

To Members of the Federal  
Open Market Committee

From Robert G. Rouse, Manager,  
System Open Market Account

April 15 1957  
REC'D IN RECORDS SECTION  
APR 15 1957  
Subject: Changes in List of Dealers  
With Whom Business is  
Transacted for System Open  
Market Account

In accordance with the practice of keeping the Federal Open Market Committee informed on the status of dealers with whom business is transacted for the System Open Market Account, the Committee is advised that trading relations with the firm of Bartow Leeds & Company, which were terminated in April 1956, have been reestablished, and that the firm of Chas. E. Quincey & Company is being retained on the list for a further six-month period, following a review of the firm's status at the first of this year. A summary of these developments follows:

BARTOW LEEDS & CO.

In December 1956 the firm wrote to this Bank asking to again be given the privilege of doing business with the System Account in view of its greater activity in Treasury bills which, it believed, would enable the firm to perform more satisfactorily in transacting business with the Account. Volume figures from June 4, 1956 to December 20, 1956 indicated some progress in expanding activity in Treasury bills, apparently as a result of the addition of an experienced trader to the firm's staff to specialize in Treasury bills.

A statement submitted by the firm as of November 30, 1956 indicated net worth of only \$213,000 (as compared with \$377,000 on May 31, 1955) which seems rather small as a basis for carrying on extensive trading in Treasury bills. However, in view of the fact that the firm claimed to be doing a real dealer business and making primary markets in short-term United States Government securities, with moderately favorable results, the management of the Account on January 21, 1957 agreed to reactivate trading relations with the firm for a three-month period, with the understanding that the arrangement would again be

terminated if the experience was not satisfactory. The firm has subsequently performed quite satisfactorily in response to requests for bids or offerings of Treasury bills in connection with the regular "go-arounds" for System Open Market Account, and has been awarded Treasury bills in most of the weekly auctions. This suggests that the relationship will be extended when the situation is again reviewed.

CHAS. E. QUINCEY & CO.

In May 1956, Mr. Maurice A. Gilmartin of this firm was informed that our experience with his firm in trading over the past several years had been unsatisfactory, and that the relationship would be continued on a trial basis until the year-end when it would be reviewed. The firm's performance during the remainder of 1956 improved somewhat, with more frequent responses to our requests for bids and offerings on our regular "go-arounds" for System Account but there was still room for much improvement since on numerous occasions no bids or offerings were received.

On January 24, 1957 we again discussed the situation with Mr. Gilmartin, pointing out that while the results of our contacts with the firm had been somewhat better, the relationship was still not satisfactory, and that if the record did not improve over the next six months we might have to consider termination of the arrangement. Mr. Gilmartin attributed the firm's inability to respond to our "go-arounds" to his reluctance to take substantial positions in Treasury bills because of the high cost of financing bill portfolios. However, he assured us that the firm's performance would be satisfactory from that point on, and it was left that the situation would be reviewed after six months.

Since this discussion the firm's performance improved for a short period when the System Account was selling Treasury bills, but there was no response from the firm on six occasions when the System Account asked for offerings of Treasury bills. Moreover, the firm has acquired Treasury bills on tender in only one of the weekly auctions since January 24. Since improvement in the firm's performance has been slight so far, it may be difficult to justify doing business with it beyond the current six-month period.