

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 2, 1946

To Chairman Eccles, Gov. Evans, Gov. Draper Subject: Refunding of May 1 certificates

From L. M. Piser

Mr. Rouse phoned to me this morning and said that Mr. Bartelt had questioned him concerning the present attitude of the executive committee toward the refunding of the May 1 certificates. Mr. Rouse told Mr. Bartelt that Chairman Eccles and Mr. Sproul were not available at the time and that he could not speak for the executive committee but that he thought that the executive committee would want to review the previous recommendation to refund the issue in full and might want to recommend redeeming it for cash.

The May 1 certificates are outstanding in the amount of 1.6 billion dollars. Of this amount, the Federal Reserve holds 362 million dollars and commercial banks more than a billion, leaving only about 200 million with nonbank investors. The basis of the previous recommendation was that by refunding this issue in full the Treasury would maintain a certificate maturity in each month and would distribute the amount of the certificate maturities more evenly. An argument in favor of redeeming the May 1 certificates for cash is that this would retire an issue that is held principally by the banking system.

