

PR 17 1956

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

March 14, 1956

TO: Federal Open Market Committee  
FROM: Mr. Riefler, Secretary

At its meeting on March 6, 1956, the Federal Open Market Committee agreed that the agenda for the meeting to be held on Tuesday, March 27, 1956, include a topic which would provide for a full discussion of suggestions to be submitted to the Secretary regarding procedures that might be followed in reviewing the statements of operating policy which were reaffirmed at that meeting as follows:

- b. Operations for the System account in the open market, other than repurchase agreements, shall be confined to short-term securities (except in the correction of disorderly markets), and during a period of Treasury financing there shall be no purchases of (1) maturing issues for which an exchange is being offered, (2) when-issued securities, or (3) outstanding issues of comparable maturities to those being offered for exchange; these policies to be followed until such time as they may be superseded or modified by further action of the Federal Open Market Committee.
- c. Transactions for the System account in the open market shall be entered into solely for the purpose of providing or absorbing reserves (except in the correction of disorderly markets), and shall not include offsetting purchases and sales of securities for the purpose of altering the maturity pattern of the System's portfolio; such policy to be followed until such time as it may be superseded or modified by further action of the Federal Open Market Committee.

Among suggestions made at the March 6 meeting were the following:

1. Mr. Sproul suggested that the foregoing statements be removed as continuing operating policies and that they be discussed whenever the Committee met. He also referred to the proposal he made at the meeting on February 15, 1956 for a System committee to review and re-examine the rules adopted by the Committee in 1953 for its guidance at times of Treasury financing (see page 30 of February 15 minutes). He thought this procedure might be followed in re-examining both the "b" and "c" statements.

3/6/56

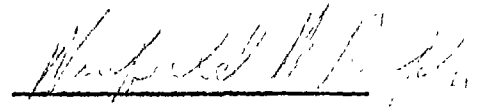
-2-

2. Mr. Balderston proposed that consideration be given to the possibility of incorporating the statement under "b" above in the directive issued by the Committee to the agent bank at each meeting, on the basis that that statement referred to an operating procedure or practice and not to a policy objective of the Committee. He contemplated that the Secretary might prepare a draft of revised directive which would incorporate the substance of the "b" statement.

3. Messrs. Bryan and Shepardson suggested that the substance of the statements, regardless of their form, should be considered, and Mr. Shepardson felt that this should be done at an early meeting.

4. Mr. Robertson suggested that views as to how a study of the two statements might be made be submitted to the Secretary in time to permit distribution to all members of the Committee for consideration at the next meeting.

Suggestions as to how the Committee might proceed to re-examine the statements of procedure or policy involved in the paragraphs quoted above, if sent to reach me not later than Wednesday, March 21, 1956, will be summarized and distributed prior to the meeting to be held on March 27.

  
W. P. Robertson