



*R. #11*  
THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON

RECEIVED  
MAR 28 1933  
MR. PLATT  
3331

March 27, 1933.

Dear Mr. Platt:

I have received through the Central Committee of Governors, located in New York, a letter quoting a telegram received on March 24, 1933, from the Federal Reserve Bank of Dallas, as follows:

"National Park Bank will deliver to you \$100,000 U. S. Treasury 4 1/4 gold notes Series B-1926 due September 15, 1926, which you are authorized to purchase for our account on basis ninety-nine and accrued interest, charging our account to cover purchase price. Hold notes for our account sending us custody receipt. Wire amount charged. This for our investment account".

This clearly represents a purchase of notes by the Federal Reserve Bank of Dallas for its own investment account, and seems to be a violation of the understanding that the Federal Reserve Banks would not at this time increase their investments in Government securities through purchases outside the system.

Very truly yours,

S. P. GILBERT, Jr.,  
Under Secretary.

Hon. Edmund Platt,  
Acting Governor,  
Federal Reserve Bank,  
Washington, D. C.

EXCERPT FROM SECRETARY'S MINUTES OF GOVERNORS' CONFERENCE  
MARCH 26 - 29, 1923.

333, -a  
3/26/23

Topic I. A. Report of Committee on Centralized Execution of  
Purchases and Sales of Government Securities for  
Account of Federal Reserve Banks. (see para. 9)

The Governors expressed themselves as being in favor of the plan set up in the Board's memorandum X-3675, and with the establishment of the Open Market Investment Committee for the Federal Reserve System to supersede on and after April 1, 1923, the present Governors Committee on Centralized Execution of Purchases and Sales of Government Securities for Account of Federal Reserve Banks.

The Federal Reserve Board, upon the suggestion of the Governors, appointed the members of the old committee to serve as members of the new committee. (see X-3689 of April 7, 1923).

It was generally felt by the Governors that the Board's resolution should be construed so that the banks should have some latitude in making retail intra-district purchases of acceptances.

*A deficiency  
found  
3/24/23*

X-3675

*333-a  
3-22-23*

RESOLUTION RECENTLY ADOPTED BY THE FEDERAL RESERVE BOARD.

"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 proscribed 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

*orig. filed 333.-4-1*

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, 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."

Note: The Board has determined that Government securities of short maturities should be liquidated first, and wishes the opinion of the Conference of Governors as to how this may best be done without disturbance to the market.

*Meeting held at  
Boston Feb 5, 1923.*

*# 2  
# 2*

*E 333-1*

February 12, 1923.

*333-a*

Dear Sir:

This will acknowledge receipt of your letter  
of February 10th, enclosing minutes <sup>filed 333-a - final minutes</sup> of the meeting of the <sup>2/5/23</sup>  
Committee of Governors on centralized execution of purchases  
and sales of Government securities by Federal Reserve banks,  
held at the Federal Reserve Bank of Boston on February 5th,  
together with a copy of the report and accompanying ex-  
hibits presented at that meeting.

Yours very truly,

Acting Governor.

Mr. W. B. Matteson,  
Federal Reserve Bank,  
New York, N. Y.

FEDERAL RESERVE BANK  
OF NEW YORK

Committee of Governors on  
Centralized Execution of Purchases  
and Sales of Government Securities  
by Federal Reserve Banks.

RECEIVED  
FEB 12 1923  
OFFICE OF  
MR. PLATT.

333.-a

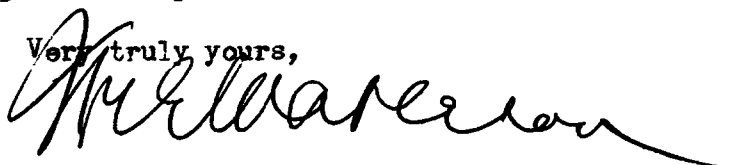
CONFIDENTIAL

February 10, 1923.

My dear Mr. Platt:

Enclosed are the minutes of the meeting of the Committee  
of Governors on Centralized Execution of Purchases and Sales of  
Government Securities by Federal Reserve Banks, held at the Federal  
Reserve Bank of Boston on February 5, 1923, together with a copy  
of the report and accompanying exhibits presented at that meeting.

Very truly yours,



W. B. Matteson  
Secretary of the Committee

Enclosures

Honorable Edmund Platt,  
Acting Governor, Federal Reserve Board,  
Washington, D. C.

REPORT OF COMMITTEE OF GOVERNORS ON CENTRALIZED EXECUTION  
OF PURCHASES AND SALES OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS,  
SUBMITTED TO COMMITTEE AT MEETING IN CLEVELAND, OCTOBER 31, 1922.  
COVERING PERIOD FROM MAY 17, 1922 TO OCTOBER 25, 1922 INCLUSIVE.

333-a  
10/31/22

The secretary presents herewith the following exhibits, covering activities and operations of committee since its formation:

- Exhibit "A" - Government security holdings of Federal reserve banks as reported to the committee of governors at the close of business October 25, 1922.
- Exhibit "B" - Government security holdings of Federal reserve banks as reported to the committee of governors at the close of business September 20, 1922.
- Exhibit "C" - Total United States securities exclusive of Pittman Act certificates, held by Federal reserve banks.
- Exhibit "D" - Comparison of the Government security holdings by maturities of all Federal reserve banks combined as of May 17, June 30, September 20 and October 25, 1922.
- Exhibit "E" - Statement showing Government security investment holdings of reserve banks compared with record of gold imports into the United States.
- Exhibit "F" - Report of transactions in Government securities for account of the Treasury Department and Federal reserve banks from close of business October 18, 1922 to close of business October 25, 1922 as reported to the Committee of Governors.

Transactions  
in Government  
Securities by  
Federal Re-  
serve Banks

The opinion of the members of the committee expressed at the meetings of July 12 and October 2, 1922, was that Government securities held in the investment accounts of the various reserve banks be allowed to run off as they mature without replacement in other Government securities. The manner in which this has been

- 2 -

generally carried out by the different banks is reflected in the amount of securities held October 25, 1922, as shown in Exhibit "C", which is approximately \$90,000,000 less than the amount held on June 30, 1922. During this time approximately \$70,000,000 Treasury certificates, which had been held in various investment accounts matured. In addition to this the Treasury Department, on October 17, 1922, expressed a desire to purchase for redemption any of the Treasury certificates maturing December 15, 1922, which the Federal Reserve Bank of New York was holding in its investment account. As a result, the New York bank agreed to sell to the Treasury all of its holdings of December certificates amounting to \$33,015,000 of which \$15,000,000 have already been delivered, the \$18,015,000 balance to be taken over by the Treasury during the remainder of the month. On October 24, 1922, the Treasury stated that they would be glad to redeem any or all of these issues held in the investment accounts of the other reserve banks, and suggested that the committee might be willing to recommend such action to the governors of the other banks. Upon communicating with the several members of the committee they unananimously agreed to the proposal and thereupon, notice to this effect was sent to all other banks, which resulted in sales to the Treasury for delivery on October 26, 1922, of substantially all their December 1922 certificates, with the exception of Cleveland, who sold about \$3,000,000 of their holdings of December certificates for delivery October 26, and who still have under consideration the sale of the balance of their December certificates and Victory notes, for delivery on October 31.

**Treasury  
Orders**

Recent orders given through Federal reserve banks covering the purchase and sale of Government securities are as follows:



<u>Date of Orders</u>	<u>Account</u>	<u>Issue</u>	<u>Price</u>	<u>Amount</u>
October 5, 1922	Cumulative Sinking Fund	Third 4 1/4% L.L. bonds	Not Exceeding Par	\$10,000,000
" 7, 1922	" "	Any L.L. bonds except 1st 3 1/2a	Market	25,000,000
" 7, 1922	War Finance Corporation	Any Tr. notes	To yield 4 1/4% or better	25,000,000
" 7, 1922	War Finance Corporation	Any L.L. bonds except 1st 3 1/2s	Not exceeding par.	20,798,000
" 10, 1922	"	Sept. 15, 1926 4 1/4% Tr. notes	Par	12,050,000
" 16, 1922 to 25, 1922	Alien Property Custodian	4 1/4% Tr. bonds of 1947-52	Market	28,314,000
" 17, 1922	Cumulative Sinking Fund	4 3/4% Vict. notes called 12-15-22	100.12	<u>15,000,000</u>
				\$111,162,000

These orders have been completed through purchases by the different banks, with the exception of the order of October 17 for the Cumulative Sinking Fund, on which there has been purchased up to date \$11,204,800. Inasmuch as the Treasury offered under date of October 23 to redeem at par all Victory notes called for payment December 15, 1922, it was felt that further purchases on the order of October 17, at the price of 100.12 might well be temporarily suspended.

