

(Corrected Copy)

IN RECORDS SECTION

MAR - 1 1962

To Federal Open Market Committee

February 28, 1962

From Robert G. Rouse and
John R. FarrellSubject: Suggested Revision in
Procedure for Allocation
of Participations in the
System Open Market Account

When the present allocation formula* based on total assets was adopted on September 1, 1953 one of the principal objectives was to avoid the frequent adjustments due to low reserve ratios which had proved troublesome under the earlier formula based on estimated expense and dividend requirements. The total asset formula served this purpose satisfactorily for a number of years as the reserve ratios were generally above 40 per cent when the new formula was adopted and have declined only gradually as the System Account grew. No adjustments were called for until the annual reallocations of April 1, 1960, and April 1, 1961. In each year two Banks were unable to accept their full participations. Subsequently interim adjustments were necessary, on November 22, 1961 at Minneapolis, and on December 29, 1961 at Boston. With the current low reserve ratio of about 35.6 for the System as a whole, and with the possibility of a worsening in the situation during the year to come, a reappraisal of the formula at this time is appropriate.

Among the shortcomings of the present formula under prevailing conditions, are the unrealistic percentages referred to in the procedures relating to adjustments in participations because of a low reserve ratio. For example in paragraph 3 it is stated that no allocation shall be made which would reduce the reserve ratio of a Bank as of the next to the last business day of March below 35 per cent. Between December 19 and January 6, inclusive, the reserve ratio of the 12 Banks combined ranged between 33.9 and 34.9, and if on the reallocation date the combined ratio again should be below 35 per cent, the procedure described in paragraph 3 could not be carried out. Furthermore, the effect of the interim adjustments described in paragraph 5 could be, and in

* See attached copy of "Procedures with Respect to Allocations of the System Open Market Account".

effect has been, to raise the reserve ratio of the affected Bank above the average ratio of all the Banks. Relief could be provided by reducing the percentages mentioned in paragraph 3 and 5 from 35 and 30 to, let us say, 32 and 28, respectively, but a lack of flexibility in the existing procedures would remain.

Adjustments to restore reserve ratios currently are made on the basis of a reserve position as of a single day, so that adjustments, which may turn out to be more or less permanent can result from a low ratio brought about by a distinctly temporary situation. This is well illustrated by the facts of the adjustment on December 29 caused by a low reserve ratio at the Federal Reserve Bank of Boston. The reserve ratio at that Bank had dropped to 27.4 on December 28, the next to the last business day of the month. Accordingly Boston's participation in the System Account was reduced by an amount sufficient to raise its reserve ratio to 35.0 per cent, despite the fact that the ratio for the 12 Banks combined was only 33.9. By the following day the situation had been corrected and Boston's ratio climbed to 39.8. Boston's ratio has remained the highest in the System ever since, but in accordance with paragraph 5 of the procedures it was not possible to restore its full participation without reducing its ratio below 35 per cent until February 20. Also, in the December 29 adjustment the securities taken from Boston were distributed to four other Federal Reserve Banks, a complication which appears unnecessary when the amounts involved are small.

If the need for an adjustment because of a low ratio at another Reserve Bank had occurred while the Boston bank did not hold its normal participation, there would have been conflict in the rules as to whether the securities should have been transferred to Boston which has the highest ratio, or whether this would have constituted a reversal, or partial reversal, of the previous adjustment at Boston which is forbidden unless it can be done without reducing its

ratio below 35 per cent. (See paragraph 5 of "Procedures with Respect to Allocations of the System Open Market Account" attached.) Similar aberrations could take place if a bank were unable to take its full participation in an annual reallocation. Under the present procedure no reversal of the adjustment would be permissible until the next general reallocation, even though unusual circumstances caused the ratio of that bank to be low only on the day of the annual reallocation.

Suggested below is a plan designed to minimize the likelihood of adjustments, but which, if adjustments should be necessary, would simplify the calculations and reduce the inequities caused by the inflexibility of existing procedures.

This plan adopts the principle of adjusting participations at stated intervals to equalize more nearly the reserve ratios of the various Banks. Such adjustments would be calculated on averages of gold reserves and note and deposit liabilities over a recent period, rather than as of a specific day. Quarterly reallocations on this basis are suggested, but they could be more or less frequent as experience dictates. The averages could cover the first 85 days of the preceding quarter (in order to allow time comfortably to make the calculations). The periodic reallocations would tend to conform the Banks' participations to the basic trends in gold reserves and note and deposit liabilities.

