

August 3, 1936.

Memorandum to Mr. Eccles:

A few days ago you asked me to get you some information regarding the replacement prior to June 30, 1936, of United States bonds held in individual investment accounts of the Federal reserve banks by short term United States Government securities. The Division of Bank Operations has prepared for me some tabulations and memoranda which are attached on this subject.

On January 1, 1934, the total holdings in the individual investment accounts of both long and short maturities aggregated, in round figures, \$212,000,000, which was reduced slightly to an aggregate of \$207,000,000 on June 30, 1936.

Of the holdings on January 1, 1934, approximately one-half, or \$105,500,000, were in bonds of which \$72,813,050 were Liberties which were called for redemption. The total holdings of bonds in the individual accounts were reduced through replacements by short term securities to \$21,000,000 on June 30, 1936. All the shifts from bonds to short term securities took place at various times in 1934 and 1935.

There were eight banks that held bonds in some amount on January 1, 1934, the ones not holding any bonds being Cleveland, Richmond, Atlanta and San Francisco.

On January 1, 1934, New York held \$62,887,950 of bonds, which were reduced to \$1,695,050 through replacements by short term securities to the extent of \$8,000,000 in April, 1934; \$8,000,000 in September, 1934; \$10,750,000 in April, 1935; \$3,000,000 in May, 1935; \$7,765,000 in September, 1935, \$19,000,000 in November, 1935, and \$4,800,000 in December, 1935.

Philadelphia on January 1, 1934, held \$3,352,100 of bonds, which were reduced by one-half to \$1,652,000 on June 30, 1936, the reduction being accomplished through substitution of short term securities in April and September, 1934.

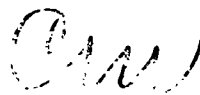
On January 1, 1934, Chicago held \$20,400,000 of bonds, all of which were replaced by short term securities in April and September, 1934, March, 1935, and September, 1935.

Minneapolis held \$7,511,650 of bonds on January 1, 1934, and substituted shorter term securities to the extent of only \$511,000, which was done in September, 1934, so that on June 30, 1936, Minneapolis still had \$7,000,650 in bonds.

St. Louis on January 1, 1934, had \$500,000 of bonds, which were replaced by short term securities in April, 1935.

Boston, Kansas City and Dallas did not replace any of their bonds by short term securities.

In view of the fact that all these shifts took place before this year and at varying times, a large part involving the replacement of called Liberties, it would seem that the prospect of transfer of individual holdings to the system account did not influence the action.



Secretary.

Attachments.

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date July 31, 1936To Mr. Morrill

Subject: \_\_\_\_\_


From Mr. Van Fossen

\* \* \* 16-852

In accordance with your request we have prepared the attached table showing the amount of United States Government bonds held by the Federal Reserve banks in their own investment accounts which were replaced by short term securities by months from January 1934 to June 1936, inclusive. It will be noted that the amount of United States Government bonds so replaced during this period by each of the various banks was as follows:

Boston	none	Chicago	\$20,400,000
New York	\$61,321,050	St. Louis	500,000
Philadelphia	1,700,000	Minneapolis	511,000
Cleveland	none	Kansas City	none
Richmond	none	Dallas	none
Atlanta	none	San Francisco	none
		TOTAL	84,432,050

Of the total amount of United States bonds so replaced, \$53,626,850 were called Liberty Bonds, of which \$23,003,000 were exchanged for new short term issues and \$30,623,850 were sold in the open market and replaced by short term securities purchased in the open market. Attached is a tabulation showing the amount of Liberty Bond holdings of the Federal Reserve banks in their own investment accounts on January 1, 1934, and the securities with which they were replaced.



Attachments.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**Office Correspondence**Date August 1, 1936To Mr. Morrill

Subject: \_\_\_\_\_

From Mr. Van Fossen

G P O 16-862

In accordance with your telephone request we have prepared the attached table showing the amount of United States Government bonds and all other United States Government securities held by each Federal Reserve bank in its own investment account on January 1, 1934 and on June 30, 1936, prior to the transfer of all Government securities to the System Open Market Account.

Attachment.

U. S. GOVERNMENT SECURITIES HELD BY FEDERAL RESERVE BANKS IN OWN INVESTMENT ACCOUNT  
ON JANUARY 1, 1934, AND ON JUNE 30, 1936\*  
(EXCLUSIVE OF SECURITIES HELD UNDER RESALE AGREEMENT OR PURCHASED FOR ACCOUNT OF MEMBER BANKS)

Federal Reserve Bank	On January 1, 1934			On June 30, 1936		
	Bonds	All other	Total	Bonds	All other	Total
Boston	\$689,000	—	\$689,000	\$689,000	—	\$689,000
New York	62,887,950	\$64,049,500	126,937,450	1,695,050	\$120,370,550	122,065,600
Philadelphia	3,352,100	33,400	3,385,500	1,652,000	1,733,400	3,385,400
Cleveland	—	—	—	—	—	—
Richmond	—	—	—	—	—	—
Atlanta	—	—	—	—	—	—
Chicago	20,400,000	42,341,700	62,741,700	—	62,741,000	62,741,000
St. Louis	500,000	—	500,000	—	500,000	500,000
Minneapolis	7,511,650	—	7,511,650	7,000,650	511,000	7,511,650
Kansas City	182,200	—	182,200	185,200	—	185,200
Dallas	10,000,000	—	10,000,000	10,000,000	—	10,000,000
San Francisco	—	—	—	—	—	—
<b>Total</b>	<b>105,522,900</b>	<b>106,424,600</b>	<b>211,947,500</b>	<b>21,221,900</b>	<b>185,855,950</b>	<b>207,077,850</b>

\*Prior to transfer of securities to the System Open Market Account.