The purchases resulting from the distribution of all Treasury orders since the committee began operations, including the recent large orders specified above, are as follows:

Boston - - - - -	\$ 46,738,350
New York - - - - -	219,711,250
Philadelphia - - - - -	27,241,500
Cleveland - - - - -	3,300,000
Richmond - - - - -	199,300
Atlanta - - - - -	2,698,350
Chicago - - - - -	56,283,500
Kansas City - - - - -	282,300
St. Louis - - - - -	6,576,700
Minneapolis - - - - -	1,328,200
San Francisco - - - - -	<u>13,340,600</u>

T O T A L \$377,700,050

EXHIBIT "A"

GOVERNMENT SECURITY HOLDINGS OF FEDERAL RESERVE BANKS AS REPORTED  
TO THE COMMITTEE OF GOVERNORS AT THE CLOSE OF BUSINESS OCTOBER 25, 1922, INCLUDING PITTMAN ACT CERTIFICATES

	<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>T o t a l</u>
Dec. 15, 1922	\$ 781,500.	\$18,015,000.	\$ 7,000.	\$10,465,000.			\$ 165,500.	\$ 901,500.	\$ 1,167,000.	\$ 422,000.	\$ 250,000.	\$ 4,040,000.	\$36,214,500.
March 15, 1923	3,525,000.	10,925,000.	500.	5,938,000.		\$ 30,000.	15,500,500.	1,593,000.		5,874,000.	250,000.	203,500.	43,839,500.
June 15, 1923	3,850,000.	14,388,000.	4,600,000.	2,134,500.		2,000,000.	5,275,000.	1,736,500.	250,000.	3,782,500.	2,944,500.	7,149,500.	48,110,500.
Sept. 15, 1923	5,844,000.	5,810,000.	547,000.	332,000.			9,344,000.		427,500.	2,173,500.	5,075,000.		29,553,000.
Victorys (called)				5,971,800.							24,750.		5,996,550.
" (uncalled)	5,656,000.	5,000,000.	150.	9,822,500.						22,250.	161,250.	10,065,300.	30,727,450.
Treasury Notes	4,830,700.	11,500,000.	22,187,600.	10,979,100.	\$ 50,000.		1,756,500.	11,458,100.	3,267,600.	23,333,600.		17,459,100.	106,822,300.
Miscellaneous	535,150.	1,111,750.	1,919,400.	873,200.	1,190,900.	202,000.	4,821,600.	7,354,000.	4,324,400.	3,986,600.	2,669,500.	10,157,800.	39,146,300.
Sales Contracts	<u>1,361,000.</u>	<u>22,360,900.</u>					<u>3,509,400.</u>						<u>27,231,300.</u>
<b>T O T A L</b>	<b>\$ 26,383,350.</b>	<b>\$89,110,650.</b>	<b>\$29,261,650.</b>	<b>\$46,516,100.</b>	<b>\$1,240,900.</b>	<b>\$2,232,000.</b>	<b>\$40,372,500.</b>	<b>\$23,043,100.</b>	<b>\$ 9,436,500.</b>	<b>\$39,594,450.</b>	<b>\$11,375,000.</b>	<b>\$49,075,200.</b>	<b>\$367,641,400.</b>
Pittman Act Ctf's.	<u>2,250,000.</u>	<u>10,000,000.</u>	<u>2,500,000.</u>	<u>2,500,000.</u>	<u>2,960,000.</u>	<u>2,999,000.</u>	<u>4,667,000.</u>	<u>3,571,000.</u>	<u>2,500,000.</u>	<u>2,821,000.</u>	<u>1,900,000.</u>	<u>2,332,000.</u>	<u>41,000,000.</u>
<b>T O T A L</b>	<b>\$ 28,633,350.*</b>	<b>\$99,110,650.</b>	<b>\$ 31,761,650.</b>	<b>\$49,016,100.</b>	<b>\$4,200,900.</b>	<b>\$5,231,000.</b>	<b>\$45,039,500.</b>	<b>\$26,614,100.</b>	<b>\$11,936,500.</b>	<b>\$42,415,450.</b>	<b>\$13,275,000.</b>	<b>\$51,407,200.</b>	<b>\$408,641,400.</b>

\* This includes \$18,015,000. December 15, 1922 certificates sold to Treasury for redemption for delivery this month.

GOVERNMENT SECURITY HOLDINGS OF FEDERAL RESERVE BANKS AS REPORTED  
 TO THE COMMITTEE OF GOVERNORS AT THE CLOSE OF BUSINESS SEPTEMBER 20, 1922, INCLUDING PITTMAN ACT CERTIFICATES

	<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Oct. 16, 1922 Cts.	\$ 15,000.	-0-	\$ 792,000.	\$10,330,500.	-0-	-0-	-0-	\$ 1,022,500.	\$ 547,000.	\$ 2,934,500.	-0-	\$ 68,500.	\$ 15,710,000.
Dec. 15, 1922 "	781,500.	\$43,517,000.	8,000.	10,434,000.	-0-	-0-	\$ 465,500.	938,000.	1,366,000.	395,000.	\$ 250,000.	4,040,000.	62,195,000.
March 15, 1923 "	3,525,000.	15,000,000.	500.	5,838,000.	-0-	\$ 30,000.	15,500,500.	1,591,500.	-0-	5,873,500.	250,000.	203,500.	47,812,500.
June 15, 1923 "	3,850,000.	10,000,000.	4,600,000.	2,134,500.	-0-	2,000,000.	100,000.	1,736,500.	200,000.	3,782,500.	265,000.	7,149,500.	35,818,000.
Sept. 15, 1923 "	150,000.	-0-	228,500.	292,000.	-0-	-0-	1,500,000.	591,500.	448,000.	1,000.	-0-	-0-	3,211,000.
Victorys (called)	-0-	-0-	-0-	5,971,800.	-0-	-0-	-0-	-0-	-0-	-0-	24,750.	-0-	5,996,550.
" (uncalled)	5,936,000.	5,000,000.	150.	9,822,500.	-0-	-0-	-0-	-0-	-0-	10,850.	161,250.	10,065,300.	30,996,050.
Treasury Notes	4,830,700.	20,000,000.	22,127,600.	10,959,000.	\$ 50,000.	-0-	1,756,500.	11,458,100.	9,796,600.	23,283,600.	-0-	17,459,100.	121,721,200.
Miscellaneous Bonds	535,150.	857,750.	1,461,100.	873,200.	1,190,900.	159,590.	4,425,600.	7,303,400.	3,140,000.	4,442,000.	2,629,500.	10,157,800.	37,175,990.
Sales Contracts	<u>2,320,100.</u>	<u>21,210,600.</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,714,700.</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>26,245,400.</u>
T O T A L	21,943,450.	115,585,350.	29,217,850.	56,655,500.	1,240,900.	2,189,590.	26,462,800.	24,641,500.	15,497,600.	40,722,950.	3,580,500.	49,143,700.	386,881,690.
Pittman Act Certs.	<u>3,250,000.</u>	<u>12,500,000.</u>	<u>3,500,000.</u>	<u>3,500,000.</u>	<u>3,460,000.</u>	<u>3,999,000.</u>	<u>6,667,000.</u>	<u>3,571,000.</u>	<u>3,000,000.</u>	<u>3,821,000.</u>	<u>1,900,000.</u>	<u>2,832,000.</u>	<u>52,000,000.</u>
<u>T O T A L</u>	<u>\$25,193,450.</u>	<u>\$128,085,350.</u>	<u>\$32,717,850.</u>	<u>\$60,155,500.</u>	<u>\$4,700,900.</u>	<u>\$6,188,590.</u>	<u>\$33,129,800.</u>	<u>\$28,212,500.</u>	<u>\$18,497,600.</u>	<u>\$44,543,950.</u>	<u>\$5,480,500.</u>	<u>\$51,975,700.</u>	<u>\$438,881,690.</u>

TOTAL UNITED STATES SECURITIES, EXCLUSIVE OF BIRTH AND CERTIFICATES,  
HELD BY FEDERAL RESERVE BANKS.  
(In millions)

