Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER 333.-b-1

NAME OR SUBJECT Open Market Investment Committee
Open Market Operations

DATES (Inclusive) 1924 - 1925

PART NUMBER Part 2

Notes on Recommendations of the O. M. I. C.

Note 1: 1/5/25 Decision to sell securities to prevent undue ease in money conditions as far as could be done without disorganizing the market by communication with members of the Committee. (p.27)

Note 1: 1/9/25 Committee voted to stand ready to make further sales as seemed necessary to prevent undue ease in the market. (p.27)

Note 2: 2/25/25 O. M. I. C. in joint meeting with Board suggested selling securities to bring the S. I. account down to $200,000,000 in order to prevent undue ease in case of continued flow of funds to N. Y. Anticipated heavy spring demands for funds and probable large gold exports seemed to indicate the necessity of an early review of the situation.

The Board took no action on the proposed program but the expressed views of individual members were not contrary.

Note 3: 4/6/25 Committee voted, "under authority now vested in it",* to increase its holdings up to approximately $300,000,000 as and when the market conditions warrant in view of gold movements.

Note 4: 5/21/25 The minutes of the April 30th meeting of the O. M. I. C. (at which only readjusting apportionments in the account was considered) were submitted to the Board, who voted that the Committee be advised that (1) it was noted that no purchases had been made as proposed on 4/6/25, and (2) that before making purchases to increase the aggregate of the account the proposal be submitted for Board consideration.

Note 5: 5/29/25 The Board voted to approve request of O. M. I. C. to make purchases replacing $15,000,000 of $31,000,000 held in the account maturing June 15, 1925, the remaining $16,000,000 to be purchased after that date.

Note 6: 6/24/25 The O. M. I. C. voted to (1) authorize sale to Bank of England of Treasury certificates maturing Sept. 15, 1925 in amount of $2,000,000, and further sales up to the total holdings of this maturity amounting to $5,000,000, the purpose being to prevent employment in the N. Y. market of a balance obtained by the Bank of England through purchase of gold from another foreign bank, and to prevent employment of any further balance that the bank might acquire; (2) to sell $10,000,000 of Third Liberty Loan bonds to the Treasury.

* See Note 8, 11/12/24 (2).

Note 7: 9/22/25 The Committee report, which made recommendations regarding the distribution of acceptance and security holdings, suggested that the situation called for a careful consideration of the discount rate position rather than open market operations.

At a meeting of the Board, Sept. 29, 1929, the desirability of making sales from the S. I. account to be followed by an increase in the N. Y. discount rate was discussed. It appeared that most of those present were not in agreement with this proposed action.

Note 8: 11/2/25 The Committee's report to the Governors Conference recommended that the account be maintained at its present size in order to be prepared to deal with any emergency situation, and suggested that the next step should consist of changes in discount rates rather than open-market holdings.

11/23/25 The Board approved in general the report of 11/2/25 but advised that it desired an immediate meeting "to consider whether changed conditions did not make a change in the open market policy *** desirable". It also voted that the question of allowing Dec. 15 maturities of Government securities to run off without replacement be referred to the Committee.

Note 9: 12/1/25 At a joint meeting of the Board and O. M. I. C. it was decided that the $38,000,000 of Treasury certificates maturing Dec. 15 should be replaced by other maturities. A discussion of the credit situation followed at which it was the concensus of opinion that the turn of the year should be awaited before advancing the N. Y. discount rate, and which might prove the appropriate time for sale of some of the O. M. I. C. holdings.

This recommendation was approved by the Board 12/2/25.

Note 10: 12/21/25 The Governor of the Federal Reserve Bank of New York (Chairman of the O. M. I. C.) advised that he was authorized by the directors of his bank to purchase $50,000,000 of securities, and that when the purchases were made they would be for the S. I. account, the approval of Committee members having been obtained. On 12/22/25 Chairman of the Committee advised the Board that $18,000,000 had been contracted for which would be carried in the New York Bank portfolio if the Board disapproved the Committee's recommendation. After a discussion of the matter the Board approved the Committee's purchase of from $25,000,000 to $50,000,000 of securities.

11/23/25

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"Resolved, That the F.R. Board approves in its general features ~~the~~ report of the Open Market Investment Committee as a report in relation to conditions on November 2nd.) Since that time, however, the Board has approved increases in the discount rates of four of the Federal Reserve banks and now believes that the time has come for a further meeting in the near future of the Open Market Investment Committee to consider whether government securities maturing on December 15th should not be allowed to run off without being replaced or their maturity anticipated by the sale of small amounts from week to week so far as possible."

11-23-25

File date 11/23/25

Not adopted

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Report of the Chairman of the Open Market Investment Committee to the Governors Conference, November 2, 1925.

Since the last governors conference the Special Investment Account of the system has been reduced by 35 million dollars, from 245 million to 210 million. This reduction has taken place gradually in connection with the redemption of maturing issues at quarterly tax days, occasional sales to the Treasury for their accommodation, and a sale to the Bank of England amounting to 4 million dollars. The gradual reduction in the portfolio has been in keeping with the policy of maintaining the effectiveness of the discount rates of the Reserve Banks by insuring a round amount of borrowing by member banks in principal cities.

Credit Conditions

The changes in business and credit conditions since last spring have created a situation which is most unusual and most perplexing for the determination of Federal Reserve policy.

When we met in April domestic business was experiencing some slight recession from the great activity of the early spring. This was more true in certain types of industrial activity than in the general distribution of goods. The recession did not prove to be serious and in the past two months there have been indications of an increase in activity and greater business optimism. Various indexes of the total volume of business indicate that business has been above what we may call normal, or average, conditions for the entire year. The construction industry and the automobile industry have been particularly active.

Business appears generally to be in healthy condition. While forward buying has increased somewhat lately it continues to be generally conservative.

See copy filed 333.31 also

Commodity prices are firm but there are as yet no considerable price increases. Looking into the future the features in the business situation which offer possibility of later disturbance appear to be:

1. The automobile industry evidently now has a capacity and annual rate of production which is greater than the growth in the population or the increase in the domestic demand for cars can support for any extended period. We are approaching a saturation point in that industry, unless exports increase with great rapidity.

2. The building industry is now operating at a pace which cannot be continued indefinitely. The war years left us with a shortage in homes. It is clear that most of that shortage has now been made up and that sometime, perhaps within the next year or two, there will of necessity be a diminution in new building construction and in the activity of the industries which are concerned with new building. This will naturally be accompanied by a slowing up in real estate speculation, which is now active in many places.

3. There has been for some years past a steady increase in installment buying, involving the pledge of future income and the building up of what we may call consumer inventories. It is clear that this has created a situation in which any extended period of unemployment or any change in psychology might lead to a considerable diminution of activity in those industries serving the consumer directly.

In none of these three directions is there any evidence of an immediate change in the situation. The prospect is for sound substantial business at a high level for some months to come, but it is equally clear that the presence of these uncertain factors makes the continuance of a conservative temper in business most desirable.

Stock Market

The stock market appears to offer a fourth element of possible instability in the business situation, for stock market movements have a widespread psychological influence. The most serious element about the recent stock market movement is the possibility of a later recession in prices which might add impetus toward business reaction. There are a number of indications that a part of the recent increase in stock market prices is due to fundamental changes in values, but it is also possible that the swing of prices may now have gone beyond a level which can be maintained permanently.

Credit Requirements

The growth in business activity has been accompanied by an increase of currency circulation of 100 million dollars since the end of April and by an increase of about 300 million dollars in commercial loans of banks. This is larger than the usual seasonal increase and has come somewhat earlier in the year than usual. In addition, loans on stocks and bonds show an increase of 300 million, which represents largely the placing of additional funds into the stock exchange money market. The net result is an increase of 600 million dollars in total bank credit advanced by weekly reporting member banks, outside of an increase which may have occurred in other banks. This increase has been made possible by an increase of about 250 million dollars in borrowings from the Federal Reserve Banks. At the same time the non-reporting banks in smaller cities have decreased their borrowings slightly.

Accompanying this additional borrowing at the Federal Reserve Banks there has been an increase since April of about 1/2 of 1 per cent or more in the various open market money rates.

The figures are shown in the accompanying table and in the two diagrams in the appendix:

Credit Changes Since April, 1925

(dollar figures in millions)

	Apr.29	Oct.14	Change
Money Rates			
Bills (90 day)	3 1/8	3 1/2	+ 3/8
Commercial Paper (4 - 6 mos.)	4	4 1/4-4 1/2	+ 1/2
C/I's (3 mos.)	2.71	3.55	+.84
(6 mos.)	2.73	3.52	+.79
Earning Assets Federal Reserve Banks	$	$	$
Discounts and Advances	400	644	+244
Bills Owned	243	255	+ 12
Bills Sales Contract	24	32	+ 8
U. S. Securities Owned	345	314	- 31
U. S. Securities Sales Contract	4	22	+ 18
Total Bills and Securities	1.028	1.276	+248
Loans and Investments Weekly Reporting Member Banks			
Commercial Loans	8.354	8.673	+319
Loans on Stocks and Bonds	4.878	5.192	+314
Investments	5.484	5.462	- 22
Total Loans and Investments	18.716	19.327	+611
Borrowings at Federal Reserve Banks			
By weekly reporting member banks in:			
New York City	47	155	+108
Chicago	2	22	+ 20
Other principal cities	162	291	+129
Total principal cities	211	468	+257
By non-reporting banks outside principal cities	189	176	- 13
	(March 1)	(Oct. 1)	
Money in circulation	4.725	4.827	+102

Gold Movement

While money rates have been moving upward 1/2 of 1 per cent or more in this country, they have moved lower in London by about 1 per cent and the Bank of England has reduced its rate one per cent from 5 to 4 per cent. In recent weeks rates in London have become slightly firmer. The result of higher rates here and lower rates in London has been that considerable American balances which had been placed in London have returned to this country, and there has been a gold movement from London to New York of about 40 million dollars, partially offset by a movement of 21 million dollars from this country to Canada. The movement from London is slightly larger in amount than was customary in the fall in the years before the establishment of the Federal Reserve System.

It is clear that the relative level of interest rates in this and in foreign countries is an important influence on gold movements. If our interest rates reach higher levels without a corresponding increase in London, a larger gold movement to this country may be stimulated.

European Situation

The general recovery in European business and credit conditions is, under present circumstances, facilitated by low money rates in this country. With industry abroad below normal activity and struggling against high taxes and the necessity for many readjustments, the actual cost of money is an important factor in England and the European countries. In many of these countries, moreover, the supply of working capital is insufficient. As long as our extension of credit abroad either in the form of short-term or long-term credit is for productive purposes a considerable flow will be beneficial to the recovery of Europe and will react favorably upon our own trade. This flow is encouraged by low money rates. With the finances of Europe in unstable condition small changes in credit conditions may have large results one way or another, and it is clear that this country has a definite responsibility to determine its monetary policy with some regard to the effects of such policy outside of our own borders.

Recommendations

These are the outstanding facts in the broad credit situation. They do not seem to indicate the need for any change in our open market policy. With the member banks in principal cities substantially in debt at the Reserve Banks there is little to be gained in the sale of securities for the purpose of making discount rates more effective. The influence of our rates is now felt on a considerable body of borrowing and if it appears desirable the next step should possibly consist in changes in discount rates, rather than changes in open market holdings. It also seems desirable to maintain the present account at at least its present size that we may be prepared to deal with any emergency situation. The committee, therefore, is not prepared to recommend at present any change in our holdings of securities.

Quarterly Tax Day Operations

The June and September tax days furnished additional opportunity for studying the need for special operations with the investment account to prevent any unusual and temporary ease in money. At the June tax date sales of 51 million dollars were made early in the tax day period, with the very satisfactory result that money rates remained at a constant level throughout the entire period. At the September period sales to the market did not appear to be necessary because of unusually large receipts relative to disbursements by the government and a considerable volume of rediscounts. No sales were therefore made and there was some easing in money rates for a few days. The experience of these two tax days would appear to indicate that it is usually desirable to make temporary sales to the market early in the tax day period.

