expansion of credit by impounding in the hands of the agent a large volume of gold which might otherwise have found its way into bank reserves already superabundant.

Furthermore, through this policy it has been able to take the first step toward accomplishing one of the purposes of the Act set forth in its title, e. g., "to furnish an elastic currency." There are two forms of elasticity, one of *quantity* and the other of *quality*, both provided for in the Act.

From the point of view of cover, the gold certificate is completely inelastic. It stands at one extreme of our currency, with a dollar of gold set aside behind each dollar of paper. At the other extreme stands the national-bank note, with only 5 cents of gold set aside behind each dollar of paper. The assets of the issuing bank make it good, but its elasticity is nullified by the requirement that it must be secured dollar for dollar by Government bonds.

Between these two extremes the Federal Reserve note, a new form of currency, has been introduced. For each dollar of this paper there is set aside from 40 cents to \$1 of gold. As in the case of the national-bank note, the obligation of the United States and the assets of the issuing bank secure it.

The process in which this and other Federal Reserve Banks have been engaged is the substitution, as a circulating medium, of a note which is elastic in quality for the inelastic gold certificate. Gold is the most uneconomical medium of hand-to-hand circulation since, when held in bank reserves, it will support a volume of credit equal to four or five times its own volume. What the reserve bank does in accumulating gold behind its Federal Reserve notes is to establish with the holder of each note a credit which may be availed of whenever the occasion requires. With this credit established it can convert at will its gold-covered notes into notes covered partly by gold and partly by commercial paper. In times when credit is becoming strained and bank reserves need strengthening or when gold must be exported, this conversion will take place, and after the strain is over the gold cover will be restored through the repayment of the rediscounts substituted for it. In this way elasticity of quality in our currency is obtainable. But it should not be construed as in any way a deterioration of the currency contemplated by the Act. Quite the reverse is true. The Act provides for the issue of Federal Reserve notes in unlimited amounts, with 40 cents of gold behind each dollar of paper. This is elasticity of quantity and it becomes operative with the minimum of gold cover. Elasticity of quality, on the other hand, operates with a gold cover always above the 40 per cent minimum and ranging as high as 100 per cent.

In order to be prepared for any currency demands which might be made upon it, the Federal Reserve Bank of New York in the spring of 1915 adopted the policy of having printed and keeping constantly on hand a supply of Federal Reserve notes substantially in excess of the amount of emergency currency which, experience shows, this district might be called upon to supply. The maintenance of this policy and of the policy of issuing Federal Reserve notes freely has entailed a heavy cost upon this bank. Unissued Federal Reserve notes are carried at cost on the books of the bank, and at the end of each month the amount of notes issued to the bank during the month is charged off at cost. The shipment of notes unfit for circulation to the Comptroller of the Currency at Washington for cancellation and destruction is a further item of expense in connection with the maintenance of these policies. The directors and officers of the bank, however, feel that the results accomplished amply justify the expense incurred, and consider that the added strength furnished the bank by the gold thus accumulated is perhaps the most important result of the operations of the period.

Some reduction has already been made in the cost of printing Federal Reserve notes, and it is to be hoped that further experience and study will enable other substantial reductions to be made in the cost of preparing for issue what has already become an important element of the circulating medium of the country. The Act provides that all expenses in connection with the issue and redemption of Federal Reserve notes shall be borne by the Federal Reserve Banks, and in view of the service the banks are performing in accumulating gold through the medium of these notes, the feeling is quite general among their officers that the notes should be furnished to them at the lowest possible cost consistent with the high quality of workmanship required.

The design of the notes is not altogether satisfactory for efficient handling. In sorting notes it is necessary to be able readily to distinguish between notes of this bank and notes of other reserve banks. This would be greatly facilitated if the printing of the distinctive number and letter of each bank were made more general on the face of the note.

While a general simplification of the various forms of currency is much to be desired, it does not seem appropriate to enter into a discussion of the broader aspects of the problem here. It may be suggested, however, that the denominations of silver certificates in circulation in this district during the period have not well met the needs. At times there has been a great shortage of ones and twos and at all times there has been a plethora of fifties. If the denominations in which silver certificates are issued could be provided in a more flexible manner, or left to the discretion of the Secretary of the Treasury, it is probable that the requirements of trade and commerce would be better satisfied. It would also be a great convenience to reserve banks, as well as to the member banks in the larger cities, if the gold order certificates could be issued in denominations of \$50,000 and \$100,000 as well as in the \$5,000 and \$10,000 denominations now authorized.

Detailed figures showing the transactions in and movements of Federal Reserve notes will be found in the Appendix. The following is a summary to December 31, 1915.

Total notes issued to bank.....	\$89, 440, 000
Less on hand.....	\$16, 139, 280
Unfit for circulation, retired.....	None.
	<hr/> 16, 139, 280
Net amount in circulation.....	73, 300, 720

On December 31, 1915, the Federal Reserve Agent held against Federal Reserve notes issued:

Rediscounts.....	\$140, 000
Gold certificates.....	89, 300, 000
Total.....	<hr/> 89, 440, 000

PURCHASE OF WARRANTS.

The regulation concerning the purchase of municipal obligations issued in anticipation of taxes, termed "Warrants," was issued December 22, 1914. On December 31 this bank arranged to purchase from the comptroller of the city of New York \$5,000,000 of the city's notes due June 4 to 10, 1915. This was its first open-market operation under the provisions of section 14 of the Act. Shortly after this purchase had been announced, other reserve banks asked this bank to act for them in purchasing eligible warrants, New York being the primary market for a large volume of this class of obligation. At the next conference of governors, January 20 to 23, 1915, the purchase of such "warrants" was thoroughly discussed and other reserve banks appointed this bank their agent in the New York market to purchase warrants and other securities authorized under section 14. During the period the aggregate purchases of "warrants" for this bank and for other reserve banks have been as follows:

1915	For itself.	For other reserve banks.
January.....	\$5, 260, 000	\$4, 115, 000
February.....	1, 850, 000	1, 850, 000
March.....	777, 000	1, 596, 000
April.....	700, 000	630, 000
May.....	1, 613, 000	900, 000
June.....	1, 885, 000	835, 000
July.....	3, 588, 500	2, 998, 500
August.....	4, 644, 000	5, 676, 000
September.....	422, 000	768, 000
October.....	100, 000	105, 000
November.....	5, 000, 000	.....
December.....	387, 027	288, 082
Total.....	<hr/> 26, 226, 527	<hr/> 19, 761, 582

The purchase of this volume of "warrants" under the terms of the regulation has tended toward uniformity of issue and understanding of the basis of quality on the part of both the municipalities and the reserve banks. It seems not unlikely that if the latter continue to purchase "warrants" a very desirable standardization of such obligations will gradually be brought about. To facilitate this the Federal Reserve Bank of New York has prepared a standard form of note or revenue bond conveniently arranged to include:

(a) The certificate, (b) certification of ordinance passed by the common council, (c) certificate of authority, (d) certificate of corporation council, and (e) comptroller's certificate of facts.

The language and arrangement conform with the provisions of New York law and the eligibility requirements of the Federal Reserve Act.

The only difficulty encountered under the regulation has been that some municipalities which defer the payment of taxes for many months after their assessment, borrow in anticipation of such taxes in two periods. The earlier of these notes, many of which are offered in this market, are rendered ineligible by the regulation which provides that warrants must mature after the day upon which penalty attaches for nonpayment of taxes.

Some confusion has arisen on the part of municipalities and those who deal in their obligations concerning the meaning of the term "warrant" as used in the regulation of the Reserve Board. The obligations covered by the regulation must be obligations of the entire municipality, but a warrant in the ordinary use of the term is an evidence of the authority of a disbursing officer to discharge a debt of the municipality, often from some specific fund. Possibly the use of some other term would lead to a clearer general understanding of the class of obligation covered by the regulation.

One provision of the regulation which has hardly been used is the authority to the Reserve Bank to purchase warrants from any member bank with its indorsement. If this provision were availed of more generally a very desirable facility might be extended to member banks which would be of indirect advantage to their municipalities.

BANKERS' ACCEPTANCES.

The right to accept drafts was conferred on New York State banking institutions by the act of April 16, 1914. Shortly afterwards a few acceptances were reported, principally against securities. It was not until the derangement of international credit facilities at the opening of the European war that American bankers' acceptances, especially those relating to foreign commerce, came into existence in substantial volume. At that time some of the trust companies with foreign connections extended credits freely to their customers to replace credits formerly granted by European banks which had been either withdrawn or reduced; they also accepted drafts in large volume. On and after May 18, 1914, member banks were authorized also to accept drafts drawn upon them involving the importation or exportation of goods.

The volume of acceptance liabilities reported by New York banks in March, June, and September, 1915, has been as follows:

	Mar. 4.	Mar. 19.	June 23.	Sept. 2.	Sept. 25.
National banks	\$18,706,078	.....	\$16,721,068	\$6,910,755	.....
Trust companies .....	.....	\$68,268,749	47,403,681	.....	\$35,731,856
State banks .....	.....	1,074,607	1,003,624	.....	1,812,076

The regulation of the Federal Reserve Board defining the kind of acceptances which are eligible for purchase by Federal Reserve Banks was published on February 12, 1915. The first bills were purchased by this bank on February 23, consisting of \$87,400.63, accepted by the National City Bank, having 35 to 69 days to run, at 2½ per cent.

The monthly purchases of acceptances by this bank in the New York market have been:

1915	For itself.		For other Reserve Banks.	
	Number of pieces.	Amount.	Number of pieces.	Amount.
February.....	41	\$1,659,740.21	86	\$1,263,871.25
March.....	140	3,343,143.17	250	3,799,809.42
April.....	80	1,272,094.36	84	1,700,396.57
May.....	46	867,420.18	48	1,305,873.80
June.....	132	3,083,261.75	34	602,558.89
July.....	106	2,496,865.67	147	2,348,050.89
August.....	103	1,597,630.63	89	1,910,417.47
September.....	89	1,769,880.50	172	1,948,243.05
October.....	68	2,199,679.95	163	2,028,098.36
November.....	115	1,899,006.56	246	2,594,951.04
December.....	310	5,641,708.78	313	2,809,823.59
Total.....	1,236	25,833,631.76	1,632	22,312,094.33

The policy pursued by this bank thus far has been to purchase good acceptances whether or not the acceptor was a member bank. It has been suggested that by purchasing only bills accepted by member banks the business would be driven to them. But the broader policy was determined upon in the belief that the most important duty of this bank, at the inception at least of the use of bankers' acceptances in the United States, is to assist in developing both the business and the market; that non-member banks in extending acceptance credits are contributing to the development of the business; and that the establishment of a stable discount market of large volume in New York will in the long run help member banks in developing their acceptance business far more than any attempt of the reserve bank to restrict the business to them.

The reserve bank and the market rate for the discount of such bills in New York has been for nearly a year, and is now, lower than the rate for similar bills in London. The relatively small volume of such credits which American banks have succeeded in making operative even under the unusually favorable opportunity which the war presents for their extension, is evidence of the difficulty which will be encountered in developing the acceptance business in the United States. Some of the fundamental difficulties are:

- (1) The disinclination to break old banking connections.
- (2) The difficulty of educating handlers of bills in distant places as to American credits.
- (3) The lack of bill buyers in foreign countries who will quote as low rates on dollar as on sterling bills.
- (4) The natural prejudice of bill buyers in foreign countries in favor of a bill of known currency and against a bill of as yet unknown currency.
- (5) The lack of men trained to exercise the judgment and financial responsibility required of them as managers of branches or agencies which American banks might establish in foreign countries.
- (6) The inferior communications for both goods and mail between the United States and foreign countries as compared with those between Great Britain and foreign countries.

Only time, experience, and patient effort will remove these handicaps to the elevation of dollar exchange to its proper position in international finance. The business, however, is developing and will continue to grow as our banking machinery and connections extend throughout the world.

The Act permits member banks to accept an amount of bills not exceeding 50 per cent of their capital and surplus. By the amendment of March 3, 1915, under certain conditions they may be authorized by the Federal Reserve Board to accept up to 100 per cent of the capital and surplus. The following banks in this district have received such authorization:

	Amount of capital and surplus.
Bank of New York, New York.....	\$6,000,000
Mechanics & Metals National Bank, New York	12,000,000
Atlantic National Bank, New York.....	1,600,000
American Exchange National Bank, New York.....	8,000,000

As this bank has probably been the largest single purchaser of bankers' acceptances, it has been able, as it gained experience, to exert some influence toward standardizing practice and form. The acceptance of drafts in one city payable in another city has been discouraged; insistence that bills shall be so indorsed as to leave open no question of title will, when universally adopted, add greatly to the ready negotiability of bills; and discussion of the terms of the regulation with acceptors and bill brokers has led to a better understanding of the scope of the field it covers.

The amended regulation issued September 7, 1915, considerably broadened the field of acceptances eligible for purchase and encouraged an increased volume of these instruments. The further amended regulation issued December 4, 1915, covering the purchase of bankers' acceptances arising out of domestic transactions relates to a class of bills which national banks are not authorized to accept. When accepted by institutions of high credit they have a ready market, though at a fractionally higher rate than acceptances based on foreign transactions.

PURCHASE OF UNITED STATES BONDS.

The Act authorizes the Federal Reserve Board during each year, commencing two years from the passage of the Act, to require reserve banks to purchase from national banks not exceeding \$25,000,000 of United States bonds used in securing circulation. The Federal Reserve Board has ruled that the first year for such purchase begins January 1, 1916; that such year shall be divided into quarters; and that it may require the reserve banks to purchase not exceeding \$6,250,000 of such bonds in any one quarter. A circular has been sent to member banks advising them of this ruling and supplying them with forms upon which applications to sell such bonds may be made to the Treasurer of the United States. Applications received not later than March 21, 1916, will be considered in connection with the purchase to be made March 31, 1916. The circular calls attention to the right of the reserve banks to anticipate such required purchases from member banks by purchasing bonds in the open market.

COLLECTION SYSTEM.

At the meeting of directors and governors of Federal Reserve Banks held in Washington October 20 to 22, 1914, it was voted that at the outset each Federal Reserve Bank should receive at par for immediate credit checks and drafts—

(a) On any other Federal Reserve Bank.

(b) On member banks in reserve and central reserve cities in its own district.

In this district a circular was sent to member banks on November 13 advising that the arrangement would become effective November 18.

The only cities affected by the plan were the central reserve city of New York (consisting of the Boroughs of Manhattan and Bronx) and the reserve cities of Albany

and Brooklyn. The transactions between the banks in these cities through the reserve bank were naturally very limited.

The course of the transactions in checks on other Federal Reserve Banks has been already described.

The question of developing a collection system within the respective districts was discussed at the first meeting of the governors' conference on December 10, 1914, and has been an important item of discussion at each succeeding conference. It has also been discussed frequently at meetings of the directors of this bank and been the subject of communications between them and the Reserve Board. On February 17, 1915, the directors conferred at the office of the bank with 16 representatives of member banks from various parts of New York State relative to the practicability of establishing within the district a voluntary intradistrict collection system, based upon immediate credit and debit of checks. After full consideration and with the approval of the Reserve Board, the member banks were notified of the intention of the bank to establish such a system and given an opportunity to join it. When the plan became effective June 1, 1915, practically all the banks in the reserve and central reserve cities had joined, together with 32 in other places, a total of 70 banks. The directors of each bank which joined authorized the reserve bank to charge to its account upon receipt all items drawn upon it. About the same time a similar plan was offered to their members by the other Federal Reserve Banks except those at St. Louis and Kansas City, where membership was originally involuntary, and at San Francisco, where deferred debit and credit was adopted as a basis. On June 15 also, the receipt of checks on other Federal Reserve Banks, except those in Boston and Philadelphia, was changed from an immediate to a deferred-credit basis. The New York Clearing House placed all banks which had joined the collection system on its discretionary charge list. On July 1, 30 banks in northern New Jersey also joined the collection system, and in spite of a few withdrawals the number has gradually increased to 129 on December 31, 1915.

There seem to be three main reasons why so few country banks have joined the collection system.

The first is the practice, quite general among such banks in this district, of charging exchange on remitting for items drawn upon them. Broadly speaking, the smaller the bank the larger the percentage of its earnings derived from exchange. Under the present collection system, items are not sent for collection and remittance, but are charged directly against the account of the paying bank, giving it no opportunity to collect an exchange charge. Consequently only those banks joined which were ready to forego this charge, or did not customarily impose it.

The second consideration which prevents many banks from joining is that membership obliges them to carry larger reserves. Whereas the practice of the comptroller's office has been to figure reserves from the books of the member bank, the Federal Reserve Act contemplates that the amounts required to be kept on deposit in the reserve bank shall be figured from the books of the reserve bank. The reserves of banks which keep dormant balances with the reserve bank are maintained unimpaired, but there is constant tendency to impairment of the reserves of the banks which join the collection system, for in order to meet the checks charged against them through the system they are required in practice to absorb the volume of checks which they have constantly in transit to their reserve agents. Not only have the reserve balances kept with this bank by most country members of the system been constantly impaired, the average impairment during the first three months running as high as 31 per cent of the aggregate amount they should have kept on deposit, but hardly a day has passed without one or more members being actually overdrawn by the charge against them of unanticipated items.

The third difficulty is due to the small number of banks which have joined the system. With New York banks receiving at par for immediate credit all items drawn

on members of our collection system, the entire volume of checks outstanding against any member bank which joined might be regularly charged against its account by the Federal Reserve Bank, whereas it could only send as an offset checks on the few banks in this district which had joined. This is the principal cause of the impairment of reserves above referred to.

Seven months' experience with the present intradistrict collection system makes it seem reasonably clear that no substantial growth can be expected either in number of members or volume of transactions until those banks which join the system can be given an opportunity of adequately offsetting the items which are charged against them through it. The question of extending the collection system across district lines has been under active consideration for the last three months.

The following statement shows the number, volume, and kinds of checks received by the Federal Reserve Bank through its collection system since its inauguration June 1, 1915:

Date.	Items on New York Clearing House banks.		Items on member banks.		Items on other Federal Reserve Banks.		Items on banks in other Federal reserve cities.	
	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.
June.....	13,782	\$59,562,980.99	64,533	\$23,832,065.07	1,022	\$20,950,324.00	.....	.....
July.....	20,486	87,592,765.95	121,847	33,349,932.90	398	15,540,402.99	.....	.....
August.....	23,661	84,453,040.53	144,714	36,823,358.37	306	17,296,162.46	.....	.....
September.....	24,591	117,643,223.21	155,231	38,744,826.39	250	9,572,274.24	.....	.....
October.....	27,000	176,509,679.77	181,228	47,141,229.93	552	20,053,209.12	4,972	\$5,843,180.55
November.....	28,566	170,449,943.39	202,011	50,435,424.19	783	24,086,071.98	7,055	14,462,270.54
December.....	29,139	181,172,972.38	201,251	56,816,794.35	804	17,179,737.84	8,009	24,508,900.68
Total.....	167,225	\$77,384,006.22	1,070,815	287,143,631.20	4,135	124,678,182.63	20,036	44,809,351.77

The total number of checks received on deposit from member banks from November 16, 1914, to December 31, 1915, has been 1,362,642, aggregating \$1,938,810,485.

On August 9, 1915, the New York Clearing House established a department for the collection of checks on out-of-town banks, which includes all banks in New York, New Jersey, Connecticut, Massachusetts, and Rhode Island which agree to remit at par in New York funds on the day of their receipt for any items sent them. Starting with 347 members, their system now has over 500 members. The volume of transactions is about twice as large as that of the collection system of the reserve bank and, as its sphere of operations widens, the number of par points in the territory covered will increase. On December 30, 1915, the clearing-house offered to receive items on any banks joining its system in places from which mail reaches New York over night.

The clearing-house system was organized with a desire to cooperate with the reserve bank in improving collection conditions and the two systems have operated entirely harmoniously. That neither has made more substantial progress in enrolling country banks in New York State is due partly to the fact that many of the latter do not wish to give up the exchange charge and others do not wish to disturb present relations with reserve agents.

Through the influence of these two agencies par remittances in the district are gradually spreading. Where charges are made for collecting checks payable within the district the fee is usually one-tenth of 1 per cent.

ADMISSION OF STATE BANKS AND TRUST COMPANIES.

The regulation of the Federal Reserve Board relating to the admission of State banking institutions to the Federal reserve system was issued on June 7, 1915.

While final action on applications of State institutions rests with the Federal Reserve Board, the regulation requires the reserve bank to investigate thoroughly each application and forward it, with its recommendations, to the Board. The policy of this bank in passing on such applications conforms with the spirit of the regulation, which contemplates the admission of only those State institutions which will add strength to the reserve system. Mere solvency will not be a sufficient qualification. To receive the approval of the directors of this bank, a State institution must be not only solvent but strong, well-managed, and in a condition of liquidity appropriate to the nature of its deposits.

The application of the Broadway Trust Co. of New York City, made several months before the issuance of the regulation, has been approved by both the bank and the board, and on August 4, 1915, it paid in one-half of its subscription to the capital stock, transferred the prescribed amount of reserves, and became a member bank.

FISCAL AGENT OF THE UNITED STATES.

On November 24, 1915, the Secretary of the Treasury advised this bank that he had appointed it a fiscal agent of the United States, effective January 1, 1916. On this date it is purposed to begin the transfer to the bank of funds of the United States, except post-office and court funds now on deposit in national banks in New York City. These balances at present aggregate about \$1,500,000. The officers of the bank have conferred with officials of the Treasury Department both in Washington and New York and the details of the work have been carefully studied in order that this function may be performed satisfactorily from its inception.

The plan contemplated provides for the regular daily deposit with this bank of the receipts of the collectors of customs and collectors of internal revenue located in the greater City of New York and the gradual taking over of the encashment of checks of the Government by this bank in place of the subtreasury. It is expected that within a few weeks all deposits of this character, as well as the payment of all checks, can be handled by the bank without lowering in any way the efficiency with which this branch of the Government business is handled by present methods. It will, however, involve some increase in the clerical force and office accommodations of the bank.

BALANCE SHEET.

For purposes of comparison balance sheets of three dates are presented in the appendix. The large increase in the deposits of member banks is due primarily to the increase in their own deposits, elsewhere referred to, and to the fact that several are carrying substantial excess balances with this bank. About \$3,150,000 were received from the banks in northern New Jersey during July, 1915, and about \$3,674,000 were received from member banks outside of the central reserve city of New York at the transfer of the second installment of their reserves on November 16, 1915.

PROFIT AND LOSS.

During the early part of the period under review, certain expenses were incurred in organizing the bank, renting temporary offices, remodeling the banking room at 62 Cedar Street, defraying the initial expenses of the Federal Reserve Board, etc. The treatment of these expenses was carefully considered and it was determined that beginning January 1, 1916, the amortization of organization expenses, including the cost of the Federal Reserve notes issued up to that time should be undertaken in not exceeding 30 monthly installments, so that they would be entirely eliminated on or before June 30, 1918. It was also determined that unissued Federal Reserve

notes should be carried at cost in the balance sheet and that, beginning July 1, 1915, all notes should be charged at cost to current expenses.

In view of the small volume of rediscounts for member banks and of the complete absence of rediscounts for other Federal Reserve Banks, the policy of the bank has been to purchase in the open market sufficient warrants and acceptances to cover the cost of operation, including the issue of Federal Reserve notes. In fact most of the reserve banks, except those in Richmond, Atlanta, and Dallas, have had largely to depend on such purchases to pay their expenses. Owing to the general demand for such paper and investments, it has been impossible for this bank to secure a sufficient volume quite to equal its expenses. The rates on such investments have declined steadily throughout the year and are now at their lowest level. Realizing the influence which the reserve bank might have upon these rates if it pressed its funds upon the market, it has been the policy of the bank to follow rather than lead the market in its decline. In these circumstances, no thought could be given to earning dividends. The view generally held not only by the directors and officers of this bank but by the member banks as well is that such a money market as has prevailed during the period under review provides no proper basis for the earning of dividends by a Federal Reserve Bank located in a creditor district, and that at such a time its funds should be practically withdrawn from use.

From November 16, 1914, to December 31, 1915, total earnings from all sources have been \$345,035.33, and current expenses have been \$345,146.55, leaving a deficit for the period of \$111.22. The details of the earnings and of the organization and current expenses are set forth in full in the Appendix.

EXAMINATION BY THE FEDERAL RESERVE BOARD.

On February 8, 1916, the examiners of the Federal Reserve Board visited the bank and conducted an examination of its affairs lasting somewhat over a week.

FUNCTIONS NOT YET DEVELOPED.

The small amount of rediscounting done by member banks thus far has not made it necessary to consider the establishment of branches of this bank to facilitate either deposit or discount relations with its member banks. Thus far the mail has been a sufficient medium for the exercise of these two functions. Whether branches or agencies will later have to be established to provide promptness and directness in the collection system is a question which probably will not come up for solution unless and until the collection system reaches a more general development than at present.

Of the open-market operations described under section 14 of the Act, the authority to purchase acceptances and municipal warrants has been freely availed of; the authority to open accounts, appoint correspondents, establish agencies, and purchase bills in foreign countries as well as to deal in foreign exchange at home, has not been exercised and probably will not be generally availed of until conditions abroad have cleared and normal business is resumed. As yet no bonds or notes of the United States have been purchased, and consequently no Federal Reserve Bank notes based on such bonds have been issued. There has been no occasion to have transactions in gold coin or bullion.

No other Federal Reserve Bank has applied to this bank for the rediscount of any of its paper.

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CHAPTER III—THE MEMBER BANKS AND THE FEDERAL RESERVE DISTRICT.

READJUSTMENT OF DISTRICT.

On May 4, 1915, the Federal Reserve Board voted to readjust this district so as to include it in the following New Jersey counties:

Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union, Warren.

The readjustment became effective July 1, 1915, and increased the number of member banks by 131. On December 31, 1915, there were 132 member banks in these counties contributing \$964,550 to the paid in capital of this bank and \$4,849,183.87 to its deposits.

NUMBER OF BANKS.

On November 16, 1914, the number of member banks in district No. 2 was 480, and on December 31, 1915, 616. During the period covered by the report, 131 banks in New Jersey were added by the readjustment of the district, 9 new national banks were organized and became members, and 1 trust company became a member. Four national banks withdrew from membership by liquidation, either voluntary or involuntary.

ELECTION OF DIRECTORS.

The separation of the banks of this district into three voting groups, in the manner provided by the Act, results at present in the following divisions:

Group 1.—Two hundred and five banks with capital and surplus of \$185,000 and over. (Elects directors in 1916.)

Group 2.—Two hundred and five banks with capital and surplus of from \$70,000 to \$185,000. (Elects directors in 1917.)

Group 3.—Two hundred and five banks with capital and surplus of \$70,000 and under. (Elected directors in 1915.)

On September 30, 1915, a circular was sent to each bank in group 3 designating October 29 as the last day when it might file the certificate of election of its district reserve elector and of nominations, if any, for the vacancies to be filled by the expiration of the terms of Messrs. Franklin D. Locke and Leslie R. Palmer. Of the 205 banks in the group 127 chose electors and became entitled to vote. The following candidates were nominated:

For class A director:

B. H. Howell, Garfield, N. J.; nominated by 1 bank.

Franklin D. Locke, Buffalo, N. Y.; nominated by 82 banks.

Josiah W. Place, New York, N. Y.; nominated by 3 banks.

Walter M. Van Deusen, Newark, N. J.; nominated by 4 banks.

D. D. Woodard, Granville, N. Y., nominated by 1 bank.

For class B director:

James W. Johnson, New Brunswick, N. J.; nominated by 3 banks.

Leslie R. Palmer, Croton-on-Hudson, N. Y.; nominated by 88 banks.

Preferential ballots as provided by the Act, together with instructions, were mailed to electors on November 15. On December 1 the polls closed and it appeared that the following votes had been cast in the column of first choice:

Class A director: B. H. Howell, 2; Franklin D. Locke, 105; Josiah W. Place, 4; Walter M. Van Deusen, 9; D. D. Woodard, 2.

Class B director: James W. Johnson, 8; Leslie R. Palmer, 114.

Whereupon Mr. Locke was declared elected class A director and Mr. Palmer class B director, each for a term of three years, beginning January 1, 1916.

Although second notices were sent out shortly before October 29 and December 1, respectively, regarding the choice of district reserve electors and the voting upon candidates, nevertheless, only 122 of the 205 banks exercised their important franchise to participate in the election of directors of this bank.

ANALYSIS OF OPERATIONS OF NATIONAL BANKS.

At the suggestion of the Federal Reserve Board and for the purpose of an analysis of operations, the member banks in the district have been divided into seven groups on the basis of their total resources, and certain figures from the reports of September 2 and November 10, 1915, to the comptroller have been tabulated under these groups:

Group 1. Banks with total resources under \$100,000.....	3
Group 2. Banks with total resources between \$100,000 and \$200,000.....	33
Group 3. Banks with total resources between \$200,000 and \$300,000.....	62
Group 4. Banks with total resources between \$300,000 and \$500,000.....	106
Group 5. Banks with total resources between \$500,000 and \$2,500,000.....	304
Group 6. Banks with total resources between \$2,500,000 and \$20,000,000.....	80
Group 7. Banks with total resources over \$20,000,000.....	25

The figures tabulated show the relations to total capital and to total resources of the investments, the deposits, the receipts from exchange, the net earnings, the dividends paid, and the amount of eligible paper held.

Investments.—The following table shows the percentage of the total resources invested in loans and discounts, in bonds and securities other than United States bonds, and in eligible paper. It seems to present no figures of especial significance except the relatively small percentage of bonds and securities held by the larger banks:

Group.	Average total resources per bank.	Relation to total resources of—		
		Loans and discounts.	Bonds and securities, not including United States bonds.	Eligible paper.
		<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1.....	\$60,846	46.68	11.12	20.09
2.....	162,399	48.23	18.18	19.36
3.....	254,702	47.95	20.94	16.57
4.....	387,849	50.48	23.96	14.24
5.....	917,732	44.21	24.48	12.82
6.....	6,089,073	52.98	16.89	16.38
7.....	116,342,950	55.54	9.01	10.14

Liabilities.—The following table shows the relation of the capital, surplus, and undivided profits to demand deposits and time deposits. It indicates clearly the greater extent to which the larger banks are able to expand their liabilities; also the more active nature of their deposits:

Group.	Average capital, surplus, and undivided profits per bank.	Relation to total capital of—	
		Demand deposits.	Time deposits.
		<i>Per cent.</i>	<i>Per cent.</i>
1.....	\$26,784	116.99	11.45
2.....	34,207	253.63	60.88
3.....	51,050	265.26	78.11
4.....	76,967	264.97	99.08
5.....	168,341	271.93	117.82
6.....	971,865	439.81	55.82
7.....	12,207,560	809.31	8.54

Nature of deposits.—The division of the deposits between demand and time is shown by the following table, which again emphasizes the far greater activity of the larger banks. The banks in New York City almost without exception take no savings accounts.

Group.	Average total deposits per bank.	Relation to total deposits of—	
		Demand deposits.	Time deposits.
		<i>Per cent.</i>	<i>Per cent.</i>
1.....	\$34,406	91.08	8.92
2.....	107,588	80.64	19.36
3.....	175,296	77.25	22.75
4.....	280,202	72.78	27.22
5.....	656,111	69.72	30.28
6.....	4,816,866	88.85	11.15
7.....	99,841,084	98.96	1.04

Exchange, earnings, and dividends.—Yet the greater resources of the larger banks do not result in earnings proportionately larger, since a very large part of the loans of the smaller banks run at a steady 6 per cent rate, while the loans of the larger banks, particularly in New York City, are subject to the money-market rates, which seldom reach 6 per cent. Furthermore, the more active nature of the deposits of the city banks requires the maintenance of larger reserves, not only of cash but of readily convertible paper and loans. The larger proportion of their earnings paid out in dividends than in the case of the banks with resources under \$300,000 is due probably to the fact that the latter class of banks are largely new institutions which consider it necessary to accumulate a substantial surplus before paying normal dividends. The table shows the relation of gross receipts from exchange, of net earnings and of dividends to both total capital and total resources. They are averaged from the figures reported for 1912, 1913, and 1914, but as the figures of total capital and total resources for those years are not available the figures of November 10, 1915, are used. Therefore the averages of figures are not correct, being smaller than they actually should be. They are sufficiently accurate, however, for purposes of comparison between the larger and the smaller banks. The smaller the bank the larger in proportion are its receipts from exchange.

Group.	Receipts from exchange.		Net earnings.		Dividends.	
	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.	Per cent of capital, surplus, and undivided profits.	Per cent of total resources.
1.....						
2.....	1.16	0.25	4.84	1.01	1.49	0.31
3.....	.90	.18	6.04	1.21	2.57	.52
4.....	.73	.15	6.45	1.28	3.58	.71
5.....	.45	.08	6.39	1.17	4.11	.75
6.....	.39	.06	6.39	1.01	4.88	.78
7.....	.14	.02	6.91	1.10	4.79	.77

¹ The three banks composing group 1 were not in existence during these years.

Directors' liabilities and eligible paper.—The relation of the directors' liabilities, direct and indirect, and of the eligible paper, to loans and discounts, is shown in the following table. It appears that the smaller the bank the more, proportionately, are its directors indebted to it; also the greater the proportion it holds of paper eligible for

rediscount with the Federal Reserve Bank. The figures relating to eligible paper, however, are very approximate, since they represent merely estimates presented by each bank according to the judgment of its officers.

Group.	Average loans and discounts.	Directors' liability, direct.	Directors' liability, indirect.	Eligible paper.
		<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
1.....	\$28,405	27.86	19.57	43.40
2.....	78,327	6.17	13.70	40.15
3.....	122,276	5.28	9.40	34.52
4.....	195,813	5.45	8.25	28.21
5.....	405,748	5.81	6.01	29.00
6.....	3,226,332	4.41	1.40	30.92
7.....	64,574,549	1.69	.17	17.90

The aggregate figures from which the foregoing tables of percentages have been compiled will be found in the Appendix.

The various analyses above presented indicate clearly the advantages which the larger banks have over the smaller banks in respect of ability to do a larger volume of business. Yet, except in the case of the very small banks, the amount earned, net, on the total capital contribution does not vary greatly. There seems to be no indication in these figures that small banks in a favorable location can not, if well managed, become firmly established, pay reasonable dividends, and serve well their communities. But to reach and maintain a satisfactorily strong position much service must be given without compensation by the senior officers, and great economy practiced at all times. The nine new national banks established during the period under review, with \$25,000 capital each, indicates that the experience of other small banks in recent years has not been altogether discouraging. It is desirable, however, that in this district, already well provided with banking capital, careful investigation should be made of applications to establish small banks, in order that they may not be authorized in communities unlikely to be able to support them or already well supplied with banking facilities.

For perhaps the most important study of banking condition the comptroller's reports do not present the necessary data, namely, the nature of the loans and discounts of the banks. While these reports show whether the loans and discounts are on demand or time, and are secured or unsecured, they do not indicate what proportion of them is temporary and what proportion is practically permanent. The relative liquidity of the various groups of banks can not therefore be presented. Naturally an analysis of loans and discounts with this object in view would be difficult, and at best only approximate, but it is believed that if some satisfactory basis for the preparation of figures can be arrived at it would be of the greatest value, not only as a contribution to the study of banking conditions but as a guide to the reserve bank in extending credit to its members.

TIME DEPOSITS AND SAVINGS ACCOUNTS.

On November 10, 1915, the member banks in this district held time deposits aggregating over \$140,000,000. These are mainly savings accounts, on certificates or special pass books. They also have a considerable volume of savings accounts which are included in their demand deposits because they are not received under contracts which give the bank the right to require notice before withdrawal. In New York State there are 140 mutual savings banks with total deposits on July 1, 1915, of \$1,791,524,601. There are also a number of important mutual savings banks in the portion of New Jersey included in this district. Most of these savings banks pay 4 per cent on deposits. The influence of this rate is reflected in the rate offered by the commercial banks, National or State, which wish to attract time and savings

accounts. The competition among banks for such accounts usually starts in the larger centers where there is a mutual savings bank. To compete with the savings bank they offer the same rate, and having once begun to allow it no bank feels willing to reduce it for fear of losing business to its competitors. The effect of this is promptly felt in the surrounding country, and the sphere of influence of these various centers has gradually widened, so that, with a few exceptions in the more remote districts, 4 per cent is the usual rate paid by commercial banks for time and savings accounts. At this rate the business has a margin of profit which, for a commercial institution, is not commensurate with the profits it should make. Furthermore, it leads in many cases to paying interest on demand commercial accounts. It may fairly be said that one of the principal reasons why the country banks in this district are so sensitive to any loss of income the reserve system is likely to entail upon them is the burden of paying high interest rates on deposits which they have assumed and which, while willing, they have been as yet unable to find any practical way to reduce.

Under the stimulus of the reduction of the required reserve provided by the Act on time and savings deposits, the conversion of such accounts from demand to time accounts which will comply with the definition established by the Act and the Reserve Board is proceeding quite generally. During the period time deposits have increased at a ratio about five times greater than the ratio of increase of demand deposits.

LOANS ON IMPROVED FARM LANDS.

The provision of the Act permitting loans on improved farm lands has not been largely availed of as yet. On November 10, 1915, 75 member banks reported \$451,524 of such loans.

FIDUCIARY POWERS.

The Federal Reserve Board is authorized by the Act "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."

With respect to New York, counsel for the bank has rendered an opinion that it is in contravention of State law to grant such permits except with respect to acting as registrar of stocks and bonds. Accordingly, no general fiduciary permits have been granted in New York, but a number of banks have been authorized to act as registrar of stocks and bonds.

With respect to New Jersey, counsel has rendered an opinion that it is not in contravention of State law to grant such permits to banks organized prior to the passage of the general trust company act of March 24, 1899. Under this opinion, adopted by the Federal Reserve Board, general fiduciary permits have been granted.

The Federal Reserve Board requires the Federal Reserve Bank to pass upon all such applications before it considers them. As in the case of the admission to membership of State institutions, the policy of both the Board and the bank is to approve only applications of banks which appear to be strong and well managed.

The list of member banks to which permits have been granted will be found in the Appendix.

BRANCHES OF MEMBER BANKS.

Under the authority granted by section 25 of the Act, the National City Bank of New York has opened branches at Buenos Aires, in the Argentine Republic, and at Rio Janeiro, Santos, and Sao Paulo, in Brazil. The Buenos Aires office has a subbranch in Montevideo, Uruguay. It has also absorbed the Banco de la Habana, Habana, Cuba, a going concern with \$1,000,000 capital, which is now operated as a branch. The bank has assigned to these branches a capital of \$3,000,000, but the provision of the Act requiring capital to be set aside is considered undesirable, as there can be no limitation upon the liability of the bank for liabilities contracted at its branches.

Inasmuch as British and other branch banks operating in South America report their total capital, it seems inadvisable to have any suggestion of limited responsibility on the part of our banks with respect to their foreign branches. The National City Bank reports that many difficulties in the establishment of branches in foreign fields so far from headquarters were anticipated and have been realized, but that what has been accomplished is sufficiently encouraging to justify persistence in its policy. The National City Co., affiliated with the National City Bank, has recently bought control of the International Banking corporation, with head office in New York and with a number of branches in foreign countries, mainly in the Orient.

While in some respects the European war has favored the establishment of foreign branches, in other respects it has hampered their progress. Some business has been diverted thereby to the United States, but on the other hand the war has so demoralized trade and disturbed credits as to multiply the hazards of banking for institutions seeking to obtain a foothold in distant countries. The difficulties, expense, and risks attendant upon the establishment of foreign branches in cities other than the leading European centers are such as to deter any but the largest banks from undertaking this desirable extension of our banking facilities. The organization of special banks, as has been frequently suggested, to transact business in foreign countries, would be in accordance with the practice of European countries having foreign trade to finance. If the national banks were permitted to hold stock in such banks it would offer them an opportunity to facilitate the foreign business of their customers with a minimum of risk and would be consistent with the policy of offering substantially equal advantages to all national banks.

In New York a State bank or trust company is allowed considerable latitude, under certain restrictions, in the establishment of branches in the city in which its main office is situated. Several institutions have availed themselves of this privilege during the past year. One, the Century Bank of New York, with 10 branches, secured a national charter and then absorbed the Chatham & Phenix National Bank of New York. The business of both banks and all the branches is carried on under the name of the Chatham & Phenix Bank of the City of New York. An indirect way has thus been found for the establishment of branches by national banks in their own cities. This is a desirable extension of their field of usefulness which seems to give every advantage to depositors with a minimum of disadvantages to borrowers, and it is to be hoped that Congress will soon amend the national-bank act so as to permit the development, under appropriate restrictions, to proceed directly and freely. At the same time the present requirement that to each branch a certain specified portion of the capital must be assigned should be removed. Sound banking principles and practice require that the entire capital of the bank should protect the liabilities wherever created.

CHARACTERISTICS OF THE FEDERAL RESERVE BANK OF NEW YORK.

The special characteristics of the Federal Reserve Bank of New York may be summarized as follows:

1. It is primarily a city institution. On December 31, 1915, \$7,288,650, or 65.88 per cent, of its paid-in capital is contributed by its 34 members located in the central reserve city of New York (Boroughs of Manhattan and Bronx); the remaining \$3,774,500, or 34.12 per cent, of its paid-in capital is contributed by the 582 other members. Of its deposits \$161,794,012, or 90.18 per cent, is contributed by these city members; the remaining \$17,610,489, or 9.82 per cent, of its deposits is contributed by the 582 other members.

2. It is located in the settling center of the country; therefore, a very large volume of domestic exchange is likely to flow through it.

3. It is located in the city, upon the banks of which, in commercial or financial crises, the principal strain has always fallen. It must, therefore, always be prepared to grant credit promptly, in large volume and in such form as it may be required.

4. It is located in the city in which the principal gold exports and imports normally are arranged, and must be prepared to facilitate its member banks in such transactions.

5. It is located in the investment and banking center of the country, and therefore in the most favorable field for the exercise of the open-market operations authorized under section 14 of the Act. During the past year the bulk of investments by all Federal Reserve Banks in municipal warrants and bankers' acceptances have been made through this bank, and it seems likely that when conditions permit the inauguration of transactions in foreign exchange and foreign bills by the reserve banks it will be again called upon to act for them.

6. The exercise of these investment functions for itself and other reserve banks requires an organization of a special nature, differing somewhat from that of other reserve banks.

RELATIONS WITH MEMBER BANKS.

The aim of this bank at all times has been to maintain frank and friendly relations with its member banks. At every meeting of the New York or New Jersey Bankers' Associations, or of their groups, to which invitations have been received, one or more of the directors or officers have been present and discussed the development of the various functions of the system.

When the establishment of an intradistrict collection system was under consideration, the directors and officers invited representative member bankers from all parts of the district to confer with them at the office of the bank. The plan finally adopted was thoroughly discussed in all its aspects and a consensus of opinion seemed to prevail that it was a fair and reasonable plan.

When the conditions under which State banks should be admitted to the Reserve System were under consideration three conferences were held by the directors and officers of the bank, one with national bankers, one with State bankers, and one with trust company officers, from various parts of the district, to ascertain their views upon the question at issue. In every case the policy has been pursued of dealing frankly with those present, in order that they might understand fully how the action under consideration would affect them.

The officers have expressed themselves at all times as desirous of establishing personal relations with officers of member banks and have invited them to call at the bank when in New York City. Yet a year has gone by and officers of probably not over 15 per cent of the member banks have done so. Many of them still have the feeling that the bank is a branch of the Government. Their experience with the Government consists principally of the statutory and supervisory relationship which exists between them and the comptroller's office. The conception of the relation of this institution with them as cooperative makes headway slowly. The fact that the national banks were practically compelled to join the system naturally retards the development of the cooperative idea. The change of attitude, upon which the success of the system will ultimately depend, will probably come slowly, but there are already signs, as we enter upon the second year of the system, that the banks are getting more accustomed to it and appreciate the results it has already accomplished. It is hoped that during the coming year, with organization pressure somewhat lessened, more time can be devoted by the officers to developing personal relations with the officers of member banks.

The present attitude of the member banks toward the reserve bank may be summarized as follows:

The New York City banks, upon which the strain of all crises first and chiefly falls, fully understand the value and benefits of the system. While regretting the

loss of bank deposits which will probably be drawn from them (estimated to be as high as \$250,000,000), they are nevertheless hearty supporters of the system, at all times cooperative in their attitude.

Many of the banks in other large cities are unable to take full advantage of the lowered reserve requirements, but in spite of the loss of interest on their reserve balance, most of them understand what the system in its larger aspects means for American banking and generally give it their support.

While the same may be said of many of the country banks, yet it is among the country banks as a class that most of the apathy and hostility to the Federal Reserve System which still persists is found. Their opportunities and earnings are relatively small, and in order to live they must figure closely. They feel the loss of interest on reserve deposits; the absence, as yet, of dividends on their capital contribution; and the prospective loss or decrease of the exchange they generally charge on remitting for checks drawn upon them. Many banks in industrial centers are precluded by the activity of their business from taking advantage of the reduction in the required reserve. They believe that they will, in fact, be required to carry an even larger reserve than heretofore in order to obtain collection service for notes, drafts, and nonmember bank checks and the various other services now rendered by their reserve agents, but not yet undertaken by the reserve banks. It is very natural that they should view with reluctance the termination or diminution of long-standing business associations with their reserve agents. Few of them, as yet, conceive of the reserve bank as their active reserve agent, performing all the services which go with the relationship. The dormant accounts most of the banks maintain with the reserve bank are, perhaps, indicative of their attitude toward it. Relatively few banks of this district are borrowers; in good times and bad they have been able when necessary to borrow from their city correspondents on bonds or on the indorsement of their directors, two avenues which are now to be closed to them. The rediscounting privilege has been little availed of and the larger functions of the Federal Reserve System, such as influencing domestic rates and international gold movements through the development of a discount market and by dealing in foreign bills, appear remote from their spheres of activity. They feel that the system has few advantages to offer in return for the cost it entails upon them.

All of these points will be felt with increasing acuteness by the country banker as his reserve transfers approach completion and as reduced balances result in reduced service from his city correspondent. His point of view is outlined thus frankly in order that the difficulties he sees may be clearly recognized and steps taken gradually to remove them. The development of a more satisfied relationship requires progress on the part of the reserve bank and a willingness to cooperate on the part of the country banker.

The reserve bank should organize a complete collection system embracing the handling of notes, drafts, and items on nonmember banks, which eventually will bring all the members into daily active relations with the bank. It must be ready to act for member banks in the purchase, sale, and custody of securities; to supply credit information on names whose paper is offered by brokers; to give its members information concerning methods of developing the new functions which the Act authorizes them to exercise; to perform the services now rendered by their reserve agents; and generally to assist them in every reasonable way.

The member banks should look upon the reserve bank not as an alien but as their own institution. They own all its capital and most of its resources, and they control its management through the directors they elect, subject always to the supervision of the Reserve Board. At the reserve bank they may borrow as a standing right and not as a favor which may be cut off. They no longer have to buy or carry bonds to serve as security for loans; the paper of their own customers, large or small, will now serve as their security. While panics in the past may not have affected them,

they have been disastrous to the business interests of the country, who are their customers; and their contributions to the reserve bank should be recognized as a form of insurance not merely for themselves but for their customers as well. If this insurance is expensive and makes some changes in the nature of their business, the Act should be carefully studied with a view to making the most of the new functions it provides. New avenues of activity should be looked for. The banks which will get the most out of membership are those which are the first to see and develop the opportunities it provides and to educate their customers to the protection and facilities they will enjoy through the system. The occasion is a favorable one also for the correction of abuses. Customers will do things in the name of the Federal Reserve System which they have never done before. The experience of banks in using the forms provided by the reserve bank to get statements from their borrowers is evidence of this. The occasion should be seized also to increase the balances of depositors who carry unprofitable accounts. To assist member banks in studying their accounts this bank has had under preparation by chartered public accountants a reasonably simple form for analyzing accounts which may be obtained by banks desiring to use it.

It is the duty of the directors and officers to understand not only the problems of the reserve bank but those of the member banks as well; and it has been their endeavor during the past year to give special study to those of the country bank. Several suggestions for the relief of the country bank have come to their notice.

One of these, which the American Bankers' Association at its 1915 Seattle convention favored, was to permit the 3 per cent of reserve which the member bank may carry either in its vaults or in the reserve bank, to be deposited with member banks not more than 300 miles distant and count as reserve. This seems to be contrary to the spirit and intent of the Act, which is primarily to centralize reserves in Federal Reserve Banks.

Another suggestion which seems more worthy of consideration is that the percentage of reserve required for country banks should be somewhat further reduced. When the reserve transfers are completed checks in transit can no longer count as reserves. It is clear, therefore, that the reserve reduction contemplated by the Act will not be realized in practice. A further reduction in the reserve requirements would, in the case of many banks, result in a reserve less than the amount their business actually required, and would enable them to carry the amount thus freed wherever it would best serve their particular business, and, if they so desired, to maintain some relations with present city correspondents. It would lead away from the present rigidity of bank reserves toward greater flexibility and a better understanding of their meaning and purpose.

The formation of a national-bank section of the American Bankers' Association and the cooperative relationship which its executive committee has established with those charged with the duty of operating the Federal Reserve System, suggests the desirability of the formation of similar sections of State bankers' associations. Owing to its diverse membership, consisting of national banks, State banks, trust companies, savings banks, and private bankers, State bankers' associations are naturally somewhat reluctant to deal actively with the problems and development of the Federal Reserve System. Too large a proportion of their membership is interested only academically in the system. A national-bank section of a State bankers' association could act as an important medium of communication between the reserve bank and its member banks, and would be of constant value to both.

NATIONAL-BANK SECTION OF THE AMERICAN BANKERS' ASSOCIATION.

The American Bankers' Association at its meeting in Seattle on September 6-10, 1915, established a national-bank section. The officers and executive committee of this section had their first meeting in New York City November 20, some of the ses-

sions of which the governor and chairman of this bank had the privilege of attending by invitation. The cooperative attitude of the organization toward the development of the system was apparent throughout and great satisfaction was expressed that member banks now had an organization through which they could express their desires and views officially to the Reserve Board and the reserve banks, and through which the Reserve Board and reserve banks could communicate officially with the member banks. The work of this section if carried forward on broad lines is likely to play an important part in the development of the reserve system, and it seems desirable that the plan should be followed in the State bankers' association as well.

RELATIONS WITH STATE BANKS.

The attitude of the State institutions in New York City and other large cities to the reserve system is one of friendly support and of appreciation of its meaning and advantages to the banking and business interests of the country. They agree that ultimately, in order to give the system the strength and influence it should have, State institutions should join it, but they see no immediate need of doing so and are inclined to wait and observe what advantages it will develop for them. Some have expressed the belief that, without bearing the burdens of the system, they will, nevertheless, be able to participate indirectly in its advantages. The officers of some of the leading institutions have expressed a desire that before considering joining the system their status as members should be more fully defined by law and left less to the regulation of the Reserve Board. The attitude of State institutions in the country districts appears to be one of complete indifference.

CHAPTER IV.—GENERAL CONDITIONS.

INTRODUCTION.

In view of the abnormal conditions which have prevailed and of the progress which has been made from business depression to business activity during the period under review, a description is presented in some detail of the main factors which have contributed to the change, together with a brief summary of present industrial and banking conditions.

CLEARING-HOUSE LOAN CERTIFICATES.

Between August 3 and October 15, 1914, the New York Clearing House Association issued to 44 of its 61 members 3,128 loan certificates, aggregating \$124,695,000. The largest amount outstanding at any one time was \$109,695,000 on September 25. The first cancellation was on August 26, and the last on November 28, 1914. The period of time from the first issue to the final cancellation was 118 days, compared with 154 days in the panic of 1907-8 and 132 days in 1903. The percentage of maximum amount of certificates outstanding to total deposits of clearing-house members was 5.5 as compared with 8.28 in 1907-8.

EMERGENCY CURRENCY.

The National Currency Association of the city of New York, formed under the Aldrich-Vreeland Act, approved 129 applications for emergency currency between August 3 and October 6, 1914, aggregating \$145,298,960. The largest amount of emergency currency in circulation at any one time was \$137,012,260 on October 21. The maximum amount of emergency currency which could have been issued, under the approval of the Secretary of the Treasury, by the New York City association was \$302,905,000, which is 125 per cent of the combined capital and surplus of the member banks. The New York City association availed itself of 47.86 per cent of the amount

which, under the law, it was possible to issue. The first cancellation was approved October 13, 1914, amounting to \$2,000,000, and the last January 25, 1915.

National currency associations were also formed in other important cities in the district.

THE NEW YORK STOCK EXCHANGE.

On Friday morning, July 31, 1914, the New York Stock Exchange closed. It was the last large exchange of the world to suspend trading. This action was taken after meetings between the governors of the exchange and leading bankers, to protect the market against demoralization and further selling of securities from abroad. The very large volume of loans on stock exchange collateral held by the New York banks for themselves and their correspondents became at once completely illiquid, and the value of the collateral could not be ascertained. Even the auction rooms were closed, and the prices at which a small volume of rather urgent dealings in stocks and bonds was carried on, were not made public. Later a minimum price list was established and efforts made by the stock exchange committee to control the trading, which became more active as the situation eased.

The fact that there was no market for bonds was an added unsettlement to general business. New financing had to be postponed, and even some municipalities failed to sell their bonds.

On November 28 the exchange was partially opened for trading in bonds at fixed minimum prices. On December 12 trading in stocks was resumed on a restricted basis, subject also to minimum prices. These restrictions were gradually relaxed and were finally removed on April 1, 1915.

Trading became very active in April and the great speculation began in shares of companies engaged in making supplies for belligerent nations. Sales of \$109,934,000 bonds and 20,007,188 shares of stocks made April the most active month on the exchange in the past five years. A very active and rising market continued until the sinking of the *Lusitania* on May 7, when a severe decline in prices set in and the volume of dealings decreased about 50 per cent. Activity was resumed in July, when \$56,489,500 bonds and 14,326,813 shares of stocks were sold. This movement was increased during August and September to such an extent that brokers found difficulty in carrying out the routine work entailed by their orders. The unrestrained nature of the speculation evoked considerable public comment. A broader market with more general trading and activity in railroad issues came in October, when \$104,490,000 bonds and 26,639,081 shares of stock were sold. The heaviest dealings in bonds of any month since June, 1909, occurred in November on transactions amounting to \$124,697,500.

The comparative transactions in bonds and stocks for the past five years have been as follows:

Year.	Shares.	Bonds.
1915.....	173,155,644	\$955,525,200
1914.....	45,989,158	460,472,500
1913.....	76,134,996	497,158,600
1912.....	118,452,676	645,300,000
1911.....	127,376,149	878,933,700

The selling of American stocks and bonds held by European investors has been steady and persistent throughout the year, accelerated at times by the very favorable movement of exchanges for such sellers. Mr. L. F. Loree, president of the Delaware & Hudson Railway Co., early in the year undertook to obtain from the railroads of the country an estimate of the total amount of railroad securities held in foreign countries, and published figures during the early spring showing the amount reported

as of January 31, 1915. On December 24 he published a subsequent estimate as of July 31, showing \$2,223,000,000 par value, or \$1,751,000,000 market value, a decrease in the par value of \$480,000,000 during the six months. These figures do not include any industrial or municipal securities, of which large amounts are held in foreign countries.

In some of the European countries, notably in Great Britain, the Governments have made arrangements with holders of American securities to borrow them for use as collateral to loans to be placed in the United States, with authority to sell them if occasion to do so should arise.

FOREIGN EXCHANGE.

The foreign exchange market since July, 1914, has witnessed trying conditions, unparalleled fluctuations and extraordinary relief measures in both Europe and the United States.

On July 17, 1914, demand sterling was quoted at 4.8690 with a downward tendency, caused by offerings of grain and finance bills. Francs and marks were quoted at 5.16 $\frac{7}{8}$ and 96 $\frac{1}{8}$, respectively. During the following week political unrest in Europe and firmer discounts abroad caused sharp advances in rates.

Immediately after the outbreak of the European war thousands of American tourists in the warring countries found themselves without money and unable to negotiate letters of credit. Demands for payment of loans and credits, sales of securities, and remittances for tourists became so great that the exchange markets were completely demoralized and rates were not posted. Sterling cables were quoted at 7 on August 1; checks on Paris 4.25. The Government and the bankers acted promptly by dispatching the U. S. S. *Tennessee* with \$4,500,000 in gold, and a credit was opened through the Bank of France by Messrs. J. P. Morgan & Co.

Shipping and export trade were greatly unsettled by war conditions. Notwithstanding the moratoria abroad, the United States faced the necessity of settling its maturing foreign indebtedness, which to England alone was estimated to exceed \$200,000,000. Arrangements were made by the Bank of England whereby remittances of gold might be made for its account to Ottawa.

Credit interchanges were quickly established between New York and London, and by August 15 nominal quotations for demand sterling declined to 5. During the next two months exports of grain, cotton, and general merchandise became more normal and bills drawn against them were freely negotiated at rates ranging between 4.92 and 5.08. Nominal rates for French and German checks were 5.05 and 97, respectively. The latter declined to 90 $\frac{1}{2}$ during the third week in October.

In order to cope with this extraordinary situation it was felt that joint action on a comprehensive plan would become necessary. The Federal Reserve Board, in conjunction with the Secretary of the Treasury, therefore took the initiative in calling, September 4, a conference of representatives of the clearing houses of all the reserve cities.

Letters signed by Messrs. James B. Forgan, Levi L. Rue, Benjamin Strong, jr., Thomas P. Beal, and Sol. Wexler were addressed to the Secretary of the Treasury and the Federal Reserve Board on September 4 and September 19 recommending the formation in New York of a gold pool through which the requirements of all parts of the United States for foreign exchange would be fairly and impartially dealt with. The plan was approved by the Secretary of the Treasury and the Federal Reserve Board on September 21, and on that date the first meeting of the gold fund committee was held at the New York Clearing House. The members were Albert H. Wiggin, chairman; James B. Alexander, Francis L. Hine, Benjamin Strong, jr., William Woodward, and Frank A. Vanderlip. Banks and trust companies in New York City subscribed to the pool \$45,000,000, and subscriptions amounting to \$63,929,360 were

received from banks and trust companies throughout the United States. It was found unnecessary, however, to call for more than 25 per cent of the subscriptions, and owing to the easier exchange market resulting, to a considerable extent, from the mere existence of the pool, its activities were quite limited. Another gold pool aggregating \$100,000,000 was formed in September by New York banks to provide gold for shipment to London to pay the indebtedness of New York City maturing there before the close of the year, but Messrs. J. P. Morgan & Co., the managers of the pool, found it unnecessary to call for payment in gold of more than about one-third of the subscriptions.

During October there was an appreciable improvement in the general exchange situation. The movement of exports was improving and call money rates in London were about 1 per cent. At the invitation of the Secretary of the Treasury, Sir George Paish and Basil P. Blackett, Esq., arrived from England during October and remained about a month discussing the situation with the Government and bankers, but no definite action resulted from their visit.

The ending of the British moratorium on November 4, the improvement in cotton exports, and the operations of the gold pool all contributed to further ease in rates during the first week in November. German exchange was stronger during the second week in December, as a result of remittances for securities sold. French checks at this time were quoted at 5.16, and in the last week of 1914 demand sterling declined to 4.84½.

On January 9, 1915, the return movement of gold from Ottawa commenced. It began to be generally recognized that international trade would run heavily in favor of the United States. The managers of the gold pool met on January 22 and decided to return to subscribers the balance of their payments.

During February more cotton bills appeared in the market and exports continued to show a large excess over imports. The movement of supplies to the warring nations was very heavy. On February 11 demand sterling declined to 4.82½, the lowest figure since October, 1907. Francs declined to 5.22½ and marks to 85½. The next week sterling receded still further to 4.79, and continental rates also followed. Notwithstanding the low rates, gold was not imported in any large amounts. A steady sale of American securities from abroad continued.

In April the advances in security prices on the New York Stock Exchange and the low rates of international exchange induced increased foreign selling of securities in this market. Exchange rates did not vary very much until the third week in May, when a new low record of 5.43½ was established for Paris checks. At the end of July there was a very weak market, and during the second week in August sterling declined to 4.70½ in spite of large remittances of gold from London via Halifax. This weakness continued with gradual declines which became very abrupt toward the end of August. On September 1 the record low quotation of 4.50 to the pound was reached. From this there was a quick recovery on moderate transactions during the next few days, the rate being carried in a firm market to 4.72.

The Anglo-French commissioners, Lord Reading, Sir Edward H. Holden, Bart., Sir Henry Babington Smith, Basil P. Blackett, Esq., M. Ernest Mallet, and M. Octave Homberg, arrived on September 10 to discuss with American bankers plans to stabilize exchange. Further large shipments of gold were received from London via Halifax. Rates fluctuated irregularly. During the next month a firmer tone resulted from prospects of successful negotiations with the Anglo-French commissioners, but when the underwriting of the \$500,000,000 loan was announced the market did not respond and weakness in sterling was accompanied by recessions in continental exchange. During the third week in October the publication of figures of heavy exports and large offerings of bills caused further weakness. An irregular but stronger market developed in November and continued during December with the

exception of German exchange, which reached the record low quotation of 75½ on December 16. It should be observed that the effects of violent fluctuations are quite as serious as abnormal rates of foreign exchange. Our foreign commerce can not be conducted without unusual hazard of loss to importer and exporter whether exchange on other countries is quoted at prohibitive premiums or prohibitive discounts. The unusual hazards of commerce in time of war are greatly magnified by violent fluctuations in the cost of settling accounts whether for goods imported or exported.

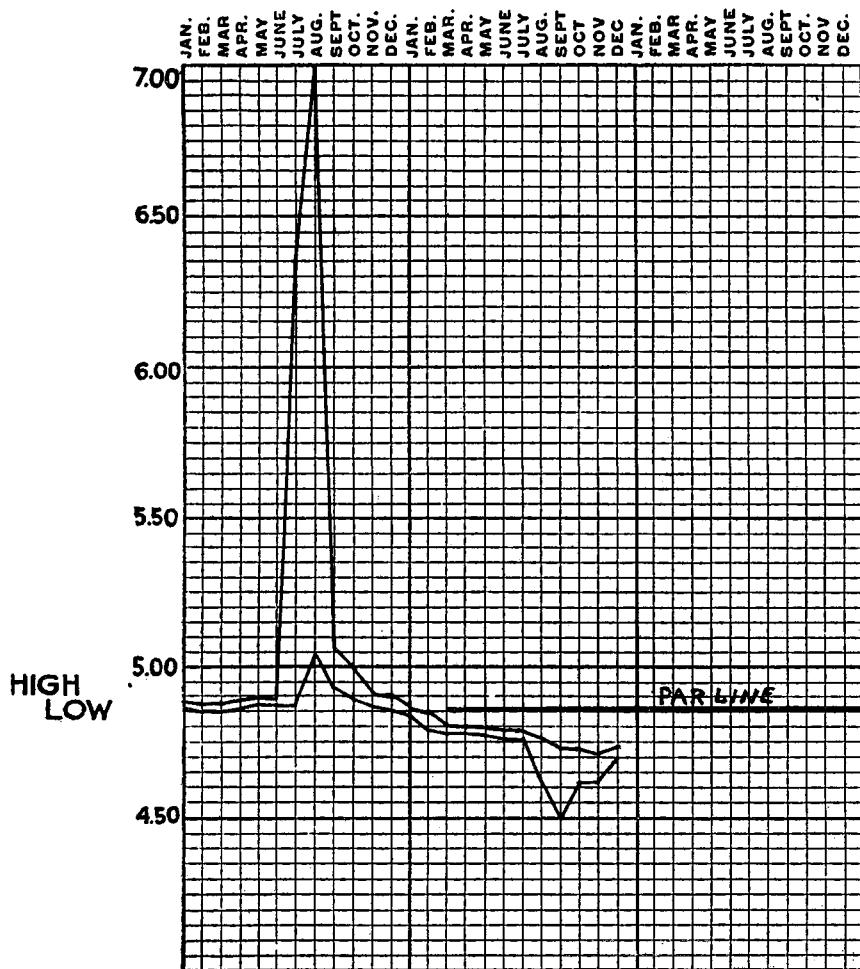
The efforts of bankers have therefore been continuous since the outbreak of the war to establish a more stable market for exchange, as well as to bring about more normal quotations, whether the exchanges have been at prohibitive premiums, as in the fall of 1914, or at serious discounts, as during the past few months. The difficulties have been increased by the risks involved in transporting gold from one country to another, the difficulty of obtaining insurance at reasonable rates against both marine and war hazards, and the lack at times of neutral vessels satisfactory to shippers and underwriters. In the period reviewed the range of the leading quotations, chiefly for cables, has been:

	Low.			High.		
	Date.	Rate.	Dis- count.	Date.	Rate.	Pre- mium.
			<i>Per cent.</i>			<i>Per cent.</i>
Sterling.....	Sept. 1, 1915	4.50	7.5	Aug. 1-8, 1914	7.00	43.8
Francs.....	.....do.....	6.03	16.3	.....do.....	4.25	18.0
Marks.....	Dec. 16, 1915	.75½	20.3	.....do.....	1.01	6.0
Roubles.....	Nov. 9, 1915	32.00	37.8	.....do.....	.52½	2.0
Lire.....	Sept. 1, 1915	6.55	26.4	.....do.....	4.00	22.8
Guilders.....	.....do.....	.38½	4.2	Dec. 30, 1915	.43½	8.2

The following chart shows the high and low points of sterling exchange, by months, during 1914 and 1915:

COURSE OF STERLING EXCHANGE

1914 | 1915



THE GOLD MOVEMENT.

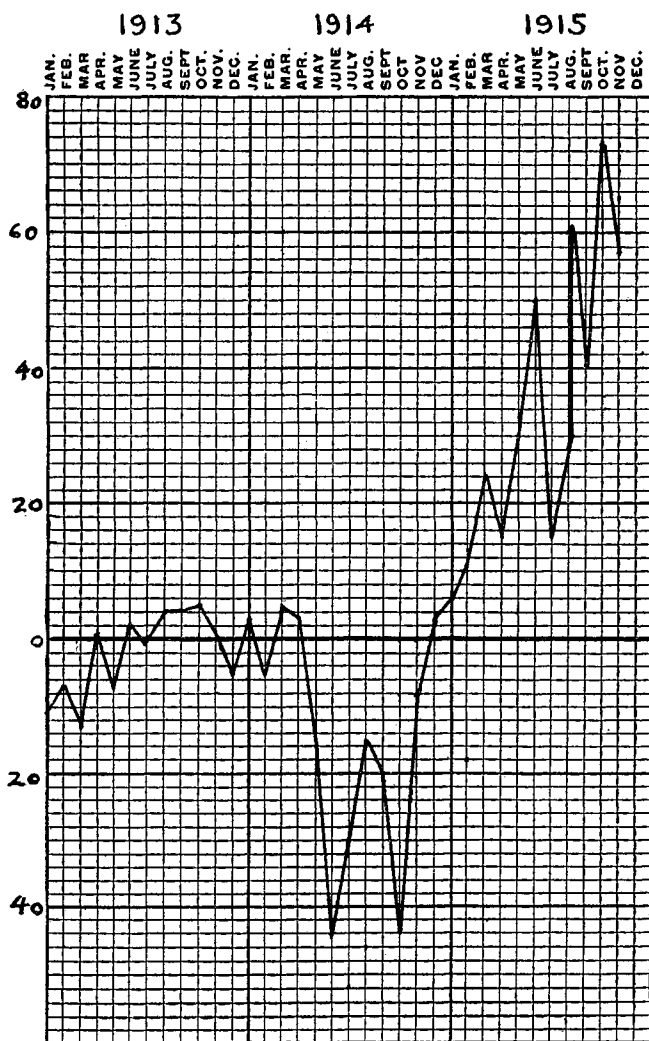
The total imports of gold into the United States for the 11 months ending November, 1915, aggregated \$403,531,913, as compared with \$53,279,000 in the same period last year. Most of this came from Canada, representing the return of gold that was shipped in the fall of 1914 from New York to Ottawa on account of the Bank of England, and the large shipments sent from London via Halifax. The facilities at the assay office were hardly sufficient at times to handle the great quantity of gold imported and

some shipments were delayed in Canada until room could be made at the assay office for further receipts. A large part of the later shipments have consisted of foreign coin.

Exports of gold from the United States for the first nine months of 1915 amounted to \$19,536,133, against \$222,485,000 in the corresponding months last year.

The following chart shows the net gold movements during 1913, 1914, and 1915.

Balance of gold movement (in millions of dollars).



IMPORTS AND EXPORTS.

Compared with the exports of 1913 those of 1914 were showing a steady decrease each month until after the outbreak of the war. From September on, a steady recovery in the volume of exports took place, due principally to the great shipments of supplies to the warring nations which have continued ever since in increasing volume, notwithstanding an increase in ocean freight rates varying from 25 per cent to 250 per cent according to the destination. The lack of adequate shipping elevators and lighterage to handle the enormous quantity of exports has caused much congestion. During

December, 1915, approximately 45,000 carloads were held in warehouses and freight cars in and near New York awaiting shipment. The railroads have felt obliged to declare embargoes in some cases on all outward traffic, in others only on certain commodities, until the congestion can be relieved by ocean shipments. Besides the great increase in exports to England, France, Russia, and Italy, shipments to Sweden, Norway, Denmark, and Holland have greatly increased, but compared with the first nine months of 1913 exports for the same period of this year to other countries show decreases as follows:

Canada, \$72,630,984; Mexico, \$9,028,297; South America, \$6,710,180.

The following table lists the classes of goods exported in which the largest percentages of increase are shown and the export of which may be considered as due primarily to demands arising out of the war:

Nine months ending with September.

Articles and classes.	1915	1914	Per cent increase (+) or decrease (-).
Live animals.....	\$96,200,000	\$4,000,000	+2,305.0
Explosives.....	84,300,000	4,900,000	+1,620.4
Wool manufactures.....	25,200,000	3,500,000	+ 620.0
Zinc manufactures.....	21,500,000	3,200,000	+ 571.9
Brass and manufactures.....	31,800,000	4,900,000	+ 549.0
Sugar, refined.....	24,800,000	5,800,000	+ 327.6
Automobiles.....	85,600,000	22,700,000	+ 277.1
Leather manufactures, other.....	94,600,000	26,700,000	+ 254.3
Chemicals and drugs.....	54,200,000	20,200,000	+ 168.3
Breadstuffs.....	423,400,000	172,800,000	+ 145.0
Boots and shoes.....	29,800,000	12,400,000	+ 140.3
Cotton manufactures.....	71,100,000	34,100,000	+ 108.5
Meats.....	194,800,000	97,700,000	+ 99.4
Carriages.....	18,900,000	9,500,000	+ 98.9
Iron and steel manufactures.....	251,100,000	152,800,000	+ 64.3
Cotton, raw.....	307,300,000	242,200,000	+ 26.8
Oils, mineral.....	106,200,000	108,200,000	- 1.9
Copper and manufactures.....	83,900,000	95,600,000	- 12.2
Naval stores.....	9,300,000	12,200,000	- 23.8
Wood, lumber, and other manufactures.....	40,300,000	65,300,000	- 38.3
Agricultural implements.....	10,400,000	20,600,000	- 49.5
Miscellaneous.....	217,200,000	145,200,000	+ 49.5
Total.....	2,532,500,000	1,467,400,000	+ 72.5

From February to August, 1914, imports had shown large increases over the same period of 1913. But in every month except one from August, 1914, to August, 1915, there was a decrease of imports when compared with the same month a year earlier. Total imports for the first nine months of the past three years have been as follows: 1913, \$1,327,385,071; 1914, \$1,410,071,874; 1915, \$1,302,281,591.