Date 1922	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	All Banks
Jan. 4	3.3	62.6	2.4	5.9	1.2	10.3	15.9	1.4	.2	9.0	2.6	3.6	119.1
11	25.8	30.3	2.7	6.1	1.2	10.2	17.2	1.4	.1	8.9	2.6	4.6	109.2
18	26.5	20.6	9.3	6.1	1.2	7.5	24.9	1.3	.1	8.9	2.6	5.0	113.9
25	28.3	28.8	11.7	6.1	1.2	8.8	32.3	1.3	.1	8.9	2.6	8.9	137.1
Feb. 1	29.0	72.4	11.9	15.4	1.2	2.8	34.0	2.0	.6	9.0	2.6	11.4	192.4
8	30.2	98.7	14.0	21.9	1.2	.9	41.7	4.4	.6	14.4	2.6	13.0	243.6
15	30.4	129.4	14.5	22.0	1.2	.1	45.9	8.8	1.0	17.9	2.6	12.2	285.1
21	29.8	92.5	14.7	26.5	1.2	.2	30.1	9.8	1.1	17.4	2.6	12.1	258.0
Mar. 1	29.8	130.3	14.7	32.6	1.2	.1	59.9	10.9	1.4	21.7	2.6	12.3	317.6
8	30.2	143.0	14.7	35.6	1.2	.1	61.8	11.9	3.1	30.5	2.9	14.9	349.9
15	28.3	119.6	14.7	35.6	1.2	.1	63.5	13.4	5.4	30.5	3.1	23.2	339.4
22	29.2	114.8	14.8	36.8	1.2	.1	73.8	16.5	5.7	31.3	3.1	25.4	352.7
29	29.5	102.2	14.8	37.8	1.2	.1	79.3	16.7	6.5	35.2	3.1	25.6	351.8
Apr. 5	27.4	105.7	14.7	41.6	1.2	.1	80.0	18.2	7.3	35.3	3.1	20.8	375.3
12	27.1	134.4	17.8	43.7	1.2	.1	79.4	21.0	8.5	37.4	3.1	51.6	424.5
19	28.0	139.9	18.3	45.7	1.2	.1	86.7	21.4	9.8	40.3	3.1	51.7	446.2
26	41.9	161.8	20.3	45.7	1.2	.2	86.7	21.4	9.2	39.4	3.1	51.7	482.6
May 3	42.9	187.2	24.3	55.8	1.2	.2	95.7	21.4	10.2	39.4	3.1	54.7	526.2
10	44.0	190.1	24.4	57.4	1.2	.1	88.7	24.1	10.5	37.7	3.1	54.7	536.0
17	42.6	166.3	24.4	59.4	1.2	.3	90.6	24.7	10.7	37.2	3.1	54.7	515.0
24	42.7	164.3	24.4	65.9	1.2	.2	87.9	25.7	10.6	37.2	3.1	54.7	517.7
31	42.6	171.8	24.4	66.5	1.2	.3	88.3	25.6	10.9	37.2	3.1	54.7	526.4
June 7	52.5	170.8	25.7	69.5	1.2	.2	87.2	27.1	11.2	37.5	3.3	54.7	540.9
14	54.1	184.4	26.2	70.1	1.2	1.1	81.2	28.1	12.3	37.5	3.3	54.7	554.2
21	38.7	119.7	24.9	66.5	1.2	.4	63.1	22.5	8.9	40.3	3.6	54.8	444.6
28	43.1	159.0	27.4	70.2	1.2	2.2	48.5	21.6	3.3	41.3	3.6	55.3	482.6
July 5	41.5	151.2	29.0	70.3	1.2	2.2	46.9	22.0	9.5	41.3	4.6	56.8	476.5
12	40.5	179.8	29.0	70.8	1.2	2.2	25.2	22.2	9.0	41.5	4.6	56.8	482.7
19	43.0	168.0	29.0	70.8	1.2	2.3	23.9	22.5	8.0	41.4	4.6	53.2	467.8
26	43.2	168.7	29.0	70.9	1.2	2.1	24.2	22.7	7.9	41.4	4.6	53.2	468.8
Aug. 2	37.9	139.1	29.6	62.9	1.2	2.6	25.6	21.6	7.5	41.4	4.6	53.2	426.9
9	37.2	138.9	29.2	63.6	1.2	2.2	23.7	21.1	7.1	41.2	4.1	53.2	422.7
16	38.2	137.1	29.2	63.7	1.2	2.2	27.3	21.6	6.2	41.2	4.1	49.2	421.1
23	40.4	133.6	29.0	65.7	1.2	2.3	23.5	22.7	6.1	40.9	4.1	49.2	418.7
30	44.8	135.0	30.1	67.7	1.2	2.2	27.9	24.0	6.8	40.9	4.1	50.2	435.0
Sept. 6	45.8	147.6	30.1	67.8	1.2	2.1	29.9	25.2	6.7	40.9	4.1	50.2	451.6
13	46.3	138.0	30.5	67.8	1.2	2.2	28.9	25.1	7.2	40.3	4.1	50.2	441.8
20	21.9	115.6	29.2	56.6	1.2	2.2	26.5	24.7	15.5	40.7	3.6	49.2	386.9
27	24.7	128.3	29.4	56.7	1.2	2.2	26.0	23.1	15.9	40.6	3.7	49.1	400.9
Oct. 4	28.0	151.2	31.4	57.0	1.2	2.2	28.9	23.2	16.0	40.5	6.6	49.1	435.3
11	28.8	142.9	30.1	56.7	1.2	2.2	37.3	23.0	10.0	40.6	6.6	49.1	428.5
18	28.3	124.2	29.8	46.4	1.2	2.2	42.3	23.0	10.2	37.5	9.2	49.1	403.4
25	26.4	89.1	29.3	46.5	1.2	2.2	40.4	23.0	9.4	39.6	11.4	49.1	367.6

EXHIBIT "D"

COMPARISON OF THE GOVERNMENT SECURITY  
(EXCLUDING PITTMAN ACT CERTIFICATES)  
HOLDINGS BY MATURITIES OF ALL RESERVE BANKS  
COMBINED AS OF MAY 17, JUNE 30, SEPTEMBER 20,  
AND OCTOBER 25, 1922.

	<u>Holdings When Committee</u> <u>was Formed May 17, 1922</u>	<u>Holdings on</u> <u>June 30, 1922</u>	<u>Holdings on</u> <u>Sept. 20, 1922</u>	<u>Holdings On</u> <u>Oct. 25, 1922.</u>
Victory 3½% Notes	\$ 1,065,100	\$ -	\$ -	\$ -
Victory 4½% Notes	94,301,650	54,497,900	36,992,600	36,724,000
June 15, 1922	73,552,700	-	-	-
August 1, 1922	28,166,500	20,384,500	-	-
September 15, 1922	33,191,000	34,908,500	-	-
October 16, 1922	44,466,000	26,502,500	15,710,000	-
December 15, 1922	46,879,500	82,161,500	62,195,000	36,214,500
March 15, 1923	46,131,500	48,635,500	47,812,500	43,839,500
June 15, 1923	-	29,896,500	35,818,000	48,110,500
September 15, 1923	-	-	3,211,000	29,553,000
Treasury Notes	<u>87,542,600</u>	<u>123,816,900</u>	<u>121,721,200</u>	<u>106,822,300</u>
	\$ 455,296,550	\$ 420,803,800	\$ 323,460,300	\$ 301,263,800
Sales Contracts	-	-	26,245,400	27,231,300
Other Misc. Gov't Bonds	<u>53,681,010</u>	<u>39,201,566</u>	<u>37,175,990</u>	<u>39,146,300</u>
<u>TOTALS</u>	\$ 508,977,560	\$ 460,005,366	\$ 386,881,690	\$ 367,641,400

EXHIBIT "F"

S Y S T E M   H O L D I N G S

STATEMENT OF GOLD AND GOVERNMENT SECURITY INVESTMENT  
HOLDINGS OF RESERVE BANKS AND RECORD OF GOLD IMPORTS  
NEW YORK CITY

(In Millions)

Date 1922	Gold Holdings in System	Gold Imports N.Y.C.	Gold Exports N.Y.C.	Aggregate Investments in Gov't. Securities	Gov't Security Investments Excluding Pittman Act C'tfs.	Pittman Act Certifi- cates
May 17	3,005.1			595.0	515.0	80.0
24	3,007.7			596.2	517.7	78.5
31	3,007.6	Monthly 9.0	Monthly 3.4	603.4	526.4	77.0
June 7	3,010.1			617.9	540.9	77.0
14	3,007.8			629.7	554.2	75.5
21	3,020.0			518.6	444.6	74.0
28	3,020.9	13.0	1.6	556.6	482.6	74.0
July 5	3,020.7			550.5	476.5	74.0
12	3,035.8			556.7	482.7	74.0
19	3,045.3			541.8	467.8	74.0
26	3,054.5	43.0	.6	540.8	468.8	72.0
August 2	3,071.4	Weekly 4.2		497.4	426.9	70.5
9	3,071.6	3.2		491.7	422.7	69.0
16	3,066.4	1.7		488.6	421.1	67.5
23	3,061.8	5.6		484.7	418.7	66.0
30	3,063.4	5.4	.95	498.0	435.0	63.0
Sept. 6	3,060.8	1.1	.03	508.2	451.6	56.5
13	3,067.2	1.5	.02	496.9	441.8	55.0
20	3,061.9	1.3	.02	438.9	386.9	52.0
27	3,076.9	7.0	.01	451.4	400.9	50.5
Oct. 4	3,089.3	10.0	.01	483.3	435.3	48.0
11	3,090.0	.5	.02	474.5	428.5	46.0
18	3,086.8	7.3	.01	446.9	403.4	43.5
25	3,085.1	4.7	.02	408.6	367.6	41.0

R E C A P I T U L A T I O N

May (1/2 mo.)	2.5 Inc.			8.4 Inc.	11.4 Inc.	3.0 Dec.
June	13.3 "	13.0 Inc.	1.6 Dec.	46.8 Dec.	43.8 Dec.	3.0 "
July	33.6 "	43.0 "	.6 "	15.8 "	13.8 "	2.0 "
August	8.9 "	20.1 "	.95 "	42.8 "	33.8 "	9.0 "
September	13.5 "	10.9 "	.08 "	46.6 "	34.1 "	12.5 "
October	8.2 "	22.5 "	.06 "	42.8 "	33.3 Dec.	9.5 "
Net Change	80.0 "	109.5 "	3.29 "	186.4 "	147.4 "	39.0 "

**NOTE:** The above, with the exception of the Gold Importation and Exportation Figures, are taken from statements furnished weekly to the Federal Reserve Board, by the reserve banks.