Turn of the Year

Last January it was found desirable to make sales of about 150 million dollars of securities to take up the seasonal slack in credit resulting from the return of Christmas currency and the usual seasonal flow of funds to money centers This coming yearend it appears likely that city banks will be so largely in debt at the Reserve Banks that slack will be mostly taken up by the liquidation of discounts. Such liquidation is frequently a little slow, however, and if credit conditions remain as at present it would be undesirable to have the banks out of debt. It will, therefore, be well to consider some temporary purchase of securities at the time of the Christmas currency demand to be sold in January. The wisdom of such a policy cannot be determined far in advance.

Method of Apportionment

During the past few months further study has been made of the methods of apportioning purchases of bankers acceptances in the light of current earnings and expenses. The principle has been adopted of apportioning acceptances among the banks, first, on the basis of estimated expenses and dividends of the banks; and second, after these have been provided for, to apportion the remainder on the basis of required earnings to meet losses and ordinary chargeoffs as far as possible. The present estimate appears to indicate that the earnings of the banks for the year will be sufficient to cover all expenses and dividends and to cover the major part of chargeoffs as well. Included in exhibits attached are tables reflecting Government security and bill transactions and distributions by the Committee during the year.

INDEX OF EXHIBITS

EXHIBIT "A"

STATEMENT SHOWING TRANSACTIONS IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT SINCE LAST GOVERNORS' CONFERENCE IN APRIL 1925

Holdings March 31, 1925					$245,203,500
Purchases:					
April 14	Market	4 3/8% T/N	due Dec. 15/25	$ 4,000,000	
" 15	Portfolio)	4 3/8% T/N	" " "	693,100	
	F.R.B.Chicago)	4 3/4% T/N	" Mar. 15/26	1,063,400	
" 21	Market	4 1/2% T/N	" June 15/25	5,200,000	
May 4	"	4 3/4% T/N	" Mar. 15/26	15,000,000	
" 4	"	4 3/4% T/N	" Mar. 15/27	5,000,000	
June 10	"	4 3/4% T/N	" Mar. 15/26	5,000,000	
" 12	"	4 1/4% T/N	" Sept.15/26	8,500,000	
" 12	"	4 3/4% T/N	" Mar. 15/26	1,000,000	
July 15	"	4 3/4% T/N	" Mar. 15/26	2,000,000	
Aug. 15	Foreign Acc't	2 3/4% C/I	" Sept.15/25	350,000	
" 26	Market	2 3/4% C/I	" " "	375,500	
Sept. 10 & 15	"	4 3/4% C/I	" Mar. 15/26	11,965,700	
			Total purchases		60,147,700
					$305,351,200
Sales:					
April 15	Market	3% C/I	due Dec. 15/25	$ 918,500	
" 21	"	2 3/4% C/I	" Sept.15/25	5,200,000	
May 4	"	4 3/8% T/N	" Dec. 15/25	20,000,000	
June 15	Treas.-Redemp.	4 1/2% T/N	" June 15/25	31,132,700	
" 24	Foreign Acc't	2 3/4% C/I	" Sept.15/25	2,000,000	
" 24 & 29	Treas. a/c APC	4 1/4% 3rd L.L.		15,000,000	
July 15	Market	4 3/8% T/N	due Dec. 15/25	2,000,000	
Aug. 11	Foreign Acc't	2 3/4% C/I	" Sept.15/25	2,000,000	
Sept. 10	Treas.-Redemp.	2 3/4% C/I	" " 15/25	2,000,000	
" 15	Treas.-Sink.Fd.	4 1/4% 3rd L.L.		15,100,000	
			Total sales		95,351,200
Balance Holdings October 21, 1925					$210,000,000

(Net Profit on sales amounted to $128,117.25)

PARTICIPATION AND MATURITIES OF SYSTEM HOLDINGS CLOSE OF BUSINESS OCTOBER 21,1925

	Participation	Ratio	Maturities		
Boston	$ 1,985,000	0.9%	Dec. 15, 1925	4 3/8% T/N	$ 38,160,100
New York	51,427,000	24.5%	March 15, 1926	4 3/4% T/N	75,266,700
Philadelphia	1,565,000	0.8%	Sept. 15, 1926	4 1/4% T/N	40,401,000
Cleveland	11,651,500	5.5%	March 15, 1927	4 3/4% T/N	23,875,900
Richmond	4,102,500	2.0%	Dec. 15, 1927	4 1/2% T/N	32,296,300
Atlanta	12,097,000	5.8%			
Chicago	22,010,500	10.5%			
St. Louis	18,872,500	9.0%			
Minneapolis	9,020,000	4.3%			
Kansas City	20,844,000	9.9%			
Dallas	22,143,500	10.5%			
San Francisco	34,231,500	16.3%			
	$210,000,000	100%			$210,000,000

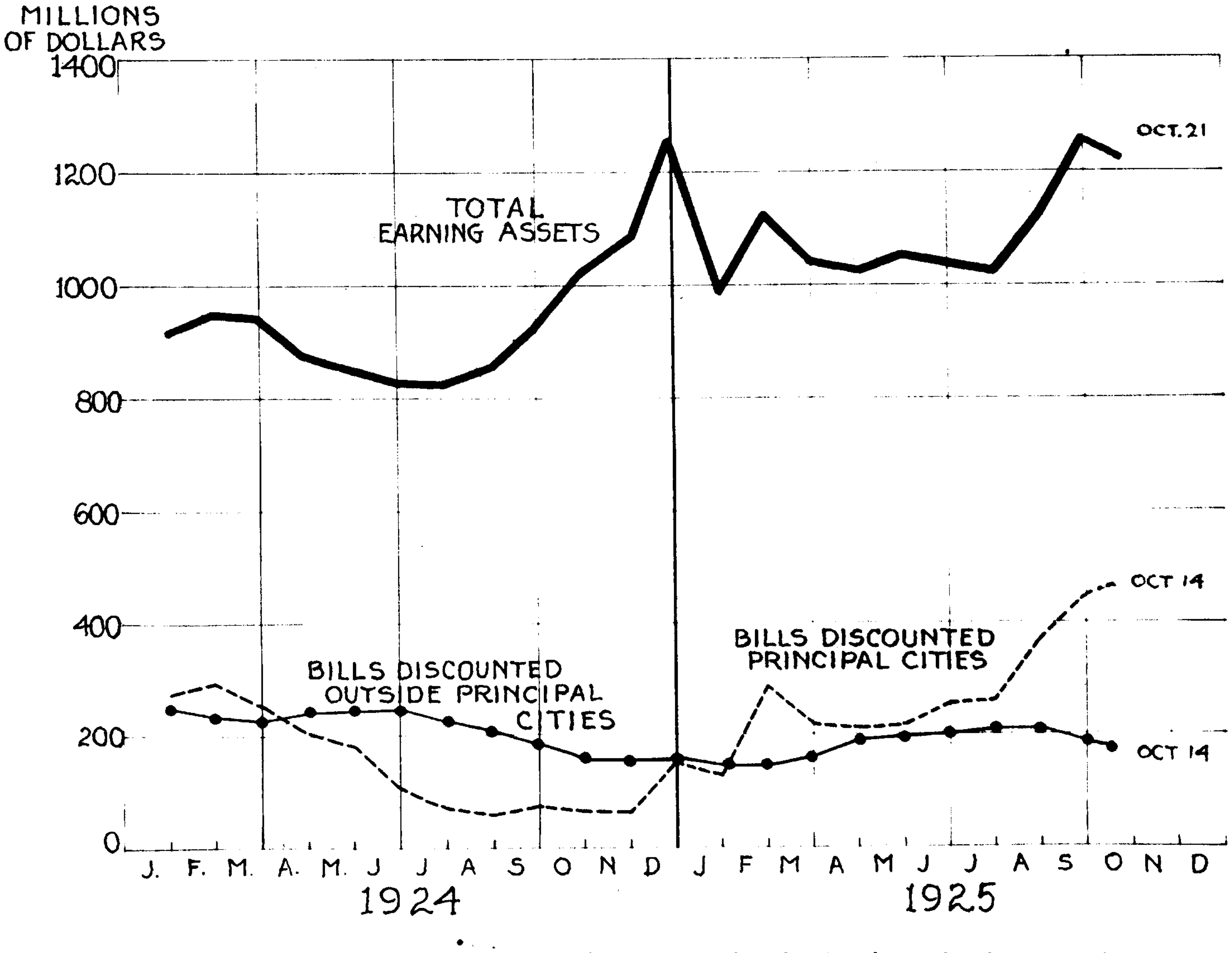
EXHIBIT "B"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 2. 1925 TO OCTOBER 21, 1925 AND THEIR ALLOTMENT TO PARTICIPATING BANKS

	Purchases	Participations
Boston	$ 157,089,000	$ 173,804,000
New York	866,314,000	173,320,000
Philadelphia	107,778,000	107,778,000
Cleveland	28,697,000	108,924,000
Richmond	14,588,000	44,593,000
Atlanta	9,219,000	68,888,000 *
Chicago	54,739,000	166,482,000
St. Louis	111,000	76,220,000
Minneapolis	0	81,807,000 *
Kansas City	0	91,557,000 *
Dallas	1,278,000	63,730,000 *
San Francisco	41,886,000	124,596,000
Totals	$1,281,699,000	$1,281,699,000

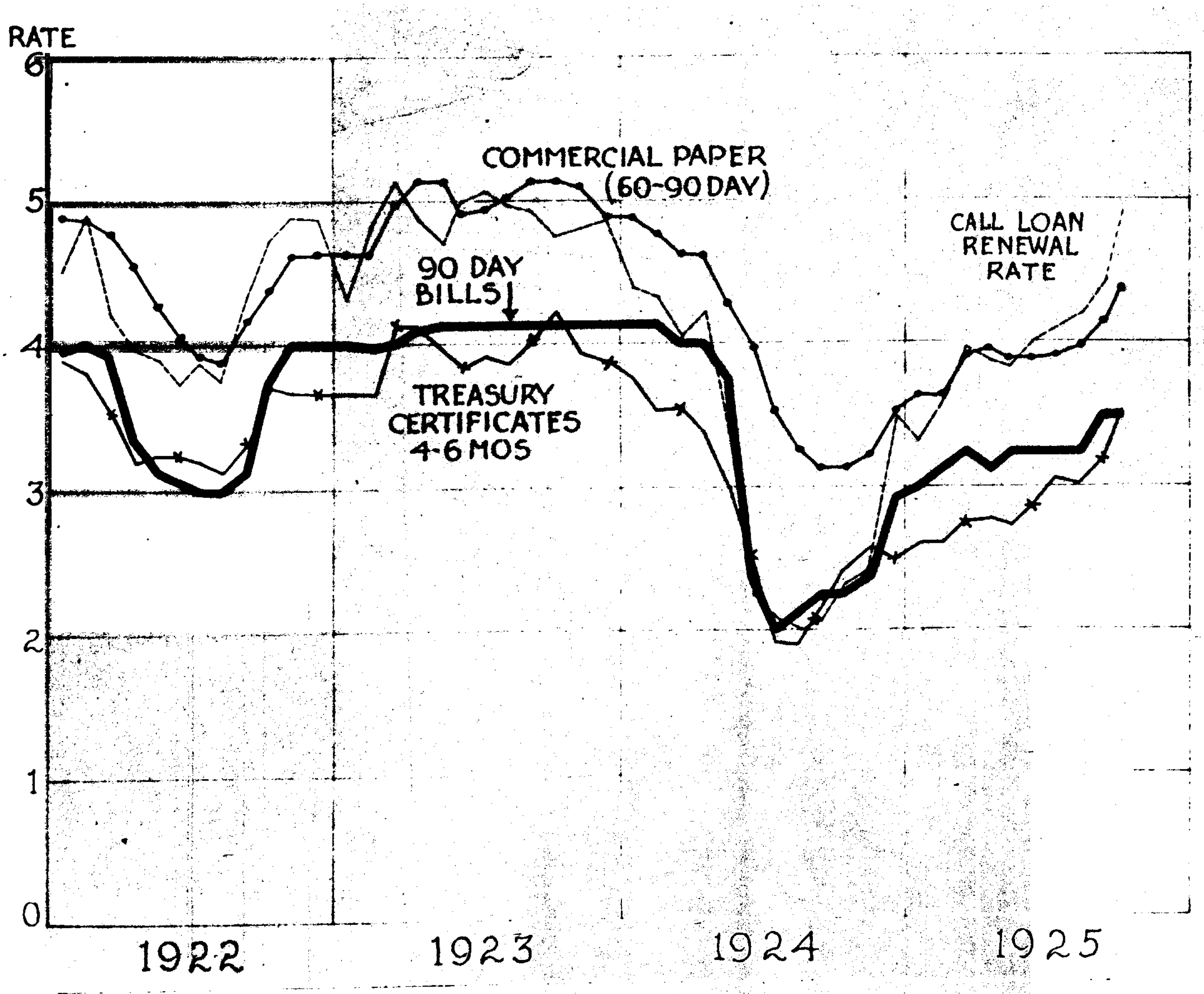
* Does not include sales from New York portfolio to Atlanta of $13,183,000
" " " " " " " " " Kansas City " 5,021,000
" " " " " " " " " Dallas " 5,000,000
" " " " " St. Louis " " Minneapolis " 3,271,000
" " " " " " " " " Dallas " 3,192,000

EXHIBIT "C"



Total Earning Assets; Bills Discounted for Banks in Principal Cities and Outside Principal Cities by the Federal Reserve Banks.

