

REC- IN FILES SECTION  
FEB 28 1955

February 25, 1955

TO: Federal Open Market Committee

FROM: R. G. Rouse and R. F. Leonard

The procedure for allocation of securities in the Open Market Account which became effective September 1, 1953 (Mr. Riefler's letter of August 25, 1953), provides that:

"Securities in the Account shall be reallocated April 1 of each year on the basis of daily averages of total assets for the 12 months ending with the last day of February."

In anticipation of the March meeting of the Federal Open Market Committee, a pro forma allocation of securities held in the System Open Market Account has been made as of February 16, 1955, based on the ratios of each Bank's average total assets for the period March 1, 1954--February 16, 1955 (353 days).

The pro forma reallocation as of February 16 shows relatively small shifts in participations, and it is expected that only minute changes in percentage participations will occur during the remaining 12 days of the prescribed base period. On the pro forma basis New York's participation shows a loss of slightly over one-tenth of one per cent. All other changes in participation percentages are less than one-tenth of one per cent.

The pro forma reallocation would have increased the dollar amount of participations of seven Banks and decreased those of five Banks, as follows:

	<u>Increases in participation</u>		<u>Decreases in participation</u>
Boston	\$ 1,211,000	New York	\$28,858,000
Philadelphia	261,000	Richmond	499,000
Cleveland	5,601,000	Chicago	9,540,000
Atlanta	15,520,000	St. Louis	8,093,000
Kansas City	8,211,000	Minneapolis	6,977,000
Dallas	18,511,000		
San Francisco	4,652,000		
	<u>\$53,967,000</u>		<u>\$53,967,000</u>

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F. A. Smith

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Since April 1, 1954, date of the last reallocation, it has not been necessary to invoke paragraphs 5 or 6 of the statement of Procedures with Respect to Allocations of the System Open Market Account, which provide for adjustments of participations in the case of unusually low reserve ratios (below 30 per cent). The lowest ratio during the period was 39.5 per cent at Atlanta on January 29, 1955. The highest ratio was 50.8 per cent at Dallas on August 2, 1954. For all Banks combined the high ratio was 46.8 (August 24, 1954) and the low ratio was 44.3 (December 18 and 30, 1954).

As of February 16, the reserve ratios ranged from 48.2 at San Francisco to 40.5 at Atlanta, with the remaining Bank's ratios ranging from 47.4 at New York to 43.3 at Minneapolis. For all Banks combined, the ratio was 45.9. The largest change in reserve ratios under the pro forma reallocation would be a reduction of 1.1 per cent to 43.9 at Dallas, and the ratios would range from 48.1 at San Francisco to 39.8 at Atlanta.

On the basis of the year's experience reflected in the pro forma reallocation as of February 16 there appears to be no occasion for not making the April 1 reallocation under existing procedure.

R. G. Rouse

R. F. Leonard

Attachments:

Tables I, II, and III

PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, FEBRUARY 16, 1955  
(In thousands of dollars)

TABLE I

	System	Boston	New York	Phila- delphia	Cleve- land	Richmond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
Daily average of total assets, March 1, 1954 - February 16, 1955	50,421,728	2,784,740	12,818,020	3,069,128	4,333,404	2,968,662	2,600,991	8,794,361	2,092,704	1,223,375	2,192,845	2,020,613	5,522,885
B. Ratio (per cent) based on "A"	100.0	5.5229	25.4216	6.0869	8.5943	5.8877	5.1585	17.4416	4.1504	2.4263	4.3490	4.0074	10.9534
C. Actual allocations February 16, 1955	23,732,006	1,309,484	6,061,914	1,444,282	2,033,999	1,397,768	1,208,695	4,148,782	993,066	582,787	1,023,894	932,525	2,594,810
D. Allocation on basis of "B"	23,732,006	1,310,695	6,033,056	1,444,543	2,039,600	1,397,269	1,224,215	4,139,242	984,973	575,810	1,032,105	951,036	2,599,462
E. Difference	± 53,967	+ 1,211	- 28,858	+ 261	+ 5,601	- 499	+ 15,520	- 9,540	- 8,093	- 6,977	+ 8,211	+ 18,511	+ 4,652
F. Actual reserve ratio (per cent) February 16, 1955	45.9	43.6	47.4	46.6	45.7	44.5	40.5	46.2	44.6	43.3	43.8	45.0	48.2
G. Reserve ratio (per cent) February 16, 1955 adjusted for allocation	45.9	43.5	47.6	46.6	45.5	44.5	39.8	46.4	45.0	43.9	43.4	43.9	48.1

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COMPARISON OF EACH FEDERAL RESERVE BANK'S PER CENT OF PARTICIPATION  
IN THE SYSTEM OPEN MARKET ACCOUNT

TABLE II

Federal Reserve Bank	Present (4-1-54)	Pro forma (2-16-55)	Potential change	
			Increase	Decrease
Boston	5.5178	5.5229	.0051	
New York	25.5432	25.4216		.1216
Philadelphia	6.0858	6.0869	.0011	
Cleveland	8.5707	8.5943	.0236	
Richmond	5.8898	5.8877		.0021
Atlanta	5.0931	5.1585	.0654	
Chicago	17.4818	17.4416		.0402
St. Louis	4.1845	4.1504		.0341
Minneapolis	2.4557	2.4263		.0294
Kansas City	4.3144	4.3490	.0346	
Dallas	3.9294	4.0074	.0780	
San Francisco	10.9338	10.9534	.0196	
Totals	100.0	100.0	.2274	.2274

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Memorandum

1% of Open Market Account 2-16-55 = \$237,300,000  
 .1% " " " " " = 23,730,000  
 .01% " " " " " = 2,373,000

COMPARISON OF RESERVE RATIOS APRIL 1, 1954 - FEBRUARY 16, 1955

TABLE III

Federal Reserve Bank	Ratios on April 1, 1954	Ratios on February 16, 1955	High ratios		Low ratios	
			Date	Per cent	Date	Per cent
Boston	44.0	43.6	9/20/54	46.2	11/19/54	40.9
New York	48.3	47.4	4/27/54	49.0	1/13/55	44.5
Philadelphia	46.1	46.6	4/19/54	48.9	11/19/54	43.6
Cleveland	46.8	45.7	9/27/54 1/24/55	48.2	12/15/54	43.5
Richmond	42.7	44.5	11/10/54	48.5	6/ 1/54	40.4
Atlanta	43.2	40.5	8/ 3/54	45.5	1/29/55	39.5
Chicago	45.3	46.2	8/25/54	48.1	12/14/54 12/16/54	43.8
St. Louis	44.5	44.6	8/ 4/54	46.7	6/ 5/54 7/ 6/54	42.2
Minneapolis	43.8	43.3	5/ 6/54	48.0	12/30/54 1/ 5/55	40.5
Kansas City	44.6	43.8	5/ 7/54 8/17/54	47.5	11/29/54	40.5
Dallas	45.6	45.0	8/ 2/54	50.8	6/16/54	42.9
San Francisco	46.2	48.2	2/ 7/55	48.8	6/29/54	45.0
System	45.9	45.9	8/24/54	46.8	12/18/54 12/30/54	44.3

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