TRANSACTIONS IN GOVERNMENT SECURITIES FOR ACCOUNT  
OF THE TREASURY DEPARTMENT AND FEDERAL RESERVE BANKS FROM  
-CLOSE OF BUSINESS OCTOBER 13, 1922, TO CLOSE OF BUSINESS OCTOBER 25, 1922,  
AS REPORTED TO THE COMMITTEE OF GOVERNORS ON CENTRALIZED EXECUTION  
OF PURCHASES AND SALES OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS

Operations Account Treasury Department

Treasury  
Orders

Alien Property Custodian

The Treasury has given authorizations totaling \$28,314,000 for the purchase of 4 1/4% Treasury bonds of 1947-52 at the market rate for account of the Alien Property Custodian. These orders have been completed by the following purchases:

New York	\$ 3,000,000	at 100 1/8
	2,000,000	" 100 1/16
	2,556,000	" 100.06 to 100.10
	1,876,000	" 100.08 to 100.10
	3,513,000	" 100.06 to 100.10
	3,159,000	" 100.08 to 100.12
	3,250,000	" 100.04 to 100.10
	4,400,000	" 100.10
	750,000	" 100.08
	2,000,000	" 100
Boston	1,000,000	
Philadelphia	700,000	" 100.12 net
Atlanta	100,000	" 100 1/16
	<u>\$28,314,000</u>	

On the order dated October 17 authorizing the purchase of \$15,000,000 called Victory notes at prices not exceeding 100.16, excluding commissions, for account of Cumulative Sinking Fund, a total of \$11,204,800 face amount of purchases have thus far been reported. On October 23, 1922, the Treasury requested that the price limit on this order be changed to 100.12 excluding commissions. The following is the participation by banks in this order:

New York	\$ 690,000	at 100.04 to 100.20
	4,000,000	" 100.20 net
	3,423,000	" 100.16
	130,000	" 100.12 (registered)
	1,251,000	" 100.16
Boston	1,036,000	" 100.10 to 100.20
Philadelphia	100,000	" 100.16
	400,000	" 100.10
Chicago	150,000	" 100.16
Kansas City	16,800	" 100.08
	6,000	" 100.10
	2,000	" 100.04
	<u>\$11,204,800</u>	
	3,795,200	Unexecuted Balance
	<u>\$15,000,000</u>	

Redemption

In view of the large amounts of Treasury certificates and called Victory notes maturing December 15, 1922, now outstanding, the Treasury has expressed its desire to anticipate redemptions on that date

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by purchasing this month from the Federal reserve banks about \$18,000,000 December certificates and \$7,500,000 called Victory notes which are held by them. After obtaining the approval of the other members of the Committee, Governor Strong, as chairman, transmitted the Treasurer's request to all reserve banks and replies thus far received indicate without exception that the banks are quite willing to cooperate with the Treasurer's proposed redemption plan by selling their holdings of this maturity. As previously reported the Federal Reserve Bank of New York has sold \$33,000,000 December certificates to the Treasurer for redemption, representing its entire holdings of this issue.

Miscellaneous  
Treasury  
Orders

At the request of the Treasury Department the Federal Reserve Bank of New York purchased \$390,900 face amount of Liberty bonds for the various accounts.

Transactions by Federal Reserve Banks for Their Own Accounts

Boston

The market for Liberty bonds, certificates and notes has been quiet during the week, and all issues closed the period at lower prices, the longer maturities of certificates and notes showing lowest levels. Dealers report the supply exceeding the demand and no buying by institutions. Advances to dealers in Government securities under sales contract agreements amounted to \$1,366,800.

Transactions affecting the investment account are as follows:

PURCHASES

\$ 100,000 called Victory notes at 100.10 on Treasury order.

SALES

\$ 207,000 called Victory notes on Treasury order  
500,000 Pittman Act certificates redeemed.

New York

Increased selling, indicating further liquidation for business requirements, characterized the bond market during the past week. Liberty bonds sold off on the Stock Exchange, closing with a net loss of about thirty-two cents per hundred for each issue. The new Treasury bonds of 1947-52 closed at 99.96 on Wednesday, giving evidence that further selling might be expected. Higher money rates have prevailed in response to commercial demands, although the call loan rate temporarily dropped on Wednesday to 4%. Treasury certificates and notes were traded in at fractionally lower prices over last week in sympathy with the Liberty movement as well as reflecting the higher loan rates. At the close of business October 25 a total of \$22,360,900 was loaned to dealers in Government securities under sales contract agreements.



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Investment account transactions were as follows:

PURCHASES

\$ 8,090,000	June 3	3/4%	certificates at 100	from dealers
4,400,000	September 3	3/4%	" " 100	" "
<u>898,000</u>	June 3	3/4%	" " 100	Chicago market
\$13,388,000				

SALES

\$12,500,000	December 3	1/2%	certificates to Treasury for redemption
5,700,000	4	3/4%	Treasury notes, due 3-15-25, on 4.50 basis to dealers
2,800,000	4	3/4%	Treasury notes, due 3-15-25, on 4.45 basis to dealers
1,200,000	June 3	3/4%	certificates at 100 to foreign correspondents
<u>700,000</u>	September 3	3/4%	certificates at 100 to foreign correspondents
\$22,900,000			

## Philadelphia

Liberty bonds and Treasury certificates continued their downward swing notwithstanding slightly easier rates for call money during the latter part of this period. A greater demand for money in all parts of the country caused selling by banks and industrial concerns, many of which purchased bonds below the present quotations. This liquidation will continue as long as money is worth more than the yield from Government securities. The movement is perfectly natural and no real advance will occur until money rates are lower. There is a considerable amount of bonds for sale at present prices on a scale up to par, with little buying power. Dealers have liquidated and are taking a trading position, and hesitate to take on bonds.

The new 4 1/4% Treasury bonds are now selling below par, indications being that many dealers and brokers purchased these new bonds expecting that they would sell considerably above par, but found the supply was greater than the demand.

Treasury certificates and notes, though both selling at lower prices, are more firm and the demand for the same at these prices has improved to a considerable extent.

Transactions affecting the investment account are as follows:

PURCHASES

\$ 192,200	Treasury bonds of 1947-52 at 100
66,000	September 3 3/4% certificates at 100
<u>3,000</u>	December 3 1/2% " " 100
\$ 261,200	

SALES

\$ 225,200	Treasury bonds of 1947-52 at 100
2,000	September 3 3/4% certificates at 100
580,000	December 3 1/2% " " 100 for redemption
<u>500,000</u>	Pittman Act certificates redeemed.
\$1,307,200	

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**Cleveland**

Dealers report Liberty bonds have declined during the past week, with most issues selling below 99. While considerable decline seems due to selling of Libertys to purchase new 4 1/4% Treasury bonds of 1947-52, notwithstanding, the decline seems largely due to selling of bonds to take care of increasing business demands. Dealers are quite confident that bonds have reached their low point or are approaching it and look for a better market and rising prices shortly. The upturn, when it comes, may be very sharp.

Transactions affecting the investment account are as follows:

PURCHASES

\$ 35,000	September 3	3 3/4%	certificates	at	100
100,000	March	4 1/4%	"	"	100
<u>\$ 135,000</u>					

**Richmond**

The demand for Libertys and the new Treasury bonds continues good. The Reserve Bank of Richmond sold Liberty bonds for account of member banks amounting to \$77,300.

There were no transactions affecting the investment account.

**Atlanta**

Selling of certificates and notes in moderate amounts has continued throughout the week, with the new Treasury bonds also selling but in smaller volume than the former.

There were no transactions affecting the investment account.

**Chicago**

Practically all outstanding Government securities are quoted substantially lower than last week, with very little demand in face of heavy offerings of new Treasury bonds offered in large amounts on Wednesday at par with brokers bidding 99.90. Advances to dealers under sales contract agreements amounted to \$3,509,400 at the close of the period.

Investment account transactions are as follows:

PURCHASES

\$ 3,614,500	September 3	3 3/4%	certificates	at	100
175,000	June	"	"	"	100
<u>\$ 3,789,500</u>					

**St. Louis**

Brokers in Liberty bonds reported purchases in excess of sales, with the demand for certificates and notes about offsetting the supply. Generally speaking, the market was dull and declining.

Transactions affecting the investment account were as follows:

PURCHASES

\$ 620,000	September 3	3 3/4%	certificates	at	100
61,100	Treasury bonds of 1947-52	"	"	"	100
<u>\$ 681,100</u>					

SALES

\$ 620,000	September 3	3 3/4%	certificates	at	100
10,500	Treasury bonds of 1947-52	"	"	"	100
<u>\$ 630,500</u>					

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## Minneapolis

There has been very little activity in the Government security market during the past week. Local banks and investment houses state that they have handled less volume for the period than for many weeks past. There are practically no purchasing orders in the market and very few selling orders.

Investment account transactions are as follows:

PURCHASES

\$ 225,000	September 3 3/4%	certificates
500	December 4 1/2%	"
50,000	June 3 3/4%	"
20,000	B-1926 Treasury notes	
<u>62,100</u>	Treasury bonds	
\$ 357,600		

SALES

\$ 525,000	September 3 3/4%	certificates
471,200	Treasury notes	
<u>81,900</u>	Treasury bonds	
\$1,078,100		

## Kansas City

Local brokers report a strong demand for Liberty bonds, one of the largest houses reporting that they have sold no Liberty bonds on the New York market in the last four weeks, but have had to purchase a considerable amount to supply the local demand. Treasury certificates and notes are being offered freely by member banks from their own investment accounts, indicating an increased demand for loans.

PURCHASES

\$ 500	March 4 1/4%	certificates at 100
2,000	December certificates	" 100
2,133,000	September 3 3/4%	certificates at 100
50,000	Treasury notes at 100	
<u>17,100</u>	"	bonds at 100
\$2,202,600		

SALES

\$ 100,000	Consols at 103
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## Dallas

There still remains an unsatisfied demand for the new issue of Treasury bonds.