Because of temporary conditions which may reduce a Bank's ratio below 30 per cent*, occasional adjustments may still be necessary. Such adjustments would be designed to raise the Bank's reserve ratio to the average ratio of the 12 Banks combined.

In order to keep to a minimum the number of Banks involved in the adjustment, it is proposed that the Banks to which the securities are to be

* Further deterioration in the combined reserve ratio of the twelve Banks in time may force a lowering of this guidepost.

reallocated will be selected in the order of their ability to absorb the largest additional amount of securities without reducing their reserve ratios below the ratio of the 12 Banks combined. Thus if the amount to be reallocated is larger than any one Bank can absorb without reducing its reserve ratio below the System average, the excess beyond that point would be allocated to the Bank which is in a position to take the next largest amount. Because the interim adjustments presumably would arise from temporary conditions, the plan proposes full reversal on the first succeeding Thursday when it can be accomplished without reducing the Bank's reserve ratio below 30 per cent.

The foregoing plan should provide an equitable method of participating the System's holdings. Distribution of the securities would be based on each Bank's ability to carry its share. Quarterly, rather than annual, reallocations are recommended in order to adjust to changing trends. By the use of averages and early reversal of adjustments, an effort has been made to avoid the more or less permanent adjustments which have developed under the present plan due to temporary situations prevailing on the specific dates. Keeping to a minimum the number of Banks asked to absorb the securities taken from the Bank with a low ratio would reduce the number of changes in the accounting records that have to be made when adjustments occur, and would mean less delay in advising the other Banks as to their participations in the System Account on the day the adjustment takes place.

A suggested statement of procedures for approval of the Federal Open Market Committee is attached.

Also attached are tables giving the pro forma reallocations of securities in the System Open Market Account assuming the proposed new formula had been in effect since April 1, 1961.

Robert G. Rouse

John R. Farrell

Attachments:

Procedures with respect to allocations of the System Open Market Account adopted September 1, 1953.

Proposed procedures with respect to allocations.

Tables X-1, X-2, X-3 and X-4.

REC'D IN RECORDS SECTION

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Procedures with Respect to
Allocations of the System
Open Market Account
(Adopted September 1, 1953)

The following procedures contained in a memorandum from Messrs.

R. G. Rouse and R. F. Leonard, dated July 14, 1953, were approved by the Executive Committee of the Federal Open Market Committee at its meeting August 4, 1953, and reaffirmed at its meeting on August 25, 1953 and at subsequent annual meetings. Amendments to the procedures were approved at its meetings of March 1, 1960 and March 7, 1961.

- "1. Securities in the System Open Market Account shall be reallocated on September 1, 1953, on the basis of the ratio of each Bank's total assets to the total assets for all Reserve Banks combined. Such ratios shall be on the basis of daily averages for the 12-month period ending July 31, 1953.
2. 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.
3. No allocation shall be made which would reduce the reserve ratio of a Bank as of the next to the last business day of March below 35 per cent. If, because of the provisions of this paragraph, a Bank is unable to take its pro rata share based on total assets, the amount which it is unable to take without reducing its reserve ratio below 35 per cent shall be allocated to the Bank or Banks having the highest reserve ratios in such a manner that the ratio of the Bank or Banks to which securities are reallocated will not be reduced below the ratio of any other Bank. Regardless of possible subsequent improvement in reserve ratios, no reversal of these adjustments shall take place pending the next general reallocation.
4. The Account shall be apportioned during the ensuing twelve months on the basis of the total assets ratios computed for the latest general reallocation after allowing for any adjustments as provided for in Paragraph 3, unless there shall be further adjustments described in Paragraphs 5 or 6.
5. If a Bank's reserve ratio falls below 30 per cent on the next to the last business day (as observed by the Agent Bank) of a statement week or month, sufficient of its holdings as of the close of business that day to raise its reserve ratio to 35 per cent shall be reallocated by an adjustment the following day, unless such day is a general

reallocation date. Such securities shall be allocated to the Bank or Banks having the highest reserve ratios.

