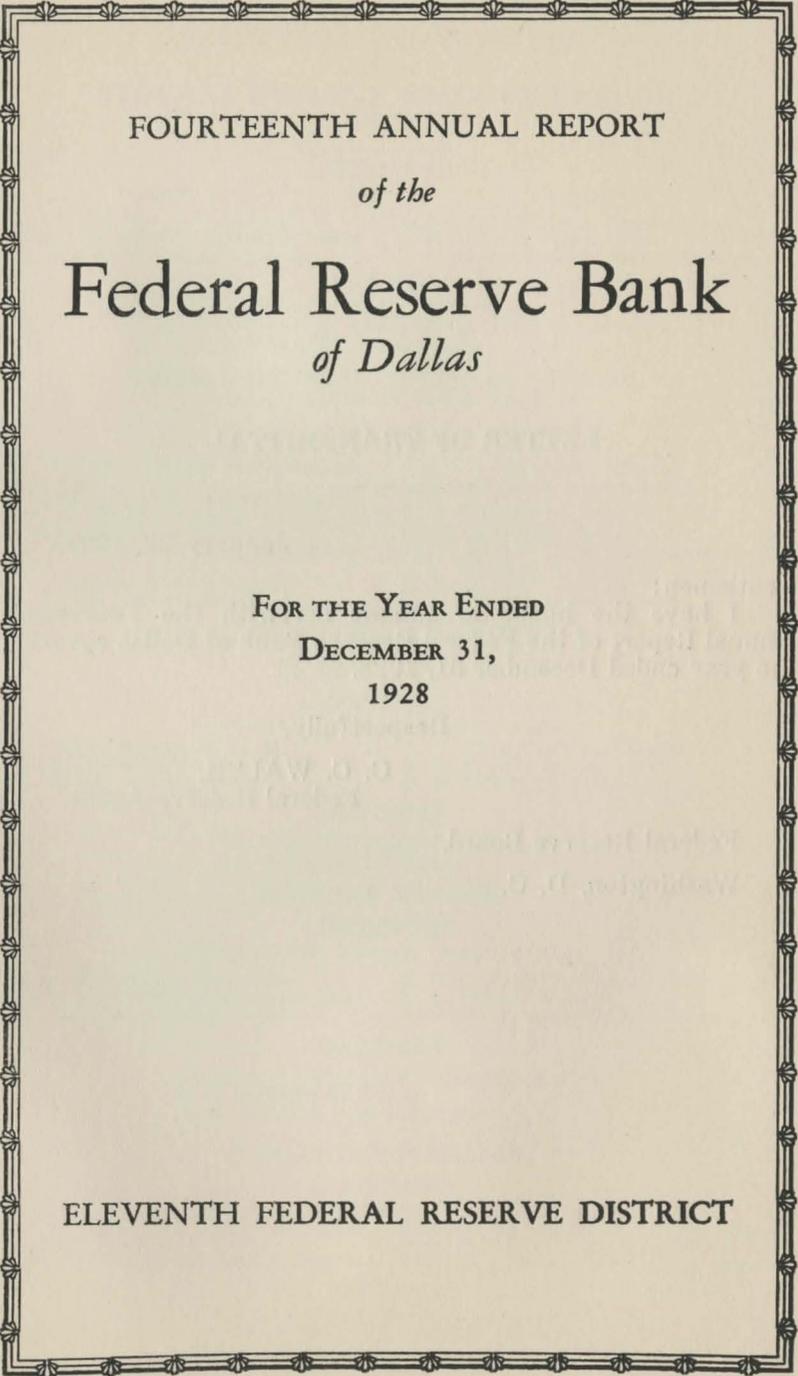


FOURTEENTH ANNUAL REPORT
of the
Federal Reserve Bank
of Dallas

FOR THE YEAR ENDED
DECEMBER 31,
1928

ELEVENTH FEDERAL RESERVE DISTRICT



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of the
Federal Reserve Bank
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1928

ELEVENTH FEDERAL RESERVE DISTRICT

LETTER OF TRANSMITTAL

January 22, 1929.

Gentlemen:

I have the honor to submit herewith the Fourteenth Annual Report of the Federal Reserve Bank of Dallas covering the year ended December 31, 1928.

Respectfully,

C. C. WALSH,
Federal Reserve Agent.

Federal Reserve Board,
Washington, D. C.