Transactions affecting the investment account are as follows:

PURCHASES

\$2,229,500	June 3 3/4%	certificates at 100
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SALES

\$ 50,000	June 3 3/4%	certificates.
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San Francisco

There has been no change in the condition of the Government securities market during the past week, with trading still quiet.

There were no transactions affecting the investment account.

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10-10-22

## EXCERPT FROM THE MINUTES OF THE GOVERNORS' CONFERENCE, OCT. 10 - 12, 1922

Topic I.A. 1. Report of Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks. (2)

The Chairman presented to the conference the report of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks, but inasmuch as some of the Governors had not had an opportunity to read it, the whole topic of "Credit Transactions and Policies," as well as consideration of the minutes of the October 2, 1922 meeting of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks was held over until the next day's session. (see paragraphs 30 & 56)

\* \* \*

Topic I.A.1. (continued - see paragraph 2) Report of Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks. (30)

The Chairman announced that the Committee on Centralized Execution of Purchases and Sales of Government securities had slightly revised the minutes of its meeting of October 2, and submitted to the conference for its consideration and approval a copy of the minutes as revised. The Committee, as recorded in these minutes, expressed its approval of the action taken by the Federal Advisory Council at its last meeting relative to investments by Federal Reserve Banks for the purpose of making earnings, and recommended to the conference (1) that Governor Fancher of the Federal Reserve Bank of Cleveland be made a member of the Committee (see paragraph 14) and (2) that the Committee's duties be extended so as to provide for the making of recommendations and suggestions to each Federal Reserve Bank from time to time concerning the advisability of making purchases or

OCT. 10-12 -- page 2

sales of Government securities.

Upon motion of Governor Young, it was

VOTED that the report (pages 248-252 Stenographic record) and the recommendations contained in the minutes (pages 258-263 stenographic record) of the Committee be approved. (see also paragraph 56)

\* \* \*

Topic I.A.1. (continued - see paragraphs 2 and 30) (56)  
Report of Committee on Centralized Execution of  
Purchases and Sales of Government Securities by  
Federal Reserve Banks.

The Chairman briefly outlined to Mr. Gilbert the policies of the Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks, and advised him of the action taken by the committee at its meeting on October 2, together with the recommendations made at that time.

After further informal discussion, at 5:40 o'clock p. m. the conference adjourned until 10:00 o'clock a. m. Thursday, October 12, when they were to go into joint conference with the Federal Reserve Board and Federal Reserve Agents to discuss the Board's program on Federal Reserve Credit Policy.

EXCERPT FROM THE MINUTES OF THE GOVERNORS' CONFERENCE, MEETING OF OCT. 10-12, 1922.

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Addition to Personnel of Committee on Centralized Execution (14)  
of Purchases and Sales of Government Securities by Federal  
Reserve Banks.

Upon motion of Governor Seay, it was

VOTED that Governor Fancher be made a member of the Committee  
on Centralized Execution of Purchases and Sales of Government Securities by  
Federal Reserve Banks.

Excerpt from Stenographic Minutes of Conference  
of Governors, October 10-12, 1922

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10-10-22

Pursuant to call of the Chairman, a meeting of the Committee (Committee on Centralized Execution of Purchases and Sales of Government Securities by Federal Reserve Banks)\* was held at the Federal Reserve Bank of New York on October 2, 1922, at 10:30 a. m. The following were present:

Messrs. Strong, McDougal, Morss, Morris and Dr. Miller of  
the Federal Reserve Board,

and others in attendance during the course of the meeting were:

Messrs. Fancher and Wills of the Federal Reserve Bank of  
Cleveland,

Governor Wellborn of the Federal Reserve Bank of Atlanta,  
Deputy Governor Case of the Federal Reserve Bank of New  
York who acted as secretary of the meeting.

The Chairman offered for the consideration of the Committee a suggested report to be submitted at the coming Governors' Conference on October 10, 1922. The report was read and on motion was unanimously approved.

Consideration was given to the recommendation of the Federal Advisory Council at its meeting on September 26, 1922, in respect to the subject covered by Topic #8, as follows:

"Should there be any change in the earlier recommendations made by the Council in this regard, and reference is made to recommendation No. 9 of the Proceedings of the Council, April 28, 1922."

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\*Name of Committee added - F.H.G.



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and the Council's reply:

"The Council reiterates its recommendation that the Federal Reserve Banks in their purchases of government obligations should not be governed by the necessity of covering their fixed charges and earning their dividends. The Council is strongly of the view that open market operations, particularly in so far as they touch investment in government securities, should be carried on under a uniform policy by the System as a whole. Council has learned with great satisfaction of the organization of a committee of Governors having supervision of transactions in government securities by the Federal Reserve banks.

"In the Council's opinion, the policy of the Federal Reserve System as a whole should be at this time not to increase any further its investments in Government securities."

A full discussion of this recommendation followed and it was voted to report to the Governors' Conference that the Committee concurred in the recommendation of the Advisory Council.

In continuing the discussion of this subject, the Chairman was requested to express to the Governors' conference the further views of the members of the Committee, which were substantially as follows:

"Upon reviewing the investment operations of the Federal Reserve Banks during the year 1922 the Committee believes that there

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will be no dissent to the proposition that in purchasing Government securities too much attention must not be given to the consideration of earnings and dividends. Due to the fact that liquidation was still in process and that the money market was easy, with low rates, apparently no particular harm has resulted from these operations during the first half of the year. During the second half of the year the situation has changed and with that change there has arisen a need for a different policy, the belief being that increased attention must be paid by the System to the bearing of the investment operations of the Federal Reserve Banks upon the money market.

"At the present time indications point to increasing demand for loan funds which has been most in evidence in the New York market during recent weeks. The Committee is therefore of the opinion, in view of present conditions, that the investment policy of the Federal Reserve Banks, at least for the present, should give but minor consideration to the question of earnings and constant consideration to the effects, both directly and indirectly, which open market operations in Government securities have upon the condition and the course of the money market and the volume of credit. Looking at things from this standpoint, the committee, without wishing to lay down any invariable course of action, is nevertheless unanimously of the opinion that, with the heavy Treasury operations impending during the next eight months, there should be a well considered policy of systematically regulating the dealings in United

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States securities, with particular reference to the course of the money market and to the operations of the Treasury as one of the most important factors of the money situation, and recommends to the Federal Reserve Board the approval of such a policy.

"The Committee recommends to the Conference that the Federal Reserve Banks continue at regular intervals to make necessary reports of earnings and investments to the Committee, which the Committee will, in turn, distribute to all Federal Reserve Banks.

"In view of the foregoing, the Committee further requests the Conference to add to the duties of the Committee the making of recommendations from time to time to each Federal Reserve Bank as to the advisability of purchases or sales of Government securities, which recommendations will in every case receive serious consideration by the officers or directors of the several banks.

"It was further voted that a recommendation be made to the Governors' Conference that the Committee be continued until the Spring Conference, and that the name of E. R. Fancher, Governor of the Federal Reserve Bank of Cleveland, be added to membership."

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Excerpt from Stenographic Minutes of Conference  
of Governors, October 10-12, 1922

FIRST REPORT OF COMMITTEE OF GOVERNORS ON CENTRALIZED EXECUTION OF PURCHASES AND SALES OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS, SUBMITTED TO THE GOVERNORS' CONFERENCE ON OCTOBER 10, 1922, COVERING PERIOD FROM MAY 17, 1922, TO SEPTEMBER 20, 1922, INCLUSIVE.

The Committee presents herewith a brief survey of its activities and operations since its formation.

**Meetings.** Formal meetings of the Committee were held at the Federal Reserve Bank of New York on May 16, July 12, and October 2, 1922.

**Reports.** The Committee has sent to the Governor of each Federal reserve bank, to the Governor of the Federal Reserve Board and to the Under Secretary of the Treasury, a weekly report showing (a) operations for the account of the Treasury, (b) transactions affecting the investment accounts of the reserve banks, (c) advances to dealers in Government securities under sales contract agreements, and (d) market conditions affecting Government securities in the several districts.

**Distribution  
of Treasury  
Orders.**

In handling all transactions covering purchases and sales of Government securities for account of the Treasury Department, it has been the custom of the Committee to transmit by wire such orders to the other reserve banks requesting them to advise the Committee of market conditions existing in their districts so that

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the Committee may be fully informed and in a position to distribute the orders to the best advantage. In authorizing purchases the Committee follows the plan of having orders completed in one district before authorizing purchases in other districts. The reason for this is obvious. The Government security market is today a very sensitive one; dealers have branches and offices in many of the Federal Reserve cities of the country so that an order to purchase a given security in one Federal reserve city promptly affects the market in other centers.

Except when the Treasury specifically requests that purchases be made in a certain market it is the practice of the Committee, unless unusual conditions prevail in the New York market which make it imperative to make immediate purchases there, to give other Federal reserve banks the first opportunity of purchasing the securities desired. Frequently, however, the other Federal reserve banks are unable to execute orders for large amounts of Treasury obligations. Up to the present time the Kansas City and Dallas banks have not participated in these transactions at all.

Upon completion of any pending orders notice is sent to all reserve banks.

The ultimate purchases resulting from the distribution of The Treasury orders since the Committee began operations are as follows:

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Boston	\$30,249,500.
New York	83,900,250.
Philadelphia	17,733,000.
Cleveland	3,300,000
Richmond	199,300.
Atlanta	2,532,200.
Chicago	41,474,000.
St. Louis	6,183,700.
Minneapolis	1,200,000.
San Francisco	<u>12,940,600.</u>
TOTAL	\$199,712,550.

