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MINUTES OF THE MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE
FOR THE FEDERAL RESERVE SYSTEM, HELD AT THE FEDERAL RESERVE
BANK OF BOSTON, JULY 16, 1924

Final Minutes

7/16/24

PRESENT:

Governors Strong, McDougal and Harding.
Mr. Wills, Chairman, Federal Reserve Bank of Cleveland,
representing Governor Fancher.
Mr. Matteson, Secretary of the Committee.

There were also present:

Dr. A. C. Miller of the Federal Reserve Board.
Mr. F. H. Curtiss, Chairman, Federal Reserve Bank of
Boston.

The meeting was called to order at 2:15 p. m. by Governor
Strong, Chairman.

The minutes of the meeting held on May 29, 1924, which had
been previously submitted to the members of the Committee, were
formally approved.

The ratios of participation of Federal Reserve Banks in
System purchases, computed upon the basis of the regular monthly re-
ports of earnings and expenses, previously submitted to the members
of the Committee, were formally approved. ✓

The Chairman's memorandum pertaining to the work of the
Committee with especial reference to a program for the future, to-
gether with the report of the Secretary of the Committee, with ac-
companying statements and data, were submitted.

On motion, duly made and seconded, it was

VOTED to authorize the Chairman to take the necessary
steps to effect the exchange of Treasury notes maturing September
15, 1924, for any short-term Government securities that might be
issued at that time, if such exchange is possible, with the usual

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advices to the different banks.

On motion, duly made and seconded, it was

VOTED to authorize the Chairman to sell and repurchase securities held in the Special Investment Account on the next quarterly tax period, in September 1924, in the same manner as such sales and repurchases were made through the New York and Chicago banks during the June 1924 tax period.

The question of a temporary change in the policy of the Committee with respect to the distribution of bankers acceptances purchased by the reserve banks was discussed at some length and it was the opinion of all present that the very limited volume of such purchases at the present time did not justify the clerical work and expense of apportioning the purchases among the participating banks. It was, therefore, on motion, duly made and seconded,

VOTED that the apportionment of bills be temporarily discontinued until such time as the volume is sufficient to warrant a resumption of such distribution.

The purchasing of bills by the New York bank for other reserve banks was brought up in connection with the temporary discontinuance of the distribution of bankers acceptances. Governor Strong, on behalf of the New York bank, explained that the Federal Reserve Bank of New York would do the best it could, as heretofore, to execute orders for other Reserve Banks, when possible, but just now the rates and volume of bills made purchases difficult, if not impossible.

There followed a discussion of the future policy of the Committee with respect to increasing the volume of short-term Government securities in the Special Investment Account and their

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apportionment. The chairman's view, which was concurred in by those present, was that the situation in the New York money market was now such that it would be more advantageous to have purchases made as largely as possible in Federal reserve cities other than New York for the reason that the New York banks are discounting practically nothing and purchases at this time in New York would have a tendency to increase the volume of loanable funds in New York, whereas purchases made in other districts would have a tendency to increase the volume of loanable funds in other sections of the country. It was, therefore, on motion, duly made and seconded,

[VOTED to raise the limit on the holdings of Government securities for the Special Account from \$400,000,000 to a maximum of \$500,000,000, such purchases to be made at the discretion of the Chairman, as to prices, and to be so conducted as to avoid or minimize changes in the credit situation or the market quotations for the securities. The Chairman was likewise authorized to carry out the suggested plan of having purchases in so far as possible made in other districts than New York; and it was directed that the apportionment of such purchases be on the basis of estimated deficiencies of earnings as shown by the monthly figures to be furnished to the Secretary; such apportionment to be approved by the members of the Committee, and the participating banks.

After a further discussion with respect to the Committee's attitude toward possible purchases of Government securities beyond the \$500,000,000 limit, it was, on motion, duly made and seconded,

VOTED that the Committee now expresses the view that it would be in favor of increasing still further the limit of \$500,000,000. If conditions remain substantially as they now are, and that the Federal

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Reserve Board be asked to give this proposal its consideration and furnish the Committee with an expression of its views.]