The following table lists the classes of goods imported which show the largest increases or decreases:

Nine months ending with September.

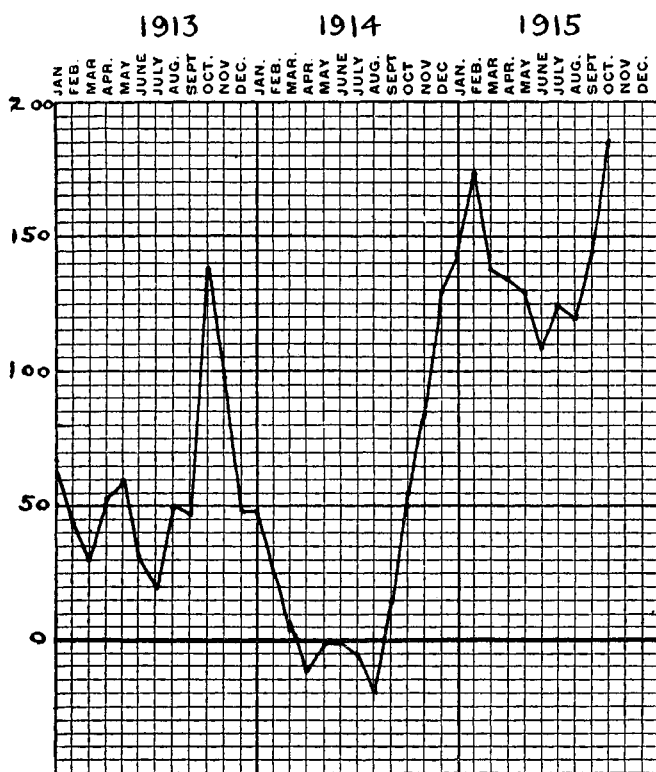
Articles and classes.	1915	1914	Per cent increase (+) or decrease (-).
Wool manufactures.....	\$13,600,000	\$36,400,000	-62.6
Breadstuffs.....	14,100,000	25,500,000	-44.7
Leather and manufactures.....	11,400,000	18,900,000	-39.7
Meat and dairy products.....	22,100,000	39,700,000	-39.3
Cotton manufactures.....	30,600,000	48,800,000	-37.3
Iron and steel manufactures.....	14,800,000	22,900,000	-35.4
Animals, chiefly cattle.....	13,300,000	17,300,000	-23.1
Silk, raw.....	61,600,000	72,900,000	-15.5
Hides and skins.....	90,400,000	93,500,000	- 3.3
Chemicals, drugs, etc.....	65,200,000	61,900,000	+ 5.3
Wool, raw.....	68,000,000	53,800,000	+26.4
Sugar.....	157,400,000	112,000,000	+40.5
India rubber and substitutes.....	83,400,000	57,800,000	+44.3
Miscellaneous.....	501,300,000	570,700,000	-12.1
Total.....	1,302,100,000	1,410,100,000	- 7.6

The balance of trade in favor of the United States for the first nine months of the past three years has been as follows: In 1913, \$406,037,087; 1914, \$57,330,115; 1915, \$1,227,293,504.

In considering this balance there should be remembered the large amount of money that in normal times would be spent abroad by American tourists.

The following chart shows the balance of trade for the years 1913, 1914, and the first nine months of 1915.

Balance of trade (in millions of dollars).



MONEY RATES IN NEW YORK CITY.

In the last week of July, 1914, before the European war, money rates in New York ranged as follows: Call, $1\frac{1}{2}$ to 2 per cent; time loans on collateral, 60 days to 4 months, $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent; prime commercial paper, $4\frac{1}{2}$ per cent. Immediately following the outbreak of war, call and time loans ranged from 6 to 8 per cent and commercial paper $5\frac{1}{2}$ to $6\frac{1}{2}$ per cent. By the third week of August the ruling rate for call and time money was 8 per cent and commercial paper advanced to $6\frac{1}{2}$ to $7\frac{1}{2}$ per cent. But there was less demand for money and slightly easier conditions in the money market in September brought the range of rates on time and call loans to 6 to 8 per cent with the main volume at 7 per cent.

Early in October there was an improved demand for prime commercial paper, which sold freely at $6\frac{1}{2}$ per cent. By the middle of October the highest rate for call money was 7 per cent and in the latter part of the month the range was: Call and time 6 to 7 per cent; commercial paper, 6 to $7\frac{1}{2}$ per cent.

In November the prospect of the opening of the Federal Reserve Banks and the consequent release of reserves brought further ease in rates. The Comptroller of the Currency made public a list of banks that were charging only 6 per cent. Time money was quoted $5\frac{1}{2}$ to 6 per cent, commercial paper, 6 to 7 per cent. During the second week bankers in New York were reported to be seeking loans and the call rate went as low as $4\frac{1}{2}$ per cent, ranging from that to 6 per cent. Time money declined to $5\frac{1}{4}$ per cent while the best commercial paper found buyers at $5\frac{1}{2}$ per cent.

Light trade demands and absence of speculation caused a steady downward trend of money rates. Up to December 19, New York City banks had retired \$128,581,540 out of a total of \$144,000,000 emergency currency issued to them. Call money ranged from $2\frac{1}{2}$ per cent to 4 per cent, time loans on collateral, $3\frac{1}{2}$ to 4 per cent, and commercial paper, $4\frac{1}{4}$ to 5 per cent.

Notwithstanding the great activity in the stock market which has prevailed during the last nine months of the year call money has ruled throughout the year at from $1\frac{1}{2}$ to 2 per cent, and time loans on collateral, $2\frac{1}{4}$ per cent to $3\frac{1}{4}$ per cent. Commercial paper, which in January ruled from 4 per cent to 5 per cent soon broke below 4 per cent, with a substantial volume of sales of the best names at $2\frac{1}{8}$ per cent to $2\frac{7}{8}$ per cent.

Prime bankers' acceptances in January ruled from $2\frac{3}{8}$ per cent to $2\frac{7}{8}$ per cent, and declined gradually throughout the year, at the close of which they ruled from 2 per cent to $2\frac{1}{4}$ per cent.

The chart on the following page shows the course by months of the New York rates for call money, time loans, and commercial paper.

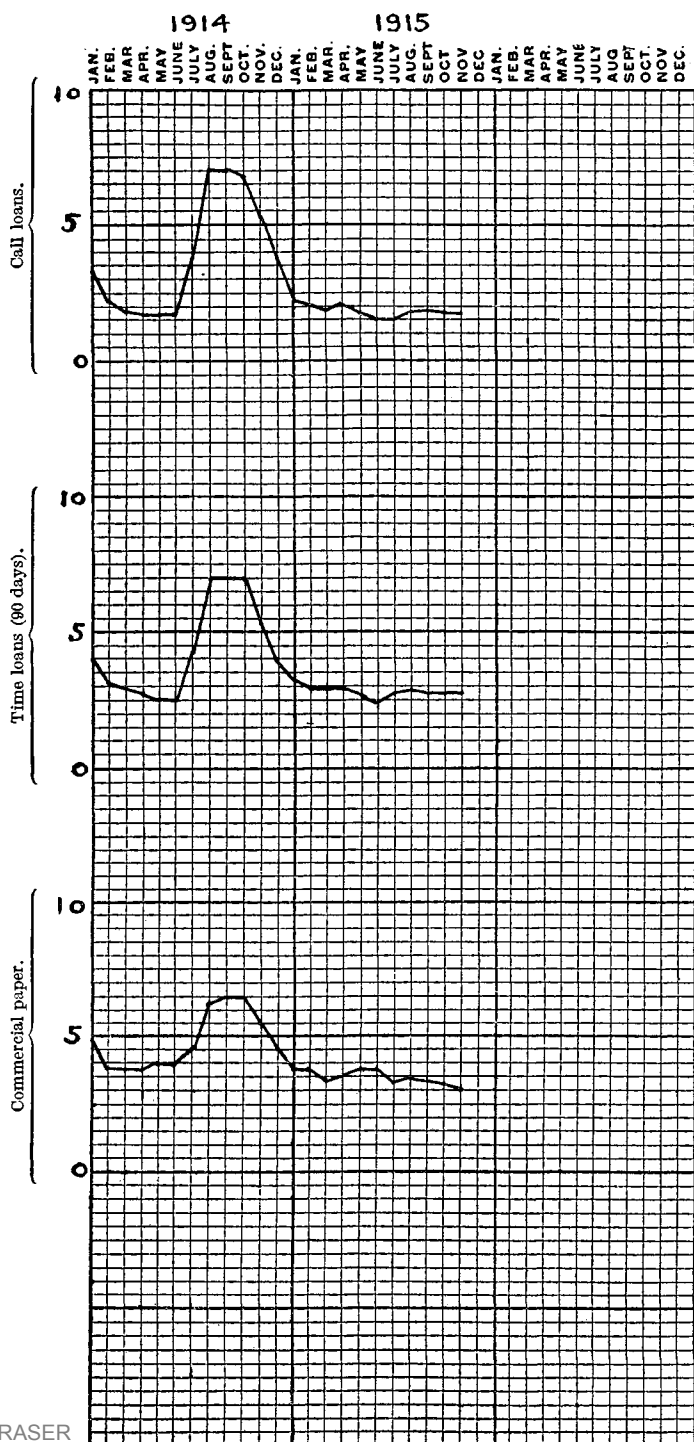
LOANS TO FOREIGN COUNTRIES.

One of the most important developments of the year has been the extension of credit in very large amounts to foreign Governments and to bankers and merchants in foreign countries. Most of these loans have been to enable the borrowers to pay for goods purchased in the United States, thereby steadying the exchanges and enabling them to continue both their ordinary and their extraordinary purchases.

The most important loan was, of course, the Anglo-French loan of \$500,000,000 which was distributed by a large syndicate of bankers formed by Messrs. J. P. Morgan & Co. It matures in 1920, bears interest at 5 per cent, and was taken by the underwriters at 96 $\frac{1}{4}$ and offered to the public at 98. It is the only one of the foreign loans that has been listed on the New York Stock Exchange and is actively dealt in. The other loans were arranged by banks, private bankers, and syndicates, and most of them have not been offered generally to the public.

While a large volume of unreported credits to foreign borrowers has been extended by banks in the course of financing exports, the loans and credits to foreign Governments, municipalities, and banks publicly announced to have been arranged in the United States since the European war began are approximately as follows:

Anglo-French loan.....	\$500, 000, 000	Switzerland.....	\$15, 000, 000
British banks.....	50, 000, 000	Canada.....	45, 000, 000
Italy.....	25, 000, 000	Canadian municipalities....	105, 000, 000
Russia.....	25, 000, 000	Argentina.....	40, 000, 000
Russian banks.....	67, 000, 000	Bolivia.....	1, 000, 000
France.....	75, 000, 000	Panama.....	3, 000, 000
Germany.....	10, 000, 000	Chile.....	6, 500, 000
Greece.....	7, 000, 000		
Sweeden.....	5, 000, 000	Total.....	982, 500, 000
Norway.....	3, 000, 000		

Money rates at New York (monthly average).

THE 1915 CROPS.

The 1915 harvest in the United States surpassed any before recorded in both volume and value. The value of the principal farm crops estimated by the Department of Agriculture on the basis of December 1 prices was \$5,568,773,000. This compares with \$4,974,527,000 last year, \$4,966,497,000 in 1913, and \$4,757,478,000 in 1912. Because of the advance in grain prices as the war in Europe progressed, very large areas of grain were planted, the acreage of the principal crops this year aggregating 486,570 square miles. The corn crop was the second largest ever grown and the number of acres planted has been exceeded only once before in this country. The value of the corn crop surpassed the previous most valuable crop ever grown by over \$30,000,000. The wheat crop for the first time was over a billion bushels. New records were made in production by wheat, oats, barley, rye, sweet potatoes, rice, and hay. All the principal crops except barley and tobacco established records as being the most valuable ever grown in this country.

[000 omitted.]

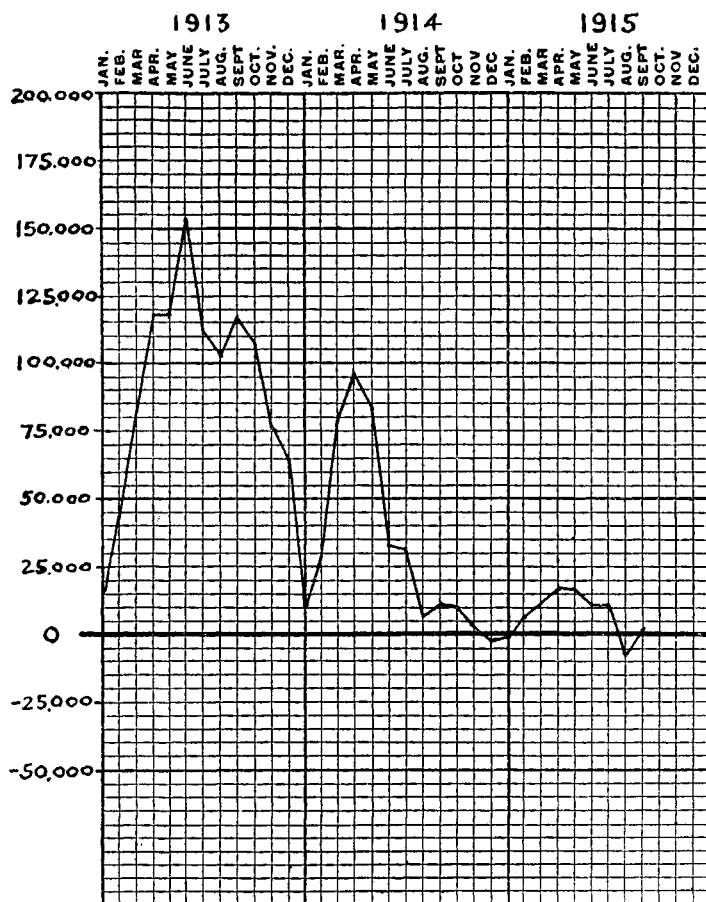
	Acreage.		Total bushels.		Farm value Dec. 1.	
	1915	1914	1915	1914	1915	1914
Corn.....	108,321	103,435	3,054,535	2,672,804	\$1,755,859	\$1,722,070
All wheat.....	59,898	53,541	1,011,505	891,017	930,302	878,680
Oats.....	40,780	38,442	1,540,362	1,141,060	555,569	490,431
Barley.....	7,395	7,565	237,000	194,953	122,499	105,903
Rye.....	2,856	2,541	49,190	42,779	41,295	37,018
Buckwheat.....	806	792	15,769	16,881	12,408	12,892
Flaxseed.....	1,367	1,645	13,845	13,749	24,080	17,318
Rice.....	803	694	28,947	23,649	26,212	21,849
Potatoes.....	3,761	3,711	359,103	409,921	221,104	199,460
Hay.....	50,872	49,145	¹ 85,225	¹ 70,071	912,320	779,068
Tobacco.....	1,368	1,224	² 1,060,587	² 1,034,679	96,041	101,411
Cotton.....	30,957	36,832	² 11,161	² 16,135	602,393	525,324
Total.....					5,300,082	4,891,424

¹ Tons.² Pounds.³ Bales.

IMMIGRATION AND EMIGRATION.

The effect of the war on immigration and emigration has been very marked. Both arrivals and departures have decreased notably and the effect of the now almost balanced movement can not fail to be felt in the domestic labor market if the present industrial activity continues. For the first nine months the net immigration has been: In 1913, 863,784; in 1914, 384,169; in 1915, 64,485.

The following chart shows the net movement by months during these years.

Net immigration.

FOREIGN BANKING CONDITIONS.

The outbreak of the war precipitated grave responsibilities upon the great central banks, as well as the private banks, of the principal belligerent nations. Various measures were undertaken to meet the crisis which at once developed, both in credit and in currency.

In England the Government declared various moratoria extending the date of payment of maturing bills. The Bank of England was indemnified against loss in the purchase of bills and under this guaranty it made a practically unlimited offer to take bills which had become unliquid by reason of war conditions. The Government authorized the issue, through the Bank of England, of £1 and 10-shilling notes of the Government to relieve the currency stringency and take the place of sovereigns and half sovereigns which disappeared from circulation. The effect of these measures was instantly felt. By having a vast volume of their securities made liquid English banking firms and institutions were enabled to conduct their customary business. The Bank of England largely increased its deposit liabilities and its investments in bills, and a reduction in both the bank rate and the rates for bills in the open market quickly followed.

In France the note issues of the Bank of France are limited in amount by law. Increases in the limit of the note issue were authorized, enabling the bank to make large advances to the Government and to provide notes for current circulation. To some extent these notes were deposited with various organizations, notably the Chamber of Commerce of Bordeaux, which issued notes of smaller denominations to circulate in place of gold coins, which promptly disappeared from circulation. These measures were subsequently followed by appeals to the people to deposit their gold with the Bank of France, which ultimately brought the gold holdings of the bank to an amount in excess of \$1,000,000,000.

In Germany more extensive measures were taken to meet the situation than in either England or France. Immediate provision was made to enlarge the note issues of the Reichsbank and local credit banks were organized at which solvent borrowers could obtain credit upon both securities and commodities. The Reichsbank was authorized to receive and hold notes issued by certain of these banks on a parity with its gold reserves. Such notes were also issued in small denominations for purposes of circulation. These efforts to maintain the gold reserve of the nation were supplemented by an embargo on the export of gold and by appeals to the people to surrender their gold to the Reichsbank, thereby largely increasing its holdings.

While all these measures have many characteristics in common, provision having been made in both England and France for the extension of date of payment of debts and in all three countries for a wide extension of the power of note issue by the central banks, the means employed in each case were somewhat different. The effect of these operations are clearly reflected in the attached tables showing the changes which have taken place in the statements of the three central banks of these countries. The issue of Government notes in England to supplement the note issues of the Bank of England was accompanied by an accumulation of gold reserve for their redemption, the difference between the gold reserve and the face of the notes being covered by Government securities and balances at the Bank of England.

The striking similarity in the demands made upon the credit systems of all the belligerent nations is equally reflected in these statements. The ability to convert unliquid assets through the agency of a central bank and to furnish the people with a convenient and acceptable circulating note for their daily transactions undoubtedly saved these nations and their citizens from enormous losses that otherwise would have been sustained by reason of credit contraction and trade stagnation.

The following tables show the principal assets and liabilities of the three Government banks at intervals during the period:

BANK OF ENGLAND.

[000,000 omitted.]

Date.	Bullion.	Reserve.	Government securities.	Other securities.	Circulation.	Deposits.	Ratio of reserve.
	£.	£.	£.	£.	£.	£.	Per cent.
1914.							
July 30.....	38	32	11	47	30	67	40
Oct. 8.....	57	40	28	114	35	164	24.53
Nov. 19.....	73	56	19	107	35	164	34
Dec. 31.....	69	52	15	106	36	155	33½
1915.							
Feb. 18.....	66	50	25	102	34	158	31½
Apr. 22.....	56	40	48	144	34	214	18½
May 27.....	62	47	51	139	30	220	21½
June 24.....	53	39	51	136	33	208	18½
July 29.....	61	46	53	191	34	273	16½
Aug. 26.....	67	54	46	142	32	224	24½
Sept. 30.....	62	48	37	132	33	192	24½
Oct. 28.....	56	42	19	97	33	140	30
Nov. 25.....	52	38	19	98	33	145	27½

NOTE.—On Dec. 8, 1915, there were outstanding in addition £94,291,700 currency notes of £1 and 10-shilling denominations, against which a gold reserve of \$23,500,000, or 30.2 per cent, is carried, the balance of the issue being covered by Government securities and a balance at the Bank of England.

BANK OF FRANCE.

[000,000 omitted.]

Date.	Gold.	Silver.	Discounts.	Advances.	Deposits.	Circulation.
	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>	<i>Francs.</i>
July 30. 1914.	4,141	650	2,448	737	1,330	6,683
Feb. 18. 1915.	4,237	375	2,285	830	2,822	10,831
Apr. 22.	4,191	376	2,709	650	2,350	11,541
May 27.	3,913	375	2,709	644	2,301	11,829
June 24.	3,927	371	2,858	629	2,354	12,106
July 29.	4,129	367	2,426	610	2,600	12,592
Aug. 26.	4,266	356	2,380	580	2,642	12,949
Sept. 30.	4,550	354	2,386	579	2,860	13,457
Oct. 28.	4,729	353	2,338	561	2,684	13,867
Nov. 25.	4,835	362	2,192	563	2,665	14,278

IMPERIAL BANK OF GERMANY.

[000,000 omitted.]

Date.	Gold.	Loans and discounts.	Circulation.
	<i>Marks.</i>	<i>Marks.</i>	<i>Marks.</i>
July 25. 1914.	1,356	801	1,800
Aug. 22.	1,529	4,616	3,999
Dec. 4.	1,991	2,968	4,205
Feb. 10. 1915.	2,156	3,379	5,046
Apr. 30.	2,366	3,907	5,311
June 2.	2,377	4,163	5,318
July 17.	2,390	4,482	5,311
Oct. 23.	2,430	3,924	5,675

INDUSTRIAL AND COMMERCIAL CONDITIONS.

The latter half of 1914 was marked by general industrial unsettlement and depression. Securities and many commodities were undergoing liquidation, interest rates were high, credit in demand, and both unemployment and individual and corporate retrenchment were general. The year 1915 has brought a reversal of these conditions, probably unequaled in its swiftness, intensity, and magnitude. The recovery had its inception in easy money, growing export trade, reestablishment of the international exchanges, and the return of confidence. In the autumn of 1914 large foreign orders began to be placed in the United States for munitions and other raw and manufactured goods necessary for the prosecution of the European war and the maintenance of civil populations. These orders created centers of industrial and trade activity and purchasing power, to which unemployed labor gravitated. In other sections the purchasing power was maintained or increased by the sale of large crops at very high prices. From these centers, gradually widening in area and influence throughout the spring and summer, has developed the present general commercial and industrial activity.

The balance of trade, which had been running against the United States for several months preceding the war, soon began to turn in its favor through heavy shipments of grain and other commodities. By January, 1915, the shipment of grain, cotton, copper, live stock, meat, and other raw and manufactured articles had reached a sufficient volume to turn the gold movement also in favor of this country. The increased traffic of the railways and the tremendous demand on the iron and steel industry for the manufacture of munitions caused these two fundamental industries to resume normal purchases. The general retrenchment practiced during the first

six months of the war was relaxed as the effects were felt of better employment of labor, increasing commercial and industrial profits, and the great crops of 1915, marketed at prices well above the normal. Even in the South the intense depression of the winter of 1914-15 was lifted by the sale of the 1915 cotton crop, although of reduced volume, at prices better than anticipated.

Improvement began to manifest itself in nearly all lines of industry about the beginning of the year 1915. By that time a favorable balance of trade had been established; railroad earnings had begun to improve and iron and steel to move in greater volume; bank clearings throughout the country were increasing slightly; unemployment in New York State and the number of commercial failures throughout the country had reached their highest points.

But while the improvement began during the first half of the year, business did not attain its present momentum till toward the end of the summer. Inquiries recently made of leading merchants and manufacturers throughout the country indicate very generally that their volume has been much greater during the last than during the first six months of the year, in many cases comparing favorably with other periods of industrial activity. Wages have been substantially increased in industries operating directly or indirectly under the stress of purchases by the belligerent nations. Except in neighboring industries wage increases have not yet become general, although there are signs that demands for higher wages are likely to spread. The reduction of immigration to the lowest point in many years should have a tendency at least to prevent unemployment. The savings banks in many parts of the North Atlantic States report substantial gains, especially during the autumn months. Earnings of public service corporations as a whole have shown increased gross earnings during the last half of the year. The general retail trade of the autumn has been unprecedented in volume. The rise in price of many raw materials, coupled with the rise in wages in certain industries, has increased prices to the consumer and, in some cases, has had the effect of reducing profits. The favorable market for securities has given railroads and industrial enterprises a better opportunity to finance improvements than has prevailed for many years. Except in certain lines, principally those adversely affected by European conditions, the business of the country may be said to be working to capacity nearly everywhere, with many industries handling a volume never before equaled.

Appended to this paragraph are the following charts, showing figures for 1913, 1914, and 1915, and indicating clearly the course of the present industrial revival:

Total bank clearings.

Changes in gross railroad earnings from previous year.

Iron production.

Number of commercial failures.

Unfilled tonnage, United States Steel Corporation.

Percentage of employment in New York State.

Idle car figures.

BANKING AND FINANCIAL CONDITIONS.

The most important banking and financial developments of the period under review are—

1. Reduction of required bank reserves and steady increase of surplus reserves.
2. Great expansion of bank deposits and loans.
3. Large importations of gold.
4. Large loans to foreign countries.
5. Heavy purchases of American securities from foreign countries.

The Comptroller of the Currency in September, 1914, published a calculation that the total National Bank Reserves released by the act on November 16, 1914, would aggregate \$465,000,000. During 1915 several States reduced the reserves required of their State institutions to correspond with the percentages required under the Federal Reserve Act even though they should not join the system and secure its reserve advantages. The Comptroller reports the amount of excess reserves held by the national banks of the country on September 2, 1915, at \$869,000,000.

The net deposits of all national banks rose from \$7,157,000,000 on October 31, 1914, to \$8,323,000,000 on September 2, 1915, an increase of \$1,166,000,000, or 16 per cent. The net deposits of national banks in New York City during the same period increased \$530,000,000, or 43 per cent. Nearly half of the increase was in the New York City national banks, which were called on primarily to finance the country's heavy export trade.

The great expansion in New York is better shown by the figures month by month of the New York clearing-house banks since the day before the Federal Reserve System opened, indicating an increase in deposits of 78 per cent in 13½ months.

ALL NEW YORK CLEARING-HOUSE BANKS.

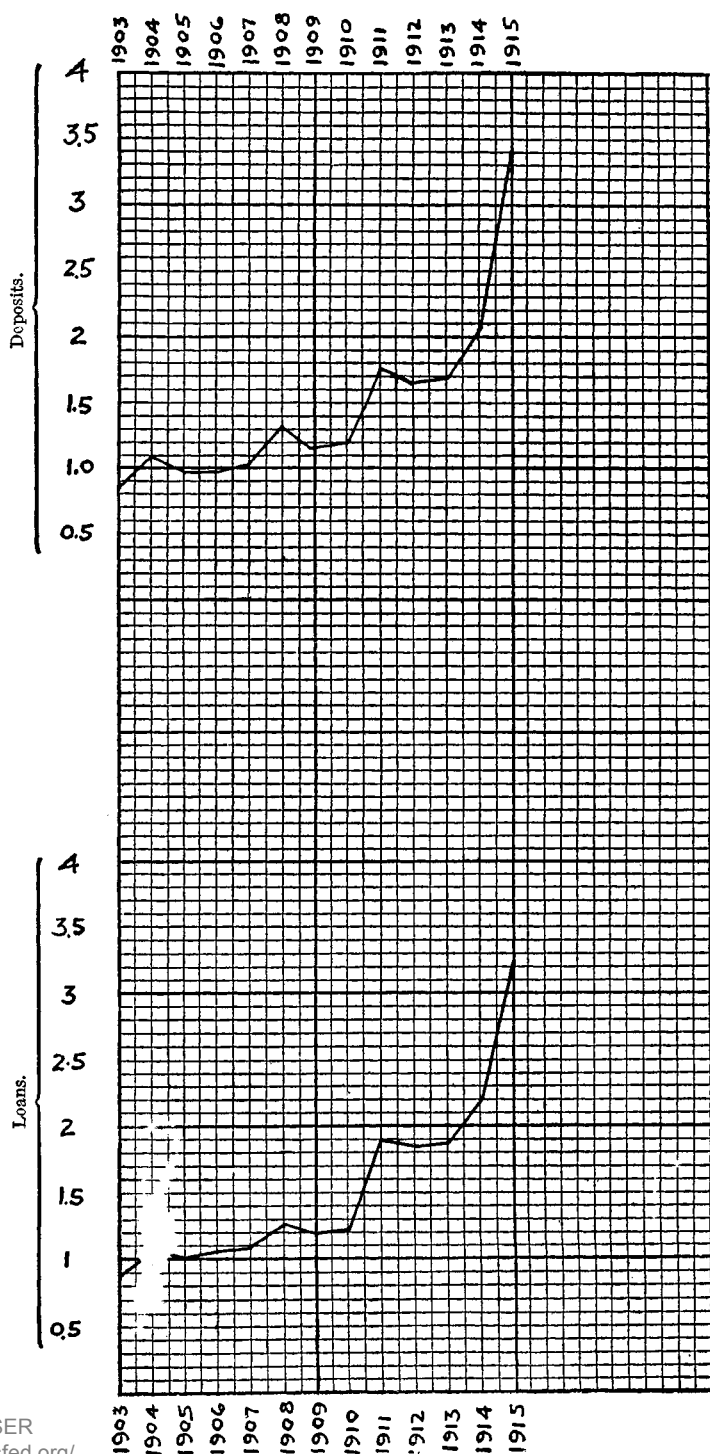
[000,000 omitted.]

Date.	Capital.	Undivided profits.	Gold.	Legal tenders.	Silver.	Balance, Federal Reserve Bank.	National bank notes.	Federal Reserve notes.	Loans, etc.	Net deposits.	Excess reserves.
1914.											
Nov. 14.....	175	300	1 340	102	-----	-----	18	1	2, 133	1, 925	7
Dec. 26.....	175	300	191	59	69	98	14	1	2, 179	2, 074	117
1915.											
Jan. 30.....	175	298	209	69	84	108	15	1	2, 233	2, 213	114
Feb. 27.....	175	298	215	66	75	113	9	1	2, 298	2, 268	135
Mar. 27.....	175	302	239	66	83	115	10	1	2, 385	2, 386	150
Apr. 24.....	175	304	263	66	82	121	9	1	2, 400	2, 432	171
May 29.....	175	304	291	55	76	117	8	2	2, 437	2, 490	183
June 26.....	175	304	324	55	71	131	9	2	2, 476	2, 583	193
July 31.....	176	309	295	70	78	133	9	2	2, 578	2, 695	180
Aug. 28.....	176	309	326	70	78	141	8	2	2, 655	2, 810	205
Sept. 25.....	177	306	369	67	72	144	8	3	2, 706	2, 951	193
Oct. 30.....	179	307	399	56	66	164	7	3	3, 044	3, 270	196
Nov. 27.....	176	310	398	49	81	165	8	3	3, 123	3, 364	194
Dec. 31.....	176	312	335	71	79	165	8	4	3, 257	3, 462	146

¹ Specie.

The following chart shows the increase in loans and deposits of New York clearing-house banks by years since 1903. The increase in 1911 is caused by trust companies joining the clearing house. An expansion has occurred in one year which normally would have been spread over nearly a decade.

Deposits and loans of New York clearing-house banks (in billions of dollars).



While a portion of the expansion here shown is due to industrial demands and stock-market activity, the greater volume of it doubtless has arisen from transactions relating to the shipment of goods, to the return of American securities, and to the extension of credit to foreign countries.

The surplus reserves, maintained not only in New York City but throughout the country, are evidence of the proper caution with which bankers are taking advantage of the lowered reserve requirements in view of the abnormal conditions prevailing here and in Europe. With such excess reserves, it has been natural that the rates for loans in the money markets of the country should be extremely low. The demand from banks for commercial paper has resulted in rates lower than ever before reported, and the volume has been wholly unequal to supplying the demand.

The tremendous exports of the past year, instead of being balanced by increased imports of consumable commodities, have been paid for largely by gold, by securities returned to this country and by credits extended here to foreign countries. The unusual nature of the trade activity has required a new form of financing. Instead of financing shipments by American manufacturers to be paid for abroad, it has been necessary to finance foreign purchasers to enable them to pay in cash in this country.

Looking outside of the banks to the conditions of agricultural productivity and industrial activity now prevailing, prices have risen considerably for agricultural products and minerals; many manufactured articles have advanced in price; labor is better employed and wages in many sections and industries have risen; immigration as a net movement has practically ceased; security prices have risen generally and in several industries notably. The requirements of American industries have thus far consumed but little of the increased credit power of the banks. The banks have used the added credit power given them by the inflow of gold to assist in developing foreign trade.

As long as the favorable balance of trade continues and bankers proceed with the same caution which has characterized their course thus far, there seems to be no present reason for concern; but the test of what must be considered as our normal banking power will come after the war is over. If the balance of foreign trade then continues favorable and we are enabled to retain a substantial portion of the gold which has come here under stress of war conditions, we can continue to make advances to our foreign trade connections. But, should the balance turn against us, or heavy foreign demand for credit arise, the added gold is likely to return to Europe, thereby diminishing proportionally our power to lend to foreign countries in developing trade with them. So many factors will enter into the resultant that it is idle to attempt to make predictions. The one safe rule for the banks of the country is to keep liquid; to see that in the period of tremendous expansion which circumstances are forcing upon them their increased resources do not consist of loans and securities representing fixed assets. They should be ready at all times for a drain on their gold and a reduction of their credit power. The fact that, in spite of the growing expansion excess reserves continue to grow even faster, is evidence that they appreciate the possibly transient character of their increased banking power and do not intend to expand beyond a safe and reasonable point.

The following charts indicate the expansion which is taking place not only in banking power but in commodity and security prices: National-banks deposits, 1914 and 1915; commodity prices 1913, 1914, and 1915; security prices, 1914 and 1915.

CHAPTER V.—SUMMARY OF RESULTS OF OPERATION.

What has thus far been accomplished by the Federal Reserve Bank of New York may perhaps be briefly summarized.

The bank has been thoroughly organized, with a staff of officers and clerks experienced in the work of the particular departments to which they have been assigned. The organization is more complete than the business actually done would seem to require since it has been felt essential by the directors and officers that a complete departmental organization should be maintained, capable, with the addition of necessary clerical assistance, of performing any volume of business which might be suddenly thrust upon it.

The bank was opened and the reserve transfer accomplished without any of the disturbances which it was predicted would occur.

Valuable experience has been gained of the meaning and effect of the regulations of the Federal Reserve Board governing the development of the various functions of reserve banks, which has in turn been transmitted to the member banks.

Considerable effort has been expended in explaining to member banks the purpose and meaning of the Federal Reserve System and the ways in which the bank can be of service to them in quiet as well as in active times. The business community has also had an opportunity to become informed of its development and functions. The officers have also devoted the necessary time to furnishing information to the press in order that the public might be correctly informed of the operations of the bank, and the generally favorable attitude of the press has been an important factor in establishing public confidence in the system.

Federal Reserve Notes have been issued freely and become already an important part of our currency, and through their use the bank has greatly strengthened its gold position and its credit power.

The establishment of a market for bankers' acceptances has been assisted by the purchases made by this bank for itself and other reserve banks, and the study given to the drawing and indorsement of such bills has made more certain their ready negotiability.

Through experience gained in discounting paper for member banks, an understanding has been reached by both this bank and its member banks of the kind of paper which is eligible for discount.

Through its collection system an important step has been taken toward effecting cheaper and more direct check collections.

A gold settlement fund has been established at Washington for settlements between Federal Reserve Banks and their districts which should substantially reduce currency shipments.

On January 1, 1916, the bank will begin acting as fiscal agent of the United States.

A satisfactory trial has been made of the new form of Government supervision requiring one-third of the directors of the bank to be appointed by the Reserve Board and to exercise primary responsibility for all the policies and transactions of the bank.

The coordination of the work of the reserve banks by the Reserve Board has been supplemented by conferences of their governors and of groups of other officers, and the development of the system is progressing along such harmonious lines as local conditions and requirements will permit.

During this period of relative operating inactivity the officers and directors of the reserve banks have had an opportunity to study the Act. Its ambiguities have come to light and suggestions for amendments which seem desirable have been made to the Reserve Board through whom they may if approved be transmitted to Congress.

The system has been enabled quietly to develop most of its important functions and to gather not only experience but strength to respond to such calls as may be made upon it. The experience of the principal European countries in dealing with

the conditions suddenly forced upon them at the outbreak of the war, now that it can be seen in some perspective, should be studied during the coming year by the officers and directors of Federal Reserve Banks. A clear understanding should be obtained of the methods by which demoralization of credit was effectually met by the European countries and of the methods which, under conditions peculiar to the United States, would be likely to prove effective in maintaining its credit machinery in any strain which might grow out of the European war or other international complications. The lessons are now both clear and fresh; we should not fail to learn them and understand their application to our own conditions.

This report would not be complete without suitable recognition and acknowledgment of the work of both the temporary and permanent staffs of the bank. Those who were temporarily employed performed their duties in the spirit of public service. The members of the permanent staff, likewise, from the outset have worked without regard to office hours and through the energy and devotion with which they have undertaken the tasks assigned them the functions of the bank been developed upon a sound and permanent basis.

APPENDIX 1.—BY-LAWS OF THE FEDERAL RESERVE BANK OF NEW YORK.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—(Amended July 7, 1915.) There shall be a regular meeting of the board every Wednesday at 9.45 o'clock a. m., or, if that day be a holiday, on such day as the board may determine at a preceding meeting (unless otherwise ordered by a majority of the board). The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of special meetings shall be given by mail or by telegraph. If given by mail, such notice shall be mailed at least two days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least 24 hours before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing or by telegraph waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the chairman, and one or more directors chosen by the board, who shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes or a digest thereof shall be read to the meeting if requested by any member of the board.

SEC. 2. *Powers*.—Subject to the supervision and control of the board of directors as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (c) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (d) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (e) To exercise such other powers as may be from time to time delegated to such committee by the board of directors.
- (f) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.
- (g) It shall recommend to the board of directors from time to time changes in the discount rate.

ARTICLE III.—*Officers*.

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a cashier, and a secretary, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, cashier, and secretary, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve agent*.—The Federal Reserve agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve agent.

SEC. 3. *Deputy Federal Reserve agent*.—In the absence or disability of the Federal Reserve agent his powers shall be exercised and his duties performed by the deputy Federal Reserve agent, who may perform such other services as shall be requested by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *Governor*.—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *Deputy governor*.—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *Cashier*.—(Amended Aug. 4, 1915.) The cashier (with such other officer or officers as may be designated by the board of directors) shall have the custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the board of directors, the executive committee, or the governor.

SEC. 7. *Secretary*.—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem, or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

ARTICLE IV.—*Certificates of stock.*

All certificates of stock or of payment of or on account of stock subscriptions shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.—*Business hours.*

The bank shall be open for business from 10 o'clock to 3 o'clock on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been mailed to each member at least five days prior to such meeting, unless waiver thereof shall have been made in writing.

APPENDIX 2.—CONDENSED STATEMENT OF CONDITION OF FEDERAL RESERVE BANK OF NEW YORK DEC. 31, 1915.

Resources.	Liabilities.
Bills discounted— Members..... \$236,472.08	Capital paid in..... \$11,063,150.00
Bills discounted— Bought..... 9,546,011.06	Unearned discount and interest..... 31,520.01
Investments and ac- crued interest..... 1,206,733.90	Due to member banks..... 179,433,322.16
	Due to other Federal Reserve Banks. 19,818,568.18
Due from member banks, overdrafts... 28,820.51	Cashiers' checks..... 841,219.44
Due from other Federal Reserve Banks..... 1,932,512.64	Federal Reserve notes..... 140,000.00
	Withheld for Federal income tax.... 608.15
Furniture and equipment..... 26,980.36	
Expense of organization..... 122,335.01	
Cost of unissued Federal Reserve notes..... 232,086.79	
Expenses paid in advance..... 3,965.78	
Amounts awaiting reimbursement.. 2,346.40	
Federal reserve notes on hand.... 16,139,280.00	
National bank notes and Federal re- serve notes of other Federal Reserve Banks..... 41,250.94	
Exchanges and other cash items..... 987,566.35	
Gold..... 174,845,827.50	
Lawful money..... 5,976,087.40	
Profit and loss..... 111.22	
Total..... 211,328,387.94	Total..... 211,328,387.94
	Net deposits..... 197,144,210.28
	Per cent cash to net deposits..... 91.6

APPENDIX 3.—PROFIT AND LOSS STATEMENT.

Nov. 16, 1914, to Dec. 31, 1915.

Income.		Current expense.	
Bills discounted—Members.....	\$36,840.98	Directors' fees, outside conferences, and Federal Advisory Council.....	\$18,240.72
Acceptances purchased.....	97,054.10	Salaries.....	154,043.05
Investments—Warrants.....	191,868.68	Rent.....	42,749.95
Sundry profits.....	19,271.57	General expense.....	44,472.23
Excess of expenses over income carried to profit and loss.....	111.22	Cost of Federal Reserve notes used.....	63,800.00
		Assessment for expenses of Federal Reserve Board.....	21,840.60
Total.....	345,146.55	Total.....	345,146.55

Statement of organization expenses, Dec. 31, 1915, carried in assets.

Assessment for expenses of Federal Reserve Board.....	\$41,367.72
Expense of organization—Local.....	30,967.29
Furniture and equipment.....	26,980.36
Cost of unissued Federal Reserve notes.....	232,086.79
Total.....	381,402.16

APPENDIX 4.—COMPARATIVE STATEMENTS OF CONDITION.

	Nov. 16, 1914.	June 30, 1915.	Dec. 31, 1915.
RESOURCES.			
Bills discounted—Members.....	\$2,213,500.00	\$543,404.99	\$236,472.08
Bills discounted—Bought.....		4,664,859.76	9,546,011.06
Investments and accrued interest.....		3,697,484.16	1,206,733.90
Due from member banks, overdrafts.....			28,820.51
Due from other Federal Reserve Banks.....		5,565,328.74	1,932,512.64
Furniture and equipment.....			26,980.36
Expense of organization.....	13,401.02	186,467.38	122,335.01
Cost of Unissued Federal Reserve notes.....			232,086.79
Expenses paid in advance.....			3,965.78
Amounts awaiting reimbursement.....		1,613.60	2,346.40
Federal Reserve notes on hand.....		3,531,475.00	16,139,280.00
National Bank notes and Federal Reserve notes of other Federal Reserve Banks.....		52,122.54	41,250.94
Exchanges and other cash items.....	51.20	1,480,378.25	987,566.35
Gold.....	51,533,715.00	120,098,607.50	174,845,827.50
Lawful money.....	21,399,854.00	31,247,079.90	5,976,087.40
Profit and loss.....			111.22
Total.....	105,160,521.22	171,068,822.82	211,328,387.94
LIABILITIES.			
Capital paid in.....	3,321,950.00	9,961,650.00	11,063,150.00
Profit and loss.....		43,064.21	
Unearned discount and interest.....	8,368.81	15,718.44	31,520.01
Due to member banks.....	101,816,801.29	141,929,512.72	179,433,322.16
Due to other Federal Reserve Banks.....		18,294,279.06	19,818,568.18
Cashiers' checks.....	13,401.12	644,353.43	841,219.44
Federal Reserve notes.....		180,000.00	140,000.00
Withheld for Federal income tax.....		244.96	608.15
Total.....	105,160,521.22	171,068,822.82	211,328,387.94
Net deposits.....	101,830,151.21	153,822,437.72	197,144,210.28
Per cent cash to net deposits.....	101.08	98.3	91.6

APPENDIX 5.—CAPITAL ACCOUNT RECONCILIATION, NOV. 2, 1914, TO DEC. 31, 1915.

Capital paid in first installment, Nov. 2, 1914.....	\$3,321,950.00
Capital paid in second installment Feb. 2, 1915.....	3,318,183.35
Capital paid in third installment May 3, 1915.....	3,317,549.98
Capital paid in by 131 banks in northern New Jersey transferred from District No. 3; first, second, and third installments.....	962,650.00
	10,920,333.33
Sundry increases:	
Due to increases in capital and surplus of member banks.....	\$44,150.00
Due to organization of new banks.....	221,650.00
	265,800.00
	11,186,133.33
Sundry decreases:	
Due to decreases in capital and surplus of member banks.....	4,983.33
Due to banks liquidated.....	118,000.00
	122,983.33
Capital paid in Dec. 31, 1915, by member banks.....	11,063,150.00

APPENDIX 6.—REDISCOUNTS.

Nov. 16, 1914, to Dec. 31, 1915.

Number of applications received.....	277
Amount of applications received.....	\$11,384,037.63
Amount of applications accepted.....	\$10,746,610.61
Amount of applications rejected.....	\$637,427.02
Largest application.....	\$2,182,500.00
Smallest application.....	\$1,015.00
Number of pieces of paper discounted.....	2,676
Amount discounted.....	\$9,668,632.41
Largest piece of paper.....	\$300,000.00
Smallest piece of paper.....	\$20.20
Average size of note discounted.....	\$3,613.09
Number of banks rediscounting.....	54

Number of pieces of paper and amount discounted, by months.

	Num-ber.	Amount.		Num-ber.	Amount.
November, 1914.....	209	\$3,112,900.73	July.....	259	\$333,949.18
December.....	206	1,736,182.81	August.....	124	157,026.34
January, 1915.....	139	1,642,303.85	September.....	211	286,208.77
February.....	184	1,046,307.55	October.....	107	137,183.62
March.....	167	190,652.27	November.....	64	152,330.23
April.....	241	216,449.17	December.....	132	131,661.74
May.....	207	235,957.67	Total.....	2,676	9,668,632.41
June.....	426	289,518.48			

APPENDIX 7.—MATURITIES OF INVESTMENTS OF FEDERAL RESERVE BANK OF NEW YORK, DEC. 31, 1915.

Maturing.	Bills discounted.	Warrants.	Acceptances.	Totals.
Within—				
10 days.....	\$37,980.87	\$98,791.24	\$763,548.53	\$900,320.64
11 to 30 days.....	97,150.20	188,193.77	1,961,806.07	2,247,150.04
31 to 60 days.....	82,422.58	384,373.97	1,870,083.25	2,336,879.80
61 to 90 days.....	18,918.43	50,277.00	4,950,573.21	5,059,768.64
91 days to 6 months.....		436,950.00		436,950.00
Total.....	236,472.08	1,198,585.98	9,546,011.06	10,981,069.12

APPENDIX 8.—FEDERAL RESERVE NOTES.

Federal reserve notes issued to Federal Reserve Agent, Nov. 16, 1914, to Dec. 31, 1915.

Total amount of notes shipped to the Federal Reserve Agent.....	\$106,240,000
Total net amount issued to the bank by the Federal Reserve Agent.....	89,440,000
In the following denominations:	
Fives.....	\$35,600,000
Tens.....	36,160,000
Twenties.....	11,280,000
Fifties.....	1,600,000
Hundreds.....	4,800,000

Total amount in hands of Federal Reserve Agent Dec. 31, 1915 16,800,000

Total of Federal reserve notes paid out by the Federal Reserve Bank of New York, by months.

	To member banks.	To non-member banks.		To member banks.	To non-member banks.
1914			1915		
November.....	\$785,500	.....	October.....	\$9,897,000	\$657,000
December.....	2,933,600	.....	November.....	9,878,500	771,000
			December.....	13,236,000	1,291,000
1915					
January.....	3,365,600	.....		91,061,200	5,072,000
February.....	3,393,000	.....	Total to nonmember banks.	5,072,000	.....
March.....	6,605,000	.....		
April.....	6,453,500	.....	Total amount received from	96,133,200	.....
May.....	5,690,000	\$291,000	Federal Reserve Agent...	89,440,000	.....
June.....	7,487,000	433,000			
July.....	6,864,500	442,000		6,693,200	.....
August.....	6,394,000	452,000			
September.....	8,078,000	735,000			

The difference between the amount paid out and the amount received from the Federal Reserve Agent represents notes which were deposited but were sufficiently clean to be again paid out.

Movement of Federal reserve notes between Federal Reserve Bank of New York and other Federal Reserve Banks, Nov. 16, 1914, to Dec. 31, 1915.

	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.....	\$82,285	\$688,435	Philadelphia.....	\$1,324,615	\$330,590
Boston.....	924,655	240,420	Richmond.....	42,810	1,539,935
Chicago.....	212,200	81,215	St. Louis.....	72,555	55,780
Cleveland.....	22,530	246,355	San Francisco.....	108,735	190,490
Dallas.....	8,505	327,650			
Kansas City.....	4,470	130,695	Total.....	2,806,245	3,946,190
Minneapolis.....	2,885	114,625			

APPENDIX 9.—TRANSIT AND EXCHANGE TRANSACTIONS BETWEEN FEDERAL RESERVE BANK OF NEW YORK AND OTHER FEDERAL RESERVE BANKS, NOV. 16, 1914, TO DEC. 31, 1915.

	Items deposited with Federal Reserve Bank of New York by.	Items sent by Federal Reserve Bank of New York to.		Items deposited with Federal Reserve Bank of New York by.	Items sent by Federal Reserve Bank of New York to.
Atlanta.....	\$55,353,000	\$42,966,000	Philadelphia.....	\$233,244,000	\$83,733,000
Boston.....	112,818,000	100,108,000	Richmond.....	58,693,000	74,221,000
Chicago.....	143,797,000	43,192,000	St. Louis.....	49,085,000	23,307,000
Cleveland.....	18,126,000	2,966,000	San Francisco.....	43,793,000	12,777,000
Dallas.....	44,280,000	25,968,000			
Kansas City.....	28,074,000	22,854,000	Total.....	795,092,000	434,890,000
Minneapolis.....	7,817,000	2,798,000			

APPENDIX 10.—SUMMARY OF GOLD SETTLEMENT FUND OPERATIONS, MAY 19, 1915, TO DEC. 31, 1915.

Settlement of accounts.

	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.
Boston.....	\$74,357,000	\$73,779,000	\$578,000	
Philadelphia.....	29,676,000	49,247,000		\$19,571,000
Cleveland.....	1,589,000	5,692,000		4,103,000
Richmond.....	60,460,000	46,069,000	14,391,000	
Atlanta.....	17,485,000	24,023,000		6,538,000
Chicago.....	15,739,000	32,036,000		16,297,000
St. Louis.....	10,719,000	27,072,000		16,353,000
Minneapolis.....	2,377,000	4,939,000		2,562,000
Kansas City.....	13,006,000	18,314,000		5,308,000
Dallas.....	8,652,000	13,667,000		5,015,000
San Francisco.....	2,017,000	25,519,000		23,502,000
Total.....	236,077,000	320,357,000	14,969,000	99,249,000
Loss.....	84,280,000		84,280,000	

Analysis of gold movement through gold settlement fund.

Deposited out of vault of Federal Reserve Bank of New York.....	\$89,000,000	Settlement loss.....	\$84,280,000
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.....	463,000	Boston.....	1,000,000
Cleveland.....	952,000	Kansas City.....	100,000
Chicago.....	264,000	Philadelphia.....	13,121,000
Kansas City.....	400,000	San Francisco.....	5,000
Minneapolis.....	433,000	Balance in fund Dec. 31, 1915.....	5,717,000
Philadelphia.....	1,000,000		
St. Louis.....	87,000		
San Francisco.....	11,624,000		
Total.....	104,223,000	Total.....	104,223,000

APPENDIX 11.—FIDUCIARY POWERS.

Banks granted permission to act as registrar of stocks and bonds.

NEW YORK.

Location.	Name.	Location.	Name.
Albany.....	National Commercial Bank.	New York.....	Chase National Bank.
Auburn.....	National Bank of Auburn.	Do.....	Gotham National Bank.
Brooklyn.....	Nassau National Bank.	Do.....	Harriman National Bank.
Clayton.....	National Exchange Bank.	Do.....	Liberty National Bank.
Cooperstown.....	Second National Bank.	Do.....	Irving National Bank.
Edwards.....	Edwards National Bank.	Do.....	Lincoln National Bank.
Far Rockaway.....	National Bank of Far Rockaway.	Do.....	National Bank of Commerce.
Geneva.....	First National Bank.	Do.....	National Park Bank.
Do.....	Geneva National Bank.	Do.....	Seaboard National Bank.
Granville.....	Farmers National Bank.	Ovid.....	First National Bank.
Do.....	Washington County National Bank.	Plattsburg.....	City National Bank.
Hempstead.....	First National Bank.	Do.....	Plattsburg National Bank.
Herkimer.....	Herkimer National Bank.	Richfield Springs.....	First National Bank.
Lockport.....	National Exchange Bank.	Riverhead.....	Suffolk County National Bank.
Minerola.....	First National Bank.	Rochester.....	Lincoln National Bank.
Morristown.....	Frontier National Bank.	Saratoga Springs.....	First National Bank.
New York.....	American Exchange National Bank.	Stapleton.....	Richmond Borough National Bank.
Do.....	Bank of New York, N. B. A.	Wellsville.....	First National Bank.
Do.....	Bronx National Bank.	Westfield.....	National Bank of Westfield.

Banks granted permission to act as trustee, executor, administrator, and registrar of stocks and bonds.

NEW JERSEY.

Location.	Name.	Location.	Name.
Dover.....	National Union Bank.	Newark.....	National State Bank.
Hoboken.....	First National Bank.	New Brunswick...	Peoples National Bank.
Long Branch.....	Do.	Plainfield.....	City National Bank.
Newark.....	Essex County National Bank.	Rutherford.....	Rutherford National Bank.
Do.....	Merchants National Bank.		

Banks granted permission to act as trustee, executor, and administrator.

NEW JERSEY.

Location.	Name.
Morristown.....	National Iron Bank.
Newark.....	National Newark Banking Co.
Somerville.....	First National Bank.

APPENDIX 12.—AGGREGATE STATISTICS OF SEVEN GROUPS OF NATIONAL BANKS IN DISTRICT NO. 2, AS OF NOV. 10, 1915.

Assets and liabilities.

Group No.	On basis of resources.	Number of banks.	Total resources.	Loans and discounts.	Eligible paper.	Liabilities of directors.	
						Direct.	Indirect.
1	Under \$100,000.....	3	\$182,539	\$85,216	\$36,677	\$23,679	\$16,671
2	\$100,000 to \$200,000.....	33	5,359,181	2,584,830	1,037,600	159,353	354,157
3	\$200,000 to \$300,000.....	62	15,791,533	7,581,105	2,618,421	400,208	712,969
4	\$300,000 to \$500,000.....	106	41,112,035	20,756,179	5,855,600	1,131,064	1,712,727
5	\$500,000 to \$2,500,000.....	304	278,990,542	123,347,319	35,768,051	7,170,748	7,418,169
6	\$2,500,000 to \$20,000,000.....	89	487,125,845	253,106,583	79,803,305	11,370,954	3,614,372
7	\$20,000,000 up.....	25	2,908,573,769	1,614,363,722	289,075,206	27,312,153	14,809,025
	Total.....	613	3,737,135,449	2,026,824,924	414,194,860	47,568,159	28,647,090

Group No.	On basis of resources.	Number of banks.	Bonds and securities, etc., not including United States bonds.	Capital, surplus, and undivided profits.	Demand deposits.	Time deposits.	Money borrowed.
1	Under \$100,000.....	3	\$20,312	\$80,354	\$94,010	\$9,207	.....
2	\$100,000 to \$200,000.....	33	974,388	1,128,837	2,863,143	687,241	\$37,000
3	\$200,000 to \$300,000.....	62	3,308,409	3,165,144	8,395,819	2,472,528	119,500
4	\$300,000 to \$500,000.....	106	9,850,529	8,158,493	21,617,453	8,084,009	174,020
5	\$500,000 to \$2,500,000.....	304	68,311,381	51,175,794	138,624,233	60,298,666	882,421
6	\$2,500,000 to \$20,000,000.....	80	82,287,231	77,749,216	341,951,215	43,398,058	870,985
7	\$20,000,000 up.....	25	262,037,133	305,188,995	2,469,983,061	26,094,057	.....
	Total.....	613	426,789,383	446,646,833	2,983,478,984	141,043,766	2,083,926

Losses, earnings, and dividends.

Group No.	On basis of resources.	Number of banks.	Losses on account of loans to nondepositors (bought for investment).			Losses on account of other loans and discounts, not including loans to banks.		
			1912	1913	1914	1912	1913	1914
1	Under \$100,000.....	3						
2	\$100,000 to \$200,000.....	33	\$4,806	\$4,887	\$1,786	\$5,775	\$9,871	\$3,637
3	\$200,000 to \$300,000.....	62	11,842	10,830	39,256	6,632	10,765	29,219
4	\$300,000 to \$500,000.....	106	31,346	43,864	74,703	35,617	58,852	29,392
5	\$500,000 to \$2,500,000.....	304	263,101	388,833	525,826	207,577	334,432	426,769
6	\$2,500,000 to \$20,000,000.....	80	97,026	143,647	220,445	1,459,555	1,372,253	1,392,727
7	\$20,000,000 up.....	25	174,600	273,903	451,600	1,772,799	3,022,992	4,098,812
	Total.....	613	582,181	865,964	1,313,516	3,487,955	4,809,205	6,018,685

Group No.	On basis of resources.	Number of banks.	Total earnings and profits after deducting expenses and losses.			Gross receipts from exchange.		
			1912	1913	1914	1912	1913	1914
1	Under \$100,000.....	3						
2	\$100,000 to \$200,000.....	33	\$46,397	\$55,181	\$62,607	\$12,704	\$13,433	\$13,125
3	\$200,000 to \$300,000.....	62	184,122	207,044	182,882	25,452	28,289	31,347
4	\$300,000 to \$500,000.....	106	585,323	505,459	489,519	59,008	60,315	60,060
5	\$500,000 to \$2,500,000.....	304	3,608,031	3,380,844	2,835,221	231,841	234,508	232,395
6	\$2,500,000 to \$20,000,000.....	80	5,670,043	4,964,948	4,210,516	346,111	300,466	270,906
7	\$20,000,000 up.....	25	23,171,852	20,655,184	19,473,175	473,295	417,006	406,350
	Total.....	613	33,265,768	29,768,660	27,253,920	1,148,411	1,054,017	1,014,183

Group No.	On basis of resources.	Number of banks.	Dividends paid.		
			1912	1913	1914
1	Under \$100,000.....	3			
2	\$100,000 to \$200,000.....	33	\$14,900	\$17,150	\$18,400
3	\$200,000 to \$300,000.....	62	72,640	76,804	94,721
4	\$300,000 to \$500,000.....	106	299,350	283,150	294,850
5	\$500,000 to \$2,500,000.....	304	2,069,938	2,094,598	2,152,338
6	\$2,500,000 to \$20,000,000.....	80	3,735,524	3,744,524	3,912,947
7	\$20,000,000 up.....	25	14,343,311	14,306,421	15,311,442
	Total.....	613	20,535,663	20,522,647	21,784,698

DISTRICT NO. 3—PHILADELPHIA.

R. L. AUSTIN, Chairman and Federal Reserve Agent.

ORGANIZATION OF FEDERAL RESERVE BANK OF PHILADELPHIA.

In accordance with the instructions of the Federal Reserve Board, the directors of the Federal Reserve Bank met at Philadelphia on October 8, 1914, and proceeded to organize the board. Charles J. Rhoads was elected governor, and the terms of the directors were designated as follows:

Name.	Residence.	Term expires.	Group.	Class.
Charles J. Rhoads.....	Philadelphia, Pa.....	Dec. 31, 1917	1	A.
William H. Peck ¹	Scranton, Pa.....	Dec. 31, 1915	2	A.
M. J. Murphy.....	do.....	Dec. 31, 1916	3	A.
Alba B. Johnson.....	Philadelphia, Pa.....	do.....	1	B.
Edwin S. Stuart.....	do.....	Dec. 31, 1917	2	B.
George W. F. Gaunt ¹	Mullica Hill, N. J.....	Dec. 31, 1915	3	B.
Richard L. Austin.....	Philadelphia, Pa.....	Dec. 31, 1917	1	C.
George M. La Monte.....	Bound Brook, N. J.....	Dec. 31, 1915	2	C.
George W. Norris.....	Philadelphia, Pa.....	Dec. 31, 1916	3	C.

¹ Has just been reelected to serve the full 3-year term, expiring Dec. 31, 1918.

Temporary offices were secured at No. 437 Chestnut Street, where the business of the bank was conducted until permanent quarters were obtained at 406-408 Chestnut Street. Previous to the opening of the bank a clerical force was selected, and the payments by our member banks of the first installment of capital stock, amounting to \$2,087,426, were received. The Central National Bank kindly extended the use of its facilities to the bank in counting and storing the gold as received on account of this payment.

We were fortunate in being able to secure as permanent quarters a building adjacent to the Subtreasury, formerly occupied by a bank. This building was completely renovated and altered in 10 days, and was ready for occupancy on the 16th day of November, 1914, the day designated for the opening for business of the Federal Reserve Banks. The bank commenced business with the following staff of officers and employees, all of whom are on the pay roll now:

OFFICERS.

Charles J. Rhoads, Governor.

Richard L. Austin, Federal Reserve Agent and chairman of the board.

George M. LaMonte, Deputy Federal Reserve Agent and Deputy Chairman of the Board.

Arthur E. Post, secretary to the chairman and acting cashier.

EMPLOYEES.

William I. Rutter, jr., auditor.	Marie V. Patterson.
Samuel R. Earl, paying teller.	Sara G. Peoples.
William H. Coster, discount clerk.	Frederick W. Seelig.
J. Edward Kerr, general ledger book-keeper.	Raymond M. Moore.
Frank W. Lamping, jr., receiving teller.	Irwin L. Park.
Franklin W. La Bold.	William J. Kelly.
John F. Glenn.	John McIlvaine.
Clarence E. Wolfinger.	W. E. Jones.
Joseph D. Goodman.	Herman Graf.
Hannah C. Daly.	Emil Rohr.
Blanche M. Vanaman.	William Theurer.
Cora M. Crowell.	Beverly Becks.

On December 10, 1914, Frank M. Hardt, an officer of the National Bank of the Northern Liberties, of Philadelphia, was elected cashier and Mr. Post resigned as acting cashier, but continued as secretary to the Chairman, in charge of the details of the operations between this bank and the Federal Reserve Board.

In order to properly handle the large payments made to the bank on account of the transfer of the first installment of reserves of member banks, the force was temporarily augmented by clerks whose services were kindly provided for several days by the following institutions: Central National Bank, Fourth Street National Bank, Girard National Bank, Philadelphia Clearing House Association, Philadelphia Trust Co., and the Remington Typewriter Co.

The employment of the clerical force and the perfection of the bank organization were under the direct supervision of Gov. Rhoads. The very satisfactory manner in which the operations of the bank have been conducted testify to the care with which the members of the staff were selected and the complete organization effected by him.

GENERAL BANKING AND CREDIT CONDITIONS IN THIS DISTRICT SINCE THE OPENING OF THE BANK.

The Philadelphia district, designated as Federal Reserve District No. 3, included New Jersey, Delaware, and all of Pennsylvania east of the western boundaries of McKean, Elk, Clearfield, Cambria, and Bedford Counties, and contained 758 member banks. On July 1, 1915, the northern half of New Jersey, including the part of the State north of Mercer and Ocean Counties, containing 131 member banks, was transferred to the New York district. This reduced the number of our member banks to 627, the subscribed capital of the bank to \$10,523,500, the paid-in capital to \$5,261,750, and deposits to \$18,410,520. The district now comprises an area of 37,198 square miles, with an estimated population of 6,560,000. Its agricultural interests are important and its manufacturing and mining industries are second to none. Its credit demands are fairly constant, there being no great seasonal demand, such as is experienced throughout the Southern and Western States. The combined resources of the member banks in this district are \$1,055,107,691, the combined resources of the trust companies and State banks are \$695,198,982, making the combined total banking resources of the district \$1,750,306,673. Based upon the present deposits of our member banks, when the total reserves of member banks have been transferred, two years hence, the reserve deposits of this bank will amount to about \$43,577,965. During the year three new banks have been organized in the district.

During the past year our member banks have been subject to the same discouraging influences that affected banking interests in all other parts of the country. For some time before the breaking out of the European war, business in this district had been

declining, and the effect of the war was to accelerate this movement, so that the bank commenced business at a time when the volume of business in the district was far below normal.

Industrial plants were being operated at less than 50 per cent of their capacity, the movement of freight by the railroads was smaller than it had been for years, and the number of the unemployed was almost unprecedented. Confidence in the future on the part of business men was lacking. This general and widespread contraction in business caused a liquidation of loans, which, together with the funds released by the reduction in bank reserves, effected by the Federal Reserve Act, resulted in the greatest accumulation of idle money ever known in the banks of this district, so that on October 4, 1915, the member banks of the Philadelphia Clearing House Association alone had \$55,404,000 of excess reserves.

At this time, however, almost a normal volume of business is being transacted, the traffic of the railroads is above normal, industrial plants are being operated at nearly full capacity, and there is employment for all kinds of labor.

During the period in which this bank has been in operation the average borrowing of national banks, through rediscounting or by direct loans from other banks, has been as follows:

Date.	Number of banks.	Total amount for district.	Average amount per bank.
Dec. 31, 1914.....	758	\$7,464,097	\$9,847
Mar. 4, 1915.....	759	4,933,873	6,501
May 1, 1915.....	759	5,281,096	6,959
June 23, 1915.....	758	5,372,346	7,087
Sept. 2, 1915.....	627	3,526,368	5,624
Nov. 10, 1915.....	628	2,108,028	3,357

As shown by the statements of member banks last made to the Comptroller, as of November 10, 1915, the average rate of interest charged borrowing banks was approximately 3.95 per cent.

At no time during the year has there been a necessity, so far as the needs of the business community were concerned, for this bank to make any loans. The small borrowings of the member banks could easily have been effected with their correspondents in the reserve cities. This condition, however, is only temporary, and due to extraordinary business conditions. Upon the return of normal conditions this bank will surely find its expected sphere of usefulness.

Statement of condition, Federal Reserve Bank of Philadelphia, at the close of business Dec. 31, 1915.

RESOURCES.

Bills discounted—members.....	\$168,274.06
Bills discounted—bought.....	2,542,975.94
United States bonds on hand.....	1,993,750.00
Investments.....	1,484,147.13
Interest accrued on investments.....	10,142.15
Furniture and equipment.....	18,491.31
Organization expense.....	31,517.06
Advance payments.....	1,684.23
Cost of Federal Reserve notes.....	43,172.04
Due from Federal Reserve Banks.....	5,445,817.16
Due from member banks—overdrafts.....	33,959.73
Exchanges for clearing house.....	1,046,543.43

Cash:

Gold coin and certificates.....	\$7, 445, 485. 00
Gold settlement fund.....	9, 695, 000. 00
National bank notes and Federal Reserve notes of other banks	215, 885. 00
Federal Reserve notes of the Federal Reserve Bank of Philadelphia.....	380, 267. 50
Legal tender notes, silver certificates, fractional coin, etc.....	3, 358, 246. 13
	<hr/> \$21, 094, 883. 63
	<hr/> 33, 915, 357. 87

LIABILITIES.

Capital.....	\$5, 269, 600. 00
Unearned discount.....	7, 798. 05
Unearned interest.....	6, 211. 20
Due to member banks.....	25, 424, 376. 56
Government deposits	787, 178. 48
Cashier's checks.....	107. 63
Due to Federal Reserve Banks.....	2, 419, 846. 14
Reserved for Federal income tax.....	239. 81
	<hr/> 33, 915, 357. 87

Expenditures of the Federal Reserve Bank of Philadelphia from organization to and including December 31, 1915.

I. Current expenses.

Expense of governors' conferences.....	\$911. 84
Expense of Federal Reserve Agents' conferences	218. 19
Assessments since July 1 on account of expenses of Federal Reserve Board.....	10, 523. 50
Federal Advisory Council (fees and traveling expenses).....	374. 01
Directors' fees.....	3, 501. 94
Legal fees.....	1, 969. 27
Salaries:	
Bank officers.....	36, 040. 91
Clerical staff.....	34, 085. 65
Special officers and watchmen.....	6, 050. 82
Traveling expenses:	
Directors.....	1, 191. 48
Officers and clerks.....	243. 12
Per diem allowance of directors.....	1, 076. 32
Telephone.....	994. 72
Telegraph.....	97. 50
Postage.....	3, 044. 54
Expressage.....	1, 575. 66
Rent.....	8, 926. 48
Insurance and premiums on fidelity bonds.....	3, 520. 62
Light, heat, and power.....	1, 225. 18
Printing and stationery.....	4, 021. 00
Repairs and alterations.....	600. 81
All other expenses N. E. S.....	1, 497. 53
Total current expenses.....	<hr/> 121, 691. 09

II. Organization expenses (see note 1).

Carried from current expenses (account expense prior to Nov. 16, 1914).....	\$13,304.98
Assessment for general expenses of Federal Reserve Board (prior to June 30, 1915).....	18,395.76
Total.....	<u>31,700.74</u>

III. Cost of Federal Reserve notes, total, including expressage, insurance, etc. (see note 2).....	<u>55,772.04</u>
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IV. Equipment (see note 3).

Furniture and fixtures.....	4,538.47
Machines.....	9,291.26
Other.....	4,661.58
Total equipment.....	<u>18,491.31</u>
Total expenditures.....	<u>227,655.18</u>

Earnings of the Federal Reserve Bank of Philadelphia from organization to and including December 31, 1915.

EARNINGS.

Earnings from:

Bills discounted—member banks	\$20,173.44
Bills purchased—bankers' acceptances	29,605.50
Investments in United States bonds.....	8,288.13
Investments in warrants.....	54,155.88
Sundry profits (including \$20,502.50 appreciation in market value of United States bonds).....	23,792.33
Total earnings.....	<u>\$136,015.28</u>
Deduct commissions paid (see note 4).....	1,540.51
Deduct cost of Federal Reserve notes issued (see note 2).....	12,600.00
	<u>14,140.51</u>
Net earnings.....	<u>121,874.77</u>

Excess of "net earnings" over "total current expenses" credited to "organization expenses" on Dec. 31, 1915.....	183.68
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NOTE 1.—Beginning with January, 1916, at least one twenty-fourth of the total "organization expenses" is to be charged against current earnings each month.

NOTE 2.—Beginning with January, 1916, the cost of Federal Reserve notes is to be charged against current earnings each month as the notes are issued.

NOTE 3.—Beginning with January, 1916, an allowance for depreciation is to be charged against current earnings each month.

NOTE 4.—This amount represents the commissions paid to other Federal Reserve Banks for services rendered by them in buying investments for this bank.

COMMENT AND EXPLANATION OF THE STATEMENT OF CONDITION.

Referring specifically to the foregoing statement of condition given on page 213, the following comment and explanation on certain of the account headings may be of interest:

RESOURCES.

Bills discounted members.—This account represents the amount of bills on hand rediscounted for our member banks. The first rediscounts were received on November 23, 1914, and since this date the amount of rediscounted bills held at any one time has fluctuated from \$126,882, the lowest amount, to \$1,063,784. The total amount of paper rediscounted aggregates \$6,839,674, having been received from member banks. Of these banks 48 are located in Pennsylvania (of which number 8 are in Philadelphia), 19 are located in New Jersey, and 3 in Delaware. The smallest amount of rediscounts included in any one application was \$253.75 and the largest amount \$500,000. The smallest note rediscounted was for \$33.05 and the largest note \$250,000. We have attempted to simplify the operation of rediscounting in every way possible, and all applications have been acted upon the same day that they were received. The total amount of bills discounted during any one month is shown in Appendix VII, on page 226, and the average rate of return during any month from rediscounts is shown in Appendix VIII, on page 226. The established rates of discount of this bank are given in Appendix X, on page 227.

