

STRICTLY CONFIDENTIALBOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEMR&S 100-852
December 2, 1943

Board of Governors

Formula for bank subscriptions

L. M. Piser

Mr. Bell called me this morning and said that he had been considering further the points raised at the meeting at the Treasury on November 30. He felt that in some respects the decision to permit commercial banks to purchase restricted issues was a mistake, because it would result in commercial banks acquiring some securities directly from the Treasury. As one approach, the Treasury might announce that the statement of November 22 had been reconsidered and it had been decided that banks should not be permitted to purchase from the Treasury marketable issues having a maturity beyond the range previously determined upon. In recognition of the fact that banks do hold time deposits, however, they would be permitted to subscribe for a maximum of \$100,000 of Series F and G bonds. Since a reversal of the statement made on November 22 might have a bad public reaction, however, he has decided to abandon this approach.

He now feels that perhaps the best procedure would be to permit banks to hold a maximum of \$100,000 of restricted issues, including those already outstanding and Series F and G bonds as well as the new 2 1/4s and 2 1/2s. A bank's holdings of these issues, however, would not be permitted to exceed the amount of its time or savings deposits. No announcement would be made of a further increase, and that decision would be left until after the Fourth War Loan drive.

I told him that I did not think that this proposal would meet the problem of competition with other savings institutions and that consequently it was not as satisfactory as the formula that I had presented. I told him further, however, that I thought that it was better than an announcement that would amount, in effect, to a reversal of the statement of November 22. He said that he would call me again in order to discuss the matter further.