Dr. Miller presented a memorandum from Mr. Smead, of the Federal Reserve Board, comparing the Board's estimate of earning assets required to cover 1924 expenses and dividends, taken from reports made to the Board by reserve banks, with a similar schedule prepared by the Committee which was based on estimated requirements for the year as reported by the various banks to the Committee. The comparison disclosed that the Board's figures covered operating expenses and dividends only, whereas the Committee's statement included these items plus estimated reserves and charge-offs at the end of the year; also the Committee's statement of earnings was based on assets held as of June 30, while the Board's figures of earnings were on the basis of average daily holdings during June. It was understood that before preparing new participation ratios for August the Secretary would confer with Mr. Smead and that these ratios would then be submitted to the Committee before new apportionments were decided upon. In this connection it was agreed to by those present that investments in Government securities made under the new authorization between now and August 1, 1924, should be adjusted on the basis of the new ratios.

The exchange of nearby maturities of Government securities held in the Special Account for those having a longer time to run, by selling the former and buying the latter in the market, was brought up for discussion. No action was taken, the general view being that such transactions might interfere with the program of obtaining the amount of securities authorized by the Committee, and that such a change be considered when the Committee has completed all authorized purchases.

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The Chairman reported that the suggestion had been made that the Committee buy some circulation bonds and that a large block of 4s of 1925 had been offered on a 1% basis. It was the consensus of opinion that there would be no object in the Committee's buying them. In this same connection Dr. Miller stated that the Board had been advised by the Reserve Bank of Dallas of their desire to sell in the neighborhood of \$550,000 - 2% Consols of 1930 owned by them and it was suggested that the New York bank might undertake to sell them in the market. Governor Strong, on behalf of the New York bank, agreed to take the matter up with Governor McKinney.

The question of the time and place for the next meeting of the Committee was discussed. While no definite date was fixed it was the general opinion that it would be desirable to hold it in Chicago as early in September as possible, unless conditions should arise in the meantime making an earlier meeting necessary.

On motion the meeting adjourned at 4:30 p. m.

W. B. MATTESON
Secretary.

REVISED 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 30, 1924

	Net Earning Less Current Expenses Paid and Accrued and Dividends Jan.1/24-June 30/24	Estimated Gross Earn- ings July 1/24-Dec.31/24 Based on Earning Assets Held June 30 Remaining Unchanged	Total Net Earnings Jan.1/24-June 30/24 and Gross Earnings July 1/24-Dec. 31/24	Estimated Expenses July 1/24-Dec.31/24 Including Dividends Estimated Charge- offs, Etc.	Amount of Earnings Over or Short of Estimated Require- ments for Year 1924	Revised Ratio of Participation MONTH OF JULY.
Boston	\$ 71,312	\$ 944,672	\$1,015,984	\$1,441,621	\$ 425,637-	5%
New York	x500,891	3,518,000	3,017,109	6,125,000	3,107,891-	5% 37%
Philadelphia	266,022	1,026,000	1,292,022	1,495,000	202,978-	2%
Cleveland	261,400	1,258,500	1,519,900	2,507,000	987,100-	12%
Richmond	368,530	1,152,500	1,521,030	1,180,000	341,030+	0
Atlanta	463,200	692,960	1,156,160	1,185,807	29,647-	1%
Chicago	195,115	1,956,087	2,151,202	3,175,215	1,024,013-	12%
St. Louis	73,072	636,179	709,251	1,188,000	478,749-	6%
Minneapolis	108,000	828,000	936,000	1,153,000	217,000-	3%
Kansas City	84,300	1,067,000	1,151,300	1,538,000	386,700-	5%
Dallas	430,178	875,148	1,305,326	1,817,220	511,894-	6%
San Francisco	85,000	1,504,000	1,589,000	2,544,000	955,000-	11%
	<u>\$1,905,238</u>	<u>\$15,459,046</u>	<u>\$17,364,284</u>	<u>\$25,349,863</u>	<u>\$8,326,609-</u>	<u>100%</u>

*Expenses Exceed Earnings

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