(NOTE: This procedure does not contemplate partial reversal of these adjustments. However, full reversal of these adjustments will be made when a Bank's reserve position improves to the extent that the full amount of its participation allocated to other Banks under the provisions of this paragraph can be restored without reducing the Bank's reserve ratio below 35 per cent.)

6. If a Bank's reserve ratio should fall below 30 per cent on any other day, or if a Bank anticipates that its reserve ratio will fall below that figure, it may arrange with the Manager of the Open Market Account to make an adjustment similar to those provided for in paragraph No. 5 so as to increase the Bank's reserve ratio to 35 per cent.
7. Profits and losses on the sale of securities from the Account shall be allocated on the basis of each Bank's current holdings at the opening of business on the date of delivery of the securities sold."

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Proposed Procedures with Respect to
Allocations of the System Open Market Account

1. Securities in the System Open Market Account shall be reallocated on the first business day of February, May, August and November of each year by means of adjustments proportionate to the adjustments that would have been required to equalize the average ratios of the 12 Reserve Banks over the first 85 days of the preceding three calendar months.

2. If a Bank's reserve ratio should be reduced below 30 per cent as a result of the reallocation, or should fall below 30 per cent on the next to the last business day (as observed by the Agent Bank) of a statement week or month, its holdings as of the close of business that day shall be adjusted the following day by an amount sufficient to raise its reserve ratio to the average reserve ratio of the 12 Banks combined on the preceding day. Such securities shall be allocated to the Bank in a position to absorb the largest additional amount without reducing its reserve ratio below the ratio of the 12 Banks combined. If that Bank is unable to take the entire amount, the excess shall be allocated to the Bank which can absorb the next largest amount without reducing its reserve ratio below the average for the System.

Any such adjustment will be reversed on the first succeeding Thursday (before the next quarterly reallocation) when it can be accomplished without reducing the Bank's reserve ratio below 30 per cent, except that if the Thursday is a holiday or the last business day of a month the reversal will be made the following business day. A reversal will restore individual Bank holdings to their established participation percentages before the adjustment occurred, except to the extent that a Bank may have been involved in another adjustment in the interim.

3. If a Bank's reserve ratio should fall below 30 per cent on any other day, or if a Bank anticipates that its reserve ratio will fall below that figure, it may arrange with the Manager of the System Open Market Account for an adjustment similar to those provided for in paragraph No. 2 so as to increase the Bank's reserve ratio to the average of the 12 Banks combined.

4. The Account shall be apportioned during the succeeding quarter on the basis of the ratios determined in Paragraph 1, after allowing for any adjustments as provided for in Paragraphs 2 and 3.

5. Profits and losses on the sale of securities from the Account shall be allocated on the day of delivery of the securities sold on the basis of each Bank's current holdings at the opening of business on that day.

RECORD IN RECORDS SECTION
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PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT,
 AS OF APRIL 1, 1961 (opening of business), ASSUMING PROPOSED NEW FORMULA

Table
 X-1

(Dollar amounts in millions)