Bills discounted bought.—This account consists of bankers' acceptances purchased by the bank for investment, this bank having been the first Federal Reserve Bank to buy bankers' acceptances, the initial purchase having been made on February 19, 1915. The acceptances which we have secured have been drawn to cover import and export transactions on such commodities as hides, wool, sugar, silk, coffee, copper, grain, rubber, wood pulp, cotton, etc., and we have had difficulty in securing as many of these acceptances as we should have liked. During the year this account has fluctuated from \$93,205 to \$3,008,680, the total amount of bankers' acceptances purchased being \$7,565,968.

Investments.—This account includes all warrants or bonds of municipalities owned. The amount of warrants which we are permitted to hold has been limited by the Federal Reserve Board to \$3,500,000, but the offerings of such investments have not been sufficient to enable us to have this amount at any one time.

Interest accrued on investments.—This account represents interest accrued on United States bonds since the date of the past payment of interest.

Redemption account.—All currency sent to the Comptroller of the Currency for redemption is charged to this account, to cover which remittances are made by the comptroller.

Organization expense.—This account includes all the expenses of the bank prior to the opening for business on November 16, 1914, and also our proportionate share of the expenses of the Federal Reserve Board from the time of its organization to June 30, 1915.

Advance payments.—This account includes payments made in advance for current operating expenses which should properly be distributed over a period of time, the accrued proportion being charged each month to the proper subaccount of "Current expense." Such payments include premiums on fidelity bonds, insurance, and protection charges, contract payments for mercantile agency services, subscriptions, etc.

Cost of Federal Reserve notes.—This account includes the cost of paper, printing, spoilage, and transportation of Federal Reserve notes printed for the bank since the opening on November 16, 1914, to December 31, 1915, less \$12,600, the estimated actual cost of the notes delivered to the bank, which has been deducted from "total earnings."

Due from member banks—Overdrafts.—This account represents amounts due from members of our check-collection system because of items in transit.

LIABILITIES.

Unearned discount.—This account represents the discount deducted from bills at the time of obtaining them. This account is charged daily with the amount of discount earned, the same being credited to "Discount."

Unearned interest.—This account represents interest accruing, to maturity, on warrants owned, the amount of which interest has been added to the principal of the warrants and charged to "Investments." "Unearned interest" account is charged daily with the amount of interest earned, the same being credited to "Interest earned on investments."

OTHER REMARKS CONCERNING THE OPERATIONS OF THE BANK.

PURCHASE OF UNITED STATES BONDS.

All of the bonds purchased by this bank have been 2 per cent consols; the price has averaged 98.66 per cent. The present market price of these bonds is about 99.6875 per cent, showing an appreciation of \$20,502.50. Our first holding of these bonds was acquired on June 25, 1915, but the majority were not purchased until November, 1915. While an investment in Government bonds was always possible and often considered by our board, there was a feeling on the part of some of the directors that the locking up of funds in such bonds was undesirable, because it curtailed the bank's power to serve the community in case of need, coupled with which was the knowledge that the bank might be required to buy during the coming year about \$2,500,000 of 2 per cent bonds from member banks.

In explanation of the recent purchase of Government bonds, it is only proper to say that it had developed that the bank has had no difficulty in keeping a large amount of Federal Reserve notes in circulation, and as the bank has the privilege of issuing notes against such bonds, it was felt that there was practically no danger of curtailing the loaning power of the bank by such purchases, as in case of necessity advantage could be taken of this privilege.

COLLECTION OF CHECKS.

A system for the collection of checks of member banks within this district, by this bank, was put into operation on June 15, 1915. It provided for the creation of an association of such of our member banks as voluntarily joined it, known as the check-collection system. Members of this system have the right to send to the Federal Reserve Bank, for immediate credit at par, all checks received by them on banks that have joined the system, which checks are to be charged to the accounts of the paying banks by the Federal Reserve Bank at par immediately upon their receipt.

Only 119 banks out of a total of 628 banks in the district are members of this system; consequently, its operations have been so restricted that the collection of checks has been but slightly facilitated, and it is felt that the plan will have to be modified. At present the correspondents of our member banks in Philadelphia, in consideration of the balances kept with them, will collect at par all the checks now going through the check-collecting system. It is believed, however, that when the reserve balances are concentrated in the Federal Reserve Bank, the reserve city banks will not be able to do this work without charge, and then our members will be glad to avail themselves of some such system for the collection of checks.

The matter of collection of checks on banks outside of the district has received much consideration from the officers of this bank in conjunction with officers of other Federal Reserve Banks, but, as has been announced, no plan for this service has yet been perfected.

The terms made by the country banks of this district for remitting for their checks vary from par to one-quarter of 1 per cent. Checks on all banks that are members

of the check-collection system are collected at par. From the best information available regarding the charges made by the other member banks, outside of Philadelphia, it appears that about 80 per cent of them charge one-tenth of 1 per cent; about 14 per cent charge one-eighth of 1 per cent; a very few one-fourth of 1 per cent; and a small number one-twentieth of 1 per cent. Many banks will remit at a lower rate than their established rates when the sum remitted exceeds a certain amount, say, \$2,500 or \$3,000.

The remittance rates noted above have prevailed with our banks for years, and with the exception of the banks that have joined the check-collection system, we can not discover that any appreciable reductions have been made in such rates since the clearing system of the Federal Reserve Bank went into effect.

WORK OF THE AUDITOR.

Each month the auditor verifies the bank's holdings of cash and securities, and makes a report in person to the board of directors concerning the condition of the bank. He witnesses all entries into those compartments of the vault used by the bank for keeping the larger portion of its reserves. He verifies all general ledger entries. The daily proof sheets of all the departments of the bank are delivered into his custody, which proof sheets he checks and verifies. He keeps the stock ledger of the bank, and audits all bills for supplies and other items.

The auditor also makes a monthly report to the Federal Reserve Board as to the holdings of the Federal Reserve Agent and the condition of his accounts. He witnesses all entries into the vaults occupied by the Federal Reserve Agent, and checks all entries on his books.

OPERATION OF THE OFFICE OF THE FEDERAL RESERVE AGENT.

As required by the Federal Reserve Act, a local office of the Federal Reserve Board has been maintained on the premises of the bank by the Federal Reserve Agent.

The statement of the accounts of the Federal Reserve Agent as of December 31, 1915, is as follows:

RESOURCES.

Federal Reserve notes on hand.....	\$2, 680, 000
Federal Reserve notes outstanding.....	9, 160, 000
Gold and lawful money to retire Federal Reserve notes:	
Gold on hand.....	4, 160, 000
Credit balance with Federal Reserve Board.....	5, 000, 000
Federal Reserve notes sent to Comptroller of Currency for cancellation and destruction.....	640, 000
	<u>21, 640, 000</u>

LIABILITIES.

Federal Reserve notes from Comptroller of Currency (gross amount)	12, 480, 000
Provision for redemption of Federal Reserve notes.....	9, 160, 000
	<u>21, 640, 000</u>

Attached to this office is a secretary and four assistants, whose principal functions are—

The maintenance for the bank of credit files, including the examination and paralleling of statements of condition, received from member banks.

Checking statements of conditions of member banks as to changes in capital stock or surplus of member banks, as such changes affect the capital of this bank.

Keeping the accounts of the Federal Reserve Agent and the preparation of the reports to the Board.

Collection of information for the preparation of the monthly reports to the Board on business conditions.

Preparation of various kinds of statistical and analytical reports and many other miscellaneous duties in connection with both the operation of this office and the operation of the bank.

All the provisions of the Federal Reserve Act have been carefully observed by the bank. There has been the closest cooperation between the Governor and the Federal Reserve Agent, who have together passed upon practically all paper offered for rediscount, all purchases of bills, warrants, and other investments that have been made, and have conferred upon all matters affecting the policy of the bank.

Federal Reserve notes to the amount of \$9,800,000 have been issued, of which \$640,000 have been returned in mutilated condition to the Comptroller of the Currency for destruction, leaving a balance of notes outstanding of \$9,160,000, all of which are covered by an equal amount of gold, either represented by United States Treasurer's gold certificates deposited with the Federal Reserve Agent, or deposited with the Federal Reserve Board for the credit of the Federal Reserve Agent.

As is well known, at no time since the bank was opened has there been any lack of currency in circulation. New notes, however, have been scarce, and recently the demand for notes of the denomination of ten and twenty dollars for pay-roll purposes has been great, and it is due to these causes that we have been able to circulate Federal Reserve notes. The demand for these notes keeps up and the increase in the circulation of Federal Reserve notes may continue until member banks are unable to part with any more gold with which to take them out. The gold deposited to cover these notes is so much gold withdrawn from the available reserves of national banks, and if the issue of these notes continues it will sooner or later have an effect on bank reserves. The gold deposited to redeem these notes increases the loaning power of the Federal Reserve Bank, and it is for the purpose of accumulating such a fund of gold that notes are issued.

Reference should be made to the cost of printing, issuing, and redemption of Federal Reserve notes, estimated to be about a cent a note, amounting in the aggregate to \$12,600 on the notes issued, which cost this bank has to bear. These notes are being substituted for and taking the place of notes that were issued and circulated at the expense of the United States.

Our operations in connection with the issue of Federal Reserve notes have been very much facilitated by the hearty cooperation of the officials of the Subtreasury at Philadelphia, where unissued Federal Reserve notes are kept, and we wish to express our appreciation of their services.

DIFFICULTIES ENCOUNTERED OR PROBLEMS PRESENTING THEMSELVES FOR SOLUTION IN THE ADMINISTRATION OF THE ACT OR THE BOARD'S REGULATIONS.

It was found that there was considerable misunderstanding as to the meaning of that part of circular No. 2 and regulation B, series of 1915, referring to obtaining written statements from borrowers. It appeared that a large number of our member banks were under the impression that no obligation was eligible for rediscount unless the maker had filed with his bank figures showing his financial condition. As many of the banks had not succeeded in obtaining statements from their depositors, they believed that the obligations of such depositors did not conform to the regulation determining eligible paper and so reported to us, notwithstanding that the bank officers were entirely familiar with the financial condition of these customers and felt justified in discounting their obligations. Considerable time has been spent in explaining this regulation and in indicating what paper is eligible for discount, but at the same time

effort has been made to show the advantage of securing written statements from borrowers and to have member banks adopt that practice.

It seems well to encourage member banks to conduct their business so as to be able to take advantage of their Federal Reserve Bank, and to that end the bank has been endeavoring to get them to so adjust their methods and practices that they may have on hand at all times a reasonable amount of paper eligible for rediscount. The latest reports to the Comptroller of the Currency indicate that our member banks now hold considerably more paper eligible for rediscount than formerly.

As is well known, there is a prejudice on the part of many member banks against rediscounting, but as the sound banking principles of the Federal Reserve Act are better understood, it is expected this prejudice will disappear.

We have observed an unfortunate misunderstanding by member banks of the result to them of the changes in the reserve requirements. Undue thought is given to the balance carried, without interest, in the Federal Reserve Bank, but no consideration is apparently given to the amount of reserves released and to the great reduction in reserve required on time deposits. It is hoped that proper consideration will be given to this matter, so that it will be realized that the changes in the reserve requirements actually result in benefit to the member banks.

LIST OF APPENDICES.

- I. By laws of the Federal Reserve Bank of Philadelphia.
- II. Table showing total resources of national banks, trust companies, and State banks in district No. 3.
- III. Classification of member banks in district No. 3 according to resources as of September 2, 1915.
- IV. Earnings, losses, and dividend rates in 1914 of the 628 member banks now in district No. 3.
- V. Comparison of important items in statements of member banks showing relative growth during the past year.
- VI. Table showing for each month the amount and denomination of Federal Reserve notes issued and destroyed.
- VII. Table showing for each month the amount of bills discounted for member banks, bills discounted bought, warrants bought, United States bonds bought, total funds invested, and the number of member banks accommodated.
- VIII. Table showing for each month daily average amount of bills discounted, investments, and total funds invested, with the average rate of return.
- IX. Maturities of the investments (exclusive of United States bonds) at the close of business on the last Friday of each month.
- X. Table of established rates of discount of the bank.
- XI. Table showing comparatively for several Federal Reserve Banks the proportion of invested funds to resources.
- XII. Table showing the results of the operation of the check collection system.

APPENDIX I.

BY-LAWS OF THE FEDERAL RESERVE BANK OF PHILADELPHIA.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second and fourth Thursday of each month at 10.30 o'clock a. m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors, chosen from classes A, B, or C; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon a vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof. Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. *Officers.*—The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The Governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The Deputy Governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The Secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The Cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall be open for business from 10 o'clock a. m. to 3 o'clock p. m. on each day except Sundays or days or parts of days established as legal holidays.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board or by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

APPENDIX II.

Table showing total resources of national banks, trust companies, and State banks in district No. 3.

	National banks.		Trust companies.		State banks.		Total resources.
	Number.	Resources.	Number.	Resources.	Number.	Resources.	
Delaware.....	24	\$15,277,895	17	\$18,690,651	5	\$3,804,488	\$37,763,034
New Jersey.....	70	81,811,107	29	43,388,848	8	9,167,935	134,367,890
Pennsylvania....	533	958,018,688	179	516,291,128	117	103,865,932	1,578,175,748
Total.....	¹ 627	1,055,107,690	225	578,360,627	130	116,838,355	1,750,306,672

¹ As of September, 1915.

Summary.

	Number financial institutions.	Total resources.
National banks.....	627	\$1,055,107,690
Trust companies.....	225	578,360,627
State banks.....	130	116,838,355
Total.....	982	1,750,306,672

APPENDIX III.

Classification of member banks in district No. 3 according to resources as of September 2, 1915.

	Number.
Banks with resources under \$100,000.....	2
Banks with resources of \$100,000 to \$200,000.....	53
Banks with resources of \$200,000 to \$300,000.....	69
Banks with resources of \$300,000 to \$500,000.....	119
Banks with resources of \$500,000 to \$2,500,000.....	312
Banks with resources of \$2,500,000 to \$20,000,000.....	64
Banks with resources over \$20,000,000.....	8
Total.....	627

APPENDIX IV.

Earnings, losses, and dividend rates in 1914 of the 628 member banks now in district No. 3.

	Classification of banks according to capital and surplus.						Cross totals.
	Under \$200,000	\$200,000 to \$500,000.	\$500,000 to \$1,000,000.	\$1,000,000 to \$1,500,000.	\$1,500,000 to \$3,000,000.	\$3,000,000 to \$9,000,000.	
Amount of earnings.....	\$2,355,000	\$2,644,684	\$1,788,156	\$825,709	\$1,045,477	\$2,364,679	\$11,023,705
Amount of losses:							
Through bad debts, etc....	649,229	838,537	548,381	236,175	217,638	1,940,966	4,430,926
Net loss before payment of dividends.....	51,450	48,390	24,792	.....	.....	282,763	407,395
Number of banks paying following dividends:							
2 per cent.	6	0	0	0	0	0	6
2½ per cent.	2	0	0	0	0	0	2
3 per cent.	8	1	0	0	0	0	9
4 per cent.	30	0	1	0	0	0	31
4½ per cent.	3	0	0	0	0	0	3
5 per cent.	27	4	0	0	0	0	31
5½ per cent.	5	0	0	0	0	0	5
6 per cent.	105	13	7	1	0	0	126
6½ per cent.	1	0	0	0	0	0	1
7 per cent.	9	3	1	0	0	1	14
7½ per cent.	1	0	0	0	0	0	1
8 per cent.	58	28	7	0	3	0	96
8½ per cent.	0	1	0	0	0	0	1
9 per cent.	4	3	0	0	0	0	7
9½ per cent.	1	0	0	0	0	0	1
10 per cent.	36	36	9	2	0	1	84
11 per cent.	1	0	0	0	0	0	1
12 per cent.	22	20	11	4	2	1	60
12½ per cent.	1	1	0	0	0	0	2
13 per cent.	0	0	0	1	0	0	1
14 per cent.	1	7	5	0	1	1	15
15 per cent.	3	4	2	0	0	0	9
16 per cent.	6	8	1	2	0	4	21
18 per cent.	0	3	0	0	0	0	3
19 per cent.	0	1	0	0	0	0	1
20 per cent.	2	7	0	3	0	0	12
22 per cent.	0	0	1	0	0	0	1
24 per cent.	0	1	1	0	0	0	2
25 per cent.	0	1	0	0	0	0	1
28 per cent.	0	0	1	0	1	0	2
30 per cent.	1	1	0	0	0	0	2
40 per cent.	0	0	1	0	0	0	1
							552
Number of banks not reporting any dividend...	71	3	2	0	0	0	76
Total number of banks....	404	146	50	13	7	8	628

APPENDIX V.

Comparison of important items in statements of member banks, showing relative growth during the past year.

	Statement of condition.		Increase.	Decrease.
	Dec. 31, 1914.	Sept. 2, 1915.		
Total resources.....	\$979,760,179	\$1,055,107,691	\$75,347,511	.....
Loans and discounts.....	513,371,368	527,798,584	14,427,216	.....
United States bonds.....	61,247,659	61,438,269	190,610	.....
Other bonds and securities.....	173,742,289	198,582,225	24,839,936	.....
Deposits (including due to reserve agents and other banks).....	717,606,782	790,464,311	72,857,529	.....
Due from Federal Reserve Bank.....	15,320,943	19,442,560	4,121,617	.....
Lawful money reserve in bank.....	50,888,165	48,299,070	.....	\$2,589,095
Rediscunts and bills payable.....	5,128,975	3,525,367	.....	1,603,608
National-bank notes outstanding.....	60,071,279	58,278,134	.....	1,793,145
Letters of credit and acceptances.....	(1)	6,107,283	.....	.....
Excess reserves.....	(1)	76,836,182	.....	.....

¹ Not shown.

NOTE.—The figures as of Dec. 31, 1914, are for the 627 banks which were in the district on Sept. 2, 1915.

APPENDIX VI.

Table showing for each month the amount and denomination of Federal Reserve notes issued and destroyed.

Month.	Denominations issued—			Total amount issued.	Total amount returned to comp- troller for destruc- tion.
	5's.	10's.	20's.		
1914.					
November.....	\$500,000	\$240,000	.....	\$740,000	.....
December.....	.....	.....	.....	.....	.....
1915.					
January.....	.....	.....	.....	.....	.....
February.....	.....	.....	.....	.....	.....
March.....	.....	.....	.....	.....	\$20,000
April.....	.....	.....	.....	.....	40,000
May.....	620,000	360,000	.....	980,000	20,000
June.....	560,000	240,000	.....	800,000	40,000
July.....	420,000	160,000	.....	580,000	50,000
August.....	520,000	200,000	.....	720,000	40,000
September.....	480,000	640,000	400,000	1,520,000	100,000
October.....	.....	720,000	480,000	1,200,000	70,000
November.....	320,000	920,000	720,000	1,960,000	160,000
December.....	420,000	400,000	480,000	1,300,000	100,000
Total.....	3,840,000	3,880,000	2,080,000	9,800,000	640,000

APPENDIX VII.

Table showing for each month the amount of bills discounted for member banks, bills discounted bought, warrants bought, United States bonds bought, total funds invested, and the number of member banks accommodated.

Month.	Bills discounted.		Investments.		Total funds invested.	Number of member banks accommodated.			
	Members.	Bought.	Warrants.	United States bonds.		Pennsylvania.	New Jersey.	Delaware.	Total.
1914.									
November.....	\$920,200	-----	-----	-----	\$920,200	6	-----	1	7
December.....	782,391	-----	-----	-----	782,391	7	5	1	13
1915.									
January.....	277,792	-----	\$1,520,000	-----	1,797,792	8	3	1	12
February.....	527,323	\$339,077	49,061	-----	915,461	12	9	1	22
March.....	1,041,352	857,493	458,000	-----	2,356,845	15	9	1	25
April.....	288,534	436,745	243,125	-----	968,404	13	11	1	25
May.....	368,088	170,553	643,500	-----	1,182,141	18	11	1	30
June.....	454,763	549,625	321,500	\$200,000	1,525,888	18	14	2	34
July.....	483,130	800,894	649,695	150,000	2,083,719	23	10	1	34
August.....	788,028	328,073	1,001,013	-----	2,117,114	14	2	-----	16
September.....	337,645	994,388	724,881	-----	2,056,914	12	2	-----	14
October.....	296,218	429,901	217,998	154,000	1,098,117	6	4	1	11
November.....	156,665	709,404	684,099	1,496,000	3,046,168	11	3	2	16
December.....	117,545	1,949,816	881,278	-----	2,948,639	12	1	-----	13
Total.....	6,839,674	7,565,969	7,394,150	2,000,000	23,799,793	48	19	3	170

¹65 different member banks were accommodated during the calendar year 1915; 43 in Pennsylvania, 19 in New Jersey, and 3 in Delaware.

APPENDIX VIII.

Table showing for each month daily average amount of bills discounted, investments, and total funds invested, with the average rate of return.

Month.	Bills discounted.	Average rate.	Investments.	Average rate.	Total funds invested.	Average rate.
1914.		<i>Per cent.</i>		<i>Per cent.</i>		<i>Per cent.</i>
November.....	\$727,400	0.0550	-----	-----	\$727,400	0.0550
December.....	491,570	.0571	-----	-----	491,570	.0571
1915.						
January.....	430,351	.0519	\$1,039,338	0.0336	1,469,689	.0389
February.....	461,207	.0451	1,565,193	.0318	2,026,400	.0348
March.....	1,712,059	.0332	1,894,029	.0300	3,606,088	.0315
April.....	2,137,066	.0309	2,030,616	.0308	4,167,682	.0308
May.....	1,682,393	.0307	2,439,399	.0298	4,121,792	.0302
June.....	1,573,537	.0318	1,459,467	.0302	3,033,004	.0311
July.....	1,940,250	.0296	1,842,747	.0272	3,782,997	.0286
August.....	2,048,302	.0280	2,446,796	.0272	4,495,098	.0276
September.....	2,033,714	.0280	3,149,970	.0264	5,183,684	.0251
October.....	1,751,409	.0254	3,380,925	.0252	5,132,334	.0253
November.....	1,964,910	.0248	4,449,079	.0234	6,413,989	.0238
December.....	2,903,649	.0220	3,805,942	.0220	6,709,591	.0220

APPENDIX IX.

Maturities of the investments (exclusive of United States bonds) at the close of business on the last Friday of each month.

MATURITY.

Last Friday of—	1 to 10 days.	11 to 30 days.	31 to 60 days.	61 to 90 days.	91 days to 6 months.	Monthly total.
1914.						
November.....		\$880,000				\$880,000
December.....		684,713	\$55,231	\$44,925	\$655	785,524
1915.						
January.....		189,698	92,062	137,712	1,422,186	1,841,658
February.....		230,449	295,297	191,137	1,359,580	2,076,463
March.....		817,263	1,082,513	1,990,168	129,619	4,019,563
April.....		1,157,819	2,210,735	580,016	284,980	4,233,550
May.....		2,299,807	782,511	273,071	842,387	4,197,776
June.....		631,968	709,499	527,174	1,050,500	2,919,141
July.....	\$204,228	411,355	1,425,263	861,350	949,195	3,851,391
August.....	493,039	855,392	1,362,544	730,136	1,346,323	4,787,434
September.....	925,166	634,211	456,853	2,644,926	532,161	5,193,317
October.....	246,850	697,289	2,832,151	461,911	357,015	4,589,216
November.....	1,540,639	984,836	1,467,739	774,644	135,357	4,903,215
December.....	210,948	695,635	2,064,372	962,597	319,385	4,252,937

APPENDIX X.

Table of established rates of discount of the bank.

Class of rediscounts.	Date of change.						
	Nov. 16, 1914.	Dec. 16, 1914.	Dec. 28, 1914.	Jan. 28, 1915.	June 25, 1915.	Sept. 23, 1915.	Oct. 14, 1915.
Commercial paper:							
1 to 10 days' maturity.....	5½	5	4½	4	3	3	3
11 to 30 days' maturity.....	5½	5	4½	4	4	4	4
31 to 60 days' maturity.....	6	5½	5	4	4	4	4
61 to 90 days' maturity.....	6	6	5	4½	4½	4	4
Agricultural and live stock paper: 91 days to 6 months' maturity.....	6	6	6	5	5	5	4½
Trade acceptances:							
1 to 10 days' maturity.....						3	3
11 to 60 days' maturity.....						3	3
61 to 90 days' maturity.....						3	3
Commodity paper:							
1 to 30 days' maturity.....						3	3
31 to 60 days' maturity.....						3	3
61 to 90 days' maturity.....						3	3

Authorized rate for discount of bankers' acceptances, 2 to 4 per cent.

APPENDIX XI.

Table showing comparatively for several Federal Reserve Banks the proportion of invested funds to resources.

[In thousands of dollars.]

Statement.	Philadelphia.			New York.			Boston.		
	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.
1914.									
Nov. 27.....	\$20,774	\$880	4.2	\$110,331	\$2,715	2.4	\$16,028	\$217	1.1
Dec. 31.....	21,501	786	3.6	104,885	329	.3	14,076	154	1.0
1915.									
Jan. 29.....	24,407	1,842	7.5	120,949	6,275	5.2	19,257	733	3.8
Feb. 26.....	23,881	2,076	8.7	132,734	9,133	6.8	19,039	934	4.9
Mar. 26.....	23,685	4,019	16.9	132,133	12,336	9.3	20,005	2,098	10.4
Apr. 30.....	25,908	4,233	16.3	140,458	14,257	10.1	21,866	4,112	18.8
May 28.....	26,441	4,198	15.8	141,286	13,192	9.3	23,123	4,565	19.7
June 25.....	26,841	3,113	11.6	163,118	8,417	5.1	24,100	4,565	18.9
July 30.....	23,108	4,191	18.1	159,252	11,812	7.4	24,023	5,023	21.3
Aug. 27.....	23,292	5,128	22.0	165,062	17,313	10.5	25,270	6,676	26.4
Sept. 24.....	23,352	5,533	23.7	173,920	14,725	8.5	25,934	6,837	26.4
Oct. 29.....	24,200	5,081	21.0	190,304	13,673	7.2	27,770	7,092	25.5
Nov. 27.....	29,690	6,876	23.1	214,825	16,044	7.4	32,988	9,702	29.4
Dec. 30.....	29,454	6,226	21.1	209,753	10,221	4.8	32,267	10,755	33.3

Statement.	Cleveland.			Chicago.			Richmond.		
	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.	Total re-sources.	Invest-ments.	Per cent.
1914.									
Nov. 27.....									
Dec. 31.....	\$19,515	\$506	2.6	\$42,409	\$2,822	6.6	\$11,035	\$2,022	18.3
1915.									
Jan. 29.....	20,029	1,245	6.2	44,897	4,173	9.2	12,647	3,720	29.4
Feb. 26.....	21,256	1,692	7.9	47,575	5,586	11.7	14,492	5,587	38.5
Mar. 26.....	21,051	3,198	15.1	47,602	8,051	16.9	15,473	6,622	42.7
Apr. 30.....	21,737	3,914	18.0	48,258	8,754	18.1	15,433	6,944	44.9
May 28.....	23,039	3,673	15.9	51,541	8,505	16.5	16,129	7,413	45.9
June 25.....	22,928	2,989	13.0	54,604	6,902	12.6	16,410	7,379	44.9
July 30.....	23,081	3,215	13.0	52,037	7,690	14.5	17,156	8,361	48.6
Aug. 27.....	23,390	4,179	17.9	54,648	9,823	18.0	18,115	8,652	47.8
Sept. 24.....	23,250	3,885	16.7	59,279	9,766	16.5	22,326	8,504	38.1
Oct. 29.....	23,467	5,715	24.3	55,455	10,685	19.3	21,137	6,914	32.7
Nov. 27.....	30,416	5,937	19.5	59,035	10,940	18.5	24,586	7,106	28.9
Dec. 30.....	31,149	6,546	21.0	60,363	11,495	19.0	24,499	7,739	31.5

¹ Exclusive of an item of \$5,600,000, which was cleared on the following day.

APPENDIX XII.

Table showing the results of the operation of the check-collection system.

Number of member banks in the collection system Dec. 31, 1915.....	119
Number of additions since the inauguration of the system.....	10
Number of withdrawals since the inauguration of the system.....	10

Month.	Average number and amount of items received daily.							
	On city banks.		On country banks.		On other Federal Reserve Banks.		Cross totals.	
	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.	Num-ber.	Amount.
1915.								
July.....	754	\$879,407	4,388	\$318,973	37	\$755,015	5,179	\$1,953,395
August.....	630	958,474	4,150	298,817	43	794,006	4,823	2,052,197
September.....	859	1,082,466	4,014	310,044	50	1,196,780	4,923	2,589,290
October.....	834	1,169,971	4,415	358,090	60	1,407,372	5,309	2,935,433
November.....	1,002	2,070,382	4,634	395,675	86	1,914,964	5,722	4,381,021
December.....	1,149	2,303,422	4,826	429,960	90	1,985,924	6,065	4,719,306
Average per month..	871	1,410,687	4,405	351,927	61	1,342,494	5,337	3,105,107

Total amount of credit side of "due to" accounts with other Federal Reserve Banks, showing total amount received and credited to other Federal Reserve Banks for the year ending Dec. 31, 1915: Total mail received for credit, \$175,297,108.

Total amount of debit side of "due from" accounts with other Federal Reserve Banks, showing total amount sent out and charged to other Federal Reserve Banks for the year ending Dec. 31, 1915: Total mail sent out for our credit, \$288,971,935.

DISTRICT NO. 4—CLEVELAND.

D. C. WILLS, Chairman and Federal Reserve Agent.

ANNUAL REPORT FOR 1915 OF THE FEDERAL RESERVE BANK OF CLEVELAND.

A sound basis has been established for the successful administration of the Federal reserve system in the fourth district. The officers and directors of the Federal Reserve Bank of Cleveland have devoted themselves with zest to their task, with full appreciation of a great opportunity and stimulated by the many absorbing problems of the first year. In the retrospect the year appears to have been well spent in laying safe foundations for future usefulness, as well as rendering welcome service whenever any opportunity for such service has been developed.

ORGANIZATION.

Upon the announcement of the date upon which the bank was to begin operations the directors of the Federal Reserve Bank of Cleveland devoted themselves, through frequent meetings, to the task of getting together the nucleus of an organization and securing suitable quarters. We were fortunate in obtaining comparatively inexpensive yet adequate quarters in a building located on the most prominent corner in Cleveland, with favorable arrangements for such expansion as might prove necessary. One of the chief advantages of the space that was secured is a modern vault—one of the strongest in the State of Ohio.

Attention was naturally first directed to securing a capable force to handle the large amounts of cash to be received for initial capital payments and reserve deposits. Cleveland and Pittsburgh banks generously loaned the services of a number of men, with whose assistance the small initial staff which the bank had secured was able to count, assort, and store this cash without loss or error.

The opening took on almost the character of a celebration, and the attendance was largely stimulated by the action of a Cleveland member bank which invited the officers of every member bank in the district to attend a luncheon on the opening day.

Following the opening the officers and directors proceeded with the organization until a staff of 30 employees had been assembled. Considering the haste which was necessary in its selection, surprisingly few changes have been necessary in the staff, which consists at present, in addition to the governor and chairman, of a secretary-cashier, one assistant cashier, an assistant to the Federal Reserve Agent, a general administrative assistant, an auditor, a chief accountant, a loan and discount clerk, a chief teller, and 20 other employees, including bookkeepers, tellers, transit clerks, stenographers, vault custodian, guard, etc.

The by-laws adopted by the directors followed the usual form of such instruments, being especially drafted with the aim of centering the responsibility of operating the bank on the executive committee and the officers. An executive committee of five members was decided upon, and rotation is observed in appointments to that committee, all directors, of whatever class, being eligible. With this arrangement it was considered unnecessary to provide for regular meetings of the entire board of directors more frequently than once a month. The executive committee adopted the

rule of a regular weekly meeting, and the personnel of the committee is so arranged that a quorum is always quickly available to pass on discounts. The personnel of the first board of directors of the Federal Reserve Bank of Cleveland has truly represented the three classes, viz, the member banks, the business interests of the district, and the Federal Reserve Board; and the plan has so far worked to good advantage.

BUSINESS CONDITIONS DURING THE YEAR.

The fourth Federal reserve district is largely self-contained, with only slight seasonal demand for crop movements, with large industries possessed of ample working capital for most ordinary requirements, with municipalities only beginning to finance current needs by short-time borrowings, and whose considerable volume of export and import business has hitherto been conducted through banks in New York and other seaboard cities.

In a district whose most noteworthy industry is the production of steel and its products of machinery, etc., the country-wide depression at the time of the opening of the bank and for some months thereafter was particularly marked. The least active season of many years for the traffic of the Great Lakes was just closing; the coal trade was suffering, not only from general depression but also from local labor difficulties; and practically all of the many diversified industries of the district were at low ebb. Most of the crops of the district had been marketed, except tobacco, in which the situation was far from normal; some of the movement of live stock had been held up by the quarantine due to the foot-and-mouth disease; and these were the only pressing needs reflected in the early discounts of the bank.

The amount of the Aldrich-Vreeland currency in the district was at its height, being then at about twenty-eight millions. The retirement of this currency began and continued without disturbance, and even the withdrawal from circulation of this large amount produced a very small demand for the funds of the Federal Reserve Bank, reflecting the unusual and increasing ease in the money market.

The spring and summer months did not develop any new demand for funds. The slightly increased demand in the fall in portions of the district where agriculture is the principal industry absorbed only a part of the uninvested funds of the banks in most such localities.

This district has had a very large share in the recent business revival, but much of the new business has been financed outside the district, and in many cases has brought actual cash from outside markets with the orders. The liquidated condition of our manufacturers and merchants has further minimized their credit needs, and their limited requirements have only partially absorbed the large excess of loanable funds in our member banks. This situation has recently been intensified by the sale of some large manufacturing enterprises to eastern corporations—a transfer which has brought into the district a very considerable volume of outside funds.

INFLUENCE OF THE BANK ON BUSINESS AND BANKING.

Of course in all of these situations the existence of the Federal Reserve Bank has certainly created or strengthened a feeling of confidence among the member banks, as well as State banks—in fact in all credit agencies. Beyond question the fact that the bank was established and equipped for service was a safeguard against such extremes of caution and fear as would otherwise have been inevitable in such a period of uncertainty and disturbed conditions abroad. Still more important, however, is the fact that the member banks are rapidly becoming fully alive to the possibilities opened to them by the Federal reserve system as the most powerful influence for better banking which has ever presented itself in this country. At the outset, many of our member banks were plainly in the attitude of waiting to see what the system would do for them without action on their part. As the system becomes better understood, they are appreciating the fact that it is chiefly valuable as presenting to

them opportunities to improve their own situation and the condition and methods of their own customers. Our member banks now have a greater proportion of their assets in liquid loans than ever before, and this is evidence that the Federal reserve system has already performed an invaluable and momentous service, which does not show itself in the earnings of the bank. That this service has been rendered in district No. 4 is evidenced by the following comparison of paper eligible for rediscount with the Federal Reserve Bank reported by member banks in the called statements of December 31, 1914, and November 10, 1915.

Eligible paper reported.

Dec. 31, 1914.....	\$105,601,500
Nov. 10, 1915.....	127,628,700
Increase (about 21 per cent).....	22,027,200

The total demand deposits of the member banks of this district on November 10, as reported to the comptroller, were approximately \$712,000,000. This \$127,600,000 of rediscountable paper, therefore, means an addition to the immediately convertible assets of our member banks of 18 per cent of their deposits subject to call.

EARNINGS AND EXPENSES.

Although there has been so little occasion for employing the funds of the Federal Reserve Bank of Cleveland in any of the channels permitted under the Federal Reserve Act and the regulations of the Federal Reserve Board, nevertheless the revenues already earned, with earnings accruing from early maturities, will be more than sufficient to cover the current expenses for the first year of operation. The expenses of this bank have been less in proportion to the amount of its capital than those of any other Federal Reserve Bank, with the exception of one which has been able to avail itself of the services of a subtreasury located in the same city.

On May 17, the first day on which the 50 per cent of our capital stock was fully paid, the bank had less than 57 per cent of its paid-in capital in revenue-producing assets. On December 31 this ratio had risen to 110 per cent. The following table shows the salient features of the operations of the bank for the year:

Funds invested and earnings.

	Total loans, etc.	Total revenue.	Average rate (1915).
Bills discounted members:			
1914 (1½ months).....	\$675,268.10		
1915.....	4,526,036.52		
	\$5,201,304.62	\$34,100.51	4.52
Bills discounted—bought:			
Acceptances of nonmember banks.....	2,472,876.78		
Acceptances of member banks.....	489,897.12		
	2,962,773.90	13,303.69	2.22
Investments—Warrants, etc.:			
Cities.....	6,414,160.81		
Townships.....	36,587.50		
Counties.....	249,916.97		
States.....	104,302.42		
	6,804,967.70	72,818.63	2.93
United States Government bonds:			
Twos of 1930.....	400,000.00		
Threes of 1918.....	1,187,000.00		
Fours of 1925.....	770,000.00		
	2,357,000.00	15,515.86	2.50
Total.....	17,325,167.46	135,738.69	3.01
Sundry profits.....		823.88	
Total revenues.....		136,562.57	

¹ Of these revenues, \$21,337.34 has not accrued.

Expenses.

Organization:	
Our proportion expenses Federal Reserve Board.....	\$21,511.14
Federal Reserve Bank of Cleveland.....	15,866.42
Furniture and equipment (includes vault equipment, \$9,539.80).....	20,187.08
Total.....	57,564.64

	Amount.	Average per month.
Current:		
Our proportion expense Federal Reserve Board from June 30, 1915.....	\$11,900.60	\$1,983.43
Cost of Federal Reserve notes—issued.....	9,014.25	667.72
Federal Reserve Bank of Cleveland.....	112,707.30	8,348.69
Total.....	133,622.15	10,999.84

Membership.

Number of member banks Nov. 16, 1914.....	762
New banks organized.....	3
State bank admitted.....	1
Transferred from district No. 5.....	5
	<hr/> 771
Closed by Comptroller of the Currency.....	4
Liquidated.....	5
	<hr/> 9
Number member banks Jan. 1, 1916.....	762
Distribution:	
In reserve cities.....	45
In other than reserve cities.....	717
	<hr/> 762
Distribution according to assets:	
Under \$100,000 assets.....	3
\$100,000 to \$200,000.....	69
\$200,000 to \$300,000.....	101
\$300,000 to \$500,000.....	147
\$500,000 to \$2,500,000.....	357
\$2,500,000 to \$20,000,000.....	75
Over \$20,000,000.....	10
	<hr/> 762

REDISCOUNT POLICY.

In fixing rediscount rates, the directors of the Federal Reserve Bank of Cleveland have recognized that serious evils can follow a rate that is too low, as well as a rate that is too high, and that the desire to obtain business is not the only consideration, nor should it be the ruling consideration of a Federal Reserve Bank, whose function should properly be regulatory of general money rates. The rates established during the early months of the operation of the bank were properly somewhat lower than those hitherto offered by some of the largest city banks in this district. These rates did not, however, produce a large volume of rediscounts in the Federal Reserve Bank, but decreased the charges of some banks which, in rediscounting for or lending to their country correspondents, met our rates. It was not to be expected that all of such rediscounts should immediately be transferred from member banks to the Federal Reserve Bank, and our directors have felt that it would be improper, even aside from the consideration of country-wide welfare, to reduce the rates to such a point as would produce keen criticism and antagonism on the part of some member

banks, without either appreciably increasing the earnings of the Federal Reserve Bank or promoting the best interests of the borrowing public. With the exception of the very justifiable special rates for trade acceptances and exceedingly short-time loans, therefore, our lowest rate has remained at 4 per cent for paper maturing within 60 days, 4½ per cent for paper maturing within 90 days, and 5 per cent for agricultural and live-stock paper maturing within six months.

The bank has had 395 discount transactions with 88 member banks, these transactions being distributed as follows:

	1914.		1915.	
	Number banks.	Amount discounted.	Number banks.	Amount discounted.
Kentucky.....	3	\$268,095.29	16	\$1,156,483.87
Ohio.....	10	177,026.53	38	1,918,171.91
Pennsylvania.....	4	230,146.28	25	1,419,775.66
West Virginia.....			2	31,605.08
Total.....	17	675,268.10	81	4,526,036.52

At the time of rediscounting the maturities of the paper handled were distributed as follows: Thirty days, 27 per cent; 60 days, 44 per cent; ninety days, 22 per cent; beyond 90 days, 7 per cent.

From the called statements of November 10 the following data of the borrowings of member banks in this district have been compiled:

	Bills payable.	Rediscounts.	Total.
With banks outside of district.....	\$1,026,825	\$320,695	\$1,347,520
With other banks in district.....	2,180,362	644,178	2,824,540
With Federal Reserve Bank.....		540,161	540,161
Total.....	3,207,187	1,505,034	4,712,221
Per cent with Federal Reserve Bank.....		35.9	11.5
Per cent of rediscounts in district with Federal Reserve Bank.....		45.6	

FEDERAL RESERVE NOTE ISSUES.

The bank has readily and willingly lent itself to the service of impounding gold through the issuing of Federal Reserve notes, for which dollar for dollar in gold has been retired into the vaults of the Federal Reserve Agent. The quick withdrawal of the Aldrich-Vreeland emergency currency naturally necessitated the substitution of Federal Reserve notes in part, and the demand for currency in pay-roll denominations has been met. The bank has outstanding at the close of the year \$11,000,000 of Federal Reserve notes.

OPEN-MARKET POLICY.

The Federal Reserve Bank of Cleveland has confined its dealings in open-market transactions to the purchase of bankers' acceptances based on the importation and exportation of goods, which have been shared with us by Federal Reserve Banks on the seaboard, and the purchase of warrants of municipalities and other political subdivisions. No other paper has been purchased without the indorsement of a member bank. Our board of directors has been actuated by the conviction that in such an easy money market this bank should guard against the effect which might be produced by undue eagerness to invest the funds of the Federal Reserve Banks at very low rates through open-market transactions.

COLLECTION FACILITIES.

Our directors have shared with the officers of the bank the desire to extend the clearing-house functions as rapidly as is consistent with sound practice and justice to the member banks. At no time has it been felt, however, that it would be proper to attempt to force upon member banks the obligations of immediate credit and debit at the Federal Reserve Bank, and, in common with most of the other Federal Reserve Banks, we have made membership in the collection system purely voluntary, pending the determination of the rights and duties of member banks under the act. Through the operation of the gold settlement fund at Washington our directors have felt warranted in extending to "assenting banks" the privilege of transferring excess balances to the principal centers by request to this bank, as well as the privilege of remitting to this bank their drafts on correspondents in those centers to restore depleted reserve balances.

While there have been instances of banks not members of our collection system which have discontinued the assessment of collection charges, there has been no general movement in that direction. None of the clearing houses in this district have any rules governing collection charges, and therefore the amount of the exchange or collection charge is a matter of arrangement between the individual banks. The rate ranges from one-twentieth to one-eighth of 1 per cent.

The following table will show the progress and operation of the intradistrict clearing system to date:

Transit operations, daily average.

Month.	Amount.	Number of items.	From reserve cities.	From all other banks, including Federal reserve cities.	To reserve cities.	To all other banks, including Federal reserve cities.
June.....	\$349,995	810	(¹)	(¹)	(¹)	(¹)
July.....	736,501	1,644	(¹)	(¹)	(¹)	(¹)
August.....	606,900	1,635	1,381	254	363	1,273
September.....	701,344	1,756	1,494	262	548	1,208
October.....	826,272	1,885	1,601	284	407	1,478
November.....	1,318,904	1,980	1,677	303	453	1,526
December.....	918,985	2,028	1,748	286	435	1,593

¹ No record.

Members intradistrict collection system.

Date.	Total.	Banks in reserve cities.	Banks in other cities.
June, 1915.....	118	39	79
December, 1915.....	118	38	80

OFFICIAL RELATIONS.

In the division of work between the governor of the bank and the chairman of the board, the chairman has, of course, undertaken as Federal Reserve Agent the confidential custody of the called statements of member banks, has assumed supervision of increases and decreases in subscribed capital stock, has supervised the work of the auditor, has kept in close touch with conditions in the district through correspondence and otherwise, and has given some attention to the matter of publicity; and, being continuously a member of the executive committee, has been glad to assist the governor in some of the features of the operation of the bank, especially with relation to the investment of its funds. A spirit of cordial cooperation has prevailed between the two offices.

The directors have not felt that the operations of the bank have for the present required the election of a deputy governor, and this fact has, of course, placed some added responsibilities on the other officers.

The deputy Federal Reserve Agent in the Federal Reserve Bank of Cleveland is not active, and has been called upon as deputy chairman only to preside at meetings of the board of directors in the absence of the chairman.

An exceedingly satisfactory spirit of cooperation has been established between the officers of the bank and the chief examiner of the district, and good results have already been obtained through this cooperation.

STATE BANKS.

The advantages of membership in the system have been steadily impressed upon representative State banks, and several important institutions are known to be very seriously considering membership; one application for membership has been acted upon favorably by the Federal Reserve Board as this report goes forward and the Guardian Trust and Savings Bank of Toledo is the first State bank member in District No. 4. The standard of State examinations is such that additional examination in connection with applications is not at present contemplated. It is believed that many of the State banks will in time come to realize that some moral obligation rests upon them to assume their share in the development of the system to its utmost possibilities.

RELATIONS WITH MEMBER BANKS.

The bank is slowly, but we believe surely, gaining the confidence of its stockholders, the member banks of the district. There has been very little evidence of any hostility on the part of any member or nonmember banks, and it is my judgment, in which I am confirmed by a number of the ablest bankers of the district, that the influence of the system in facilitating better banking, better credit, and better business generally, has already been very marked and has been properly valued, and that a sure foundation has been laid for further progress. For example, the growth of the trade acceptance system seems assured; more and more business men and borrowers of all classes are realizing the importance of sure knowledge of their own financial condition and the sharing of that knowledge by their bank; more and more banks are realizing that it is no longer necessary or desirable to curtail loans to their customers when such loans are clearly warranted; and the lesson is being rapidly learned that the Federal reserve system is a safe bulwark against all purely money stringencies except those that result from improper transactions, and that the system offers the best incentive and the best opportunity for the improvement of banking practice and banking methods.

FIDUCIARY POWERS.

In acting on applications for fiduciary powers, our directors took the ground that no recommendation should be made for permission to exercise any powers other than those which are definitely granted by the State laws; but this has been modified under the regulations of the Federal Reserve Board to the extent of an assumption that a power not definitely prohibited by a State law might be presumed to be permitted. The following fiduciary powers have been granted to member banks in this district on the recommendation of this bank:

Powers.	Ohio.	Pennsylvania.	Kentucky.
Trustee only.....	2	1	0
Registrar of stocks and bonds only.....	1	0	0
Trustee and registrar of stocks and bonds.....	6	0	0
Trustee, executor, administrator, and registrar of stocks and bonds.....	0	2	1
	9	3	1

ELECTION METHOD.

In view of the fact that the method of representation provided for in the three classes of directors has so far worked well in the case of the Federal Reserve Bank of Cleveland, no pressing necessity is apparent for a change in the eligibility qualifications of directors. It is plainly apparent, however, that the method of grouping the banks into three classes according to their capital and surplus is ineffective and has not brought about the intended result. It is my judgment that if this method of grouping were abolished and the banks were all to act together in elections, the smaller banks would be likely to be even more adequately represented on the directorates of the Federal Reserve Banks than they are at present. The difficulty with the present method is in obtaining intelligent cooperation among the classes of banks which are supposed to have a community of interest, but which actually do not and can not have such a community of interest in the widely scattered localities throughout the districts.

The advantages and disadvantages of the preferential ballot are by this time, perhaps, sufficiently understood. If this method, whose advantages may be sufficient to warrant its retention, is to be retained, I think it is essential that the method of nomination should be changed, at least to the extent of providing that in order to be placed upon the ticket a nominee must receive the indorsement of a considerable number of banks.

COOPERATION WITH OTHER FEDERAL RESERVE BANKS.

A distinct spirit of cooperation between the 12 Federal Reserve Banks has been developed, not only by the policy of the Federal Reserve Board, but also through the conferences of the governors and the Federal Reserve Agents, the executive committees of those conferences, and the joint executive committees of both of them.

DIFFICULTIES IN ADMINISTRATION OF FEDERAL RESERVE ACT.

Such difficulties as have been encountered in the administration of the Federal Reserve Act are certainly no more than were to have been anticipated in the working out of any new establishment of such size and moment, created by a single piece of legislation. While the first year's operation has demonstrated the essential soundness of the principles on which the Act was founded and the essential wisdom of the Act itself in practically every important particular, yet it has become apparent, of course, that some of the details must be more clearly enunciated through amendments; and perhaps some minor changes will be sooner or later desirable.

DIFFICULTIES WITH REGULATIONS.

It would be folly to claim that no difficulty has been encountered in the interpretation and operation of the regulations of the Federal Reserve Board. There is no doubt that the Federal Reserve Board, like the Federal Reserve Bank of Cleveland, has endeavored to make its communications as reasonable, as simple, and as easily understood as possible; and I can not suggest wherein any of its regulations might be improved. It is also obvious that a number of regulations were necessary at the outset, and it is my judgment that the number of communications to member banks has been as small as it could be, and that an even greater number would not be inexcusable or perhaps undesirable. Rightly or wrongly, however, many of our member banks have felt that the board's regulations were overnumerous and have not risen to the task of grasping thoroughly the purport of these various communications. I have reached the conclusion that only time, with its opportunities for personal conference and its occasions for actual use of the Federal Reserve Bank, will entirely remedy this condition; and the officers and directors of the Federal Reserve Bank of Cleveland are not in the least discouraged over the situation, but rather feel that fully as much progress has been made as could have been expected.

In so far as there is actual dissatisfaction with the system on the part of member banks, such dissatisfaction, I believe, arises generally on the following three points:

1. That no interest is paid on deposits by the Federal Reserve Banks.
2. That the Federal Reserve Banks will not rely solely on the indorsement of member banks on paper submitted for rediscount.
3. That the system threatens the reduction of profits heretofore obtained through collection charges, and conversely threatens to withdraw the free collection of items through city correspondents.

These three objections result from the present unsound practices caused by the great inducements offered to correspondents by large city banks competing for country bank accounts. They can not be justified even by their proponents, and every one of them represents an evil which can be corrected, and will be corrected by strict adherence to the principles already laid down by the new system in these respects. Time and education will prove to the member banks and other banks which will become members that their condition under the new system, with these unjustifiable privileges withdrawn, must be better than before.

OUTLOOK.

I believe it to be the opinion of close observers of financial matters, whose judgment largely makes the sentiment in this district, as well as the general consensus of public opinion, that the Federal Reserve Bank of Cleveland, in its first year of operation, has justified all expectations which could reasonably have been entertained as to the first results of the establishment of a new banking system in this district. The first year has demonstrated to many member banks that the system offers great opportunities for their benefit, but that some action is incumbent on those who would obtain all of the available advantages. This changing of the general attitude of passive inertia to one of active cooperation on the part of the member banks and their customers has been perhaps the most important concern of this bank, and it is evident that most encouraging progress has been made.

The Federal Reserve Bank of Cleveland faces the future with confidence that a cordial and mutually helpful relationship is being surely established between itself and its member banks, and that the number of its member banks will increase; that the new system is already effecting remarkable improvement in banking and business conditions in the fourth district, and that the continued and developing service of this bank can not fail to be increasingly helpful to its members and, in a larger sense, to the public.

DISTRICT NO. 5—RICHMOND.

WILLIAM INGLE, Chairman and Federal Reserve Agent.

On May 18, 1914, there assembled in Richmond the representatives of five banks of the district, selected by the organization committee to execute the organization certificate of the Federal Reserve Bank of Richmond. The banks whose officers joined in executing the instrument were—

Merchants-Mechanics National Bank, Baltimore, Md.

First National Bank, Roanoke, Va.

Citizens National Bank, Charleston, W. Va.

Palmetto National Bank, Columbia, S. C.

Murchison National Bank, Wilmington, N. C.

On the same day there was held in Richmond a meeting of the representatives of a large number of the national banks of the district, for the purpose of agreeing upon some line of procedure to be followed in electing directors in the reserve bank. It was recognized that the meeting could do nothing which would bind even those banks whose representatives were present, but it was thought that harmonious action would induce general acquiescence in any plan proposed with the idea of simplifying proceedings under the provisions of the law relating to the election of directors. Six directors were to be chosen, and it was unanimously agreed that one should be named from each of the six jurisdictions composing the district. The meeting without dissenting voice recommended that member banks cooperate in an endeavor to procure the election as directors of the following-named gentlemen:

Class A: Mr. Waldo Newcomer, Maryland; Mr. John F. Bruton, North Carolina; Mr. Edwin Mann, West Virginia.

Class B: Mr. George J. Seay, Virginia; Mr. James F. Oyster, District of Columbia; Mr. D. R. Coker, South Carolina.

In due course these gentlemen were elected with substantial unanimity. The Federal Reserve Board named as class C directors Mr. William Ingle, of Maryland, as chairman of the board and Federal Reserve Agent; Mr. James A. Moncure, of Virginia, as deputy chairman and deputy Federal Reserve Agent; and Mr. M. F. H. Gouverneur, of North Carolina.

Pursuant to notice from the Federal Reserve Board the chairman of the board of the Federal Reserve Bank of Richmond called upon the directors to meet in Richmond on October 5, 1914, for the purpose of effecting permanent organization. All of the directors were present, whereupon Mr. George J. Seay was elected governor of the bank. By-laws were adopted and an executive committee of three was provided for. The governor, the chairman, and Mr. John F. Bruton were the members of this committee. Mr. George J. Seay was elected a member of the Federal Advisory Council.

The by-laws of the bank require that stated meetings of the board of directors be held on every alternate Thursday. They further provide that when the board is not in session a majority of the executive committee be empowered to act for the board. No class C director may be a member of the executive committee, other than the chairman of the board.

Many hundred tenders of service were received from within and without the district, and it was difficult so to discriminate as to insure the engagement of high-class men from different sections of the district and at the same time spare serious disappointment to many most competent applicants. No mistake was made in those selected, as all have been diligent, thoughtful, and constructive workers in an untried field,

and all have materially aided the senior officers. As the business of the bank developed, minor and subordinate positions were filled usually by young men or women of Richmond, at salaries which no one obliged to live away from home could accept. Meanwhile, on November 16, 1914, Mr. George H. Keesee was elected assistant cashier, and later, on June 24, 1915, was made cashier of the bank. Mr. Keesee for some years previous to his selection had been connected with the Merchants National Bank of Richmond.

On July 8, 1915, Mr. Charles A. Peple was elected vice governor and Mr. W. E. Cadwallader became auditor.

The board meets on alternate Thursdays and when especially called by the chairman, the governor, or any three of its directors. Since organization there have been held 33 meetings, at which there was present 86.19 per cent of a full attendance. The board remains in session four hours at least, or, if necessary, most of a full business day. Full report is made to the board of discounts undertaken since its last meeting and other proceedings of the executive committee. The governor reports at length upon matters of interest either past or prospective, while the chairman makes the board acquainted with all matters of correspondence with the Reserve Board excepting those of strictly routine nature. The executive committee meets daily, at the time at which discount offerings can be properly classified and otherwise prepared for its attention.

EXPERIENCES IN OPERATION.

Initial payments on account of stock and reserve deposits were made substantially all in gold, of which some \$1,570,000 was in coin. So much of this coin was old and had long been held in bank-vault reserves that there was a shortage in its weight amounting to \$859, which, under the circumstances, it was thought best to permit the bank to absorb. Later payments were accepted when made in current exchange, in which clearance was at once converted into gold.

In early discount operations there was hesitancy and wide criticism on the part of the member banks of definition of eligible paper. Possibly it was fortunate that the necessities of the time practically compelled certain members to rediscount, as in doing so it was learned that the proceedings offered no really serious difficulty. In consequence, the example of one was quickly followed by others, with the result that 226 banks (Dec. 15) which have so used the reserve bank have been highly appreciative of its aid and methods.

Clearance undertakings have been far from satisfactory. Ninety members agreed to cooperate in a plan proposed, and in doing so made a material sacrifice, in that their attitude of helpfulness was taken advantage of by competing member banks not assenting to the plan. At this writing, notwithstanding the many conferences which have been held for the purpose of solving the problem, actual clearances in a wholesale way have not been developed.

Late in November a canvass of all member banks was made, inviting comment and criticism of both the Reserve Bank and the practical working of the law. Two hundred and fifteen members responded, many at length, and the correspondence was and will be most helpful. Criticism, almost always considerate in its expression, was, when offered, directed in almost every case either to the failure to pay interest on reserve deposits or to the prospective loss of collection charges. It was evident that many such members had not properly reflected upon the relation of the two subjects, and particularly upon the bearing of the new law upon both, nor was appreciation shown in most cases, of the effect of the investment of released reserve.

RESULT OF OPERATIONS.

The first paper was accepted for discount on November 25, 1914, from a South Carolina member. The discount line gradually developed until its maximum, \$8,747,476.30, was reached on August 7, 1915. Earnings accrued slowly, and it was

not until January 16, 1915, that their total equaled charges for current expenses, while expenses of all kinds were not covered by earned discount until April 2, 1915. Not in a single instance was a loan solicited during the entire period of operation. Beginning with no productive assets and without inviting business of any kind, it is gratifying to be able to report that the bank was enabled to pay a dividend to its shareholders at the rate of 5 per cent per annum on the average of their interest in the stock of the bank during the 14 months ending December 31, 1915. It is fully realized that such result was made possible for the reason that the southern portion of the district was especially in need of the help afforded by the bank.

RATES OF DISCOUNT.

The establishment of an initial discount rate of 6 per cent was followed on December 2, 1914, by the naming of lower rates. Later, as credit became easier, it was possible further to shade prices, the rates at the close of the year being in essential harmony with those prevailing in all districts. Where slight differences are in evidence, they are due probably to a desire to meet special conditions in particular districts.

In accepting paper, the officers of the bank constantly have had in mind the standards set in the regulations of the Board. Application forms used in submitting paper for discount were prepared with the idea of obtaining very full information not only of the liability other than for deposits of an interested member bank, but of the character and value of the paper offered. Where a member reports that its advances to a single customer aggregate \$5,000 or more, a business statement of such customer is obtained, even though the reserve bank be offered only a fraction of the full amount. In passing upon the many thousands of notes handled, it has been necessary to decline some of the paper as ineligible either in its character or from the credit viewpoint of a reserve bank. Many notes have been returned for technical reasons, such as material alterations and imperfect signatures or indorsements. With very few exceptions full explanatory letters were entirely satisfactory to the members addressed, and the result has been that ineligible or imperfect papers now reach the bank in greatly diminished numbers. A preferred rate on "commodity paper," announced on September 15, 1915, had a good effect in the cotton districts, not that it immediately was employed in any material degree, but in reinforcing confidence at a moment important in the minds of those concerned in the movement of the crop. Following a softening in the price of the staple in November, there was noticed an increasing inclination to store some part of the unsold portion of the crop, the action gradually being reflected in the increasing volume of commodity paper offered the bank.

The "trade acceptance" must find its first development at manufacturing and distributing centers. At the larger points, and especially at cities in the northern half of the district, the price of credit in any form has been so low that attention has not generally been attracted to the bill of exchange as opposed to other forms of negotiable paper, as offering peculiar advantages. From varying directions, however, the bank is receiving a limited quantity of such paper, some of it on forms expressly printed to meet the requirements of the regulations. Preferred rates will develop its use, although much educational work is to be done in this connection. Since the promulgation of "open-market" regulations, little opportunity has been offered the bank to enter the field. Very few member banks in the district have accepted paper for sale, and such as has been made has been disposed of elsewhere at prices with which it was not thought wise to compete.

FEDERAL RESERVE NOTES.

The bank, while holding essentially all of its funds in gold, has been filling orders from members for currency with Federal Reserve notes. In making the shipments, the bank has prepaid carriage cost, not only as an appreciated service to its members,

but at first to introduce the notes throughout the district. Notes aggregating a sum in excess of \$2,000,000 have from time to time reached the bank for redemption from the reserve banks, but the notes were again absorbed by current demands for currency.

CLEARING SYSTEM.

It is to be regretted that so little has been done in the direction of making effective the clearance clauses of the Act. Ninety member banks generously cooperated in a plan offered in April last, but the plan was ineffective in any large way and as a matter of fact worked some injustice to its adherents. It will be difficult to arrange any program looking to the handling of transit matter until reserves have all been transferred from "approved reserve agents," when member banks will better be able to understand the relation between reserve and exchange charges and of both in connection with their own items in process of liquidation. Exchange charges in the district average one-eighth of 1 per cent, or \$1.25 per thousand, either as a direct charge or the equivalent in the form of a supporting balance, while carriage rates on currency between the reserve city and member banks will not average more than 40 cents a thousand. Aside from the situation made by those members which voluntarily joined the collection system no change in exchange rates has been noted, excepting only that Richmond is now essentially a par point.

DEPUTY FEDERAL RESERVE AGENT.

The deputy Federal Reserve Agent is greatly interested not only in the success of the bank but is concerned that it shall be helpful to the banks and through them to the public. As he is rarely away from Richmond he is always available to care for the duties of the Federal Reserve Agent when that officer occasionally is absent. It is unfortunate that the by-laws of the bank do not permit a class C director to be one of the executive committee of three members.

RELATION OF THE RESERVE BANK TO THE BANKS OF THE DISTRICT.

The reserve bank has diligently sought to cultivate the friendliest relations with all banking institutions located in its territory. With better understanding of the law and its regulations, and particularly of its operations, came appreciation of its purposes, until now only a small minority of members are antagonistic in their attitude. Criticism when offered is almost always directed to some minor point and is as commonly expressed in considerate language. Discussion of the law has been the principal topic at meetings of bankers held in every State in the district, and at such gatherings interest in addresses delivered on the subject has been keen and sustained.

The autumn of 1914 found a great number of the banks in the fifth district overstrained to the point of danger. The aid rendered by the reserve bank, first in assisting in the reestablishment of confidence and later for the direct and material help extended by it in directions where it was sorely needed has therefore been appreciated. Liability for bills payable, rediscounts, and emergency currency were either promptly liquidated by commodity movements, facilitated by changed conditions, or in some part where desired was transferred to the reserve bank by rediscounting eligible paper which the banks learned was held by them in greater volume than at first was supposed to be the case.

IMPROVED BANKING PRACTICES.

Under the old order of things competition and carelessness led to a departure from banking rules of generally recognized importance. Banks often consented to accept imperfectly or illegally drawn papers on their faith in the assumed intent of their makers, the same unquestioning faith being further evidenced by the fact, in a very great number of cases, that the sole repository of credit information was the head of

some single bank officer. It was believed that to ask a good customer for facts upon which intelligent judgment could be based would certainly result in loss of business. It is highly gratifying to learn that such fears were baseless and that with tactful handling it has been possible to obtain the needed information. In securing the statements member banks have many times been surprised in learning of a greater or less responsibility than they had assumed to be the case. Many banks are now collecting credit information which never before thought it desirable to do so. The reserve bank holds such statements furnished by the makers of essentially every note held by it where such note is part of a line of \$5,000 or more extended the maker by his bank. Another valuable service rendered by the reserve bank has been that its critical comment upon imperfectly drawn notes or documents has apparently led to the exercise of much greater care in their preparation.

It has been possible often to accentuate the importance of strictly observing the "excess loan" law by refusing offered notes which were part of such excess line granted by a member. Where frequently it has been noticed that members in offering paper were violating the law against excess borrowing, the loans have been granted only upon the promise that proceeds would be used in reducing or liquidating the excess.

FIDUCIARY POWERS.

In passing upon applications for the exercise of fiduciary privileges full regard is had to facts as reported in statements of condition and their related schedules, but particularly to information derived from examiners' reports. Personal knowledge of individuals and neighborhood conditions in most instances has materially assisted judgment. Two men of equal ability and sagacity engaged in banking may in different environments depart from some common or standard rule of practice and at the same time both be safe in judgment and execution.

ELECTION OF DIRECTORS.

Machinery provided for the election of directors is cumbersome, but cumulative experience will permit its use with reasonable readiness. In the election recently concluded only 65 per cent of the interested banks (those of Group I) participated in the proceedings, which resulted in the election of Mr. Henry B. Wilcox, of Baltimore, as class A director, in succession to Mr. Waldo Newcomer, who declined re-nomination, and Mr. Edmund Strudwick, of Richmond, as class B director, in succession to Mr. George J. Seay, who as governor was no longer eligible.

BUSINESS AND AGRICULTURAL CONDITIONS.

During the last four months in 1914 business of every nature in the district was in a most demoralized and in many cases a distressed condition. A great crop of cotton could not be sold at cost prices or properly financed until, with the establishment of the reserve banks in November confidence was so measurably restored. As in the district as a whole, cotton is the largest single factor in the liquidation of seasonal debts, the practical stoppage of its movement seriously affected many lines of industry. It was not until foreign commerce had been reestablished and until general business had been radically readjusted to meet changed conditions that recoveries could be noted. At first haltingly, but gradually with more certainty, the situation improved, until now it is possible to report that business in practically all lines in the fifth district is nearly, and in some instances better than, normal. The cotton crop of 1915 is being sold at excellent prices. Grains have yielded gratifying returns. Manufacturers in almost every line are now busy. Labor is fully employed. Jobbers report generous sales and orders for the future to replenish diminished stocks. Coal operators are busy. Railroads report greatly increased tonnage and correspondingly heavy earnings.

CREDIT NEEDS OF THE DISTRICT.

Financially the northern half of the district is complementary to its southern half during most of the year. Banking capital, supplemented by trade credits, is sufficient to care for its proper and normal needs. Credit is shortest in supply in the months of August and September, and as a rule is easiest immediately following the maturity of cotton in the fall.

Fourteen months ago the banks of the district were heavily committed for bills payable, rediscounts, and emergency currency. The last indicated liability long since disappeared, much of it at the time by the aid of the reserve bank. Excess bills payable were promptly reduced in the use of the same agency. Easy credit conditions now obtain throughout the district. As a matter of fact, many substantial banks have not only cared for all unusual liabilities, but have surplus funds seeking employment.

When reserves fully shall have been transferred to the reserve banks it is altogether probable that its unsupported reserves will permit it fully to care for the banking credit needs of the district.

LIST OF EXHIBITS.

Exhibit A.—Condensed statement of condition, December 31, 1915:

1. Cash on hand.
2. Cash items in transit (other Federal Reserve Banks).
3. Investments.
4. Loans and discounts.
5. Deposits and overdrafts.
6. Loans and investments and unearned discount thereon.
7. Capital stock.
8. Undivided profits.

Exhibit B.—Analysis of statements of condition, as reported by member banks, in response to call of comptroller, as of November 10, 1915 (recapitulation of):

1. Maryland.
2. District of Columbia.
3. Virginia.
4. West Virginia.
5. North Carolina.
6. South Carolina.

Exhibit C.—Maximum rates of interest paid on deposits, reported by member banks, in response to call of comptroller, as of November 10, 1915.

Exhibit D.—Loans, daily average balances (recapitulation of):

1. Hypothecated with Federal Reserve Agent.
2. Not hypothecated.
3. Diagram of balances.

Exhibit E.—Discount rates current.

Exhibit F.—Loans, distribution as to member banks accommodated.

Exhibit G.—Diagram of deposits and reserves.

Exhibit H.—Diagram of Federal Reserve notes.

Exhibit I.—Federal Reserve notes, receipts, redemptions, issues, and hypothecated collateral.

Exhibit J.—Capital stock allotments.

Exhibit K.—Earnings on loans and investments.

Exhibit L.—Analysis of expenses.

Exhibit M.—Commodity paper discounted.

Exhibit N.—Clearance operations.

Exhibit O.—Data assembled from exhibits.

EXHIBIT A.

Condensed statement of condition as of Dec. 31, 1915.

Resources.	Sched- ule.	Amount.	Liabilities.	Sched- ule.	Amount.
Cash:			Deposits	5	\$16,091,237.66
Gold reserves.....	1	\$15,445,785.00	Federal Reserve notes:		
Legal tender, silver, etc.....	1	99,230.65	Issued.....		\$15,630,000.00
Total cash reserves.....		15,545,015.65	Redeemed.....		8,550,000.00
Other cash and cash items.....	1	1,041,719.80			6,080,000.00
Total cash.....		\$16,586,735.45	Liability to stockholders:		
Transit items (with other Federal Reserve Banks).....	2	1,161,905.12	Capital stock.....	7	3,353,800.00
Overdrafts.....	5	66,776.15	Undivided profits.....	8	23,015.28
Investments.....	3	82,271.76			3,376,815.26
Less unearned discount.....		212.54			
Loans and discounts.....	6	7,650,865.56			
Less unearned discount.....		27,156.92			
Furniture and fixtures.....		7,623,708.64			
Deferred charges: Cost of preparing unissued Federal Reserve notes.....		9,500.00			
		17,368.34			
Total		25,548,052.92	Total		25,548,052.92

DISTRICT NO. 5—RICHMOND.

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SCHEDULE A1.—Cash on hand as of Dec. 31, 1915.

Description.	Location of vault.			Classification.		
	Federal Reserve Board and U. S. Treasury.	First National Bank, Richmond.	Own premises.	Gold reserves.	Legal tender, silver, etc.	Other cash.
Gold certificates (order).....	\$9,875,000.00	\$1,070,000.00		\$10,945,000.00		
Gold certificates (bearer).....		3,670,000.00	\$19,060.00	3,689,060.00		
Gold coin.....		400,000.00	78,225.00	478,225.00		
Silver certificates.....		6,000.00	39,954.00		\$45,954.00	
Silver coin.....			1,201.65		1,201.65	
Legal tender notes.....		41,000.00	11,075.00		52,075.00	
National bank notes.....		130,000.00	28,465.00			\$158,465.00
Federal Reserve notes.....		805,000.00	53,340.00			858,340.00
Nickel coin.....			.10			.10
Copper coin.....			.73			.73
Exchanges for clearing house.....			24,812.97			24,812.97
Cash items.....			101.00			101.00
Due from Treasurer of United States.....	333,500.00			333,500.00		
Total (\$16,586,735.45).....	10,208,500.00	6,122,000.00	256,235.45	15,445,785.00	99,230.65	1,041,719.80

SCHEDULE A2.—Cash items in transit to other Federal Reserve Banks (unliquidated through gold settlement fund as of Dec. 31, 1915).