**Purchases and  
Sales for Fed-  
eral Reserve  
Banks.**

When reserve banks desire to purchase or sell Government securities for their own accounts, it is the practice for such banks to notify the Committee of the contemplated transactions and of the general conditions in their district. If such transactions are not likely to interfere with Treasury orders or pending operations of the Treasury, the Committee promptly so advises the banks.

The exhibits hereto attached show purchases and sales for two different reserve banks during this period. In this connection it is interesting to note that as of September 20, 1922, there was an actual decrease in the amount of Government securities held in the investment accounts of the reserve banks of approximately \$168,000,000. from the high point of June 14, 1922.

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During the period under review approximately \$130,000,000 of Treasury certificates and notes held by the Federal reserve banks actually matured. It is therefore evident that the Federal Reserve Board's suggestion, that all banks allow their investments to run off without replacement, has been generally followed.

Statements reflecting the result of the Committee's activities are appended as follows:

Exhibit "A" - Government security Holdings of Federal Reserve Banks as Reported to the Committee of Governors at the Close of Business September 20, 1922.

Exhibit "B" - Total United States securities, Exclusive of Pittman Act Certificates, Held by Federal Reserve Banks.

Exhibit "C" - Comparison of the Government Security Holdings by Maturities of all Federal Reserve Banks Combined as of May 17, June 30 and September 20, 1922, Showing the Net Changes Between the last Two Dates.

As the question of investment holdings of Government securities is closely allied to that of earnings and expenses of the Federal reserve banks, the Committee has obtained from each Federal reserve bank a statement of estimated earnings and expenses for the year 1922, as of September 15, 1922, which is shown herewith (Exhibit "D").

Respectfully submitted.

333-a

Pursuant to call of the Chairman, a meeting of the Committee was held at the Federal Reserve Bank of New York on October 2, 1922, at 10.30 a. m. The following were present:

18-2-22

Messrs. Strong, McDougal, Morss, Norris and Dr. Miller  
of the Federal Reserve Board,

and others in attendance during the course of the meeting were:

Messrs. Fancher and Wills of the Federal Reserve  
Bank of Cleveland,

Governor Wellborn of the Federal Reserve Bank of Atlanta.

Deputy Governor Case of the Federal Reserve Bank of New  
York who acted as secretary of the meeting.

The Chairman offered for the consideration of the Committee a suggested report to be submitted at the coming Governors' Conference on October 10, 1922. The report was read and on motion was unanimously approved.

Consideration was given to the recommendation of the Federal Advisory Council at its meeting on September 26, 1922, in respect to the subject covered by Topic #8, as follows:

"Should there be any change in the earlier recommendations made by the Council in this regard, and reference is made to recommendation No. 9 of the Proceedings of the Council, April 28, 1922." and the Council's reply.

"The Council reiterates its recommendation that the Federal Reserve Banks in their purchases of government obligations should not be governed by the necessity of covering their fixed charges and earning their dividends. The Council is strongly of the view that open market operations, particularly in so far as they touch invest-



-2-

ment in government securities, should be carried on under a uniform policy by the System as a whole. Council has learned with great satisfaction of the organization of a committee of Governors having supervision of transactions in government securities by the Federal Reserve banks.

In the Council's opinion, the policy of the Federal Reserve System as a whole should be at this time not to increase any further its investments in Government securities."

A full discussion of this recommendation followed and it was voted to report to the Governors' Conference that the Committee concurred in the recommendation of the Advisory Council.

In continuing the discussion of this subject, the Chairman was requested to express to the Governors' Conference the further views of the members of the Committee, which were substantially as follows:

"Upon reviewing the investment operations of the Federal Reserve Banks during the year 1922 the Committee believes that there will be no dissent to the proposition that in purchasing Government securities too much attention must not be given to the consideration of earnings and dividends. Due to the fact that liquidation was still in process and that the money market was easy, with low rates, apparently no particular harm has resulted from these operations during the first half of the year. During the second half of the year the situation has changed and with that change there has arisen a need for a different policy, the belief being that increased attention must be paid by the System to the bearing of the investment operations of the Federal Reserve Banks upon the money market.

-3-

"At the present time indications point to increasing demand for loan funds which has been most in evidence in the New York market during recent weeks. The Committee is therefore of the opinion, in view of present conditions, that the investment policy of the Federal Reserve Banks, at least for the present, should give but minor consideration to the question of earnings and constant consideration to the effects, both directly and indirectly, which open market operations in Government securities have upon the condition and the course of the money market and the volume of credit. Looking at things from this standpoint, the committee, without wishing to lay down any invariable course of action, is nevertheless unanimously of the opinion that, with the heavy Treasury operations impending during the next eight months, there should be a well considered policy of systematically regulating the dealings in United States securities, with particular reference to the course of the money market and to the operations of the Treasury as one of the most important factors of the money situation, and recommends to the Federal Reserve Board the approval of such a policy.

"The Committee recommends to the Conference that the Federal Reserve Banks continue at regular intervals to make necessary reports of earnings and investments to the Committee, which the Committee will, in turn, distribute to all Federal Reserve Banks.

"In view of the foregoing, the Committee further requests the Conference to add to the duties of the Committee the making of recommendations from time to time to each Federal Reserve Bank as to the advisability of purchases or sales of Government securities,

-4-

"which recommendations will in every case receive serious consideration by the officers or directors of the several banks.

"It was further voted that a recommendation be made to the Governors' Conference that the Committee be continued until the Spring Conference, and that the name of E. R. Fancher, Governor of the Federal Reserve Bank of Cleveland, be added to membership."

333.-a

9-26 22

Excerpt from the Recommendations of the Federal Advisory Council  
September 26, 1922.

TOPIC 8. Should there be any change in the policy of the Federal Reserve Banks carrying considerable investments in United States Government securities?

RECOMMENDATION: There is no necessity of any change in the earlier recommendations made by the Council in this regard, and reference is made to recommendation No. 9 of the Proceedings of the Council, April 28, 1922.

The Council reiterates its recommendation that the Federal Reserve Banks, in their purchases of government obligations should not be governed by the necessity of covering their fixed charges and earning their dividends. The Council is strongly of the view that open market operations, particularly in so far as they touch investment in government securities, should be carried on under a uniform policy by the System as a whole. Council has learned, with great satisfaction, of the organization of a committee of Governors having supervision of transactions in government securities by the Federal Reserve Banks.

In the Council's opinion, the policy of the Federal Reserve System, as a whole, should be, at this time, not to increase any further its investments in Government securities.

*Gov. meeting  
July 12, 1922*

*# 2*  
*# 2*

*333 - 1*  
*333 - a*

July 24, 1922.

Dear Sir:

Receipt is acknowledged of your letter of the  
31st instant, enclosing copy of minutes of meeting of  
the Committee of Governors on centralized control of  
purchases and sales of Government securities held in New  
York on July 12, 1922, which will be brought to the  
attention of the Federal Reserve Board.

*See 7-12-22 filed  
333 - a final  
minutes*

Very truly yours,

G o v e r n o r .

Mr. W. B. Matteson,  
Federal Reserve Bank,  
New York, N. Y.

FEDERAL RESERVE BANK  
OF NEW YORK

RECEIVED  
JUL 22 1922  
OFFICE OF  
GOVERNOR

333.1 Comm  
of Governors on  
Centralized  
Control of  
Purchases &  
Sales of Govt Sec.  
Minutes

Committee of Governors on  
Centralized Control of Purchases  
and Sales of Government Securities  
by Federal Reserve Banks.

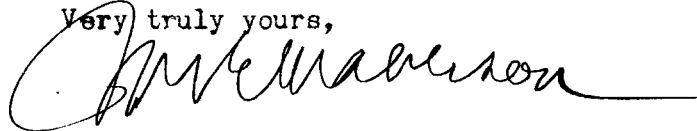
July 21, 1922.

My dear Governor Harding:

I am enclosing copy of the Minutes of the  
meeting of the Committee of Governors on Centralized  
Control of Purchases and Sales of Government Securities  
by Federal Reserve Banks held at New York on July 12,  
1922.

filed 7/12/22  
final minutes  
333.-a

Very truly yours,



W. B. Matteson  
Secretary of the Committee

Encl.

Honorable W. P. G. Harding,  
Governor Federal Reserve Board,  
Washington, D. C.

(6 of 14)

*Committee  
My Minutes  
5/16/22*

324

~~333-1~~  
333-0

May 27, 1922

Dear Mr. Harrison:

*filed final  
minutes  
7/12/22*

I acknowledge receipt of your letter of the 26th instant and thank you for sending me the copy of the minutes of the meeting, held on May 16th, of the Committee of Governors appointed at the recent Governors' Conference to consider the adoption of a program for the orderly handling of the buying and selling of Government securities by Federal Reserve banks through some centralized control. I have read the minutes with interest and shall bring them to the attention of the other members of the Board.

Very truly yours,

G o v e r n o r .

Mr. George L. Harrison, Deputy Governor,  
Federal Reserve Bank,  
New York, N. Y.

333.1

Comm of Governors  
on Centralized Control  
of Purchases & Sales  
of Govt Sec.  
Minutes

FEDERAL RESERVE BANK  
OF NEW YORK

RECEIVED  
MAY 26 1922  
OFFICE OF  
THE GOVERNOR  
May 25, 1922.

