

333.-6-2

Final Minutes

5/29/24

MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BOARD IN WASHINGTON, MAY 29, 1924

PRESENT:

Governors Strong, Fancher, McDougal, Harding and Norris.
Mr. Matteson, Secretary of the Committee.

There were also present:

Honorable D. R. Crissinger, Governor of the Federal Reserve Board.
Mr. Edmund Platt, Vice Governor of the Federal Reserve Board.
Dr. A. C. Miller of the Federal Reserve Board.
Mr. Charles S. Hamlin of the Federal Reserve Board.
Dr. Walter W. Stewart, Director, Bureau of Research and Statistics, Federal Reserve Board.
Mr. Walter L. Eddy, Secretary, Federal Reserve Board.

The meeting was called to order at 10:45 a. m. by Governor Strong, Chairman.

The report of the Secretary of the Committee, with accompanying statements and data, was submitted.

There was also submitted to the representatives of the participating banks a report from the Federal Reserve Bank of New York on foreign accounts together with a statement of transactions since the last meeting of the Committee on April 22, 1924.

The Chairman reviewed briefly the activities of the Committee and the changes in the credit situation since the last meeting. He stated that in view of present and prospective credit conditions in New York, the directors of the Federal Reserve Bank of New York felt strongly the necessity for being in a position, either by the acquisition of a portfolio consisting of assets under their sole control or by the use through the Committee of the securities in the Special Investment Account, to ex-

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ercise a stabilizing influence on the money market during periods of heavy Treasury transactions and to counteract by the sale of securities, if and when such action should be warranted, any undesirable effects caused by abnormal ease of money, growing out of Treasury operations, when the market was already under the influence of heavy gold imports.

An extended discussion followed dealing with (a) increasing the amount of securities in the Special Investment Account; (b) a change in the method of apportionment of bills and Government securities based more nearly upon the earning requirements of the respective reserve banks; (c) the use of the investments held in the System Special Investment Account to neutralize abnormal money conditions in New York on quarterly tax periods and (d) the creation of separate portfolios by individual reserve banks for use in credit emergencies.

Whereupon, on motion, duly made and seconded, it was

VOTED (1) that the Committee approve and recommend to the participating banks an increase in holdings of Government securities for the Special Investment Account by another \$150,000,000, such purchases to be made at the discretion of the Committee at current market prices;

(2) that the Secretary be instructed to prepare a new plan of apportionment of Government securities based on earning requirements of the respective banks as shown by figures furnished to the Committee on May 21, 1924, with adjustments from time to time as conditions warrant and new estimates are made; such plan to be submitted to the members of the Committee and the participating banks for their approval;

(3) that bills purchased by the System be apportioned in the same manner as Government securities;

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(4) that the Chairman be authorized to make temporary sales of Government securities from the Special Account during quarterly tax periods in such amounts as may be deemed desirable, under a suitable plan for their repurchase for the Special Account.

In connection with the discussion of purchases by reserve banks for their own account, Governor McDougal asked to go on record as in favor of such purchases in order to provide holdings of Government securities for the reserve banks, preferably long-term, in sufficient amount to enable the banks to meet expenses.

The Chairman withdrew his suggestion with regard to a separate portfolio for the Federal Reserve Bank of New York in view of the action taken in respect to money conditions on the quarter days.

The meeting adjourned at 1:30 p. m.

(Signed) W. B. Matteson

Secretary

NEW PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN THE SYSTEM PURCHASES OF
GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING
REQUIREMENTS AS REPORTED TO COMMITTEE ON JUNE 6, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends <u>Jan. 1/24-May 31/24</u>	Estimated Gross Earn- ings June 1/24-Dec.31/24 Based on Earning Assets Held May 31 Remaining <u>Unchanged</u>	Total Net Earnings Jan.1/24-May 31/24 and Gross Earnings June 1/24-Dec. 31/24	Estimated Expenses June 1/24-Dec.31/24 Including Dividends Estimated Charge- offs, Etc.	Amount of Earnings Over or Short of Estimated Re- quirements for <u>Year 1924</u>	New Ratio of Participation
Boston	\$ 87,500	\$1,188,900	\$1,276,400	\$1,672,000	\$ 395,600-	6%
New York	x380,150	3,896,000	3,516,000	7,004,000	3,488,000-	X 51%
Philadelphia	270,245	1,624,000	1,894,245	1,697,000	197,245+	0
Cleveland	255,500	2,090,000	2,345,500	2,820,150	474,650-	7%
Richmond	315,790	1,455,000	1,770,790	1,360,000	410,790+	0
Atlanta	444,370	1,267,600	1,711,970	1,315,410	396,560+	0
Chicago	153,130	2,776,650	2,929,780	3,624,580	694,800-	10%
St. Louis	96,100	1,065,000	1,161,100	1,241,600	80,500-	1%
Minneapolis	64,390	1,020,000	1,084,390	1,268,260	183,870-	3%
Kansas City	53,080	1,355,150	1,408,230	1,755,400	347,170-	5%
Dallas	341,000	1,044,000	1,385,000	1,970,000	585,000-	8%
San Francisco	93,000	2,077,000	2,170,000	2,777,000	607,000-	9%
					<u>\$6,856,590-</u>	<u>100%</u>

*Expenses in Excess of Earnings Jan. 1/24-May 31/24

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