Federal Reserve Bank.	Debit balances.	Credit balances.	Federal Reserve Bank.	Debit balances.	Credit balances.
Atlanta.....	\$125,119.95	\$3,446.33	New York.....	\$1,302,812.44	\$1,755,559.85
Boston.....	123,286.39	254.25	Philadelphia.....	656,398.42	32,126.77
Chicago.....	380,550.86	1,203.84	St. Louis.....	354,388.13	87,493.37
Cleveland.....	100,669.69	789.32	San Francisco.....	388.87	869.16
Dallas.....	620.85	57.80	Total.....	3,045,183.15	1,883,278.03
Kansas City.....	387.65	980.00	Net debit.....	1,161,905.12	
Minneapolis.....	559.90	497.34			

SCHEDULE A3.—*Investments as of Dec. 31, 1915.*

Warrant of—	Date purchased.	No.	Dated.	Maturing.	Amount.	Discount at 3 per cent.	Proceeds.	Purchased of—
State of Georgia (common school).....	1915. Nov. 15	169	1915. Oct. 30	1916. Jan. 31	\$3,550.00	\$23.67	.....	Federal Reserve Bank of Atlanta.
Do.....	do.....	43	do.....	do.....	13,500.00	90.00	.....	Do.
Do.....	do.....	18	do.....	do.....	2,067.82	13.79	.....	Do.
Do.....	do.....	63	do.....	do.....	7,378.94	49.19	.....	Do.
Do.....	do.....	37	do.....	do.....	10,521.10	70.14	.....	Do.
Do.....	do.....	71	do.....	do.....	13,000.00	86.67	.....	Do.
Do.....	do.....	207	do.....	do.....	650.00	4.34	.....	Do.
Do.....	do.....	152	do.....	do.....	1,300.00	8.67	\$51,621.39	Do.
Do.....	Nov. 26	57	do.....	do.....	11,600.00	73.47	.....	Do.
Do.....	do.....	41	do.....	do.....	2,000.00	12.67	.....	Do.
Do.....	do.....	203	do.....	do.....	3,750.00	23.75	17,240.11	Do.
Do.....	Dec. 3	140	do.....	do.....	5,253.90	33.27	5,220.63	Do.
Do.....	Dec. 15	120	do.....	do.....	7,700.00	31.45	7,668.55	Do.
Total.....					82,271.76	521.08	81,750.68	
Unearned discount, 31 days at 3 per cent.....						212.54		

SCHEDULE A4.—*Analysis of loans and discounts as of the close of business Dec. 31, 1915.*

Classification.	Commodity.	Trade acceptances.	Bankers' acceptances.	Notes.	Total.		
					Combined.	Federal Reserve Agent.	Bank.
Bills secured by:							
Agricultural products—							
Held by the—							
Bank.....	\$306,367.55			\$18,339.94			\$324,707.49
Federal Reserve Agent.....	2,094,761.35	\$3,866.29		36,911.36	\$2,460,246.49	\$2,135,539.00	
Live stock—							
Held by the—							
Bank.....				278.10			278.10
Federal Reserve Agent.....				11,051.41	11,329.51	1,051.41	
Merchandise—							
Held by the—							
Bank.....				15,455.44			15,455.44
Federal Reserve Agent.....		5,000.00		19,400.00	39,855.44	24,400.00	
Total collateral.....	2,401,128.90	8,866.29		101,436.25	2,511,431.44	2,170,990.41	340,441.03
Bills unsecured:							
Held by the—							
Bank.....		34,986.45	\$150,000.00	905,024.17			1,090,010.62
Federal Reserve Agent.....		181,119.32		3,868,304.18	5,139,434.12	4,049,423.50	
Grand total.....	2,401,128.90	224,972.06	150,000.00	4,874,764.60	7,650,865.56	6,220,413.91	1,430,451.65
MATURITIES.							
Within 10 days.....	316,101.05	22,986.45		941,364.15	1,280,451.65		1,280,451.65
11 to 30 days.....	705,125.47	75,980.63		1,558,413.82	2,339,519.92	2,339,519.92	
11 to 60 days.....	1,043,006.10	101,155.87		1,746,154.76	2,890,316.73	2,890,316.73	
63 to 90 days.....	336,896.28	24,849.11	150,000.00	550,980.04	1,062,725.43	912,725.43	150,000.00
Over 90 days.....				77,851.83	77,851.83	77,851.83	
Grand total.....	2,401,128.90	224,972.06	150,000.00	4,874,764.60	7,650,865.56	6,220,413.91	1,430,451.65

SCHEDULE A5.—*Deposits.*

Member banks.	Credits.	Overdrafts.
Ledger 1.....	\$5,131,277.06	\$57,980.58
Ledger 2.....	5,906,785.59	8,795.57
Total.....	11,038,062.65	66,776.15
Treasurer of United States.....	5,049,832.97	
Cashier's checks outstanding.....	3,035.05	
Expense checks outstanding.....	306.99	
Total.....	16,091,237.66	66,776.15

SCHEDULE A6.—*Loans and investments and unearned discount thereon.*

	3 per cent.	3½ per cent.	4 per cent.	4½ per cent.	5 per cent.	Total.
Loans.....	\$2,551,128.90	\$151,622.67	\$4,494,446.82	\$276,007.50	\$177,659.67	\$7,650,865.56
Unearned discount.....	7,986.90	488.50	16,393.54	257.05	2,090.93	27,156.92
Warrants.....	82,271.76					82,271.76
Unearned discount.....	212.54					212.54
Total.....	2,633,400.66	151,622.67	4,494,446.82	276,007.50	177,659.67	7,733,137.32
Total.....	8,199.44	488.50	16,393.54	257.05	2,090.93	27,369.46
Net liquid values:						
Loans.....	2,543,142.00	151,134.17	4,478,053.28	275,750.45	175,628.74	7,623,708.64
Warrants.....	82,059.22					82,059.22
Total.....	2,625,201.22	151,134.17	4,478,053.28	275,750.45	175,628.74	7,705,767.86
Average unexpired term, in days, as of Dec. 31, 1915.....	32	25	34	12	92	33

SCHEDULE A7.—*Capital stock, Dec. 31, 1915 (by States).*

	Number of members.			Aggregate of capital and surplus as of Nov. 10, 1915.	Shares to which thus entitled.	Shares allotted (net) as of Dec. 31.	Allotments.		Allotments at 50 per cent (unpaid).	Dividends.		
	National.	State.	Total.				Short.	Over.		Cumulative.	Paid.	Unpaid.
Maryland.....	98		98	\$27,681,520	16,622	16,908		286	{ \$845,400 300 }	\$45,713.90	\$38,094.97	\$7,618.93
District of Columbia.....	13	1	14	13,220,000	7,932	7,932			396,600	21,633.80	18,028.19	3,605.61
Virginia.....	136	1	137	31,307,500	18,813	18,781	32		939,050	50,889.93	42,408.32	8,481.61
West Virginia.....	104		104	13,961,600	8,383	8,390		7	{ 419,500 100 }	22,617.30	18,847.78	3,769.52
North Carolina.....	81		81	12,676,050	7,657	7,631	26		381,550	20,672.86	17,227.42	3,445.44
South Carolina.....	71	3	74	12,450,000	7,481	7,503		22	{ 375,150 3,050 }	19,594.34	16,328.66	3,265.68
Total.....	503	5	508	111,296,670	66,888	67,145	58	315	{ 3,357,250 3,450 }	181,122.13	150,935.34	30,186.79
Net capital stock paid in.....									3,353,800			
Shares surrendered:												
Banks (5) transferred to district No. 4.....						319				416.21	346.84	69.37
Banks (8) liquidated.....						864				789.00	657.51	131.49
Total.....						1,183						
Total dividends.....										182,327.34	151,939.69	30,387.65

SCHEDULE A8.—*Undivided profits, Dec. 31, 1915.*

Gross earnings:		
On loans and investments (see Exhibit K).....	\$319,096.16	
Exchange.....	483.50	
	<u>\$319,579.66</u>	
Deduct:		
Expenses (see Exhibit L)—		
Current.....	104,310.45	
Organization.....	23,567.85	
Cost of Federal Reserve notes issued.....	14,397.92	
Depreciation, furniture, and fixtures.....	2,348.49	
	<u>144,624.71</u>	
Net profit.....	174,954.95	
Dividend declared Dec. 22, 1915, at 5 per cent.....	151,939.69	
	<u>23,015.26</u>	
Balance Dec. 31, 1915.....		

EXHIBIT B.

Analysis of statements of condition as reported by member banks in response to call of comptroller as of Nov. 10, 1915.

RECAPITULATION OF SCHEDULES 1, 2, 3, 4, 5, AND 6.

Items.	Total resources.							
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$20,000,000.	Over \$20,000,000.	Total.
Number of member banks.....	7	55	79	107	204	54	2	508
Loans and discounts.....	\$262,769.70	\$4,932,841.95	\$12,657,802.34	\$26,996,327.19	\$131,373,705.06	\$171,778,235.01	\$26,374,012.09	\$374,375,693.34
Bonds, securities, etc.....	29,136.49	384,946.87	1,361,343.57	2,324,364.20	14,421,405.90	25,389,044.14	2,103,852.36	46,014,093.53
Capital and surplus.....	182,200.00	1,880,200.00	3,844,000.00	7,809,200.00	37,245,350.00	53,835,720.00	6,500,000.00	111,296,670.00
Undivided profits.....	4,057.41	151,267.39	346,604.55	827,109.64	6,294,410.45	8,293,609.17	850,003.66	16,767,062.27
Deposits:								
Demand.....	219,223.96	3,395,464.38	8,308,521.40	16,964,341.18	87,411,539.61	126,273,674.95	19,881,358.84	262,454,124.32
Time.....	46,828.21	1,668,386.94	4,606,444.76	9,325,229.37	44,121,884.01	34,397,460.88	1,028,400.00	95,194,634.17
Money borrowed.....	11,490.29	302,391.76	951,451.57	2,139,188.77	7,580,228.18	4,517,995.07	.....	15,502,746.24
Liabilities of directors:								
Direct.....	43,625.96	408,386.87	870,712.19	1,962,727.31	8,127,512.68	7,666,125.65	1,246,406.07	20,325,496.73
Indirect.....	54,613.78	578,094.05	1,141,594.08	2,917,408.64	10,669,480.62	7,309,001.90	447,557.00	23,117,750.07
Eligible paper.....	147,000.00	1,556,400.00	3,353,886.44	6,478,375.46	33,165,595.27	51,551,333.56	5,084,000.00	101,836,590.73
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	5,913.28	299,718.59	944,589.44	1,745,506.28	8,663,167.97	11,838,149.06	1,389,364.18	24,916,408.90
Losses.....	5,176.59	10,289.82	118,209.83	119,046.24	1,163,388.69	1,562,418.46	151,413.14	3,129,942.77
Total resources.....	534,122.17	8,493,159.62	20,092,804.01	42,144,284.43	188,219,963.84	307,840,640.38	45,901,780.05	613,226,754.50

SCHEDULE B1.—MARYLAND.

Number of member banks.....	1	9	15	20	39	13	1	98
Loans and discounts.....	\$40,521.85	\$895,436.23	\$2,214,175.08	\$4,789,164.16	\$21,559,174.84	\$50,371,286.63	\$13,573,539.45	\$93,443,298.24
Bonds, securities, etc.....	17,006.28	220,563.33	922,333.75	1,389,773.69	7,722,718.53	9,148,248.98	1,626,028.76	21,046,673.32
Capital and surplus.....	30,000.00	316,000.00	676,500.00	1,457,300.00	6,106,000.00	15,595,720.00	3,500,000.00	27,681,520.00
Undivided profits.....	2,796.28	17,749.23	60,885.26	158,215.57	929,534.23	2,329,399.40	459,096.09	3,957,676.06
Deposits:								
Demand.....	16,435.55	439,630.25	1,679,856.39	2,705,970.90	14,672,360.58	39,731,313.23	9,449,128.68	68,694,695.58
Time.....	23,088.27	527,392.40	1,194,630.86	2,830,518.00	13,623,265.88	5,273,911.04	.....	23,472,806.45
Money borrowed.....	.....	27,000.00	58,500.00	185,371.37	399,403.10	677,000.00	.....	1,347,274.47

Analysis of statements of condition as reported by member banks in response to call of comptroller as of Nov. 10, 1915—Continued.

SCHEDULE B1.—MARYLAND—Continued.

Items.	Total resources.							Total.
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$20,000,000.	Over \$20,000,000.	
Liabilities of directors:								
Direct.....	\$9,556.38	\$79,821.10	\$130,895.82	\$435,347.33	\$1,232,796.32	\$1,983,238.38	\$846,500.00	\$4,718,155.55
Indirect.....	14,830.04	112,406.12	127,002.34	692,831.42	1,590,461.96	1,100,893.30	22,691.20	3,661,116.38
Eligible paper.....	5,000.00	243,500.00	666,500.00	745,000.00	6,408,108.86	13,895,098.30	3,000,000.00	24,963,207.16
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	2,632.90	58,878.05	153,286.56	319,539.97	1,396,619.06	2,867,636.44	547,969.00	5,346,561.98
Losses.....	5,176.59	384.84	23,553.96	12,393.86	180,045.12	685,679.26	92,256.77	999,490.40
Total resources.....	96,901.18	1,519,958.59	3,922,610.01	8,273,730.85	38,307,894.45	94,073,818.08	24,298,445.68	170,493,358.84

SCHEDULE B2.—DISTRICT OF COLUMBIA.

Number of member banks.....	3	11	14
Loans and discounts.....	\$2,534,865.89	\$27,662,758.86	\$30,197,624.75
Bonds, securities, etc.....	1,027,543.25	11,129,011.84	12,156,555.09
Capital and surplus.....	1,190,000.00	12,030,000.00	13,220,000.00
Undivided profits.....	201,946.33	804,787.38	1,006,733.71
Deposits:			
Demand.....	2,546,095.61	27,408,440.52	29,954,536.13
Time.....	808,871.58	5,496,526.40	6,305,397.98
Money borrowed.....	22,528.14	439,815.25	462,343.39
Liabilities of directors:			
Direct.....	219,344.48	1,815,781.55	2,035,126.08
Indirect.....	147,659.98	1,073,927.80	1,221,587.78
Eligible paper.....	245,000.00	4,930,027.42	5,175,027.42
Profit and loss accounts, 1912, 1913, and 1914:			
Earnings.....	152,334.30	2,484,609.82	2,636,944.12
Losses.....	2,010.73	232,729.04	234,739.77
Total resources.....	5,589,106.04	60,533,967.25	66,123,073.29

SCHEDULE B3.—VIRGINIA.

Number of member banks.....	2	12	26	31	50	15	1	137
Loans and discounts.....	\$38,916.45	\$1,055,948.00	\$4,450,757.89	\$8,205,241.32	\$24,070,946.23	\$57,233,601.82	\$12,800,472.64	\$117,905,884.35
Bonds, securities, etc.....	10,000.00	70,636.53	110,171.79	366,870.24	1,988,935.94	2,645,068.33	477,823.60	5,669,506.43
Capital and surplus.....	54,500.00	418,000.00	1,198,000.00	2,258,000.00	8,729,000.00	15,650,000.00	3,000,000.00	31,307,500.00
Undivided profits.....	1,988.18	15,582.79	106,324.96	270,971.91	1,421,167.85	3,231,933.30	390,907.57	5,441,876.56
Deposits:								
Demand.....	81,531.13	891,970.18	2,063,999.47	5,749,750.45	20,334,202.16	38,566,510.60	10,432,230.16	78,720,194.15
Time.....	1,845.86	100,774.51	1,387,368.70	2,242,563.10	12,613,107.10	12,217,337.95	1,028,400.00	29,591,397.22
Money borrowed.....		68,814.71	464,332.43	550,421.74	1,575,592.06	1,473,458.60		4,132,619.54
Liabilities of directors:								
Direct.....	16,004.49	73,047.33	326,338.43	476,993.06	2,025,559.64	2,003,765.85	399,906.07	5,321,614.87
Indirect.....	10,148.65	96,617.84	431,142.52	741,745.36	2,263,640.59	2,506,591.80	424,865.80	6,474,752.56
Eligible paper.....	57,000.00	429,000.00	1,468,942.19	2,751,125.46	9,462,400.00	22,861,207.84	2,084,000.00	39,113,675.49
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	1,828.09	48,752.89	301,118.45	554,206.75	1,914,752.17	3,790,683.91	841,395.18	7,422,737.44
Losses.....		2,879.41	28,724.46	31,576.60	223,320.90	374,362.44	59,156.37	720,020.18
Total resources.....	166,457.79	1,765,097.24	6,520,886.90	12,372,288.36	50,421,860.19	91,656,204.70	21,603,334.37	184,506,129.55

SCHEDULE B4.—WEST VIRGINIA.

Number of member banks.....	2	17	15	24	40	6	104
Loans and discounts.....	\$79,894.57	\$1,392,619.56	\$2,422,085.78	\$5,521,435.24	\$25,314,217.12	\$13,947,980.08	\$48,678,232.35
Bonds, securities, etc.....	2,130.21	84,534.67	213,515.21	468,484.46	1,920,936.85	1,070,019.84	3,739,621.24
Capital and surplus.....	54,200.00	574,300.00	718,000.00	1,502,500.00	6,432,600.00	4,680,000.00	13,961,000.00
Undivided profits.....	758.83	43,193.41	59,783.07	114,415.80	964,641.23	535,464.25	1,716,758.93
Deposits:							
Demand.....	80,396.42	1,079,114.56	1,708,478.71	3,575,538.24	18,858,270.98	8,844,964.53	34,146,763.44
Time.....	12,879.69	493,517.61	820,987.38	2,389,558.67	7,458,476.52	5,625,787.68	16,801,207.55
Money borrowed.....	1,490.29	69,007.50	85,281.40	183,653.78	843,167.23	162,400.00	1,345,000.20
Liabilities of directors:							
Direct.....	13,524.37	122,299.46	107,321.75	388,244.46	1,487,793.89	776,156.09	2,895,340.02
Indirect.....	21,967.68	135,111.96	216,172.12	592,045.53	2,221,508.68	1,079,183.47	4,285,989.49
Eligible paper.....	70,000.00	315,400.00	304,276.38	469,250.00	2,992,801.63	3,175,000.00	7,326,728.01
Profit and loss accounts, 1912, 1913, and 1914:							
Earnings.....	1,452.29	88,139.34	193,761.40	324,744.70	1,655,611.46	1,096,333.49	3,360,042.68
Losses.....		4,164.80	11,882.05	37,302.33	280,116.04	122,532.49	455,997.71
Total resources.....	150,318.47	2,690,503.85	3,805,807.20	8,830,130.87	39,318,164.22	22,441,380.25	77,236,304.86

Analysis of statements of condition as reported by member banks in response to call of comptroller as of Nov. 10, 1915—Continued.

SCHEDULE B5.—NORTH CAROLINA.

Items.	Total resources.							Total.
	Under \$100,000.	\$100,000 to \$200,000.	\$200,000 to \$300,000.	\$300,000 to \$500,000.	\$500,000 to \$2,500,000.	\$2,500,000 to \$20,000,000.	Over \$20,000,000.	
Number of member banks.....	1	6	11	15	43	5	.....	81
Loans and discounts.....	\$5,834.34	\$556,425.30	\$1,681,415.01	\$3,848,700.85	\$28,800,484.05	\$11,771,420.29	.....	\$46,664,279.84
Bonds, securities, etc.....	.....	2,121.57	77,587.82	54,142.92	946,771.37	374,034.90	.....	1,454,658.58
Capital and surplus.....	17,900.00	173,300.00	576,500.00	938,600.00	7,839,750.00	3,130,000.00	.....	12,676,05.00
Undivided profits.....	14.75	41,421.25	47,351.75	98,833.70	1,598,391.38	591,912.38	.....	2,377,925.21
Deposits:								
Demand.....	13,000.79	258,972.49	1,165,364.12	2,478,794.70	21,044,167.56	7,317,930.61	.....	32,278,230.27
Time.....	3,211.57	290,128.17	501,645.37	931,117.26	4,729,051.16	1,684,748.26	.....	8,139,901.79
Money borrowed.....	.....	65,604.12	133,533.35	589,215.97	2,847,262.10	446,800.00	.....	4,082,415.54
Liabilities of directors:								
Direct.....	3,500.00	43,665.00	179,010.37	301,129.44	1,736,097.99	712,897.61	.....	2,976,300.41
Indirect.....	.....	92,597.00	263,746.03	585,750.03	2,908,429.68	1,096,247.79	.....	4,946,770.53
Eligible paper.....	.....	147,000.00	475,000.00	1,117,000.00	7,579,500.00	3,475,000.00	.....	12,793,500.00
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	.....	28,030.15	204,897.64	251,652.16	2,064,284.47	914,944.32	.....	3,463,808.74
Losses.....	.....	2,277.45	45,614.21	13,417.96	204,741.88	45,407.56	.....	371,459.06
Total resources.....	36,181.84	858,133.22	2,827,230.28	5,872,246.14	44,330,675.65	19,731,359.69	.....	73,655,826.82

SCHEDULE B6.—SOUTH CAROLINA.

Items.	Total resources.							Total.
	1	11	12	17	29	4	.....	74
Number of member banks.....	1	11	12	17	29	4	.....	74
Loans and discounts.....	\$47,602.49	\$1,032,412.86	\$1,889,368.58	\$4,631,785.62	\$19,094,016.93	\$10,791,187.33	.....	\$37,486,373.81
Bonds, securities, etc.....	.....	7,090.77	37,735.00	45,092.89	814,499.96	1,022,660.25	.....	1,927,078.87
Capital and surplus.....	25,600.00	398,600.00	675,000.00	1,652,800.00	6,948,000.00	2,750,000.00	.....	12,450,000.00
Undivided profits.....	2.97	33,320.71	72,259.51	184,672.66	1,178,729.43	797,112.46	.....	2,266,091.80
Deposits:								
Demand.....	27,860.07	725,776.90	1,090,822.71	2,454,286.89	9,956,442.72	4,404,515.46	.....	18,659,704.75
Time.....	5,802.82	256,574.25	701,812.45	931,472.34	4,889,111.77	4,099,149.55	.....	10,883,923.18
Money borrowed.....	10,000.00	71,965.43	209,804.39	630,525.91	1,892,275.55	1,318,521.82	.....	4,133,093.10
Liabilities of directors:								
Direct.....	1,040.72	89,553.98	127,145.82	361,013.02	1,425,920.36	374,286.17	.....	2,378,960.07
Indirect.....	7,667.41	91,361.13	103,531.07	335,036.25	1,537,779.73	452,157.74	.....	2,527,533.33
Eligible paper.....	15,000.00	421,500.00	939,167.87	1,396,000.00	6,477,784.78	3,215,000.00	.....	12,464,452.65
Profit and loss accounts, 1912, 1913, and 1914:								
Earnings.....	.....	75,918.16	91,525.39	295,362.70	1,509,566.51	713,941.08	.....	2,686,313.84
Losses.....	.....	583.32	8,435.15	24,355.49	213,154.02	101,707.67	.....	348,235.65
Total resources.....	84,262.89	1,659,466.72	3,016,269.62	6,795,888.21	10,252,263.29	19,403,910.41	.....	41,212,061.14

EXHIBIT C.

Maximum rates of interest paid on deposits, reported by member banks in response to call of comptroller as of Nov. 10, 1915.

Rates.	Maryland.		District of Columbia.		Virginia.		West Virginia.		North Carolina.		South Carolina.		Total banks.		Rates.
	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	Demand.	Time.	
Not stated.....			1	1					3	3			4	4	Not stated.
None.....	27	18		5	40	24	22	15	28	25	26	10	143	97	None.
1 per cent.....			1						1		1		1		1 per cent.
2 per cent.....	9		1		4	1					3		18	1	2 per cent.
2.25 per cent.....	1												1		2.25 per cent.
2.5 per cent.....	8		1		2								11		2.5 per cent.
3 per cent.....	30	26	10	5	55	42	44	27	6		2		147	100	3 per cent.
3.125 per cent.....							1						1		3.125 per cent.
3.25 per cent.....		1												1	3.25 per cent.
3.5 per cent.....	12	9	1	1		1	2	1					15	12	3.5 per cent.
3.625 per cent.....	1												1		3.625 per cent.
3.75 per cent.....	1	1											1	1	3.75 per cent.
4 per cent.....	9	42		2	35	67	35	59	34	37	28	21	141	228	4 per cent.
4.5 per cent.....					1	1		1	3		2	3	6	5	4.5 per cent.
5 per cent.....		1						1	4	10	10	36	14	48	5 per cent.
5.25 per cent.....											1		1		5.25 per cent.
5.5 per cent.....											1			1	5.5 per cent.
6 per cent.....					1				2	6		3	2	10	6 per cent.
8 per cent.....											1		1		8 per cent.
Total banks.....	98	98	14	14	137	137	104	104	81	81	74	74	508	508	Total banks.

EXHIBIT D.

Loans, daily average balances.

RECAPITULATION OF SCHEDULES D1 AND D2.

	1914	1915					Whole period.
	Nov. 16-Dec. 31.	Jan. 1-Mar. 31.	Apr. 1-June 30.	July 1-Sept. 30.	Oct. 1-Dec. 31.	Year 1915.	
Collateral loans:							
Agricultural products—							
Notes.....		\$182,094	\$440,861	\$463,380	\$118,782	\$301,550	\$267,150
Trade acceptances.....				819	2,902	938	831
Commodity.....				5,304	1,138,493	288,299	255,410
Total.....		182,094	440,861	469,503	1,260,177	590,787	523,391
Live stock—Notes.....		12,886	24,265	24,271	11,110	18,145	16,075
Merchandise—							
Notes.....		4,063	11,803	23,655	20,775	15,144	13,415
Trade acceptances.....				1,195	4,946	1,548	1,371
Total.....		4,063	11,803	24,850	25,721	16,692	14,786
Total collateral loans.....		199,043	476,929	518,624	1,297,008	625,624	554,252
Unsecured:							
Notes.....	\$618,221	4,510,813	6,582,372	7,760,569	5,738,568	6,155,861	5,524,142
Trade acceptances.....				61,968	162,059	56,467	50,025
Bankers' acceptances.....				9,782	99,457	27,534	24,392
Total.....	618,221	4,510,813	6,582,372	7,832,319	6,000,084	6,239,862	5,598,559
Grand total.....	618,221	4,709,856	7,059,301	8,350,943	7,297,092	6,865,486	6,152,811
Classification:							
Notes.....	618,221	4,709,856	7,059,301	8,271,871	5,889,235	6,490,700	5,820,782
Trade acceptances.....				63,986	169,907	58,953	52,227
Bankers' acceptances.....				9,782	99,457	27,534	24,392
Commodity.....				5,304	1,138,493	288,299	255,410
Grand total.....	618,221	4,709,856	7,059,301	8,350,943	7,297,092	6,865,486	6,152,811

SCHEDULE D1.—LOANS HYPOTHECATED WITH FEDERAL RESERVE AGENT AGAINST FEDERAL RESERVE NOTES ISSUED, DAILY AVERAGE BALANCES.

Collateral loans:							
Agricultural products—							
Notes.....		\$71,864	\$294,675	\$328,454	\$91,439	\$197,023	\$174,547
Trade acceptances.....				546	2,902	869	770
Commodity.....				4,046	1,053,753	266,623	236,207
Total.....		71,864	294,675	333,046	1,148,094	464,515	411,524
Livestock—Notes.....		10,048	16,537	20,948	8,995	14,148	12,534
Merchandise—							
Notes.....		250	7,295	18,051	18,069	10,985	9,731
Trade acceptances.....				1,142	4,946	1,534	1,359
Total.....		250	7,295	19,193	23,015	12,519	11,090
Total collateral loans.....		82,162	318,507	373,187	1,180,104	491,182	435,148
Unsecured:							
Notes.....	\$404,473	2,021,921	4,678,072	6,217,454	4,564,300	4,382,463	3,928,663
Trade acceptances.....				51,402	127,562	45,109	39,963
Bankers' acceptances.....				9,782	51,087	15,342	13,592
Total.....	404,473	2,021,921	4,678,072	6,278,638	4,742,949	4,442,914	3,982,218
Grand total.....	404,473	2,104,083	4,996,579	6,651,825	5,923,053	4,934,096	4,417,366
Classification:							
Notes.....	404,473	2,104,083	4,996,579	6,584,907	4,682,803	4,604,619	4,125,475
Trade acceptances.....				53,090	135,410	47,512	42,092
Bankers' acceptances.....				9,782	51,087	15,342	13,592
Commodity.....				4,046	1,053,753	266,623	236,207
Grand total.....	404,473	2,104,083	4,996,579	6,651,825	5,923,053	4,934,096	4,417,366

DISTRICT NO. 5—RICHMOND.

Loans, daily average balance—Continued.

SCHEDULE D2.—LOANS NOT HYPOTHECATED, DAILY AVERAGE BALANCES.

	1914	1915					Whole period.
	Nov. 16—Dec. 31.	Jan. 1—Mar. 31.	Apr. 1—June 30.	July 1—Sept. 30.	Oct. 1—Dec. 31.	Year 1915.	
Collateral loans:							
Agricultural products—							
Notes.....		\$110,230	\$146,186	\$134,926	\$27,343	\$104,527	\$92,603
Trade acceptances.....				273		69	61
Commodity.....				1,258	84,740	21,676	19,203
Total.....		110,230	146,186	136,457	112,083	126,272	111,867
Live stock—Notes.....		2,838	7,728	3,323	2,115	3,997	3,541
Merchandise—							
Notes.....		3,813	4,508	5,604	2,706	4,159	3,684
Trade acceptances.....				53		14	12
Total.....		3,813	4,508	5,657	2,706	4,173	3,696
Total collateral loans.....		116,881	158,422	145,437	116,904	134,442	119,104
Unsecured:							
Notes.....	\$213,748	2,488,892	1,904,300	1,543,115	1,174,268	1,773,398	1,595,479
Trade acceptances.....				10,566	34,497	11,358	10,062
Bankers' acceptances.....					48,370	12,192	10,800
Total.....	213,748	2,488,892	1,904,300	1,553,681	1,257,135	1,796,948	1,616,341
Grand total.....	213,748	2,605,773	2,062,722	1,699,118	1,374,039	1,931,390	1,735,445
Classification:							
Notes.....	213,748	2,605,773	2,062,722	1,686,964	1,206,432	1,886,081	1,695,307
Trade acceptances.....				10,896	34,497	11,441	10,135
Bankers' acceptances.....					48,370	12,192	10,800
Commodity.....				1,258	84,740	21,676	19,203
Grand total.....	213,748	2,605,773	2,062,722	1,699,118	1,374,039	1,931,390	1,735,445

Loans, daily average balance—Continued.

SCHEDULE D3.—LOANS AND INVESTMENTS.

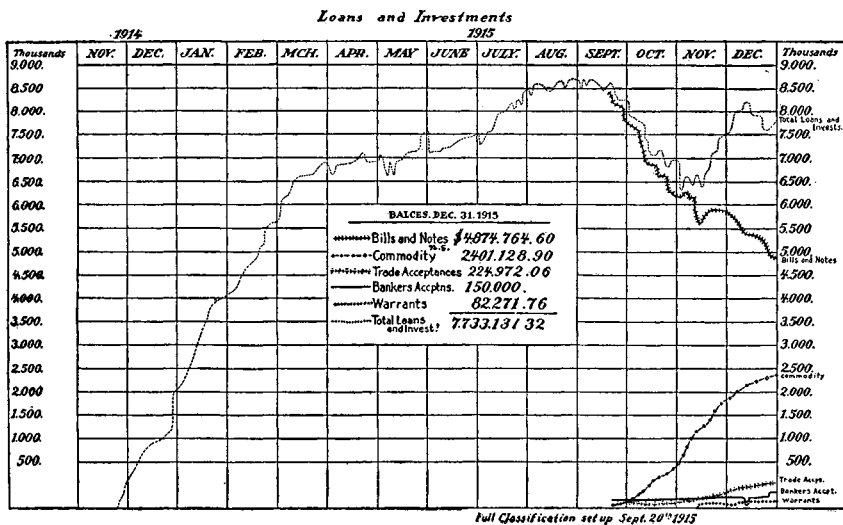


EXHIBIT E.

Discount rates current from Nov. 16, 1914, to Dec. 31, 1915.

Date effective.	Commercial paper.			Agricultural paper only.	Commodity paper.	Trade acceptances.		Date effective.	Commercial paper.			Agricultural paper only.	Commodity paper.	Trade acceptances.	
	Maturity 30 days.	From 31 to 60 days.	From 61 to 90 days.	From 91 days to 6 months.	Maturity 90 days.	Maturity 60 days.	From 61 to 90 days.		Maturity 30 days.	From 31 to 60 days.	From 61 to 90 days.	From 91 days to 6 months.	Maturity 90 days.	Maturity 60 days.	From 61 to 90 days.
1914.								1915.							
Nov. 16.....	6	6	6	6	.....	.....	.....	Jan. 14.....	4½	5	5½	5½	.....	.....	.....
Dec. 2.....	5½	6	6	6	.....	.....	.....	Jan. 27.....	4½	4½	5	5	.....	.....	.....
Dec. 17.....	5	5½	6	6	.....	.....	.....	Feb. 19.....	4½	4½	4½	5	.....	.....	.....
Dec. 28.....	5	5	5½	6	.....	.....	.....	June 25.....	4	4	4½	5	.....	.....	.....
1915.								Sept. 15.....	4	4	4½	5	3	3½	4
Jan. 8.....	4½	5	5½	6	.....	.....	.....	Oct. 21.....	4	4	4	5	3	3½	4

EXHIBIT F.

Loans distributed as to member banks accommodated.

[T=transactions; B=banks.]

	1914.						1915.												Total period.			Balance under discount, Dec. 31, 1915.
	Nov. 16-Dec. 31.			Jan. 1-Mar. 31.			Apr. 1-June 30.			July 1-Sept. 30.			Oct. 1-Dec. 31.									
	B.	T.	Amount.	B.	T.	Amount.	B.	T.	Amount.	B.	T.	Amount.	B.	T.	Amount.	B.	T.	Amount.				
Maryland.....	1	1	\$25,610.00	1	3	\$77,843.82	3	12	\$136,703.73	6	21	\$196,232.89	8	25	\$263,432.32	11	62	\$699,822.76	\$234,040.53			
District Columbia.	2	2	254,706.10	2	6	390,719.71	1	3	312,128.77	1	1	184,305.95	3	5	441,362.98	4	17	1,583,223.51	303,685.27			
Virginia.....	11	18	141,839.97	42	158	2,567,380.20	51	275	2,601,607.93	60	366	3,194,776.13	52	263	2,494,637.45	72	1,080	11,000,241.68	1,435,385.11			
West Virginia.....	4	5	80,236.51	9	19	171,702.80	17	49	398,401.16	16	53	464,138.27	15	48	261,989.58	26	174	1,376,468.32	165,344.95			
North Carolina....	28	65	1,023,923.06	45	291	4,339,966.41	49	361	3,371,399.54	48	410	4,008,632.88	46	400	4,235,656.57	56	1,527	16,979,578.46	2,808,178.49			
South Carolina....	22	57	658,431.41	42	235	3,178,678.55	48	356	3,931,086.58	52	364	3,917,098.40	48	359	4,001,488.12	57	1,371	15,686,783.06	2,704,231.21			
Total.....	68	148	2,184,747.05	141	712	10,726,291.49	169	1,056	10,751,327.71	183	1,215	11,965,184.52	172	1,100	11,698,567.02	226	4,231	147,326,117.79	7,650,865.56			
1914.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	268	148	2,184,747.05	.....		
1915.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	2226	4,083	145,141,370.74	.....		

¹ Includes \$250,000 of bankers' foreign trade acceptances.

² All members discounting in 1914 again discounted in 1915.

EXHIBIT G.

Net Deposits and Reserves

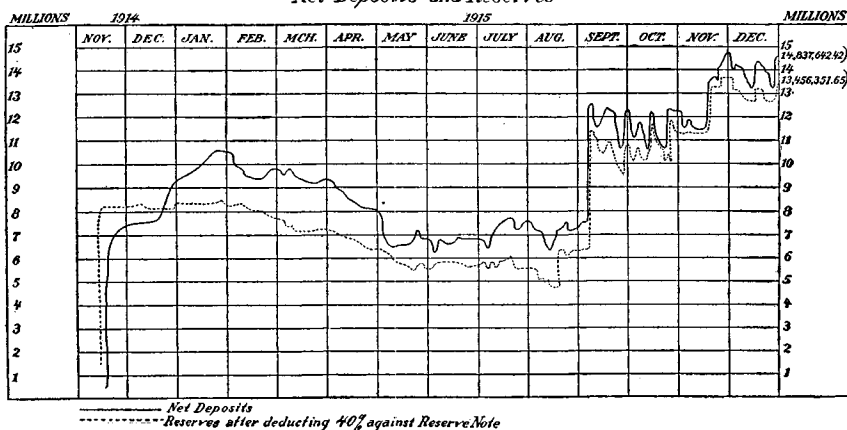


EXHIBIT H.

Federal Reserve Notes

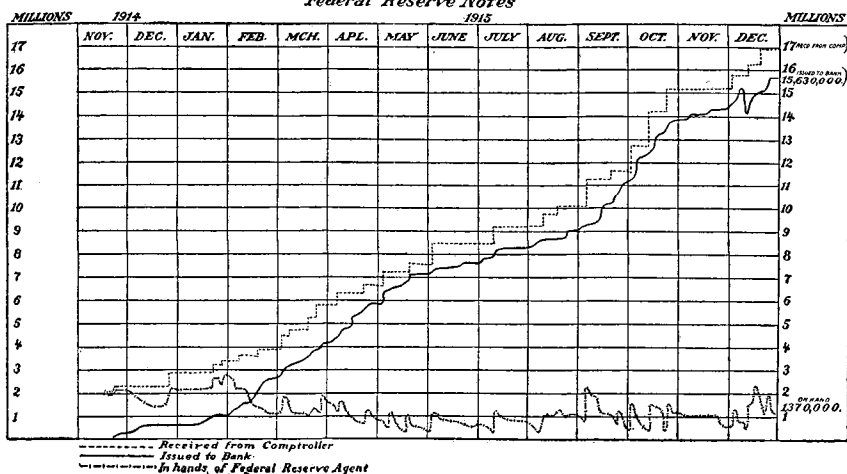


EXHIBIT I.

Federal Reserve notes (receipts, redemptions, issues, and hypothecated collateral therefor).

Period.	Units (denominations).					Total.		Loans hypothecated.		Gold received for redemption of Federal Reserve notes.
	\$5	\$10	\$20	\$50	\$100	Pieces.	Values.	Received.	Delivered.	
Nov. 16-Dec. 31, 1914:										
Received from comptroller	280,000	60,000	48,000	.....	.....	388,000	\$2,960,000	.....	.....	.....
Issued to bank	48,000	23,000	16,000	.....	.....	87,000	790,000	\$937,055.78	\$146,646.07	.....
Jan. 1-Mar. 31, 1915:										
Received from comptroller .....	.....	60,000	24,000	20,000	8,000	112,000	2,880,000	.....	.....	.....
Issued to bank	124,000	75,000	46,500	14,000	3,100	262,600	3,310,000	6,026,436.01	2,713,985.12	.....
Apr. 1-June 30, 1915:										
Received from comptroller	100,000	72,000	48,000	8,000	.....	228,000	2,580,000	.....	.....	.....
Issued to bank	184,000	73,000	51,500	14,000	2,700	325,200	3,650,000	9,147,228.48	7,926,750.74	\$2,550,000
July 1-Sept. 30, 1915:										
Received from comptroller	220,000	100,000	44,000	8,000	.....	372,000	3,380,000	.....	.....	.....
Issued to bank	224,000	121,000	42,000	3,400	700	391,100	3,410,000	12,269,811.57	10,985,220.85	2,050,000
Oct. 1-Dec. 31, 1915:										
Received from comptroller	360,000	196,000	72,000	.....	.....	628,000	5,200,000	.....	.....	.....
Issued to bank	358,000	207,000	78,000	1,600	200	644,800	5,520,000	11,667,953.85	12,055,469.00	6,000,000
Notes received from bank—gold in redemption	22,000	20,000	17,000	5,200	1,400	65,600	1,050,000	.....	.....	1,050,000
Total to Dec. 31, 1915 .....	.....	.....	.....	.....	.....	.....	.....	40,048,485.69	33,828,071.78	.....
Received from comptroller	960,000	488,000	236,000	36,000	8,000	1,728,000	17,000,000	.....	.....	.....
Received from bank (redeemed)	22,000	20,000	17,000	5,200	1,400	65,600	1,050,000	.....	.....	.....
Total received	982,000	508,000	253,000	41,200	9,400	1,793,600	18,050,000	.....	.....	.....
Issued to bank	938,000	499,000	234,000	33,000	6,700	1,710,700	16,680,000	.....	15,630,000.00	9,550,000
Balance Federal Reserve Agent	44,000	9,000	19,000	8,200	2,700	82,900	1,370,000	6,220,413.91	.....	9,550,000

¹ Net issue of notes to bank.

EXHIBIT J.
Capital stock allotments.

	Maryland.		District of Columbia.		Virginia.		West Virginia.		North Carolina.		South Carolina.		Total.	
	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.	Banks.	Shares.
Original allotment of October, 1914 (addenda inclusive).....	101	16,606	14	7,856	134	18,181	107	8,589	74	7,344	57	6,099	487	64,675
Additional allotments on increased capital or surplus.....		637		76		653		268		130		164		1,928
Reductions on decreased capital or surplus.....		14				21		28		123		4		188
Net of original members.....		17,229		7,932		18,813		8,831		7,351		6,259		66,415
Allotments to new members.....					5	202	4	157	8	310	17	1,244	34	1,913
Cancellations—members liquidating.....	3	321			2	234	2	279	1	30			8	864
Transfers to Cleveland district.....							5	319					5	319
Net balances Dec. 31, 1915.....	98	16,908	14	7,932	137	18,781	104	8,390	81	7,631	74	7,503	508	67,145

EXHIBIT K.

Earnings on loans, including municipal warrants and bankers' acceptances purchased.

Period.	Paper handled.		Daily averages. ¹			Discount.			Extra earnings on loans.			Total earnings.
	Pieces.	Amount.	Pieces.	Balance.	Rate (earned).	Collected.	Rebated.	Earned.	From minimum charges.	From anticipated payments.	From rebates at lower rates.	
1914.												
Nov. 16-Dec. 31.....	1,327	\$2,184,747.05	28	\$618,221.00	5.8450	\$17,657.87	\$4.22	\$4,717.68	\$5.51	\$6.31	.....	\$4,729.50
1915.												
Jan. 1-Mar. 31.....	5,809	10,763,252.84	64	4,721,944.00	5.0003	79,920.63	562.13	59,044.86	14.46	61.85	\$31.19	59,152.36
Apr. 1-June 30.....	8,089	10,751,327.71	89	7,060,383.00	4.6449	92,615.24	562.07	82,898.26	7.85	32.35	12.22	82,950.68
July 1-Sept. 30.....	8,798	11,965,184.52	95	8,350,946.00	4.4763	85,110.48	768.68	95,531.71	39.18	70.46	53.05	95,694.40
Oct. 1-Dec. 31.....	7,745	11,780,838.78	84	7,330,156.00	4.0756	73,905.83	847.33	76,346.66	42.81	135.47	44.28	76,569.22
1915.....	30,441	45,260,603.85	83	6,877,078.00	4.5008	331,552.18	2,740.21	313,821.49	104.30	300.13	140.74	314,366.66
Whole period.....	31,768	47,445,350.90	77	6,163,081.00	4.5161	349,210.05	2,744.43	318,539.17	109.81	306.44	140.74	319,096.16

¹ Based upon number of days actually elapsed.

EXHIBIT L.

Analysis of expenses.

	1914	1915				Total calendar year 1915.	Total.	
	Nov. 16-Dec. 31.	Jan. 1-Mar. 31.	Apr. 1-June 30.	July 1-Sept. 30.	Oct. 1-Dec. 31.		Nov. 16-Dec. 31, 1914.	Nov. 16, 1914-Dec. 31, 1915.
Current:								
Federal Advisory Counsel.....	\$47.70	\$25.16	\$16.44	\$16.09	\$28.90	\$86.59	\$47.70	\$134.29
Assessment Federal Reserve Board expenses.....				3,354.90	3,354.90	6,709.80		6,709.80
Directors' fees.....	920.00	60.00	1,300.00	820.00	1,080.00	3,260.00	920.00	4,180.00
Legal.....	62.50	437.50		503.62		941.12	62.50	1,003.62
Salaries—								
Officers.....	4,783.32	6,032.06	5,687.49	6,883.29	7,374.95	25,977.79	4,783.32	30,761.11
Clerical staff.....	2,591.66	4,739.97	5,433.31	6,412.07	8,150.83	24,736.18	2,591.66	27,327.84
Watchmen.....	20.00	266.44	400.00	200.00	160.02	1,026.46	20.00	1,046.46
Other.....	180.50	350.00	300.00	309.25	430.25	1,389.50	180.50	1,570.00
Traveling expenses—								
Directors.....	742.38	90.03	710.57	378.47	772.00	1,951.07	742.38	2,693.45
Officers and clerks.....	70.50		179.02	68.70	206.98	454.70	70.50	525.20
Federal Reserve Agents' conferences.....		67.73			134.03	201.76		201.76
Governors' conferences.....	27.17	318.79	118.71	257.72	155.76	850.98	27.17	878.15
Per diem allowances, directors.....	670.00	90.00	790.00	380.00	620.00	1,880.00	670.00	2,550.00
Telephone.....	41.66	82.11	71.61	73.24	78.81	305.77	41.66	347.43
Telegraph.....	72.01	120.57	28.32	26.73	95.08	270.70	72.01	342.71
Postage.....	367.19	501.28	638.88	698.25	1,072.52	2,910.93	367.19	3,278.12
Expressage.....	208.98	919.75	1,114.34	779.28	1,746.34	2,712.23	208.98	2,921.21
Rent (including outside vaults).....	891.66	464.59	2,125.00	1,000.00	2,233.33	5,822.92	891.66	6,714.58
Fidelity insurance.....	103.47	831.38	64.62	16.54	949.70	1,862.24	103.47	1,965.71
Light, heat, and power.....	71.83	130.69	130.00	90.76	270.65	672.10	71.83	743.93
Printing and stationery.....	311.61	613.69	598.56	1,482.66	1,343.89	4,038.80	311.61	4,350.41
Repairs and alterations.....	285.71	835.63	879.91	44.06	20.55	1,780.15	285.71	2,065.86
Miscellaneous.....	320.84	478.10	780.66	645.94	1,287.64	1,677.97	320.84	1,998.81
					1,060.91			
Total.....	12,790.69	17,505.47	21,367.44	24,441.57	28,205.28	91,519.76	12,790.69	104,310.45
Organization:								
Carried from current.....	6,485.98	5,139.70	386.24			5,525.94	6,485.98	12,011.92
General expenses Federal Reserve Board.....	2,311.19	9,244.74				9,244.74	2,311.19	11,555.93
Total.....	8,797.17	14,384.44	386.24			14,770.68	8,797.17	23,567.85

Cost of Federal Reserve notes.....	9,219.54	2,346.64	.....	13,141.99	5,024.11	22,546.72	9,219.54	31,766.26
Less value of unissued notes (asset carried forward)				¹ 12,000.00	¹ 2,033.98 ² 5,368.34	17,368.34		² 17,368.34
Net expense.....	9,219.54	2,346.64	.....	1,141.99	1,689.75	5,178.38	9,219.54	14,397.92
Equipment.....	821.07	4,033.57	5,945.07	582.53	466.25	11,027.42	821.07	² 11,848.49
Less asset carried forward.....		² 3,500.00	² 5,500.00	² 250.00	² 250.00	9,500.00		² 9,500.00
Depreciation.....	821.07	533.57	445.07	332.53	216.25	1,527.42	821.07	2,348.49
Total expense.....	31,628.47	34,770.12	22,198.75	25,916.09	30,112.28	112,996.24	31,628.47	144,624.71

¹ Adjustment of expressage, etc., on Federal Reserve notes from Washington.² Distribution as to periods is arbitrary.

EXHIBIT M.

Commodity paper handled to Dec. 31, 1915.

	Pieces.	Rate.	Amount.	Collateral (cotton), bales.
September.....	46	3	\$96,034.00	2,506
October.....	286	3	364,421.17	9,626
November.....	826	3	1,523,388.32	33,379
December.....	501	3	897,644.72	20,621
Total.....	1,659	3	2,881,488.21	66,222

NOTE.—Average of loans to bale, \$43.51.

EXHIBIT N.

Clearance operations.

Number of members in collection system, Dec. 31, 1915.....	91
Maryland.....	18
District of Columbia.....	3
Virginia.....	29
West Virginia.....	5
North Carolina.....	10
South Carolina.....	26

OPERATIONS OF THE CLEARANCE SYSTEM SINCE ITS ESTABLISHMENT, JUNE 8, 1915.

	On Rich- mond.	Other Fed- eral reserve cities.	Country.	Total
Items.....	67,385	13,670	488,091	569,146
Daily average.....	290	79	2,821	3,290
Amount.....	\$82,496,600	\$76,896,000	\$78,484,700	\$237,877,300
Daily average.....	\$476,800	\$444,500	\$453,700	\$1,375,000

The department has a manager and five assistants.

Direct cost of operation since June 8, 1915 (salaries, postage, and stationery), \$3,500.

Average cost per item handled, six-tenths of 1 cent, exclusive of bookkeeping and overhead charges.

EXHIBIT O.

Data assembled from exhibits.

Gross resources of member banks.....	\$613,226,754.00
Amount of paper discounted (including warrants).....	\$47,445,350.90
Number of notes discounted.....	31,768
Total loans and investments Dec. 31, 1915.....	\$7,733,137.32
Average loan line during period of operation.....	\$6,152,811.00
Average per cent discount rate charged.....	4.5161
Average maturity in days of all paper now in discount line.....	33
Commodity paper discounted, all on cotton (66,222 bales).....	\$2,881,488.21
Number of member banks granted discounts.....	226
Number of accepted offerings.....	4,231
Number of banks in clearance system.....	91
Average number items daily.....	3,290
Average amount cleared daily.....	\$1,375,000.00
Items cleared since June 8, 1915.....	569,146
Aggregate amount of items cleared.....	\$237,877,300.00
Officers.....	4
Other employees.....	26
Total.....	30

DISTRICT NO. 6—ATLANTA.

M. B. WELLBORN, Chairman and Federal Reserve Agent.

OFFICE OF FEDERAL RESERVE AGENT.

As chairman of the board of directors and Federal Reserve Agent since the opening of the bank, on November 16, 1914, my entire time has been devoted to the duties of my office. I have been assisted in the general routine work of the office by my secretary, Mr. Jos. M. Slattery.

In addition to receiving collateral incident to the issuance of Federal Reserve notes, work is occasioned by deposits of gold to reduce liability for outstanding circulation; and on account of the large amount of agricultural paper handled, with cotton receipts attached, there is a daily transaction in substitution of collateral, necessitated by the sales of cotton and withdrawal of cotton receipts pledged.

The total note issue of our bank up to this date, December 31, 1915, amounts to \$18,950,000, and by comparison with the issue of other Federal Reserve Banks it is second in amount, and stands first in amount, taking into consideration the proportion of our capital stock to that of other Federal Reserve Banks. This proportionately large issue of our bank is due to the fact that a great deal of currency is required for use in moving the cotton crop, which currency prior to the establishment of the Federal Reserve Bank was obtained by the member banks from reserve cities. Our bank being within a short distance of each member bank, the difference in the cost of shipping, either by mail or express, constitutes quite a saving in expense and also a great convenience, since the banks are able to get the currency in much less time.

Against the issue of Federal Reserve notes I am holding \$4,751,245.69 in collateral, being commercial paper rediscounted by the member banks with the Federal Reserve Bank of Atlanta. In addition to this collateral the Federal Reserve Board holds to the credit of the Federal Reserve Agent at Atlanta \$14,200,000 in gold transferred from the gold settlement fund.

EARLY ORGANIZATION OF THE BANK.

At the organization of the bank, owing to the depression throughout the United States due to the European war, business within the sixth Federal reserve district was almost paralyzed; the cotton crop was in process of marketing, and Europe, no longer a purchaser, had previously absorbed more than one-half of this product. The banks and merchants were, of course, unable to make their usual collections, and business was in a chaotic state. The decision of the Federal Reserve Board to have the Federal Reserve Banks open for business on November 16, 1914, greatly restored confidence, so that by the time the Federal Reserve Bank of Atlanta opened, the member banks did not find it necessary to offer us rediscounts to any great extent. In addition thereto, the member banks in our district had obtained Aldrich-Vreeland emergency currency to the extent of \$22,000,000, and had taken advantage of the lower rates offered by the banks in the large financial centers, as the result of the establishment of the Federal reserve system.

The physical organization of the Federal Reserve Bank was similar to that of any other pioneer movement, and consisted simply in working out the details as they presented themselves. The \$22,000,000 of Aldrich-Vreeland currency obtained by the member banks of this district had served to tide over the credit necessities of the district for several months prior to the opening of our bank. The difficulties experienced in the early operation of the Federal Reserve Bank were due largely to lack of a thorough knowledge of the intent and meaning of the Federal Reserve Act and of the class of paper eligible for rediscount. The solution of these problems involved much correspondence with the member banks. Another question involved was the difficulty in obtaining uniform warehouse receipts and insurance sufficiently specific to identify the product pledged. This problem has been practically solved.

At points of concentration where the movement of cotton is too rapid to permit of the deposit of receipts with this bank, custodians have been appointed, under adequate bond, to hold and exchange the securities supporting paper rediscounted with this bank. The prevailing custom of loans to cotton merchants on demand paper gave rise to the necessity of rebating on paper withdrawn before maturity, in order to allow the unhampered sale of the commodity previously pledged.

The effect of the work of the Federal Reserve Bank has been to reduce the rates of rediscount; to give the member banks the assurance of a place of rediscount at reasonable rates, and the knowledge that they could obtain currency when needed. It has stabilized the value of the commodities of the district; the quality of loans by member banks is much improved; bankers are requiring better paper—paper that will be liquidated at maturity—with a view to eligibility at the Federal Reserve Bank.

Of the member banks in the district 49 are borrowing from their correspondents and have not applied for rediscount with this bank. To these banks I addressed the following letter:

"In analyzing the credit needs and conditions of member banks in this district we notice from your last report of condition to the comptroller that you are using outside funds.

"Inasmuch as you have never availed yourselves of the rediscount facilities of the Federal Reserve Bank of Atlanta, we are anxious to ascertain if there be any specific reason for your not allowing this institution to serve you in this capacity.

"We are desirous of having the thorough cooperation of the member banks, and would be glad to have a frank expression from you along this line."

With one exception, nearly all of the banks to whom the above letter was addressed express no dissatisfaction with the Federal Reserve Bank. Some state they prefer to borrow in New York, as heretofore, believing it involves less trouble, while others say they can obtain a lower rate in New York than they can with us, the one exception stating that the Federal Reserve Bank should, in their opinion, accept paper of any character when offered by a member bank.

INTERNAL ORGANIZATION OF THE BANK.

A complete set of by-laws was adopted by our board of directors at its first meeting, a copy of which is hereto attached. By referring to the powers and duties of the executive committee, it will be noted that the management or administration of the bank is largely left with this committee. The said committee is composed of the governor, who is chairman of the committee, the Federal Reserve Agent, and one director. The directors serve in monthly rotation, being selected by the board of directors at its regular monthly meetings. Thus the governor of the bank and the Federal Reserve Agent are in continuous service on this committee. This plan works admirably, and the whole committee is in thorough touch with the workings of the bank. The executive committee meets daily for the consideration of all discounts

offered by member banks. When the director serving on the committee lives some distance out of town and is unable to attend the daily meetings of the executive committee, he usually selects a director who lives in Atlanta, or very close by, to act in his stead.

The official staff of the bank is composed of the following:

	Salary.
Governor.....	\$9,000
Secretary (acts only at board meetings).....	¹ 25
Deputy secretary ²	
Cashier.....	3,600
Assistant cashier.....	2,500
Manager credit bureau.....	2,400
Auditor.....	2,400
Discount clerk.....	1,800

The discount clerk has a staff of clerks with salaries ranging from \$480 to \$1,200 per annum.

Including this staff of clerks and officers, the total number of employees is 27. Our bank having to handle so large a number of rediscounts, the force is constantly at work, frequently into the night, during the autumn and winter seasons.

DEPUTY FEDERAL RESERVE AGENT.

When it is necessary for the Federal Reserve Agent in Atlanta to be absent from the city for a week or more, he so advises the deputy Federal Reserve Agent, in writing, requesting him to serve in the interim as Federal Reserve Agent. For such services he is allowed the same compensation, per diem, as that received by the Federal Reserve Agent.

Other than this, the deputy Federal Reserve Agent in Atlanta has no specific duties, and receives no compensation, except the duties and compensation of a regular director, serving as a member of the board of directors and as a member of the executive committee.

DEPUTY GOVERNOR.

At the time of the organization of this bank a deputy governor was elected to serve without compensation, but in view of the ruling of the Federal Reserve Board as to the ineligibility of member bank officials serving as deputy governor of this bank, our board of directors, at their meeting on June 11, 1915, in accepting the resignation of the deputy governor, voted not to select a deputy governor (an active deputy governor being unnecessary); and further voted that the director serving on the executive committee, each month, be designated governor pro tempore and to act as governor during the absence of the governor of the bank. For such services, as governor, he receives the same compensation allowed the governor.

BOARD OF DIRECTORS.

The board of directors meets once a month, and during the first year of the board's existence it was found necessary to remain in session two consecutive days at each meeting; but beginning with the second year a session of one day's duration has been found sufficient. While the class A and class B directors are in closer touch with the viewpoint and affairs of the member banks, the class C directors are no less attentive to the welfare of the banking interests of the district, and, their positions being appointive, probably act with a little more independence than the other directors.

¹ Per month. ² The deputy secretary receives a salary as secretary to the Federal Reserve Agent.

EXECUTIVE COMMITTEE.

LOANS AND DISCOUNTS.

In the early days of the operation of our bank it was feared that some difficulty would be experienced in handling the rediscounts offered by member banks—a fear relieved by experience. The executive committee, in handling the offerings of constantly borrowing banks, are as considerate of them as is consistent with safety and prudence; but notes are frequently returned for various reasons, the most prominent of which are:

- I. Ineligibility.
- II. A too distant maturity.
- III. Continued renewal.
- IV. Poor mercantile ratings, or other unfavorable information.
- V. A too liberal line of credit extended to customer.

The Federal Reserve Bank of Atlanta has, since its opening, discounted 22,011 pieces of paper amounting to \$32,882,671.12. This large volume of discounts necessarily requires close and steady work, as our executive committee examines carefully each day the condition of the borrowing banks, and each piece of paper offered for rediscount; also the volume of the member bank's transactions with the Federal Reserve Bank of Atlanta, including the average balance maintained, date of the first offering, maximum accommodation extended, date of liquidation, if any, maximum accommodation subsequently extended, amount outstanding, proportion of paper secured by collateral, and pending maturities.

This bank has not deemed it wise, except at its New Orleans branch, to engage in open market operations to any great extent, as we have had, at all times, a fairly full line of discounts, this being, in our opinion, the primary object of the law—to first accommodate the member banks in extending to them rediscounting privileges. It is our intention, however, to go into the open market for business whenever our loanable funds are idle, in order to take care of current expenses and make our own rates effective when it becomes necessary.

DIVISION OF WORK—GOVERNOR AND FEDERAL RESERVE AGENT.

The division of work in this bank between the governor and the Federal Reserve Agent is rather evenly balanced, both giving their entire time to the business of the institution. While it is generally understood that the operation of the bank is under the management of the governor, still, in practice, this is not exclusively true. The by-laws of the bank provide, under article 2, section 2, paragraph H, that to the executive committee is delegated the power "in general to conduct the business of the bank, subject to the supervision and control of the board of directors." As chairman of the board of directors, I am necessarily a regular member of the executive committee and am, therefore, called upon to participate in the joint management of the bank. These duties, in addition to attending to the correspondence with the Federal Reserve Board, and having custody of the Federal Reserve notes and collateral deposited with me to secure the issuance thereof, add largely to the contemplated duties of the Federal Reserve Agent. The duties of the Federal Reserve Agent at Atlanta have been further increased by the establishment of the branch bank in New Orleans. Relations existing between the governor and Federal Reserve Agent are most pleasant and agreeable.

POWERS OF TRUSTEE, EXECUTOR, ADMINISTRATOR, AND REGISTRAR OF STOCKS AND BONDS.

In recommending that permission be granted to applying member banks to act as trustee, executor, administrator, and registrar of stocks and bonds, we have adopted the plan of presenting such applications to the board of directors at its regular monthly meetings. As chairman of the board of directors, I obtain as a preliminary all the information available from the chief bank examiner for the district and other sources and present same to the board of directors with the application. If acted upon favorably, the application is forwarded to your board, accompanied by such information as we have obtained, with the recommendation that it be granted.

CLEARING SYSTEM.

Our bank has earnestly endeavored to cooperate with the Federal Reserve Board in putting into effect the voluntary clearing system proposed by your Board, but the result has not been satisfactory.

The system was inaugurated on April 10, 1915, membership was voluntary, and items were received only from those banks which agreed to permit their accounts to be charged with checks on themselves, subject to final payment. The system began operation with 67 members, 15 joining later, and 9 withdrawing, leaving a present membership of 73, of which 21 are located in reserve cities.

The number of items handled daily has averaged 440, of which 207 have been on banks in the district outside of Atlanta, 204 on banks in Atlanta, and 29 on banks in other Federal reserve districts. The principal objections raised by the member banks are: (1) They can not anticipate the drawings, hence the difficulty of maintaining their reserves when checks are charged to their accounts; (2) they object to giving up exchange charges, which it has been their custom to make; (3) owing to the limited number of points covered, none being outside the district other than Federal reserve cities, the volume of items they send in for credit must, of necessity, be small; (4) since the Federal Reserve Banks will not accept their checks on nonmember banks, which are in the majority in this district, balances must be maintained with reserve correspondents, in order to have such items collected.

The effect of the system has not been to reduce exchange charges, either by the banks themselves or by the two country clearing houses in the district, Atlanta and Nashville. The charges in this district run from \$1.50 to \$2 per \$1,000, the average being \$1.63 per \$1,000 for the entire district.

The Federal Reserve Bank of Atlanta receives from its members, at par, subject to deferred credit, exchange on points outside of the district. It also makes transfers, by mail, outside the district without cost, and pays checks on itself coming from other districts, without charge, provided the volume of exchange deposited by any member bank during the current month equals the amount of the transfers made for that bank and incoming checks from other Federal Reserve Banks. The charge on the difference, if any, is based on the cost of shipping currency to the gold fund to cover, provided such shipments have to be made. We have not endeavored to make a profit on our exchange transactions, believing we should give this service to our members without cost, provided we can so do without loss to ourselves.

ATTITUDE OF STATE BANKS.

A canvass of the attitude of the State bankers toward the Federal Reserve System develops the fact that while every thoughtful State banker fully realizes that the system to which he has in no way contributed has been indirectly of great benefit to his institution, he is hesitant about joining a system of which his ideas are more or less vague. He is familiar with the limitations of the State laws under which he operates,

but unfamiliar with the National Bank and Federal Reserve Acts and in many cases exaggerates the extent of their requirements. The State banks are accustomed to transact business at fixed rates of interest and are not in sympathy with any movement which may tend to decrease their profits through changes in interest rates, and, further, it will no doubt be difficult to engage the attention of the majority of State bankers so long as the period of easy money continues.

BUSINESS CONDITIONS OF THE SIXTH FEDERAL RESERVE DISTRICT.

At the time of the inauguration of the Federal Reserve System the general business conditions of the district were undergoing a most demoralizing depression, and especially was this true in agricultural lines. The South had produced the largest cotton crop in its history and a correspondingly small grain crop; the cotton exchanges were closed, exports cut off, causing a depreciation in value until the market price was below the cost of production and trade in our main staple almost at a standstill.

The establishment of the Federal Reserve Bank and its public announcement that it intended to lend all the assistance within its power to aid the producers was the strongest factor in dispelling the gloom and doubt. In this work the Federal Reserve Bank had the hearty cooperation of the member banks of the district.

The unusual conditions caused a holding back of the 1914 crop and the marketing of it in the late winter and spring of 1914-15, thereby necessitating the most rigid economy, especially among the agricultural element of our population. Such conditions brought most forcefully to the mind of the Southern farmer the imperative need of crop diversification, with the result that the 1915 crops showed an increase of approximately 70,000,000 bushels in corn, wheat, and oats, with an increase in the rice crop of approximately 5,000,000 bushels, with more cattle and hogs than any previous season, and for the first time the cotton crop of the South may be classed to some extent as a "surplus-money crop." The decrease of approximately 5,000,000 bales in the 1915 crop and the establishment of a 3 per cent commodity rate to member banks for money loaned to the farmers at 6 per cent were the strong elements in causing and maintaining the favorable prices of cotton, and the commodity rate has been especially effective in the holding and marketing of the crop.

The tobacco growers of both Tennessee and Florida were compelled to carry over a greater portion of their 1914 crop on account of difficulty in delivery and high ocean rates, and to the producers of this commodity the Federal Reserve Bank has rendered valuable aid in assisting them to hold their crop for a more favorable market.

The iron industry has received a strong impetus within the past few months and the movement in this and kindred industries is stronger than for several years past. Activity is general throughout the district, covering a multiplicity of lines, and business conditions appear exceedingly bright.

ESTABLISHMENT OF A BRANCH BANK OF THE FEDERAL RESERVE BANK OF ATLANTA AT NEW ORLEANS, LA.

The policy of the board of directors of this bank was not favorable to the establishment of branch banks until we had thoroughly developed the business of the parent bank. In view of the commercial importance of New Orleans and its distance from Atlanta (approximately 500 miles) the board of directors decided to recommend to the Federal Reserve Board the establishment of a branch at New Orleans, to be known as the New Orleans Branch of the Federal Reserve Bank of Atlanta.

The branch bank was opened for business on September 10, 1915. Its territory comprises that part of the sixth district in the States of Louisiana and Mississippi, and the banks in the County of Mobile, Ala. The expenses of the branch bank at New Orleans for the first year's operation are guaranteed by the member banks in the city of New Orleans.

A duplicate of the accounting system of the Atlanta bank is used in the New Orleans branch, and the auditor of the Federal Reserve Bank of Atlanta and the examiners for the Federal Reserve Board make periodical examinations of its accounts. Daily reports are made to the Federal Reserve Bank of Atlanta, with copies to the Federal Reserve Board. On Friday of each week the statements of the branch are telegraphed to Atlanta and incorporated in the weekly statement of the Federal Reserve Bank of Atlanta.

As Federal Reserve Agent, I appointed a "representative of the Federal Reserve Agent, at New Orleans," to represent me in transactions involving the issuance of Federal reserve notes, which action was approved by the board of directors of the New Orleans branch and the Federal Reserve Board.

Upon my request to the Board, the Comptroller of the Currency deposits Federal reserve notes with the Assistant United States Treasurer at New Orleans, subject to the order of the Comptroller of the Currency. Upon notice from my representative at New Orleans that collateral has been deposited, an order for Federal reserve notes is forwarded to the Federal Reserve Board and transmitted to the Assistant United States Treasurer at New Orleans, who delivers the Federal reserve notes to the manager of the New Orleans branch. My representative handles only the collateral and records incident to the transactions.

CREDIT NEEDS OF THE DISTRICT.

The ability of the Federal Reserve Bank and of the southern banking organizations to move the cotton crop and to properly finance the preparation of cattle for the market has demonstrated that the long anticipated relief from seasonal financial pressure has been realized. The great progress in diversification of crops for the past two seasons clearly indicates the willing response to broadening effort, this response being limited only by the great need of an adequate supply of capital to prepare for and finance the improvements necessary to profitably grow and market crops which have heretofore been grown to a limited extent only.

Iron and steel industries have no lack of funds for current needs, including the movement of their products and to finance reasonable extensions and for improvements. The naval-stores industry has suffered severely for the whole season for lack of necessary funds. This is a peculiar industry in that the greater part of operating capital is expended in labor; therefore, while the result can be accurately forecast, this expenditure is not represented by tangible assets which can be made the basis for financial negotiations. The industry is sadly in need of some kind of coalition and organization that would tend to stabilize prices and promote confidence in financial circles. The rapidly diminishing area adaptable to the production of these articles and the increasing foreign and domestic normal demand indicate that this industry should be conserved if this country is to receive the returns to which it is entitled from what has been and is still a natural and valuable asset. The lumber industry is in better financial position, and for the immediate future appears to be in a fair position so far as the sale of the product is concerned, but has suffered severely for a period running back to the depression in 1907, during which time billions of feet of valuable timber have been manufactured and sold without profit. Any comprehensive plan of conserving the wealth of our natural resources should by all means include some feasible plan of finance which would enable manufacturers to keep their timber supply inactive during periods of slack demand and low prices, rather than to follow the present system of exhausting this valuable asset to cover carrying charges. The prominent distinction between such industries and agriculture and mining is that agricultural products are produced seasonally, and new mineral deposits are constantly discovered, adding to the already tremendous known quantity of that source of wealth,

with the fair assurance that yet undiscovered mines will place the probability of exhaustion far remote; while on the other hand the timber area is known, the amount fairly accurately determined, and the end of an important industry foreseen. All of which clearly points to the necessity of a careful study of the wasting of this resource through press of necessity occasioned by lack of capital and credit.

The immediate and crying need of the district is financial encouragement for new enterprises. Money is plentiful for established demand, but any attempt to promote new activity or even to reestablish lines of effort which have been idle through the past depressions meets with little or no encouragement. Although everywhere are seen the essentials of prosperity, there appears to be a strong undercurrent of uneasiness and disbelief in its solidity or permanency. Under these conditions substantial progress is, of course, impossible. What stimulus is necessary to a resumption of normal and progressive enterprise is not apparent unless it be the allaying of uncertainty regarding the outcome of the European war and of an unanalyzed, yet ever present fear of the remote possibility that our own Nation may become involved therein.

EARNINGS OF NATIONAL BANKS OF SIXTH DISTRICT.

A résumé of the earnings of the national banks of this district presents a most interesting subject which the general public has had little opportunity to examine and about which an almost universal mistaken idea exists. That the net earnings of the banks of the district fall short of the returns accruing to other lines employing a similar capital and energy has, of course, been well known to those whose life work has been along this line of activity. But in the mind of the general public there exists an impression so greatly at variance with the facts that a wide publicity and a clearer understanding of the comparatively meager profits realized would no doubt do much to create a closer and more sympathetic relation between the banks of the district and their customers. Moreover, in view of the fundamental and sweeping changes in our financial structure contemplated and effected by the Federal Reserve Act, a clearer and more appreciative general understanding of the difficulties attendant upon the operations of the banking business is highly desirable, if not almost essential, to the purpose of securing the full measure of cooperation necessary to effect the broad and salutary reforms for which this system was designed.

The following tabulated analysis of earnings is arranged in groups according to invested capital (i. e., capital, surplus, and undivided profits):

Invested capital:	Net earnings.
Less than \$50,000.....	per cent.. 6. 13
\$50,000 to \$100,000.....	do.... 7. 6
\$100,000 to \$200,000.....	do.... 8. 5
\$200,000 to \$300,000.....	do.... 7. 9
\$300,000 to \$500,000.....	do.... 6. 3
\$500,000 to \$1,000,000.....	do.... 6. 36
Over \$1,000,000.....	do.... 7. 63

I might add, in conclusion, that the policy of the bank has been to issue as many Federal reserve notes as possible and to put up gold with the Federal Reserve Agent to reduce outstanding liability. In this manner the Federal Reserve Bank has been able to accumulate gold, which the officers of the bank believe is the correct policy to pursue. It is thought highly desirable that ultimately our bank have on hand only gold and gold certificates and put Federal reserve notes out for circulation into the channels of commerce.