EXHIBIT "D"



Money Rates in the New York Market

STATEMENT SHOWING EFFECT OF DISTRIBUTION OF BILLS AND INVESTMENTS TO FEDERAL RESERVE BANKS SINCE LAST GOVERNORS' CONFERENCE, APRIL 1925

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
(1) March 31, 1925													
Estimated Expenses & Dividends 1925	$2,550,000	$8,692,000	$2,769,000	$3,529,000	$1,896,000	$1,549,000	$4,756,000	$1,953,000	$1,432,000	$2,177,000	$1,518,000	$3,319,000	$36,137,000
Estimated Earnings for Year "Over or Short" of Estimated Expenses & Dividends	996,394	971,192	405,309	424,300	23,000	301,070	656,364	633,390	255,469	333,176	289,767	290,000	1,327,687 Net

NOTE: This estimate shows but 5 banks meeting all estimated expenses and dividends (excluding charge-offs) while 7 banks are deficient.

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
(2) October 31, 1925													
Estimated Expenses & Dividends 1925	2,578,000	8,600,000	2,856,000	3,564,000	1,920,000	1,247,000	4,692,000	1,884,000	1,368,000	2,240,000	1,466,000	3,192,000	35,607,000
Estimated Earnings for year in Excess of Estimated Expenses and Dividends	531,550	1,684,883	319,120	488,813	338,581	404,567	499,565	252,494	174,166	179,197	233,556	544,986	5,651,478

NOTE: This estimate shows all twelve banks meeting all estimated expenses and dividends (excluding charge-offs).

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
(3)													
Estimated Net Earnings Balance of Year	197,794	246,826	72,572	120,613	24,581	184,294	97,949	56,953	28,666	50,237	96,522	184,986	1,361,993
Net Earnings October 31, 1925	333,756	1,438,057	246,548	368,200	314,000	220,273	401,616	195,541	145,500	128,960	137,034	360,000	4,289,485
Total	$ 531,550	$1,684,883	$ 319,120	$ 488,813	$ 338,581	$ 404,567	$ 499,565	$ 252,494	$ 174,166	$ 179,197	$ 233,556	$ 544,986	$ 5,651,478
Estimated Charge-offs 1925	127,047	853,000	28,000	392,000	235,000	885,236	600,197	1,210,000	123,300	139,972	542,520	714,000	5,850,272
Estimated Earnings "Over or Short" of Estimated Charge-offs	$ 404,503	$ 831,883	$ 291,120	$ 96,813	$ 103,581	$480,669	$100,632	*$957,506	$ 50,866	$ 39,225	$*308,964	$ 169,014	$ 1,817,991
												Charge-offs not covered	2,016,785

x Due to reserve position Dallas is not at present participating in bills and St. Louis is only participating to the extent of 5%.

#2

~~Executive Folder~~
Date 10/9/25

333.1

October 9, 1925.

My dear Mr. Matteson:

This will acknowledge receipt of your letter of October 7 and statement showing the ratios of distribution of System open market purchases.

Very truly yours,

(Signed) D. R. Crissinger

D. R. Crissinger,
Governor.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York, N. Y.

FEDERAL RESERVE BANK

OF NEW YORK

333.-

October 7, 1925

Sir:

For your information, I am enclosing a copy of 10-6-25 letter which is being sent to-day to the governors of all the Federal reserve banks, together with statement referred to therein showing the ratios of distribution of System open market purchases based on figures reported to the Committee as of September 30, 1925.

Respectfully,

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Encl. (2)

10/9/25

STATEMENT SHOWING DISTRIBUTION OF SYSTEM OPEN MARKET PURCHASES (AFTER PROVIDING FOR EXPENSE AND DIVIDEND REQUIREMENTS) PRO-RATED ACCORDING TO CHARGE-OFF REQUIREMENTS, BASED ON FIGURES REPORTED SEPTEMBER 30, 1925

	(1) Estimated Charge-offs 1925	(2) Average Earning Assets Held Four Weeks Ending Sept. 30/25	(3) Distribution of Earning Assets Held if Amount in Excess of Requirements for Expenses and Dividends Were Pro-rated to Charge-offs	(4) Proportionate Excess of Average Earning Assets (Column 2 Less Column 3)	(5) Proportionate Deficiency of Average Earning Assets (Column 3 Less Column 2)	(6) Ratios for Current Distribution to Banks Showing Deficiencies
Boston	$ 127,047	$ 76,679,000	$ 60,802,000	$ 15,877,000	$ 0	-
New York	853,000	296,761,000	187,971,000	108,790,000	0	-
Philadelphia	28,000	89,442,000	64,410,000	25,032,000	0	-
Cleveland	392,000	111,916,000	94,031,000	17,885,000	0	-
Richmond	235,000	64,103,000	44,693,000	19,410,000	0	-
Atlanta	885,236	59,682,000	93,803,000	0	34,121,000	17%
Chicago	600,197	123,917,000	152,753,000	0	28,836,000	14%
St. Louis	1,210,000	64,675,000	144,798,000	0	80,123,000	41%
Minneapolis	123,300	47,209,000	35,888,000	11,321,000	0	-
Kansas City	326,772	61,322,000	84,637,000	0	23,315,000	12%
Dallas	542,520	50,251,000	78,936,000	0	28,685,000	14%
San Francisco	708,000	119,643,000	122,878,000	0	3,235,000	2%
Totals	$6,031,072	$1,165,600,000	$1,165,600,000	$198,315,000	$198,315,000	100%

Copy of this letter sent to the Governor of each bank.

233-b-1

October 6, 1925

Mr. W. P. G. Harding,
Governor, Federal Reserve Bank of Boston,
Boston, Mass.

Dear Governor Harding:

In line with the action taken at the last meeting of the Open Market Investment Committee to make distribution of open market purchases to cover, first, expenses and dividends, and second, to provide thereafter for estimated charge-offs as completely as possible, the accompanying statement has been prepared for the purpose of showing in principle how the distribution will be effected.

Earnings of all reserve banks to September 30, 1925, have exceeded the amount required to cover current expenses and dividends to that date. According to present indications, income for this year for the twelve banks will be approximately $3,000,000 more than the amount required for expenses and dividends, or an amount sufficient to cover approximately one-half of the estimated charge-offs. It is proposed, therefore, to distribute future purchases of bills in such a way as to result in a pro rata distribution of the excess earnings as nearly as possible in accord with the estimated charge-offs. It will be noted that the present schedule provides for the allotment of bills to but six banks. Inasmuch, however, as the six banks that will be currently participating will have maturing bills, it is expected the situation will quite rapidly correct itself, so that it will be necessary to make changes from time to time in the ratio of distribution.

As heretofore, you will be advised daily of such allotments as are made to you.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

10-7-25

Encl. (1)

Sl. Files

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
SEP 1 1925
OFFICE OF
THE GOVERNOR
333-b-1

September 10, 1925.

Dear Governor Crissinger:

For your information, I am enclosing copy of letter which is being sent to-day to the governors of all the Federal reserve banks together with statement referred to therein showing the earning position of the different banks at the close of business August 31, 1925, as reported to the Open Market Investment Committee.

Very truly yours,

J. H. Case
Acting Chairman, Open
Market Investment Committee

Encls. (2)

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

September 10, 1925.

Dear Governor -----------:

Enclosed you will find statement showing the condition of the Federal reserve banks as regards earnings at the end of August and estimates of earnings and expenses for the balance of the year, from which you will note that the estimated earnings over and above current expenses (exclusive of charge-offs) show a net excess of over $2,800,000. You will also note that the total of the estimated charge-offs is approximately $5,800,000, making an estimated net shortage, taking the charge-offs into consideration, of about 3 million dollars. The Federal Reserve Bank of St. Louis - due to its relatively low reserve position - is not at present participating in the System purchases.

From the statement you will observe that the regular expenses and dividends appear to be amply provided for and with the almost assured prospects of increased earnings for the balance of the year it seems not unreasonable to believe that System earnings will be adequate to provide for all expenses including the estimated charge-offs.

In line with the established procedure of the Committee it is proposed, beginning October first, to revise the percentage ratios for the distribution of open market investments during the last three months of the year in such a manner as to provide for the estimated charge-offs.

Very truly yours,

J. H. Case
Acting Chairman, Open
Market Investment Committee

Encl.

STATEMENT SHOWING ESTIMATED EARNINGS, EXPENSES AND CHARGE-OFFS OF ALL FEDERAL RESERVE BANKS AT THE CLOSE OF BUSINESS AUGUST 31, 1925
AS REPORTED TO THE OPEN MARKET INVESTMENT COMMITTEE

	(1) Net Earnings in Excess of Expenses and Dividends Jan.1-Aug.31/25	(2) Estimated Expenses and Dividends Sept.1-Dec. 31/25 (Excluding Charge-offs)	(3) Net Requirements Balance of Year (Excluding Charge-offs (Col.2 Less Col.1)	(4) Estimated Earnings all Sources Sept. 1-Dec.31/25 (Based on First 8 Mos. Average)	(5) Estimated Net Earnings Over and Above Expenses (Col.4 Less Col. 3)	(6) Estimated Charge-Offs 1925
Boston	$ 193,043	$ 876,437	$ 683,394	$ 819,591	$ 136,197	$ 127,047
New York	1,060,412	3,038,000	1,977,588	2,889,255	911,667	853,000
Philadelphia	134,333	946,000	811,667	918,468	106,801	28,000
Cleveland	279,000	1,117,000	838,000	1,175,090	337,090	392,000
Richmond	186,000	640,000	454,000	697,373	243,373	235,000
Atlanta	49,877	486,215	436,338	613,685	177,347	685,287
Chicago	262,213	1,572,335	1,310,122	1,528,596	218,474	600,197
Minneapolis	73,163	474,000	400,837	432,860	32,023	123,300
Kansas City	7,003	704,773	697,770	684,101	(Short 13,669)	326,772
Dallas	49,911	488,361	438,450	611,552	173,102	542,520
San Francisco	166,000	1,073,000	90[illegible],000	1,275,687	368,687	703,000
Totals	$2,460,955	$11,416,121	$8,955,166	$11,646,258	$2,691,092 (Net)	$4,616,123
St. Louis	74,364	684,000	609,636	756,052	146,416	1,210,000
Grand Total	$2,535,319	$12,100,121	$9,564,802	$12,402,310	$2,837,508 (Net)	$5,826,123

NOTE: Figures for St. Louis are shown separately as they are not at present participating in open market purchases.

C
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Y

2826 333.-b-1

Copy of letter sent to the Governor of each Federal reserve bank

July 13, 1925

My dear Governor - - - - -:

We have received the estimates of all of the banks made up as of June 30 and covering their earnings and expenses for the balance of this year. With this data we have prepared a statement, copy of which is enclosed, with a view to carrying out the views of the Open Market Committee as expressed at its last meeting when the vote was taken as follows:

> "Future allotments of bills will be based upon earnings required to meet expenses and dividends (exclusive of charge-offs) as shown by the new figures and if necessary such allotments will be made to the Federal Reserve Banks of Minneapolis, Kansas City, Dallas and Atlanta, so as to enable them to maintain continuously their needed portion of open market investments."

