

**DISCUSSION OF MAY FINANCING WITH THE
FEDERAL RESERVE BOARD, INCLUDING
ALLAN SPROUL AND BOB ROUSE OF THE
FEDERAL RESERVE BANK OF NEW YORK AND
AL WILLIAMS OF THE FEDERAL RESERVE BANK
OF PHILADELPHIA, AT THE FEDERAL RESERVE
BOARD, 3 O'CLOCK ON TUESDAY, APRIL 28, 1942**

It was agreed that the following five-point program should be submitted to the Secretary for discussion at the meeting scheduled for tomorrow afternoon in his office. The whole program if adopted would be publicly announced on date of financing.

1. Offer on Monday or Wednesday of next week a 7-9 year (1949-51) 2 $\frac{1}{2}$ % bond in the amount of \$1,250,000,000. Rules governing basis of subscription would be eliminated.

2. Offer a 20-25 year 2-1/2% bond without limit as to amount, to be registered but non-transferable for first 60 days. Commercial banks accepting demand deposits would be prohibited from subscribing or purchasing such security in the market for a period of ten years. It is estimated that this will produce \$500,000,000 during the month of May.

3. Issue 90-day bills for an additional \$100,000,000 a week (total \$250 a week). The Federal Reserve System would post a maximum rate of 3/8% on bills at which it would buy all offerings. This would produce \$400,000,000 during the month of May.

This would make a total of approximately \$2,100,000,000 in new cash for the month of May.

4. Announce that the Treasury will soon issue a 5-year tap security with graduated rates of interest along the lines of our previous memorandum on this subject. (It may be possible to offer this security at same time as others.)

5. Call the HOLC 2-1/4% bonds for payment on July 1 and, in the latter part of May, offer a refunding security for these, the RFC notes maturing on July 1, 1942, and the Treasury notes maturing on September 15, 1942. As most of these securities are held by banks, this should be a bank security. Because of this it was suggested that it be in the 5-year range.

6. At the conference between Treasury and representatives of the Federal Reserve System on March 19, it was understood that the Federal Reserve would maintain the approximate pattern of rates existing at that time. This understanding should of course continue.

It is understood that before a part of this program can be completely adopted, it will be necessary for the Federal Reserve Board to call a meeting of the Executive Committee of the Open Market Committee to get its approval of the open market operation proposed under No. 3.