BY-LAWS OF THE FEDERAL RESERVE BANK OF ATLANTA.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second Thursday at 1 o'clock p. m., or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors, or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least one day before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A, B, or C; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

The executive committee shall be four in number, and the term of service for executive committee members shall be three months, with rotation.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore, or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from 9 o'clock to 2 o'clock on each day, except Sundays or days or parts of days established as legal holidays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board; *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

DISTRICT NO. 7—CHICAGO.

C. H. BOSWORTH, Chairman and Federal Reserve Agent.

OFFICERS AND DIRECTORS.

Directors:

Class A.	George M. Reynolds, ¹ Chicago, Ill.....	Dec. 31, 1918
	Jas. B. Forgan, Chicago, Ill.....	Dec. 31, 1916
	E. L. Johnson, Waterloo, Iowa.....	Dec. 31, 1917
Class B.	A. H. Vogel, ¹ Milwaukee, Wis.....	Dec. 31, 1918
	Henry B. Joy, Detroit, Mich.....	Dec. 31, 1916
	M. B. Hutchison, Ottumwa, Iowa.....	Dec. 31, 1917
Class C.	E. T. Meredith, ² Des Moines, Iowa.....	Dec. 31, 1918
	C. H. Bosworth, Chicago, Ill.....	Dec. 31, 1916
	W. F. McLallen, Columbia City, Ind.....	Dec. 31, 1917

Officers:

C. H. Bosworth, chairman of the board and Federal Reserve Agent.
W. F. McLallen, deputy chairman, etc., and secretary.
James B. McDougal, governor.
C. R. McKay, deputy governor.
B. G. McCloud, cashier.
S. B. Cramer, acting auditor.

Member advisory council: Jas. B. Forgan.

The Federal Reserve Act was approved by the President December 23, 1913. The organization committee proceeded promptly to divide the country into districts and to conduct the election of class A and class B directors. The announcement of class C directors of the Federal Reserve Bank of Chicago was made on October 7, and the first meeting of directors of the Reserve Bank of Chicago was held at the rooms of the Chicago Clearing House Association on October 13, 1914.

A meeting at Washington of all the directors of all of the banks with the Federal Reserve Board was called for October 20, and at that meeting it was agreed that all the banks could open for business on November 16, although the time for organization was necessarily short.

A call for the payment on November 2 of the first installment of subscriptions to the capital stock of the Federal Reserve Banks was issued by the Federal Reserve Board, and on October 25 the Secretary of the Treasury stated that he had determined to announce on November 16, 1914, the establishment of the Federal Reserve Banks in all the Federal reserve districts, and on October 28 the Federal Reserve Board advised the member banks to arrange to transfer the required reserves to the new banks on that date. All the national banks in this district except two became members.

Mr. F. A. Delano, Vice Governor of the Federal Reserve Board, was present at the first meeting of the board of directors of the Federal Reserve Bank of Chicago. At this meeting the directors classified themselves into one, two, and three year terms and took up the selection of quarters and the election of officers.

The full board, with one exception, attended the joint conference at Washington on October 20; on their return a second meeting was held on October 23, and at this

¹ Reelected for three years.

² Reappointed for three years.

meeting a seal was selected, by-laws adopted, an executive committee named, the governor appointed, and the executive committee ordered to canvass all available sites for quarters for the bank.

Up to and including November 16, 1914, four directors' meetings and eight executive committee meetings were held, all officers appointed, quarters selected, and on the last-named date the Federal Reserve Bank of Chicago opened for business at Clark and Monroe Streets.

The following telegrams were exchanged between the Secretary of the Treasury and the bank:

WASHINGTON, D. C., November 16, 1914.

C. H. BOSWORTH,
Federal Reserve Agent, Chicago, Ill.

Please accept my cordial congratulations upon the opening of the Federal Reserve Bank of your district and my sincere commendation upon the effective work you have done in preparing the bank for business in the short time allowed for the opening. I am sure that the Federal Reserve Banks will serve a great and beneficent purpose in the future of our country, and I am sure that this department and the Federal Reserve Board may count upon your loyal cooperation in the important work and duties which have been confided to you. My hearty good wishes for your success.

W. G. McADOO.

CHICAGO, November 16, 1914.

Hon. W. G. McADOO,
Chairman Federal Reserve Board, Washington, D. C.

Allow us to extend our congratulations to you and your associates on the Federal Reserve Board upon the successful opening of the district banks. We are pleased to announce that the Federal Reserve Bank of Chicago opened on time at 10 o'clock this morning fully prepared to perform the functions required of it. On behalf of ourselves and all the directors of this institution we have to say that you may count upon our loyal cooperation in this important work.

J. B. McDUGAL, *Governor.*
C. H. BOSWORTH, *Chairman.*

ACTIVITIES OF THE BOARD OF DIRECTORS.

When the bank was organizing, directors' meetings were frequent and held upon call of the chairman. During 1915, however, a regular monthly meeting has been found satisfactory, as a very full report of executive committee proceedings is sent out to all directors every week. Since organization, there have been 17 directors' meetings and 80 executive committee meetings. Upon different occasions members of the Federal Reserve Board have visited the bank and have attended directors' meetings. Four directors, residents of Chicago, with the governor as chairman, constitute the executive committee. At the beginning this committee met from three to four times a week. After January 8, 1915, two, and since June 25, 1915, one meeting per week has been sufficient. Occasionally one or more of the out-of-town directors have met with the committee.

The committee reviews the acts of the officers in the matter of rediscounts for member banks and the purchase of acceptances and other investments and passes upon all current questions of policy, methods, and procedure, subject to ratification by the board of directors. The directors approve or disapprove of the acts of the executive committee, receive reports from the officers, determine interest and discount rates and, in general, perform the functions ordinarily exercised by boards of directors.

BUSINESS AND BANKING CONDITIONS DURING THIS PERIOD.

The Federal Reserve Bank of Chicago was opened just as business was beginning to recover from the shock occasioned by the declaration of war in Europe. After November 16, 1914, the steady and quieting influence of the Federal reserve system began to be felt and a quick reduction began in the high rates of interest then prevailing.

Early in August Aldrich-Vreeland currency had been applied for by the currency associations located in this district to the amount of \$38,198,490, and Detroit, Des

Moines, and Chicago banks had issued clearing-house certificates. About the time this bank was organized the banks began to redeem their Aldrich-Vreeland currency and to retire their clearing-house certificates. By January 1, 1915, a better tone was apparent. Member banks were discounting with the reserve bank to the extent of \$3,000,000, almost all of which was from large city banks. This amount gradually dwindled to \$760,000 on the 1st of May, practically all coming from smaller country banks. There was a plethora of money in the banks, but business was still timid and sensitive to war reports, and weather conditions all over the United States were unusually unfavorable to growing crops.

Between May and September crop prospects improved until there was a practical certainty of a record production; so-called war orders began to make themselves felt; railroads began necessary betterment work and the buying of additional equipment; and lumber and the building trades began to take on life, except in Chicago, where the strikes caused a complete tie-up in building operations until July. During this third quarter of the year bank deposits continued abnormally high and interest rates unusually low.

The marketing of crops was delayed until well into the last quarter of the year. A considerable per cent of the corn crop was damaged by early frosts and is now being fed to stock, resulting in increased loans to farmers by country banks and in the member banks rediscounting with the Federal Reserve Bank to the extent, at this date, of a little over \$3,000,000. Illustrating the solid character of commercial and manufacturing activities, advices from the steel and iron trade show increasing demand and the output is almost all for domestic requirements. Railroads are showing heavy increases in earnings. General business conditions and seasonable weather are favorable to a much greater volume of merchandising, both wholesale and retail, than a year ago. Deposits in Chicago banks increased over \$40,000,000 between the Comptroller's calls of September 2 and November 10, 1915.

Confidence in the immediate future is evidenced by the large expenditures undertaken for the purpose of enlarging outputs and the steady buying of retailers to replace or enlarge depleted stocks. Money rates are low and bank deposits are still increasing.

CHARACTER OF DISCOUNTING.

The first discounting with the Federal Reserve Bank of Chicago by member banks was done by several of the large Chicago banks and was largely complimentary and for the purpose of blazing the way and setting an example.

Later on, some discounting was undertaken for the purpose of enabling the members borrowing to retire Aldrich-Vreeland currency. From the latter part of December, 1914, to March, 1915, much of the discounting was from Iowa, Illinois, and Indiana banks, and was due to local emergencies caused by the hoof-and-mouth disease. Later, in 1915, some discounting has been occasioned by the poor and unmarketable quality of the corn crop in certain sections of the district. In addition to this there has been more or less continuous discounting in a small way due to the individual requirements of a number of the country banks.

MEETINGS AND ORGANIZATION OF FEDERAL RESERVE AGENTS.

A conference of all the 12 Federal Reserve Agents was called by the Board and was held in the Treasury Building, Washington, February 1 to 6, 1915, at which many subjects were discussed.

A second conference was called and held at Washington November 4 to 6, 1915. At both conferences joint sessions with the Federal Reserve Board were held. At the November conference a permanent organization was effected and an executive committee appointed. The executive committee met in joint conference with the executive committee of the governors of reserve banks at Washington November 17, 1915.

FEDERAL RESERVE NOTE-ISSUING CAPACITY AND POLICY OF THE BANK.

Taking the statement of the bank of December 1, 1915, and after setting aside the required 35 per cent reserve against deposits, the bank had left \$27,697,106 gold reserve applicable to a Federal Reserve note issue. The gold reserve required by the Act against a note issue is 40 per cent. This \$27,697,106 would therefore sustain a Federal Reserve note issue of \$69,242,765. The Federal Reserve Board is authorized to reduce this reserve requirement, so that the note-issuing capacity of the bank could readily be extended to a sum in excess of \$100,000,000.

It is the policy of the bank to issue Federal Reserve notes freely where conditions and circumstances make it necessary. Up to the present time it has had no occasion to issue Federal Reserve notes except for the purpose of familiarizing member banks and the public with the new form of currency. While \$4,380,000 in notes has been issued, the issue was quickly covered with gold of equal amount deposited with the Federal Reserve Agent, thus producing no expansion.

UNITED STATES BOND-SECURED CURRENCY.

Under the Act the Federal Reserve Banks are authorized to deposit United States Government bonds having the circulation privilege and to receive from the Comptroller of the Currency circulating notes, which shall be issued and redeemed under the same terms and conditions as national-bank notes, except that they are not limited to the amount of the capital stock of the bank issuing them. This bank has had printed \$2,560,000 of such bond-secured notes, ready for issue. None have been issued up to date. This currency is available, however, in case of emergency. It would also be available in case of rediscounting with us by another Federal Reserve Bank, where currency shipment to the other bank was necessary, as Federal Reserve notes could not be used for this purpose, the law not allowing one Federal Reserve Bank to pay out the Federal Reserve notes issued by another bank, except under a heavy penalty.

FEDERAL RESERVE BANK AS FISCAL AGENT OF THE UNITED STATES GOVERNMENT.

On November 23, 1915, the Secretary of the Treasury announced that he had determined to appoint the Federal Reserve Banks depositaries and fiscal agents of the United States on January 1, 1916. The deposits of all officers of the Government in the city of Chicago now made with the national banks of that city at present designated as United States depositaries will be made with the Federal Reserve Bank, with the exception of post-office funds and the deposits to the credit of a United States court and its officers, and the Federal Reserve Bank will be required to cash all Government warrants and checks drawn on the Treasurer of the United States which may be presented to it in the same manner and to the same extent as the national-bank depositaries are now required to honor such checks. The amount held by the national-bank depositaries in Chicago to the credit of the Treasurer of the United States at the close of business December 31, 1915, will be transferred to the Federal Reserve Bank; that amount is approximately \$1,000,000 at present.

ELECTION OF DIRECTORS.

The terms of one class A and one class B director expire on December 31, 1915. An election to choose their successors was held in November, resulting in the reelection of both of the old directors. The term of one class C director expired on December 31, 1915, and he has been reappointed by the Federal Reserve Board for three years.

TRUSTEE POWERS TO NATIONAL BANKS.

Up to December 1, 1915, special permits have been granted by the Federal Reserve Board to national banks in the seventh district to act as trustee, executor, etc., when not in contravention of State laws, as follows: To 20 national banks in Indiana; to 8 in Illinois; to 11 in Iowa; to 8 in Michigan, and to 4 in Wisconsin.

MEMBERSHIP OF STATE BANKS.

Recognizing that a unified banking system, embracing in its membership the well-managed banks of the country, small and large, State and National, is the aim of the Federal Reserve Act, the Federal Reserve Board issued on June 7, 1915, its Circular No. 14 providing for membership of State banks in the system. The regulations were made as liberal as possible and even provided a method by which State banks which joined might withdraw—a privilege not accorded by the Act to the national banks.

Two State banks—the Bank of Wisconsin, Madison, Wis., and the Central Trust Company of Illinois, Chicago, Ill.,—joined the system at its inception.

Since then the following State banks have become members:

Commercial & Savings Bank, Albion, Mich.

Elmhurst State Bank, Elmhurst, Ill.

Commercial Trust & Savings Bank, Joilet, Ill.

Badger State Bank, Milwaukee, Wis.

Fruit Growers State Bank, Saugatuck, Mich.

THE INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The directors of the three classes being men of wide experience, from the small as well as the large cities, compose an able and efficient board, fairly representing all interests, including banking, commercial, industrial, and agricultural. The executive officers of the bank were taken from the banking activities of the community, where each has had years of practical experience. The heads of the various departments and other employees came from active positions in various banks, where they received the practical training essential to the best service. The various departments are now fully organized and equipped and in readiness for increasing activities, whatever they may be.

RATES OF DISCOUNT.

Discount rates naturally are influenced by prevailing conditions, and in naming rates it is the policy of the bank to carefully consider the general business situation. Should the demands be sufficient to absorb a considerable amount of the bank's resources, it is the policy of the board of directors immediately to reconsider the established rates with a view to advancing them if advisable. On the other hand, should conditions be such as to indicate that the established rates are excessive, due consideration will be given to a readjustment downward.

DISCOUNTING.

It is the policy of the bank to lend liberal assistance to deserving banks for seasonal or emergency purposes, and, on the other hand, to discourage any tendency toward over-expansion. From the outset the officers have undertaken by correspondence and by personal interview to familiarize member banks with the procedure in discounting, which has been made as simple and expeditious as possible, all unnecessary formality being eliminated.

OPEN-MARKET OPERATIONS TO DECEMBER 31, 1915.

Open-market transactions to date have been confined to the purchase of Government bonds, short-time municipal warrants, and bankers' acceptances. The total of bankers' acceptances purchased is \$5,782,002.03, represented by bills drawn against exports or imports and accepted by banking institutions of known responsibility. The total of municipal obligations purchased is \$7,713,901.59, represented by warrants and bonds issued by 44 municipalities in various States, of maturities ranging from 16 days to 6 months. The total of United States bonds purchased is \$4,231,000, all carrying the circulation privilege as follows: \$2,525,000 United States 2 per cent bonds and \$1,706,000, 3 per cent, the threes being due and payable in 1918.

THE CHECK-COLLECTION SYSTEM.

On November 16, 1914, the date this bank opened for business, it installed a collection system by taking from member banks for immediate credit checks drawn by member banks on member banks located in Chicago and the seven reserve cities of this district. On December 3, 1914, the collection service was enlarged to include all items drawn on member banks located in Chicago and the seven reserve cities in this district.

On December 16, 1914, the bank began taking checks drawn upon all of the Federal Reserve Banks for immediate credit. This was a temporary arrangement and subject to revision at such time as a permanent plan for clearing between Federal Reserve Banks could be agreed upon. On April 7, 1915, the member banks were advised that a voluntary intradistrict collection system would be established and that items would be received for immediate credit at par from such banks as joined the collection system, provided they were drawn upon banks which were members of the collection system. On June 10, 1915, the voluntary intradistrict collection system was put into effect.

On June 15, 1915, the bank began receiving items on all the Chicago clearing-house banks from member banks whether they had joined the collection system or not, and in addition checks and drafts on Federal Reserve Banks located in Boston, New York, Philadelphia, and St. Louis for immediate credit at par except when the amounts exceeded \$10,000, in which case it reserved the right at its option to receive the items at the market rate for exchange on the cities mentioned. Checks on other Federal Reserve Banks which were previously received for immediate credit at par were then received on a deferred-credit basis of from one to four days, in accordance with the schedule of deferred credits approved by the Federal Reserve Board. Besides receiving the above items from member banks, whether they had joined the collection system or not, it began on June 14, 1915, receiving from member banks that are members of the collection system checks and drafts on member banks located in Boston, New York, Philadelphia, and St. Louis for immediate credit at par, reserving the right at its option to receive these items at the market rate for exchange on these cities when the amounts exceeded \$10,000.

No further changes in the collection system have been made up to date. The development of the check-collecting function has proved the most difficult problem confronting the management of the bank.

OPERATIONS OF CHECK-COLLECTING SYSTEM.

From November 16, 1914, to December 3, 1914, drafts drawn by member banks on reserve and central reserve city banks in district No. 7 were cleared as shown below.

AVERAGE PER DAY.

Number of items:		Amount:	
City.....	7	City.....	\$125,000
Country.....	89	Country.....	63,000
Total.....	96	Total.....	188,000

From December 3 to December 16 all checks drawn on member banks in reserve and central reserve cities of district No. 7 were cleared as shown below.

AVERAGE PER DAY.

Number of items:		Amount:	
City.....	793	City.....	\$820,000
Country.....	2,262	Country.....	650,000
Total.....	3,055	Total.....	1,470,000

From December 16 to June 10 all checks drawn on member banks in reserve and central reserve cities of district No. 7 and checks drawn on all other Federal Reserve Banks were cleared as follows:

Average per day.

Date.	Number of items.				Amount.			
	City.	Country.	Other Federal Reserve Banks.	Total.	City.	Country.	Other Federal Reserve Banks.	Total.
December 16-30.....	893	2,463	10	3,366	\$992,000	\$700,000	\$525,000	\$2,217,000
January.....	911	3,256	25	4,192	1,004,000	1,315,000	730,000	3,049,000
February.....	715	3,269	33	4,017	1,243,000	1,144,000	734,000	3,121,000
March.....	763	3,202	39	4,004	1,675,000	1,430,000	649,000	3,754,000
April.....	704	3,262	48	4,014	1,436,000	1,064,000	666,000	3,166,000
May.....	730	3,198	43	3,971	1,377,000	1,962,000	735,000	3,074,000
June 1-10.....	768	3,305	49	4,122	1,454,000	1,395,000	1,434,000	4,283,000

From June 10 to December 31 all checks drawn on member banks of district No. 7 which have joined collection system, checks on members of Chicago Clearing House Association, checks on all other Federal Reserve Banks, and checks on member banks in Boston, New York, Philadelphia, and St. Louis were cleared as follows:

Average per day.

Date.	Number of items.				Amount.			
	City.	Country.	Other Federal Reserve Banks.	Total.	City.	Country.	Other Federal Reserve Banks.	Total.
June 10-30.....	944	4,953	50	5,947	\$1,616,000	\$987,000	\$958,000	\$3,561,000
July.....	1,669	5,715	61	7,445	1,843,000	1,125,000	721,000	3,689,000
August.....	1,699	5,695	64	7,458	1,793,000	1,155,000	515,000	3,463,000
September.....	1,981	6,477	82	8,540	2,121,000	1,353,000	1,225,000	4,699,000
October.....	2,212	7,752	94	10,058	2,964,000	1,752,000	1,212,000	5,928,000
November.....	2,248	7,916	95	10,304	3,462,000	1,852,000	1,509,000	6,823,000
December.....	2,472	8,384	108	10,964	3,725,000	1,983,000	2,037,000	7,745,000

ITEMS AND AMOUNT HANDLED.

From November 16, 1914, to December 31, 1915, the check-collection department has handled, without charge to the member banks, 2,122,405 items, the sum total amount of which was \$1,303,629,563.43.

EXCHANGE AND COLLECTION CHARGES ON CHECKS IN THIS DISTRICT.

Exchange charges in this district are not excessive, being rarely over \$1 per \$1,000. In Illinois about 50 per cent of the member banks remit at par. The rates of the banks which charge run from 25 cents to \$1 per \$1,000. In Indiana possibly 15 per cent of the banks remit to their Chicago correspondents at par. The rates of the banks which charge run from about 50 cents to \$1 per \$1,000, and in some instances as high as \$1.25 per \$1,000. In Iowa about 25 per cent remit at par, the remainder charging about \$1 per \$1,000. In Michigan and Wisconsin there are very few par points, as nearly all banks charge \$1 per \$1,000. Outside of the banks which have joined the collection system, very few reductions in exchange charges have been made. There are a few banks, however, that are agreeing to remit at the rate of 10 cents per letter regardless of the amount, but there has been no reduction to any extent of exchange charges by nonmembers of the collection system.

IMPORTANCE OF THE BANK TO THE COMMUNITY.

Notwithstanding the relatively small demands on most of them for either credit or currency, the Federal Reserve Banks have performed an important function in the creating of confidence and in stabilizing the financial structure of the country. During the several very critical periods this year the system fully demonstrated its worth, inspiring confidence and banishing fear, and forestalling panic from the mere fact of its existence.

ATTITUDE TOWARD MEMBER BANKS.

The Federal Reserve Bank of Chicago belongs to its members. They have furnished the entire capitalization and are the sole depositors; they have elected six of the nine directors, and the directors in turn have elected all the officers of the bank except the chairman of the board. The attitude toward member banks is one of cordial cooperation for the purpose of securing for them and through them for the business community and the public every advantage intended and possible under the Act.

TABLE A.—*Federal Reserve notes.*

[Figures at close of business Dec. 31, 1915.]

Total Federal Reserve notes printed for this bank.....	\$60,000,000
Held in Washington ready for shipment.....	\$50,620,000
Held by Federal Reserve Agent (new notes).....	4,660,000
Issued to bank	4,720,000
Outstanding in circulation, secured by deposit of gold with Federal Reserve Agent.....	60,000,000
Returned by bank for cancellation and destruction.....	4,380,000
Notes of other Federal Reserve Banks redeemed and returned to issuing bank.....	340,000
Our notes returned to us by other Federal Reserve Banks.....	1,077,375
	174,935

TABLE B.—*Comparative statement of investments—semimonthly.*

Date.	Bills discounted, members.	Bills discounted, bought.	United States bonds.	Investments.	Total.
1914.					
Nov. 18.....	\$1,000,000.00				\$1,000,000.00
Dec. 1.....	2,602,108.08				2,602,108.08
15.....	3,161,780.11				3,161,780.11
1915.					
Jan. 2.....	2,667,074.44		\$555,000.00		3,222,074.44
15.....	2,078,148.58		925,000.00	\$1,000,000.00	4,003,148.58
Feb. 1.....	1,572,045.30		2,025,000.00	1,525,000.00	5,122,045.30
15.....	1,089,216.98		2,875,000.00	1,530,000.00	5,494,216.98
Mar. 1.....	787,581.60	\$489,864.74	3,525,000.00	2,330,000.00	6,982,446.34
15.....	955,771.23	967,783.60	3,500,000.00	2,330,000.00	7,753,554.83
Apr. 1.....	996,048.62	1,412,589.24	3,525,000.00	2,499,500.00	8,433,137.86
15.....	813,940.71	1,589,819.24	3,525,000.00	2,633,500.00	8,562,289.95
May 1.....	761,534.17	1,537,128.54	3,525,000.00	2,931,500.00	8,755,162.71
15.....	804,180.51	1,094,680.30	3,525,000.00	3,241,500.00	8,665,360.81
June 1.....	902,374.22	678,535.84	3,625,000.00	3,306,500.00	8,512,410.06
15.....	1,063,580.41	617,245.94	3,725,000.00	1,222,500.00	6,628,326.35
July 1.....	1,240,794.93	394,676.50	3,725,000.00	1,437,000.00	6,797,471.43
15.....	1,476,786.28	275,485.60	3,725,000.00	1,690,500.00	7,166,771.88
Aug. 2.....	1,453,923.41	533,499.54	3,725,000.00	2,023,000.00	7,735,422.95
16.....	1,284,777.02	717,380.78	3,726,000.00	2,075,000.00	7,903,157.80
Sept. 1.....	1,161,970.85	1,119,435.92	3,951,000.00	2,922,404.46	9,154,811.23
15.....	1,280,298.23	1,379,196.05	3,959,500.00	2,932,772.09	9,551,766.38
Oct. 1.....	1,576,061.96	1,551,563.30	3,986,000.00	2,984,679.35	10,098,304.61
15.....	1,832,551.39	1,527,493.64	4,006,000.00	2,970,489.35	10,336,534.38
Nov. 1.....	2,379,036.86	1,531,815.86	4,031,000.00	2,664,313.77	10,606,166.49
15.....	2,780,309.36	1,625,302.85	4,062,000.00	2,422,163.77	10,889,775.98
Dec. 1.....	2,973,487.23	1,521,971.13	4,090,000.00	1,001,898.87	9,587,357.23
15.....	3,433,273.29	1,487,119.87	4,260,000.00	1,482,253.37	10,608,646.53

TABLE C.—Record of discount rates.

Effective—	Maturities up to 30 days.	Maturities up to 60 days.	Maturities up to 90 days.	Maturities over 90 days.
1914.	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 14.....	6	6	6	6
Dec. 1.....	5½	6	6	6
Dec. 16.....	5	5½	6	6
1915.				
Jan. 1.....	4½	5	5½	6
Jan. 23.....	4	4	4½	5
Dec. 11 (special rate of 3½ per cent on 10-day paper).....				

TABLE D.—Showing totals for the district of capital, surplus, demand deposits, time deposits, total resources, borrowed money, and paper eligible for rediscount with the Federal Reserve Bank of Chicago as shown by the reports to the Comptroller of the Currency Nov. 10, 1915.

	Central Reserve cities.	Reserve cities.	Country banks.	Total.
Capital.....	\$47,300,000.00	\$25,000,000.00	\$72,202,000.00	\$144,502,000.00
Surplus.....	27,560,000.00	11,610,000.00	37,770,000.00	76,940,000.00
Individual demand deposits ¹	290,836,000.00	130,438,000.00	300,275,000.00	730,549,000.00
Individual time deposits ¹	19,549,000.00	24,852,000.00	177,259,000.00	221,660,000.00
Total resources.....	698,007,000.00	290,159,000.00	737,363,000.00	1,725,529,000.00
Money borrowed.....	400,000.00	225,000.00	8,128,000.00	8,754,000.00
Paper eligible for rediscount.....	125,847,000.00	40,549,000.00	104,083,000.00	270,479,000.00

¹ Bank deposits omitted.

The total of "Paper eligible for rediscount" does not reflect the true condition, as a great many of the member banks did not report under this heading.

TABLE E.—Capital stock subscriptions as of Dec. 31, 1915.

Central reserve city banks.....	\$4,488,000
Reserve city banks.....	2,195,700
Country banks.....	6,605,500
Total.....	13,289,200

TABLE F.—Showing reserve required to be deposited with Federal Reserve Bank of Chicago Dec. 1, 1915, figured from the Comptroller's call of Nov. 10, 1915, and compared with actual balances as shown by books on Dec. 1, 1915.

	Reserves carried with Federal Reserve Bank.	Reserves required to be carried with Federal Reserve Bank.	Excess re- serves.
Central reserve city banks.....	\$34,174,300	\$31,777,500	\$2,396,800
Reserve city banks.....	5,568,700	6,031,900	¹ 463,200
Country banks.....	12,400,200	11,956,500	443,700
Total.....	52,143,200	49,765,900	2,377,300

¹ Short of required reserves.

TABLE G.—*Discount department operations Nov. 16, 1914, to Dec. 31, 1914.*

[116 applications for discount approved at 4 per cent to 6 per cent from 78 member banks.]

	Reserve cities.		Country.	
	Banks.	Amount.	Banks.	Amount.
Illinois.....	¹ 7	\$4,207,350.00	15	\$142,126.42
Indiana.....	1	108,782.86	17	224,801.09
Iowa.....	1	30,500.00	29	358,169.32
Michigan.....	2	125,000.00	2	150,295.50
Wisconsin.....			4	62,700.00
Total.....	11	4,471,632.86	67	938,182.33

¹ Central reserve city.TABLE H.—*Discount department operations Jan. 1, 1915, to Dec. 31, 1915.*

[1,049 applications for discount from 143 member banks approved at rates varying from 4 per cent to 6 per cent.]

	Reserve cities.		Country.	
	Banks.	Amount.	Banks.	Amount.
Illinois.....	¹ 3	\$1,442,618.68	33	\$1,631,207.28
Indiana.....			21	1,328,478.32
Iowa.....	2	158,000.00	76	4,260,295.65
Michigan.....			5	208,570.82
Wisconsin.....			3	209,701.96
Total.....	5	1,600,618.68	138	7,638,254.03

¹ Central reserve city.

DISTRICT NO. 8—ST. LOUIS.

WILLIAM McC. MARTIN, Chairman and Federal Reserve Agent.

On May 2, 1914, the reserve bank organization committee announced the boundaries of Federal reserve district No. 8.

On May 11, 1914, this committee designated five banks to execute the organization certificate, and on May 18 representatives of the banks met in the rooms of the St. Louis Clearing House Association in the city of St. Louis and signed the organization certificate of the Federal Reserve Bank of St. Louis. Arkansas was represented by the German National Bank, of Little Rock, Mr. J. D. Goldman, president, and Mr. W. A. Hicks, cashier, signing the certificate for that bank. Illinois was represented by the Ayers National Bank, of Jacksonville, Mr. M. F. Dunlap, president, and Mr. O. F. Buffe, cashier, signing the certificate. Indiana was represented by the Second National Bank, of New Albany, Mr. Earl S. Gwin, president, and Mr. Geo. A. Newhouse, jr., cashier, signing for that bank. Kentucky was represented by the National Bank of Kentucky, Louisville, Mr. Oscar Fenley, president, and Mr. H. D. Ormsby, cashier, signing the certificate. Tennessee was represented by the First National Bank, of Memphis, Mr. J. A. Omberg, president, and Mr. C. Q. Harris, cashier, signing for it.

The reserve bank organization committee had sent out preferential ballots in accordance with the Federal Reserve Act to all member banks, and on August 10, 1914, it announced that group No. 1 had elected Mr. Walker Hill, of St. Louis, as class A director, and Mr. Murray Carleton, of St. Louis, as class B director; that group No. 2 had elected Mr. Frank O. Watts, of St. Louis, as class A director, and Mr. W. B. Plunkett, of Little Rock, Ark., as class B director; that group No. 3 had elected Mr. Oscar Fenley, of Louisville, Ky., as class A director, and Mr. Le Roy Percy, of Greenville, Miss., as class B director.

On September 30, 1914, the Federal Reserve Board announced the appointment of Mr. William McC. Martin as Federal Reserve Agent and chairman of the board of directors, and Mr. W. W. Smith as deputy Federal Reserve Agent and vice chairman, and that these two gentlemen, together with Mr. John W. Boehne, of Evansville Ind., would be the three class C directors.

On Monday, October 5, 1914, the three class C directors of this bank met with the Federal Reserve Board in its rooms in the Treasury Building at Washington, D. C., to receive preliminary instructions and discuss the necessary steps for the organization of the bank. Upon the return from this meeting, on October 13, an informal meeting of the board of directors was called by the chairman of the board. This had to be an informal meeting, as some of the directors had not had time fully to qualify in accordance with the provisions of the law, and was for the purpose of having the directors become acquainted with one another and talk over tentative plans for the organization of the bank. All the directors were present, except Mr. Le Roy Percy, of Greenville, Miss. At this meeting the chairman read a telegram from the secretary of the Federal Reserve Board, advising that a conference had been called for October 20 in Washington, D. C., and asking that all the directors of each

Federal Reserve Bank be present, if possible. There were selected, as the representatives of this bank, to be present at the meeting of directors in Washington, Mr. Oscar Fenley and Mr. Frank O. Watts, class A directors, Mr. W. W. Smith, class C director, and the chairman of the board. These gentlemen all attended the meeting in Washington, and took part in the discussions with other directors in the consideration of plans for the opening of the banks.

On October 23 the Federal Reserve Board called for the first installment of capital stock, a payment in gold equal to one-sixth of the total amount of capital stock allotted to each bank, such remittance to be made on or before November 2, 1914.

On October 25, 1914, the Secretary of the Treasury stated that he had determined to announce the establishment of the Federal Reserve Banks in all the Federal reserve districts on November 16, 1914. This announcement was made several days before it was possible to hold the first regular meeting of the board of directors of this bank. Its first regular meeting was held on October 28, in the board room of the Mississippi Valley Trust Co., St. Louis. All of the directors were present. Anticipating an early opening of the bank, the chairman of the board had gone ahead and ordered certain records, in order to facilitate matters, and at this meeting of the board his actions were ratified. The directors also decided by lot, on their terms of office, in accordance with the provisions of the law, the result being as follows:

CLASS A.

Mr. Frank O. Watts, for a term to expire one year from January 1, 1915.

Mr. Oscar Fenley, for a term to expire two years from January 1, 1915.

Mr. Walker Hill, for a term to expire three years from January 1, 1915.

CLASS B.

Mr. Murray Carleton, for a term to expire one year from January 1, 1915.

Mr. W. B. Plunkett, for a term to expire two years from January 1, 1915.

Mr. Le Roy Percy, for a term to expire three years from January 1, 1915.

CLASS C.

Mr. William McC. Martin, for a term to expire one year from January 1, 1915.

Mr. Walter W. Smith, for a term to expire two years from January 1, 1915.

Mr. John W. Boehne, for a term to expire three years from January 1, 1915.

A corporate seal was also adopted and by-laws decided on. A committee was appointed to recommend the salaries of the governor of the bank, deputy governor, and cashier, and its report was adopted. The officers elected were as follows: Hon. Rolla Wells, governor; Mr. William W. Hoxton, deputy governor and secretary; Mr. C. E. French, cashier.

This organization meeting of the board occurred on October 28, and the bank had to open its doors for business on November 16, thus giving only a little over two weeks in which to find quarters, get the necessary equipment, and become established. Prior to this time there had been no officers of the bank, except the chairman of the board and the vice chairman, and, in accordance with the call of the Federal Reserve Board, gold was being received in payment of the first installment of capital stock. The chairman of the board accepted these payments as they came, gave his receipt for them, and arranged that they be deposited in a safe-deposit box in the Mississippi Valley Trust Co. Access could be had to this box only by the Federal Reserve Agent when accompanied by Mr. W. W. Smith, his deputy. At the first regular meeting of the board the chairman reported what he and his deputy had done in regard to accepting these payments, and their action was confirmed. As soon as

officers were appointed for the bank and qualified, these capital stock payments were turned over to them, and were found to be correct.

Beginning with October 1 the chairman received a great number of applications for positions with the bank. Wherever possible, the applicants were seen, and all applications were filed in order of receipt, so that when it came to choosing the official staff and the office force, every application was given due consideration.

A number of possible locations for the new bank had been looked over by the chairman and his deputy, and these were reported to the first regular meeting of the board of directors. At this meeting the board appointed these two gentlemen and Governor Wells as a committee to select temporary quarters and to purchase such furniture and equipment as the bank required. At the first meeting of the executive committee, held on November 4, this committee reported that it had succeeded in getting temporary quarters on the fourth floor of the Boatmen's Bank Building. This was a new building, located on the northeast corner of Olive Street and Broadway, and the fourth floor, fortunately, had not been completely finished, so quick work was possible. In order to get it ready for occupancy on November 16 it was necessary that those supplying fixtures and those at work on the building be pushed day and night, but, with great effort, we succeeded in getting everything ready, so that on the morning of November 16, 1914, this bank opened its doors for business.

The vaults were extremely inconveniently located a considerable distance from our banking room, but they were safe, the very best procurable, and we have succeeded in operating with them. Visits to the vaults, due to their location, have consumed a considerable amount of the time of employees, but it was a condition that could not be remedied.

This bank was opened for business promptly on the day set, and had its own staff of officers and employees, though the St. Louis banks had very kindly offered to lend us men if needed.

OFFICERS AND EMPLOYEES.

On the day of opening the staff numbered 6 officers and 17 other employees. For a few days it had the assistance of Mr. William C. Tompkins, auditor of the Third National Bank of St. Louis, who helped inaugurate the accounting system, but with this exception, the bank was opened with its own employees.

Eight days after the opening of the bank there was started a limited clearing system, and on December 4 the bank extended its clearing facilities and offered to collect for member banks checks and drafts drawn on any Federal Reserve Bank and checks and drafts drawn on all member banks of this district. In order to have a sufficient force to take care of the possible number of items that might come in under this enlargement of the clearing system, it was necessary to increase the force, so that on January 1, 1915, the bank had 6 officers and 40 employees.

Now that experience has shown the approximate number of items to be expected under given conditions, and the scope of other work necessary in carrying on the operations of the bank, it has been possible to decrease the working force until at the close of this year there were on the rolls 5 officers and 34 employees.

On January 6, 1915, the Deputy Federal Reserve Agent, Mr. Walter W. Smith, resigned to take effect January 15, 1915, to become vice president of the Third National Bank of St. Louis. This vacancy was not filled until June 2, 1915, when the Federal Reserve Board appointed as Mr. Smith's successor, Mr. T. C. Tupper, who had been connected with the bank since its organization as manager of its credit department.

On July 19, 1915, Mr. C. E. French resigned as cashier, to take effect August 7, 1915, as he had been appointed by the Comptroller of the Currency as chief examiner of Federal Reserve District No. 8. Since his resignation, the deputy governor, Mr. William W. Hoxton, has been the acting cashier.

DIRECTORS AND BY-LAWS.

The by-laws adopted by the board of directors of this bank follow very closely the by-laws suggested at the conference of directors held in Washington prior to the opening of the bank. They prescribe that there shall be two meetings of the board each month, on the first and third Wednesdays, at 10 o'clock a. m., and if that day be a holiday, on the second succeeding full business day. There have been 28 meetings of the board since the organization of the bank, with an average attendance of seven directors.

This bank has four out-of-town directors, and attendance at the board meetings consumes a considerable amount of their time. It takes one of the directors a night and a day to come from his home to St. Louis. It has been reported that there is a rumor that directors receive \$5,000 a year for their services to this bank. It seems impossible that this could be the general impression, but if anyone has such an erroneous idea, this is the place to correct it. The directors of this bank receive their traveling expenses and the usual fee for attending meetings. The money compensation is not anything like adequate for the time these gentlemen give to the affairs of the bank.

The proposed form of by-laws suggested an executive committee, composed of three members of the board, but this was changed so that the by-laws of this bank call for an executive committee consisting of the governor, the Federal Reserve Agent, and three directors chosen from classes A and B, this committee to serve during the pleasure of the board of directors or for terms fixed by it. With the exception of the Federal Reserve Agent, under these by-laws, directors of class C are not eligible as regular members of the executive committee, though it is provided that the governor may invite any other members of the board to sit with the executive committee and that such members have full right of membership during such meeting.

At the first meeting of the board there were elected to serve on the executive committee, in addition to the chairman of the board and the governor of the bank, Mr. Walker Hill, Mr. F. O. Watts, and Mr. Murray Carleton, all of St. Louis. These three elected members were to serve during the pleasure of the board for a term of office expiring at the first regular meeting of the board of directors to be held in January, 1916.

As the by-laws were first passed, the executive committee was not given the right to fix the discount rates, but later it was found advisable to amend them, so that the executive committee now has the power "to fix the discount rates and change same from time to time, subject to review and determination by the Federal Reserve Board."

During the first few months of the bank's existence the executive committee met several times a week. It is now holding two meetings a week, one on Monday and one on Thursday, at 10.30 o'clock a. m. Up to and including December 31, 1915, there have been 150 meetings of the executive committee.

Copy of the by-laws, as amended and in force at the writing of this report, is hereto attached as Exhibit A.

REDISCOUNT RATES.

On November 16, 1914, the day of opening, this bank established a rediscount rate of 6 per cent for all maturities of paper eligible for rediscount under the law. This rate was justified by the conditions then existing. In the latter part of December and early in January money began to be more plentiful, and it seemed advisable to offer a preferential rate for notes of shorter maturity. Accordingly, on January 7, 1915, a $4\frac{1}{2}$ per cent rate was announced for paper maturing within 30 days, a 5 per cent rate for paper maturing within 60 days, a $5\frac{1}{2}$ per cent rate for paper maturing within 90 days, and a 6 per cent rate on agricultural and live-stock loans running from 90 days to 6 months. Our rediscount rates have been changed from time to time, in accordance with the conditions within the district. On June 24 a rate of 3 per cent was

established on paper maturing within 10 days. It was thought that perhaps this rate could be availed of by our large city banks in order to meet their demands for very short time payments, such as, for instance, building up their legal reserves, temporarily depleted, or the payment of a heavy debit in the clearing house. Much to our surprise, however, the first offering of this class of paper came from a country bank.

During the late winter and early spring member banks' reserves and deposits increased rapidly, and their discount rates consequently declined steadily. During the early part of the year bank rates to customers in the larger cities were about $5\frac{1}{2}$ to 6 per cent, and commercial paper of the best names was selling from $4\frac{1}{2}$ to 5 per cent. In March the rate further declined, and 5 per cent was the usual bank rate, with commercial paper selling around 4 per cent. Commercial paper brokers generally complained of an inactive business. Banks looked forward to the period of crop movement, anticipating an increased demand for funds, and accordingly a higher rate of interest. This, however, did not materialize, the demand for crop-moving purposes being below normal, and discount rates remained at a low level. Such being the case, on September 14 this bank reduced its rate on 90-day paper to 4 per cent, putting it on a level with 30 and 60 day rates. On this same day the bank announced a 3 per cent rate, available for "commodity paper," having a maturity of not more than 90 days, provided the bank offering same could certify that the loan was originally made at a rate not exceeding 6 per cent. This was designed to help the carrying of cotton, wheat, and commodities of a like kind. Also, on September 14, in order to encourage the use in business of "trade acceptances," the bank established a rate on this class of paper one-half per cent lower than its 30-day rate, the rate being $3\frac{1}{2}$ per cent on maturities of not more than 90 days. So far the banks have not availed themselves, to any great extent, of any of the preferential rates—that is, the 3 per cent rate on 10-day paper, the $3\frac{1}{2}$ per cent rate on trade acceptances, and the 3 per cent commodity-paper rate.

In October of this year the demand was somewhat more active, especially in the southern parts of the district, but this was not sufficient to cause any marked increase in rates. At the end of October the rates were still below normal for this time of the year, the bank rate ranging from $4\frac{1}{2}$ to 5 per cent, and commercial paper of the best names was scarce even at a rate of $3\frac{1}{2}$ to 4 per cent for maturities up to six months.

The board of directors of this bank has realized from the beginning that the fixing of rediscount rates was perhaps the most responsible of its functions. In the face of earnings not up to our expectation and with a desire for increased business there was a temptation to lower the rates. However, the board thoroughly appreciated the fact that if rates were placed at so low a level as to encourage member banks to allow their customers to borrow too much money and extend too much, the result would be an overexpansion in business and the possibility of a dangerous situation. The policy of the board has been to establish a rate which would enable the member banks to meet every legitimate demand of business in their respective localities at a reasonable rate to customers and at the same time not stimulate loans to a point of dangerous expansion. Since the bank was established there have been seven changes in the rediscount rates, the dates on which these changes have occurred and the rates for the different maturities being as follows:

	10 days.	30 days.	60 days.	90 days.	6 months.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16, 1914.....	6	6	6	6
Dec. 10, 1914.....	$5\frac{1}{2}$	6	6	6
Dec. 21, 1914.....	$5\frac{1}{2}$	$5\frac{1}{2}$	6	6
Jan. 7, 1915.....	$4\frac{1}{2}$	5	$5\frac{1}{2}$	6
Feb. 3, 1915.....	4	4	$4\frac{1}{2}$	$5\frac{1}{2}$
Apr. 22, 1915.....	4	4	$4\frac{1}{2}$	5
June 24, 1915.....	3	4	$4\frac{1}{2}$	5
Sept. 14, 1915.....	3	4	4	5

Sept. 14, 1915, trade acceptances, 90 days, $3\frac{1}{2}$ per cent; commodity paper, 90 days, 3 per cent.

EFFECT OF FEDERAL RESERVE RATES ON RATES IN GENERAL.

Since the establishment of the Federal Reserve Bank it is interesting to examine the rates which banks have been paying for borrowed money and also the rates which banks have been granting their customers. From reports of member banks made to the Comptroller of the Currency the following is noted: On May 1, 1915, the average rate that banks paid for borrowed money was 5.24 per cent; on June 23, 5.22 per cent; on September 2, 5.05 per cent; and on November 10, 4.96 per cent. This shows a steady decrease in the rate at which banks borrowed from their correspondents. During all this period they could have borrowed from the Federal Reserve Bank at a less rate.

There has also been a decrease in the rate which member banks charge their customers. The 30-day average rate to customers on May 1, 1915, in this district was 7.31 per cent; on June 23, 6.94 per cent; on September 2, 7.06 per cent; and on November 10, 6.87 per cent. The decrease in rates to customers has been greater in two or three of the large cities than in the smaller towns. The country banks, as a rule, have made little decrease in their rates of interest to customers.

REDISCOUNTING.

On November 18, two days after the opening of this bank, we received our first offering of paper, amounting to \$1,000,000. Our next rediscounts were received on November 23, and totaled \$21,000. On November 27 the next offerings were received, aggregating \$52,000. The following day we received an offering amounting to \$4,224.95, and on November 30 one amounting to \$500,000.

From the opening of the bank to the end of business on Friday, December 4, 1914, this bank had received a total amount of rediscounts of \$1,654,507.76. In fact, two days after the opening of the bank more rediscounts were on hand than have been received during any one week since then. The rediscounts received during the week ending Friday, December 11, 1914, amounted to \$71,500. Since that time the rediscounts have increased with more or less regularity from week to week.

Attached hereto, as Exhibit B, is a statement of commercial paper offered by member banks and accepted each week, showing total of each maturity and total of all maturities to and including December 31, 1915. Also attached, as Exhibit C, is a chart showing the same facts in graphic form.

The total rediscounts accepted by the bank from its opening on November 16, 1914, to December 31, 1915, amounted to \$8,231,082.92. Of this amount, \$2,363,330.16, or 28.71 per cent, was of 30-day maturity; \$2,821,311.81, or 34.28 per cent, was of 60-day maturity; \$2,431,693.76, or 29.54 per cent, was of 90-day maturity; and \$614,747.19, or 7.47 per cent, was of paper maturing within 6 months. Nearly two-thirds of the paper accepted by the bank was of the 60 and 90 day class. There were 3,828 notes accepted during this period, and of this number 118 were for amounts less than \$100 each.

From a study of the number of member banks offering rediscounts from the different States and cities of the district it may be said that the smaller banks, rather than the larger ones, have shown a tendency to use our service. The banks in St. Louis and Louisville have not had occasion to avail themselves, to any great extent, of the rediscount privilege. Below is given a table, showing number of member banks offering rediscounts from each State each month from the opening of the bank, the total number of banks offering rediscounts from the whole district each month, the number and percentage of different banks offering rediscounts from each State, and the number and percentage offering rediscounts from the whole district since the bank's opening:

State or city.	1914		1915												Number of banks rediscounting.	Number of member banks in State.	Percentage of banks rediscounting with Federal Re- serve Bank.
	November.	December.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.			
Arkansas.....	3	4	4	5	5	9	7	9	11	13	7	7	6	24	62	38.7	
Illinois.....	5	7	3	15	13	18	16	9	16	11	11	11	11	42	157	26.7	
Indiana.....	1	1	2	3	3	2	1	2	1	2	1	3	4	10	61	16.4	
Kentucky.....	1	4	4	3	4	2	3	4	1	4	4	6	7	14	61	22.9	
Louisville.....															8		
Mississippi.....						1	1	2	3	5	4	3	4	5	8	18	44.4
Missouri.....	3	3	1	5	3	8	7	8	5	9	13	10	13	8	19	72	26.3
St. Louis.....	3	1	2												4	8	50.0
Tennessee.....	1	4	4	6	2	3	5	5	6	7	7	7	8	4	10	20	50.0
Total.....	6	21	24	24	32	34	44	44	34	52	54	45	54	45	131	467	28.0

From November 16, 1914, to January 1, 1916, the number of different member banks accommodated through the discount of paper was 131. The number of different banks accommodated through the discount of paper from January 1, 1915, to the end of the calendar year was 129.

It will be noted that a little over one-fourth of our member banks have availed themselves of the rediscount privilege, and this number is steadily increasing from month to month. We have made regular customers of these banks, the majority of them making frequent offerings. It is gratifying to find this steady normal increase, as it shows that as our member banks become more familiar with the system they are taking advantage of its facilities. This increased use of the rediscount privilege of the Federal Reserve Bank is also shown from an analysis of the reports to the Comptroller of the Currency, to wit: On March 4 this bank held approximately 18 per cent of the total loans of the member banks in this district; on May 1, 18.4 per cent; on June 23, 17.98 per cent; on September 2, 27.03 per cent; and on November 10, 25.17 per cent.

The following table gives the approximate percentage of rediscounts of the Federal Reserve Bank of St. Louis as compared with the total borrowings of member banks for the district and for each State within the district, according to the reports made to the Comptroller of the Currency under calls of March 4, May 1, June 23, September 2, and November 10, 1915:

Date of call.	District.	Arkansas.	Illinois.	Indiana.	Kentucky.	Mississippi.	Missouri.	Tennessee.
Mar. 4, 1915.....	18.40	12.8	13.7	30.9	5.4	-----	10.3	47.3
May 1, 1915.....	18.40	8.9	16.3	33.6	8.2	8.3	10.2	54.0
June 23, 1915.....	17.98	20.6	18.9	27.9	3.6	3.5	15.7	33.9
Sept. 2, 1915.....	27.03	23.8	27.0	34.5	6.7	25.2	22.7	40.9
Nov. 10, 1915.....	25.17	17.9	29.9	15.5	16.0	19.6	17.7	48.3

It is difficult to draw definite conclusions from this statement, as conditions vary considerably in the different sections of the district. From the above, however, it would appear that the member banks in Tennessee have realized the possibilities of the Federal Reserve Act to a greater extent than those of any other State. Indiana also has an excellent record in this respect. The above figures seem to indicate a growing appreciation on the part of bankers in Arkansas, Illinois, and Missouri. The offerings from Kentucky, however, have been spasmodic and rather disappointing.

A further examination of the reports to the Comptroller of the Currency shows that, in spite of the fact that member banks could rediscount with the Federal Reserve Bank, in which they are stockholders, the banks in this district have placed approximately one-third of their total loans with banks located outside of the district. On

March 4 the borrowings of member banks from banks outside of the district amounted approximately to \$1,275,000; on May 1, approximately \$1,070,000; on June 23, approximately \$1,103,000; on September 2, approximately \$1,637,000; and on November 10, approximately \$2,746,000.

If the borrowing banks of this district had placed their loans which they made outside of the district with the Federal Reserve Bank of St. Louis, it would have enabled their Federal Reserve Bank, in which they own stock, to have earned considerably more money and would have not taken any business away from the banks within the district. It appears from the reports to the Comptroller that few, if any, of these loans were made at a less rate of discount than the rate offered by this bank. The average maturity of paper rediscounted with us is probably in excess of 60 days. If it be supposed that these member banks had rediscounted with us the \$7,830,000 of loans which they placed with banks outside of the district, at our 60-day rate—4 per cent—this bank would have received an additional revenue of approximately \$52,200, which would have helped our showing considerably.

The following figures, taken from the reports of member banks to the Comptroller of the Currency, are interesting:

The reports of September 2 showed that loans of member banks were divided as follows:

With banks within the district.....	\$1, 580, 000
With banks outside the district.....	1, 630, 000
With Federal Reserve Bank.....	1, 190, 000
Total.....	4, 400, 000

Of this total, 27 per cent was borrowed from the Federal Reserve Bank.

The reports of November 10 showed that loans of member banks were divided as follows:

With banks within the district.....	\$2, 450, 000
With banks outside the district.....	2, 745, 000
With Federal Reserve Bank.....	1, 750, 000
Total.....	6, 945, 000

Of this total, the Federal Reserve Bank held 25 per cent. In brief, the total loan of member banks within this district increased \$2,545,000 from September 2 to November 10. In this same period the rediscounts with the Federal Reserve Bank increased only \$560,000, or about 22 per cent of the increase.

CLEARINGS.

Eight days after the opening, on November 24, 1914, this bank inaugurated its clearing system by the collection for its member banks of checks and drafts on other Federal Reserve Banks and checks and drafts drawn by member banks of this district on member banks located in Louisville and St. Louis.

On December 4, 1914, it extended the clearing facilities and offered to collect for member banks checks and drafts drawn on all member banks in this district and checks and drafts drawn on other Federal Reserve Banks. All items handled were credited to the banks from which received, on the day of receipt, and charged to the drawee bank on the same day. It soon developed that banks in reserve and central reserve cities, located outside of District No. 8, were sending in a great number of items on member banks to be cleared at par, while member banks were not able to build up their balances, so depleted by checks on their correspondents located outside of the district. Therefore, on December 18, in order to protect member banks, the bank was compelled to refuse to accept for collection or credit checks or drafts drawn on member banks of this district that bore the indorsement of banks in any reserve or central reserve city located outside of District No. 8. It was forced

to take this step, as there was practically no development of the check clearing system outside of this district.

The clearing system is based on the assumption that the intent of the Federal Reserve Act is that every member bank be required to cover at par all checks and drafts drawn upon it received from the Federal Reserve Bank of which said bank is a member. Therefore the collection system, as first started, was mandatory upon member banks. However, when 10 of the other Federal Reserve Banks started collection systems on the voluntary basis, this bank felt that it should put its member banks on the same basis as the member banks of other districts. Consequently, on April 12, 1915, the bank notified the member banks that on and after May 17, 1915, they would have the option of remaining in the clearing system and having their customers' checks cleared through us at par or of withdrawing from the clearing system and having their customers' checks handled through the old channels. On that date there were 462 member banks in District No. 8, and on May 17, 1915, when the voluntary system went into effect, about 20 per cent of our member banks withdrew. Since that time there have been 12 withdrawals and 9 additions to the clearing system. The fact that there have been any additions indicates that the system as operated by the bank has attracted some banks after they more fully understood it, and the fact that so few have withdrawn indicates that a majority of the member banks in this district consider the system practical.

This bank from the beginning has operated on an immediate credit and immediate debit basis, and therefore, on Tuesday, November 16, 1915, the St. Louis Clearing House Association amended its rules and regulations affecting collection charges, to be in effect on and after December 1, 1915, as follows:

"On all such items payable or collectible at par in St. Louis, where immediate credit is had, the charge shall be discretionary with each bank or trust company. Items collectible at par in St. Louis, where immediate credit is had, shall not be regarded as finally paid until received and paid by banks upon which drawn, and recourse may be had upon the clearing bank on such items as may be dishonored, or for losses occurring in the mails, provided such claims are made in due course."

With this amendment in effect St. Louis business men will be able to receive par for their checks.

Prior to December 4, 1914, the date when the clearing system was enlarged, the transit department went over the situation very carefully, and came to the conclusion that on the opening day it should be prepared to handle at least 20,000 items a day. However, the average number of items received during the first month of the bank's operation did not exceed 5,000 per day. It has felt that it was unsafe, however, to open the bank unless we were prepared for the possibilities.

Below is given a statement showing, by months, the numbers of items and amounts of clearings of the Federal Reserve Bank of St. Louis from the inauguration of its clearing system to December 31, 1915:

	Number of items.	Amount.
Nov. 24 to Nov. 30, 1914.....	8	\$14,312.24
December, 1914.....	115,024	24,611,473.90
January, 1915.....	136,695	28,300,204.08
February, 1915.....	127,227	33,716,002.70
March, 1915.....	154,630	51,190,674.05
April, 1915.....	154,070	56,519,995.37
May, 1915 ¹	134,452	47,048,300.31
June, 1915.....	124,028	48,784,820.71
July, 1915.....	129,141	37,460,280.27
August, 1915.....	141,830	38,091,504.87
September, 1915.....	150,851	51,331,290.75
October, 1915.....	182,692	63,532,030.66
November, 1915.....	183,036	77,371,144.41
December, 1915.....	202,876	84,559,718.67
Total.....	1,936,580	642,531,752.99

¹ In May about 20 per cent of our member banks withdrew from the clearing system.

Attached hereto is Exhibit D, giving this information in graphic form.

It will be noted that this statement shows a steady increase for each month up to May, 1915, when the effect of the withdrawal of 97 banks from our clearing system becomes apparent, and a decrease is shown. Beginning with July, however, both the number of items and the amount show a steady increase.

A full clearing system has been in operation over a year. The bank has never attempted to keep down operating expenses at the cost of transit efficiency, and our method in operation, as the records show, has never resulted in dangerous overdrafts. From an operating standpoint it may be said that it is satisfactory.

Gradually exchange charges on checks are being eliminated in this district, and the public is getting a direct benefit from the Federal reserve system. It has been reported that one large firm in the city of St. Louis has had to spend annually in exchange charges approximately \$40,000. Due to the Federal reserve system, this firm and others like it will be saved at least the greater part of this expense. The banks in this district have been in the habit of charging from 5 cents per letter, regardless of total, to one-fourth of 1 per cent of the total for remitting to other banks to cover items drawn on themselves or banks in their own town or city. The majority of the member banks belonging to our clearing system which were in the habit of charging exchange on remittances, as above mentioned, now handle same at par. In the majority of the larger cities in this district it has been the custom of the banks to charge exchange on all items deposited with them for collection by local customers. The charges vary from one-twentieth of 1 per cent to one-fifth of 1 per cent. These charges, as a rule, are made in accordance with the rules of the local clearing house. St. Louis is the only city in our district that we know of where the clearing-house rules have been amended so that banks are no longer obliged to charge on items that are collectible at par and on which immediate credit can be obtained. It is estimated that the saving to local customers of St. Louis banks on items drawn on members of our collection system will average about \$500 a day. This saving will be augmented by additions to the membership of our clearing system and by nonmember banks obtaining from their correspondents facilities similar to those extended by this bank to its members through its collection system.

Attached hereto as Exhibit E is a statement showing average number of items and amount per day for each month since January 1, 1915, cleared on member banks outside of St. Louis, cleared on member banks in St. Louis, sent to other Federal Reserve Banks, and overdrafts of member banks.

INVESTMENTS.

Under the law this bank has been limited in its investments to the purchase of United States bonds, warrants based on taxation having maturities of not more than six months, and to acceptances based on the importation or exportation of goods.

This bank now holds \$970,000 par value of United States Government bonds. In view of the fact that each year after this year the bank will have to take its pro rata share of the \$25,000,000 of United States bonds authorized to be purchased under the Federal Reserve Act, and that bonds purchased during this year could not be counted as a part of such pro rata share, and in view of the unsettled condition abroad and other factors, the board of directors of this bank did not deem it wise to tie up more funds in United States Government bonds.

The method of financing political subdivisions by short-time warrants has not been much in use in this district, and it has been difficult to get the kind of warrants acceptable by us under the law. Every effort has been made to encourage financing of this character, and the services of counsel, Mr. James G. McConkey, have been offered to any community where he was needed to suggest the form of warrants and help in their issuance. A number of conferences in regard to this type of financing have been held and considerable correspondence has occurred, and it is hoped that here-

after the district will furnish more warrants of the kind that can be used. The total amount of eligible warrants purchased by this bank up to and including December 31, 1915, was \$2,264,827.87. Very few, if any, bank acceptances based on the importation or exportation of goods, during this year at least, have been obtainable in this district. The total amount of such acceptances received up to and including December 31, 1915, was \$1,800,564.57. The great majority of warrants that this bank has been able to purchase, and all of the bank acceptances, have come through the Federal Reserve Banks of New York, Boston, and Atlanta. The chief source of revenue at all times has been paper rediscounted for our member banks. Attached hereto as Exhibit F is a chart showing in graphic form the total investments held by this bank each Friday from December 11, 1914, to December 3, 1915. This shows commercial paper rediscounted with this bank, bank acceptances bought, United States bonds bought, and warrants bought.

It will be noted that the revenue of the bank shows a steady increase from month to month. Current expenses have been substantially reduced during the last few months, and in November, 1915, this bank earned over its operating expenses \$962.22.

FEDERAL RESERVE NOTES.

Since the opening of the bank four shipments of Federal Reserve notes have been received by the Federal Reserve Agent from the Comptroller of the Currency, aggregating \$9,600,000.

On December 1, 1914, the Federal Reserve Agent made the first delivery of Federal Reserve notes to the bank in exchange for collateral deposited with him. The second delivery of notes was made on December 14, 1914.

At the present time there is outstanding \$8,950,000 in Federal Reserve notes, on which the bank has eliminated its liability by the deposit of gold with the Federal Reserve Agent to the amount of \$8,950,000. Of this amount \$3,950,000 is held in the vaults of the Federal Reserve Agent at St. Louis and \$5,000,000 is to his credit with the Federal Reserve Board in Washington.

NET DEPOSITS AND CASH RESERVE.

Attached hereto as Exhibit G is a chart showing in graphic form the total cash reserve and net deposits of this bank at the close of business each Friday from November 20, 1914, to December 3, 1915.

STATE BANKS AND TRUST COMPANIES.

In district No. 8 there are 2,574 State banks and trust companies. Of this number 985 State banks and trust companies have sufficient capital to qualify for membership in the Federal Reserve system; 1,588 of them have not sufficient capital to make them eligible and would have to increase it to become members. The following statement shows, by States, the number of State banks and trust companies that are eligible and the number not eligible.

State banks and trust companies eligible for membership in Federal Reserve System.

State.	Number.	Capital.	Surplus.
Arkansas.....	177	\$10,521,617	\$3,957,580
Illinois.....	174	9,314,300	4,691,890
Indiana.....	89	3,378,000	1,762,160
Kentucky.....	102	8,799,850	4,156,360
Mississippi.....	85	4,738,500	2,263,390
Missouri.....	303	32,047,100	16,963,450
Tennessee.....	55	4,772,460	2,213,900
Total.....	985	73,571,827	36,008,730

State banks and trust companies not eligible for membership in Federal Reserve System.

State.	Number.	Capital.	Surplus.
Arkansas.....	251	\$3,719,130	\$1,639,400
Illinois.....	128	1,995,525	815,310
Indiana.....	42	1,310,000	456,550
Kentucky.....	201	3,773,320	1,705,250
Mississippi.....	72	1,104,350	412,680
Missouri.....	799	13,470,700	18,426,120
Tennessee.....	95	1,518,398	928,230
Total.....	1,588	26,891,423	24,383,540

The Mercantile Trust Co., of St. Louis, is the only State institution in this district that is a member of the Federal reserve system. It came in while the reserve bank organization committee was organizing the bank and before the Federal Reserve Bank of St. Louis was opened.

There have been a number of inquiries from State banks and trust companies in different parts of the district asking for information, with a view of becoming members of the Federal reserve system.

STATISTICS.

An effort has been made by the Federal Reserve Agent to collect reliable information regarding business conditions in this district. It was thought important that information be obtained at first hand from both the borrower, or business man's point of view, and the lender, or the bank's point of view. So far we have been arriving at the lender's point of view from the copies of the statements sent us, rendered on call of the Comptroller of the Currency. This is supplemented by personal interviews with officers of both State and national banks. These personal interviews are written up in the form of a report two or three times a month. In order to get the borrower's viewpoint, we have compiled a list of about 125 firms, in nine cities within this district. These firms are all of the highest rating, and are wholesalers and jobbers dealing in what may be called "the necessities of life." It was felt that these firms were depending on, and therefore familiar with, the local retailers in the smaller cities throughout the district, and that reports on their business would be an accurate index of actual business conditions. Street railway companies in the larger cities of the district furnish us statistics in regard to earnings and number of passengers carried. From other sources we get information in regard to failures and the usual statistics in regard to building, car movements, etc. The heartiest cooperation has been given by all those asked for information by this bank, and we are extremely grateful for the assistance given us.

District No. 8 is largely a farming district, and it is necessary that we keep closely in touch with agricultural conditions. We receive the reports of the Bureau of Crop Estimates at Washington; reports of the Department of Agriculture; reports from the United States Weather Bureau stations in this district, and reports from various State boards in the district. These reports are carefully analyzed, and are then supplemented by personal interviews with men closely in touch with agricultural development.

The rediscount records of the bank are presented graphically on charts. From them we are able to see what effect, if any, the rediscount rate of this bank has on the rediscounts, which maturities are most frequently offered, what sections of the district are availing themselves of the facilities offered by the bank and to what extent.

In district No. 8, statistics fall naturally under three heads, as follows: (1) manufacturing and selling, applying more particularly to St. Louis, Louisville, Memphis, Little Rock, and the larger centers; (2) agriculture and livestock, applying to a great part of the district, and (3) banking conditions, which apply to all of the district.

BUSINESS AND AGRICULTURAL CONDITIONS DURING THE YEAR.

When this bank opened in November, 1914, the emergency currency, issued by the banks under the Aldrich-Vreeland Act, to a great extent had been retired. In other words, this district had partially recovered from the first shock caused by the declaration of war in Europe the previous August. There was still a general feeling of uneasiness among all classes of business men, for they were fearful of possible complications in our foreign policy, and were uncertain as to the crop of 1915. However, due in no small measure to the establishment of the Federal Reserve Bank of St. Louis, in this district the first quarter of 1915 showed some improvement in general business conditions as compared to the last quarter of 1914. During this first quarter national banks held reserves well over their legal requirements, due, in a great measure, to the reduced reserve requirements under the Federal Reserve Act, and also, to some extent, to a lack of demand for funds for business purposes. At that time the average bank rate to customers in the large cities was approximately 5 per cent, and commercial paper was freely quoted around 4 per cent. The tendency of the money market was toward lower rates.

During the spring months general business showed some improvement. This was indicated by the increased demand for labor and by the decrease in the number of commercial failures. Money rates were low and banks, contrary to the usual custom, were in the market for commercial paper maturing after the crop-moving season. The shipments of wholesalers were below the average for the period, but collections were nearly normal and showed the effect of the enforced liquidation during the preceding six months. The demand for commodities available for export was beginning to be felt and was responsible, in part, for the improvement noted. The live stock and wheat markets showed the effect of this demand more keenly than any of the other branches of industry, and this marked activity continued throughout the spring and early summer.

Climatic conditions during that period were in the main favorable. The rains in June did some damage to the wheat crop, but even so, the various reports indicated that it was considerably above the 5-year average. The temperature was below the normal, generally, but crops grew rapidly and seasonable weather from then on seemed the only thing necessary to insure a successful harvest.

Commencing the latter part of June, this bank had inquired into the cotton situation throughout the district, gathered data in regard to warehouses, given such help as it could to communities that needed proper warehouse facilities, and prepared forms of bonds and warehouse receipts for use when needed. We advised our member banks that, if necessary, we would gladly send someone from this office to help them get their local cotton situation into proper shape. We made it very plain that we were in position to take care of demands arising out of cotton, and that if it were correctly handled there was no reason why there should be forced sale of cotton at distress prices in any place in this district. This developed a general feeling of confidence in the situation, and we believe had a great effect throughout the district. Jobbing houses generally reported an increase in sales during August and this, in turn, affected the business of manufacturers and those who deal in raw materials.

As summer merged into fall, a steady improvement was noted. To a great extent the Federal Reserve Banks had restored confidence, and this was strengthened by reports on crop conditions. Southern States had made an earnest effort to get away from the one crop standard, and were raising, in many instances, several times the usual amount of wheat and corn. However, the cool, damp summer had retarded the harvesting of the crops and even in September there was no really active demand for money from country communities. Bank rates for customers remained fixed at approximately $4\frac{1}{2}$ per cent to 5 per cent, and commercial paper rates were quoted at from $3\frac{1}{2}$ per cent to 4 per cent for maturities up to six months.

October, November, and December showed further gains in all industries, and these gains should go far toward overcoming the loss incurred last winter. Business houses, generally speaking, are busy. Country merchants are buying freely, and indications point to a rising market in many of the standard commodities.

Failures showed a decrease both in number and total liabilities each quarter of the year of 1915, and this is an indication of the more favorable conditions now existing. The year has been a peculiar one, in that the large city banks have not had the demand for money from their correspondents they anticipated, nor has the Federal Reserve Bank rediscounted for its member banks the amount of loans that, judging from statistics of previous needs in this district, it had reason to believe it would be called on to rediscount. The Federal Reserve Bank, however, has been of great benefit to District No. 8, for it has restored confidence.

There has been a steady and normal improvement throughout the year, bountiful crops have been harvested, and it can be said that the year closes with an approach to a period of prosperity unknown for some time.

WORK THROUGHOUT THE DISTRICT.

This bank had no sooner become established than it became apparent that the chief problem before the officers was to get the member banks to realize not only the facilities at their disposal, but the ease with which they could be used. In some way or other many of the banks in this district got the idea that they had no paper eligible for rediscount, whereas the fact was that, in a majority of instances, the greater part of the paper in their portfolios was eligible. Member banks seemed also to have gotten the idea that there was a great deal of "red tape" connected with the bank and that it was very difficult to do business with it.

Every effort was made by the officers of this bank to have member banks clearly understand the facts as they exist. They have tried to explain that the bank is operated by practical men and that our effort has ever been to have satisfied customers. There is no "red tape" connected with its operations. Its officers have been careful to explain that the Federal Reserve Act did not establish new principles, but, as it were, systematized good banking standards, and they have suggested to State banks that, whether or not they ever came into the system, it was good banking policy for them to conduct their business and get their bill cases into shape the same as requested of member banks. It is gratifying to be able to state that a number of State institutions have written for forms of statements and are beginning to use them.

This bank has never accepted a rediscount that was not accompanied either by the statement of the maker of the note or a statement of the bank offering it, giving, with some particularity, the approximate figures covering what the customer owned and what he owed. The request has been reasonable, for the bank only wants to know what every good banker certainly knows before he grants the loan, whether he gets the information through conversation or gets it on a statement. At first some member banks felt that it would be impossible to get statements. It is a great pleasure to report that, on the whole, member banks have not had the difficulty they anticipated, and in several instances have been able to render a real service to their customers by giving them advice when, with the statement before them, they realized the actual condition then existing. At least a majority of our member banks realize that they have paper eligible for rediscount with this bank, do not think it is hard to do business with it, or that there is any so-called "red tape," and are adopting the plan of receiving statements from their customers, realizing that this is a benefit both to the customers and themselves. This result has not been achieved without a great deal of hard work on the part of the officers of this bank, and there is still considerable work to be done before all of the banks are brought into that close intimate touch with this bank that should exist.

On February 20, 1915, a circular letter was issued, covering eligible paper in detail and giving specific examples of various kinds of notes that are eligible for rediscount. We found this circular effective, but our experience has been that the best work is accomplished when we can talk with our member bankers. The chairman of the board has made addresses in 22 different cities throughout this district and, in some places, has spoken several times. The Deputy Federal Reserve Agent has made several trips throughout our territory, going into the cotton sections to help them get their paper in acceptable shape, and wherever requested to do so, has gone into the bank and examined its paper, suggesting that which is eligible and that which is not. Other officers of the bank have also made trips from time to time. It gives us pleasure to state that our member banks have shown a most friendly feeling of cooperation, and we are grateful to all of them.

NEW QUARTERS.