The attached statement shows in the first three columns the earning requirements for each of the banks for the balance of this year. The result in column 3 is arrived at by deducting from the estimated total of expenses and dividends for the second six months, the excess of earnings in the first six months, or adding the deficiency in earnings for the first six months, as the case may be. Column 4 shows the estimated earnings from all sources for each of the banks for the second half of the year. Column 5 shows a redistribution of these earnings in the ratio that the earning requirements of the relative banks, as shown in column 3, bear to the total of column 3. Column 6 shows the estimated earnings of each bank for the second half of this year from all sources other than earnings on bill purchases in order to determine the amount of earnings necessary to be made up from bill purchases, the distribution of which is controllable by the Committee. Column 7 then shows the difference between column 5 and column 6, or the amount of earnings that each bank would have to receive from bills during the second half of the year in order to give it its proper proportion of the total estimated system earnings. Column 8 is the ratio that the figure for each bank in column 7 bears to the total of column 7 and, therefore, indicates the proportion of the total bill purchases that each bank should receive in order that it may have its proper proportion of the total system earnings.

This plan has received the approval of all the members of the Open Market Investment Committee and will be put into effect immediately (with appropriate adjustment) as of July 1.

Very truly yours,

(Signed) W. B. Matteson

Secretary, Open Market
Investment Committee

Encl.

STATEMENT SHOWING PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM OPEN MARKET PURCHASES TO PROVIDE FOR EXPENSES AND DIVIDENDS (EXCLUDING CHARGE-OFFS)

	(1) Excess or Deficit in Earnings First Six Months	(2) Estimated Expenses and Dividends Second Six Months	(3) Earning requirements Balance of Year (Excluding Charge-offs) (Col. 2 Less Col. 1)	(4) Estimated Earnings All Sources Second Six Months (Based on First Six Months' Average)	(5) Distribution of Estimated Earnings Prorated to Earning Requirements	(6) Estimated Earnings Exclusive of Bills Second Six Months (Based on First Six Months' Average)	(7) Distribution of Estimated Earnings from Bills (Col. 5 Less Col. 6)	(8) Ratio of Distribution
Boston	$ 165,868	$ 1,315,000	$ 1,149,132	$ 1,212,649	$ 1,282,475	$ 597,993	$ 684,482	15%
New York	892,968	4,336,000	3,443,032	4,351,006	3,841,920	3,529,943	311,977	6%
Philadelphia	90,335	1,410,000	1,319,665	1,334,341	1,473,286	1,003,153	470,133	10%
Cleveland	240,000	1,639,000	1,399,000	1,753,021	1,559,518	1,288,990	270,528	6%
Richmond	40,000	973,000	933,000	989,060	1,040,291	862,732	177,559	4%
Atlanta	77,938	742,248	820,186	888,587	915,529	657,290	258,239	6%
Chicago	215,763	2,362,713	2,146,950	2,267,756	2,396,155	1,710,772	685,383	15%
St. Louis	65,519	1,020,000	1,085,519	1,125,293	1,210,920	904,277	306,643	7%
Minneapolis	13,733	751,700	737,967	618,626	823,793	459,720	364,073	8%
Kansas City	24,167	1,063,859	1,088,026	1,057,490	1,214,590	805,912	408,678	9%
Dallas	14,241	732,355	746,596	931,598	834,801	654,770	180,031	4%
San Francisco	51,000	1,623,000	1,572,000	1,817,851	1,754,000	1,324,148	429,852	10%
Totals	$1,527,802	$17,968,875	$16,441,073	$18,347,278	$18,347,278	$13,799,700	$4,547,578	100%

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

322

Date June 9, 1925.

To All Members of the Board

Subject:

From Mr. Eddy

333

333.-b 1

Money Market

Reorganization of Bank

At the meeting of the Board this morning, there was ordered circulated among the members of the Board for their information the attached letter 6-4-25 from the Governor of the Federal Reserve Bank of New York with regard to the credit situation, in which he also reports on the progress being made in the reorganization of the bank resulting from its recent removal to the new building.

Governor Crissinger ✓
Mr. Platt ✓
Mr. Hamlin — absent
Mr. Miller ✓
Mr. James ✓
Mr. Cunningham — absent.
Mr. McIntosh ✓

see letters 6/4/25 and 6/8/25

333-b-1

June 8, 1925.

My dear Governor Strong:

I beg to acknowledge receipt of your letter of June 4 giving your views on the credit situation and also what you are doing in the way of economies in the administration of your bank, all of which is very interesting.

Very truly yours,

(Signed) D. R. Crissinger.

D. R. Crissinger,
Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

FEDERAL RESERVE BANK
OF NEW YORK

333-b-1

June 4, 1925.

Federal Reserve Board,
Washington, D. C.

Attention - Honorable D. R. Crissinger

Dear Governor Crissinger:

There has been so little developing in connection with the money market that I have had no occasion to write you particularly on this subject, nor to suggest a meeting of the Open Market Investment Committee. The only pending matter requiring action is the maturity of some $31,000,000 of our Government holdings on June 15. While it is understood that we will anticipate this maturity by purchasing about half of that amount of some other issue, I do not yet feel certain that the entire amount should be repurchased, nor, in fact, whether it may not later be necessary for us to consider the wisdom of slightly reducing the total of the account. It depends largely upon the way our money market develops.

At the present time our member banks are owing us in New York City an average something under or something above $100,000,000 according to whether there is a flow of funds to New York or away from New York; but, roughly speaking, I should say that about $100,000,000 is the average amount of our credit now required by the New York market. Under these conditions, and with a 3-1/2% discount rate, it is reasonably to be expected that there will be no material decline in the general level of New York rates, and that we will continue a fairly large portfolio of bills so long as our buying rates are continued at the present level. It would probably be to our advantage if we were now to lose gold, as the increased borrowing by our members resulting from such loss would

see ans 6/8/25

offset the liquidation of our discounts which we anticipate will occur this summer.

On the whole, I am inclined to think that while no change is necessary or desirable in our discount rate, it may, a little later, be desirable for us to make some slight advance in the rates at which we buy bills, especially if there are evidences of any considerable speculative activity on the stock exchange. For the immediate future, I should say that we are in a waiting period but that within the next few weeks it may be desirable to have a meeting of the Open Market Investment Committee and have another review of the money market situation as a whole.

I also want to send you something in regard to the progress of the reorganization of the bank resulting from moving into our new building. Our problem, as you know, was to work out a plan of economy of operation, which has been in course of development ever since 1921, looking to the completion of our building, in such a way as to absorb the added cost of operating the building, including taxes. While the work is still some ways from completion, the results of it we regard as satisfactory.

The salary liability of the bank on January 31, 1924 (after making the salary increases in that month) was $4,632,000. On May 31, 1925 it was $4,221,000., a reduction of $411,000, of which $244,000 represents a reduction in the first five months of this year and does not include a further reduction of $95,000 which is effective within the next sixty days.

The total cost of operating the bank for the first five months of this year was $2,728,293.31; for the first five months of last year $2,753,989.31. The budget for the first five months of this year was $2,811,549.60. In other words, the cost of operation for the first five months of 1925 was $25,696 less than the first five months of last year, and $83,256.29 less than this year's budget. But in order to get an accurate picture of operation, it would be fair to offset this year's operating costs by the amount of rents to be collected, which amounts to $47,525.62 for the first five months, and for the full year will be $140,700.

The total rental to be received from the Annex Building beginning May 1, 1926 will be $195,000 per annum, which may be further increased by perhaps as much as $25,000 per annum in 1929, when one of the present leases expires. The expenses of operating the Annex Building, including taxes and depreciation, will amount to about $95,000 per annum, thus leaving a net profit of about $100,000 per annum beginning in 1926. This represents a return of about 4-2/3% on the total original cost of the property, and about 6.2% upon its present book value.

We have finally succeeded in effecting an adjustment of all questions covering leases in the Equitable Building, which will assure us a minimum net profit of a little more than $10,000 per annum for the next nine years, with a possibility that the profits may be a little more than $24,000 per annum. In other words, the leases will not, in any event, be an expense to the bank, and they may produce a considerable revenue.

It is difficult to estimate what further savings can be effected following the completion of the various plans for economies which are now in prospect. But the introduction of the paper money counting machines may result in savings of anywhere from $100,000 to $200,000 after the force of money counters is fully trained in their use. Various other economies of operation are gradually being introduced which have the prospect of reducing our expenses by a further $100,000 or $200,000.

Considering that the volume of business being handled by the bank for the first five months of this year is roughly 8% greater than the amount handled for the first five months of last year, and that the volume is likely to continue gradually to increase, I think it is safe to say that by the end of this year the operations of the bank will be reduced to a minimum possible cost and that we will then be enjoying thefull benefit of the better facilities of the new building.

At that time we are planning to reorganize the cafeteria service so that the entire staff will get lunches free of cost; but they will be required to have their lunches in the building. In the end, we believe this will be an economy for the bank and a very great benefit to the employes.

I beg to remain,

Very truly yours,

Benj. Strong

Ordered Circulated
AT BOARD MEETING
JUN 9 - 1925
TM

#2 333-1
333.-t-1

May 29, 1925

Dear Mr. Case:

This will confirm my telegram to you of this date, advising that the Federal Reserve Board has approved the program of the Open Market Investment Committee to replace the $31,000,000 of June 15th maturities in the System's special account, by the purchase at the present time of $15,000,000 of securities and the purchase of the remaining $16,000,000 after June 15th.

Very truly yours,

(Signed) D. R. Crissinger.

D. R. Crissinger,
Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

Form 148 A

333-b-1

FEDERAL RESERVE BOARD

LEASED WIRE SERVICE

WASHINGTON

The telegram given below is hereby confirmed.

2—9454

May 29, 1925.

Case - New York

Board approves Open Market Committee replacing $31,000,000 which will run off June 15th by purchase now of $15,000,000 and purchase of ~~$16,000~~ $16,000,000. any time after June 15.

CRISSINGER

See Minutes

AT BOARD MAY 29 1925

Re Increased purchase

#2

FEDERAL RESERVE BANK

OF NEW YORK

333.1

RECEIVED
MAY 26 1925
OFFICE OF
THE GOVERNOR

333.-b-1

May 25, 1925.

Federal Reserve Board,

Washington, D. C.

Attention: Honorable D. R. Crissinger.

Dear Governor Crissinger:

I am this morning in receipt of your favor of May 21, in regard to the authorization to increase the Open Market Investment Account in Government securities by a possible further purchase of approximately $50,000,000.

It has seemed to me that the recent redistribution of investments, together with the situation in the money market, make it unnecessary at the present time to consider exercising the authorization, and I certainly would not feel willing to do so now without further consultation with the Committee and the Board.

It may possibly be desirable to have a Committee meeting early next month, and I hope that you will be able to attend, and we may then have a full exchange of views.

I beg to remain,

Very truly yours,

Benj. Strong
BENJ. STRONG
Governor.

Noted

#4

333-1
333.-41

May 22, 1925.

5-22-25

Dear Mr. Case:

I acknowledge receipt of and shall bring to the attention of the other members of the Board your letter of the 21st instant, concerning the final adjustment effected May 21, 1925, of the amount of Government securities in the System account.

Very truly yours,

(Signed) D. R. Crissinger

Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N.Y.

RECEIVED
MAY 22 1925
OFFICE OF
THE GOVERNOR

FEDERAL RESERVE BANK
OF NEW YORK

333.-b-1 DRC

Open Market Investment Committee
for the Federal Reserve System

May 21, 1925.

Dear Governor Crissinger:

Referring to our letter of May 15, we have made the final adjustment to-day of $23,149,500 Government securities in the System Account, the details of which are shown on the statement attached hereto. This together with the two previous adjustments of $28,000,000 each brings the total to $79,149,500.

The Federal Reserve Bank of Kansas City advised the Committee that the taking of their full allotment of Government securities would leave them insufficient collateral to secure their note issue and requested that $4,000,000 of their adjustment be in bills rather than Government securities. Therefore they have received additional bills amounting to $4,000,000 with a corresponding reduction in their participation of Government securities, which has been offset in the allotment by the Federal Reserve Bank of Chicago. This change reduces the total System readjustment from $83,149,500 to $79,149,500.