DIRECTORS AND OFFICERS
of the
FEDERAL RESERVE BANK OF DALLAS
1929

DIRECTORS

CLASS A

J. H. FROST, San Antonio, Texas
HOWELL E. SMITH, McKinney, Texas
W. H. PATRICK, Clarendon, Texas

CLASS B

A. S. CLEVELAND, Houston, Texas
J. R. MILAM, Waco, Texas
J. J. CULBERTSON, Paris, Texas

CLASS C

C. C. WALSH, Dallas, Texas
CLARENCE E. LINZ, Dallas, Texas
S. B. PERKINS, Dallas, Texas

MEMBER FEDERAL ADVISORY COUNCIL

B. A. MCKINNEY, Dallas, Texas

OFFICERS

C. C. WALSH, Chairman and Federal Reserve Agent	LYNN P. TALLEY, Governor
CLARENCE E. LINZ, Deputy Chairman	R. R. GILBERT, Deputy Governor
CHAS. C. HALL, Assistant Federal Reserve Agent and Secretary	R. B. COLEMAN, Deputy Governor
W. J. EVANS, Assistant Federal Reserve Agent	FRED HARRIS, Cashier
W. P. CLARKE, General Auditor	W. D. GENTRY, Ass't. Deputy Governor
C. C. TRUE, Assistant Auditor	J. L. HERMANN, Assistant Cashier
	E. B. AUSTIN, Assistant Cashier
	R. O. WEBB, Assistant Cashier

CHAS. C. HUFF, General Counsel
LOCKE, LOCKE, STROUD & RANDOLPH, Counsel

EL PASO BRANCH

DIRECTORS

A. P. COLES, El Paso, Texas, Chairman	
E. A. CAHOON, Roswell, N. M.	G. D. FLORY, El Paso, Texas
A. J. CRAWFORD, Carlsbad, N. M.	E. M. HURD, El Paso, Texas
W. O. FORD, El Paso, Texas	C. M. NEWMAN, El Paso, Texas

OFFICERS

W. O. FORD, Managing Director
ALLEN SAYLES, Cashier

HOUSTON BRANCH

DIRECTORS

J. C. WILSON, Beaumont, Texas, Chairman	
GUY M. BRYAN, Houston, Texas	E. F. GOSSETT, Houston, Texas
FRED W. CATTERALL, Galveston, Texas	E. A. PEDEN, Houston, Texas
R. M. FARRAR, Houston, Texas	DWIGHT P. REORDAN, Houston, Texas

OFFICERS

DWIGHT P. REORDAN, Managing Director
L. G. PONDROM, Cashier
H. R. DeMOSS, Assistant Cashier

SAN ANTONIO BRANCH

DIRECTORS

FRANK G. CROW, McAllen, Texas, Chairman	
JOHN M. BENNETT, San Antonio, Texas	REAGAN HOUSTON, San Antonio, Texas
M. CRUMP, San Antonio, Texas	R. T. HUNNICUTT, Del Rio, Texas
FRANZ C. GROOS, San Antonio, Texas	ERNEST STEVES, San Antonio, Texas

OFFICERS

M. CRUMP, Managing Director
C. B. MENDEL, Cashier

FEDERAL RESERVE BANK OF DALLAS

COMPARATIVE STATEMENT OF CONDITION

(In Thousands of Dollars)

RESOURCES			
	Dec. 31, 1928	Dec. 31, 1927	Dec. 31, 1926
Gold with Federal Reserve Agent.....	27,480	35,804	38,488
Gold redemption fund with U. S. Treasury.....	2,785	1,839	2,609
Gold held exclusively against F. R. Notes.....	30,265	37,643	41,097
Gold settlement fund with F. R. Board.....	33,518	14,742	19,090
Gold and gold certificates held by bank.....	7,284	7,427	8,448
Total gold reserves.....	71,067	59,812	68,635
Reserves other than gold.....	5,537	9,391	8,137
Total reserves.....	76,604	69,203	76,772
Non-reserve cash.....	3,410	3,189	2,548
Bills discounted:			
Secured by U. S. Government obligations.....	9,001	611	1,594
Other bills discounted.....	2,160	267	3,178
Total bills discounted.....	11,161	878	4,772
Bills bought in open market.....	25,420	22,811	15,927
U. S. Government securities:			
Bonds.....	7,813	18,107	3,738
Treasury Notes.....	2,175	2,671	3,813
Certificates of indebtedness.....	20	11,211	15,788
Total U. S. Government securities.....	10,008	31,989	23,339
Other securities.....	6,500	-----	-----
Total bills and securities.....	53,089	55,678	44,038
Due from foreign banks.....	25	17	-----
Uncollected items.....	27,587	29,964	28,215
Bank premises.....	1,920	1,785	1,755
All other resources.....	427	501	358
Total resources.....	163,062	160,337	153,686
LIABILITIES			
F. R. notes in actual circulation.....	48,585	47,472	48,803
Deposits:			
Member bank—reserve account.....	71,017	70,970	62,898
Government.....	1,111	774	1,257
Foreign banks.....	228	162	985
Other deposits.....	92	103	61
Total deposits.....	72,448	72,009	65,201
Deferred availability items.....	28,654	27,798	26,781
Capital paid in.....	4,329	4,263	4,302
Surplus.....	8,690	8,527	8,215
All other liabilities.....	356	268	384
Total liabilities.....	163,062	160,337	153,686
Ratio of total reserves to deposit and Federal reserve note liabilities combined (per cent).....	63.3	57.9	67.3
Contingent liability on bills purchased for foreign correspondents.....	11,306	8,007	1,976

