

December 7, 1944

To: Chairman Eccles

Subject: Executive Committee recommendations regarding Treasury bills and the Sixth War Loan and Treasury actions with respect to these matters

From: L. M. Piser

In a memorandum dated September 13 to the Secretary, the Executive Committee recommended that the Treasury make no increase in the weekly offering of Treasury bills before the end of the Sixth War Loan, unless the timing of the Sixth War Loan made necessary the building up of the Treasury balance prior to the date of payment for securities offered in the drive. The Treasury's staff had recommended that the Treasury issue an additional 200 million dollars a week for an indefinite period. The Treasury's action was to increase the offering by 100 million dollars a week for seven weeks and to offer no bills during the drive.

The Executive Committee in a memorandum dated August 11 suggested consideration by the Treasury of the following measures to improve the situation in the Sixth War Loan as compared with the Fifth War Loan:

1. That the Treasury appeal more strongly than heretofore for the whole-hearted cooperation of commercial banks in complying with Treasury wishes regarding loans on securities, condemn the undesirable practices that developed during the Fifth War Loan, and indicate that in the future any subscriptions not entered in accordance with the Treasury's request will be subject to rejection.
2. That subscribers for market issues, other than brokers and dealers, be required to make a down payment of 25 per cent of their subscriptions from existing funds when entering subscriptions that involve bank loans.
3. That the Treasury again request the Reserve Banks to police subscriptions from brokers and dealers and that the Treasury provide a more specific yardstick.
4. That <sup>a</sup>partial-payment plan be inaugurated and the lowest denomination of marketable bonds be reduced.
5. That the number of issues offered in drives that are available for bank purchase after the drive closes be reduced.
6. That the use of war loan deposits above a minimum uniform percentage be denied to all qualified depositories who ignore the Treasury's request concerning speculative loans.
7. That consideration be given to a return to the practice of offering securities directly for commercial bank subscription.
8. That trading in the marketable issues included in the drive be postponed until 15 days after the close of the drive.

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9. That the Treasury make no increase in outstanding bills during the drive.

Of these nine suggestions, the Treasury adopted three. First, the Treasury provided a more specific yardstick for subscriptions from brokers and dealers. Second, the Treasury has made no increase in outstanding bills during the drive. Third, the Treasury in the announcement of the terms of the Sixth War Loan requested the banks not to make loans for the purpose of acquiring the drive securities later for their own account and sent a letter to all commercial banks requesting them to police subscriptions. In instances where a commercial bank believes that a subscription is in excess of the ability of the subscriber to pay for the subscription or is for resale shortly after the close of the drive, all of the available circumstances regarding the subscription are to be submitted to the Reserve Bank, as fiscal agent, and the Reserve Bank is to take such action as it thinks desirable.

A handwritten signature in cursive script, likely belonging to a Treasury official, positioned in the lower right quadrant of the page.