Very truly yours,

J. H. Case
Deputy Governor

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Encl.

see ans 5/27/25

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

322

Date ne 9, 1925.

333-b-1

To All Members of the Board

Subject:

From Mr. Eddy

Money Market Reorganization of bank

At the meeting of the Board this morning, there was ordered circulated among the members of the Board for their information the attached letter 6-4-25 from the Governor of the Federal Reserve Bank of New York with regard to the credit situation, in which he also reports on the progress being made in the reorganization of the bank resulting from its recent removal to the new building.

Governor Crissinger
Mr. Platt
Mr. Hamlin — absent
Mr. Miller
Mr. James
Mr. Cunningham — absent
Mr. McIntosh

see letters 6/4/25 and 6/8/25

333-b-1

June 8, 1925.

My dear Governor Strong:

I beg to acknowledge receipt of your letter of June 4 giving your views on the credit situation and also what you are doing in the way of economies in the administration of your bank, all of which is very interesting.

Very truly yours,

(Signed) D. R. Crissinger.

D. R. Crissinger,
Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

FEDERAL RESERVE BANK

OF NEW YORK

333-b-1

June 4, 1925.

Federal Reserve Board,
Washington, D. C.

Attention - Honorable D. R. Crissinger

Dear Governor Crissinger:

There has been so little developing in connection with the money market that I have had no occasion to write you particularly on this subject, nor to suggest a meeting of the Open Market Investment Committee. The only pending matter requiring action is the maturity of some $31,000,000 of our Government holdings on June 15. While it is understood that we will anticipate this maturity by purchasing about half of that amount of some other issue, I do not yet feel certain that the entire amount should be repurchased, nor, in fact, whether it may not later be necessary for us to consider the wisdom of slightly reducing the total of the account. It depends largely upon the way our money market develops.

At the present time our member banks are owing us in New York City an average something under or something above $100,000,000 according to whether there is a flow of funds to New York or away from New York; but, roughly speaking, I should say that about $100,000,000 is the average amount of our credit now required by the New York market. Under these conditions, and with a 3-1/2% discount rate, it is reasonably to be expected that there will be no material decline in the general level of New York rates, and that we will continue a fairly large portfolio of bills so long as our buying rates are continued at the present level. It would probably be to our advantage if we were now to lose gold, as the increased borrowing by our members resulting from such loss would

see ans 6/8/25

offset the liquidation of our discounts which we anticipate will occur this summer.

On the whole, I am inclined to think that while no change is necessary or desirable in our discount rate, it may, a little later, be desirable for us to make some slight advance in the rates at which we buy bills, especially if there are evidences of any considerable speculative activity on the stock exchange. For the immediate future, I should say that we are in a waiting period but that within the next few weeks it may be desirable to have a meeting of the Open Market Investment Committee and have another review of the money market situation as a whole.

I also want to send you something in regard to the progress of the reorganization of the bank resulting from moving into our new building. Our problem, as you know, was to work out a plan of economy of operation, which has been in course of development ever since 1921, looking to the completion of our building, in such a way as to absorb the added cost of operating the building, including taxes. While the work is still some ways from completion, the results of it we regard as satisfactory.

The salary liability of the bank on January 31, 1924 (after making the salary increases in that month) was $4,632,000. On May 31, 1925 it was $4,221,000., a reduction of $411,000, of which $244,000 represents a reduction in the first five months of this year and does not include a further reduction of $95,000 which is effective within the next sixty days.

The total cost of operating the bank for the first five months of this year was $2,728,293.31; for the first five months of last year $2,753,989.31. The budget for the first five months of this year was $2,811,549.60. In other words, the cost of operation for the first five months of 1925 was $25,696 less than the first five months of last year, and $83,256.29 less than this year's budget. But in order to get an accurate picture of operation, it would be fair to offset this year's operating costs by the amount of rents to be collected, which amounts to $47,525.62 for the first five months, and for the full year will be $140,700.

The total rental to be received from the Annex Building beginning May 1, 1926 will be $195,000 per annum, which may be further increased by perhaps as much as $25,000 per annum in 1929, when one of the present leases expires. The expenses of operating the Annex Building, including taxes and depreciation, will amount to about $95,000 per annum, thus leaving a net profit of about $100,000 per annum beginning in 1926. This represents a return of about 4-2/3% on the total original cost of the property, and about 6.2% upon its present book value.

We have finally succeeded in effecting an adjustment of all questions covering leases in the Equitable Building, which will assure us a minimum net profit of a little more than $10,000 per annum for the next nine years, with a possibility that the profits may be a little more than $24,000 per annum. In other words, the leases will not, in any event, be an expense to the bank, and they may produce a considerable revenue.

It is difficult to estimate what further savings can be effected following the completion of the various plans for economies which are now in prospect. But the introduction of the paper money counting machines may result in savings of anywhere from $100,000 to $200,000 after the force of money counters is fully trained in their use. Various other economies of operation are gradually being introduced which have the prospect of reducing our expenses by a further $100,000 or $200,000.

Considering that the volume of business being handled by the bank for the first five months of this year is roughly 8% greater than the amount handled for the first five months of last year, and that the volume is likely to continue gradually to increase, I think it is safe to say that by the end of this year the operations of the bank will be reduced to a minimum possible cost and that we will then be enjoying thefull benefit of the better facilities of the new building.

At that time we are planning to reorganize the cafeteria service so that the entire staff will get lunches free of cost; but they will be required to have their lunches in the building. In the end, we believe this will be an economy for the bank and a very great benefit to the employes.

I beg to remain,

Very truly yours,

Benj. Strong

Ordered Circulated
AT BOARD MEETING
JUN 9 - 1925

#2 333-1
333-b-1

May 29, 1925

Dear Mr. Case:

This will confirm my telegram to you of this date, advising that the Federal Reserve Board has approved the program of the Open Market Investment Committee to replace the $31,000,000 of June 15th maturities in the System's special account, by the purchase at the present time of $15,000,000 of securities and the purchase of the remaining $16,000,000 after June 15th.

Very truly yours,

(Signed) D. R. Crissinger

D. R. Crissinger,
Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

Form 148 A

FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

3 7 3 - b - 1

The telegram given below is hereby confirmed.

2—9454

May 29, 1925.

Case - New York

Board approves Open Market Committee replacing $31,000,000 which will run off June 15th by purchase now of $15,000,000 and purchase of ~~$16,000~~ $16,000,000 any time after June 15.

CRISSINGER

See Minutes

AT BOARD MEETING
MAY 29 1925

Re Increased purchase

#2

FEDERAL RESERVE BANK

OF NEW YORK

333-1

RECEIVED
MAY 26 1925
OFFICE OF
THE GOVERNOR

333-b-1

May 25, 1925.

Federal Reserve Board,

Washington, D. C.

Attention: Honorable D. R. Crissinger.

Dear Governor Crissinger:

I am this morning in receipt of your favor of May 21, in regard to the authorization to increase the Open Market Investment Account in Government securities by a possible further purchase of approximately $50,000,000.

It has seemed to me that the recent redistribution of investments, together with the situation in the money market, make it unnecessary at the present time to consider exercising the authorization, and I certainly would not feel willing to do so now without further consultation with the Committee and the Board.

It may possibly be desirable to have a Committee meeting early next month, and I hope that you will be able to attend, and we may then have a full exchange of views.

I beg to remain,

Very truly yours,

Benj. Strong
BENJ. STRONG
Governor.

Noted

#2

333-1

333-4-1

May 22, 1925.

5-22-25

Dear Mr. Case:

I acknowledge receipt of and shall bring to the attention of the other members of the Board your letter of the 21st instant, concerning the final adjustment effected May 21, 1925, of the amount of Government securities in the System account.

Very truly yours,

(Signed) D. R. Crissinger

Governor.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N.Y.

RECEIVED
MAY 22 1925
OFFICE OF
THE GOVERNOR

FEDERAL RESERVE BANK

OF NEW YORK

333-b-1 DRC

Open Market Investment Committee
for the Federal Reserve System

May 21, 1925.

Dear Governor Crissinger:

Referring to our letter of May 15, we have made the final adjustment to-day of $23,149,500 Government securities in the System Account, the details of which are shown on the statement attached hereto. This together with the two previous adjustments of $28,000,000 each brings the total to $79,149,500.

The Federal Reserve Bank of Kansas City advised the Committee that the taking of their full allotment of Government securities would leave them insufficient collateral to secure their note issue and requested that $4,000,000 of their adjustment be in bills rather than Government securities. Therefore they have received additional bills amounting to $4,000,000 with a corresponding reduction in their participation of Government securities, which has been offset in the allotment by the Federal Reserve Bank of Chicago. This change reduces the total System readjustment from $83,149,500 to $79,149,500.

Very truly yours,

J. H. Case
Deputy Governor

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Encl.

see ans 5/22/25

STATEMENT SHOWING FINAL INSTALMENT ($23,149,500) IN READJUSTMENT OF GOVERNMENT SECURITIES IN THE SYSTEM ACCOUNT EFFECTED MAY 21 UNDER PLAN OUTLINED IN LETTER DATED MAY 6, 1925

Issue	Amount Sold	Book Value (Price)	Selling Price	Cost Value	Selling Value	Profit
June 15, 1925 4 1/2% T/N	$ 2,882,000	100.08969	100.08969	$ 2,884,584.99	$ 2,884,584.99	-
Sept.15, 1925 2 3/4% C/I	488,000	99.99806	99.99806	487,990.58	487,990.58	-
Dec. 15, 1925 4 3/8% T/N	3,718,500	100.56655	100.6875	3,739,567.20	3,744,064.69	4,497.49
Mar. 15, 1926 4 3/4% T/N	5,120,000	101.02735	101.15625	5,172,600.32	5,179,200.00	6,599.68
Sept.15, 1926 4 1/4% T/N	2,953,000	100.89077	101.03125	2,979,304.59	2,983,452.81	4,148.22
Mar. 15, 1927 4 3/4% T/N	2,210,500	101.63795	102.000	2,246,706.91	2,254,710.00	8,003.09
Dec. 15, 1927 4 1/2% T/N	2,990,500	101.84294	101.96875	3,045,613.36	3,049,375.47	3,762.11
Sept.15, 1928 4 1/4% 3rd L/L	2,787,000	101.42965	101.90625	2,826,844.57	2,840,127.18	13,282.61
	$23,149,500			$23,383,212.52	$23,423,505.72	$40,293.20

PARTICIPATION IN READJUSTMENT

	Final Instalment ($23,149,500)			Recapitulation Total Readjustment ($79,149,500)		
	Sale	Purchase	Participation in Profit	Sale	Purchase	Participation in Profit
Boston	$ 5,629,000	-	$ 9,797.64	$17,241,000	-	$ 32,066.65
New York	10,398,000	-	18,098.39	31,846,000	-	59,231.65
Philadelphia	2,212,000	-	3,850.13	6,773,000	-	12,598.34
Cleveland	4,012,500	-	6,984.02	12,289,500	-	22,857.55
Richmond	-	927,000	-	-	2,840,000	-
Atlanta	-	4,213,500	-	-	12,903,500	-
Chicago	898,000	-	1,563.02	11,000,000	-	20,937.47
St. Louis	-	8,408,500	-	-	25,751,500	-
xMinneapolis	-	-	-	-	-	-
xxKansas City	-	835,500	-	-	10,808,500	-
Dallas	-	4,083,000	-	-	12,506,000	-
San Francisco	-	4,682,000	-	-	14,340,000	-
	$23,149,500	$23,149,500	$40,293.20	$79,149,500	$79,149,500	$147,691.66

xFederal Reserve Bank of Minneapolis has received additional allotment of bills.
xxFederal Reserve Bank of Kansas City has received additional allotment of bills amounting to $4,000,000 in lieu of like amount of Government securities.

#2

~~333.-1~~
333.-F-1

May 21, 1925.

Dear Governor Strong:

At the meeting of the Board this morning, attention was called to the fact that no purchases have been made by the Open Market Investment Committee under its authorization to increase the account by purchasing $50,000,000 of Government securities from time to time. The Board, upon review of existing conditions, feels that before any purchases to increase the aggregate of the Special Investment Account are made, they should be submitted to the Board for consideration.