FOURTEENTH ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK OF DALLAS

Business and industry in the Eleventh Federal Reserve District during the year 1928 reflected a considerable improvement as compared to the year 1927. The distribution of merchandise in both wholesale and retail channels was in a larger volume than in the previous year and collections generally were good. The improvement in the financial status of business was reflected in the lower business mortality rate, there being fewer commercial failures than in any year since 1924. Furthermore, the indebtedness of defaulting firms showed a noticeable reduction from the previous year. Business in general was in a stronger financial condition than in 1927 and bank deposits were at record levels. Construction activity as measured by the valuation of building permits issued at principal cities exceeded that of the previous year by a small margin. The production of petroleum in the district again reached a new level due to the discovery of new and prolific fields, and the operations in the industry were more profitable as there was some recovery from the low level reached in 1927 in the price of crude oil.

The volume of agricultural production was larger than in 1927 and the gross value of crops again showed a substantial gain over the previous year. The farmers' net equity in 1928 crops was affected by higher production costs brought about largely by the adverse weather conditions during the planting season which entailed heavy expenditures for replanting and cultivation of crops. The program of diversification which gained impetus in 1927 was extended in many sections in 1928 and a larger percentage of farmers again made their living at home. The heavy production of feed crops will be of considerable aid to the farmers in efforts to hold down the cost of producing 1929 crops.

The year was a very profitable one for the livestock industry. Livestock and their ranges, with few exceptions, were maintained in good physical condition throughout the year. The calf and lamb crops were large and losses generally were few. Cattle prices reflected a steady upward trend during the first eight months of the year, reaching the highest levels witnessed since the war period, and trading on the ranges was active at the high prices. The market, however, reacted somewhat during the closing months of the year.

The volume of transactions handled by the Federal Reserve Bank of Dallas during 1928 showed a considerable increase over that of the previous year, yet, due to a further increase in the efficiency of the personnel, the departments of the bank as a whole functioned with practically the same number of employees as during 1927.

FEATURES OF OPERATIONS, YEARS 1928 AND 1927

	—1928—		—1927—	
	Number of Items	Amount	Number of Items	Amount
Loans, Rediscounts, and Investments:				
Notes discounted and rediscounted for member banks.....	26,094	\$737,651,383	19,275	\$281,580,673
Bills bought for our own account.....	12,367	122,759,739	8,773	119,970,775
Bills bought for other than our own account.....	5,271	55,972,021	2,822	29,521,278
Purchase and sale of securities for own account.....	464	101,158,700	1,102	171,555,550
Purchase and sale of securities other than own account.....	1,818	79,023,930	696	30,107,791
Currency and Coin:				
Bills received and counted.....	51,124,742	223,263,259	47,449,190	215,433,525
Coin received and counted.....	43,351,370	7,441,471	34,854,533	7,067,104
Check Collections:				
Checks collected.....	38,761,035	8,225,957,960	36,097,295	7,751,047,967
Collection items handled.....	128,674	218,336,519	122,814	194,864,160
Return items.....	1,063,800	39,479,959	995,146	38,998,296
U. S. Government checks paid.....	1,038,308	115,553,879	901,015	100,412,540
U. S. Government coupons paid.....	492,956	5,625,002	598,390	4,750,750
Transfers:				
Transfer of funds other than five per cent fund of national banks.....	108,691	5,043,449,840	93,380	4,191,300,603
Transfer of funds for five per cent fund of national banks....	17,957	48,503,053	16,334	40,430,472
Fiscal Agency:				
U. S. Securities issued, converted, redeemed, canceled, and exchanged.....	126,680	268,791,180	110,724	200,630,024
Custody of Securities:				
Number of pieces received from outside sources.....	36,899	Not available	29,650	Not available
Number of pieces received inter-departmental transactions....	51,546	Not available	26,757	Not available
Number of pieces delivered other than inter-departmental....	34,761	Not available	32,364	Not available
Number of pieces delivered inter-departmental transactions....	51,681	Not available	26,818	Not available