As stated in the early part of this report, this bank was compelled to get temporary quarters at its opening with inconvenient vault facilities. On October 8, 1915, it closed a lease for quarters in what is now known as the New Bank of Commerce Building, on the northeast corner of Broadway and Pine Streets, just one block south of our present location. We took possession of these new quarters during the last week in December, 1915, and the name of the building has been changed to the Federal Reserve Bank Building. This gives us a light, commodious, and most convenient banking room on the second floor, accessible to the street without the use of elevators, with ample and satisfactory vaults.

CONCLUSION.

This bank, during its first year of operation, has not made money, though it showed approximately a \$1,000 gain over operating expenses for the month of November, 1915. However, it is felt that a much higher service to the district than the making of money has been rendered. It has stabilized conditions and made it possible for any customer in the district to get money at a reasonable rate; has operated a clearing system which has resulted in the elimination of exchange charges on a large majority of the checks drawn on member banks in the district and the consequent advantage to business men of district No. 8; has materially helped some banks in communities suffering from three years of continuous drouth, and at all times has been in position to give any assistance needed, no matter what the emergency, to any deserving bank in the district.

EXHIBIT A.

BY-LAWS OF THE FEDERAL RESERVE BANK OF ST. LOUIS.

ARTICLE I.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board, the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board on the first and third Wednesdays of each month, at 10 o'clock a. m., or if that day be a holiday, on the second succeeding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least five days before the date of the meeting. If given by telegraph, such notice shall be dispatched at

least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and three directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board, or for terms fixed by it. The governor shall have authority to invite any other members of the board of directors to sit with the executive committee at any regular or special meeting, such member or members to have full rights of membership during such meeting or meetings. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings, and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes, or digests thereof, shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To fix the discount rates and change same from time to time, subject to review and determination by the Federal Reserve Board.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensation.
- (g) To approve bonds furnished by the officers and employees of the bank, and to provide for their custody.
- (h) In general, to conduct the business of the bank subject to the supervision and control of the board of directors.

ARTICLE III.—Officers.

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of

the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors, and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee, to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

The cashier and at least one other officer designated by the board of directors shall have joint custody of the inactive reserve of the bank and bonds purchased by the bank for investment. All other moneys and investments shall be in the custody of the cashier. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors or the governor. In the event of the absence or inability of the cashier to act, then the governor or the executive committee shall have power to appoint some officer to act in his stead.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor, and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall be open for business from 10 o'clock a. m. to 3 o'clock p. m. on each day except Sundays or days or parts of days established as legal holidays.

The bank shall be open for business from 10 o'clock a. m. to 12 o'clock noon on Saturdays.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been mailed to each member at least 10 days prior to such meeting.

EXHIBIT B.

Commercial paper offered by member banks accepted each week, showing total of each maturity and total of all maturities to and including December 31, 1915.

Week ending—		30 days.	60 days.	90 days.	6 months.	Total of week.
1914.		Dollars.	Dollars.	Dollars.	Dollars.	Dollars.
Dec.	4.....	1,007,729.83	551,582.82	95,195.11	.....	11,654,597.76
	11.....	43,000.00	3,000.00	23,000.00	2,500.00	71,500.00
	18.....	14,295.76	9,008.58	34,927.96	5,000.00	63,232.30
	24.....	65,591.60	24,195.10	8,100.00	.....	97,886.70
	31.....	3,957.75	5,213.05	17,228.26	.....	26,399.06
1915.						
Jan.	8.....	281,331.46	6,552.57	27,500.00	6,000.00	321,384.03
	15.....	4,000.00	62,587.43	14,613.81	4,161.45	85,362.69
	22.....	20,502.00	12,693.23	5,639.19	.....	38,834.42
	29.....	9,046.78	92,650.39	51,208.95	15,098.87	167,914.99
Feb.	5.....	7,667.49	10,063.78	46,617.73	10,299.32	74,648.32
	12.....	16,551.03	52,652.38	88,851.33	1,946.11	160,000.85
	19.....	.....	26,000.00	12,742.50	4,143.60	42,886.10
	26.....	1,872.52	11,872.38	22,348.82	6,003.00	42,096.72
Mar.	5.....	5,775.50	8,299.71	54,487.50	15,105.52	83,668.23
	12.....	5,036.26	7,239.03	26,916.37	3,986.80	43,178.51
	19.....	16,372.03	16,213.27	16,380.86	5,520.40	54,486.56
	26.....	13,144.00	15,593.83	11,245.90	.....	39,983.73
Apr.	2.....	12,713.21	27,888.91	54,625.94	811.67	95,739.73
	9.....	3,200.00	9,860.00	11,550.00	.....	24,610.00
	16.....	3,848.70	36,038.88	10,839.95	9,069.37	59,796.90
	23.....	4,638.22	24,177.00	34,919.69	16,456.36	80,191.27
	30.....	14,272.99	31,052.42	28,243.45	11,507.88	85,076.74
May	7.....	18,056.12	23,792.19	34,922.48	32,610.38	112,381.17
	14.....	5,800.50	20,355.83	23,205.58	25,160.72	77,612.63
	21.....	4,877.00	30,271.94	25,223.10	1,309.82	61,681.86
	28.....	8,002.69	30,892.22	45,518.00	46,455.38	130,928.29
June	4.....	900.00	10,562.15	12,200.56	5,999.48	29,752.19
	11.....	151.75	9,148.42	19,755.00	2,550.00	31,605.17
	18.....	13,739.83	33,004.90	43,584.68	21,362.90	111,692.30
	25.....	15,399.71	9,937.44	30,185.89	28,890.95	84,472.99
July	2.....	22,197.93	50,744.45	78,207.47	13,205.19	169,355.04
	9.....	3,729.41	18,950.54	31,097.15	24,953.49	78,760.59
	16.....	39,367.56	13,690.13	49,189.12	979.50	103,226.31
	23.....	6,940.00	24,072.09	64,624.53	28,460.86	124,097.48
	30.....	11,885.14	66,014.78	34,746.71	8,829.04	121,455.67
Aug.	6.....	11,597.36	43,005.12	42,466.96	15,782.50	112,851.94
	13.....	8,399.50	15,644.00	40,374.47	12,257.24	76,675.21
	20.....	11,022.27	48,347.52	65,356.12	4,612.88	129,338.79
	27.....	10,976.44	112,204.80	44,424.20	10,715.00	178,320.44
Sept.	3.....	7,221.76	47,235.55	42,240.74	33,894.69	130,592.14
	10.....	4,133.00	11,090.77	38,378.47	2,355.00	55,897.24
	17.....	10,241.35	61,976.91	49,988.28	7,186.50	129,393.04
	24.....	48,916.33	155,448.27	75,613.99	2,890.00	282,868.59
Oct.	1.....	18,522.33	55,377.73	76,019.37	4,207.75	154,127.18
	8.....	15,845.14	27,217.64	71,587.83	9,642.90	124,293.51
	15.....	40,358.54	100,718.36	93,641.99	3,027.90	237,746.79
	22.....	32,598.76	39,256.13	36,482.80	11,096.50	119,434.19
	29.....	47,061.61	205,492.58	143,050.24	9,255.01	404,759.44
Nov.	5.....	32,405.71	95,684.38	105,804.11	13,779.16	247,673.36
	12.....	20,287.62	116,385.52	50,609.27	4,188.83	191,471.24
	19.....	163,458.89	54,775.70	64,568.39	25,967.45	308,770.43
	26.....	42,988.53	25,436.25	28,996.34	24,517.78	121,938.90
	30.....	38,329.69	77,999.92	38,168.79	17,379.04	171,867.44
Dec.	7.....	18,461.17	51,014.26	30,052.39	800.00	100,327.82
	14.....	25,185.45	66,637.17	56,637.26	6,000.00	154,459.88
	21.....	46,764.54	21,481.34	47,408.16	32,214.01	147,868.05
Total from Nov. 16, 1914, to and including Dec. 31, 1915.....		2,363,330.16	2,821,311.81	2,431,693.76	614,747.19	8,231,082.92
Percentage of each maturity.....		28.71	34.28	29.54	7.47	100

¹ These figures include rediscounts accepted from opening of bank to Dec. 4, 1914.

EXHIBIT C.

Commercial paper offered by member banks and accepted each week, showing total of each maturity and total of all maturities from December 4, 1914, to November 30, 1915 (in thousands).

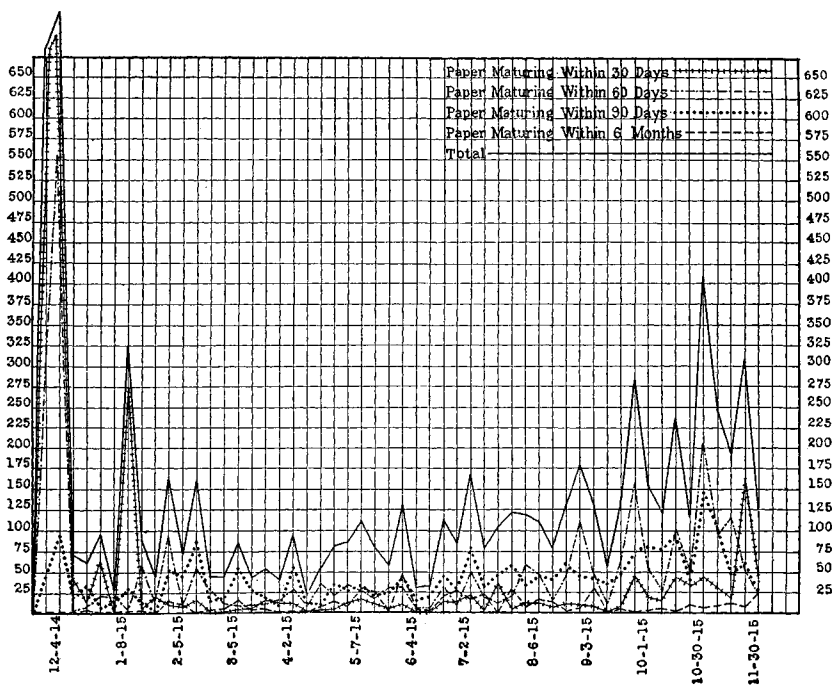


EXHIBIT D.

Number of items (in thousands) and total clearings (in millions) each month.

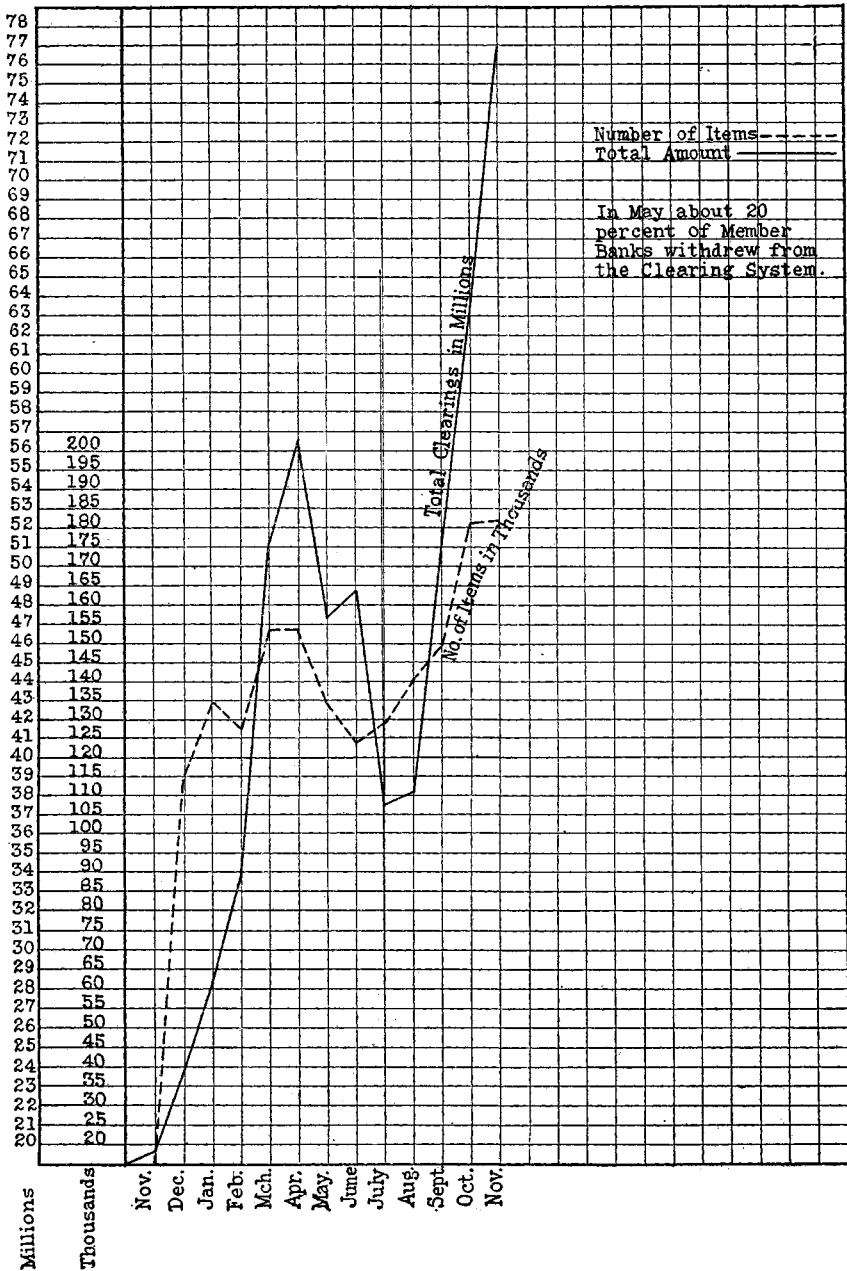


EXHIBIT E.

Statement showing operation of clearing system.

Month.	Items cleared on member banks outside St. Louis (daily average).		Items cleared on member banks in St. Louis (daily average).		Items sent to other Federal Reserve Banks (daily average).		Overdrafts of member banks (daily average).	
	Items.	Amount.	Items.	Amount.	Items.	Amount.	Ac- counts.	Amount.
1915.								
January.....	4,832	\$554,899.98	364	\$375,762.12	23	\$157,875.87	32	\$80,497.38
February.....	5,128	571,319.15	374	497,602.17	29	396,991.83	30	81,341.82
March.....	5,302	571,969.01	386	638,475.96	38	685,505.88	31	49,874.70
April.....	5,648	712,415.94	411	879,709.91	82	668,682.94	39	108,197.26
May.....	4,800	577,644.63	446	695,408.65	131	608,878.72	26	74,237.55
June.....	4,205	510,754.15	391	723,405.44	174	642,225.82	19	42,580.23
July.....	4,319	541,618.58	485	601,424.69	161	297,736.73	15	43,793.72
August.....	4,772	565,486.85	510	529,795.24	173	309,775.77	21	37,466.48
September.....	5,318	658,191.78	499	830,585.01	224	564,474.83	26	56,609.54
October.....	5,795	845,598.72	556	936,615.83	213	665,171.24	34	113,801.86
November.....	6,314	885,306.78	703	1,225,952.55	299	983,586.42	25	73,966.47
December.....	6,893	920,862.23	597	1,267,707.28	310	1,071,027.35	22	80,077.07

Prior to May 17 the system was mandatory; since that time it has been voluntary. Approximately 80 per cent of our member banks belong to the clearing system, about 40 per cent of which use us actively for collecting such items as they handle that are eligible for collection through us.

The figures given above are daily averages.

EXHIBIT F.

Statement of investments held by Federal Reserve Bank of St. Louis, each Friday, from December 11, 1914, to December 3, 1915 (in thousands).

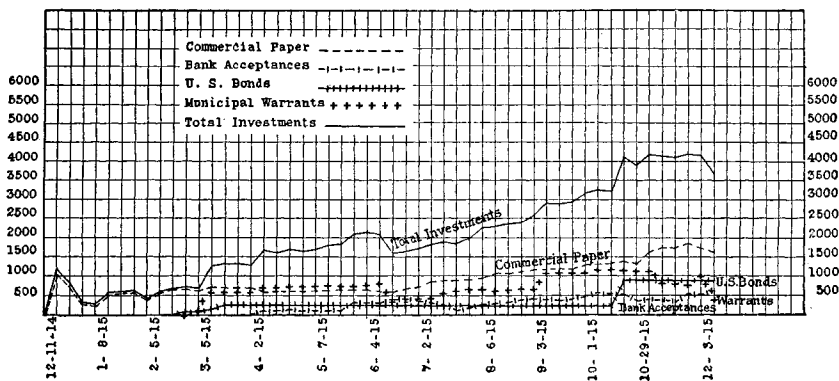
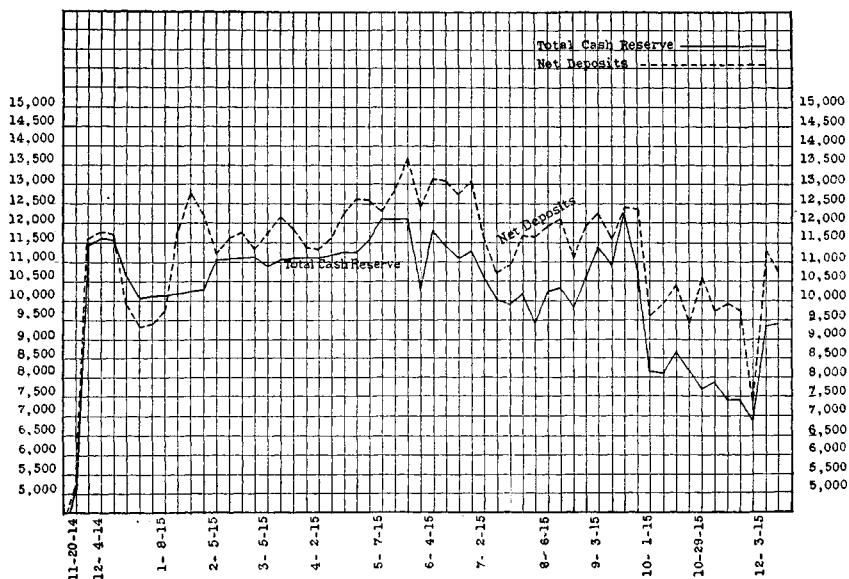


EXHIBIT G.

Total cash reserve and net deposits each Friday, from November 20, 1914, to December 3, 1915 (in thousands).



DISTRICT NO. 9—MINNEAPOLIS.

JOHN H. RICH, Chairman and Federal Reserve Agent.

Since the Ninth Federal Reserve Bank was opened, there has been no emergency to give it opportunity to demonstrate what it might do in support of agriculture, commerce and industry within its district, if it were to fully employ its resources and the authority given it by law. The outbreak of war in Europe greatly disturbed business in all parts of the ninth district, putting a stop to new enterprises and retarding all commercial activities for a considerable period. The year 1915 has witnessed very slow, but steady progress back to normal. It opened with loans and rates for money at the lowest level in many years, but closed with business in a highly prosperous condition, and with expressions of hopefulness for 1916 on every hand.

Had it been possible to open the Ninth Federal Reserve Bank in July, 1914, instead of November, it would have had opportunity to add to its earnings from \$250,000 to \$340,000 as an incident to the issue of a large volume of emergency currency, which, because of the lack of a Federal Reserve Bank, was put out by the currency associations authorized by the Aldrich-Vreeland Act. The bank was handicapped through opening its doors just after the only heavy demand that this district has known for several years had been fully satisfied. This disadvantage is, however, wholly confined to the question of profits, and, even at that, has not prevented the bank from arriving, well before the close of 1915, at the point of earning enough to meet its expenses, and a reasonable profit besides.

To engage in its first operations during a period of business quiet and readjustment, has given every encouragement to diligently seek opportunities to meet the needs of its member banks and to gradually perfect its methods to such a degree as to render the best, the most expeditious, and the most efficient service.

The Ninth Federal Reserve Bank is functioning properly. It has had opportunity during the year to meet various emergencies confined to localities and districts, and has promptly extended the support needed by its member banks. While there has been no general call for the rediscount of paper, it has provided facilities which numerous banks have been glad to utilize, with the result that such rediscounts as it has made for its members have been very well scattered over territory embracing, in whole or in part, six States. The volume of business thus done, together with active efforts to have the Federal Reserve Act better understood, has laid a foundation which will be extremely valuable in future periods of heavy demand. It is notable that where there has been opportunity to come closely into touch with member banks, the result has invariably been a high degree of appreciation by member institutions of the serviceability of this bank and the simplicity of its methods. Its management and its operation have had the entire approval of its membership. The only criticism it has received has been from outside sources and resulted from an imperfect understanding of what it is permitted by law to do.

The Ninth Federal Reserve Bank has sought to make the Federal Reserve Act fully operative within its district. During the spring of 1915 it had opportunity to demonstrate its effectiveness in meeting the requirements of agriculture in the Northwest during the planting season, and rediscounted liberally for member banks, in order

to enable them to better satisfy the requirements of farmers. It relieved local pressure at a number of points where manufacturing enterprises and general business were depressed because of war conditions, and had opportunity to show that it can efficiently meet the demands of industry. Again, in the fall of the year, when an adverse season had created large amounts of immature corn, it was able to perform a very valuable service in assisting member banks to meet the requirements of farmers who were suddenly compelled to make provision for utilizing a valuable forage crop. During the prevalence of the foot-and-mouth disease it was able to come to the assistance of many banks in the western part of its territory, which had applications for loans from numerous stockmen who had cattle ready for market, but were unable to ship on account of quarantine conditions. The service above indicated, while not perhaps of notable consequence in any single case, consists in the aggregate of a very valuable degree of assistance, which would not have been available except for the Federal Reserve Bank, and without which, portions of the district would have encountered considerable hardships.

Immediately upon receipt of authority this bank instituted a system for the clearing of checks within its own district, which has been in successful operation since June 1.

During the fall crop-moving period it announced a special commodity rate for the assistance of grain growers, extending the opportunity to member banks to rediscount farmers' notes, collateralized by elevator tickets, at 3 per cent, with the understanding that the rate to the maker of the paper should be limited to 6 per cent.

Practically all the currency required for crop-moving purposes during the fall period was furnished by this reserve bank at a cost to member banks that was appreciably less than in former years. Shipments of currency from points outside the district were reduced to about \$1,000,000, or a merely nominal figure.

Currency has usually been shipped from Chicago and the East. In 1915, for the first time, it was possible to obtain at home the currency needed by country banks. The added convenience of the service afforded by the reserve bank ranks second only to the saving in cost. From October 1 to December 31 the issue of Federal Reserve notes for this purpose was approximately \$8,000,000, in addition to \$6,000,000 previously issued and available in part for crop purposes.

For the rediscount of agricultural and commercial paper rates of discount were established at the opening of the bank, which have shown a downward tendency throughout the year. Member banks have been able to loan from correspondent banks on a better basis than before because of the effect of these discount rates, and have also had the option of rediscounting paper at the Federal Reserve Bank on a better basis than was previously known in this district. The rates of the larger city banks to country correspondents have shown a tendency to maintain a relation to the reserve bank's discount rates as announced from time to time, and the indirect influence of such discount rates has been an important factor.

The influence of the discount policy of this bank upon rates paid by bank customers is not so easily traced, but in many instances the right to rediscount has resulted in the extension of credit which member banks would otherwise have been compelled to curtail or refuse. Especially in the stock and agricultural districts it is found that the facilities afforded by the reserve bank have enabled member banks to continue to extend credit at reasonable rates, where, without such facilities to fall back upon, member banks would have been compelled to restrict their loans. The steadying influence of the reserve bank has been very valuable to the agricultural and business interests of the district, because it has prevented uneasy financial conditions and the fluctuations of rates that would easily have been possible if the reserve bank had not been in existence.

It is worthy of note that out of approximately 4,000 notes and bills offered for rediscount only a very few have come from the member banks in the large cities. These banks, with only four exceptions, have had no occasion to rediscount since this

reserve bank was founded. Practically all of these rediscounts have been made for institutions located in the country districts, i. e., for member banks doing the bulk of their business with the agricultural class and with stockmen. It is therefore apparent that the service thus rendered has been a service which has been extended in a very large part to farmers and to producers of stock, and that the support extended by this bank has been to those engaged in production, rather than to those engaged in the handling and marketing of farm and range products.

At the close of the year it is evident that there are opportunities for business open to the Ninth Federal Reserve Bank sufficient to provide more than for its expenses and in a year of normal business activity probably sufficient to meet its dividend requirements. This would be fully guaranteed, even in normal times, should Congress see fit to reduce the amount of paid-in capital, allowing the proportion so reduced to stand subject to call. Should such reduction be made, there should be a compensating deposit of Government funds to guard against a contraction of the resources of reserve banks and loss of issue power.

SUMMARY OF THE YEAR'S WORK.

The results obtained since organization are told in detail in the subjoined portion of this report, but may be briefly summarized as follows:

When instructions to open on November 16, 1914, were received this bank was without organization or staff. Such organization was provided, and the bank was opened on the date set by the Secretary of the Treasury.

The changes and adjustments incident to obtaining a permanent staff have been accomplished and the work of such staff has been reduced to an efficient operating basis, with a reduction, rather than an increase, in the number of employees.

Permanent quarters, of such a character as to reflect credit upon this bank and upon the reserve system, have been obtained and occupied under a long lease, the terms of which are very favorable.

The necessary equipment for the operation of the bank upon a permanent basis has been obtained and installed.

To meet the requirements of this bank and for the accommodation of member banks desiring to place deposits here a new money vault, which is the safest and strongest in western United States, has been completed and is in use. It embodies the best principles of modern vault construction and is electrically protected by the best available systems. Provision was made in this vault for the segregation of space for the Federal Reserve Agent, to which he alone has access.

By active correspondence and personal consultation the membership of State banks has been encouraged, with the result that 20 such institutions have taken membership by conversion, and 1 by entry as a State bank. Nineteen have membership under active consideration.

Important service has been extended to the agricultural and stock-raising interests of this district, the rediscounts of this bank having been almost entirely with members doing the bulk of their business with such interests.

State and municipal financing has been facilitated through purchases, under the authority of the act, of State warrants issued in anticipation of assured revenues and the warrants of various cities, aggregating \$3,073,172.32.

Purchases of United States bonds have been made with the view of participation in the eventual retirement of national-bank circulation.

There has been a growth of membership of 26 banks, bringing the total membership up to 735, and increases sufficient to create a paid-in capital of \$2,546,550.

Federal reserve note circulation has been expanded to meet all the demands of the district, eliminating in 1915, for the first time the necessity of shipping in more than nominal amounts in currency, for the purpose of moving the northwestern crops.

Continuous effort has been directed toward broadening the information of member banks with respect to the Act and their rights under it, with the result that such banks have obtained a clear understanding, on the basis of which their requirements can be readily and expeditiously met.

Discount rates have been maintained at levels which are favorable to member banks, and have created, as well, a more favorable basis than previously existed, for the discount of paper by members with their city correspondents. These discount rates have also influenced current rates of interest to commercial enterprises in the large cities of the district, which were more favorable in 1915 than in any previous year.

A system of check clearing, to which there have been 76 additions and only two withdrawals, has been established, with 68 new additions to Minneapolis and St. Paul par lists. Progress has been made toward making checks of member banks par within this district.

Personal contact with member banks has been sought by the Federal Reserve Agent, Governor, and other officers, who have appeared at and addressed 47 gatherings of bankers and business men, and who have continuously encouraged the representatives of member banks to visit this reserve bank, for the purpose of inspecting it and consulting with respect to its operations and policy, and their rights under the Act.

Through personal contact and cooperation, general and substantial support of the newspaper press within the district has been obtained, together with the support and cooperation of numerous business organizations.

The regulations of the Federal Reserve Board have been promptly applied and made effective within this district, the policy of this bank being to extend to its member banks every advantage authorized by the Act, or permitted through interpretation by the Federal Reserve Board.

Through the cooperation of correspondents representing agriculture and the principal lines of commercial business, as well as banking, a crop and business reporting system has been created, which has permitted the establishment of a series of monthly crop and business reports, which are forwarded to the Federal Reserve Board, and have been much in demand from those desiring unbiased and impartial information.

As a result of the general policy of this bank, as expressed in this summary of the year's work, a substantial public confidence has been built up, and there has been impressed upon those engaged in agriculture and business within this district the purpose of its officers and board of directors to render at all times the broadest degree of public service permitted by law, and compatible with sound banking principles. Its relations with its members have been of the most satisfactory character and have given ample evidence of the keen appreciation of such members of the new facilities afforded them, and the protection rendered by the reserve system.

ORGANIZATION OF THE NINTH BANK.

Pursuant to the authority conferred in section 2 of the Federal Reserve Act, the Reserve Bank Organization Committee created the Ninth Federal Reserve District, embracing the following territory:

	Square miles.
State of Montana.....	146, 997
State of North Dakota.....	70, 837
State of South Dakota.....	77, 615
State of Minnesota.....	84, 682
North two-thirds of Wisconsin.....	41, 000
Northern peninsula of Michigan.....	17, 000
Total.....	438, 131.

The territory thus determined extends from the northern end of Lake Michigan to the Montana-Idaho line, a distance of approximately 1,500 miles east and west. Its greatest distance north and south is from the southern boundary of South Dakota to the Canadian line, or approximately 600 miles. Minneapolis was designated as the location of the Ninth Federal Reserve Bank.

It is a territory of peculiarly diversified interests. Northern Michigan is a heavy producer of copper, iron, and lumber. Wisconsin is one of the leading States of the Union in the dairy industry and agriculture and has important lumber interests in its northern portion and an important shipping business at its Lake Michigan and Lake Superior ports. Northern Minnesota is a heavy producer of iron and lumber, while the remainder of the State is largely agricultural. North and South Dakota are mainly agricultural. Eastern Montana is an agricultural and stock country. Central Montana is first in the United States in the production of copper, and western Montana is a very important producer of lumber, with large areas devoted to fruit and agriculture. These are the principal interests which the Ninth Federal Reserve Bank was established to support and serve. The territory had, at the time of the organization of the Ninth Bank, a population of 5,724,895 and member (national) banks to the number of 709.

Under the authority conferred by the act the reserve bank organization committee took appropriate steps for the election of a board of directors, with the cooperation of an informal committee within the district. On October 1, 1914, the Federal Reserve Board appointed John H. Rich, manufacturer, Red Wing, Minn., as Federal Reserve Agent; P. M. Kerst, clearing-house examiner, St. Paul, Minn., Deputy Federal Reserve Agent; and John W. Black, wholesale coal merchant, Houghton, Mich., as director, the three serving as class C directors. The election of directors, as provided by the act, resulted in the choice of the following class A directors: E. W. Decker, banker, Minneapolis, Minn.; J. C. Bassett, banker, Aberdeen, S. Dak.; Hon. L. B. Hanna, governor and banker, Fargo, N. Dak. The following were elected as class B directors: F. P. Hixon, lumberman, La Crosse, Wis.; F. R. Bigelow, insurance, St. Paul, Minn.; and Norman B. Holter, wholesale hardware, Helena, Mont. The organization was further perfected by the appointment, on February 21, 1915, of Hon. A. Ueland as counsel; on July 21 by the appointment of Curtis L. Mosher as assistant to the Federal Reserve Agent, and on January 5, 1916, by the appointment of Wm. H. Lightner, St. Paul, Minn., attorney, as class C director, vice chairman, and deputy Federal Reserve Agent, in place of P. M. Kerst, retired, because of pressure of other duties.

The directors met and organized on October 14, 1914, electing Theodore Wold, president of the Scandinavian-American National Bank, as governor, and C. T. Jaffray, vice president of the First National Bank of Minneapolis, as member of the advisory council. The session was continued through the following day. A committee on permanent quarters was named, by-laws were adopted, provision was made for an official seal of the bank, and an executive committee, consisting of the Federal Reserve Agent, the Governor, and Director Decker, was elected.

On October 28 temporary offices were opened in the directors' room of the Minnesota Loan & Trust Co. in Minneapolis, and arrangements were made for the receipt of the initial reserve and capital payments. Immediately thereafter temporary quarters were obtained in the Lumber Exchange Building, which were occupied until the permanent quarters in the New York Life Building were ready for occupancy on January 1, 1915.

Telegraph notification was received from the Comptroller of the Currency on November 14, 1914, that the organization certificate had been executed in Washington, and upon November 16 the Ninth Federal Reserve Bank was formally opened for business.

The official and clerical staff of the bank is numerically less at the end of the year than at the beginning.

The membership of the Federal Reserve Bank of Minneapolis, at the time of its organization, consisted of 709 banks. Since that date membership has been acquired by 26 banks, bringing the total up to 735. One of these is the largest State bank in Minnesota, which has entered the system as a State bank. Twenty are conversions of State banks into national banks. The remainder are new national banks. In addition to these changes there were in process of conversion upon December 31, 19 State banks, which will take membership, with prospective additional increase through the organization of eight new national banks.

EXECUTIVE COMMITTEE AND BOARD OF DIRECTORS.

Pursuant to the authority of the by-laws, copy of which is attached, the executive committee has exercised the powers indicated in section 2 thereof, and has carried on the work assigned by the board of directors, and acted in an advisory capacity to the officers of the bank, during the intervals between directors' meetings. The executive committee has consisted, since the organization of the bank, of the governor, the Federal Reserve Agent, and one director, and, being small in size, has been able to meet frequently. The practice of the committee has been to meet at 11 o'clock in the bank on each business day of the year, there to pass upon all paper submitted for rediscount, and conduct other business authorized by the by-laws. It has maintained its daily sessions with remarkable success, and has been a highly efficient agency in supervising and facilitating the business of this bank.

The board of directors, being scattered, in point of residence, from the central part of Montana to the northern peninsula of Michigan, has not been able to meet frequently, but in accordance with the by-laws has held regular sessions on the first Monday of every month at 11 o'clock a. m. in the directors' room of this bank. The continuing service of the executive committee has made it possible to avoid special meetings of the full board. The sessions of the directors have been thorough and searching, and each member has shown a willingness to devote all the time required to a proper handling of the business in hand. Careful analysis and discussion of business and financial conditions throughout the district, changes in currents of trade and industry, developments in agriculture, and consideration of discount rates have become regular features of the board's sessions, and have been a means of harmonizing opinion as to the proper course and policies for this bank to pursue. The directors have called at the bank frequently, between regular meetings, and have kept in close touch with its affairs. The weekly statements of the bank and all other information of value are regularly mailed to each director.

OPERATING DIFFICULTIES.

The Ninth Federal Reserve Bank was opened almost immediately after \$17,000,000 of Aldrich-Vreeland emergency currency had been issued in this district. The opportunity to supply the needs of its members had therefore been anticipated in advance of its coming into the field. During the latter half of November and the month of December, 1914, such rediscounts as were afforded members were largely courtesy transactions, the greater part representing the efforts of larger banks to acquaint the public with the new Federal Reserve currency. After January 1, 1915, the ninth district entered a period when all credit demands had been satisfied, and loans dropped to the lowest ebb in many years. Rates on commercial paper took new low levels. The demand at country points was light and banks in larger centers experienced much difficulty in employing their funds to advantage. There was no change in this condition until spring farm activities began to provoke some demand in early May. The Ninth Bank then enjoyed a period during which there was a

moderately active demand from its members, which continued during June, July, and August. This demand held during the first week of September, and then moderated to some extent. From late September to the end of the year the figures show comparatively small changes.

This year, in brief, has been a year of cheap money rates and ample money in the ninth district. The excess reserve of member banks in the ninth district is significant of this condition, and is shown by the following figures issued by the Comptroller of the Currency:

As of—	Reserve required.	Reserve held.	Excess.
Dec. 31, 1914.....	\$44,781,908	\$80,113,119	\$35,332,010
Mar. 4, 1915.....	47,909,124	111,069,784	63,160,660
May 1, 1915.....	47,027,161	106,262,875	59,235,714
June 23, 1915.....	45,826,686	94,462,540	48,635,854
Sept. 2, 1915.....	47,024,900	101,210,407	54,185,506

The volume of rediscounts has been depressed in proportion to the lack of normal activities in commercial and industrial business, and throughout the year, has been below what might reasonably be expected under the usual crop and business conditions. But one hope of active rediscounting presented itself, and that hinged upon the marketing of an unusually large grain crop in the Northwest. A production of 100,000,000 bushels of wheat over and above the usual crop, indicated that there would be a sharp and continuing demand during the last quarter of the year. Very unusual weather conditions slowed down the marketing of the new crop immediately after harvest. Rain, wet roads, the demands of fall plowing, and a disposition to hold grain for better prices, combined to influence farmers to market only as they needed funds. The receipts at terminal markets were extremely light during September and October, and the slow movement made it possible to finance the marketing of the crop very largely on the farmers' money. The demand upon banks was light, and the large elevator concerns, which usually begin issuing terminal grain paper by mid-October, had put out only very small amounts as late as the end of the year. In response to higher prices, the December movement of grain was very active. There is a very large amount of small grain still held on farms, which will come gradually into the markets.

These conditions resulted in the peculiar situation, that during a period when country banks and the grain trade are usually heavy borrowers, the large elevator concerns were satisfying their requirements with moderate amounts of their straight paper and country banks were paying up.

The volume of current rediscounts, acceptances, and investments of the Ninth Federal Reserve Bank, by 15-day periods since organization, is shown in Table A, attached hereto. There is shown, in Table B, the total rediscounts and bills payable of member banks, by States, their deposits, and their rediscounts with this bank, as of the date of the Comptroller's call on November 10. Table C gives the amount of rediscounts by States and statistics relating thereto. Table D gives an analysis of rediscounts.

DISCOUNT RATES—CHARACTERISTICS OF 1915 BUSINESS.

The directors and executive committee of this bank have endeavored to hold rates of discount at a level low enough to fully and amply accommodate any member bank and at the same time avoid a rate so low as to encourage rediscount for the sake of the intermediate profit. Within certain narrow limits it is probably true that these rates could have been varied during the year without any appreciable effect on the amount of business coming to this bank. In other words, member banks

have not used this bank except where necessity existed and under such necessity the rate has not been a material factor in determining whether they would or would not make use of our facilities. While it is possible that a slightly higher rate might have been charged in some cases, with additional profit to the bank, it has been the opinion of the directors and executive committee that rediscounts should not be taxed with all the traffic could bear, but that the policy should be that of making a fair, moderate and reasonable rate for all business offered.

The course of the discount rates of this bank, and all changes therein, with the dates on which such changes were made, is shown in Table E.

The interest rates prevailing over the district must be borne in mind in order to appreciate the very attractive basis afforded for the rediscount of the paper of member banks. Throughout the well-settled and well-developed farming districts of central Wisconsin and southern Minnesota, farmers of established credit are customarily able to borrow at 6 and 6½ per cent. Throughout the less developed sections of northern Wisconsin and northern Minnesota current rates are 7½ to 8 per cent to customers of good credit. In South Dakota rates vary from 7 to 8 per cent in the well developed eastern portion and from 8 to 12 per cent in the thinly settled western portion. Approximately the same rates (except that the legal rate is 10 per cent) apply in North Dakota, the eastern portion of which is a well developed and prosperous farming country, while the western part is undergoing rapid development and is practically a new country. The rates in Montana, which is a State of immense extent, undergoing settlement and development, and thinly populated, range from 8 to 12 per cent, with an average of 10 per cent.

The Ninth Federal Reserve District has been prosperous since the founding of the bank. It can not be said that an emergency has existed in the district at any time since this bank was opened on November 16, and there has, therefore, been no opportunity to make a practical test or demonstration of the efficiency of this bank during a period of stress.

In the ninth district, as elsewhere, the Federal Reserve Bank was an entirely new element in banking. The readjustment of the customary practices of member banks, sufficient to give it a satisfactory volume of rediscounts, was slow. Business and agriculture were placing no burdens upon local banks greater than they could satisfactorily carry. The average member bank has had less occasion during 1915 than in former years to borrow in order to satisfy current demands.

The influences of the year have been such as to encourage those in business to exercise caution and prudence, and bank depositors generally have shown hesitation in drawing down their balances or in embarking with the usual freedom in new enterprises.

It was evidence of a sound and progressive policy that during a period when bank deposits have been high and the demand for loans less than normal, this bank has gradually increased the volume of its rediscounts for its members and brought its earnings up to a point sufficient to cover all of its current expenses and create a reasonable balance to profit and loss. This would not have been possible had not the bank functioned perfectly, and as was intended by the law. It is also significant of the persistent and continuous effort of the officers to have member banks and the public clearly understand its purpose.

A gradual spread of a practical understanding of the workings of the Federal reserve system has undoubtedly had a beneficial influence upon the amount of business done during the year. Such pressure as has occurred within the district has been largely local. Where local strain has appeared this bank has been quick to extend assistance as required by its members, and the active efforts of the officers of the bank has been directed throughout the year toward acquainting member banks with the degree of support this bank stands ready to extend.

As an incidental but important part of the work of creating a proper understanding of the Act and the Ninth Federal Reserve Bank, the Federal Reserve Agent and governor have taken special pains throughout the past 14 months to meet with bankers at their group meetings and conventions and engage in a practical discussion of the subject. The Federal Reserve Agent has made 20 such addresses during this period. The Governor has addressed 16 State and district conventions, while other officers of the bank have done similar work when opportunity afforded. The bank has been represented, since organization, at 47 such gatherings where opportunity for questions and informal discussion have been afforded. It has been found that personal contact with member bankers and the public, especially when there has been opportunity to answer questions and engage in discussions, has been of much service in giving member banks a working knowledge of the law and informing them as to the details of rediscount and currency issue.

The service extended by the press of the ninth district in spreading information should have proper acknowledgment. The attitude of the newspapers has been extremely friendly and editors have shown a keen interest in furthering the new banking system wherever opportunity has afforded.

The earnings and expenses of the Ninth Federal Reserve Bank since organization are shown in Table F.

FEDERAL RESERVE NOTES.

The policy of the Ninth Federal Reserve Bank with respect to Federal Reserve notes has been largely governed by the purpose of providing an ample volume of currency for the regularly occurring demands of the crop-moving period in the fall, and the Federal Reserve notes have been issued freely in response to the requirements of member banks. As previously noted, the issue of such notes for crop-moving purposes from October 1 to December 31, 1915, amounted to \$8,000,000, in addition to which a considerable part of the \$6,000,000 of currency previously issued was also available. The Federal Reserve notes entering directly into the crop moving represent a smaller volume than has ordinarily been required in this district. This is accounted for by the very slow movement of the grain crops and the large amounts of available funds in all commercial banks and principally in the banks of Minneapolis, St. Paul, and Duluth, which, with the larger firms in the grain trade, bear the burden of crop financing.

Member banks have expressed much satisfaction in their ability to promptly obtain currency for local use, and Federal Reserve note operations have entailed frequent shipments to outside points in the district. Returned Federal Reserve notes coming back into the hands of the bank did not reach a sufficient volume during the year to make it necessary to return any to the Federal Reserve Agent, and damaged and mutilated currency returned to this bank did not reach proportions requiring any shipments to Washington for redemption. During the early part of 1916 it will be necessary for the bank to make return to the Federal Reserve Agent of issued Federal Reserve notes and also to forward mutilated for destruction. The year's operations have not presented sufficient time to make any estimate of the cost of Federal Reserve notes in relation to the period of their life and usefulness, and the cost analysis shown in Table H is therefore upon the basis of new notes.

Shipments of Federal Reserve notes from Washington to the Federal Reserve Agent of this bank aggregated \$19,000,000 during the period closing December 31, on which date there remained in the hands of the reserve agent \$5,000,000 in unissued notes, and in the hands of the Treasury Department at Washington, subject to the order of this bank, an additional \$11,000,000 ready for shipment. A total of \$30,000,000 has therefore been printed for use in the ninth district.

CHECK CLEARING.

Pursuant to the authority of the Federal Reserve Board, a system of check clearing was established in the Ninth Federal Reserve District on June 1. Participation in check clearing was purely voluntary on the part of member banks, but the system was established with 110 banks participating, and from June 1 to December 31 there were 76 additions and only 2 withdrawals to the system. The check-clearing system has operated without overdrafts and without deficiencies in reserve. Of the 186 members in the collection system, 68 are new additions to Minneapolis and St. Paul par lists, and this benefit has been passed on to their customers. The average number of items daily and the average amount of items daily, by months, is shown in Table G.

EXCHANGE CHARGES IN THE NINTH DISTRICT.

The customary charges made by the country banks on checks sent them by their city correspondents vary from 10 cents per \$100, based on the total included in remittance letters, up to 15 cents per \$100, based on each separate item. In the last few years the city banks have tended to pay a constantly increasing amount on the same volume of business to their country correspondents for exchange charges, as more and more banks are basing their charges on each separate item instead of on total of letters. Since the establishment of the Federal Reserve Banks and their collection system there has been no change in the basis on which such charges are made. A number of banks that formerly charged exchange have joined the Federal Reserve Bank collection system and now remit for their checks at par to their city correspondents. The remainder of the 186 banks that are members of the Federal Reserve Bank collection system were not charging exchange prior to joining the system. It seems to be the purpose of the banks of the ninth district to wait development of the collection system of the Federal Reserve Bank before any action is taken or changes are made relative to exchange charges. It appears that member banks of this district believe that eventually they will be compelled to cease charging exchange to the indorsers of checks sent them for collection or credit, but owing to the loss of profit they will not give up this practice until the situation is such that they can no longer be made. A total of 960 banks (State and national) in the ninth district do not charge exchange on checks drawn upon them.

APPLICATIONS FOR FIDUCIARY POWERS.

Observation of conditions in this district has gradually brought the officers of this bank to the conviction that the granting of fiduciary powers to small banks under certain restrictions is of great advantage to their communities. It has been observed that many towns, where sound and well-managed banks are successfully operated, are without the advantage of trust company service. With the reservation that such powers should not be granted except where member banks are under management that is above criticism, and where the character and integrity of their officers is thoroughly established, it has been the policy of the officers of this bank to recommend the granting of fiduciary powers to some banks that are not of commanding size. It is believed that it is safe to trust such powers to a small bank, if well managed, as well as to a large bank, and that the favorable action of the Federal Reserve Board in such cases confers valuable benefits upon the community. Especially in the administration of estates it has been the view of the officers of this bank that it is better to trust to the judgment and integrity of a sound and well-managed member bank than to an individual approved by the court, and that, having more at stake and having better facilities than an individual, a properly managed member bank is in better position to render this necessary service.

On February 18 the counsel for this bank rendered an opinion upon clause K, section 11 of the Act, with reference to the granting of fiduciary powers, in which he expresses the following conclusion:

"It follows that * * * national banks can not lawfully act as trustees, executors, administrators, and registrars of stocks and bonds unless there is State legislation expressly conferring upon them the power to do so. At present there is no such legislation in any of the six States comprising the ninth Federal reserve district."

Since writing this opinion, favorable legislation has been adopted in South Dakota, but in Michigan, Wisconsin, Minnesota, North Dakota, and Montana the situation remains as then outlined, and counsel has refused favorably to certify applications from those States.

This suggests the desirability of State legislation expressly conferring the right to exercise the powers granted under the Federal Reserve Act, without which favorable action on such applications as come from the States of the ninth district, with the exception of South Dakota, will still be subject to question as to the legal right of the applicant to exercise the powers granted.

RELATIONS WITH MEMBER AND OTHER BANKS.

The attitude of the Ninth Bank toward the national banks of its district has been that of an organization receptive to the suggestions and comments of its stockholders. Visiting representatives of member banks have been reminded that while this bank has the obligation of rendering them effective service the obligation rests upon them as stockholders to maintain an active interest in it and assist it through friendly criticism. Every effort has been made to encourage representatives of member banks to visit the bank, and since its organization a large amount of correspondence has been carried on for the purpose of creating and maintaining personal contact between the officers of this bank and the official heads of member banks. The attitude of the members toward the Federal Reserve Bank has been at all times friendly. Some few institutions have been apprehensive of competition that might result from the operations of the Ninth Bank, but even under this condition have not hesitated to say that their membership constitutes a very valuable insurance, and that this bank is a very necessary and important safeguard.

The larger banks voluntarily state that the question of receiving dividends on their stock is unimportant as compared with the advantages they receive through the holding of stock, and their comments upon the management of the bank, so far as they have reached the officers of this institution, have been commendatory, friendly, and helpful.

Much the same attitude has been maintained toward the numerous State banks of this district, and through personal contact and correspondence a continuous effort has been made to interest them in the facilities offered by the Federal reserve system and encourage them to take membership. These activities have resulted in the membership of the largest State bank in Minnesota. A number of other strong institutions have been brought to a point where they are giving the subject serious consideration. The attitude of State banks in general has been friendly. While there has yet been no general movement of State banks toward membership, and while many such banks show a desire to wait and observe the workings of the Federal Reserve System, the year has brought 20 ninth district banks into the system, through the process of conversion into national banks, and 19 more are undergoing conversion. This process, rather than direct acquisition of membership as State banks, seems to be the favored method of entry to the system. This bank has had the helpful cooperation of the State superintendent of banks of Minnesota and the commissioner of banking of Wisconsin, and there has been no opposition on the part of State officials toward the acquisition of membership in the reserve system by banks operating under the laws of their States.

CREDIT NEEDS OF THE DISTRICT.

The only credit requirements of the ninth district during the past 14 months that were of any considerable magnitude had been satisfied before the Ninth Bank was opened for business on November 1, 1914, as previously noted. Following the opening of the bank the district passed into a period of very slack demand, during which there was a heavy accumulation of money in all banks, and restricted opportunities to loan. From May 1 on throughout the year there was a gradually and very noticeable drift back to normal conditions. The recovery was very slow. Business activities have not yet reached a point, although the closing month of the year showed considerable advance, where they have made greater demands than banks locally have been able to satisfy. The volume of rediscounts carried by the Ninth Bank has increased more in response to steady and persistent efforts to create a better understanding of the system and the facilities afforded, than from any sharp demand. Such demand, when it has manifested itself, has been confined to districts or industries especially affected by the disturbed conditions of the year. Where opportunities for service have presented themselves the support rendered by this bank has been immediate and effective. Experience gained during the year, through the rediscounts for scattered member banks, points conclusively to a gradual growth of this business to proportions that will be satisfactory, even in years of normal business. Where member banks have had the opportunity of utilizing the facilities afforded, we have invariably found them pleased with the direct methods employed.

A marked reluctance to rediscount was manifested by practically all members at the opening of the bank. To use its facilities has meant the abandonment, in many cases, of firmly rooted precedents. The task of acquainting more than 700 banks with their rights under the Act was formidable, but a necessary preliminary to the development of a volume of business. Excellent progress has been made, and as member banks have been brought into intimate touch with their reserve bank they have invariably been highly pleased with its ability to render them practical support.

The only credit demands which have presented themselves which have not been fully and promptly met have come from farmers who desire cheap money to enable them to hold grain in the anticipation of a better market. The problem of meeting this demand is extremely difficult. This bank placed in operation the commodity rate authorized by the Federal Reserve Board as soon as authority was received, and has done some business under it. The application of the commodity rate under the requirement that the grain held as security against the paper rediscounted be stored in a "warehouse" (country elevator) necessarily involves that the farmer enjoying the 6 per cent rate must first place his grain in store and pay charges thereon. The storage charges, plus interest on the loan at 6 per cent, invariably increases the cost of the accommodation extended far beyond the nominal rate of 6 per cent. The interest paid, plus the elevator charges, ranges all the way from 17 to 21 per cent on the money borrowed.

The farmers in the ninth district have been accustomed to making some use of elevator tickets as collateral for their paper at the banks, but the process is not highly regarded because of the cost. They have also been accustomed to borrowing on the security of chattel mortgages on grain. Numerous letters have reached this bank from all parts of the grain territory inquiring for Government funds to be loaned on security of grain held on the farm. The supposition of the writers has uniformly been that this bank could discount paper based on grain, at the commodity rate, the rate to the maker to be 6 per cent. Some have thought that through Federal action, this bank could deal direct with the farmer. These requests have been supported by the argument that it is unfair to force the farmer to market his grain immediately after harvest, when all farmers are marketing grain and the market is glutted. The only

method that will afford them proper relief, they argue, is a system that will permit them to hold their own grain in their own storage. Bankers in grain territory have very frequently made such loans, but on account of the risk of the removal of the security they have been compelled to confine their accommodation to farmers of established credit and men favorably known to them.

The Ninth Federal Reserve Bank has always been ready to rediscount paper based on grain, at its current discount rates, and under its rules, when presented by a member bank for rediscount. The demand here involved is for a special form of credit, at a preferential rate.

No method of satisfying this demand presents itself unless some condition can be created under which the integrity of the security for the loan can be fully and amply protected. It is possible that through an amendment to the Act some method might be devised by which a member bank could safely loan on grain stored on the farm and be permitted in such cases to rediscount the note as commodity paper. It is not probable that such a regulation can be worked out, unless it is possible to make it a Federal offense to remove grain stored in such a manner, when the note has been rediscounted at a Federal Reserve Bank. No comment is made on the question of the desirability of incorporating further preferential credit provisions in the Act, or widening the already liberal accommodation to agriculture therein provided. Farmers' organizations in the ninth district have been very active in discussing rural credit questions, and especially of affording the farmer more opportunity to loan at moderate rates upon farm products on his own farm. This agitation will probably become increasingly active.

EXCHANGE OPERATIONS.

The demand for eastern exchange in this district is so steady that for the greater part of the year a premium is paid. For a period of from two to three months, during crop-moving time, Chicago and eastern funds go to a substantial discount. It was therefore considered desirable by the officers of this institution to accumulate funds for the use of member banks when the turn came. This was done by the acceptance of eastern exchange at a discount based on the cost of shipping mixed currency to or from the nearest subtreasury. These accumulated funds will be sold on the same basis.

It is believed that the policy of establishing a flat rate is sound and desirable and that the building up of balances in the East at a fixed discount rate and the sale of these balances at a fixed premium will do much to prevent violent rate fluctuations.

NEW MONEY VAULT.

The permanent quarters occupied by the Federal Reserve Bank of Minneapolis contained a vault which, with the installation of modern money chests, has been of value for the safe-keeping of tellers' current funds, books, and documents. It was not sufficiently strong to house deposits of this bank, and it became necessary to provide new and better facilities. Pending the construction of a new vault, Federal Reserve notes and deposits were carried in various vaults of the commercial banks in Minneapolis and comparatively little cash was held by the reserve bank itself.

The new money vault was completed and put in use on October 1. Its walls, floor, and ceiling are constructed of 5 inches of steel, heavily protected by steel bars and railroad rails laid in concrete. The main door is 7 feet 7 inches in diameter and 15 inches thick, exclusive of bolt frames, and is ground into the frame to a steam-tight fit. An emergency door is provided to guard against lockouts. Both the main and emergency doors are solid and the form of construction avoids piercing them for the purpose of operating the bolt mechanism. On both doors the locking mechanism is controlled by four-movement time clocks, which operate the bolt motors.

The vault is 8 feet 2 inches high, 18 feet 8 inches wide, and 9 feet deep inside, and provides 15 steel lockers for the use of the Federal Reserve Bank and 12 similar lockers, within a space segregated for the Federal Reserve Agent, for the use of that department. The space allotted the Federal Reserve Agent is protected by grills and may not be entered except by him or his representative.

The electrical protection of the vault is of the most modern and complete character and is connected with large alarm gongs inside the banking office and outside the building on the street.

The officers and directors of the bank gave much thought and investigation to this subject before contracts were let and the designs of the engineers were not accepted until there had been a most thorough inquiry, for the purpose of providing for this bank a vault of such strength and such high quality as to make it the most modern and the safest in the western United States. The space provided therein is sufficient for the safeguarding of large deposits from member banks and the attention of such institutions is being called to the additional safety involved in the deposit of their funds here.

ELECTION OF DIRECTORS.

Vacancies occurred in classes A and B on the board of directors of this bank, which were filled by election in November. The process of classifying the member banks by groups and carrying the election provisions of the act into effect, made it possible to observe some points that seem worthy of consideration.

Classification of member banks by groups on the arbitrary basis of the amount of their capital stock and surplus, resulted in the establishment of groups 2 and 3, both consisting of members scattered over the whole or parts of six different States.

As a result of the scattered location of the voting members of the participating groups, the vote in both groups was light and the vacancies on the board were filled through the balloting of only 25 per cent of the members entitled to vote. It seems unfortunate that after active efforts to interest every member having a right to vote, a greater interest was not manifest in so important a matter. It is probable that the scattered condition of the member banks alone will always make it difficult to arouse an active interest in the election of directors. As a remedy for this condition, it is suggested that attempts to classify the board of directors into three groups be abandoned in favor of a plan under which all member banks will vote at one time on each of the vacancies occurring among the elected members of the board. This would involve an amendment to the act providing for the selection by member banks of five of the nine members of the board of directors, such nominees to be either bankers or business men, at the option of the member banks. The remaining four should be appointed by the Federal Reserve Board.

As an incident to the election of directors, a member bank nominated a banker interested in four State banks, but not connected with any member (national) bank. Counsel for this bank ruled that there is nothing in the law to prevent placing the name of the representative of a nonmember bank upon the official ballot, if such nominee is regularly nominated. This suggests that there is at least a possibility of the election of a director having no interest in any member bank. Such an election could not occur except in class A. While nominees for class A shall be "chosen by and be representative of the stockholding banks," they might not necessarily be bank officers, directors, or stockholders. In cases where such nominees have active bank connections it is suggested that they be made ineligible except where such connections are with stockholding banks. Such restrictions of nominations in class A, and a simplification of the process of election will undoubtedly contribute to a greater interest by banks eligible to vote, in the elections which will occur from year to year.

TABLE A.—*Rediscounts; bills bought, United States bonds and investments of the Federal Reserve Bank of Minneapolis, by 15-day periods since organization.*

	Rediscounts for member banks.	Bills bought (accept- ances).	United States bonds.	Investments.
Dec. 1.....	\$29,449.01			
Dec. 15.....	58,611.67			
Jan. 2.....	424,644.51			\$684,394.05
Jan. 15.....	194,389.71			676,975.07
Feb. 1.....	229,606.02			1,076,975.07
Feb. 15.....	237,696.05		\$550,000	1,076,975.07
Mar. 1.....	215,051.93		650,000	400,000.00
Mar. 15.....	365,627.29	\$250,749.19	950,000	400,000.00
Apr. 1.....	395,327.39	336,870.75	950,000	455,000.00
Apr. 15.....	395,918.91	427,849.82	1,025,000	473,000.00
May 1.....	421,513.84	394,987.11	1,025,000	634,360.85
May 15.....	504,686.52	253,987.79	1,025,000	663,970.85
June 1.....	687,891.95	174,839.11	1,025,000	688,601.93
June 15.....	838,435.60	174,934.16	1,025,000	397,162.27
July 1.....	1,143,169.42	147,753.00	1,025,000	367,806.82
July 15.....	1,472,588.24	107,008.12	1,025,000	444,931.82
Aug. 1.....	1,721,292.02	219,279.08	1,025,000	538,952.26
Aug. 15.....	1,869,828.12	236,447.97	1,025,000	569,325.54
Sept. 1.....	1,937,289.61	279,531.35	1,027,000	891,333.78
Sept. 15.....	1,752,437.65	315,035.23	1,027,000	736,997.67
Oct. 1.....	1,562,371.76	349,600.63	1,027,000	795,498.50
Oct. 15.....	1,562,908.98	297,527.37	1,032,000	770,498.50
Nov. 1.....	1,425,489.63	357,496.69	1,107,000	792,812.28
Nov. 15.....	1,504,260.57	361,275.21	1,159,820	770,621.97
Dec. 1.....	1,555,125.18	402,028.49	1,189,820	890,828.25
Dec. 15.....	1,430,850.05	431,471.35	1,303,820	893,430.68
Jan. 1.....	1,222,161.51	477,806.40	1,328,820	910,513.28

TABLE B.—*Rediscounts and bills payable, showing the deposits and bills payable of member banks in the ninth district, and their rediscounts with the Federal Reserve Bank, as of the date of the comptroller's call of November 10, 1915.*

MICHIGAN.

Deposits.....	\$26,020,848.00
Rediscounts and bills payable.....	141,338.87
Rediscounts with Federal Reserve Bank.....	14,885.71

MINNESOTA.

Deposits.....	313,448,840.00
Rediscounts and bills payable.....	2,424,103.02
Rediscounts with Federal Reserve Bank.....	856,329.54

MONTANA.

Deposits.....	46,025,062.00
Rediscounts and bills payable.....	278,176.00
Rediscounts with Federal Reserve Bank.....	102,224.58

NORTH DAKOTA.

Deposits.....	49,926,472.00
Rediscounts and bills payable.....	589,721.91
Rediscounts with Federal Reserve Bank.....	124,155.61

SOUTH DAKOTA.

Deposits.....	47,669,498.00
Rediscounts and bills payable.....	360,390.04
Rediscounts with Federal Reserve Bank.....	284,003.51

WISCONSIN.

Deposits.....	67,237,795.00
Rediscounts and bills payable.....	573,502.80
Rediscounts with Federal Reserve Bank.....	173,525.63
Total deposits of member banks.....	550,328,515.00
Total bills payable.....	4,367,232.64
Total rediscounts with Federal Reserve Bank.....	1,555,124.58

TABLE C.—*Rediscounts by States, showing, by States, the amount of discounted paper held by the Federal Reserve Bank of Minneapolis, the number of member banks, and the member banks rediscounting Dec. 31, 1915.*

State.	Amount of rediscounts.	Number of member banks.	Number of banks redis- counting.
Minnesota.....	\$674,270.31	279	55
North Dakota.....	93,289.55	152	16
South Dakota.....	330,802.26	119	22
Wisconsin.....	70,116.72	88	9
Montana.....	48,232.14	66	8
Michigan.....	27,904.73	31	2
Total.....	1,244,615.71	735	112

Total number of pieces, 4,054.

TABLE D.—*Statistics of rediscounts handled by Federal Reserve Bank of Minneapolis from Nov. 16, 1914, to Nov. 15, 1915.*

	Minnesota.	North Da- kota.	South Da- kota.	Wisconsin.	Mon- tana.	Michi- gan.	Total and av- erage.
Number member banks....	279	152	119	88	66	31	735
Number member banks ac- commodated.....	78	39	32	20	23	5	197
Number applications made for rediscount.....	292	138	116	138	72	19	775
Number pieces passed upon.	1,511	837	554	872	281	59	4,054
Average amount of each piece.....	1,623	1,100	1,212	1,620	1,630	3,234	1,435
Total amounts rediscounted	\$2,346,386	\$851,614	\$698,569	\$1,323,480	\$436,037	\$134,813	\$5,790,899

Average amount of each piece discounted, \$1,435; smallest item, \$26.27; largest item, \$100,000.

TABLE E.—*Discount rates, showing the course of the rates of the Federal Reserve Bank of Minneapolis and dates on which changes were made.*

	30 days.	60 days.	90 days.	6 months.	Commod- ity paper.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
Nov. 16.....	6	6½	6½	6½	.....
Dec. 7, 1914.....	5½	6	6	6	.....
Dec. 24, 1914.....	5	5½	6	6	.....
Jan. 9.....	4½	5	6	6	.....
Feb. 2.....	4½	5	5½	5½	.....
Feb. 19.....	4	4½	5	5½	.....
Mar. 2.....	4	4½	5	5	.....
May 22.....	4	4	5	5	.....
Sept. 16.....	4	4	4½	5	.....
Sept. 27.....	4	4	4½	5	3

TABLE F.—*Earnings and current expenses, showing the earnings of the Federal Reserve Bank of Minneapolis and current expenses, by periods, since organization.*

NOV. 16, 1914, TO JAN. 1, 1915.

Earnings from—	
Bills discounted, member banks.....	\$1,322.47
Bills purchased (acceptances).....	0
Investments:	
United States bonds.....	0
Warrants.....	0
Sundry profits.....	0
Total earnings.....	1,322.47
Current expenses.....	11,647.24

JAN. 1 TO JULY 1, 1915.

Earnings from—	
Bills discounted, member banks	\$10,780.65
Bills purchased (acceptances)	2,030.17
Investments:	
United States bonds	7,480.56
Warrants	10,643.26
Sundry profits	75.48
Total earnings	31,010.12
Current expenses	39,152.17

JULY 1 TO DEC. 31, 1915.

Earnings from—	
Bills discounted, member banks	39,708.10
Bills purchased (acceptances)	3,217.73
Investments:	
United States bonds	11,312.69
Warrants	10,287.56
Sundry profits	4,073.11
Total earnings	68,599.19
Current expenses	41,215.29
Total earnings since Nov. 16, 1914	100,931.78
Total current expenses	92,014.70
Balance	8,917.08
Less commissions to other Federal Reserve Banks	819.48
Balance	8,097.60

NOTE.—Much more favorable earnings of the last half of 1915 should be noted.

TABLE G.—*Check clearing, showing the operation of the intradistrict system of the Ninth Federal Reserve Bank.*

NUMBER OF ITEMS DAILY.

	City.	County.	Other Federal Reserve Banks.	Banks in other Fed- eral Re- serve cities.
July	10	57	0	5
August	12	85	0	5
September	20	140	0	8
October	24	149	0	8
November	28	164	0	6
December	16	177	0	4

AVERAGE AMOUNT OF DAILY ITEMS.

July	\$11,281	\$6,619	0	\$30,100
August	12,627	20,321	0	22,780
September	33,600	46,566	0	95,757
October	32,894	40,940	0	157,526
November	55,908	38,202	0	192,40
December	32,687	35,806	0	77,662

TABLE H.—*Cost of Federal Reserve notes printed for Federal Reserve Bank of Minneapolis from Nov. 1, 1914, to Nov. 1, 1915.*

AMOUNT ORDERED.	
\$5.....	\$14,000,000
\$10.....	8,160,000
\$20.....	5,040,000
\$50.....	800,000
\$100.....	2,000,000
Total.....	30,000,000

NUMBER OF NOTES.	
\$5.....	2,800,000
\$10.....	816,000
\$20.....	252,000
\$50.....	16,000
\$100.....	20,000
Total.....	3,904,000

NUMBER OF SHEETS (FOUR NOTES TO THE SHEET).	
\$5s.....	700,000
\$10s.....	204,000
\$20s.....	63,000
\$50s.....	4,000
\$100s.....	5,000
Total.....	976,000

TOTAL COST OF NOTES (UNDELIVERED).

Cost of paper, 976,000 sheets, at \$4.67 per M.....	\$4,559.58
Cost of printing 976,000 sheets, at \$30.034 per M.....	29,313.17
32 face plates.....	2,212.74

Total..... 36,085.49

(Cost of face plates includes back plates, dies, rolls, and allowance for repairs.)

Table showing maximum notes the plates will print and our credit for unused portion.

[The life of a plate is 50,000 sheets.]

Denomination.	Number of plates.	Maximum number of notes.	Number of notes printed.	Cost of plates.	Portion used.	Balance as an asset.
5.....	19	3,800,000	2,800,000	\$1,274.00	\$938.74	\$335.26
10.....	7	1,400,000	816,000	469.37	273.58	195.79
20.....	3	600,000	252,000	201.15	84.48	116.67
50.....	2	400,000	16,000	134.11	5.36	128.75
100.....	2	400,000	20,000	134.11	6.71	127.40
Total.....	33	6,600,000	3,904,000	2,212.74	1,308.87	903.87

COST PER 1,000 NOTES (UNDELIVERED).

Plates.....	\$0.335
Paper.....	1.167
Printing.....	7.508
Total.....	9.01

Cost per \$1,000 (delivered) based on present rates.

	\$5s.	\$10s.	\$20s.	\$50s.	\$100s.
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

TABLE I.—Record of Federal Reserve notes, Dec. 31, 1915.

Denomination.	Total printed for this bank.	Received from comp-troller.	Issued to bank.	In agent's hands.	Balance with comp-troller.
\$5.....	\$14,000,000	\$7,640,000	\$5,662,000	\$1,980,000	\$6,360,000
\$10.....	8,160,000	6,480,000	4,960,000	1,520,000	1,680,000
\$20.....	5,040,000	4,080,000	3,120,000	960,000	960,000
\$50.....	800,000	400,000	110,000	290,000	400,000
\$100.....	2,000,000	400,000	150,000	250,000	1,600,000
Total.....	30,000,000	19,000,000	14,002,000	5,000,000	11,000,000

Federal Reserve notes in agent's hands, also gold deposited to retire notes issued to the bank held in the following compartments.

FEDERAL RESERVE NOTES HELD.

Compartment.	\$5	\$10	\$20	\$50	\$100
No.1.....		\$720,000	\$400,000		
No.2.....	\$260,000				
No.3.....	360,000				
No.5.....				\$290,000	\$250,000
No.6.....	720,000				
No.7.....	640,000				
No.8.....		800,000	560,000		
Total.....	1,980,000	1,520,000	960,000	290,000	250,000

GOLD HELD.

Compartment.	Bearer certificates.	Order certificates.	Credit in gold fund.	Gold coin.	Total.
No.4.....	\$900,000				\$900,000
No.5.....	960,000	\$5,630,000	\$4,000,000		10,590,000
No.9.....				\$1,000,000	1,000,000
No.10.....				1,000,000	1,000,000
No.11.....				510,000	510,000
Total.....	1,860,000	5,630,000	4,000,000	2,510,000	14,000,000

Total Federal Reserve notes held by Federal Reserve Agent..... \$5,000,000
 Total gold coin and certificates held..... 10,000,000
 Total credit in gold fund..... 4,000,000

Total funds of Federal Reserve Agent..... 19,000,000

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TABLE J.—*Distribution of maturities of paper and short-term investments held by Federal Reserve Bank of Minneapolis, at close of business Dec. 30, 1915.*

	Within 10 days.	After 10 but within 30 days.	After 30 but within 60 days.	After 60 but within 90 days.	After 90 days.	Total.
Bills discounted members.....	\$217,331.11	\$163,925.63	\$196,355.42	\$211,673.68	\$510,199.66	\$1,299,485.50
Bills bought in open market.....	14,154.68	160,106.77	172,379.68	131,165.27	.....	477,806.40
Total bills.....	231,485.79	324,032.40	368,735.10	342,838.95	510,199.66	1,777,291.90
Short-term investments, exclusive of United States bonds.....	.....	10,095.83	164,958.72	625,083.72	60,375.00	860,513.28

BY-LAWS OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board the first Monday of every month at 11 o'clock a. m. or, if that day be a holiday, on the first succeeding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least five days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to its supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business; an action by the committee shall be upon the vote of a majority of those present at any meeting of the committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by its secretary, and such minutes shall be read to the members of the board of directors at its next succeeding meeting.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To fix the discount rate from time to time with the approval of a majority of the board of directors.

- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have the power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws.

The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock to 3 o'clock on each day except Sundays, or days or parts of days established as legal holidays, except that on Saturdays the bank shall close at 12 o'clock noon.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

DISTRICT NO. 10—KANSAS CITY.

J. Z. MILLER, JR., Chairman and Federal Reserve Agent.

On telegraphic advice from the Secretary of the Treasury dated October 26, 1914, and under certificate of authority issued by the Comptroller of the Currency dated November 14, 1914, the Federal Reserve Bank of Kansas City opened its doors for business November 16, 1914.

Prior to the formal opening of the bank, the reserve bank organization committee conducted an election by which the member banks selected the following directors in classes A and B:

CLASS A.

Gordon Jones, Denver, Colo.
W. J. Bailey, Atchison, Kans.
C. E. Burnham, Norfolk, Nebr.

CLASS B.

Thomas C. Byrne, Omaha, Nebr.
M. L. McClure, Kansas City, Mo.
L. A. Wilson, El Reno, Okla.