Very truly yours,

(Signed) [illegible] R. Crissinger)

Governor.

Mr. Benjamin Strong, Governor,
Federal Reserve Bank,
New York, N.Y.

see ans 5/25/25

#2

333-b1

May 21, 1925.

Dear Mr. Case:

Receipt is acknowledged of your letter of May 15th enclosing a statement of readjustments of Government securities held in the System account, amounting to $20,000,000, under the plan outlined by the Open Market Investment Committee at its meeting on April 30th. Your letter has been brought to the attention of the members of the Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. J. H. Case, Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

FEDERAL RESERVE BANK

OF NEW YORK

333.-

RECEIVED
MAY 16 1925
OFFICE OF
THE GOVERNOR

Open Market Investment Committee
for the Federal Reserve System

May 15, 1925

Federal Reserve Board,

Washington, D. C.

Attention: Honorable D. R. Crissinger

Dear Governor Crissinger:

For your information, we are making a further readjustment to-day amounting to $28,000,000 of Government securities in the System Account under the plan outlined by the Committee at its meeting held April 30 and we are attaching hereto a statement showing complete details. This, together with the redistribution of $28,000,000 on May 13, brings the total to date to $56,000,000.

The total redistribution will be completed through the final installment to be made on May 21, 1925.

Very truly yours,

J. H. CASE
Deputy Governor

Ordered Circulated

MAY 21 1925
AT BOARD

Encl. (1)

see letter 5/21/25
see ans 5/21/25

STATEMENT SHOWING SECOND INSTALLMENT ($28,000,000) IN READJUSTMENT OF GOVERNMENT SECURITIES IN THE SYSTEM ACCOUNT EFFECTED MAY 15 UNDER PLAN OUTLINED IN LETTER DATED MAY 6, 1925

Issue	Amount Sold	Book Value (Price)	Selling Price	Cost Value	Selling Value	Profit
June 15, 1925 4 1/2% T/N	$ 3,486,500	100.11122	100.11122	$ 3,490,377.69	$ 3,490,377.69	-
Sept.15, 1925 2 3/4% C/I	591,000	99.99796	99.99796	590,988.00	590,988.00	-
Dec. 15, 1925 4 3/8% T/N	4,497,000	100.58289	100.75	4,523,212.74	4,530,727.50	7,514.76
Mar. 15, 1926 4 3/4% T/N	6,192,500	101.04803	101.21875	6,257,399.51	6,267,971.09	10,571.58
Sept.15, 1926 4 1/4% T/N	3,572,500	100.90186	101.0625	3,604,719.09	3,610,457.81	5,738.72
Mar. 15, 1927 4 3/4% T/N	2,673,500	101.65277	102.0625	2,717,686.91	2,728,640.94	10,954.03
Dec. 15, 1927 4 1/2% T/N	3,616,500	101.85473	102.000	3,683,576.56	3,688,830.00	5,253.44
Sept.15, 1928 4 1/4% 3rd L/L	3,370,500	101.43673	101.84375	3,418,924.98	3,432,643.59	13,718.61
	$28,000,000			$28,286,885.48	$28,340,636.62	$53,751.14

PARTICIPATION IN READJUSTMENT

	Sale	Purchase	Participation in Profit
Boston	$ 5,806,000	-	$11,145.27
New York	10,724,000	-	20,586.51
Philadelphia	2,280,500	-	4,378.33
Cleveland	4,138,500	-	7,944.44
Richmond	-	956,500	-
Atlanta	-	4,345,000	-
Chicago	5,051,000	-	9,696.59
St. Louis	-	8,671,500	-
x Minneapolis	-	-	-
Kansas City	-	4,986,500	-
Dallas	-	4,211,500	-
San Francisco	-	4,829,000	-
	$28,000,000	$28,000,000	$53,751.14

x Federal Reserve Bank of Minneapolis has received additional allotment of bills.

323-1

#2

~~333.1~~
333-b-1

May 14, 1925.

Dear Mr. Rounds:

In accordance with your request I am enclosing herewith a copy of our statement of earnings and expenses of the Federal reserve banks for the month of April 1925.

I understand that certain distribution of United States security holdings will shortly be made among the various Federal reserve banks and if your bank has any schedule prepared showing the distribution as it will take place, I should be very glad to receive a copy thereof. It will also be appreciated if you will be kind enough to send me copies of any future statements covering redistribution of security or acceptance holdings between the banks.

Very truly yours,

(Signed) E. L. Smead

E. L. Smead, Chief,
Division of Bank Operations.

Mr. L. R. Rounds,
Controller of Accounts,
Federal Reserve Bank,
New York, N. Y.

Assistant Secretary
Files

Enclosure.

meeting Apr 30, 1925
Redistribution of securities

#2

~~333~~ /
333-f-1

May 7, 1925.

My dear Governor:

This will acknowledge your letter of May 6 enclosing minutes of the meeting of the Open Market Investment Committee, copy of letter to Governor Fancher and statement showing redistribution of government securities.

Very truly yours,

(Signed) D. R. Crissinger

D. R. Crissinger,
Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

FEDERAL RESERVE BANK
OF NEW YORK

333.-b-1

May 6, 1925.

Dear Governor Crissinger:

Carded

With this I am enclosing copy of the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York on April 30, 1925.

filed 333.-b-2

For your information I am also enclosing copy of letter, with accompanying data, which is being sent to-day to the governors of all the Federal reserve banks.

Very truly yours,

Benj. Strong
BENJ. STRONG
Chairman, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Encls. (4)

see ans 5/7/25

Copy of this letter sent to governor of each Federal reserve bank

May 6, 1925.

Dear Governor Fancher:

Pursuant to the direction of the conference held in Washington in April, I submitted to the members of the Open Market Investment Committee alternative proposals for a redistribution of the short-term Government securities now held in the System Account, but found that action by the Committee could not be had without a meeting, which was accordingly held at this office on April 30. All the members of the Committee were present, as well as Governor Crissinger and Dr. Stewart. The minutes of the meeting of the Committee are enclosed herewith.

Various plans for effecting the readjustment were submitted and discussed, and it was finally unanimously agreed by the Committee:

1. That the distribution could not be satisfactorily effected upon the basis of earning requirements which would include estimated amounts to be charged off against buildings or losses. That some of the other reserve banks had, during the past year, made heavy charges against surplus on account of those items and the estimate of earning requirements should therefore exclude them from the calculation.

2. That the estimated $83,000,000 of securities to be sold by those reserve banks, to wit, Boston, New York, Philadelphia, Cleveland and Chicago, should be transferred to those reserve banks which make the purchases at the market values at which transactions can actually be made on the day the transfer is effected.

3. That no allotment should be made to the Federal Reserve Bank of Minneapolis for the reasons explained at the Washington Conference, but that bills purchased for the Committee's account by the Federal Reserve Bank of New York should be allotted to the Federal Reserve Bank of Minneapolis until the equivalent of their allotment of Government securities was made up in their portfolio of bills.

The plan of distribution finally adopted is described in the enclosed schedule "A," which also shows the results to each reserve bank of such redistribution. The figures vary slightly from the schedule presented at the meeting of the Committee as the latter was made up on the basis of total holdings of $245,203,500 which were later increased to $250,041,500.

There is also enclosed a statement marked "B" showing the total amount of securities to be sold, the book value, and an approximation of the selling value, with the resulting profit to the selling banks which figure, however, is not final as prices may change before the actual transfer is effected.

There is also shown on statement "C" enclosed the details of estimated earnings and expenses and of the ratio of distribution resulting from the plan adopted by the Committee.

Will you not, as soon as possible after the receipt of this letter, telegraph me whether the plan is approved or not, and if for any reason it is not approved, will you be good enough to state the reasons in the telegram, so that the Committee may give prompt consideration to any objections.

The plan herewith submitted, which calls for a sale of approximately $85,000,000 of Government securities by five banks to six of the other reserve banks is proposed upon this basis with the thought that those banks whose participations are to be increased will get the benefit of the increased earnings immediately and without awaiting the possible purchase of the additional $50,000,000 or thereabouts as was authorized by the conference in Washington, There is some uncertainty as to whether these purchases will be made, and if so, how soon; so that the Committee undertook to make the distribution at this time with the understanding that if additional purchases are made under the existing authority, the allotments will be made so as to restore to the banks now selling the equivalent ratio of what they have sold. In making this distribution of Government securities it has been deemed desirable to extend the time over a period of say from two to three weeks.

Will you be good enough to bear in mind that this account is an exceedingly complicated one to conduct, and that the project now submitted seems to the Committee to be equitable and to meet the situation as nearly as can be done, and to obviate transactions in the market which might appear not to be in conformity with the Board's resolution defining the purposes for which these operations are conducted.

I beg to remain,

Very truly yours,

BENJ. STRONG
Chairman, Open Market
Investment Committee

Encls. (4)

Mr. E. R. Fancher,
Governor, Federal Reserve Bank of Cleveland,
Cleveland, Ohio

FEDERAL RESERVE BANK
OF DALLAS

Office of the Governor

March 31, 1925
333-4-1

RECEIVED
APR 4 1925
OFFICE OF
THE GOVERNOR

Federal Reserve Board,
Washington, D. C.

Gentlemen:

At Mr. Talley's suggestion I am addressing the Board with reference to its telegram to him under date of March 26, in which attention is called to the resolution adopted by our board at its last meeting authorizing our officers to purchase for our own account government securities up to $10,000,000, and directing us to suspend further purchases until otherwise advised by the Federal Reserve Board.

I assume that Mr. Talley has given ample assurance, to which I need not add, that neither our officers nor directors in taking the action referred to had the remotest thought of overstepping their authority or in any way disregarding the regulations and wishes of the Federal Reserve Board. Not only have the exigencies of our situation required that we seek every proper outlet for our funds consistent with system policies, but numerous events had transpired in connection with our own investment program to give what seemed to us every reasonable assurance that the policy embodied in our recent independent purchases of Government securities was not only one quite familiar to both the Federal Reserve Board and the Open Market Committee, but one which met with their approval.

As is well known to the Board we have been confronted with no more serious problem in the operation of this bank than the provision of sufficient earnings with which to absorb losses growing out of the unusual number of failed member banks in this district. In the Fall of 1923 these losses began to develop in more or less determinable amounts, and with the steadily decreasing demands from our member banks we faced a situation which, in the absence of sufficient earning assets, promised a substantial encroachment upon our surplus and the decidedly unwholesome effect in this district, as well as elsewhere, that this circumstance would undoubtedly create. With an idea of precluding this possibility I took occasion when in Washington the latter part of September of that year to request permission of the Board to buy independent of the Open Market Committee's operations $10,000,000 of Government securities, having previously obtained the acquiescence of the Open Market Committee in that proposed action. Upon my return to Dallas Mr. Platt wired the Board's approval of my request and we promptly initiated a purchasing program in keeping with that authority. These purchases continued through the Spring of 1924 and by the first of June we had acquired, aside from approximately $1,200,000 of three per cent Gold Conversion Bonds (which we had held for several years) about $6,500,000 of these securities. During the latter part of June, as our advances to member banks were increasing and we were able to make satisfactory exchanges for bankers acceptances, we made disposition of all the government securities acquired under the authority mentioned above.

With the running off of our rediscounts in the Fall of 1924, however, we were confronted with somewhat the identical situation which occasioned our original request for permission to make individual purchases of governments for our own account. In discussing the matter with Mr. James of the Federal Reserve Board on the occasion of my visit to Washington in October, 1924, I told him that we estimated it would be necessary for us to set up reserves of about $1,000,000 with which to absorb fairly well determined losses growing out of indebtedness to us of failed banks. Mr. James expressed considerable interest in our situation and advised me that at least two of the Federal Reserve Banks were buying long time government securities independent of the open market committee's activities. While I cannot say that Mr. James definitely recommended that we follow the same course, it was my impression that he felt there would be no impropriety in our doing so, particularly as the authority previously granted us had never been revoked.