EARNINGS AND EXPENSES

The gross earnings of the bank in 1928 were \$2,119,666, as compared with \$1,741,921 in 1927, an increase of \$377,745 or 21.7 per cent. Of this amount \$680,663 or 32.1 per cent resulted from the purchase of bills, as compared with \$430,353 or 24.7 per cent in 1927; \$669,514 or 31.6 per cent resulted from the discount and rediscount of paper, as compared with \$254,984 or 14.6 per cent in 1927.

Current net earnings in 1928 were \$874,187, as compared with \$474,584 in 1927, an increase of \$399,603 or 84.2 per cent. The average rate on bills discounted was 4.4 per cent, compared with 3.8 per cent in 1927; and on purchased paper 4.1 per cent, as compared with 3.5 per cent in 1927. The annual rate of current net earnings to paid-in capital was 20.3 per cent in 1928, compared with 11.1 per cent in 1927.

Current expenses in 1928 were \$1,245,479, as compared with \$1,267,337 in 1927, a decrease of \$21,858 or 1.7 per cent.

On December 31, 1927, after adjustments necessary in closing the books for the year had been made, the bank's capital was \$4,263,450 and surplus \$8,526,900. Semi-annual dividends were paid to member banks on June 30 and December 31, 1928, at the rate of 6 per cent per annum. After making provision for the usual depreciation allowances and sundry adjustments \$291,609.79 was paid to the United States Government as a Franchise tax and \$163,301.09 was transferred to surplus, making that account \$8,690,201.09 on December 31, 1928.

OPEN MARKET OPERATIONS

At the beginning of the year 1928 holdings of United States Government securities were \$31,989,000, of which \$22,959,500 consisted of participation in purchases for the System by the Open Market Investment Committee.

During the year United States Government securities, exclusive of participation in System purchases, amounting to \$53,913,550, were purchased in the open market from member banks and others, while securities aggregating \$52,935,200 matured or were sold, representing an increase in our independent holdings of securities of \$978,350 and leaving total holdings of \$10,007,850 on December 31, 1928. Our participation in the System's holdings was gradually reduced during the year to \$4,306,500 on December 17, and remained at this figure until December 24, when the entire amount of our participation was sold.

The yield on our holdings of Government securities averaged about $3\frac{5}{8}$ per cent for the year.

At the beginning of the year holdings of bankers' acceptances amounted to \$22,810,773. This amount was gradually reduced to the minimum of \$9,867,451 on July 27, due to maturities during that period regularly exceeding purchases. From this figure holdings were increased to \$25,857,897 on December 29, which was the maximum for the year.

Bankers' acceptances amounting to \$122,759,739 were purchased in the open market from other Federal Reserve Banks and member banks during the year, while bills amounting to \$120,150,947 matured or were sold. Holdings amounted to \$25,419,565 on December 31, 1928.

At the beginning of the year buying rates on bankers' acceptances ranged from 3 per cent to $3\frac{3}{4}$ per cent, increasing slightly from time to time, the range at the close of the year being $4\frac{3}{8}$ per cent to $4\frac{7}{8}$ per cent. The average yield on our holdings of bankers' acceptances for the year was 4.1 per cent.

During the year we purchased debentures of the Federal Intermediate Credit Bank of Houston amounting to \$9,500,000 and our holdings of such debentures at the close of business December 31, 1928, were \$6,500,000.

DISCOUNT OPERATIONS

The volume of paper discounted and rediscounted for member banks in 1928 was \$737,651,383, compared with \$281,580,000 in 1927, an increase of \$456,071,383 or 162 per cent.

Of the total advances to member banks in 1928, 99 per cent was to national bank members and 1 per cent was to state bank members, as compared with 96 per cent to national bank members and 4 per cent to state bank members in 1927.

The minimum borrowings were \$2,579,131.83 on February 28 and gradually increased from this figure to \$33,794,111.09 on September 4, which was the maximum for the year, and amounted to \$11,161,445.48 on December 31.