IN REPLY PLEASE REFER  
TO

Dear Governor Harding:

I am enclosing herewith a copy of the minutes of the Committee of Governors appointed by the last Conference of Governors to consider the adoption of a program for the orderly handling of the buying and selling of Government securities by Federal Reserve Banks through some centralized control. The Committee held a meeting in New York on May 16, and the minutes have now been distributed to all of the Federal Reserve Banks. Governor Strong has today suggested that Mr. Matteson of this bank act as the operating Secretary of the committee, and has advised each of the banks by telegram that if there is no objection to that appointment the committee will commence functioning tomorrow.

filed 5/16/22 final minutes

Paragraph 64 of the minutes of the Governors' Conference, which were sent to you on May 11, goes into this question in some detail and records the votes of the conference on several other matters relating to the purchase and sale of Government securities. A review of that action of the Governors' Conference will, perhaps, tend to clarify any matters in the enclosed minutes that do not seem to be perfectly clear.

This whole program was reported to the Federal Reserve Board at the luncheon which the Board gave to the Governors in Washington on the last day

ANSWERED The conference, and has also been fully discussed with Mr. Gilbert. The Secretary of the committee has been requested to keep the Federal Reserve Board Governor's Office currently advised of its operations.

Very truly yours,  
Clyde D. Harrison



333, - a

Excerpt from the Minutes of Conference of Governors' May 2-4, 1922  
Pages 540-551

5/2/22

The Chairman: Now, that leaves only one matter to be discussed, it seems to me, and that is the providing of a method of executing orders, where we have orders to buy or sell for our own account.

Governor Norris: That does not interest us because we never buy that way.

The Chairman: Then you would not be opposed to any principle, which would not affect you, if you have no such orders or no such practice.

Governor Norris: We have never placed an order for the purchase of government securities.

The Chairman: Suppose, Governor Norris, that we had a sudden change in conditions and your member banks came in and began to borrow very heavily from you, and you might want to sell some of those government securities; how would you handle that?

Governor Norris: Well, that of course is <sup>s</sup> a theoretical possibility. Our purchases have been so limited and our available funds are so large that as a practical matter we do not consider it a possibility.

The Chairman: But with other federal reserve banks it might be a possibility.

Governor Norris: Yes.

The Chairman: Do you think it is a good thing to have a common policy as to how these orders shall be executed?

- 2 -

Governor Norris: Yes.

The Chairman: Would you want to be excepted from the operation of that policy?

Governor Norris: No. We would want to avail ourselves of it.

The Chairman: Then the question is do we want to attempt to get to a common policy with regard to the execution of orders?

Governor Fancher: Do you mean selling orders?

The Chairman: Both selling and buying.

Governor Morss: Now, what are you leading up to? Tell us the object of it.

The Chairman: I am leading up to one thing that it seems to me has got to be done in some way, if the views of the Treasury Department are to be met, if you do not want to meet them, that is for you gentlemen to say. But the point is unless orders are handled through some common source we will be in the same fix in selling as we may be in buying them in, and harm does arise from having no organized method.

Governor Fancher: Have you a plan to suggest?

The Chairman: I have not. The only plan that we have ever tried was this buying of acceptances, where we had a formula, as you will remember, under which we used to divide them around amongst the banks.

Governor Norris: There are only two practical ways of reaching the result. One is by a centralized joint buying and selling agency, and the other is by a periodical agreement on prices.

- 3 -

Governor McDougall: I would like to say that we have, on a sound base, and carefully, endeavored to develop some sort of a market in Chicago for securities such as you are discussing. As a matter of interest I would like to report that since the first of the year, up to April 27th, we have handled in behalf of our member banks and on behalf of other federal reserve banks, transactions in Treasury certificates and Victory notes, in number of transactions, 9,167, involving the sale and purchase of \$318,000,000.

The Chairman: That market has got to be protected, of course.

Governor McDougall: I mention that simply to have it understood that we have a nice little market that we have handled on a satisfactory basis; that we have worked at all times in harmony with Mr. Kenzel, or at least we are conferring with him at all times, and we believe it is a good thing for the whole situation to support that market.

The Chairman: Is that in bills and certificates?

Governor McDougall: Limited to certificates and Victory notes, and we are handling bills, of course, as you know.

The Chairman: It has been going through my mind that the principal market for these government securities and notes is in Chicago, Boston, Philadelphia and New York. Of course they have a market out on the coast, but I suppose a good deal of that reflects the New York market, does it not, Governor Calkins?

- 4 -

Governor Calkins: Yes, and to some extent that is true in every other case. The Philadelphia, Boston and Chicago markets reflect the New York market constantly. The reflection is both ways.

The Chairman: How would it do to have a committee of those banks that are affected to work out a program for the execution of orders?

Governor Norris: A centralized selling agency would, of course, not involve any necessity for the execution of orders in a single market. The agency could distribute those orders wherever there was a substantial market.

The Chairman: Absolutely. I think it would be a very unfortunate thing to have a common agency concentrate the market in any one place. The Secretary does not want that to happen.

Governor Morss: Of course with respect to these local markets -- I am speaking of Boston, anyway -- they are secondary and very much secondary to New York. But we are quite jealous of our own market and of maintaining it both for bills and government securities, and we do not want to give up the use of it.

The Chairman: And you should not. I think that would be detrimental to the Treasury, if we should give it up for any other reason.

Governor Morss: It would seem to us as if that was a backward step in the development of the Boston market. While it is secondary to New York, still it is our own and we think a lot of it even if it is small.

- 5 -

How much is it necessary to do in addition to what we have done now? We are to be informed of Treasury operations and we are to refrain from going into the market when there are Treasury operations in the market. Is there some other form of cooperation that we can bring up by which no Federal reserve bank will do anything, without examining conditions at least?

The Chairman: The same reasonable control of the execution of orders, within the general limitations of policy which we have discussed here ought to be effected, if y\_\_\_\_\_ by some committee, by the Federal Reserve Board, if you please, or in some way, so as not to destroy these markets in the different cities, but at the same time we will have an orderly execution of orders in all of the markets that need to be preserved.

Governor Morss: Mr. Chairman, we are willing to cooperate with anybody on anything for a good purpose.

The Chairman: Do you think that is a good purpose, Governor Norris?

Governor Morss: Yes sir.

The Chairman: Will somebody make a proposal?

Governor Norris: If any Reserve Bank contemplates the possibility of having to sell any securities, it is very much to its interest to have the thing centralized. Anyone who knows anything about the security market knows that if two or three orders come in at the same time to sell, say one million dollars each of a certain one of these securities

- 6 -

that we are talking about, those orders become known to all the dealers, and instead of there being information go out as it ought to go out that those orders are for three million, the idea will get out that there are orders to sell thirty million in the market. Everybody will start to get from under and the price will run off. If there were a centralized selling agency and three orders to sell a million dollars in bonds came in, the people who were attending to the execution of that order would not sell the three million all at once in the market if it was soft, but they would wait, and would sell half a million or a million,, and would handle the thing in such a way that it would enable them to get a better price for the securities.

The Chairman: There is no question about the desirability of centralized execution of orders. What would you propose Governor Norris?

Governor Norris: That as to orders placed in the market to buy and sell for account of Federal reserve banks, that they be given to a committee which will execute those orders in accordance with their own best judgment and discretion and distribute the sale in the existing markets in proportion to the size of those markets with regard to the local demand and supply, and that the results of the purchases or sales be pro rated among the banks having orders in at the time.

The Chairman: Who would you suggest as a committee, a committee of Governors to deal with the matter?

- 7 -

Governor Norris: Yes. Of course someone from New York should be chairman of that committee. I feel just the way Governor Norss feels about his local market. In the words of the poet, "It is a poor thing, but it is mine own." There are other markets that ought to be preserved---

The Chairman: Obviously Chicago, obviously Boston and obviously San Francisco.

Governor Calkins: Isn't it true that the existence of a market in the various federal reserve districts is only a matter of degree. The largest market in New York, the next one may be Boston or Chicago, for all I know, and whatever Governor Morss has said about preserving the market is applicable to all of the reserve bank cities, I am entirely in sympathy with the proposal of Governor Norris, but it should not be made with such provisions as to imply or put into operation the idea that there are only one, two or three markets in the country.

Governor Norris: I did not put it in that way. I said with regard to all existing markets.

The Chairman: Why not have a committee of those four governors who have been named who are nearby, and have instructions given to them, if you please, to have due regard to all of the markets in all of the twelve reserve cities.

Governor Calkins: I think a committee of four is too large. If you will make it a committee of three I will second the motion.

- 8 -

The Chairman: That is immaterial to me.

Governor Calkins: I make a motion that a committee of the Governors of the New York, Chicago and Boston banks be appointed.

Governor Morss: I think that goes pretty far. I do not see why we should not have some sort of bureau or committee or something which, if any Federal reserve bank wishes to go into the market, would be in a position to receive inquiries from the reserve banks as to conditions, giving some indication to the committee of what they want to do or propose to do, and keep the committee thoroughly informed so that if any bank was not informed of conditions it could inform itself of them on short notice and the matter could be taken care of in that way. We are likely to inquire of New York. We have brokers that are in New York and Boston. We inquire of them and keep ourselves well posted. I should be very glad if there was a committee that we could ask about conditions. We could probably give the committee some indication of what we thought we would like to do and get an expression of opinion from them as to whether it was an opportune time or not to do that, but I do not think we should go much further.