On October 24 the State Treasurer of Texas offered us $1,000,000 of Treasury notes maturing in March, 1926. It was our disposition to buy these securities for our own account, but we were so anxious to take no step at variance with the policies of the Open Market Committee that notwithstanding our previous activities on our own account and the conversation I had with Mr. James, I wired Mr. Matteson under date of October 24 of our contemplated action. Mr. Case replied with a recommendation that we consult with the committee before embarking on an independent program. I thereupon advised him of my conversation with Mr. James, as well as our understanding of the activities of other reserve banks along the line of independent purchases, assuring him at the same time of our desire to thoroughly conform our own operations to those of the Open Market Committee. Mr. Case' reply confirmed our understanding with reference to the individual purchases of some of the other reserve banks and stated in that connection that we would have to exercise our own judgment. He rather urged us, however, in the interest of preserving the unity of the system policy to hold up any contemplated purchases until that phase of the matter could be discussed at the Governors' Conference in November. I replied by assuring Mr. Case that we were entirely amenable to and would abide by his suggestion.

On the occasion of the Governors' Conference referred to I had a discussion of the matter with Governor Strong. I explained to him our urgent need for earning assets and advised him of the conversation I had had with Mr. James in October. He indicated that there would be no objection on the part of the committee to our purchasing for our own account a reasonable amount of long time government securities. A little later, Mr. Talley and I had a talk with Governor McDougal, and, I think, Governor Young of the Minneapolis bank was present. Governor McDougal stated that the Open Market Committee was confining its operations to short term governments and expressed the opinion that the Committee would not look with disfavor upon the carrying out of our plan to acquire a reasonable amount of long term government obligations. Subsequent to the adjournment of the Governors' and Agents' Conference Mr. Talley and I also had a discussion of our investment needs with several members of the Federal Reserve Board.

With a background of these more or less related circumstances, including the various conversations and exchange of telegrams referred to, there was nothing to disturb my belief that reasonable purchases of long term government securities for our own account were not only fully warranted by our urgent need for additional earning assets, but were not objected to by the Federal Reserve Board or the Open Market Committee. My believe in this connection was sustained by the fact that the Committee's weekly reports indicated that other Federal Reserve Banks, notably Chicago, purchased over a period of time following the November Conference of Governors, substantial amounts of government securities for their own account--obviously, to me, with no objection on the part of the Committee or the Federal Reserve Board. After my return from Washington, we began to buy at intervals long time government obligations, reporting weekly, of course, to the Open Market Committee the aggregate amount of such purchases. At the close of business February 28 we held total governments, other than our participation in the special system investment account, of $3,609,350; about $1,250,000 of this amount, however, represented Liberty bonds purchased in exchange for the three per cent Gold Conversion Bonds referred to above.

Although I had at previous meetings of the board informally discussed these purchases of government securities, it occurred to me proper to give some definite shape to our policy in that connection, both by recording our board's acquiescence to the purchases heretofore made up to that time and having them establish some reasonable limit beyond which it would be unwise to go. At any rate the board based its actions upon my representations to them with respect to the propriety of these purchases in relation to the system policy, and certainly they should be absolved from blame, if any attaches, for their conclusions.

Since receipt of the board's telegram of March 26, we have made no further purchases of government securities, and of course will in every way respect and adhere to the Board's wishes and instructions in that connection. If, however, the Board feels that it could consistently give consideration to approving the resolution adopted at the last meeting of our Board, it is my feeling that such action would not only be well warranted, but the amount of securities thus acquired would not have any appreciable effect upon the policies of the Open Market Committee or upon the money market generally. Our daily statements reflect loans to member banks of only about $1,500,000 at this time, and there seems to be little indication that our banks will call upon us for much credit accommodation during the present season, although of course later on there will be some little activity. Our best judgment at the present time, however, is that our total member bank rediscounts will be relatively small at the peak of the season.

I feel that the Open Market Committee will testify to our hearty cooperation with it in times past. We believe they have our interests at heart, and yet it should be remembered that we are quite removed from them and frequently it is impossible for them to get an accurate appraisal of our real situation here. Besides, the larger reserve banks of the system enjoy indirect benefits from open market operations, shifting of funds, such as the acquisition of paper and securities under re-purchase agreement, and like transactions, which are not available to us. The fact that it was recently determined to disregard estimated losses in making allotment of system purchases affords an indication of the possible lack of thorough appreciation of the difficulties under which we labor in this district. We are very certain that not the slightest discrimination was intended against this bank and in fairness to the Committee I call attention to the fact that its action in this connection has been rescinded. Nevertheless it affords very satisfactory evidence that in some measure at least we are compelled to shift for ourselves and take at least some independent action---in so far as we properly can without doing violence to system policies or disregarding the authority of the Federal Reserve Board---looking to the proper operation of this bank as one of the units of the Federal Reserve System.

Respectfully yours,

B A McKinney

Governor

BAM EMc

FEDERAL RESERVE BANK
OF DALLAS

March 31, 1925.

333.

RECEIVED
APR 4 1925
OFFICE OF
THE GOVERNOR

LYNN P. TALLEY
CHAIRMAN OF THE BOARD

Mr. D. R. Crissinger, Governor,
Federal Reserve Board,
Washington, D. C.

My dear Governor Crissinger:

3-26-25

This letter follows my telegraphic acknowledgment of your telegram under date of March 26, in which you have called attention to what appears to the Board to have been negligence on my part in failing to specifically call attention to the action of our Board of Directors at its meeting on March 10, authorizing the purchase of U. S. Government Bonds up to Ten Million Dollars.

There was no intention on my part to put the Federal Reserve Board in the position of being left to obtain this information from a perusal of a copy of the minutes of our Board meeting to which reference has been made, or to minimize in any way the importance of this step. Without intending to offer any excuses in connection with the matter or in any way indicate that I am not willing to take the full responsibility, even in the Board's view at this time, I may state incidentally that I was called out of the Board meeting before its adjournment, by a message announcing the death of my wife's stepmother, and left with her on the 1:05 train for her father's home. I was unable to return until Friday morning following the Board meeting on Tuesday.

The justification for our action in the matter does not seem to me to lie so much in the authorization of our Board of Directors per se as it does in the view of Governor McKinney, the other senior officers of the bank and myself, feeling that our action in purchasing any Governments at this time was a continuing policy since October, 1923, at periods in which the same attendant circumstances which surrounded the Federal Reserve Board's original authority existed. We can very well appreciate of course that the Board would not expect us to act indefinitely upon some specific authorization merely from any lack of revocation.

Governor McKinney and I have tried to avoid making the matter of earning assets one of paramount consideration without due regard for the broader effects of any action on our part in making open market purchases. I have always been of the opinion and still cling to that conviction that Federal Reserve banks should not bid for investments in the open market. You will observe that we had already up to March 10 acquired some Three and three-quarters Million Dollars of U. S. Government Bonds, mainly the Third $4\frac{1}{4}$'s. This particular acquisition in the aggregate was based upon the conversation that Governor McKinney and I had with Mr. James when we were in Washington last November, at which time we forecasted, for the purpose of discussion, our probable position at this time. If I am not mistaken we also discussed the same situation with Vice Governor Platt and Mr. Hamlin. Mr. James was rather free to commend our thought in the matter and specifically called to our attention what was being done by the Minneapolis Bank and the Chicago Bank in filling up their earning assets by the purchase of Governments. In the case of one of the banks mentioned we got some impression that the Open Market Committee felt it was not altogether receiving the cooperation that it felt should be extended, and moreover essential.

No purchases have been made by the Federal Reserve Bank of Dallas without consulting the Open Market Committee in the matter of policy and as a matter of fact all purchases have been made either by the Open Market Committee for our account or the Open Market Committee has been promptly advised of any purchases which we made through any other channel. We were careful to preserve this contact because we are so conscious of the effect of open market purchases by the individual banks upon the Open Market Committee's policy. We certainly wanted to be careful that we were not making purchases in any way out of line with the Open Market Committee's application of its own policy at the time. Ample opportunity, therefore, has been given in connection with these purchases for the Open Market Committee to take them into consideration in connection with its own sales or purchases as a part of its policy.

Governor McKinney and I did not regard the action of our Board of Directors at its last meeting as being so much in the light of an authorization, following our recommendation, but more as setting a limit for our aggregate purchases. The thought has occurred to me that you may or may not have read Governor McKinney's monthly report to our Board of Directors, which was incorporated in the copy of our minutes which you received. I think that Governor McKinney covered the situation very fully in that report. He sent a copy of his report to the Board immediately after the meeting and showed me a copy of Vice Governor Platt's letter of March 18, which you will observe antedated the receipt of a copy of our minutes. It did not occur to me, therefore, to write the Board specifically, and in view of all the prior circumstances, Governor McKinney and I feel that we were not doing anything out of harmony with the views and policies of the Federal Reserve Board or the Open Market Committee in having authorized the purchase of an aggregate amount of $2,800,000. of Liberty and Treasury Bonds in the interim between March 10 and the present date.

I am inclined to agree with you that I should have made the Governor's recommendation and the action of our Board a subject of specific correspondence if for no other reason than we ought to appreciate here that the Board, and particularly its different members, cannot always have in mind the details of our situation here. On the other hand, we have consulted so freely with the Open Market Committee and different members of the Board and have had such frequent occasion to shift our investments, that I saw no necessity for writing the Board specially in this particular case, for which I am extremely sorry.

I am enclosing herewith a letter from Governor McKinney in which he sets out more fully than I have in this letter, what underlies our conclusion that it is desirable to make the purchases under discussion and I want to join him in the recommendation that the Board permit us to proceed with the matter, but not beyond the point indicated.

I am also enclosing herewith a list of our purchases, which includes special purchases since December 1, and wish to reiterate that we felt perfectly comfortable in executing these orders in view of our having observed that the Chicago, Kansas City and Cleveland banks were following from week to week an almost identical policy in connection with which no other thought occurred to us but that the whole matter was well understood by both the Federal Reserve Board and the Open Market Committee.

Awaiting the further expression of your wishes in the matter, I am

Yours very truly,

Chairman

L[illegible]ST OF U.S. SECURITIES HEL[illegible] [illegible] T[illegible] [illegible]EDERAL RESERVE BANK OF [illegible]AS [illegible]LUSIVE OF SPECIAL PA[illegible]TICIPATION ACCOUNT AT THE CLOSE OF BUSINESS MARCH 26, 1925 . . . .