Of the total paper discounted in 1928, \$589,613,000 or 80 per cent consisted of notes secured by United States Government obligations, as compared with \$201,798,000 or 72 per cent in 1927, an increase in this class of borrowings of \$387,815,000 or 192 per cent.

**CLASSIFICATION AND DISPOSITION OF NOTES
SUBMITTED BY MEMBER BANKS
DURING 1928**

	Number	Amount
Number and amount of items received.....	30,165	\$91,162,384.88

CLASSIFICATION

Farming	\$17,447,407.52*	
Commercial	73,027,702.55	
Miscellaneous	687,274.81	\$91,162,384.88

**REASONS FOR RETURN OF PAPER, SHOWING PERCENTAGE
RETURNED TO TOTAL RECEIVED**

	Amount	Percentage	Items	Percentage
Ineligibility	\$ 475,467.71	.52	130	.43
Technical Defects	305,094.90	.33	188	.62
Insufficient Cr. Information	301,913.48	.33	179	.60
Credit Showing	758,122.56	.83	896	2.97
Miscellaneous	68,701.79	.08	45	.15
Total Returned	\$ 1,909,300.44	2.09	1,438	4.77
Total Accepted	89,253,084.44	97.91	28,727	95.23
Total	\$91,162,384.88	100.00	30,165	100.00

**CONTRIBUTION OF MEMBER BANKS TO THE CAPITAL STOCK
OF THE FEDERAL RESERVE BANK OF DALLAS AND
BRANCHES, SEGREGATED AS TO BANKS IN
GROUPS 1, 2 AND 3**

Group 1	\$2,161,350
Group 2	1,446,900
Group 3	720,650
Total	\$4,328,900

**PERCENTAGES OF AVERAGE DAILY BORROWINGS FROM THE
FEDERAL RESERVE BANK OF DALLAS AND BRANCHES
OF EACH GROUP TO ITS CAPITAL STOCK PAYMENT**

Group 1	506%
Group 2	186%
Group 3	293%

*Does not include \$6,500,000 Debentures of the Federal Intermediate Credit Bank of Houston.

RESERVE POSITION

For the first six months of the year the reserve position of the bank ranged between a maximum ratio of 70.2 per cent on February 29 (the highest of the year as of weekly reporting periods) when total cash reserves were \$74,902,000, to a minimum of 54.4 per cent on January 18, when total cash reserves were \$60,618,000.

During the latter half of the year the ratio fluctuated between a maximum of 68.5 per cent on July 11, when total cash reserves were \$66,696,000, to a minimum of 47.9 per cent on August 22, when total cash reserves were \$46,354,000.

CLEARING OPERATIONS

The volume of checks handled during the year 1928 totaled 39,799,000, amounting to \$8,341,512,000, an increase of 2,801,000 in number and value of \$490,052,000 over 1927. The volume during the last three months of 1928 was exceptionally heavy, which is the seasonal trend due to utilization of funds realized through the marketing of fall crops. The daily average number of checks handled during this period was 151,432, as compared with 139,000 during 1927, and 125,000 during 1926. The maximum number of items handled in any one day was 224,110 on October 15, 1928.

The privilege of routing checks direct to other Federal Reserve Banks for credit on the books of this bank was availed of by 147 member banks in 1928. Notwithstanding the number of banks availing themselves of the direct routing privilege which eliminates the handling of items in our office and in many instances enables the direct sending member to receive quicker credit, the year just ended witnessed a large increase in the number of checks which actually passed through our Transit Department.

During the year 1,063,800 checks were returned for various reasons, a ratio of one check returned for every 37 items handled. During 1927 the ratio was one to 37.

Clearings through the Reserve City Clearing House during the year aggregated \$1,216,222,111, as compared with \$1,146,943,900 in 1927.

Non-cash collection items handled in 1928 totaled 128,674 amounting to \$218,336,000, as compared with 122,814, amounting to 194,864,000 in 1927.

The salary expense of the Transit Department was reduced 6 per cent in 1928 over 1927 at the Head Office.

MOVEMENT OF MEMBERSHIP

On January 1, 1928, the total number of national banks in the district was 706. During the year 12 national banks were chartered; 18 were dropped through liquidation, mergers and other causes, making a net decrease of six, or a total on December 31, 1928 of 700.

On January 1, 1928, the total state bank membership was 101. During the year two state banks were admitted to membership. The membership of eight state banks was terminated through liquidation, consolidations and other causes, making a net reduction of six, or a total state bank membership on December 31, 1928 of 95.

