

DECLASSIFIED

Authority E.O. 10501~~COPY~~

May 15, 1930

Dear Governor Young:

The directors of this bank have considered the Federal Reserve Board's letter of March 31, 1930, together with the enclosed draft of open market procedure as revised on March 25, 1930, and have voted that this bank accept participation in the open market policy conference under the terms of the proposed plan as they interpret that plan.

In considering the plan of procedure it has seemed to our directors that there may be some possible ambiguity with regard to the extent to which the proposed procedure is applicable to Federal reserve bank transactions in bankers acceptances and our directors interpret the revised plan as not establishing any different procedure with respect to bill operations than has existed heretofore.

Operations in bankers acceptances are, of course, governed by a technique quite different from operations in government securities. Whereas the volume of purchases or sales of government securities may be determined directly, the volume of holdings of bankers acceptances on the other hand is subject largely to a rate control which must be adjusted promptly from time to time to changing market conditions, and therefore does not subject itself to determination in advance by an open market policy conference.

We are mentioning this matter now only because of our desire to avoid any possible misunderstanding in the future, and to make sure that the plan suggested is not intended to set up any new procedure with regard to bill operations.

Faithfully yours,

(Signed) J. H. Case,  
Chairman.Honorable Roy A. Young,  
Governor, Federal Reserve Board,  
Washington, D. C.