	System	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
A. Formula base figures for period January 1 - March 26, 1961:													
1. Deposit and F. R. note liabilities -													
a. Aggregates	3,866,138	197,697	973,182	222,557	322,836	245,697	214,184	660,387	157,598	88,103	170,898	155,852	457,347
b. Averages	45,484	2,326	11,449	2,618	3,796	2,889	2,520	7,769	1,854	1,037	2,011	1,834	5,381
2. Gold certificate reserves -													
a. Aggregates	1,458,388	68,672	366,439	85,640	120,482	91,316	76,769	250,556	58,643	32,040	66,969	59,974	180,898
b. Averages	17,158	808	4,310	1,007	1,418	1,074	905	2,948	690	378	788	705	2,127
3. Average reserve ratio (per cent)	37.7232	(34.7377)	(37.6452)	(38.4645)	(37.3351)	(37.1755)	(35.9127)	(37.9457)	(37.2168)	(36.4513)	(39.1845)	(38.4406)	(39.5280)
B. Average gold certificate reserves adjusted to conform with System average reserve ratio (System A.3. x A.1.b.)	17,158	877	4,319	987	1,432	1,090	951	2,931	699	391	759	692	2,030
C. Difference (B. ÷ A.2.b.)	+ 176 +	69 +	9 -	20 +	14 +	16 +	46 -	17 +	9 +	13 -	29 -	13 -	97
D. SOMA security holdings, opening of business, April 1, 1961:													
1. Actual allocation	26,688	1,434	6,657	1,528	2,393	1,689	1,463	4,568	1,079	619	1,145	1,076	3,137
2. Reallocation (D.1. ÷ C., with sign reversed)	26,688	1,365	6,648	1,548	2,379	1,673	1,417	4,585	1,070	606	1,174	1,089	3,234
E. SOMA security holdings ratio (per cent of participation), opening of business, April 1, 1961:													
1. Actual holdings ratio (E.2., previous 3 months, unless interim adjustment) 1/	100.0	5.3740	24.9432	5.7256	8.5917	6.3295	5.4831	17.1158	4.0417	2.3205	4.2921	4.0300	11.7528
2. New holdings ratio, computed on basis of D.2. above	100.0	5.1147	24.9101	5.8003	8.5394	6.2687	5.3095	17.1800	4.0093	2.2707	4.3990	4.0805	12.1178
3. Difference (E.1. ÷ E.2.)	+ .6613 -	.2593 -	.0331 +	.0747 -	.0523 -	.0608 -	.1736 +	.0642 -	.0324 -	.0498 +	.1069 +	.0505 +	.3650
F. Reserve ratios, opening of business, April 1, 1961:													
1. Actual	37.9	34.1	37.4	39.1	33.3	38.0	36.7	38.6	36.8	33.8	37.4	37.4	41.0
2. Adjusted for reallocation (30.0 per cent, or higher)	37.9	37.1	37.5	38.3	33.7	38.5	38.5	38.4	37.3	35.0	35.9	36.7	39.2

1/ Per actual reallocation April 1, 1960, on basis in effect since September 1, 1953.

FOR FILE
 F. O. [unclear]

PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT,
AS OF JULY 1, 1961 (opening of business), ASSUMING PROPOSED NEW FORMULA

Table
X-2

(Dollar amounts in millions)

	System	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
A. Formula base figures for period April 1 - June 24, 1961:													
1. Deposit and F. R. note liabilities -													
a. Aggregates	3,823,049	195,876	955,388	220,821	318,571	243,226	211,381	651,066	154,199	87,201	169,248	153,822	462,250
b. Averages	44,977	2,304	11,240	2,598	3,748	2,861	2,487	7,660	1,814	1,026	1,991	1,810	5,438
2. Gold certificate reserves -													
a. Aggregates 1/	1,454,220	76,929	359,871	85,185	121,078	91,987	80,331	244,986	58,210	33,295	63,580	58,120	180,648
b. Averages 1/	17,108	905	4,234	1,002	1,424	1,082	945	2,882	685	392	748	684	2,125
3. Average reserve ratio (per cent)	38.0372	(39.2795)	(37.6690)	(38.5681)	(37.9936)	(37.8189)	(37.9976)	(37.6240)	(37.7619)	(38.2066)	(37.5691)	(37.7901)	(39.0769)
B. Average gold certificate reserves adjusted to conform with System average reserve ratio (System A.3. x A.1.b.)	17,108	876	4,275	988	1,426	1,088	946	2,914	690	390	757	689	2,069
C. Difference (B. ÷ A.2.b.)	± 101	- 29	+ 41	- 14	+ 2	+ 6	+ 1	+ 32	+ 5	- 2	+ 9	+ 5	- 56
D. SOMA security holdings, opening of business, July 1, 1961:													
1. Actual allocation 2/	27,253	1,394	6,789	1,581	2,327	1,708	1,447	4,682	1,093	619	1,199	1,112	3,302
2. Reallocation (D.1. ÷ C., with sign reversed)	27,253	1,423	6,748	1,595	2,325	1,702	1,446	4,650	1,088	621	1,190	1,107	3,358
E. SOMA security holdings ratio (per cent of participation), opening of business, July 1, 1961:													
1. Actual holdings ratio (E.2., previous 3 months, unless interim adjustment)	100.0	5.1147	24.9101	5.8003	8.5394	6.2687	5.3095	17.1800	4.0093	2.2707	4.3990	4.0805	12.1178
2. New holdings ratio, computed on basis of D.2. above	100.0	5.2214	24.7606	5.8526	8.5312	6.2452	5.3058	17.0623	3.9922	2.2787	4.3665	4.0619	12.3216
3. Difference (E.1. ÷ E.2.)	± .3708	+ .1067	- .1495	+ .0523	- .0082	- .0235	- .0037	- .1177	- .0171	+ .0080	- .0325	- .0186	+ .2038
F. Reserve ratios, opening of business, July 1, 1961:													
1. Actual 1/	37.9	38.5	38.2	38.3	37.5	37.2	36.1	38.3	38.5	34.1	37.5	37.4	38.9
2. Adjusted for reallocation (30.0 per cent, or higher)	37.9	37.2	38.6	37.7	37.5	37.4	36.1	38.7	38.7	33.9	37.9	37.6	37.9