The total membership, by states, on December 31, 1928, was:

	National	State	Total
Arizona	4	1	5
Louisiana	15	1	16
New Mexico	19	1	20
Oklahoma	18	1	19
Texas	644	91	735
Total.....	700	95	795

DEMAND FOR CURRENCY

The average amount of Federal reserve notes in circulation during 1928 was approximately \$4,000,000 less than in 1927. The following table shows the average, maximum and minimum circulation for 1928, as compared with 1926 and 1927:

	1928	1927	1926
Average	\$38,418,000	\$42,320,000	\$42,128,000
Maximum	50,811,000	51,596,000	51,970,000
Minimum	29,498,000	34,194,000	34,981,000

The minimum circulation of \$29,498,000 in 1928 was in July, while the minimum in 1927 of \$34,194,000 was in June. In 1928 the maximum circulation of \$50,811,000 was reached December 24, while in 1927 the maximum of \$51,596,000 was on November 5. Money shipments in volume began and ended a month later in 1928 than in 1927.

Although both the average and maximum Federal reserve note circulation were less in 1928 than in 1927, there was an increase from minimum circulation in 1928 of \$21,000,000,

while the increase from minimum in 1927 was only \$17,000,000.

During the autumn shipping season of 1928, the most important variation was an increased demand for all classes of currency of approximately \$4,900,000 more for the months of September and October than for the same period last year. This increase was partially offset by a decreased demand of approximately \$3,500,000 for a portion of the months of July and November and the month of August in 1928, as compared to same period in 1927, leaving a net increase of approximately \$1,400,000 for the shipping season of 1928 over season of 1927.

BANK EXAMINATIONS

The Examination Department conducted 94 credit investigations during the year. These visitations covered member state banks and were made in connection with regular examinations conducted by the state authorities. Two non-member banks were examined for membership in the System, and one independent credit investigation of a national bank was made. The total number of visitations made by the department during 1928 was 97, as compared with 108 in 1927.

BANK RELATIONS

The Bank Relations Department continued the policy of visiting practically every member bank in the district at least once during the year. The total number of visits in 1928 was 1,048, as compared with 1,089 in the preceding year. In addition to the usual field work carried on by the bank's regular traveling representatives, a number of banks were visited by our operating officers, including the branch managers. The field work in 1928 consisted of 770 regular visits to member banks, 261 to non-member banks, and 17 special missions handled for various departments of the bank. On two occasions the department investigated applications for the organization of new national banks. Speakers for 17 gatherings of various kinds were furnished during the year, and approximately 1,200 visitors were conducted through the head office and branch buildings. All bankers' conventions, group meetings and a number of formal openings of new bank buildings were attended by representatives of this bank.

STOCKHOLDERS MEETING

The second annual meeting of the bank's stockholders was held in Dallas on July 12, 1928, attended by 154 delegates representing 128 member banks. While the attendance was

considerably smaller than that of the first stockholders' meeting in 1927, a most interesting program was carried out and the bank's relations with its member banks were materially benefited, it is believed, by the discussions engaged in by those present. One of the constructive steps undertaken at the meeting was the appointment of special committees to study various phases of the Federal Reserve Bank's functions and operations and to submit recommendations at the next annual meeting of the Stockholders Association as to ways and means of improving the bank's service to the public and to the member banks. To this end, committees were appointed to make reports on such subjects as the following:

Reserve requirements.

Eligibility of paper for rediscount.

Collection system.

Cost of operation and disposition of earnings.

Stockholders' representation on the Federal Reserve Board.

Qualifications, mode of election and tenure of office of directors of Federal Reserve Banks.

Open market operations.

Rediscount rates; uniformity.

Membership requirements.

INSOLVENT BANKS DEPARTMENT

Five member banks (four national, one state) in this district suspended business in 1928, of which one was indebted to this bank. During the year the indebtedness of three was liquidated without any loss to this bank.

Before the closing of our books for the year ending December 31, 1928, the indebtedness of all failed banks that had not previously been charged to funds reserved for losses was charged to this account, except one, which suspended on the above date. While there are now fourteen failed banks indebted to us, the liability of only one amounting to \$6,562.52 is carried as an asset on our books.

The personnel of the department consists of two regular employees.

INTERNAL ORGANIZATION AND PERSONNEL

The Board of Directors held twelve meetings in 1928, with an average attendance of seven.

There was no change in the personnel of the board in 1928.