On October 7, 1914, the Federal Reserve Board announced the appointment of the following class C directors:

J. Z. Miller, jr., Kansas City, Mo., Federal Reserve Agent and chairman of the board.

Asa E. Ramsay, Muskogee, Okla., deputy Federal Reserve Agent and vice chairman of the board.

R. H. Malone, Denver, Colo.

ELECTION OF BANK OFFICERS, ADOPTION OF BY-LAWS, ETC.

Prior to the formal opening of the bank two meetings of its board of directors were held; the first on October 16, 1914, and the second on October 31, 1914. At the meeting on October 16, 1914, the salary of the deputy Federal Reserve Agent and vice chairman of the board, Mr. Asa E. Ramsay, was fixed at \$6,000 per annum. Mr. Charles M. Sawyer, then bank commissioner of the State of Kansas, was unanimously chosen governor of the bank, at a salary of \$7,500 per annum. Mr. E. F. Swinney, president of the First National Bank of Kansas City, Mo., was designated a member of the advisory council.

At the meeting held October 31, 1914, Mr. Jerome Thralls, then manager of the Kansas City Clearing House Association, was elected secretary-cashier, at a salary of \$6,000 per annum, and by-laws were adopted—copy attached and marked "Exhibit A."

BANKING QUARTERS.

At the October 31 meeting several propositions for suitable banking quarters were considered. By unanimous decision the board accepted the proposition submitted by the R. A. Long Investment Co., involving the lease of the entire ground floor (8,500 square feet) of the R. A. Long Building, located at the northeast corner of Tenth Street and Grand Avenue, together with optional rights on certain additional space in the same building. The construction of vaults, alteration on the interior,

and equipment of the bank with furniture, fixtures, and office devices represent an expenditure of approximately \$45,000.

The details of this arrangement, accompanied by diagrams, blue prints, terms, etc., have heretofore been furnished the Federal Reserve Board.

INTERNAL ORGANIZATION AND PERSONNEL OF THE BANK.

The operation of the bank has developed two distinct departments—the bank proper and the office of the chairman and Federal Reserve Agent.

The governor receives and presents items for discount, conducts correspondence with member banks relating thereto, and is the joint custodian of the moneys and securities of the bank. The cashier is responsible for the clerical records of the bank and has under his direct supervision the transit, clearing, and collection operations; he is joint custodian of the moneys, securities, and discounts; he is also secretary of the bank, the executive committee, and board of directors.

The Federal Reserve Agent, with a small corps of assistants, receives, issues, and redeems Federal Reserve notes; holds, in chests assigned to him, gold, moneys, and collaterals for Federal Reserve notes outstanding; maintains all records relating thereto, together with adequate credit files; and as chairman keeps in touch with the current commercial operations of the bank by attending meetings of the executive committee and board of directors and by reports of the auditor of the bank.

The employees in the various departments are as follows:

Federal Reserve Agent and credit bureau, 3.

Clerical and transit, 27.

Messengers, watchmen, etc., 7.

The first pay roll of the bank, basis November 30, 1914, reported 26 employees (not including executive officers), with compensations aggregating \$2,221.68 per month. The greatest number of employees on the bank's pay roll at any one time was 39 on January 12, 1915, with compensations aggregating \$3,031.68 per month. At the close of business December 31, 1915, the bank had 37 employees and a pay roll aggregating \$2,884.99 per month.

APPEALS FROM DECISION OF ORGANIZATION COMMITTEE.

Shortly after the opening of the Federal Reserve Bank of Kansas City petition were filed by certain banks in Oklahoma for transfer from district No. 11 (Dallas) to district No. 10; and by certain banks in Nebraska and Wyoming for transfer from district No. 10 to district No. 7 (Chicago).

The briefs and arguments relating to these petitions were apportioned to committees of the Federal Reserve Board, which, in turn, reported their findings and conclusions to the Board itself; and, on May 4, 1915, the Federal Reserve Board passed a resolution granting the petition of the banks in southern Oklahoma and denying the petition of the banks of Wyoming and Nebraska.

The result of this decision was the transfer from district No. 11 (Dallas) to district No. 10 of that portion of the State of Oklahoma originally included in district No. 11 (Dallas) with the exception of the following counties in the southeastern portion of the State: Atoka, Bryan, Choctaw, Coal, Johnston, Marshall, McCurtain, and Pushmataha, and added 121 banks to the membership of the Federal Reserve Bank of Kansas City.

FREQUENCY OF BOARD AND EXECUTIVE MEETINGS.

The by-laws provide that the board of directors shall meet on the second and fourth Thursdays of each month. These meetings have been a heavy expense to the bank, the cost, by way of directors' fees, per diem, and expense of travel and subsistence, being about \$400 for each one-day meeting, or a total from the beginning of \$10,724.98.

Since the formative period of the bank has passed, and in view of the expense incident to board meetings, the chairman has suggested that only one regular meeting of the board be held each month, especially since the law provides that the chairman may call a special meeting at any time on his own motion and is obliged to do so at the request of the governor or any three directors.

With the exception of one or two meetings, all members of the board have been present. At each meeting, in addition to the approval of the action of the executive committee, all discounts, bond purchases, and investments made by the bank since the last meeting are reviewed. A list of member banks rediscounting with the Federal Reserve Bank is presented, showing the total liability of each member to the Federal Reserve Bank, so that the directors, individually and collectively, are at all times fully informed on discount relations with member banks. As the residences of the directors of this bank are widely scattered throughout the district, the board has been able to keep in very close and intimate touch with conditions prevailing in all parts of the district.

The executive committee, consisting of the governor, the chairman of the board, and one other director, meets every day at 11 o'clock to pass upon rediscounts and perform other duties and exercise other powers as set forth in the by-laws.

PARTICULAR CHARACTERISTICS OF THE BANK.

Probably the most striking characteristic of the Federal Reserve Bank of Kansas City is the variety of interests it is called upon to serve. The area of district No. 10 is approximately 470,000 square miles, within which is the geographical center of the continental United States.

When it is considered that practically every cereal, such as corn, wheat, oats, etc.; every staple commodity, such as cotton, tobacco, and sugar; all forage crops, including Kafir corn, hay, and alfalfa; practically every mineral mined in this country, including radium, gold, silver, copper, lead, zinc, iron, coal, salt, asbestos, gypsum, oil, and gas—that all these are produced in immense quantities; that it is the very heart of the live-stock industry; that enormous manufacturing plants, producing a vast variety of finished products, are in operation; that in the Kansas City territory alone over 10,000,000 barrels of cement are produced annually; that Kansas City is the largest winter-wheat market and yellow-pine distributing point in the world, and ranks first of all cities in the country in the distribution of farming implements and second in the assembling and distribution of automobiles; and that the district is traversed by nearly 50 separate and distinct lines of railroad, including 20 trunk lines, the diversified interests this bank is called upon to serve can be partially realized.

There is probably no other territory, equal in size, which compares with district No. 10 in the diversity of agricultural, industrial, and commercial activity.

The bank has a membership of 949, including 3 State institutions, classified on basis of total resources November 10, 1915, as follows:

Number of banks under \$100,000.....	29
\$100,000 to \$200,000.....	223
\$200,000 to \$300,000.....	190
\$300,000 to \$500,000.....	216
\$500,000 to \$2,500,000.....	244
\$2,500,000 to \$20,000,000.....	44
Over \$20,000,000.....	3

Exhibit B attached hereto is a partial abstract of condition of member banks of this district on November 10, 1915.

POLICIES OF THE BANK IN REGARD TO RATES OF DISCOUNT, ETC.

(a) *Rates of discount.*—It has been the policy of the Federal Reserve Bank of Kansas City to promulgate rates of discount which would have a tendency to lower and stabilize rates of interest and prove attractive to member banks. While the bank has not become a competitor of banks in reserve cities, at the same time it was felt that the Federal Reserve Bank should be self-sustaining during normal as well as abnormal times. It has been necessary, therefore, that rates of discount be made attractive and give employment to at least a portion of its funds.

At the beginning the rate of discount proposed by the board of directors was 7 per cent on all maturities, but, on November 14, 1914, the Federal Reserve Board approved a rate of 6 per cent on all maturities. This rate gradually declined until August, 1915, since when a 4 per cent rate on maturities of 90 days or less and a 5 per cent rate on maturities over 90 days and under 6 months have prevailed. Recently the Federal Reserve Board has approved rates of $3\frac{1}{2}$ per cent for paper maturing within 10 days, $3\frac{1}{2}$ per cent on trade acceptances, and 3 per cent on commodity paper.

(b) *Rediscounting.*—The executive committee has adhered to the definitions of eligible paper laid down by the Federal Reserve Board. In a few instances it has been necessary to return offerings for the reason that they were improperly indorsed or wholly ineligible. But from the outset, even up to this time, the executive committee has encouraged member banks to familiarize themselves with rediscount transactions with the Federal Reserve Bank and has overlooked trifling particulars and unimportant shortcomings in the preparation and presentation of paper.

Attached hereto is Exhibit C, showing the discount operations for the calendar year 1915 as well as for the entire period from November, 1914.

(c) *Issue of Federal Reserve notes.*—To meet the commercial and industrial demand and to facilitate the movement of crops, it is the policy of this bank to supply its members with Federal Reserve notes as counter currency. This bank has issued, and now has outstanding, nearly \$10,000,000 of such notes, about \$2,000,000 of which is secured by commercial paper and \$8,000,000 by gold deposits with the Federal Reserve Agent.

(d) *Open-market operations.*—The open-market transactions of the Federal Reserve Bank of Kansas City have been confined to warrants and acceptances purchased through other Federal Reserve Banks, there being little opportunity in the district for transactions of this nature.

(e) *Clearing system.*—December 1, 1914, this bank began a system of clearings based on the immediate credit and debit of all checks and drafts received from member banks, drawn on member banks in the district and on other Federal Reserve Banks. Later, this was extended to include checks and drafts on clearing-house banks in certain Federal Reserve Bank cities.

Attached hereto is Exhibit D, a statement of the transactions under this system, showing 2,059,619 items handled, aggregating \$748,833,696.29.

In handling this volume of clearings with the small proportion of reserves paid in, quite naturally during the first few months an occasional debit balance or overdraft against member banks appeared. Our method of clearing was an innovation, and a few members questioned the legal warrant of this bank to make an immediate debit to their accounts for items sent them, although, at the same time, most of these members were sending to this bank for immediate credit, items drawn on points throughout the district—generally such items as would otherwise have cost them exchange to collect. At one time these overdrafts assumed rather large proportions and became a vexatious question. Finally, all member banks were notified that only such checks as could be charged to their account without creating an overdraft would be handled, all checks in excess of their balances to be returned to the sending bank. This has

proven a satisfactory solution of the problem and has not appreciably diminished the volume of clearings.

The clearing-house function contemplated by the Federal Reserve Act is a service second in importance only to providing an elastic currency and facilities for rediscounting commercial paper. The Federal Reserve Bank of Kansas City is handling the clearings in a practical and economical manner.

The full reserves to be deposited with this bank will aggregate about \$27,000,000; the capital now paid in is about \$3,000,000, making a total of \$30,000,000. Setting aside \$9,500,000 for reserves on deposits, and assuming that this bank absorbed the entire "float" of the district—say, \$6,500,000—it would still have a note-issuing power of \$35,000,000, which is probably three times as much as all the banks of this district have ever received from their correspondents in times of distress. Government deposits, if any, would increase the note-issuing power proportionately.

Until the Federal Reserve Board has prescribed a system of clearings which will apply with equal force and uniformity to all districts, this important function of the Federal Reserve Act can not reach the full measure of its usefulness. If the uniform system finally adopted by the Board goes further and brings about an arrangement whereby Federal Reserve Banks may clear checks drawn on nonmember banks, it will greatly enlarge the benefits to be derived from this provision of the law by the commercial and industrial interests of the country, and, incidentally, would relieve the large city banks of the elaborate "transit" departments with which they are now burdened.

DIVISION OF WORK BETWEEN GOVERNOR AND CHAIRMAN.

Governor.—The duties of governor are enumerated and defined in the by-laws of the bank. He presides at meetings of the executive committee and controls the internal operation of the bank. Junior officers in charge of the respective departments receive their authority and instructions from the governor.

Chairman and Federal Reserve Agent.—The chairman presides at directors' meetings, serves as a member of the executive committee, and is always available in an advisory capacity.

As agent he issues and redeems Federal Reserve notes; keeps the Federal Reserve Board advised on the affairs and condition of the bank; prepares and transmits the daily, weekly, monthly, and annual reports; and transmits to the governor of the bank memoranda of communications from the Federal Reserve Board, taking receipted copies thereof, which serves to keep necessary records and charges each official with the responsibilities resting upon him.

DISCUSSION OF OFFICE AND DUTIES OF DEPUTY FEDERAL RESERVE AGENT.

At the first meeting of the board of directors the salary of the Deputy Federal Reserve Agent and vice chairman of the board was fixed at \$6,000 per annum. Other than from the text of the law and the qualifications enumerated at that time the board had no definite conception of what duties the Act contemplated that official to perform. It was assumed that the full time and activity of a man of tested banking experience was required.

It has been demonstrated, however, that the full time of this official, unless the activities of the bank are greatly enlarged, is not required. Without doubt at some time in the future when the scope of the activities of the Federal Reserve Bank has been made to include functions which are not now exercised the full time of such official will be almost indispensable. It is contemplated that in the course of time the credit files of the Federal Reserve Bank will not be confined merely to financial statements of member banks and of parties whose paper is presented by member

banks for discount, but will include general credit and financial information of the entire district, which will be available for the use of the public as well as member banks. In this event the position of Deputy Federal Reserve Agent in charge of the credit bureau and as active assistant to the chairman would be necessary and should be filled by a thoroughly competent individual.

The Deputy Federal Reserve Agent and vice chairman of the board of this bank resigned his office, effective October 1, 1915, to accept an executive position with one of the large financial institutions of Kansas City.

ATTITUDE OF FEDERAL RESERVE BANK TOWARD MEMBER AND OTHER BANKS IN DISTRICT.

One of the specific purposes of the Federal Reserve Act, as enumerated in the title thereof, is to improve banking conditions in the United States, and the Federal Reserve Bank of Kansas City has made an earnest effort to carry out this specific purpose of the Act.

Members have been advised, voluntarily and by request, of what were considered subjects of both praise and criticism; have been solicited to visit the bank when in the city and correspond upon any points upon which they desired information; have been advised, when occasion required, upon the internal affairs of their banks; and their attention has been directed to the elimination of undesirable features; in fact a genuine and impartial interest has been taken in the affairs of each member.

In addition to this, the officers and directors of the bank have taken every proper occasion to go out into the district and discuss at group meetings and with individual bankers the operation of the Federal Reserve Bank, and there is hardly a city of any importance in the district which has not been visited.

ATTITUDE OF MEMBER BANKS TOWARD FEDERAL RESERVE BANK.

(a) *Country members.*—With few exceptions, the Federal Reserve Bank of Kansas City has been accorded the most hearty cooperation on the part of these members. On account of the Federal Reserve Act bringing about innovations in former methods and practices of member banks, there has been some criticism and, in a few instances, the bank has met with what seemed to be a determined opposition; but, as time has proven the efficacy of the system and has demonstrated the benefits to be derived therefrom, this criticism has practically ceased, and most, if not all, opposition has disappeared.

(b) *Reserve city members.*—Cooperation from these has not been quite so cordial. While a large majority of the officers of the reserve city banks expressed their approval of the Act, and its administration by the Federal Reserve Board, as well as the operation of the Kansas City bank, some are indifferent and a few are hostile, and their views are to some extent adopted by the country bankers, thereby in a measure hindering cooperation on their part. Most of the opponents adhere to the central-bank idea, and some point out their anxiety that the administration of the Act may become partisan and political.

It will be recalled that during the discussion of the bill in Congress, bankers, mostly from the reserve and central reserve cities, crossed the continent to urge that the Act provide for a dividend rate of 6 per cent on the capital paid in. At the beginning many of the reserve city bankers expressed the fear that the Federal Reserve Banks would not earn the dividend. Later on most of these same bankers became alarmed for fear the banks would earn the dividend and in doing so would become competitors of the commercial banks, especially those in reserve cities.

Experience has demonstrated that to earn current expenses and dividends this bank would require a continuous investment of \$7,500,000 at 4 per cent.

ATTITUDE OF STATE BANKS TOWARD FEDERAL RESERVE BANK.

It seems that the State banks and trust companies have not been sufficiently impressed with the benefits of membership in the Federal reserve system to make any concerted move toward joining, and it is doubtful if they will do so until circumstances bring forcibly to their notice the decided advantages membership conveys, especially in times of financial uncertainty or distress.

The Federal Reserve Bank of Kansas City has not actually solicited membership of State banks and trust companies, believing that the interests of the system would be best served by permitting it to thoroughly prove to such institutions that they were deceiving only themselves by refraining from filing their applications. When it is realized that concessions have been made by the Federal Reserve Board to State banks and trust companies, which, in some respects, have given them a decided advantage over national bank members, it is believed that sooner or later a majority of the better State institutions will seek membership.

One of the largest trust companies in the district, as well as one State bank in Kansas and one in Nebraska, have joined the system.

ASSISTANCE FEDERAL RESERVE BANK HAS BEEN TO THE BANKING AND BUSINESS INTERESTS OF THE DISTRICT.

Under the old national-bank act, when money has been in great demand or there has been financial disturbance, the greatest anxiety of bankers has been where and how they might secure funds not only to meet the demands of anxious depositors, but supply the legitimate requirements of their customers. There was always an uneasiness, and even a fear, that their correspondents, being called upon by great numbers of bankers, might not be able to meet all demands; and this anxiety quite naturally communicated itself to the commercial and industrial interests of the country.

A feeling of confidence has permeated not only the financial interests of the district but the business and industrial interests as well. This feeling of confidence has extended itself to State banks and trust companies, even though not members of the Federal reserve system.

The abnormally high prices received for the abundant crops of this section created unusually large bank deposits, and the reserves thereon released by the Federal Reserve Act have made money more plentiful throughout the district.

In addition to this, the establishment of the Federal Reserve Bank, and its operation during the past year, has proven a stabilizer of business and a leveler and equalizer of interest rates. When this bank opened November 16, 1914, the prevailing rates of interest ranged from 7 per cent to 8 per cent in Missouri, 8 per cent to 10 per cent in Kansas and Nebraska, 8 per cent to 12 per cent in Colorado, and 10 per cent to 20 per cent in Oklahoma, New Mexico, and Wyoming. The first rate approved by the Federal Reserve Board for this bank was 6 per cent for all maturities. When this rate was promulgated the uneasiness which had prevailed following the outbreak of the European War gradually diminished, and a more comfortable feeling was experienced by practically all member banks and by the public generally. As a result, interest rates gradually declined, and have continued to do so until at this time they are at the lowest point in the history of banking in this district.

BUSINESS AND AGRICULTURAL CONDITIONS DURING THE YEAR; ALSO SHOWING PRESENT TREND.

It is probably safe to say that general business and agricultural conditions during the year 1915 have rarely, if ever, been more favorable in the territory comprising the tenth district.

Although the quality of the yield of wheat in some portions of the district was somewhat disappointing, yet the yield was so abundant that, with the prevailing prices, the net returns were above normal.

The late rains and mild weather kept the pastures and ranges in condition for grazing until very late in the season, with the result that stockmen were relieved of the feeding of stock to a very great extent, and much live stock was marketed in fat condition direct from the range. The splendid condition of the ranges was exceptionally beneficial to the sheep industry of Wyoming and Colorado, and both wool and lambs commanded unprecedented prices, and the season closed with the flocks in superb condition.

The prices of oil in the Oklahoma and Kansas fields, although quite low during the first half of the year, have rallied to such extent that the industry is enjoying exceptional prosperity. The high prices prevailing for lead and zinc has caused the greatest activity in the history of those mines.

The horse and mule industry has been phenomenally active, and probably more of those animals have been sold at high prices during the past few months than during any previous similar period.

The sale and distribution of automobiles and farming implements throughout the district has been remarkable; and Kansas City now ranks second in the distribution of the former, and still maintains her first rank in the distribution of the latter.

Milling and manufacturing plants throughout the district are running full time, and have been doing so practically throughout the entire year. Manufacturers report increase in output and sales ranging from 6 per cent to as high as 70 per cent over the year 1914, while both manufacturers and jobbers report splendid collections.

Many manufacturers report that practically their entire output for 1916 is sold, and most of them advise that their products are sold far ahead. A spirit of optimism pervades the entire district and is not limited to any particular industry. The year has been free of serious labor disturbances, and labor, both common and skilled, has been very generally employed.

CREDIT NEEDS OF THE DISTRICT.

On account of the diversity of its agricultural, industrial, and commercial interests, the credit needs of district No. 10 are almost continuous and do not materially fluctuate. While it is true that during the fall of the year there is the largest movement of crops, yet it is equally true that the commercial necessities at other seasons of the year require practically an equal amount of loanable funds. Loans and discounts in this district are probably as uniform in volume as in any other district.

EXCHANGE AND COLLECTION CHARGES ON CHECKS.

Before the establishment of the Federal Reserve Bank the prevailing rates of exchange throughout this district ranged from 5 cents per letter to 30 cents per \$100. These rates of exchange had maintained for many years with only slight fluctuations. Since the Federal Reserve Bank has been in operation, there has been a material reduction in the exchange and collection charges. Many banks which formerly charged 10 cents per \$100 are now remitting at par, and few, if any, of the old-time charges are being made.

DIFFICULTIES ENCOUNTERED IN THE ADMINISTRATION OF THE FEDERAL RESERVE ACT AND THE REGULATIONS OF THE BOARD.

The principal difficulty encountered in the administration of the Act and the regulations of the Board has been the apparent unfamiliarity of member banks therewith. This is evidenced by the fact that every day inquiries are received regarding salient features of the Act, which have been answered in circular after circular issued by both the Board and this bank. It is not uncommon, even at this late date, to

receive from important member banks offerings of paper secured by certificates of stock representing the capitalization of corporations or loans secured by real estate.

At a recent meeting of the national-bank examiners of this district, called by the chief national-bank examiner, acting under instructions of the Comptroller of the Currency, the examiners were earnestly urged to assist in enlightening and educating member banks on this subject of eligible paper.

EARNINGS AND EXPENSES.

The earnings of this bank have not been quite sufficient to pay current expenses, although if the total amount charged to current expenses were credited with the value of the unused stationery on hand and the profits accruing from investments in United States bonds the deficit would be covered, or nearly so. There is attached hereto marked "Exhibit E," a statement showing earnings and expenses in detail from November 16, 1914, to the close of the calendar year 1915.

On account of the season of the year when the bank started the member banks of this district had arranged with their correspondents for accommodations incident to the movement of crops in the fall of 1914, and hence had no occasion to make offerings of paper for discount with this bank. The spring of 1915 found the district with an excess of loanable funds in the vaults of member banks, and, except in nominal amounts, not until the summer and fall of 1915 was the bank called upon to discount paper.

As stated in another portion of this report, the construction of vaults, alteration of interior of banking quarters, equipment of bank with furniture, fixtures, and office devices entailed an expenditure at the outset of about \$45,000. This item is subject to a reduction of \$15,000 under the terms of the lease of banking quarters; that is, during the fourth and fifth years there is to be refunded to the bank by the lessor the sum of \$7,500 per annum to reimburse the bank for vault construction.

EXHIBIT A.

BY-LAWS OF THE FEDERAL RESERVE BANK OF KANSAS CITY.

ARTICLE 1.—*Directors.*

SECTION 1. *Quorum.*—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. *Vacancies.*—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. *Meetings.*—There shall be a regular meeting of the board every second and fourth Thursday of each month, at 10 o'clock a. m., or if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or telegraph. If given by mail, such notice shall be mailed at least three days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least two days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. *Powers.*—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. *Special committees.*—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. *Order of business.*—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE 2.—*Executive committee.*

SECTION 1. *How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors chosen from classes A or B; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

SEC. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in article 1, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank subject to the supervision and control of the board of directors.

ARTICLE 3.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

SEC. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

SEC. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

SEC. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank, and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors, or by the by-laws. The governor may suspend or remove any employee of the bank.

SEC. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tem. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

SEC. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time

be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tem or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and other securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or by the governor.

ARTICLE 4.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE 5.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock to 3 o'clock on each day except Saturdays, Sundays, and days or parts of days established as legal holidays. On Saturdays the bank shall open for business from 10 o'clock to 12 o'clock m.

ARTICLE 6.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least five days prior to such meeting.

On January 4, 1915, by-laws were amended as follows:

Section 2, of article 2, subdivision (c):

“(c) To fix from time to time changes in the discount rate and to put same into operation on receipt of approval of the Federal Reserve Board.”

On August 14, 1915, section 1, of article 2, was amended so as to read:

“*How constituted.*—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one director, appointed by the board. In the absence of the Federal Reserve Agent, the Deputy Federal Reserve Agent shall act in his place. In the absence of the governor, the cashier shall act in his place. At no meeting of the executive committee shall the Federal Reserve Agent and his deputy act at the same time; and at no meeting shall the governor and cashier act at the same time. The member of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it, and each director shall have the opportunity to serve his pro rata of the time. A majority of the executive committee shall constitute a quorum for the transaction of the business, and action by the committee shall be upon the vote of the majority. The committee shall have power to fix the time and place of the holding of regular and special meetings and the method of giving notice thereof. Minutes of all the meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its succeeding meeting; such minutes shall be read to the meeting if requested by any member of the board.”

EXHIBIT B.

Partial abstract of condition of member banks.

Capital.....	\$68,829,800
Surplus.....	32,698,800
Undivided profits.....	17,311,400
Total.....	115,628,900
Demand deposits.....	519,643,300
Time deposits.....	91,897,900
Total.....	611,541,200
Loans and discounts.....	449,538,900
Bonds, securities, etc.....	20,470,000
Eligible paper, approximate.....	154,708,100
Money borrowed.....	10,078,100

Liability of directors:	
Direct.....	\$11,559,700
Indirect.....	7,626,900
Three years' earnings (complete):	
1912.....	10,931,600
1913.....	10,652,500
1914.....	10,774,600
Three years' dividends:	
1912.....	7,665,500
1913.....	7,847,200
1914.....	8,387,100
Three years' losses:	
1912.....	2,286,400
1913.....	2,758,300
1914.....	3,198,600

EXHIBIT C.

Rediscounts for member banks, to Dec. 31, 1915.

	November and December, 1914	1915	Total.	Number of banks.
Colorado.....		\$522,400	\$522,400	18
Kansas.....	\$11,400	3,413,600	3,425,000	55
Missouri.....	391,300	2,544,400	2,935,700	23
Nebraska.....	102,700	1,771,900	1,874,600	71
New Mexico.....		19,300	19,300	1
Oklahoma.....	4,400	2,571,500	2,575,900	101
Wyoming.....		32,400	32,400	5
Total.....	509,800	10,875,500	11,385,300	274

In November and December, 1914, 89 notes were rediscounted, and in 1915, 6,946 notes were rediscounted to Dec. 31, a total of 7,035 notes, average amount of each note \$1,600.

Open market transactions from Nov. 16, 1914, to Dec. 31, 1915 (none in 1914).

TRANSACTIONS IN 1915.

155 bankers' acceptances were purchased, aggregating.....	\$1,787,960.84
Purchases of warrants (municipal, State, and county), aggregated	1,260,167.88

UNITED STATES BONDS PURCHASED.

	Cost.	Par.
2 per cents of 1930.....	\$2,118,921.95	\$2,151,350.00
3 per cents of 1918.....	300.00	300.00
Total.....	2,119,221.95	2,151,650.00

EXHIBIT D.

City and country clearings, Dec. 1, 1914, to Dec. 31, 1915.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	\$17,559,936.75	\$21,082,772.04	\$38,642,708.79
January.....	1915	24,549,496.46	33,229,513.75	57,779,010.21
February.....	1915	20,315,985.91	30,367,248.63	50,683,234.54
March.....	1915	24,758,835.86	34,579,054.98	59,337,890.84
April.....	1915	22,991,717.41	32,914,047.97	55,905,765.38
May.....	1915	24,029,095.24	34,051,068.50	58,080,163.74
June.....	1915	25,015,256.90	34,552,541.30	59,567,798.20
July.....	1915	17,810,591.68	26,101,975.98	43,912,567.66
August.....	1915	18,423,595.54	31,025,118.86	49,448,714.40
September.....	1915	25,258,294.00	36,864,334.00	62,122,628.00
October.....	1915	30,628,488.74	45,679,585.17	76,308,073.91
November.....	1915	39,937,455.80	42,775,307.45	82,712,763.25
December.....	1915	23,465,161.44	30,867,215.93	54,332,377.37
Total.....		314,743,911.73	434,089,784.56	748,833,696.29

City and country clearings, Dec. 1, 1914, to Dec. 31, 1915—Continued.

NUMBER OF ITEMS.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	5,860	69,773	75,633
January.....	1915	10,824	133,512	144,336
February.....	1915	10,649	117,476	128,125
March.....	1915	10,642	140,795	151,437
April.....	1915	11,626	151,741	163,367
May.....	1915	11,405	149,806	161,211
June.....	1915	12,523	160,083	172,606
July.....	1915	10,537	140,277	150,814
August.....	1915	10,625	160,453	171,078
September.....	1915	11,640	173,887	185,527
October.....	1915	12,349	194,930	207,279
November.....	1915	12,184	168,994	181,178
December.....	1915	9,215	157,813	167,028
Total.....	.....	140,079	1,919,540	2,059,619

Daily average clearings Dec. 1, 1914, to Dec. 31, 1915.

Month.	Year.	Kansas City.	On country.	Total.
December.....	1914	\$675,380.00	\$810,877.00	\$1,486,257.00
January.....	1915	981,979.00	1,329,181.00	2,311,160.00
February.....	1915	863,300.00	1,320,315.00	2,183,615.00
March.....	1915	916,993.00	1,280,705.00	2,197,698.00
April.....	1915	884,297.00	1,265,925.00	2,150,222.00
May.....	1915	961,163.00	1,362,043.00	2,323,206.00
June.....	1915	962,125.00	1,328,944.00	2,291,069.00
July.....	1915	685,023.00	1,003,922.00	1,688,945.00
August.....	1915	708,599.00	1,193,273.00	1,901,872.00
September.....	1915	1,010,332.00	1,464,573.00	2,474,905.00
October.....	1915	1,178,018.00	1,756,907.00	2,934,925.00
November.....	1915	1,597,498.00	1,751,012.00	3,348,510.00
December.....	1915	902,506.00	1,187,200.00	2,089,706.00
General average.....	.....	948,247.00	1,311,913.00	2,260,160.00

DAILY AVERAGE ITEMS.

December.....	1914	225	2,682	2,907
January.....	1915	433	5,340	5,773
February.....	1915	463	5,107	5,570
March.....	1915	394	5,214	5,608
April.....	1915	447	5,836	6,283
May.....	1915	556	5,992	6,548
June.....	1915	482	6,157	6,639
July.....	1915	405	5,395	5,800
August.....	1915	408	6,171	6,579
September.....	1915	465	6,995	7,460
October.....	1915	475	7,497	7,972
November.....	1915	487	6,760	7,247
December.....	1915	355	6,069	6,424
General average.....	.....	430	5,786	6,216

EXHIBIT E.

Expenditures of the Federal Reserve Bank of Kansas City since organization.

	Total since Nov. 16, 1914.
I. CURRENT EXPENSES.	
Assessment, general expenses, Federal Reserve Board (monthly proportion).....	\$5,928.48
Federal advisory council (fees).....	357.10
Directors' fees.....	3,480.00
Legal fees.....	1,501.20
Salaries:	
Bank officers.....	28,820.82
Clerical staff.....	34,915.95
Special officers and watchmen.....	2,591.83
Traveling expenses:	
Directors.....	4,662.51
Officers and clerks.....	541.72
Per diem allowance of directors.....	4,316.00
Telephone.....	607.18
Telegraph.....	572.17
Postage.....	10,347.01
Expressage.....	103.24
Rent.....	9,538.85
Insurance and premiums on fidelity bonds.....	1,354.28
Light, heat, and power.....	1,241.00
Printing and stationery.....	9,171.34
Repairs and alterations.....	86.63
All other expenses not elsewhere specified.....	5,843.46
Total current expenses.....	125,953.77
Commissions on investments.....	861.03
II. ORGANIZATION EXPENSES.	
Carried from current expenses (account expense prior to Nov. 16, 1914).....	15,698.98
Assessment for general expenses of Federal Reserve Board (prior to June 30, 1915).....	9,879.48
Total.....	25,578.46
III. COST OF FEDERAL RESERVE NOTES.	
Cost of Federal Reserve notes, including expressage, insurance, etc.....	25,057.92
IV. EQUIPMENT.	
Furniture and fixtures.....	5,374.42
Vaults.....	15,071.41
Machines.....	12,313.58
Other.....	14,069.44
Total equipment.....	46,828.85
Total expenditures.....	224,280.03

Earnings of the Federal Reserve Bank of Kansas City since organization.

	Total since Nov. 16, 1914.
Earnings from—	
Bills discounted member banks.....	\$64,648.69
Bills purchased (acceptances).....	7,831.51
Investments:	
United States bonds.....	20,630.85
Warrants.....	9,575.48
Sundry profits.....	648.21
Total earnings.....	103,334.74

EXHIBIT F.

Operations of the clearing departments of the Federal Reserve Bank of Kansas City, Dec. 1, 1914, to Dec. 31, 1915.

Cost of operation of country department.....	\$27,066.00
Cost of operation of city department.....	1,460.29
Total cost of operation.....	28,526.29
Amount of items handled through the country clearing department.....	434,089,784.56
Amount of items handled through the city clearing department.....	314,743,911.73
Total amount of items cleared.....	748,833,696.29
Number of items handled through the country department.....	1,919,540.00
Number of items handled through the city department.....	140,079.00
Total number of items cleared.....	2,059,619.00
	<i>Cents.</i>
Cost of clearing per thousand dollars.....	3.81
Cost of clearing per item.....	1.38

Monthly expense of operating the country clearing department of the Federal Reserve Bank of Kansas City.

Administration (one-half chief clerk's salary, \$2,000 per annum, to cover time of officers consumed in handling the affairs of the department).....	\$250.00
Premium on surety bonds of employees.....	5.00
Depreciation on equipment.....	93.00
Incidentals.....	40.00
Light.....	85.00
Rent.....	100.00
Salaries of 15 clerks.....	825.00
Stationery.....	110.00
Stamps.....	624.00
Average cost per month.....	2,082.00
Total cost of operation, Dec. 1, 1914, to Dec. 31, 1915, 13 months.....	27,066.00
Number of items handled through this department Dec. 1, 1914, to Dec. 31, 1915.....	1,919,540.00
Aggregating.....	\$434,089,784.56
	<i>Cents.</i>
Cost of handling per thousand dollars.....	6.23
Cost of handling per item.....	1.41

Monthly expense of operating city clearing department of the Federal Reserve Bank of Kansas City.

Administration.....	\$10.00
Depreciation on equipment.....	5.00
Light.....	1.00
Rent.....	5.00
Salaries:	
Holmes West.....	\$70.00
Messenger, Gamble (one-third).....	16.33
	86.33
Total.....	112.33
Cost of operation Dec. 1, 1914, to Dec. 31, 1915, 13 months.....	1,460.29
Number of items handled through this department Dec. 1, 1914, to Dec. 31, 1915.....	140,079
Aggregating.....	\$314,743,911.73
	<i>Cents.</i>
Cost of handling per thousand dollars.....	$\frac{3}{16}$
Cost of handling per item.....	$\frac{1}{17}$

HISTORY OF OPERATIONS OF COUNTRY CLEARING DEPARTMENT, UNDER OVERDRAFT ELIMINATION PLAN, NOVEMBER 10, 1915, TO DECEMBER 31, 1915.

On December 1, 1914, the Federal Reserve Bank of Kansas City began a system of clearing based on the immediate credit and debit of all checks and drafts received from member banks drawn on member banks in the district, and on other Federal Reserve Banks. Later, this was extended to include checks and drafts drawn on clearing-house banks in certain Federal Reserve Bank cities.

In handling the volume of clearings which flowed through this bank, and on account of the small proportion of reserves paid in, during the first few months of operation an occasional overdraft was created, and, later, these overdrafts assumed such large

proportions as to become a serious and vexatious matter. Several tentative plans looking to the elimination of these overdrafts were suggested and discussed, but, finally, during the early days of November, 1915, all member banks were notified that only such checks as could be charged to their account without creating an overdraft would be handled, and that all checks in excess of their respective balances would be returned to the sending bank, or turned over for their account to such local correspondent as they might designate.

The success of the operation of this plan is reflected by the figures making up the following comparative compilation.

Date.	Items received.		Items returned to sending bank.		Items turned over to correspondents.	
	Number.	Amount.	Number.	Amount.	Number.	Amount.
1915.						
Nov. 10.....	6,455	\$1,681,364.52	22	\$114,493.00	-----	-----
Dec. 1.....	5,840	1,296,888.31	199	22,702.95	10	\$245.12
Dec. 10.....	6,027	1,213,829.61	353	83,670.22	14	1,447.35
Dec. 17.....	5,542	1,001,371.85	207	104,882.44	5	2,733.61
Dec. 24.....	5,243	838,439.98	59	50,769.16	8	185.90
Dec. 31.....	6,004	1,465,701.65	127	92,850.47	26	3,572.41

Under the plan above outlined the overdrafts of this bank, which on November 10, 1915, aggregated \$1,794,902.14, have diminished until they equal only a nominal amount at this time, as is evidenced by the following summary:

	Number.	Total amount.
Overdrafts:		
Nov. 10, 1915.....	110	\$1,794,902.14
Dec. 1, 1915.....	27	32,326.48
Dec. 10, 1915.....	18	22,137.68
Dec. 17, 1915.....	9	2,495.09
Dec. 24, 1915.....	6	2,910.07
Dec. 31, 1915.....	12	11,783.74

Overdrafts.

Date.	Number of accounts over-drawn.	Amounts.	Date.	Number of accounts over-drawn.	Amounts.
Daily average to Feb. 9, 1915.....	54	\$559,121.00	Dec. 9.....	17	\$11,123.51
Month of—			Dec. 10.....	18	22,137.68
March.....	55	540,340.00	Dec. 11.....	15	15,094.40
April.....	60	565,353.00	Dec. 13.....	11	9,799.00
May.....	60	639,846.00	Dec. 14.....	10	7,495.00
June.....	57	585,511.00	Dec. 15.....	10	5,020.31
July.....	53	302,860.00	Dec. 16.....	10	3,686.78
August.....	74	521,439.00	Dec. 17.....	9	2,495.09
September.....	100	845,319.00	Dec. 18.....	14	9,638.32
October.....	131	1,165,005.00	Dec. 20.....	3	2,405.18
November.....	67	441,243.00	Dec. 21.....	5	3,510.16
December.....	13	12,693.00	Dec. 22.....	5	2,465.65
1915.			Dec. 23.....	7	3,477.76
Dec. 1.....	27	32,326.48	Dec. 24.....	5	2,910.07
Dec. 2.....	25	24,713.16	Dec. 27.....	7	6,772.78
Dec. 3.....	20	19,770.87	Dec. 28.....	9	8,210.82
Dec. 4.....	21	25,189.50	Dec. 29.....	20	35,278.30
Dec. 6.....	16	7,208.96	Dec. 30.....	20	33,998.16
Dec. 7.....	17	13,925.57	Dec. 31.....	12	11,783.74
Dec. 8.....	18	8,582.08	Daily average.....	13	12,693.00

DISTRICT NO. 11—DALLAS.

E. O. TENISON, Chairman and Federal Reserve Agent.

On May 18, 1914, pursuant to the summons of the reserve bank organization committee, authorized representatives of the First National Bank of El Paso, Tex., Durant National Bank of Durant, Okla., First National Bank of Shreveport, La., Frost National Bank of San Antonio, Tex., and Union National Bank of Houston, Tex., met in Dallas and executed the organization certificate which, in accordance with the provisions of the Federal Reserve Act, brought the Federal Reserve Bank of Dallas into corporate existence.

Following this, class A and B directors having been elected by the member banks, according to the Act, and class C directors having been officially appointed and announced by the Federal Reserve Board, a meeting of the entire directorate was held at Dallas on October 16 and devoted to general discussions of the organization of the bank. At this meeting the terms of office of directors of the different classes were established, and the election of Mr. Oscar Wells as governor took place, along with the selection of Mr. J. Howard Ardrey, of Dallas, as member of the advisory council. Immediately after this preliminary meeting a conference of directors of the several reserve banks was held in Washington, at which a majority of the directors of the Dallas bank were in attendance.

The second meeting of the board, held on October 29 at Dallas resulted in the election of Mr. R. L. Van Zandt as vice governor and Mr. J. W. Hoopes as cashier, after suitable by-laws had been adopted, and arrangements were made to perfect a clerical staff preparatory to the opening of the bank, soon to follow. At this meeting C. C. Huff was retained as counsel. The complete organization consisted of active officers, as follows: E. O. Tenison, Federal Reserve Agent; W. F. McCaleb, Deputy Federal Reserve Agent; Oscar Wells, governor; R. L. Van Zandt, vice governor; J. W. Hoopes, cashier; with a staff which included Sam R. Lawder, auditor; Charles C. Hall, secretary to the Federal Reserve Agent; Fred Harris, manager discount department; W. J. Donald, general bookkeeper; R. R. Gilbert, C. B. Cooper, C. J. Kinsolving, jr., A. P. Wooldridge, jr., and W. O. Ford, tellers; together with 11 other employees. Through the courtesy of those banks, the services of J. C. Tenison, of the City National Bank, and John Crosthwaite, of the Security National Bank, both experienced and capable tellers, were secured temporarily, and were of material assistance to the permanent staff.

PAYMENT OF CAPITAL.

The initial capital installments having been called for November 2, the work of receiving these payments and issuing temporary certificates therefor was accomplished prior to the actual opening of the bank on November 16, which was the date set by Secretary of the Treasury McAdoo. The bank commenced business in temporary quarters, which had previously been used as a banking room, and the first reserve deposits were received according to the statutory requirements without undue confusion. The transfer of approximately six and one-half millions of dollars in gold and lawful money was accomplished within a few days.

At the time of the opening of the bank the business interests of this district were tremendously depressed on account of the complete breaking down of the market

for cotton. Every factor in our economic life was in great distress by reason of the fact that our principal product had fallen to a price below the cost of production. The psychological effect of the war in Europe had created an incipient panic among our productive interests and heavy losses in the aggregate had been borne before the remedial forces of our new legislation could be gathered. Immediately following the opening of the Federal Reserve Banks, however, a change was discernible, and within a short period of time a more normal condition was produced and was later followed by appreciable advance in the price of agricultural products.

Discount operations gradually gained strength until the time when, by the terms of the Aldrich-Vreeland Act, it became necessary to retire the emergency currency issued under that act. Member banks, having become more thoroughly familiar with the operations of the bank and the rediscounting privileges afforded, practically the entire amount of outstanding currency was retired through the aid of this bank. This was one of the first evidences to the banking public of the real service that could be expected of the reserve banks, and the easy manner of accomplishment of this materially furthered the popularity of the bank with its members and brought home to them the great potentialities of the system, thus causing a steady continuance of our discount operations during the summer months, until the high figure of \$7,729,000 was reached on September 30. Since that date the fall movement of commodities has resulted in substantial liquidation, until at this time (December 31) our bills discounted aggregate \$4,870,000.

During the early operations of the bank the clearing functions were limited to items drawn by member banks on member banks in the several reserve cities of the district, with the additional facility extended to members for transferring funds between this and other districts by the use of their drafts on us, and on May 27 the establishment of the gold settlement fund in Washington for the clearing of balances between the several Federal Reserve Banks made necessary the deposit of three and one-half millions of dollars in gold to settle the adverse trade balances accumulated against this district. The reversal of trade conditions since that time, due to the seasonal movement of our products, has more than recouped this loss of gold, and our balance in the gold settlement fund at this time is \$8,341,000.

On February 24 Oscar Wells, governor of the bank, having accepted the presidency of the First National Bank of Birmingham, Ala., tendered his resignation, and on April 6 Vice Governor R. L. Van Zandt was elected as his successor; J. W. Hoopes acceding to the vice governorship, and Lynn P. Talley, at that time cashier of the Lumbermans National Bank of Houston, Tex., was elected to the position of cashier.

The departure of Mr. Wells from the district necessitated the election of a class A director in his stead, and on February 15 the chairman forwarded to member banks, in conformity with the provisions of law governing, the necessary certificates and ballots, and called the election, with the result that Mr. John T. Scott, president of the First National Bank of Houston, Tex., was elected as Mr. Wells's successor.

CLEARANCE SYSTEM.

Simultaneously with similar action on the part of various other reserve banks, on June 1 an intradistrict collection system was inaugurated for the benefit of member banks desiring to use this facility. Membership therein was optional, and contemplated the reciprocal clearing of checks at par through us. At the outset 74 banks joined the plan, and since that date 36 additional banks have become members, while 35 have withdrawn. The amounts of checks cleared under this plan have averaged \$605,764 per day, and an average of 898 items have been cleared on country banks, in addition to an average of 304 items on members of the local clearing house.

The rates of exchange charged for collecting and remitting checks which are received by banks in this district, principally from their city correspondents, are higher than

charges made by banks in older sections of the country. These charges run from a minimum of one-tenth of 1 per cent to a maximum of one-quarter of 1 per cent, favoring the latter figure. The rates charged usually are either one-tenth, one-eighth, three-twentieths, or one-quarter of 1 per cent, and the estimated average rate charged (not, however, by any means on the average volume of business), three-twentieths of 1 per cent, or \$1.50 per \$1,000. Probably the average exchange collected on the average volume of business would be in the neighborhood of one-fifth of 1 per cent, or \$2 per \$1,000.

The clearing operations have had no appreciable effect in this district in reducing exchange charges, the volume of business and the number of banks involved in the clearing system being negligible. We believe that the matter of reduction in exchange charges has not been pressed by the city banks since the operation of the Federal Reserve Banks as before. Many accounts are maintained with city banks for the purpose of having checks sent by them to the bank maintaining the account and balance, to produce revenue by way of exchange charges for the drawee bank. Some sentimental influence is therefore present looking toward the maintenance of these accounts by the city banks. We believe, however, that if a system can be devised where checks on member banks in this district, or their equivalent, can meet at a common point and offset each other to a large extent, exchange charges and the sentiment in favor of them will gradually disappear, and that such an arrangement would in the main be gracefully accepted by the member banks. Under such a condition the transportation expense, upon which exchange charges are based, would only have to be considered as relating to the difference in the amount of checks received from and sent to the Federal Reserve Bank.

During the active cotton season in this district it has heretofore been necessary for member banks to ship large amounts of currency and coin from central reserve and subtreasury cities for use in gathering and marketing our products. Against these shipments member banks receive deposits of drafts on eastern and northern points, which cover the proceeds of the sale of the products, and these economic factors affect the market price of eastern and northern exchange materially from time to time. It has been the effort of this bank to serve its members more acceptably by becoming a medium through which the supply of, and demand for, exchange in the different sections of the district might be adjusted, making necessary the transfer of the minimum amount of actual funds into and from the district at various seasons of the year. In this manner we have purchased out-of-district exchange to the amount of \$48,044,240 and sold exchange on other districts in an aggregate of \$23,828,750. No profit has been contemplated in connection with this service, and the supply or demand has governed the rate entirely.

In line with the foregoing it may be of interest to state that we have endeavored to supply our member banks with currency and coin, and have, during the past season, distributed to member banks an aggregate of \$12,163,000 in currency, of \$597,000 in small bills and silver dollars, and \$236,400 in fractional coin, including nickels and cents. The bulk of this distribution will find its way back into the vaults of the bank after it has served its purpose, and the facilities are ample to carry it in storage until needed for a similar purpose during the ensuing year.

The issuance of Federal Reserve notes materially aided in this purpose, and since the opening of the bank these notes have been issued by the agent in the aggregate sum of \$16,180,000 against the deposit of bills receivable to secure. The bank has reduced its liability by the deposit of \$11,440,000 in gold, and has presented its notes for redemption to the agent in the amount of \$1,035,000. Notes aggregating \$61,000 have been forwarded by the agent to the comptroller for cancellation and destruction.

Following the decision of the Federal Reserve Board, on July 1 the transfer of 121 member banks in Oklahoma to district No. 10 was effected, leaving 42 members, in 8 counties in Oklahoma, attached to this bank. This transfer reduced the capital

of the Dallas bank \$186,500, and was accompanied by a reduction in its reserve deposits of \$397,700, and at the same time rediscounts of member banks to the extent of \$197,600 were transferred to the Federal Reserve Bank of Kansas City.

The issuing power of the bank has never been subjected to a test of efficiency, and the ease of the money market has made it necessary to reduce the regular rates of discount, which were first fixed at 6 per cent for paper maturing within 30 days and $6\frac{1}{2}$ per cent for paper of longer maturities, from time to time, to the present rates of: 4 per cent for paper maturing within 90 days and $4\frac{1}{2}$ per cent for paper of longer maturities, $3\frac{1}{2}$ per cent for trade acceptances maturing within 60 days, 4 per cent for trade acceptances maturing after 60 but within 90 days, and 3 per cent for commodity paper.

COTTON MOVEMENT.

On June 7 a circular was issued and distributed among the various member and other banks of the district in which was urged the gradual marketing of the prospective cotton crop, by properly warehousing the staple and disposing of the supply over an extended period, reminding the banks that paper secured by approved warehouse receipts covering readily marketable staples was highly desirable for rediscount with the Federal Reserve Bank. This circular, together with the efforts of the bankers and bankers' associations, had a decided effect in the desired direction, with the result that the average price of our principal product has been approximately double that of last year. The deposit of \$5,000,000 by the Secretary of the Treasury on September 4 gave added confidence to our growers and merchants, and the board of the Reserve Bank fixed a rate of 3 per cent for commodity paper having not more than 90 days to run, where such paper was secured by approved warehouse receipts, properly insured, and the maker was not being charged more than 6 per cent, either as interest, or commissions, or both. It has not been deemed desirable by member banks to avail themselves of this privilege extensively, the total amount of this class of paper having been accepted by this bank amounting to \$239,094.

Prior to the establishment of the commodity rate the board had established a preferential rate on trade acceptances of $3\frac{1}{2}$ per cent for maturities within 60 days, and 4 per cent for maturities, 61 to 90 days, and while some evidence is shown that this class of paper has been created, the aggregate amount offered for rediscount has been comparatively negligible, amounting to only \$160,795.

Discount operations had now extended to considerable proportions, and the machinery necessary to intelligently perform this service for our members had kept abreast of this advance. The bureau of credit information in this bank had been extensively developed, and enabled the executive committee to act upon offerings with certainty. Analyses of the reports of member banks, and, where necessary, special investigations disclosed their actual condition, and requests for, and careful consideration of, information submitted in connection with individual paper, made the extension of credit to members conform in every way to the safest banking principles. In several instances special investigations have been necessary in order to properly acquaint the executive committee with the condition of member banks, and these investigations have, without exception, proved of inestimable educational advantage to the banks themselves. Unfortunately, since the opening of the reserve bank, it has been necessary for the Comptroller of the Currency to appoint receivers for four of our members, but it is hoped that with the facilities opened since the enactment of the Federal Reserve Act, and the accompanying check to loose practices, the future need not bring a repetition of such action.

The accomplishment of the transfer of the second and third capital installments was materially aided by the Assistant Treasurer of the United States at New Orleans, Mr. W. W. Heard, who extended the facilities of his office in receiving direct from member banks shipments of gold coin and gold certificates for these payments. The transfer

of reserves, the second installment of which was made on November 16, was accomplished without the physical labor incident to the transfer of the first installment, for the reason that the change in banking conditions, and the establishment of the gold settlement fund at Washington, made it possible to receive transfers from reserve and central reserve cities, instead of the actual shipment of gold or lawful money. The deposits of the bank were increased by this installment to some \$9,200,000.

RELATIONS WITH BANKS.

During the month of August our vice governor, Mr. Hoopes, visited practically all of our member banks in Louisiana, with the view of bringing into closer relationship the interests of that community and apprising them more thoroughly of the advantages of membership in the Federal reserve system. Later, in November, Mr. Hoopes attended the meeting of the Arizona State Bankers' Association at Castle Hot Springs, Ariz., where he addressed the Convention, taking as his subject "The practical operation of the Federal Reserve Bank." On his return trip Mr. Hoopes visited several of the member banks in that section. Prior to these visits, and since the opening of the bank, several of our officers have attended various bankers' conventions in the district and have delivered addresses on the workings of the Federal reserve system. In May, the chairman accompanied Mr. Harding, member of the Federal Reserve Board, to the meeting of the Texas Bankers' Association, at Waco.

The effect of this intercourse has been far-reaching and the tangible results therefrom have been great. It is the policy of the bank to use every effort to bring the advantages and protection afforded by membership in the reserve system to the attention of both National and State banks.

Up to the present time only 10 State banks have affiliated themselves with us, and as long as existing easy conditions last it is doubtful whether they will see the necessity for membership. This bank made an extensive educational campaign with a view of placing before the State banks the advantages of the system and the steps necessary for affiliation, and it is hoped that the recent rulings of the Federal Reserve Board, for the benefit of State banks, will prove an added incentive to them to join.

The temporary quarters of the bank, affording no facilities commensurate with the volume of business transacted, the board of directors, after considerable deliberation, caused the purchase of a five-story building on the corner of Commerce and Martin Streets, and the same was remodeled and fitted with modern fireproof vaults, with a capacity sufficient for our needs. On November 1 the physical removal took place, and the quarters are quite adequate for the expanding requirements of the bank. The cost, when complete, will be approximately \$185,000, including building, fixtures, and equipment.

Beginning October 13 the chairman took the proper steps providing for the election of one class A and one class B director, to succeed the incumbents whose terms expire on December 31, and Mr. John T. Scott, of Houston, Tex., was reelected as class A director, and Mr. Frank Kell, of Wichita Falls, Tex., was reelected as class B director; each to serve for three years beginning January 1, 1916.

Fiduciary powers have been granted to 19 banks, and several applications are pending. The board has taken every possible safeguard to the end that fiduciary powers be granted to only such banks as are without doubt entitled to, and worthy of, this responsibility. The laws of the States have been carefully canvassed by counsel, who has rendered an opinion in connection therewith for the guidance of the directors. Each application is submitted to counsel before action by the board, and the merits of the individual case are weighed carefully before any recommendation is made.

SCOPE OF ACTIVITY.

As an evidence of the usefulness of the system, during the bank's existence it has served, in the matter of rediscounting, 366 banks, to an aggregate extent of \$27,795,797, and for the calendar year of 1915 the service has been extended to 360 banks, in an aggregate amount of \$26,756,905, the total number of notes handled being 21,648.

While the earning capacity of the bank is a subsidiary consideration, it is gratifying to report that earnings from all sources, principally bills discounted, show an excess of \$75,388 over all current and organization expenses.

The directors have held 14 regular and 3 special meetings, and in each case there has been a quorum present, and in most all instances full representation. At these meetings detailed reports of the operations of the bank are submitted by the governor and chairman of the executive committee, as well as the report of the auditor, etc., and matters of import are discussed frankly between the different classes of membership. It is gratifying to report that these discussions have been harmonious to a marked degree. Experience has shown that monthly meetings, as provided in the by-laws, are sufficiently frequent to meet the necessities. Our executive committee is composed of the governor, as chairman, Federal Reserve Agent, and one other director chosen by our board, selections being made in rotation from the others, and serving from one board meeting to the next. This committee meets daily and passes on the paper offered for rediscount, and other matters of importance to the bank's interest.

The general work of the bank has gone on without friction between the two departments. The Federal Reserve Agent and the governor have at all times been in complete harmony, and all matters of importance have been discussed between them before being put into operation.

Conditions in this district continue to improve. There has been a pronounced recovery from the depression that existed a year ago; in fact, from the opening of the Federal Reserve Bank a gradual improvement has been shown in practically all lines. That this bank has contributed its share in bringing about such a change there is no question. A very salutary lesson was learned during the unsettled conditions of last Fall, and forced economies by all have tended to put business of practically all lines on a better basis. The excellent prices realized by farmers have made possible liquidations of indebtedness that had been carried over from the past year, as well as their current obligations, and at the present time the outlook for the coming year is bright.

DISTRICT NO. 12—SAN FRANCISCO.

JOHN PERRIN, Chairman and Federal Reserve Agent.

In compliance with the request of the Federal Reserve Board, I have the honor to report concerning the establishment, in the twelfth Federal reserve district, of the Federal Reserve Bank of San Francisco and its financial operations during the first year, with some statement regarding various features of its development and suggestions of certain changes of laws which would enable the Federal Reserve Bank to serve more efficiently the productive activities of its district.

Appended are Tables 1 to 10, inclusive, giving details of the bank's condition and summaries of its principal financial operations; and Exhibits A to M, inclusive, giving certain collateral information:

TABLES.

1. Statement of condition as of November 30, 1915.
2. Rediscounts classified:
 - (a) By month and States.
 - (b) By States and industries.
3. Bankers' acceptances purchased.
4. Municipal warrants purchased.
5. United States bonds purchased.
6. Settlements through gold settlement fund.
7. Federal Reserve notes issued and redeemed.
8. Statement of earnings and expenses.
9. Payments on capital of Federal Reserve Bank, and amount of member banks' deposits with it November 30, 1915, with estimate of additional deposits to be made.
10. Checks collected.

EXHIBITS.

- A. Geographical outline and area of the district.
- B. Rate of development of district in population and wealth, by States.
- C. List of principal products and industries of district.
- D. Bank clearings in principal cities of district.
- E. Banking power of district.
- F. Seasonal demands and approximate prevailing rates of interest on loans in the several sections of the district.
- G. Calculation showing present earning power of member banks compared with that prior to the enactment of the Federal Reserve Act.
- H. Copy of by-laws of Federal Reserve Bank.
- I. Record of rediscount rates established by Federal Reserve Bank.
- J. List of banks granted special permits to act as trustee, executor, etc.
- K. List of banks granted permission to accept drafts and bills of exchange up to 100 per cent of their capital and surplus.
- L. Rates of exchange charged on checks in twelfth Federal reserve district.
- M. Principal items in member banks' report of condition of November 10, 1915, and abstract of exchange, losses, and earnings accounts for three years (classification of banks by total resources).

ESTABLISHMENT.

The first meeting of the board of directors of the Federal Reserve Bank of San Francisco was held on October 12, 1914, continuing, with frequent sessions, during the two days following. On this occasion Mr. Archibald C. Kains was chosen governor.

On October 14 the entire board of 9 directors and the governor proceeded to Washington and participated in a two days' conference between representatives of the 12 Federal Reserve Banks and the Federal Reserve Board, called for the purpose of determining arrangements preliminary to the inauguration of the Federal reserve system.

Reassembling in San Francisco November 4, without provision then for banking room, clerical force, or stationery, the necessity was faced of becoming a going concern in 12 days, inasmuch as the Secretary of the Treasury had signified his intention of declaring the Federal Reserve System established on November 16, in pursuance of authority vested in him by the Federal Reserve Act. An apparent physical impossibility proved not to be such, and November 16 found this bank, with a capable staff, installed in the temporary quarters still occupied.

Because of consequences growing out of the European war, the financial situation at the time was much strained, as shown by the fact that under the Aldrich-Vreeland Act, fortunately extended by the provisions of the Federal Reserve Act, additional currency had already been issued upon applications of banks in this district to the extent of \$15,862,650. Uncertainty and apprehension were general. The salutary influence of making the provisions of the Federal Reserve Act effective thoroughly justified the wisdom of immediate opening. Courage quickly reappeared, legitimate credit and currency requirements were met by member banks, further issues of Aldrich-Vreeland currency were promptly discontinued, and rapid retirement soon began of those outstanding. Confidence in the stability of the banking situation which then began to develop has since grown uninterruptedly, unshaken by the many alarming incidents and rumors which hitherto would have caused grave unsettlement.

STAFF AND CLERICAL FORCE.

The total force numbers 21, including officers, tellers, bookkeepers, stenographers, messengers, policeman, and janitor. The official staff of the operating department consists of Archibald C. Kains, governor; Russell Lowry, deputy governor; George O. Bordwell, cashier; Clifford J. Shepherd, assistant cashier; Ira Clerk, auditor. The deputy governor, however, has tendered his resignation, effective December 31, in order to accept the presidency of the First National Bank of Oakland, Cal.

The chairman of the board and Federal Reserve Agent, John Perrin, has in his department one assistant, Clifford J. Shepherd (also assistant cashier), and one stenographer. The deputy chairman and deputy Federal Reserve Agent, Claud Gatch, who is also chief national-bank examiner, is not regularly engaged in the work of the bank, but performs certain duties when the chairman is absent.

The executive committee consists of the governor, as chairman ex-officio; C. K. McIntosh (class A), James K. Lynch (class A), Elmer H. Cox (class B), and the chairman of the board ex-officio.

INTERNAL ORGANIZATION.

In operation the cleavage between the governor's department and that of the chairman of the board has been minimized. Statutory discretion is lodged only in the governor and chairman (or their deputies). Beyond them, there seems no fundamental reason for any but a homogeneous force available for the duties of either department. Following this view the assistant of the chairman of the board has been made assistant cashier of the bank, and on occasion has been acting cashier. The relations between

the governor and the chairman have evolved into substantially those of a partnership, each being fully informed of that which transpires in the province of the other. Policies are discussed and agreed upon for reference to the board of directors. Discussion and interchange of opinion benefit the presentation of matters to the Federal Reserve Board.

For prompt disposition of rediscounts the practical method has developed of crediting the proceeds immediately upon the signed approval of the governor and the chairman of the board, other members of the executive committee each investigating at his individual convenience and affixing to the application his signature of approval. The summary of rediscounts for each bank is then presented to the full board in the form of a report signed by the members of the executive committee. Such a method gives a promptness of service equal to that of a member bank under the management of a single efficient chief executive. Subsequent approval by other members of the executive committee is not mere ratification. Their expression of views and criticisms constantly guide the governor and the chairman of the board in determining a course in conformity with the views of the entire committee. It is not believed that any institution can operate efficiently where executive-committee action must precede every transaction. The executive committee, in addition to participating with the officers in approving rediscounts and considering matters specifically referred, is available for speedy consultation upon the governor's telephone call. In a stress or crisis this will serve a most important purpose.

DIRECTORS.

Meetings of directors not less often than twice each month seem very desirable because of the value of interchange of views, not only with regard to rediscount rates and all general policies, but also with regard to business conditions. Such frequent meetings are, of course, feasible only when a board of directors is made up of those living near, and this was made possible when, by concert of action of many member banks located at distant points, directors of classes A and B were chosen from among bankers and business men living in or near San Francisco.

All directors presumably recognize their obligation to serve well all banking and business interests of the entire district, but it seems logical that each director should give somewhat special consideration to those interests which he has been especially chosen to represent. For instance, a class B director, chosen to represent business interests, by banks of group 3 (now comprising those having capital of \$53,000 and less), would thus give special attention to the credit needs of the customers of group 3 banks throughout the district and to the ways in which the Federal Reserve Bank could influence the betterment of banking service available to them, etc.

OPERATIONS.

The period since the establishment of the Federal Reserve System has been one of progressive ease in matters of credit. The check to business and liquidation resulting from the breaking out of the European war would of itself have resulted in accumulation of idle funds. In addition to this the reduction in reserve requirements under the provisions of the Federal Reserve Act has given to member banks the privilege of largely increasing their loans. Excess reserves held by member banks of this district were \$2,420,638 on October 31, 1914, and \$75,211,573 on September 2, 1915. The excess is chiefly due to reduction in reserve requirements, as shown by the fact that the totals of reserves held on the respective dates were \$107,226,892 and \$139,749,562. Cash and exchange held on the same dates were \$186,191,580 and \$224,887,649, respectively. In addition to both these factors have been the unparalleled imports of gold. All have contributed to an accumulation of loanable

funds beyond precedent. Under these circumstances there has been a diminishing need for rediscounts.

From the standpoint of rapidity of development of the Federal Reserve Bank this is regrettable. Member banks need information concerning the Federal Reserve Bank's methods and requirements, best gained by actual rediscount transactions, in order that they may develop as large a percentage as possible of their paper in form and character acceptable for rediscount. Such paper is a potential reserve and in amount must more than offset the reduction of reserve requirements if the banking situation is to be stronger than hitherto. This development is a process of education which must include both banks and customers and necessarily will require time. The earlier entered upon the sooner will there be cumulative strength in the general situation. Conversely, it is only by experience that the Federal Reserve Bank can be prepared for the time of heavy demands.

About 31 per cent of the member banks have had rediscount transactions with the Federal Reserve Bank, many simply to gain information, some because needing funds. In a considerable number of cases important service has undoubtedly been rendered. So far as has been learned, member banks have found their dealings satisfactory. There has been effort to give service as prompt and untechnical as that of the most efficient member bank.

Table 2 (a) gives information as to rediscounts made, arranged by months and States; Table 2 (b) arranged by industries and States.

REDISCOUNT POLICY.

The initial rediscount rates established by this bank with the approval of the Federal Reserve Board were avowedly too high. There was no experience to determine the correct rates and it was believed prudent at the outset to approach the right level by lowering rates rather than by raising them. After several changes, the rates fixed on January 22, 1915, have since remained in force substantially unchanged and are lower than borrowing rates hitherto generally available. The record of rates established is shown in Exhibit I.

Agricultural paper and that based on live stock are the only kinds eligible for rediscount with maturities beyond 90 days. For this a rate of 6 per cent has been established, while the rate for 90 days is $4\frac{1}{2}$ per cent. It has now and then been suggested that this is a discrimination against farmers and those interested in live stock. It will be observed that agricultural and live-stock paper has every privilege of other paper in lower rates for shorter maturities, and in addition has the special privilege of rediscount for maturities beyond 90 days not accorded to any other class of paper.

In a rapidly developing section, such as this district, it is inevitable that there should be a higher percentage of fixed loans—capital advances for enterprises which, however worthy, can not quickly repay—than in an older district where there is less of development enterprise in proportion to accumulated capital. The board of directors have felt it wise policy that this bank should more assiduously maintain a liquid condition than would be necessary if in a district where the loans of member banks were proportionately more liquid. Consequently, the incentive is offered of considerably lower rates for the shorter maturities.

The management of this bank has deemed it wise, while giving due weight to a member bank's indorsement, to accept paper only upon its own merits. Accordingly, statements have been required from the makers of all notes presented for rediscount both because the Federal Reserve Bank can thus best exercise discriminating judgment, and because it believes no practice more salutary than the development by member banks of adequate credit files. Exceptions have been made in the case of notes for small amounts, the applicant's own estimate of a borrower's assets and liabilities being accepted, but it is expected that ultimately copies of borrower's own

statements will accompany even notes for small amounts. Adequate showing is also required of the responsibility and character of makers of collateralized paper.

If paper is not of satisfactory quality the right is recognized of requiring additional collateral, but there seem good grounds for believing that no member bank can be operating wisely whose paper is normally of such inferior quality that it will not meet the moderate requirements imposed. In no instance, thus far, has additional collateral been required.

Progressive excellence in the character and form of paper offered for rediscount is expected. At the outset it is obvious that more can not be exacted than that a member bank should offer the best paper which it then has, but it would seem entirely proper that there should be progressively rigid requirements, under which, as a condition of approval, a member bank's paper should conform to a higher standard after a year's experience than in its initial offerings. So far as has been possible, technicalities have been waived to avoid refusal of offerings, deficiencies being pointed out for betterment of subsequent offerings.

OPEN-MARKET TRANSACTIONS.

Under the authority to engage in open-market transactions there have been bought \$1,010,000 of United States 2 per cent bonds (Table 5), and, through the Federal Reserve Banks of New York and Boston, certain bankers' acceptances (Table 3), and municipal warrants (Table 4). Bankers' acceptances have been bought at rates as low as 2 per cent basis and municipal warrants at only slightly higher rates. Thus far borrowers in this district have not offered important amounts of obligations of this character, as they doubtless will when they realize the opportunity offered to finance transactions of a certain character at such advantageous rates. States of this district will also doubtless authorize municipal warrants of eligible character when it is realized that temporary municipal borrowings can be negotiated at such low rates.

By such open-market investments a Federal Reserve Bank may, within reasonable limits, earn what it chooses, independently of rediscounts for member banks. For this reason it is clear that no member bank should ever feel an obligation to rediscount with the Federal Reserve Bank for the latter's supposed benefit.

EARNINGS.

The total net earnings from April 1, 1915, to November 30, 1915, have exceeded the current expenses of that period (Table 8), although current expenses since organization exceed current earnings by \$9,521.80. Organization expenses are carried at \$33,626.49 and cost of printing Federal Reserve notes \$34,394.27. The latter item has been reduced by \$526.30, the pro rata amount for notes unfit for circulation which have been canceled. A condition in which reserves in excess of legal requirements have steadily increased during more than 12 months naturally restricts the volume of applications for rediscount. Total rediscounts made during the month of November, 1915, aggregated only \$119,072, the smallest of any month since November, 1914. Other income has been derived through the purchases mentioned of bankers' acceptances, municipal warrants, and United States bonds.

The fear sometimes expressed that deficiency in earnings will be made up by assessments on member banks may, I assume, be dismissed as beyond the probabilities. The relative unimportance of these expenses will be appreciated when it is realized that their annual rate represents approximately two one-hundredths of 1 per cent of the loans and investments of the member banks in this district. In other words, if the income rate upon their investments were 6 per cent, it would reduce this to only 5.98 per cent if the expenses were paid entirely by contributions of member banks.

While there seems no economic defense for an effort under existing conditions to employ a Federal Reserve Bank's funds for the purpose of earning profit, yet what

may be called the psychological importance of reasonable earnings seems so great as to become a well-defined economic factor. The view that effort to make earnings is now undesirable of course has its basis in the belief that greatest protection to business interests will be had by withholding the Federal Reserve Bank's credit-extending power so as to have it available when need arises. But those holding this view may underestimate the economic importance of present popular approval and unqualified faith in the success of the Federal reserve system. Earnings constitute the gauge of success applied by a large section of the public, including many bankers. It is characteristically human to uphold the successful enterprise and to obstruct the unsuccessful. A smaller percentage of money reserve coupled with unqualified approval, will constitute more potent power of support than larger reserves with less of popular confidence.

There are collateral advantages in reasonable earnings. They would justify the most rapid internal development along lines of preparation for useful service, such as the development and thorough training of the credit department, the efficient service of which is so essential to discriminating judgment in time of stress and in which all eligible clerks should serve apprenticeship in order to provide for quick expansion of capacity to render vital service if stress arises; the thorough development of a department of information as to conditions throughout the district, through which the management of the bank and the Federal Reserve Board would have closest touch with the trend of credit conditions. Naturally no development will be carried far, the cost of which must be paid out of capital. Such considerations urge earnings well in excess of current expenses.

PURCHASE OF UNITED STATES BONDS.