1/ Adjusted for change indicated by Item C. in Table X-1, and for reversal of effect of regular annual reallocation, April 3 as of April 1, 1961.

2/ E.1. multiplied by System D.

PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT,
AS OF OCTOBER 1, 1961 (opening of business), ASSUMING PROPOSED NEW FORMULA

Table
X-3

(Dollar amounts in millions)

	System	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
A. Formula base figures for period July 1 - September 23, 1961:													
1. Deposit and F. R. note liabilities -													
a. Aggregates	3,887,403	201,514	965,517	222,516	324,484	250,564	213,501	661,199	155,656	87,748	173,122	155,890	475,692
b. Averages	45,734	2,371	11,359	2,618	3,817	2,948	2,512	7,779	1,831	1,032	2,037	1,834	5,596
2. Gold certificate reserves -													
a. Aggregates ^{1/}	1,466,196	75,699	362,531	82,032	124,048	96,743	80,592	248,935	58,524	31,407	66,274	59,088	180,323
b. Averages ^{1/}	17,249	891	4,265	965	1,459	1,138	948	2,929	689	369	780	695	2,121
3. Average reserve ratio (per cent)	37.7159	(37.5791)	(37.5473)	(36.8602)	(38.2237)	(38.6024)	(37.7389)	(37.6527)	(37.6297)	(35.7558)	(38.2916)	(37.8953)	(37.9021)
B. Average gold certificate reserves adjusted to conform with System average reserve ratio (System A.3. x A.1.b.)	17,249	894	4,284	987	1,440	1,112	947	2,934	691	389	768	692	2,111
C. Difference (B. + A.2.b.)	+ 71 +	+ 3 +	+ 19 +	+ 22 -	- 19 -	- 26 -	- 1 +	+ 5 +	+ 2 +	+ 20 -	- 12 -	- 3 -	- 10
D. SOMA security holdings, opening of business, October 1, 1961:													
1. Actual allocation ^{2/}	27,788	1,451	6,881	1,626	2,371	1,736	1,474	4,741	1,109	633	1,213	1,129	3,424
2. Reallocation (D.1. [±] C., with sign reversed)	27,788	1,448	6,862	1,604	2,390	1,762	1,475	4,736	1,107	613	1,225	1,132	3,434
E. SOMA security holdings ratio (per cent of participation), opening of business, October 1, 1961:													
1. Actual holdings ratio (E.2., previous 3 months, unless interim adjustment)	100.0	5.2214	24.7606	5.8526	8.5312	6.2452	5.3058	17.0623	3.9922	2.2787	4.3665	4.0619	12.3216
2. New holdings ratio, computed on basis of D.2. above	100.0	5.2109	24.6941	5.7723	8.6008	6.3409	5.3080	17.0433	3.9837	2.2060	4.4084	4.0737	12.3579
3. Difference (E.1. [±] E.2.)	+ .2575 -	- .0105 -	- .0665 -	- .0803 +	+ .0696 +	+ .0957 +	+ .0022 -	- .0190 -	- .0085 -	- .0727 +	+ .0419 +	+ .0118 +	+ .0363
F. Reserve ratios, opening of business, October 1, 1961:													
1. Actual ^{1/}	37.1	37.9	35.9	35.7	37.5	39.3	36.4	37.7	37.5	34.6	37.8	37.4	37.5
2. Adjusted for reallocation (30.0 per cent, or higher)	37.1	38.0	36.1	36.5	37.0	38.5	36.4	37.7	37.6	36.5	37.2	37.3	37.3

^{1/} Adjusted for net of changes indicated by Item C. in Tables X-1 and X-2, and reversal of effect of regular annual reallocation, April 3 as of April 1, 1961.