The Chairman: Why not have the question of orderly method of executing orders referred to this committee?

Governor Calkins: I was about to offer a motion that the matter of working out an orderly and proper method of executing orders to buy and sell government securities be referred to a committee consisting of the Governors of the New York Bank, the Chicago Bank, the



- 9 -

Boston Bank and the Philadelphia Bank.

Governor Fancher: I will second that motion.

The Chairman: Is there any further discussion?

(There was no further discussion and the motion, being duly seconded,  
was carried.)

Excerpts from the Minutes of the Governors Conference,  
May 2 - 4, 1922.

333-a

5-2-22

(c) Policy as to amount of investments

The secretary then read to the conference Secretary Mellon's  
letter of April 25, 1922, <sup>3 3 3. /</sup> addressed to Governor Harding, in respect to  
the investment of Federal Reserve Banks in Government securities. The  
chairman referred to another letter addressed by Secretary Mellon to  
Governor Harding, dated April 29, 1922, stating that the Secretary is  
interested in what the Federal Reserve Banks' position will be in re-  
gard to investments in Government securities in view of the further de-  
liberations of the conference, and in view of the recommendations of  
the Federal Advisory Council.

After a long discussion of the letters referred to and of  
the policy of the several Federal Reserve Banks in respect to the pur-  
chase of Government securities, it was, upon motion of Governor  
McDougal,

VOTED to be the sense of the conference that each governor  
recommend to his directors that it be the policy of the bank to in-  
vest in Government securities only to the extent that it may be neces-  
sary from time to time to maintain earnings in amounts sufficient to  
meet expenses, including dividends and necessary reserves.

Governor Norris voted "yes" with the understanding that  
his action carries no reflection on anything that the Federal Reserve

- 2 -

Bank of Philadelphia has already done in respect to the purchase of Government securities.

(d) Disposition of Present Investments in Excess of Earning Requirements

Upon motion of Governor McDougal, it was

VOTED that if the estimates of expenses and earnings for the current year to be made by each Federal Reserve Bank in accordance with the vote taken under sub-paragraph (a) of this paragraph, show that the present investments will give an excess of earnings over expenses, it will be the policy of the Federal Reserve Banks to permit these investments to run off, rather than to sell them in the market.

(e) Transactions direct with member banks

Upon motion of Governor McDougal, it was

VOTED that the principle should be adopted that nothing should prevent Federal Reserve Banks from buying Government securities from or selling them to their own member banks, provided there is no violation of the principles defined in previous votes.

(f) Centralization of purchases and sales

In order that Federal Reserve Banks, in placing both buying and selling orders for their own account will not destroy the market or compete with one another, it was moved by Governor Norris, that all orders to buy and sell for account of any of the Federal Reserve Banks shall be given to a committee which shall execute such orders in accordance with its best judgment, and which shall distribute the

- 3 -

execution of the orders among the different markets as circumstances might prompt, and that orders so executed be pro rated among those banks having placed orders with the committee.

In discussion of this motion it was felt that the methods by which this committee should act might best be determined after further consideration by the committee itself. Whereupon, upon motion of Governor Calkins, it was

VOTED that the governors of the Federal Reserve Banks of Boston, New York, Philadelphia and Chicago be made a committee for the purpose of studying this question and working out an orderly program for handling the buying and selling of Government securities by Federal Reserve Banks through some centralized control.

333-a

EXCERPT FROM THE RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL,  
APRIL 28, 1922.

Recommendation 9: The Council has read with interest the letter of the Secretary of the Treasury to the Governor of the Federal Reserve Board dated April 25, 1922, <sup>Filed 333.1</sup> relative to investments of Federal Reserve Banks, in which letter the Secretary requested the consideration of the subject by the Federal Advisory Council.

The Council congratulates the country upon enjoying a financial administration which takes the enlightened point of view that the Federal Reserve System should not be used for the purpose of carrying the Government's obligations. Many countries of Europe would have been saved from some of their most serious financial difficulties, if equal wisdom had governed their policies.

The Council is also in sympathy with the point of view expressed by the Secretary of the Treasury that the Federal Reserve Banks should avoid excessive investments in Government securities, even of a short maturity. The Council is fully in accord with the views implied that the Federal Reserve Banks should by preference seek investments in the fields of such bills of exchange as they can purchase in the open market.

The Council is of the view, however, that the particular circumstances prevailing at present must be borne in mind, especially the present high percentage of reserves of the System.

Moreover, if the Federal Reserve Banks should entirely liquidate their holdings of Government obligations, they would thereby lose all power of influence on the banking situation of the country, in case excessive ease of money should develop, threatening a new era of inflation. In such times, it is of the utmost importance that the Federal Reserve System should be able to dispose of its holdings, thereby throwing the

April 28, 1922 -- page 2

burden on the member banks and thus exercising a restraining influence. The floating supply of bills at present is extremely limited. Aggressive buying of acceptances would, no doubt, tend further to reduce the rate at which these acceptances could be bought, and it might destroy to a certain extent at least the distribution of acceptances among a large part of buyers--the so-called acceptance market--which has been built up with no little effort.

While the Council believes at the same time that the Federal Reserve System would be well advised in making efforts to increase its holdings of acceptances, there is no doubt that the Federal Reserve Banks as a whole can not avoid at this time, for the reasons above explained, investing very substantial amounts either in Government Bonds, Certificates of Indebtedness, or warrants. Of these three, no doubt, the short term Treasury Certificates are the most suitable as investments for the Federal Reserve Banks. Bearing in mind that the capital and surplus of the combined Federal Reserve Banks amount to approximately \$300,000,000, the Council does not feel that there is just cause to criticize the Federal Reserve Banks for having invested in Treasury Certificates and short term Government obligations up to an amount which is not largely in excess of their capital and surplus, and which, considering the amount of their assets, constitutes only a small part of their resources.

The Council is still of the opinion that the Federal Reserve Banks should avoid investing in long term Government bonds. The Council further urges the Federal Reserve Banks when making any purchases of short term Government obligations, that such purchases should not interfere with Treasury operations.

In giving this view, the Council is in no way moved by any con-

April 28, 1922 -- page 3

sideration of earnings of the Federal Reserve Banks, but stands entirely by the opinion expressed in its resolution of November 21, 1921, as follows:

"The Board brought to the attention of the Council the matter of the increase in the reserves of the Federal Reserve Banks, and the apparent approach of the time when, as a result of the liquidation of borrowings by member banks, the Federal Reserve Banks will be seeking investment for their idle funds. The Board requested the Council's opinion as to the wisdom of the Federal Reserve Banks' investing these funds in United States Government bonds.

"The Council stated that it is not disturbed by the fact that the earnings of the Federal Reserve Banks are decreasing because of the accumulation of idle funds. The Federal Reserve Banks were not created for profit and the Council is mindful of the fact that, as past experience has shown, times of temporary idleness of funds are bound to be followed by periods of greater demands for money, be they seasonal or emergency requirements.

"Whenever it may appear necessary for Federal Reserve Banks to seek investments in the open market, the Council would recommend that preference be given to obligations such as:

1. Bankers Acceptances.
2. United States Certificates of Indebtedness.
3. Such short term State and Municipal obligations as are permitted by the Federal Reserve Act."

333-a

EXCERPT FROM THE MINUTES OF THE FEDERAL RESERVE BOARD, MEETING OF APRIL 14, 1922

see 4-14-22 in 333.1

Memorandum dated April 13th, from the General Counsel, (Walter S. Logan) expressing the opinion that the Federal Reserve Board has legal right to impose any restrictions and limitations it may deem proper in the matter of the purchase of Government securities by Federal reserve banks for their own account. Also, letter dated April 14th, from the Under Secretary of the Treasury, (S. Parker Gilbert) calling attention to recent increased purchases in the holdings of Government securities by Federal reserve banks.

see 333.1

Upon motion, ordered placed upon the program for discussion at the forthcoming Conference of Governors of the Federal Reserve Banks.

(Names in parentheses added -- fhg)



**FEDERAL RESERVE BOARD**

WASHINGTON

333, - a

X-3689

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

April 7, 1923.

**SUBJECT:** Policy Governing Open Market Purchases by Federal Reserve Banks and the Administration thereof.

Dear Sir:

This is to advise you formally of the action of the Federal Reserve Board taken at its meeting of March 22nd, with respect to open market purchases by Federal Reserve Banks, and which was discussed at the recent conference between the Federal Reserve Board and the Governors of the Federal Reserve Banks.

The Board has adopted the following principles with respect to open market investment operations of the Federal Reserve Banks:

(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.

In order to provide for the proper administration of the policy defined above, the Board rules 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 Federal 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, 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.

Ordered copy filed 333, - b - 1

-2-

X-3689

In accordance with the informal agreement made at the time of the last Governors' Conference, the membership of the Open Market Investment Committee for the Federal Reserve System, will be identical with the membership of the old Committee, as follows:

Federal Reserve Bank of Boston  
Federal Reserve Bank of New York  
Federal Reserve Bank of Philadelphia  
Federal Reserve Bank of Cleveland  
Federal Reserve Bank of Chicago

By order of the Federal Reserve Board.

Wm. W. Hoxton,  
Secretary.

To Governors of Federal Reserve Banks.  
Copies to Agents.