One way to accomplish this without impairing a Federal Reserve Bank's reserves would be by present purchase of United States bonds. The Federal Reserve Banks are the instrumentality through which it is designed that the undesirable bond-secured circulation is to be eliminated. To this end it will become necessary for them ultimately to buy the major part of the outstanding 2 per cent bonds now pledged to secure circulation. Exchanged for 30-year 3 per cent bonds without the circulation privilege, as provided by the Federal Reserve Act, they will gradually be bought by investors and this problem will thus be permanently settled and real elasticity in the currency attained, the volume of Federal Reserve notes then expanding and also contracting according to varying business requirements. A good many years will necessarily be required to accomplish this result, but meanwhile the Federal Reserve Banks would enjoy a net income averaging about $1\frac{1}{2}$ per cent per annum upon the amount of bonds held. By substituting their own bond-secured circulation for that of member banks now outstanding, the bonds would be carried without important investment of reserve money. This would be unqualifiedly true if the present currency is not redundant in volume, and the present rate of redemptions indicates that it is not. It is to be observed too, if the present volume of currency should become redundant and consequently enforce greater redemptions, that, while this would correspondingly invade the reserves of the Federal Reserve Bank, it would be only because of a reduced volume of cash transactions incident to inactive commerce, when rediscount demands would be light. Heavy rediscount demands would appear only in conjunction with requirement for a large volume of currency. The expanding volume of business incident to the country's growth involves necessarily a certain average increase in the volume of transactions settled with money, entailing the need of an increasing volume of currency. A volume of currency redundant to-day would soon be inadequate.

More certain progress in the solution of this problem would be assured if the law were modified so that the privilege of issuing circulating notes should not be included in

national bank charters hereafter granted or in those extended, with a requirement that Federal Reserve Banks should buy the circulation bonds offered by member banks at par at the expiration of their charters.

FEDERAL RESERVE NOTES.

Table 7 shows the amount of Federal Reserve notes issued and redeemed and the States to which shipped. It has been deemed wise policy to pay out Federal Reserve notes whenever possible inasmuch as their circulation in the place of gold means the retention of gold in the vaults of the Federal Reserve Bank where, as a basis for extending credit, it becomes a fortification and guaranty of stability of the business situation. Federal Reserve notes of this bank now outstanding are in effect gold certificates, \$4,370,000 gold, equal to 100 per cent, having been lodged with the Federal Reserve Agent for their redemption. In conformity with authority conferred by the Federal Reserve Act upon the Federal Reserve Board to act as a clearing house for Federal Reserve Banks, this gold has been placed with the Federal Reserve Board in the form of order certificates in \$10,000 denominations. Settlements are made between the Federal Reserve Bank and the Federal Reserve Agent by means of transfers in the gold settlement fund without the local handling of the money.

CHECK COLLECTION.

As provided by the Federal Reserve Act, and upon a plan approved by the Federal Reserve Board, this bank on August 1, 1915, established in this district a system for collecting checks, 141 banks voluntarily participating at the outset, the number having increased to 160 at the end of November.

Thus far checks have been received from and sent to only those banks voluntarily joining this collection system, the depositing bank being credited and the drawee bank concurrently debited after as many days have elapsed as required for the drawee bank to receive checks sent and thereafter send funds for credit to offset the debit to be made. To give immediate credit would involve one of two courses:

(1) Invest Federal Reserve Bank's reserve in checks outstanding for collection, weakening proportionately its power to rediscount; or,

(2) Require member banks to carry with Federal Reserve Bank balances sufficiently larger than required for reserve purposes to cover the amount of checks and remittances in transit. Distances are so great in this district that this would work a palpable injustice to distant member banks. In the case of a Seattle bank for instance, it would be necessary to have an additional balance covering six days sendings which would be in transit, three days going and three days returning.

The Federal Reserve Bank has neither paid nor charged exchange in these collections. Thus far, however, important elimination of exchange charges can not properly be claimed, as most of the banks joining the voluntary system had previously been accustomed to remit at par.

As yet, the volume of checks handled, shown in Table 10, has not been important, but would doubtless be increased if all checks were received for collection which members of the collection system would be willing to have charged against their accounts, even if drawn upon or indorsed by member banks not of the collection system and nonmember banks. Exhibit L gives information as to rates of exchange charged in various parts of this district.

If it be accepted as the broad purpose of the Federal reserve system to stabilize commerce, then the Federal Reserve Banks must establish channels for the collection of checks which will not become clogged in a financial crisis, as in 1907, otherwise such a possible dislocation of exchanges would always remain a potential menace. Appreciation of the importance of assuring safety of the whole financial and commercial situation, and thus of every member bank, should disarm objections of those who

in spite of aspects unsound in present methods are reluctant to forego present exchange charges. Other provisions of the Federal Reserve Act offer opportunities for counterbalancing profits not hitherto possible.

STATE BANKS AND TRUST COMPANIES.

State banks and trust companies show many evidences of an attitude favorable to the Federal reserve system, but defer application for membership because no necessity of present service impels. This bank regards each sound State bank or trust company as a potential member of the Federal reserve system, having clear conviction of the fundamental importance of such membership. National banks and the Federal Reserve Banks now constitute the base of an inverted pyramid representing the entire credit structure of the country, including all State banks and trust companies. The sufficiency of that base is not in immediate question, but no State bank should fail to realize that the safety of the whole business situation, and consequently its own safety and prosperity, depend upon the sufficiency of that base, which would obviously be greatly broadened if a large section of the State banks were transferred from the superstructure and made a part of the base itself.

It may reasonably be expected that the more conservative State institutions will promptly secure any legislation necessary to authorize membership and become members early enough to avoid delay from congestion of applications when stress impends. The attitude of member banks toward the Federal Reserve Bank augurs well for such ultimate accessions. Although there are exceptions, usually growing out of lack of information of the Federal Reserve Bank's methods and disposition, or lack of understanding of the Federal Reserve Act, yet for the most part there has been shown a spirit of cordial cooperation, which with better understanding and acquaintance is steadily growing. From those banks concerning aspects of whose condition it has been necessary to make unfavorable expression there has come without exception frank and cordial response, suggesting the potentiality of this bank as a remedial influence.

POWERS OF TRUSTEE, EXECUTOR, ETC.

A list is given herewith (Exhibit J) of national banks in this district to which the Federal Reserve Board has granted special permits to exercise the powers of trustee, executor, administrator, or registrar of stocks and bonds.

It is the opinion of counsel of this bank that under the laws of only one of the seven States constituting this district—viz. Washington—may a national bank act as trustee, executor, administrator, and registrar of stocks and bonds; but that also under the laws of California, Oregon, Utah, and Arizona it may act as registrar of stocks and bonds. Enabling legislation will broaden the opportunities of national banks to render such service.

CONDITIONS IN TWELFTH DISTRICT.

The outbreak of the European war probably occasioned less dislocation of trade and industry in this district than in any other, and during the 12 months past there has been a moderate but widespread improvement in general conditions.

Relatively the most unfavorable effect of the war has been upon ocean transportation, and the temporary closing of the Panama Canal has been an importantly untoward event for this coast. There have been interesting developments in shipping. Following withdrawal of the Pacific Mail steamers has come the recent report of their purchase by the American International Corporation, to place them again in Pacific trade, with intimation of important extension of service. The Java-Pacific line has been established by a foreign syndicate. The Japanese line is reported as doubling the number of its ships. The Union Iron Works, of San Francisco, of which Mr. John A. McGregor (class B director) is president, has now under way construction aggre-

gating \$18,000,000. Not only has foreign commerce through Pacific ports increased during the year in spite of handicaps, but there seems prospect of continued large expansion.

Live-stock interests of eastern Washington, Oregon, Idaho, Nevada, Utah and Arizona have thrived throughout the 12 months past, and now have satisfactory prospects.

Agriculture has prospered. Grain growers of eastern Washington, Oregon, and southern Idaho received extraordinary prices a year ago, and this year have had large crops, with profitable, though somewhat lower, prices. Apples of Oregon and Washington, unsatisfactorily marketed a year ago because of interruption of exports, have sold at good prices this year. Hops, almost unsalable a year ago, now command excellent prices. Growers of raisins and prunes have had satisfactory results, particularly this year. Fresh and canned fruits have not been so satisfactory. In citrus fruits, the crops have been large. Prices of lemons have been continuously demoralized and unprofitable. The first two-thirds of last year's orange crop was sold at unprofitable prices, but the final third commanded excellent prices. Record prices are being paid for early oranges of this year's crop, more than 3,000 carloads having been reported as already shipped from the Porterville (Cal.) district. Beans constitute an important California crop, large amounts being exported. Last year's returns were unusually large. The harvest this year has also been large and prices good. The wine industry is not prosperous, and growers of wine grapes suffer accordingly, but table grapes have sold this season in large quantities at profitable prices.

Activity in mining has steadily expanded during the past year, copper mines, chiefly centering in Utah and Arizona, making record output. Advancing prices are benefiting producers of silver, the output of which has a value approximating two-thirds that of the gold produced in this district, including Alaska. Interest in gold mining is reported as increasing. One of the interesting gold producers is a large corporation reclaiming many thousands of acres in the Sacramento Valley by building dikes and incidentally washing out gold from the earth handled to pay the cost of the development.

Lumbering, constituting 60 per cent of the commerce and industry of Washington and Oregon, has been greatly depressed until recently, when important buying, including some on the part of railroads, has imparted a better tone. There is also increase of new building. The outlook is much improved.

The petroleum industry, likewise depressed a year ago, has of late shown expanding consumption with advancing prices. The production approximates 100,000,000 barrels per annum.

Producers of Hawaiian sugar have been receiving extraordinary returns this year, in contrast with disastrous conditions predicted before the outbreak of the war. Important dealings in stocks of sugar companies have resulted.

Fisheries, one of the important industries of the Pacific coast, have prospered during the past 12 months, the salmon pack of Alaska being larger than ever before. This is one of the important items of the industries of Alaska, whose total commerce now approximates \$100,000,000.

Earnings of the principal railroads operating in this district, now at record point, have continuously expanded throughout the past 12 months, evidencing the rising volume of general commerce and industry.

This district is enormously rich in natural resources and surpasses in variety of products. Harvesting of some character is always in progress—as, for instance, in citrus fruits, lemons are gathered continuously the year round; the first oranges are gathered in November and picking continues through the succeeding winter, spring, and summer; strawberries ripen every month; there are always fresh vegetables. The distribution of harvesting throughout the year balances liquidating transactions against new requirements in a remarkable way. An illustration is that live-stock

interests of Idaho borrow in the spring and liquidate in the fall, while those of Arizona borrow in the fall and liquidate in the spring. Proceeds from the sale of early products provide the means to meet later requirements in the same locality; the same product matures in different sections at such diverse times that the realized proceeds of a harvest in one part would finance the harvest needs of another.

There is probably less of a peak credit load in this district than in any other, and seemingly, if its credit resources are mobilized, they will rarely fail to suffice for its commercial needs. Bank deposits have shown large gains within 12 months, and bank clearings reflect important increase in the volume of transactions.

A plan of cooperative credit, directly benefiting farmers, and incidentally creating paper admirably eligible for rediscount with the Federal Reserve Bank, has been developed at Weiser, Idaho, which is interesting because of successful operation, and unusual because under it creditors instead of debtors cooperate.

There are abundant evidences of continuous progress throughout the district and growth in both wealth and population. The Federal Reserve Bank of San Francisco has a great field and large opportunity for useful service.

TABLE 1.—*Statement of condition of Federal Reserve Bank of San Francisco, Nov. 30, 1915.*

RESOURCES.	
Bills discounted:	
Members.....	\$686,776.97
Bought.....	521,346.79
Investments, municipal warrants.....	1,132,342.22
United States bonds on hand.....	1,000,475.00
Interest accrued on United States bonds.....	3,366.66
Organization expense.....	33,626.49
Cost of Federal Reserve notes.....	34,394.27
Furniture and equipment.....	5,235.37
Current expense.....	1,311.87
Profit and loss.....	9,521.80
Due from other Federal Reserve Banks:	
Collected funds.....	\$2,449,295.49
Items in transit.....	432,890.23
	2,882,185.72
Exchanges for clearing house.....	24,951.93
Transit account.....	15,307.89
National-bank notes and notes of other Federal Reserve Banks.....	39,015.00
Federal Reserve notes on hand.....	1,535,485.00
Nickels and cents.....	3.14
Reserves:	
Gold settlement fund.....	\$7,536,000.00
Due from Treasurer of United States, gold redemption fund (Federal Reserve notes).....	21,625.00
Gold bullion and coin.....	347,045.00
Gold certificates.....	5,454,840.00
Silver certificates.....	9,657.00
Legal tender notes.....	16,840.00
Silver coin.....	26.65
Total reserve.....	13,385,433.65
Total resources.....	21,310,779.77
LIABILITIES.	
Capital paid in.....	\$3,941,500.00
Capital, suspense account.....	300.00
Unearned discount.....	5,884.81
Due to other Federal Reserve Banks.....	19,317.04
Due to member banks.....	17,327,170.55
Expense checks.....	700.48
Cashiers' checks outstanding.....	847.00
Deferred credits.....	15,059.89
Federal Reserve notes.....	\$4,370,000.00
Less gold with Federal Reserve Agent for retirement of Federal Reserve notes..	4,370,000.00
	.00
Total liabilities.....	21,310,779.77

TABLE 2A.—Classification of rediscounts from Nov. 16, 1914, to Dec. 1, 1915.

Months.	Arizona.			California.			Idaho.			Nevada.			Oregon.			Utah.			Washington.			Total for month.		
	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.	Banks.	Pieces.	Amount.
1914.																								
November.....				1	8	\$9,592							1	1	\$3,000							2	9	\$12,592
December.....				13	99	1,014,838	1	1	\$8,500													14	100	1,023,338
Total.....				14	107	1,024,430	1	1	8,500				1	1	3,000							16	109	1,035,930
1915.																								
January.....				20	83	769,643	4	22	14,263				4	7	20,373				1	5	\$31,134	29	117	835,413
February.....				20	111	567,478	4	16	34,070	1	8	\$74,135	6	17	34,152	1	9	\$52,012	1	1		32	161	761,847
March.....				15	161	572,749	7	35	68,119				8	35	98,357				3	1	5,000	31	232	744,225
April.....				24	162	332,975	7	38	31,412				2	8	11,012	1	9	37,400	3	12	16,102	37	229	428,901
May.....				24	186	1,050,933	5	32	85,853				6	29	63,165				3	4	37,547	38	251	1,237,498
June.....				34	171	659,486	6	50	39,788				9	26	71,907	1	7	40,749	6	17	48,225	56	271	860,155
July.....				35	211	476,908	8	71	73,585				7	30	114,511				5	36	127,543	55	348	792,547
August.....				27	154	328,428	5	26	33,063				5	15	29,084				5	34	57,736	42	229	448,311
September.....	1	1	\$6,300	22	131	254,905	3	15	28,253				9	36	112,121				4	15	38,449	39	198	440,028
October.....				15	74	266,336	3	11	14,955				4	15	65,269				5	35	40,206	27	135	386,766
November.....	1	1	15,600	11	39	48,454	2	4	6,580				3	5	22,050				4	10	26,387	21	59	119,072
Total, 1915.....	2	2	21,900	91	1,483	5,328,296	17	320	429,941	1	8	74,135	31	223	642,001	2	25	130,161	19	169	428,329	163	2,230	7,054,763
Total rediscounts to date.....	2	2	21,900	93	1,590	6,352,726	17	321	438,441	1	8	74,135	31	224	645,001	2	25	130,161	19	169	428,329	165	2,339	8,090,693
Average per piece.....			10,450			3,995			1,365			9,269			2,879			5,206			2,534			3,416

TABLE 2B.—Classification of rediscounts from Nov. 16, 1914, to Dec. 1, 1915.

Classifications.	Arizona.		California.		Idaho.		Nevada.		Oregon.		Utah.		Washington.		Total by classifications.	
	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.	Pieces.	Amount.
Agriculture.....	2	\$21,900	760	\$1,159,722	201	\$160,655	8	\$74,135	75	\$192,834	2	\$7,280	101	\$167,429	1,150	\$1,783,955
Live stock.....			41	143,270	61	129,980			37	102,019	6	27,753	1	2,000	146	405,002
Grain, flour, feed.....			24	225,652	11	22,949			23	81,517			7	24,203	65	354,321
Fruit, packers and shippers.			127	629,267	3	6,563			11	11,730			1	800	142	648,360
Meat and fish packers.....			30	254,025					1	5,000	4	30,536	7	22,500	42	342,061
Lumber.....			34	212,993	6	19,142			10	62,690	4	20,263	23	107,634	77	422,722
Manufacturing.....			97	633,570	2	6,000			11	37,623	3	15,351	1	10,000	114	702,544
Wholesale merchandise.....			110	1,078,125					5	22,000			5	16,000	120	1,116,125
Retail merchandise.....			317	1,471,798	30	68,898			46	116,441	6	28,978	19	65,403	418	1,751,518
Petroleum.....			10	323,972					1	5,000					11	328,972
Miscellaneous.....			40	190,332	6	24,274			4	8,147			4	12,360	54	235,113
Total rediscounts for period.....	2	21,900	1,590	6,352,726	321	438,441	8	74,135	224	645,001	25	130,161	169	428,329	2,339	8,090,693
Total number of banks re-discounting to date.....	2		93		17		1		31		2		19		165	

TABLE 3.—Acceptances purchased, Nov. 16, 1914, to Dec. 1, 1915, segregated by acceptors and months purchased.

Accepted by—	March.	April.	May.	June.	July.	August.	September.	October.	November.	Total.
Bank of America.....							\$11,250.00	\$6,875.00	\$8,750.00	\$26,875.00
Bankers Trust Co., New York.....	\$61,442.36	\$85,000.00			\$50,000.00		25,000.00	25,000.00		246,442.36
American Exchange National Bank, New York.....			\$100,000.00			\$100,000.00		8,750.00		208,750.00
Chase National Bank, New York.....							8,750.00			8,750.00
National City Bank, New York.....	53,026.46	42,975.11		\$19,828.76		10,000.00		9,348.00	57,346.00	192,524.33
Columbia Trust Co., New York.....							5,000.00	45,000.00		50,000.00
National Bank of Commerce, New York.....							17,500.00	10,000.00		27,500.00
Guaranty Trust Co., New York.....	310,023.55	695,292.82	223,684.04		61,980.09	192,436.78	32,566.43	29,681.14	166,624.32	1,712,289.17
Goldman Sachs & Co., New York.....					10,000.00				16,574.80	26,574.80
Mechanics & Metals National Bank, New York.....					20,582.63	17,500.00		69,054.98	28,853.67	135,991.28
Bank of New York, National Banking Association, New York.....						44,070.00	10,000.00	58,750.00	6,248.66	119,068.66
First National Bank, Boston, Mass.....				95,762.50						95,762.50
Merchants National Bank, Boston, Mass.....							11,250.00			11,250.00
Philadelphia National Bank, Philadelphia, Pa.....				118,687.55						118,687.55
Irving National Bank, New York.....									2,373.96	2,373.96
Total.....	424,492.37	823,267.93	323,684.04	234,278.81	142,562.72	364,006.78	121,316.43	262,459.12	286,771.41	2,982,849.61

TABLE 4.—*Short-term warrants, notes, and bonds purchased Nov. 16, 1914, to Dec. 1, 1915, classified by States and months purchased.*

Month.	Municipalities within State of—								Total by month.
	California.	Georgia.	Oregon.	Massachusetts.	New Hampshire.	New Jersey.	New York.	Utah.	
March.....			\$1,020.00				\$54,115.25		\$55,135.25
April.....				\$40,000.00		\$12,111.02	115,554.91		167,665.93
May.....				260,400.00			600,000.00		860,400.00
June.....	\$12,422.25			310,668.42	\$15,000.00				338,090.67
July.....	5,250.00			221,187.50			153,989.59		380,427.09
August.....	10,666.25			50,209.59		20,300.00	587,175.32		668,351.16
September.....				24,000.00		25,468.75	21,290.83		70,759.58
October.....				10,000.00		13,124.58			23,124.58
November.....	4,200.00	\$63,450.00						\$20,358.40	88,008.40
Total.....	32,538.50	63,450.00	1,020.00	916,465.51	15,000.00	71,004.35	1,532,125.90	20,358.40	2,651,862.66

TABLE 5.—*United States bonds purchased.*

Description.	Maturity.	Rate.	Basis.	Par value.	Carried at—
United States consols of 1930.....	1930	2	2.0189	\$1,000,000	\$990,625
Do.....	1930	2	2.0182	10,000	9,850
Total.....				1,010,000	1,000,475

TABLE 6.—*Gold settlement fund.*
 TABULATION OF TRANSFERS, MAY-NOVEMBER, 1915.
 [G. S. F.=Gold settlement fund.]

For account of—	May.		June.		July.		August.		September.		October.		November.		Total.		Net.	
	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.
Boston:																		
Special transfers.....				200		200				100								
Settlements.....	16	26		50	126	14	1	1	51	2	251	1	176	1	621	595	26	
New York:																		
Special transfers.....				450		3,994		4,452		2,728								
Settlements.....	2,272	950	60	904	1,424	22	3,306	17	3,921	35	1,852	18	2,978	30	15,813	13,600	2,213	
Philadelphia.....	10	6				2	1			2	1	1	1	9	13	20		7
Cleveland.....					1		2		1		1	1	1		6	1	5	
Richmond.....	1		1		2		6		2		3		2		17		17	
Atlanta:																		
Special transfers.....														80				
Settlements.....	1				2		4		1		2		2		12	80		68
Chicago:																		
Special transfers.....				30														
Settlements.....	222	568	16	55	20	109	12	11	44	15	25	61	51	112	390	961		571
St. Louis.....		24		5	4	6	1	1		2		1	1	3	6	42		36
Minneapolis.....	1	87	2		2		3		2		3		3		16	87		71
Kansas City.....		18	1		1		3	3	2		4		3		14	21		7
Dallas.....	2		1		2		6		3		6		5		25		25	
Federal Reserve Agent.....												200	230		230	200	30	
Gold deposited through assistant treasurer of United States, San Francisco.....	1,200		570		3,110		1,100								5,980		5,980	
Total.....	3,725	1,679	651	1,694	4,694	4,347	4,445	4,485	4,027	2,884	2,148	283	3,453	235	23,143	15,607	8,296	760

Balance in gold settlement fund Nov. 30, 1915, \$7,536.

ANALYSIS OF NET MONTHLY TRANSACTIONS TO NOV. 30, 1915.

Purpose.	For account of—	May.		June.		July.		August.		September.		October.		November.		Net total.	
		We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.	We Dr. G. S. F.	We Cr. G. S. F.
Exchange...	Boston.....	104					1				1					102	
Do.....	New York.....	4,226			2,694		2,692		38	938		1,834		3,298		4,872	
Do.....	Philadelphia.....	4					2	1			2				8		7
Do.....	Cleveland.....					1		2		1				1		5	
Do.....	Richmond.....	1		1		2		6		2		3		2		17	
Do.....	Atlanta.....	1				2		4		1		2				6	
Do.....	Chicago.....		346		69		89	1		29			36		61		571
Do.....	St. Louis.....		24		5		2				2		1		2		36
Do.....	Minneapolis.....		86	2		2		3		2		3		3			71
Do.....	Kansas City.....		18	1		1		2		2		4		3			7
Do.....	Dallas.....	2		1		2		6		3		6		5		25	
Net ex- change.....		3,864			2,783		2,776		15	973		1,815		3,237		4,335	
Investments.	Boston.....		114		250		87				50	250		175			76
Do.....	New York.....		2,904	1,400		100		1,125	220						350		2,659
Do.....	Atlanta.....														74		74
Other trans- actions.	Gold.....	1,200		570		3,110		1,100								5,980	
Do.....	Federal Reserve Agent.....											200	230			30	
Net.....		2,046			1,043	347		40	1,143			1,865		3,218		7,536	

TABLE 7.—*Federal Reserve notes—Federal Reserve Agent's account to Nov. 30, 1915, inclusive.*

Received from comptroller:		
5-dollar Federal Reserve notes.....	\$4,160,000	
10-dollar Federal Reserve notes.....	2,760,000	
20-dollar Federal Reserve notes.....	1,680,000	
50-dollar Federal Reserve notes.....	600,000	
100-dollar Federal Reserve notes.....	800,000	
		\$10,000,000
On hand Nov. 30, 1915, p. m.:		
5-dollar Federal Reserve notes.....	2,360,000	
10-dollar Federal Reserve notes.....	1,600,000	
20-dollar Federal Reserve notes.....	640,000	
50-dollar Federal Reserve notes.....	400,000	
100-dollar Federal Reserve notes.....	400,000	
		5,400,000
Issued to Federal Reserve Bank.....		4,600,000
Received from Federal Reserve Bank and sent to Comptroller of Currency for cancellation and destruction.....		230,000
Federal Reserve notes outstanding.....		4,370,000
Deposited by Federal Reserve Agent with Federal Reserve Board in the form of gold order certificates in \$10,000 denominations, for redemption of Federal Reserve notes.....		4,370,000
Received from Federal Reserve Agent.....	\$4,600,000	
Returned to Federal Reserve Agent for redemption.....	230,000	
Net total received from agent.....		4,370,000
In vaults of bank Nov. 30, 1915.....		1,535,485
Federal Reserve notes in hands of public.....		2,834,515
Received from Federal Reserve Agent.....		4,600,000
Delivered to Federal Reserve Agent for redemption.....		230,000
Net amount notes received.....		4,370,000
Redeemed:		
Member banks.....	\$370,245	
Other Federal Reserve Banks.....	194,685	
Total redemptions.....		564,930
		4,934,930
On hand Nov. 30, 1915.....		1,535,485
Total amount of issues and reissues.....		3,399,445
Distribution approximately as follows:		
Paid over counter.....		¹ 2,190,950
California.....		325,615
Washington.....		828,700
Utah.....		50,000
Idaho.....		1,000
Oregon.....		3,180
Total.....		3,399,445

TABLE 8.—*Earnings of the Federal Reserve Bank of San Francisco, Nov. 16, 1914, to Nov. 30, 1915.*

	Amount invested.	Total income since Nov. 16, 1914.
Earnings from:		
Bills discounted member banks.....	\$8,090,185.00	\$61,811.08
Bills purchased (acceptances).....	2,870,481.58	12,018.31
Investments:		
United States bonds.....	1,010,000.00	16,747.97
Warrants.....	2,651,863.66	17,255.27
Sundry profits.....		1,357.80
Total earnings.....		109,190.43

¹ No doubt many of these were shipped to country bank correspondents.

TABLE 8A.—*Expenditures of the Federal Reserve Bank of San Francisco to Nov. 30, 1915.*

	Total since Nov. 16, 1914.
1. CURRENT EXPENSES.	
Federal Reserve Board assessment for general expenses, monthly proportion.....	\$6,559.33
Federal advisory council (fees).....	
Directors' fees.....	2,620.00
Legal fees.....	
Salaries:	
Bank officers.....	42,125.00
Clerical staff.....	27,788.85
Special officers and watchmen.....	110.00
Traveling expenses:	
Directors.....	168.00
Officers and clerks—	
Federal Reserve Agents' conferences.....	\$918.70
Advisory councils.....	950.60
Governors' conferences.....	2,664.74
Within twelfth district.....	1,266.84
Total.....	5,800.88
Per diem allowance of directors.....	345.00
Telephone.....	402.15
Telegraph.....	349.15
Postage.....	1,773.24
Expressage.....	287.38
Rent.....	16,875.44
Insurance and premiums on fidelity bonds.....	871.91
Light, heat, and power.....	285.40
Printing and stationery.....	5,333.83
Repairs and alterations.....	4,078.79
All other expenses, not elsewhere specified.....	2,411.58
Federal Reserve notes, cost.....	526.30
Total current expenses.....	118,712.23
2. ORGANIZATION EXPENSES.	
[Carried from current expenses, account expenses prior to Nov. 16, 1914.]	
San Francisco clearing house membership.....	\$1,000.00
Alterations to banking quarters.....	1,588.05
Traveling expenses October conference, 1914, 9 directors and governor.....	4,607.00
Express on coin and currency in connection with initial payments 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.....	33,626.49
3. COST OF FEDERAL RESERVE NOTES.	
Cost of manufacturing 3,212,000 notes, amounting to \$28,940,000.....	\$31,373.59
Cost of expressage, 180,000 notes, amounting to \$2,000,000.....	\$1,000.00
Cost of postage and insurance, 928,000 notes, amounting to \$8,000,000.....	2,499.88
Sundry costs.....	3,499.88
	47.10
	34,920.57
Less:	
Amortization (manufacturing) 40,000 notes, amounting to \$230,000.....	390.70
Amortization expressage 40,000 notes, amounting to \$230,000.....	115.00
Redemption cost.....	20.60
	526.30
Total.....	34,394.27
4. EQUIPMENT.	
Furniture and fixtures.....	932.35
Vaults.....	
Machines, typewriters, adding machines, scales, etc.....	4,303.02
Total equipment.....	5,235.37
Total expenditures.....	191,968.36

TABLE 9.—*Capital and deposits paid and estimated additional to be received.*

Capital stock—payments made.					Reserve deposits.					Combined capital and reserve.
Date due.	Per cent of sub- scriptions.	Paid by re- serve city banks.	Paid by country banks.	Total capital.	Date due.	Per cent of re- quire- ments.	Reserve city banks.	Country banks.	Total reserve.	
Nov. 1, 1914.....	$\frac{1}{8}$	\$743,266.67	\$552,583.33	\$1,295,850.00	Nov. 16, 1914	$\frac{1}{8}$	\$8,357,033.00	.....	\$8,357,033.00	\$1,295,850.00
					Do.....	$\frac{1}{8}$		\$4,525,198.00	12,882,231.00	14,178,081.00
Feb. 1, 1915.....	$\frac{1}{8}$	743,266.67	552,583.33	2,591,700.00						15,473,931.00
May 1, 1915.....	$\frac{1}{8}$	743,266.66	552,583.34	3,887,550.00						16,769,781.00
Increases and decreases, net.....		29,950.00	24,000.00	3,941,500.00	Nov. 16, 1915	$\frac{1}{8}$	2,122,803.00	.....	.....	.....
					Do.....	$\frac{1}{8}$		2,464,953.00	17,469,987.00	21,411,487.00
					ESTIMATED ADDITIONS. ²					
					May 16, 1916	$\frac{1}{8}$	2,122,803.00	.....	.....	23,534,290.00
					Do.....	$\frac{1}{8}$		2,464,953.00	.....	25,999,243.00
					Nov. 16, 1916	$\frac{1}{8}$	2,122,803.00	.....	.....	28,122,046.00
					Do.....	$\frac{1}{8}$		2,464,953.00	.....	30,586,999.00
Total Nov. 16, 1916, subject to call.....		2,259,750.00	1,681,750.00	3,941,500.00						34,528,499.00
					OPTIONAL TRANSFERS.					
					Nov. 16, 1917	$\frac{1}{8}$	8,491,212.00	.....	.....	43,019,711.00
					Do.....	$\frac{1}{8}$		7,394,859.00	.....	50,414,570.00

Total after Nov. 16, 1917, if entire optional reserve is carried with Federal Reserve Board and entire capital paid, \$50,414,570.²
 Original subscribed capital, \$7,775,100.

¹ General ledger balances about 30 days after due date used in order to include those not remitting promptly.

² This does not include possible Government deposits.

TABLE 10.—*Intradistrict collections for August, September, October, and November.*

NUMBER OF BANKS IN COLLECTION SYSTEM.

Aug. 1.....	141
Nov. 30.....	160

NUMBER OF BANKS DEPOSITING CASH LETTERS, AND ITEMS RECEIVED FOR DEFERRED CREDIT DURING THE PERIOD.

	Number of banks.	Cash letters.	Items.	Average per letter.
Members of collection system.....	30	215	3,035	14.1
Paying desk and nonmembers of collection system.....	22		111	
Total.....	52		3,146	
Cash letters and items outgoing during the period:				
Members of collection system.....	110	1,137	3,049	2.8
Nonmembers of collection system.....	34	91	97	1.1
Total.....	144	1,228	3,146	2.6

TOTAL AMOUNT RECEIVED DURING PERIOD.

	Amount.	Average per item.	Average per letter.
From members of collection system.....	\$244,547.00	\$80.58	\$1,137.42
From nonmembers of collection system and paying desk.....	65,937.00	994.21	
Total.....	310,504.00	98.70	

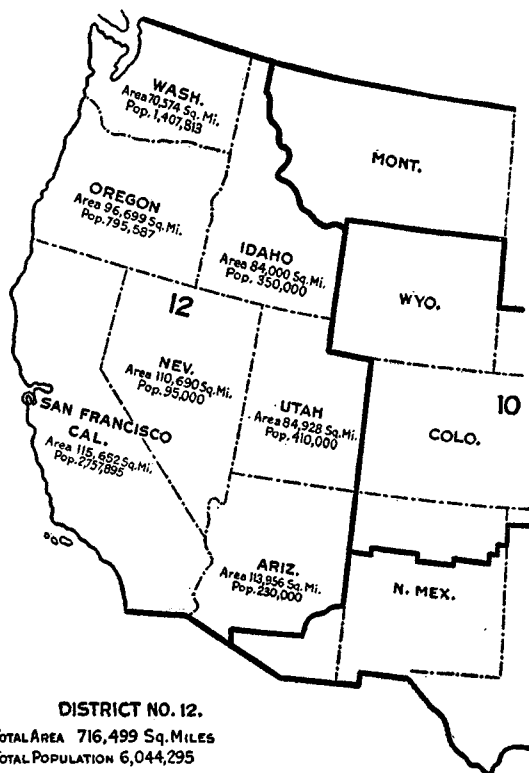
TOTAL AMOUNT SENT DURING PERIOD.

To members of collection system.....	\$216,110.00	\$70.87	\$190.70
To nonmembers of collection system.....	94,394.00	973.13	1,037.29
Total.....	310,504.00	98.70	262.85

Items received on—	Number.	Per cent.	Amount.	Per cent.
2-day points.....	2,272	72.2	\$193,304	62.2
4-day points.....	701	22.3	92,812	29.9
6-day points.....	84	2.7	18,344	5.9
8-day points.....	68	2.1	5,257	1.7
10-day points.....	21	.7	787	.3
Total.....	3,146	100.0	310,504	100.0

Collection system inaugurated Aug. 1.

EXHIBIT A.

Outline and area of district.**DISTRICT NO. 12.**

TOTAL AREA 716,499 Sq. MILES

TOTAL POPULATION 6,044,295

BANKING STRENGTH \$ 1,965,755,000.00

NUMBER OF MEMBER BANKS 529

NUMBER OF STATE BANKS 1,197

TOTAL NUMBER OF BANKS 1,726

EXHIBIT B.

Rate of development in district in population and wealth, by States.

	Admitted into Union.	Area (square miles).	Population.					Assessed value of property. ²			
			1870	1890	1900	1910	1915 ¹	1910	1911	1912	1913
Arizona.....	1912	113,956	9,658	88,243	122,931	204,354	230,000	\$86,000	\$93,000	\$140,000	\$375,862
California.....	1850	155,652	560,247	1,208,130	1,485,052	2,377,549	2,757,895	1,879,000	2,602,344	2,920,000	3,202,450
Idaho.....	1890	84,000	14,999	88,584	161,772	325,594	350,000	120,000	329,000	418,000	425,196
Nevada.....	1864	110,690	42,491	45,761	42,335	81,875	95,000	73,000	73,000	92,000	112,210
Oregon.....	1859	96,699	90,923	317,704	413,536	672,765	795,587	845,000	844,000	905,000	932,413
Utah.....	1896	84,928	86,786	210,779	276,749	373,351	410,000	-----	146,000	200,000	214,859
Washington.....	1889	70,574	23,955	357,232	518,103	1,141,990	1,407,813	790,000	955,000	1,005,000	1,031,901
Total.....		716,499	829,059	2,316,433	2,020,478	5,177,478	6,044,295	3,693,000	5,042,344	5,680,000	6,294,891
San Francisco.....		43	149,473	298,997	342,782	416,912	\$ 448,502	515,420	545,064	510,429	647,230
Los Angeles.....		101	5,728	50,395	102,679	319,198	\$ 438,914	290,905	384,348	458,934	508,366
Portland.....		51	8,293	46,385	90,426	207,214	\$ 260,061	231,161	290,000	296,199	314,212
Tacoma.....		40	73	36,006	37,714	83,743	92,000	-----	54,530	73,298	74,291
Seattle.....		85	1,107	42,837	80,671	237,194	\$ 313,039	205,362	211,887	210,929	215,075
Spokane.....		40	-----	19,922	36,848	104,402	\$ 135,657	85,619	92,309	91,934	89,090
Salt Lake.....		43	12,854	44,843	53,531	92,777	\$ 109,530	58,449	58,449	62,206	68,129

¹ Estimated.

² In thousand dollars only (000 omitted).

³ Estimated by U. S. Census Bureau.

EXHIBIT C.

Value of chief products of Twelfth District.

[In thousand dollars (000 omitted). Items less than five million for district omitted.]

VALUE AT SOURCE OF PRODUCTION.

	Year.	Arizona.	California.	Idaho.	Nevada.	Oregon.	Utah.	Washing- ton.	Total.	Approx- imate percentage for United States.
Wheat.....	1914	\$1,021	\$3,990	\$8,879	\$887	\$11,788	\$4,687	\$38,909	\$70,161	9.0
Oats.....	1914	150	3,982	4,836	307	5,787	1,656	5,700	22,418	5.0
Barley.....	1914	756	24,815	3,515	397	2,233	720	3,691	36,127	40.0
Potatoes.....	1914	132	7,245	2,530	1,092	2,852	1,680	4,154	19,685	11.8
Hay.....	1914	3,995	43,173	13,636	6,665	15,787	8,593	19,261	111,110	13.5
Hops.....	1909		1,731			2,839		665	5,235	
Beans and peas.....	1909	232	6,396	85		39	16	126	6,894	30.0
Sugar-beet crops.....	1914		6,145	1,311			2,705		10,161	50.0
Vegetables.....	1909	379	6,887	1,008	264	2,449	718	2,988	14,693	
Deciduous fruits.....	1909	241	18,359	863	83	3,339	641	4,274	27,800	
Grapes.....	1909	25	10,847	19	12	99	28	51	11,081	50.0
Oranges, lemons, and grapefruit.....	1913-14		22,683						22,683	
Domestic animals sold or slaughtered.....	1909	4,847	33,627	12,866	4,762	17,434	6,656	10,249	90,441	6.0
Dairy products.....	1909	1,158	23,371	2,467	667	6,916	2,315	9,962	46,856	
Poultry and eggs.....	1909	565	12,703	1,843	322	3,734	1,259	5,554	25,780	
Wool.....	1914	1,021	2,050	2,810	908	2,601	2,489	582	12,461	
Salmon pack ¹	1914		157			3,707		5,095	8,959	
Tuna pack ²			5,000						5,000	
Timber.....	1909	1,419	45,000	10,689	503	30,200	977	89,155	177,943	19.0
Gold.....	1913	4,023	20,653	1,344	11,795	1,627	3,565	696	43,703	49.0
Silver.....	1913	2,384	813	6,033	9,718	108	7,903	200	27,159	67.0
Copper.....	1913	63,228	4,055	1,486	14,057	6	25,024	147	108,003	57.0
Lead.....	1913	710	183	13,986	719	3	7,399	9	22,919	61.0
Coal.....	1913		28	5		116	5,384	9,243	14,776	1.9
Petroleum.....	1913		47,487						47,487	19.2
Cement.....	1913		6,558				1,233	2,853	10,644	11.5
Manufactured products.....	1909	50,000	529,000	22,000	11,000	93,000	61,000	220,000	\$ 986,000	

¹ Subdivision by States estimated.² Estimated.³ Equal to only one-third the value of manufactured products of New York City.

EXHIBIT D.

Bank clearings, principal cities in Twelfth District.

[In millions only (000,000 omitted).]

	1905	1910	1912	1913	1914	1915 (11 months).		1905	1910	1912	1913	1914	1915 (11 months).
San Francisco.....	\$1,834	\$2,323	\$2,677	\$2,624	\$2,516	\$2,432	Oakland.....		\$157	\$192	\$188	\$176	\$164
Los Angeles.....	478	811	1,167	1,210	1,145	941	Sacramento.....		69	92	108	103	91
	1906.						Fresno.....		37	51	57	53	
Portland.....	281	517	596	627	577	506	San Diego.....		66	131	134	108	90
Seattle.....	.....	590	602	664	627	.....	Pasadena.....		40	47	47	43	
Spokane.....	164	241	225	219	203	174	Stockton.....		32	45	45	47	
Salt Lake City.....	211	327	369	333	314	1,323	San Jose.....		27	35	35	36	
							Bakersfield (organized 1912).....				23	23	

¹ Up to and including Dec. 9.

NOTE.—Only part of the above figures have been furnished directly by the clearing houses of the respective cities.

EXHIBIT E.—*Banking power of the Twelfth District.*

[In thousand dollars (000 omitted).]

State.....	Arizona.		California.		Idaho.		Nevada.		Oregon.		Utah.		Washington.		Total district.	
Supervision.....	National.	State.	National.	State.	National.	State.	National.	State.	National.	State.	National.	State.	National.	State. ¹	National.	State.
Number.....	7	47	266	463	58	124	10	21	86	175	23	91	78	276	528	1,197
Date of report (1915).....	Nov. 10.	Mar. 4.	Nov. 10.	Oct. 16.	Nov. 10.	Nov. 10.	Nov. 10.	June 23.	Nov. 10.	Sept. 2.	Nov. 10.	Nov. 21.	Nov. 10.	Sept. 2.	Nov. 10.	.....
ASSETS.																
Loans and discounts.....	\$4,703	\$12,788	\$272,514	\$472,235	\$19,163	\$15,261	\$5,481	\$7,468	\$52,402	\$34,418	\$19,773	\$35,147	\$66,788	\$68,487	\$440,824	\$645,804
Stocks, bonds, warrants, and other securities.....	2,004	2,403	96,208	126,430	6,155	1,481	2,233	1,140	19,046	7,972	7,523	4,811	21,370	21,162	154,539	165,399
Banking house furniture and fixtures and other real estate.....	381	1,013	14,084	33,004	1,440	1,590	342	590	3,486	2,765	1,040	2,336	4,158	14,383	24,931	55,681
Cash means.....	2,594	6,972	177,869	116,975	10,252	6,849	2,574	3,544	26,303	15,160	11,854	10,675	37,332	26,425	268,778	186,600
Other assets.....	62	193	13,795	3,826	389	40	125	220	548	1,153	207	375	861	1,403	15,987	7,210
Total assets.....	9,744	23,369	574,470	752,470	37,399	25,221	10,755	12,962	101,785	61,468	40,397	53,344	130,509	131,860	905,059	1,060,694
LIABILITIES.																
Capital.....	750	2,344	58,148	62,260	3,620	3,412	1,435	1,694	10,681	8,535	3,355	6,279	11,485	13,917	89,474	98,441
Surplus and undivided profits.....	810	1,413	44,783	42,890	2,231	1,271	403	684	6,388	4,032	2,189	2,735	6,522	5,794	68,326	58,819
Due to banks.....	795	(²)	105,789	14,204	2,675	816	958	74	9,444	2,447	7,879	3,089	16,202	4,419	143,742	25,049
Deposits:																
Demand.....	6,345	19,191	262,372	146,637	20,480	15,879	5,455	5,534	50,130	26,034	17,169	17,202	59,170	104,998	421,121	335,475
Time.....	247	(²)	48,153	480,882	5,223	3,444	1,230	4,940	17,944	18,230	6,476	16,369	29,155	(²)	108,423	523,865
Rediscunts and money borrowed.....	140	421	2,982	2,621	179	349	.....	.....	1,078	1,767	67	.....	1,094	2,644	5,550	7,802
Circulation outstanding.....	655	.....	42,249	.....	2,986	.....	1,271	.....	6,017	.....	3,221	.....	6,697	.....	63,096	.....
Other liabilities.....	1	.....	9,979	2,976	15	50	2	36	102	423	41	* 7,670	184	88	10,326	11,243
Total liabilities.....	9,743	23,369	574,470	752,470	37,399	25,221	10,755	12,962	101,785	61,468	40,397	53,344	130,509	131,860	905,059	1,060,694

¹ Includes trust companies.² Included in individual deposits.³ Includes money borrowed.

EXHIBIT F.

Seasonal demand for loans and prevailing interest rates.

	Seasonal demand.	Used for—	Rate.
Arizona.....	September, October, November, December.	Cattle business.....	8
California:			
Imperial Valley.....	Spring and early fall.....	Alfalfa, dairying, cotton, canteloupes.	8-10
San Diego.....	February to June.....	Lemons, mercantile.....	7-10
Los Angeles and adjacent counties.	Continuous.....	Dairying, sugar beets, alfalfa, oranges, lemons, walnuts, beans.	5½-8
San Joaquin Valley.....	Spring and late autumn.....	Live stock, grain, grapes, peaches, apricots, alfalfa.	6-10
San Francisco.....	Highest peak November; local demand uniform.	Taxes, mercantile business....	5-8
Sacramento Valley.....	Spring and late summer.....	Hops, alfalfa, grain, grapes, small fruit, live stock.	6-7
Northern California.....	Early summer and fall.....	Live stock, grain, dairying, lumbering.	6-10
Idaho:			
Southern.....	February to June.....	Alfalfa, livestock, wool, grain..	6-10
Eastern.....	July, August, September.....	Live stock, wool, grain.....	10
Northern.....	February to June.....	Live stock, lumber.....	10-12
Nevada.....	Fall of year.....	Live stock.....	6-8
Oregon:			
Coast.....	Fall.....	Lumber, fish packers.....	6-8
Southern.....	August and September.....	Agriculture, live stock.....	6-8
Columbia River Valley.....	September to January and spring.	Live stock, grain, lumber, wool, apples.	6-8
Willamette Valley.....	August to November.....	Apples, hops, dairying, grain..	6-8
Eastern.....	Late summer and fall.....	Grain, live stock.....	8-10
Utah:			
Central and northern.....	Spring and fall.....	Sugar beets, hay, grain, fruit, live stock.	8-10
Balance of State.....	January to April.....	Live stock.....	8-12
Washington:			
Eastern.....	Late summer and fall.....	Grain, live stock.....	6-8
Western.....	Spring and fall.....	Live stock, lumber, fish canneries.	6-8

EXHIBIT G.

Effect upon income of member banks by establishing Federal Reserve System.

Country bank:				
Old system—				
Deposits.....	\$100,000			
Reserve.....	15,000			
Loanable.....	85,000, at 6 per cent.....	\$5,100		
Of reserve.....	9,000, at 2 per cent.....	180		
				\$5,280
New system—				
Deposits.....	100,000			
Reserve.....	12,000			
Loanable.....	88,000, at 6 per cent...			5,280
Reserve city bank:				
Old system—				
Deposits.....	100,000			
Reserve.....	25,000			
Loanable.....	75,000, at 6 per cent.....	4,500		
Of reserve.....	12,500, at 2 per cent.....	250		
				4,750
New system—				
Deposits.....	100,000			
Reserve.....	15,000			
Loanable.....	85,000, at 6 per cent.....			5,100
Gain under new system.....				350
Central reserve city bank:				
Old system—				
Deposits.....	100,000			
Reserve.....	25,000			
Loanable.....	75,000, at 6 per cent.....	4,500		
New system—				
Deposits.....	100,000			
Reserve.....	18,000			
Loanable.....	82,000, at 6 per cent.....	4,920		
Gain under new system.....				420

This takes no account of permission under old system to include 5 per cent redemption fund in reserve, and in computing amount against which reserve was required, to deduct national-bank notes from deposits. But to offset this, no account is taken of the fact that under the new system only 5 per cent reserve is required against time deposits.

EFFECT UPON INCOME BY INVESTMENT IN CAPITAL OF FEDERAL RESERVE BANK.

Loans and investments of member banks in twelfth district approximate \$600,000,000. One-half the subscribed capital of Federal Reserve Bank of San Francisco, called for payment, approximates \$4,000,000; that is, two-thirds of 1 per cent of the investments.

Old system, loans.....	\$100,000, at 6 per cent.....	\$6,000
New system.....	99,333, at 6 per cent.....	5,960
Two-thirds of 1 per cent.....	.667	Loss..... 40

Aside from dividends, assuming equal deposits, the gain in income of central reserve city and reserve city banks, as shown in the foregoing, would greatly exceed the loss because of investment in capital of Federal Reserve Bank. Country banks would gain in power to increase loans by reason of reduction of 5 per cent of reserve required against time deposits. In any event, an increase of loans to the extent of two-thirds of 1 per cent would offset the loss of income because of capital investment regardless of dividends, which will be earned in due time and are cumulative.

EXHIBIT H.

BY-LAWS, FEDERAL RESERVE BANK OF SAN FRANCISCO.

ARTICLE I.—*Directors.*

SECTION 1. Quorum.—A majority of the directors shall constitute a quorum for the transaction of business, but less than a quorum may adjourn from time to time until a quorum is in attendance.

SEC. 2. Vacancies.—As soon as practicable after the occurrence of any vacancy in the membership of the board the chairman of the board shall take such steps as may be necessary to cause such vacancy to be filled in the manner provided by law.

SEC. 3. Meetings.—There shall be a regular meeting of the board every first and third Tuesday of each month at 11.30 o'clock a. m., or, if that day be a holiday, on the first preceding full business day. The chairman of the board may call a special meeting at any time, and shall do so upon the written request of any three directors or of the governor. Notice of regular and special meetings may be given by mail or by telegraph. If given by mail, such notice shall be mailed at least six days before the date of the meeting. If given by telegraph, such notice shall be dispatched at least three days before the date of the meeting. Notice of any meeting may be dispensed with if each of the directors shall in writing waive such notice.

SEC. 4. Powers.—The business of this bank shall be conducted under the supervision and control of its board of directors, subject to the supervision vested by law in the Federal Reserve Board. The board of directors shall appoint the officers and fix their compensation.

The board may appoint legal counsel for the bank, define his duties, and fix his compensation.

SEC. 5. Special committees.—Special business of the bank may be referred from time to time to special committees, which shall exercise such powers as the board may delegate to them.

SEC. 6. Order of business.—The board may from time to time make such regulations as to order of business as may seem to it desirable.

ARTICLE II.—*Executive committee.*

SECTION 1. How constituted.—There shall be an executive committee consisting of the governor, the Federal Reserve Agent, and one or more directors; the member or members of the committee chosen by the board shall serve during the pleasure of the board or for terms fixed by it. Not less than three members of the committee shall constitute a quorum for the transaction of business, and action by the committee shall be upon the vote of a majority of those present at any meeting of its committee.

The committee shall have power to fix the time and place of holding regular or special meetings and the method of giving notice thereof.

Minutes of all meetings of the executive committee shall be kept by the secretary, and such minutes or digests thereof shall be submitted to the members of the board of directors at its next succeeding meeting. Such minutes shall be read to the meeting if required by any member of the board.

Sec. 2. *Powers.*—Subject to the supervision and control of the board of directors, as set forth in Article I, section 4, the executive committee shall have the following powers:

- (a) To pass upon all commercial paper submitted for discount.
- (b) To initiate and conduct open-market transactions.
- (c) To recommend to the board of directors from time to time changes in the discount rate.
- (d) To buy and sell securities.
- (e) To apply for and provide for the security of such Federal Reserve notes as may, in the judgment of the committee or of the board, be necessary for the general requirements of the bank.
- (f) To employ or to delegate to officers of the bank authority to employ clerks and other subordinates, and to define their duties and to fix their compensations.
- (g) To approve bonds furnished by the officers and employees of the bank and to provide for their custody.
- (h) In general, to conduct the business of the bank, subject to the supervision and control of the board of directors.

ARTICLE III.—*Officers.*

SECTION 1. The board of directors shall appoint a governor, a deputy governor, a secretary, and a cashier, and shall have power to appoint such other officers as the board may from time to time determine to be necessary and appropriate for the conduct of the business of the bank. The offices of deputy governor, secretary, and cashier, or any two of them, may be held by one person, in the discretion of the board. The officers chosen by the board shall hold office during the pleasure of the board.

Sec. 2. *Federal Reserve Agent.*—The Federal Reserve Agent, as chairman of the board, shall preside at meetings thereof. Copies of all reports and statements made to the Federal Reserve Board shall be filed with the Federal Reserve Agent.

Sec. 3. *Deputy Federal Reserve Agent.*—In the absence or disability of the Federal Reserve Agent his powers shall be exercised and his duties performed by the Deputy Federal Reserve Agent, who may perform such other services as shall be prescribed by the board of directors not inconsistent with his duties as provided by law.

Sec. 4. *The governor.*—Subject to the supervision and control of the board of directors, the governor shall have general charge and control of the business and affairs of the bank and he shall be the chairman of the executive committee. He shall have power to make any and all transfers of securities or other property of the bank which may be authorized to be sold or transferred by the executive committee or by the board. The governor shall have power to prescribe the duties of all subordinate officers and agents of the bank where such duties are not specifically prescribed by law or by the board of directors or by the by-laws. The governor may suspend or remove any employee of the bank.

Sec. 5. *The deputy governor.*—In case of the absence or disability of the governor his powers shall be exercised and his duties discharged by the deputy governor, and in case of the absence or disability of the deputy governor the board shall appoint one of the other directors governor pro tempore. The duties of the deputy governor shall otherwise be such as may be prescribed by the board of directors or by the governor. In case the board shall deem that the business of the bank requires the appointment of one or more assistant deputy governors, it shall have authority to appoint such assistant deputy governor or governors and shall prescribe and define his or their duties.

Sec. 6. *The secretary.*—The secretary shall keep the minutes of all meetings of the board and of all committees thereof. He shall have custody of the seal of the bank, with power to affix same to certificates of stock of the bank, and by authority of the board or the executive committee to such other instruments as may from time to time be required. The board of directors may, in the absence or disability of the secretary, or upon other occasion where in the discretion of the board greater convenience can be attained, appoint a secretary pro tempore or empower one or more officers to affix the seal of the bank to certificates of stock or other instruments. The secretary shall perform such other duties as may from time to time be prescribed by the board of directors, the executive committee, or the governor.

SEC. 7. *The cashier.*—The cashier and at least one other officer designated by the board of directors shall have the joint custody of all moneys, investments, and securities of the bank, subject to such rules as the board may adopt for their safety. He shall perform such other duties as may be assigned to him from time to time by the executive committee, the board of directors, or the governor.

ARTICLE IV.—*Certificates of stock.*

SECTION 1. *Signature.*—All certificates of stock, or of payment of or on account of stock subscriptions, shall be signed by the governor or a deputy governor and the secretary or cashier, or such other officers as may be prescribed by the board, and such certificates shall bear the corporate seal.

ARTICLE V.

SECTION 1. *Business hours.*—The bank shall open for business from 10 o'clock to 3 o'clock on each day except Sundays or days or parts of days established as legal holidays, and on Saturdays from 10 o'clock to 12 o'clock.

ARTICLE VI.—*Amendments.*

These by-laws may be amended at any regular meeting of the board by a majority vote of the entire board: *Provided, however,* That a copy of such amendment shall have been delivered to each member at least 10 days prior to such meeting.

EXHIBIT I.

Discount rates.

Regular paper.	Not exceeding 10 days.	Over 10 and not exceeding 30 days.	Over 30 and not exceeding 60 days.	Over 60 and not exceeding 90 days.	Over 90 days.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Nov. 16, 1914.....	6	6	6½	6½	6½
Dec. 2, 1914.....	5½	5½	6	6	6
Dec. 15, 1914.....	5	5	5½	6	6
Dec. 31, 1914.....	4½	4½	5½	6	6
Jan. 8, 1915.....	4	4	5	5½	6
Jan. 22, 1915.....	4	4	4	4½	6
May 8, 1915.....	3½	3½	4	4½	6
June 25, 1915 ¹	3	3½	4	4½	6

Commodity paper.	Not exceeding 30 days.	Over 30 and not exceeding 60 days.	Over 60 and not exceeding 90 days.	Over 90 days and not exceeding 6 months.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Sept. 24, 1915 ¹	3½	4	4½	5

Trade acceptances. ¹	Not exceeding 60 days.	Over 60 and not exceeding 90 days.
	<i>Per cent.</i>	<i>Per cent.</i>
Aug. 5, 1915.....	3	3½

¹ Rates in effect Nov. 30, 1915.

EXHIBIT J.

Banks in twelfth district granted special permits by the Federal Reserve Board to act as trustee, executor, administrator, registrar of stocks and bonds.

City.	State.	Bank.	Nature of power granted.
Callexico.....	California.....	First National.....	Registrar of stocks and bonds.
Los Angeles.....	do.....	Continental National.....	Do.
Oakland.....	do.....	Central National.....	Do.
Pleasanton.....	do.....	First National.....	Do.
Visalia.....	do.....	do.....	Do.
Wilmington.....	do.....	do.....	Do.
Fullerton.....	do.....	Farmers & Merchants.....	Do.
San Francisco.....	do.....	Bank of California, National Association. ¹	Trustee, executor, administrator, registrar of stocks and bonds.
Tonopah.....	Nevada.....	Nevada First National.....	Registrar of stocks and bonds.
Harrisburg.....	Oregon.....	First National.....	Trustee, executor, administrator.
Junction City.....	do.....	do.....	Do.
Milton.....	do.....	do.....	Trustee, executor, administrator, registrar of stocks and bonds.
Ontario.....	do.....	do.....	Executor, administrator.
Pendleton.....	do.....	American National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Do.....	do.....	First National.....	Do.
Portland.....	do.....	do.....	Do.
Ashland.....	do.....	do.....	Trustee.
Salt Lake City.....	Utah.....	Deseret National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Mount Vernon.....	Washington.....	First National.....	Trustee, executor, administrator.
Seattle.....	do.....	Seattle National.....	Trustee, executor, administrator, registrar of stocks and bonds.
Vancouver.....	do.....	Vancouver National.....	Do.
Bellingham.....	do.....	Bellingham National.....	Do.
Seattle.....	do.....	National Bank of Commerce.	Do.

¹ All powers in branch banks. Registrar of stocks and bonds in California.

EXHIBIT K.

Banks in twelfth district granted permission by Federal Reserve Board to accept drafts or bills of exchange up to 100 per cent of capital and surplus.

City.	Bank.	Capital and surplus.
San Francisco.....	Bank of California, National Association.....	\$15,000,000
Do.....	Wells Fargo Nevada National.....	9,500,000
Do.....	First National Bank.....	4,500,000
Do.....	Crocker National Bank.....	4,000,000
Do.....	Anglo & London Paris National.....	5,500,000
Portland.....	First National Bank.....	3,500,000

EXHIBIT L.

EXCHANGE CHARGES IN TWELFTH DISTRICT.

1. Rates for all points specified in this report are subject to variations in rate due to special arrangements between banks.
2. In general country banks clear their items through their city correspondents without paying any charges for exchange.
3. Country banks, quite generally, make charges for exchange.
4. Banks in this district, quite generally, charge exchange for checks received from further east.
5. Banks in this district do not find it necessary to pay exchange in clearing checks drawn upon points further east.

	Checks bearing eastern indorsements (per 100).	Checks indorsed by Pacific coast points (per 100).
	<i>Cents.</i>	<i>Cents.</i>
Arizona.....	25	25
California:		
San Diego.....	10	5
Los Angeles ¹	10	5
San Francisco.....	(²)	(²)
Sacramento.....	10	5
California—		
Outside southern.....	10	5
Outside central.....	10	5
Outside northern.....	10	10
Idaho.....	15	10
Nevada.....	15	10
Oregon:		
Portland.....	10	10
Oregon, outside.....	10	10
Utah:		
Salt Lake City.....	10	10
Utah, outside.....	\$ 15	\$ 15
Washington:	\$ 12½	\$ 5-10
Spokane.....	\$ 12½	\$ 12½
Washington, outside.....	\$ 12½	\$ 12½

¹ Los Angeles makes no charge for checks drawn by railway and steamship companies, fruit and nut shippers, and fruit and meat packers.

² No uniform rates, each bank entering into special agreement with eastern correspondents for collection of checks on Pacific coast.

³ And up.

EXHIBIT M.

Principal items in reports of conditions to Comptroller of Currency, Nov. 10, 1915, by member banks in Twelfth District, and abstract of exchange, losses, and earning accounts for 3 years.

[In thousands only ('000 omitted). Classification of banks by total resources.]

Items.	To \$100,000.	\$100,001 to \$200,000.	\$200,001 to \$300,000.	\$300,001 to \$500,000.	\$500,001 to \$2,500,000.	\$2,500,001 to \$20,000,000.	\$20,000,001 and over.	Total for district.
Capital, surplus, and undivided profits.....	\$386	\$2,124	\$3,897	\$8,075	\$37,089	\$45,659	\$55,657	\$152,887
Demand deposits.....	559	5,302	12,223	23,720	107,741	143,776	127,431	420,752
Time deposits.....	57	1,443	2,633	6,473	29,652	46,696	21,459	108,413
Money borrowed.....	36	164	241	774	2,509	400	-----	4,124
Loans and discounts.....	640	5,530	11,177	23,784	111,314	151,362	137,014	440,821
Bonds, securities, etc....	52	711	1,903	4,118	4,012	32,030	18,968	61,794
Loans eligible for re-discount with Federal Reserve Bank...	154	1,018	1,991	2,735	19,783	28,524	30,789	84,994
Drafts or bills of exchange incident to the importation or exportation of goods accepted under section 13 Federal Reserve Act.....	-----	-----	7	3	12	41	39	103
Liabilities of officers and directors:	-----	-----	-----	-----	-----	-----	-----	-----
Direct.....	40	384	604	1,036	4,817	5,606	1,210	13,797
Indirect.....	10	158	192	429	1,936	2,500	1,673	6,898
Interest on time deposits:	-----	-----	-----	-----	-----	-----	-----	-----
Highest ¹	4½	6	7	4½	6	4	- 4	-----
Average ²	4⅓	4½	4⅓	4	4	4	4	-----

¹ Highest individual rate recorded.

² Average of maximum rates recorded.

Principal items in reports of conditions to Comptroller of Currency, Nov. 10, 1915, by member banks in Twelfth District, and abstract of exchange, losses, and earning accounts for 3 years—Continued.

Items.	To \$100,000.			\$100,001 to \$200,000.			\$200,001 to \$300,000.			\$300,001 to \$500,000.			\$500,001 to \$2,500,000.			\$2,500,001 to \$20,000,000.			\$20,000,001 and over.			Total for district.		
	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914	1912	1913	1914
Data covering 3 years.																								
Abstract of banks' exchange and collection account:																								
Credit.....	1	2	2	26	30	28	24	24	24	85	87	83	188	185	180	525	552	522	2,261	1,996	1,454	3,111	2,879	2,295
Debit.....				1	10	8				16	16	17	12	10	15	144	162	163	2,023	1,761	1,106	2,196	1,961	1,311
Difference.....	1	2	2	25	20	20	24	24	24	69	71	66	176	175	165	381	390	359	238	235	348	915	918	984
Losses sustained by banks from loans to borrowers other than banks:																								
Nondepositories.....							2		1	9	8	10	15	50	58	37	37	85	99	140	142	161	235	296
Other loans and discounts.....	2	1	3	10	7	8	50	61	57	35	91	152	568	565	545	704	902	1,039	130	415	869	1,500	2,042	2,673
Total losses.....	2	1	3	10	7	8	52	61	58	44	99	162	583	615	603	741	939	1,124	229	555	1,011	1,661	2,277	2,969
Total net earnings and profits, dividends paid, and surplus earnings:																								
Earnings and profits after deduction of expenses and losses.....	2		3	91	107	114	328	336	321	686	696	642	3,432	3,462	3,278	4,465	3,653	3,869	3,752	3,853	3,332	12,756	12,107	11,559
Dividend paid.....				52	74	68	190	207	197	299	506	439	2,309	2,580	2,375	3,605	3,569	2,776	2,845	2,950	3,015	9,300	9,887	8,870
Net or surplus earnings.....	2		3	39	33	46	138	129	124	387	190	203	1,123	882	903	860	84	1,093	907	903	317	3,456	222	2,689

DIRECTORY OF THE FEDERAL RESERVE BOARD AND OFFICERS AND DIRECTORS OF FEDERAL RESERVE BANKS.

FEDERAL RESERVE BOARD.

EX OFFICIO MEMBERS.

WILLIAM G. McADOO,
Secretary of the Treasury,
Chairman.

JOHN SKELTON WILLIAMS,
Comptroller of the Currency.

CHARLES S. HAMLIN, *Governor.*
FREDERIC A. DELANO, *Vice Governor.*
PAUL M. WARBURG.
W. P. G. HARDING.
ADOLPH C. MILLER.

H. PARKER WILLIS, *Secretary.*
SHERMAN ALLEN, *Assistant Secretary.*

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
	C. G. Sanford.....	Bridgeport, Conn.....	Dec. 31, 1916
	A. M. Heard.....	Manchester, N. H.....	Dec. 31, 1918
B.....	Chas. A. Morss.....	Boston, Mass.....	Dec. 31, 1917
	E. R. Morse.....	Proctor, Vt.....	Dec. 31, 1916
	Chas. G. Washburn.....	Worcester, Mass.....	Dec. 31, 1918
C.....	Frederic H. Curtiss.....	Boston, Mass.....	Dec. 31, 1917
	Walter S. Hackney.....	Providence, R. I.....	Dec. 31, 1916
	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, 1916
	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, 1916
	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, 1916
	George F. Peabody.....	Lake George, N. Y.....	Dec. 31, 1918
	Charles Starek.....	New York, N. Y.....	Dec. 31, 1917

Officers and Directors of Federal Reserve Banks—Continued.

DISTRICT NO. 3.—FEDERAL RESERVE BANK OF PHILADELPHIA.

[Richard L. Austin, chairman and Federal Reserve Agent. George W. Norris, 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.....	do.....	Dec. 31, 1916
B.....	A. B. Johnson.....	Philadelphia, Pa.....	Do.
	E. S. Stuart.....	do.....	Dec. 31, 1917
	G. W. F. Gaunt.....	Mullica Hill, N. J.....	Dec. 31, 1918
C.....	Richard L. Austin.....	Philadelphia, Pa.....	Dec. 31, 1917
	George W. Norris.....	do.....	Dec. 31, 1916
	Vance C. McCormick.....	Harrisburg, 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, 1916
	S. B. Rankin.....	South Charleston, Ohio.....	Dec. 31, 1918
B.....	T. A. Combs.....	Lexington, Ky.....	Dec. 31, 1917
	C. H. Bagley.....	Corry, Pa.....	Dec. 31, 1916
	John Stambaugh.....	Youngstown, Ohio.....	Dec. 31, 1918
C.....	D. C. Wills.....	Bellevue, Pa.....	Dec. 31, 1917
	Lyman H. Treadway.....	Cleveland, Ohio.....	Dec. 31, 1916
	H. P. Wolfe.....	Columbus, Ohio.....	Dec. 31, 1918

DISTRICT NO. 5.—FEDERAL RESERVE BANK OF RICHMOND.

[William Ingle,¹ 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, 1916
	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, 1916
C.....	James A. Moncure.....	Richmond, Va.....	Dec. 31, 1916
	M. F. H. Gouverneur.....	Wilmington, N. C.....	Dec. 31, 1918

¹ Resigned Feb. 12, 1916.

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, 1916
	W. H. Toole.....	Winder, Ga.....	Dec. 31, 1917
B.....	P. H. Saunders.....	New Orleans, La.....	Do.
	J. A. McCrary.....	Decatur, Ga.....	Dec. 31, 1913
	W. H. Hartford.....	Nashville, Tenn.....	Dec. 31, 1916
C.....	M. B. Wellborn.....	Anniston, Ala.....	Dec. 31, 1917
	Edward T. Brown.....	Atlanta, Ga.....	Dec. 31, 1918
	W. H. Kettig.....	Birmingham, Ala.....	Dec. 31, 1916

Officers and Directors of Federal Reserve Banks—Continued.

DISTRICT NO. 7.—FEDERAL RESERVE BANK OF CHICAGO.

[Charles H. Bosworth, chairman and Federal Reserve Agent. W. L. 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.....	do.....	Dec. 31, 1916
	E. L. Johnson.....	Waterloo, Iowa.....	Dec. 31, 1917
B.....	Henry B. Joy.....	Detroit, Mich.....	Dec. 31, 1916
	M. E. Hutchison.....	Ottumwa, Iowa.....	Dec. 31, 1917
	A. H. Vogel.....	Milwaukee, Wis.....	Dec. 31, 1918
C.....	Charles H. Bosworth.....	Chicago, Ill.....	Dec. 31, 1916
	W. L. McLallen.....	Columbia City, Ind.....	Dec. 31, 1917
	E. T. Meredith.....	Des Moines, Iowa.....	Dec. 31, 1918

DISTRICT NO. 8.—FEDERAL RESERVE BANK OF ST. LOUIS.

[William McC. Martin, chairman and Federal Reserve Agent. T. C. Tupper, deputy chairman and deputy 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
	Oscar Fenley.....	Louisville, Ky.....	Dec. 31, 1916
B.....	David C. Biggs.....	St. Louis, Mo.....	Dec. 31, 1918
	W. B. Plunkett.....	Little Rock, Ark.....	Dec. 31, 1916
	Leroy Percy.....	Greenville, Miss.....	Dec. 31, 1917
C.....	W. McC. Martin.....	St. Louis, Mo.....	Dec. 31, 1918
	T. C. Tupper.....	do.....	Dec. 31, 1916
	John W. Boehne.....	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, 1916
	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, 1916
	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, 1916

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, 1916
	C. E. Burnham.....	Norfolk, Nebr.....	Dec. 31, 1917
B.....	M. L. McClure.....	Kansas City, Mo.....	Dec. 31, 1916
	T. C. Byrne.....	Omaha, Nebr.....	Dec. 31, 1918
	L. A. Wilson.....	El Reno, Okla.....	Dec. 31, 1917
C.....	Chas. M. Sawyer.....	Kansas City, Mo.....	Do.
	F. W. Fleming.....	do.....	Dec. 31, 1916
	R. H. Malone.....	Denver, Colo.....	Dec. 31, 1918

Officers and Directors of Federal Reserve Banks—Continued.

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
	E. A. McKinney.....	Durant, Okla.....	Dec. 31, 1916
B.....	Marion Sansom.....	Fort 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
	Felix Martinez.....	El Paso, Tex.....	Dec. 31, 1916

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, 1916
	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, 1916
C.....	John Perrin.....	Pasadena, Cal.....	Dec. 31, 1917
	Claude Gatch.....	San Francisco, Cal.....	Dec. 31, 1916
	Walton N. Moore.....	do.....	Dec. 31, 1918

FEDERAL ADVISORY COUNCIL.

Daniel C. Wing, representing district No. 1, president First National Bank, Boston.

J. P. Morgan, representing district No. 2, J. P. Morgan & Co., New York.

L. L. Rue, representing district No. 3, president Philadelphia National Bank, Philadelphia.

W. S. Rowe, representing district No. 4, president First National Bank, Cincinnati; director Federal Reserve Bank of Cleveland.

J. W. Norwood, representing district No. 5, president Norwood National Bank, Greenville, S. C.

Charles A. Lyerly, representing district No. 6, president First National Bank, Chattanooga.

James B. Forgan, representing district No. 7, president First National Bank, Chicago; director Federal Reserve Bank of Chicago.

C. T. Jaffray, representing district No. 9, first vice president First National Bank, Minneapolis.

E. F. Swinney, representing district No. 10, president First National Bank, Kansas City.

T. J. Record, representing district No. 11, president City National Bank, Paris, Tex.

Herbert Fleishacker, representing district No. 12, president Anglo and London, Paris National Bank, San Francisco, Cal.

NOTE.—Member of advisory council for district No. 8 not as yet selected.

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