^{2/} E.1. multiplied by System D.

PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT,
AS OF JANUARY 1, 1962 (opening of business), ASSUMING PROPOSED NEW FORMULA

Table
X-4

(Dollar amounts in millions)

	System	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
A. Formula base figures for period October 1 - December 24, 1961:													
1. Deposit and F. R. note liabilities -													
a. Aggregates	3,974,179	205,662	975,533	226,341	331,541	264,645	219,278	672,548	167,377	88,786	175,600	160,486	491,382
b. Averages	46,755	2,420	11,477	2,663	3,900	3,113	2,580	7,912	1,910	1,045	2,066	1,888	5,781
2. Gold certificate reserves -													
a. Aggregates ^{1/}	1,436,076	74,038	347,763	80,874	120,268	100,144	80,398	236,931	60,422	31,278	61,773	58,973	183,214
b. Averages ^{1/}	16,895	871	4,091	951	1,415	1,178	946	2,787	711	368	727	694	2,156
3. Average reserve ratio (per cent)	36.1352	(35.9917)	(35.6452)	(35.7116)	(36.2821)	(37.8413)	(36.6667)	(35.2250)	(37.2251)	(35.2153)	(35.1888)	(36.7589)	(37.2946)
B. Average gold certificate reserves adjusted to conform with System average reserve ratio (System A.3. x A.1.b.)	16,895	875	4,147	962	1,409	1,125	932	2,859	690	378	747	682	2,089
C. Difference (B. [±] A.2.b.)	+ 173	+ 4	+ 56	+ 11	- 6	- 53	- 14	+ 72	- 21	+ 10	+ 20	- 12	- 67
D. SCMA security holdings, opening of business, January 1, 1962:													
1. Actual allocation ^{2/}	28,722	1,497	7,093	1,658	2,470	1,821	1,525	4,895	1,144	634	1,266	1,170	3,549
2. Reallocation (D.1. [±] C., with sign reversed)	28,722	1,493	7,037	1,647	2,476	1,874	1,539	4,823	1,165	624	1,246	1,182	3,616
E. SCMA security holdings ratio (per cent of participation), opening of business, January 1, 1962:													
1. Actual holdings ratio (E.2., previous 3 months, unless interim adjustment)	100.0	5.2109	24.6941	5.7723	8.6008	6.3409	5.3080	17.0433	3.9837	2.2060	4.4084	4.0737	12.3579
2. New holdings ratio, computed on basis of D.2. above	100.0	5.1981	24.5004	5.7343	8.6206	6.5246	5.3583	16.7920	4.0561	2.1725	4.3381	4.1153	12.5897
3. Difference (E.1. [±] E.2.)	+ .5996	- .0128	- .1937	- .0380	+ .0198	+ .1837	+ .0503	- .2513	+ .0724	- .0335	- .0703	+ .0416	+ .2318
F. Reserve ratios, opening of business, January 1, 1962:													
1. Actual ^{3/}	34.8	34.0	32.2	35.6	34.5	38.1	37.2	34.8	36.3	33.8	36.1	33.6	36.7
2. Adjusted for reallocation (30.0 per cent, or higher)	34.8	34.1	32.7	36.0	34.4	36.5	36.7	35.7	35.3	34.7	37.1	33.0	35.6

^{1/} Adjusted for net of changes indicated by Item C, Tables X-1, X-2, and X-3; reversal of effect of regular annual reallocation, April 3 as of April 1, 1961; and reversal of effect of Minneapolis "Paragraph 5" adjustment on November 22, 1961 (\$56 million).

^{2/} E.1 multiplied by System D.

^{3/} Adjusted (see footnote 1) with added reversal of effect of Boston "Paragraph 5" adjustment on December 29, 1961 (\$178 million).

An adjustment, not reflected in this table, would have been necessary to raise Boston's estimated reserve ratio of 28.7 per cent to the System average as of December 28, 1961. However, the Minneapolis adjustment as of November 21, 1961 would not have been necessary under the proposed formula.