LIBERTY BONDS\* HELD IN OWN INVESTMENT ACCOUNT OF THE FEDERAL RESERVE BANKS ON JANUARY 1, 1934,

AND SECURITIES BY WHICH THEY WERE REPLACED.

	<u>New York</u>	<u>Phila.</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minn.</u>	<u>Dallas</u>	<u>Total</u>
Held January 1, 1934	\$47,292,050	\$2,800,000	\$20,400,000	\$500,000	\$1,696,000	\$125,000	\$72,813,050
	<u>Replacements</u>						
Exchanged for new short term issues	14,792,000	—	7,200,000	500,000	511,000	—	23,003,000
Replaced by short term issues bought in open market	15,723,850	1,700,000	13,200,000	—	—	—	30,623,850
Exchanged for new bond issues	16,776,000	600,000	—	—	1,145,000	—	18,521,000
Replaced by bonds bought in open market	200	500,000	—	—	40,000	125,000	665,200
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Total sales and exchanges of called Liberties to September 1935	47,292,050	2,800,000	20,400,000	500,000	1,696,000	125,000	72,813,050

\*All Liberty bonds outstanding on January 1, 1934, were called for redemption by October 15, 1935.

REPLACEMENTS OF UNITED STATES BONDS HELD IN INDIVIDUAL INVESTMENT ACCOUNTS OF THE FEDERAL RESERVE BANKS  
WITH SHORT-TERM UNITED STATES GOVERNMENT SECURITIES, JANUARY, 1934, TO JUNE, 1936

	New York	Philadelphia	Chicago	St. Louis	Minneapolis	Total
<b>April - 1934</b>						
Sold or exchanged	\$7,958,800*	\$1,000,000*	\$6,100,000*	—	—	\$15,058,800
Replaced by Treasury notes	6,958,800	1,000,000	—	—	—	7,958,800
Replaced by Treasury bills	1,000,000	—	6,100,000	—	—	7,100,000
<b>September - 1934</b>						
Sold or exchanged	8,042,000**	700,000*	4,600,000**	—	\$511,000**	13,853,000
Replaced by Treasury notes	8,042,000	700,000	4,600,000	—	511,000	13,853,000
<b>March - 1935</b>						
Sold or exchanged	—	—	7,100,000*	—	—	7,100,000
Replaced by Treasury notes	—	—	3,500,000	—	—	3,500,000
Replaced by Treasury bills	—	—	3,600,000	—	—	3,600,000
<b>April - 1935</b>						
Liberty bonds sold or exchanged	6,750,000**	—	—	\$500,000**	—	7,250,000
Replaced by Treasury notes	6,750,000	—	—	500,000	—	7,250,000
Treasury bonds sold	4,000,000	—	—	—	—	4,000,000
Replaced by Treasury bills	4,000,000	—	—	—	—	4,000,000
<b>May - 1935</b>						
Treasury bonds sold	3,000,000(a)	—	—	—	—	3,000,000
Replaced by Treasury bills	3,000,000	—	—	—	—	3,000,000
<b>September - 1935</b>						
Sold or exchanged	7,765,050*	—	2,600,000**	—	—	10,365,000
Replaced by Treasury notes	7,765,050	—	2,600,000	—	—	10,365,000
<b>November - 1935</b>						
Treasury bonds sold	18,984,000	—	—	—	—	18,984,000
Replaced by Treasury notes	16,664,000	—	—	—	—	16,664,000
Replaced by Treasury bills	2,320,000	—	—	—	—	2,320,000

REPLACEMENTS OF UNITED STATES BONDS HELD IN INDIVIDUAL INVESTMENT ACCOUNTS OF THE FEDERAL RESERVE BANKS  
WITH SHORT-TERM UNITED STATES GOVERNMENT SECURITIES, JANUARY, 1934, TO JUNE, 1936 (CONT'D.)

	New York	Philadelphia	Chicago	St. Louis	Minneapolis	Total
December - 1935						
Treasury bonds sold	\$4,821,200	--	--	--	--	\$4,821,200
Replaced by Treasury notes	4,821,200	--	--	--	--	4,821,200
Totals:						
Called Liberty bonds exchanged for Treasury notes	14,792,000	--	\$7,200,000	\$500,000	\$511,000	23,003,000
Called Liberty bonds sold	15,723,850	\$1,700,000	13,200,000	--	--	30,623,850
Replaced by Treasury notes	14,723,850	1,700,000	3,500,000	--	--	19,923,850
Replaced by Treasury bills	1,000,000	--	9,700,000	--	--	10,700,000
Treasury bonds sold	30,805,200	--	--	--	--	30,805,200
Replaced by Treasury notes	21,485,200	--	--	--	--	21,485,200
Replaced by Treasury bills	9,320,000	--	--	--	--	9,320,000
Total bonds sold or exchanged	61,321,050	1,700,000	20,400,000	500,000	511,000	84,432,050

\*Called Liberty bonds

\*\*Treasury exchange of called Liberty bonds

(a)Sold to Postal Savings System