

A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Thursday, March 22nd, at 10:45 a.m.

PRESENT: Vice Governor Platt
 Mr. Hamlin
 Mr. Miller
 Mr. Campbell
 Mr. Crissinger
 Mr. Hoxton, Secretary

PRESENT ALSO

BY INVITATION: Mr. Jay (Federal Reserve Agents of the Federal Reserve banks of New York and Cleveland respectively.)
 Mr. Wills (Reserve banks of New York and Cleveland respectively.)

The reading of the minutes of the March 21st was omitted.

The Vice Governor reported the reserve positions of the several Federal Reserve banks as at close of business March 20th.

Telegram dated March 21st, from the Chairman of the Federal Reserve Bank of Atlanta, advising that the Executive Committee of that bank, subject to the review and determination of the Federal Reserve Board, had voted to apply its discount rate of $4\frac{1}{2}\%$ to all rediscounts of agricultural and live-stock paper with maturity not exceeding nine months, made eligible by the Agricultural Credits Act.

Approved, Mr. Platt voting "no". Mr. Platt stated, in explanation of his vote, that he felt strongly that Federal Reserve banks should conform to the practice of commercial banks and charge a higher rate for discounts of long maturity than that charged for discounts of short maturity, and that, therefore, he felt that the rate for nine months' paper should be at least one-half of one percent higher than the rate charged for shorter maturities.

The Vice Governor stated that the next thing in order would be the special order business, namely, the resolutions proposed by Mr. Miller, with reference to the open market transactions of Federal Reserve banks.

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After discussion, Mr. Miller's proposed resolutions were amended and adopted as follows:

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal reserve banks;

Whereas the Federal Reserve Board has never prescribed any limitation upon open market purchases by Federal reserve banks;

Whereas the amount, time, character, and manner of such purchases may exercise an important influence upon the money market;

Whereas an open market investment policy for the twelve banks composing the Federal reserve system is necessary in the interest of the maintenance of a good relationship between the discount and purchase operations of the Federal reserve banks and the general money market;

Whereas heavy investments in United States securities, particularly short-dated certificate issues, have occasioned embarrassment to the Treasury in ascertaining the true condition of the money and investment markets from time to time,

THEREFORE, Be It Resolved, That the Federal Reserve Board, in the exercise of its powers under the Federal Reserve Act, lay down and adopt the following principles with respect to open market investment operations of the Federal reserve banks, to-wit:

(1) That the time, manner, character, and volume of open market investments purchased by Federal reserve banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation.

(2) That in making the selection of open market purchases, careful regard be always given to the bearing of purchases of United States Government securities, especially the short-dated issues, upon the market for such securities, and that open market purchases be primarily commercial investments, except that Treasury certificates be dealt in, as at present, under so-called "Repurchase" agreement.

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase,

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sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

The Vice Governor stated that the next thing in order would be the other matter scheduled as special order business today, namely, the memorandum prepared by Mr. Miller, with reference to a new form of stating the reserve position of the Federal Reserve banks.

The Secretary was instructed to read the memorandum prepared by Mr. Miller.

After discussion, Mr. Miller moved the adoption of the plan set forth in his memorandum.

Mr. Hamlin moved as an amendment that the memorandum be laid on the table. Mr. Hamlin's motion being put by the chair was carried.

REPORTS OF COMMITTEE NO. 1

Dated March 21st, Recommending action on applications for changes in stock as set forth in the Auxiliary Minute Book of this date.

Approved.

At 1:10 p.m. the meeting adjourned to meet again tomorrow morning at 10:30 a.m.

W. W. Houston
Secretary.

Approved:

Edmund Platt
Vice Governor.