Mr. J. H. Nail, Class B Director, representing banks in Group 1, died at his home in Fort Worth on August 2. While Mr. Nail had been in poor health for a long period, and unable to attend the board meetings since May, his death was a shock to his associates on the board and officers of the bank. At its meeting on September 7, the Board of Directors adopted the following resolution:

"WHEREAS, The members of the Board of Directors of the Federal Reserve Bank of Dallas have learned with profound sorrow and regret of the death of their co-worker, James H. Nail, which occurred in Fort Worth, Texas, on August 2, 1928; and

WHEREAS, The members of this Board of Directors wish to express to Mrs. Nail and other members of the family their deepest sympathy in the loss of their devoted husband and father, whose association was such a happy feature of the daily life of our friend and business associate; and

WHEREAS, It was the pleasure and privilege of several members of this Board to be associated with Mr. Nail during his entire official connection with this bank;

THEREFORE BE IT RESOLVED, That, in the death of Mr. Nail the cattle industry has lost a leader, and the state and community one whose high character, broad vision and sound judgment readily gained for him the esteem and respect of those with whom he came in contact. Mr. Nail's life is an example of rigid honesty, perseverance, unflinching justice and unselfishness, and in his loss we mourn for one who did much to forward the interests of this great Southwest.

His cooperation and sound judgment were unsparingly given in shaping the policies of the Federal Reserve Bank of Dallas, in accordance with conservative and sound banking principles, and his associates on this Board, and the officers of this Bank, felt honored in being associated with him.

BE IT FURTHER RESOLVED, That these resolutions be spread upon the minutes of this institution as an enduring memorial of our affection for our friend and former associate, and that a copy of these resolutions be furnished the family of the deceased and the Federal Reserve Board."

Mr. Nail's term would have expired on December 31, and with the approval of the Federal Reserve Board the vacancy created by his death was not filled until the regular election in November.

At its meeting on January 12, 1928, the board re-elected B. A. McKinney, Vice President of the American Exchange National Bank of Dallas, as the representative on the Federal

Advisory Council for the Eleventh District, and designated W. E. Connell, President of the First National Bank of Fort Worth, as alternate.

At the meeting of the directors on January 14, one of the positions of assistant cashier was abolished and the position of assistant deputy governor created. W. D. Gentry, senior Assistant Cashier, was elected to fill the position of Assistant Deputy Governor.

At the same meeting, W. P. Clarke, who had been serving as Acting General Auditor since the resignation of R. L. Foulks in September, 1927, was elected General Auditor, and C. C. True, who had been serving as Acting Assistant Auditor during the same period, was elected Assistant Auditor.

In the regular annual election in November, W. H. Patrick was re-elected Class A director, Group 3, and A. S. Cleveland, of Houston, was elected Class B director, Group 1, to succeed Mr. Nail, for three-year terms, beginning January 1, 1929.

On December 17 the Federal Reserve Board announced the re-appointment of C. C. Walsh as a Class C director for the three-year term beginning January 1, 1929, and his re-designation as Chairman of the Board and Federal Reserve Agent for 1929.

On December 20 the Federal Reserve Board announced the re-designation of Clarence E. Linz as Deputy Chairman of the Board for 1929.

There were no changes in the personnel of the directorates of the El Paso and Houston Branches during 1928. At the San Antonio Branch there were two changes. On April 3, H. H. Rogers resigned on account of removal from the district and the Federal Reserve Board appointed Frank G. Crow, of McAllen, Texas, to succeed him. On July 9, F. E. Scobey resigned on account of ill health and the Federal Reserve Board appointed John M. Bennett of San Antonio to succeed him.

On December 31, 1928, the total number of officers and employees at the head office and branches was 433, a decrease of five since December 31, 1927.

FISCAL AGENCY OPERATIONS

The volume of business handled as fiscal agent of the United States in 1928 showed a substantial increase over the

year 1927. During the year ten issues of Government securities were floated, as compared with eight issues in 1927, and there were seven maturing issues, as compared with six in 1927. The volume of interest coupons handled for payment was slightly less than in 1927, while there was a substantial increase in the number of Government checks and warrants.

On December 31, 1927, there were eighteen employees in the department, at an annual salary rate of \$35,700, while on December 31, 1928, there were seventeen regular employees at an annual salary rate of \$34,800, and one temporary employee at an annual salary rate of \$960.

OPERATION OF BRANCHES

The volume of business handled at the El Paso Branch in 1928, compared with that handled in 1927, is reflected in the following table:

	—Number—		—Amount—	
	1928	1927	1928	1927
Notes discounted and rediscounted	640	349	\$ 11,976,903	\$ 11,070,937
Bills received and counted	4,292,550	4,368,108	25,208,250	27,377,000
Coin received and counted	3,430,559	3,474,640	1,185,790	1,250,739
Transfer of funds.....	9,839	9,294	225,146,067	188,686,408
Check collections.....	2,752,084	2,488,592	422,913,114	356,970,038
Treasury warrants	169,980	158,757	18,292,027	16,878,938
Non-cash collections....	13,196	12,774	10,578,290	9,353,078
Return items	58,057	50,984	3,245,372	2,766,839

At the beginning of the year forty member banks (thirty-seven national and three state) were attached to the branch. Included in this number, however, was one national bank which closed in 1926, but its capital stock had not been surrendered.

During the year the memberships of one state bank and one national bank were terminated by voluntary liquidation, one new national bank opened for business and the stock of the bank mentioned above was refunded, leaving total membership of thirty-eight on December 31, 1928.

The expense of operation, excluding furniture and equipment, was \$110,677, as against \$115,432 in 1927.

The personnel of the branch on December 31, 1928, comprised two officers and thirty-five employees, which was the same number in service on December 31, 1927.

The volume of business handled at the Houston Branch in 1928, compared with that handled in 1927, is reflected in the following table:

	—Number—		—Amount—	
	1928	1927	1928	1927
Notes discounted and rediscounted	812	771	\$146,774,494	\$23,722,299
Bills received and counted	11,003,124	11,158,705	45,718,051	47,150,675
Coin received and counted	14,569,378	11,319,894	1,438,404	1,260,575
Transfer of funds.....	27,806	24,638	1,638,732,616	1,541,488,267
Check collections.....	6,251,590	6,654,526	1,659,729,632	1,714,008,937
Treasury warrants.....	185,329	171,991	22,454,401	18,683,171
Non-Cash Collections	37,441	35,442	58,700,349	71,778,878
Return items.....	156,317	156,113	6,202,204	6,728,490

At the beginning of the year eighty-nine member banks (seventy-eight national and eleven state) were attached to the branch. During the year two national banks were added by the transfer of Victoria County from the San Antonio Branch and one national bank by conversion of a non-member state bank, the membership of one state bank was terminated by withdrawal from the system and one national bank consolidated with a non-member state bank, leaving total membership of ninety on December 31, 1928.

The expense of operation, excluding furniture and equipment and repairs and alterations, was \$149,896.97, as compared with \$156,733.76 in 1927.

The personnel of the branch on December 31, 1928, comprised three officers and fifty-three employees, compared with three officers and fifty-two employees on December 31, 1927.

The volume of business handled at the San Antonio Branch in 1928, compared with that handled during the six months the branch was in operation in 1927, is reflected in the following table:

	—Number—		—Amount—	
	1928	1927	1928	1927
Notes discounted and rediscounted	843	313	\$ 20,782,621	\$ 7,606,196
Bills received and counted	9,240,831	4,248,414	40,258,808	19,340,600
Coin received and counted	4,820,730	2,381,664	1,310,526	766,966
Transfer of funds.....	14,373	6,371	421,228,447	190,879,634
Check collections.....	5,210,087	2,454,855	1,026,920,324	490,844,269
Treasury warrants.....	160,856	66,952	24,834,928	12,433,023
Non-Cash Collections	14,087	8,236	17,362,878	8,036,090
Return items.....	113,158	51,088	6,088,601	2,748,215

At the beginning of the year 100 member banks (88 national and 12 state) were attached to the branch. Included in this number, however, was one national bank which consolidated with a state member bank in 1927, the capital stock of which has not been surrendered. During the year two national banks were transferred to the Houston Branch, one national bank consolidated with another national bank, one national bank went into voluntary liquidation and one state bank terminated its membership by withdrawal from the system. During the same period one new national bank and one state bank were admitted to membership, leaving total membership of ninety-six active members and three members, the capital stock of which had not been surrendered on December 31, 1928.

The expense of operation, excluding furniture and equipment, was \$129,452.88, as compared with \$79,015.34 for the six months' operations of 1927.

The personnel of the branch on December 31, 1928, comprised two officers and forty-nine employees, compared with two officers and forty-six employees on December 31, 1927.

In the latter part of January construction was begun on a building consisting of two stories and basement, 80 x 60 in dimensions, which was completed and occupied by the branch on October 6, 1928.