Date Purchased	Description	Amount	Basis	Premium
10-29-24	3rd $4\frac{1}{4}\%$ Liberty Loan Bonds	200,000.00*	@ 102 3/8	4,750.00
11-6-24	" " " " "	1,000,000.00*	@ 102 9/32	22,812.50
11-12-24	" " " " "	25,000.00*	@ 101 29/32	476.56
11-14-24	" " " " "	8,600.00*	@ 101 27/32	158.56
11-21-24	" " " " "	16,400.00	@ 101 13/32	230.64
12-2-24	" " " " "	125,000.00	@ 101 19/32	1,992.19
12-4-24	" " " " "	125,000.00	@ 101 19/32	1,992.19
12-17-24	4% Treasury Bonds 1944-54	55,000.00	@ Par	---
1-2-25	3rd $4\frac{1}{4}\%$ Liberty Loan Bonds	500,000.00	@ 101 4/32	5,625.00
2-21-25	" " " " "	250,000.00	@ 101 12/32	3,437.50
2-21-25	2nd " " " "	250,000.00	@ 100 29/32	2,265.63
2-24-25	4% Treasury Bonds 1944-54	195,000.00	@ 100 29/32	1,767.19
2-25-25	2nd $4\frac{1}{4}\%$ Liberty Loan Bonds	1,000.00	@ 100 28/32	8.75
2-26-25	" " " " "	2,500.00	@ 100 30/32	23.44
2-26-25	1st " " " "	500.00	@ 101 27/32	9.22
2-26-25	3rd " " " "	500.00	@ 101 12/32	6.87
2-26-25	4th " " " "	1,000.00	@ 101 28/32	18.75
2-27-25	2nd " " " "	250,000.00	@ 100 31/32	2,421.88
2-27-25	" " " " "	700.00	@ 100 30/32	6.56
2-27-25	3rd " " " "	200.00	@ 101 12/32	2.75
2-27-25	" " " " "	1,000.00	@ 101 12/32	13.75
2-27-25	4th " " " "	650.00	@ 101 28/32	12.19
2-27-25	" " " " "	650.00	@ 101 28/32	12.19
2-27-25	4% Treasury Bonds 1944-54	100,000.00	@ 100 29/32	906.25
2-28-25	3rd $4\frac{1}{4}\%$ Liberty Loan Bonds	150.00	@ 101 12/32	2.06
2-28-25	" " " " "	500,000.00	@ 101 11/32	6,718.75
3-3-25	2nd " " " "	250,000.00	@ 100 27/32	2,109.38
3-3-25	3rd " " " "	25,000.00	@ 101 7/32	304.69
3-3-25	" " " " "	225,000.00	@ 101 8/32	2,812.50
3-9-25	2nd " " " "	1,000.00	@ 100 25/32	7.81
3-12-25	3rd " " " "	650.00	@ 101 12/32	8.94
3-13-25	2nd " " " "	750,000.00	@ 100 26/32	6,093.75
3-16-25	4% Treasury Bonds 1944-54	150,000.00	@ 100 17/32	796.88
3-14-25	4th $4\frac{1}{4}\%$ Liberty Loan Bonds	500.00	@ 101 22/32	8.44
3-19-25	" " " " "	500,000.00	@ 101 25/32	8,906.27
3-20-25	" " " " "	195,000.00	@ 101 29/32	3,717.19
3-20-25	1st " " " "	200,000.00	@ 101 20/32	3,250.00
3-20-25	" " " " "	11,000.00	@ 101 17/32	168.44
3-20-25	" " " " "	10,000.00	@ 101 18/32	156.25
3-20-25	" " " " "	22,000.00	@ 101 19/32	350.63
3-20-25	" " " " "	45,000.00	@ 101 20/32	731.25
3-21-25	" " " " "	7,000.00	@ 101 18/32	109.37
3-21-25	" " " " "	10,000.00	@ 101 20/32	162.50
3-23-25	3rd " " " "	1,000.00	@ 101 19/32	15.94
3-25-25	1st " " " "	70,000.00	@ 101 20/32	1,137.50
3-25-25	2nd " " " "	500,000.00	@ 101 30/32	4,687.50
3-25-25	3rd " " " "	6,000.00	@ 101 19/32	95.63
3-25-25	" " " " "	125,000.00	@ 101 20/32	2,031.25
3-25-25	4th " " " "	369,000.00	@ 101 30/32	7,149.37
3-26-25	" " " " "	500.00	@ 101 29/32	9.53
	Total - - - - - - - - - - -	7,082,500.00	Total Premium paid	100,492.38
			Brokerage paid	669.44
				101,161.82

*Purchased in replacement like amount Conversion 3% bonds

Premium Account (including Brokerage) at close of 3-26-25 98,311.50

Amortized 2,850.32

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

Governor

333.-B-1

RECEIVED AT WASHINGTON, D. C.,

238f je

Dallas 334pm Mar 26 1925

Crissinger

Washn

Acknowledging telegram date there was no intention to ignore Board, provisions of paragraph B section 14 Federal Reserve Act or instructions letter X-3689 April 7th 1923 in connection with matter which you called to my attention. We have no other desire than to respect Board's wishes as presently expressed or otherwise. Letter giving full details follows.

Talley

444p

2—11901

see letter 3/31/25

333.-f-1

March 26, 1925.

Dear Mr. Talley:

This will confirm the following telegram sent to you today:

"It appears from the minutes of the meeting of your Board of Directors held on March 10 that the Board of the Dallas Bank authorized the officers to purchase up to $10,000,000 of government bonds. Board here is surprised that important action of this kind should not have been specifically called to its attention. Board furthermore notes that officers of the bank have acted upon this authorization without first referring matter to Federal Reserve Board, notwithstanding provisions of Paragraph (b) of Section 14 of the Act and the open market principle adopted by the Board pursuant thereto (Letter X-3689, April 7, 1923). You are therefore directed to suspend further purchases under this authorization until otherwise advised."

Very truly yours,

D. R. Crissinger,
Governor.

Mr. Lynn P. Talley, Chairman,
Federal Reserve Bank,
Dallas, Texas.

see ans 3/31/25
see ans 3/26/25

Form 148 A

FEDERAL RESERVE BOARD
LEASED WIRE SERVICE
WASHINGTON

The telegram given below is hereby confirmed.

2—9454 a

March 26, 1925

Talley - Dallas

Coded Sent ... 3-21-25

It appears from the minutes of the meeting of your Board of Directors held on March 10 that the Board of the Dallas Bank authorised the officers to purchase up to $10,000,000 of government bonds. Board here is surprised that important action of this kind should not have been specifically called to its attention. Board furthermore notes that officers of the bank have acted upon this authorisation without first referring matter to Federal Reserve Board, notwithstanding provisions of Paragraph (b) of Section 14 of the Act and the open market principle adopted by the Board pursuant thereto (Letter X-3689, April 7, 1923). You are therefore directed to suspend further purchases under this authorization until otherwise advised.

Crissinger

Appd

see ans 3/31/25

see ans 3/26/25

FEDERAL RESERVE BOARD

WASHINGTON

OFFICE OF GOVERNOR

It appears from the minutes of the meeting of your Board of Directors held on March 10 that the Board of the Dallas bank authorized the officers to purchase up to $10,000,000 of government bonds. Board ~~is~~ are surprised that important action of this kind should not have been specifically called to its attention. Board furthermore notes that officers of the bank have acted upon this authorization without first referring matter to Federal Reserve Board ~~for its approval~~, notwithstanding provisions of Paragraph (b) of Section 14 and the Open Market principle ~~regulations~~ adopted by the Board pursuant thereto (Letter X-3689, April 7, 1923). You are therefore directed to suspend further purchases under this authorization until otherwise advised. ~~Board has had opportunity of further considering the matter and advising you.~~

333.-B-1

Mar 18

5.012.000 US

~~2.957.000~~

~~Jan~~ ~~Feb~~

Feb. 18 2.055.000

Form No. 131.

Office Correspor :er :e

FEDERAL RESERVE BOARD

ate M. :h 25, 1925.

333.-61

To Governor Crissinger.

Subject:

From Mr. Eddy.

2—8495

Earlier in the day I called your attention to the action of the directors of the Dallas bank in authorizing the officers of the bank to invest up to $10,000,000 in Government securities. I am attaching hereto report of the Board's committee which considered the action taken by the Governors and Agents with respect to the advisability of reserve banks investing in Government bonds for earning purposes.

Eddy
Brought Board
DRC

see Telegram 3/26/25
see letter 3/21/25

FEDERAL RESERVE BANK
OF DALLAS

LYNN P. TALLEY
CHAIRMAN OF THE BOARD

March 21, 1925

Federal Reserve Board

Washington, D. C.

Gentlemen:

There is enclosed for the information and files of the Board a copy of the minutes of an adjourned meeting of the Board of Directors of this bank, held on March 10, 1925.

Yours very truly,

Lynn P. Talley

Chairman

MK
Encl.

see Telegram 3/26/25
see memo 3/25/25

MINUTES OF ADJOURNED MEETING, BOARD OF DIRECTORS, FEDERAL RESERVE BANK OF DALLAS
MARCH 10, 1925

PRESENT: Lynn P. Talley, Chairman
J. J. Culbertson
J. H. Frost
Frank Kell
W. H. Patrick
S. B. Perkins
Howell E. Smith

Mr. W. M. McGregor, Member of the Federal Advisory Council, Governor McKinney, Deputy Governor Gilbert, Cashier Coleman, Assistant Cashier Freeman, and General Auditor Foulks, were also present.

The minutes of the regular meetings of February 7th and March 7th were read and approved.

The Chairman referred to the action on matters considered at the February meeting, mentioning that the Federal Reserve Board had approved the salaries of officers of the bank in the amounts previously indicated would be approved, if recommended by the Board of Directors; the reorganization of the Insolvent Banks Department, and increases of $300 each in the salaries of Messrs. White and Alexander, representatives of that Department; also an increase of $300 per annum in the salary of C. L. Childers, representative of the Member Bank Relations Department.

The Chairman presented the Federal Reserve Board's letter of February 5th (X-4263) subject "Membership in the American Acceptance Council and American Bankers Association. After some discussion it was the unanimous judgment of the directors that the bank should continue its membership in both organizations, and that the expense was fully justified. Upon motion of Mr. Culbertson it was so voted.

The Chairman presented the report of the General Auditor covering audits of departments and analyses of general ledger accounts during the month of February. The report was noted with interest and ordered spread upon the minutes.

"HEAD OFFICE

Description of Accounts	Month of February - 1925	Date of Previous Audit
CASH DEPARTMENT		
Money Division - Assorting Teller	4	1/6/25
Federal Reserve Bank Notes Outstanding	Account Closed	
F. R. Notes Forwarded for Redemption	4	1/6/25
F. R. Notes in Transit from Other F. R. Banks	4	1/6/25
Gold Certificates in Transit (Account Closed 2/21/25)	4	1/6/25

	Month of February - 1925	Date of Previous Audit
Gold in Transit (Account Closed 2/21/25)	4	1/6/25
Legal Tender Notes in Transit (Account Closed 2/21/25)	4	1/6/25
Officers' Cash	4	1/6/25
Paying Teller	4	1/6/25
Postage - Cash Department	4	1/6/25
Receiving Teller No. 1	4	1/6/25
Receiving Teller No. 2	4	1/6/25
Silver Coin in Transit	4	1/6/25
Federal Reserve Notes in Transit	4	1/6/25
Securities Division		
Securities Held in Trust	24	1/19/25
FEDERAL RESERVE AGENT'S DEPARTMENT		
F. R. Notes on Hand (Not a General Ledger Account)	Not Made	9/25/24
Gold with Federal Reserve Agent	Not Made	9/25/24
FISCAL AGENCY DEPARTMENT		
General Ledger Accounts		
Coupons on Hand	2	1/8/25
Fiscal Agency Suspense Account	"	"
Postage Fiscal Agency Department	"	"
Transit Items Credit - Government	"	"
U. S. Treasurer's General Account	"	"
U. S. Treasurer's Suspense Account	"	"
Fiscal Agency General Ledger Accounts		
Depositary Balances Due from Depositary Banks	"	"
Inter-Departmental Receipts Outstanding	"	"
Securities Delivered Subscribers	"	"
Securities Forwarded Treasury Department	"	"
Securities in Vault	"	"
Securities on Hand with Tellers	"	"
Securities Received from Subscribers	"	"
Securities Received from Treasury Department	"	"
Subscription Receipts Outstanding	"	"
INSOLVENT BANKS DEPARTMENT		
Claims Account Failed or Suspended Banks	9	10/23/24
Collateral Held from Suspended Banks	"	"
Credits - Account Suspended Banks	"	"
Deferred Charges - First National Bank, Hearne	"	"
Expense of Collecting Paper Held from Suspended Banks	"	"
Miscellaneous Advances - Suspended Banks	"	"
Insolvent Suspense Account (Opened 12/4/24)	"	"
Real Estate Acquired under Foreclosure	"	(Opened 2/2/25)
Interest Collected on Rediscounts from Failed Banks	(Opened 2/12/25)	
Dividend Account, City Nat'l Bank, El Paso	(Opened 2/27/25)	

	Month of February - 1925	Date of Previous Audit
LOAN AND DISCOUNT DEPARTMENT		
Advance Remittances Held - L. & D.	Not Made	1/28/25
Approved Offerings, Collateral Notes and Bankers' Acceptances Held for Account of Member Banks	"	1/28/25
Bills Bought in Open Market	"	"
Bills Discounted for Member Banks -		
Secured by U. S. Government Obligations	"	"
Other Bills Discounted	"	"
Collateral Held as Security Against Member Banks Ind.	"	"
Documentary Stamps - L. & D.	"	"
Offerings Held by Credit Department	"	"
Paper Pledged with Federal Reserve Agent	"	"
Payments Received on Additional Collateral	"	"
Securities on Hand and in Transit	"	"
Unearned Discount - Bills Bought in Open Market	"	"
Unearned Discount - Bills Discounted	"	"
Foreign Loans on Gold	"	1/19/25
Investment Division		
Discount on U. S. Securities	24	1/19/25
Other U. S. Bonds	"	1/19/25
Participation in Special Investments U. S. Securities	"	"
Premium on U. S. Securities	"	"
Treasury Certificates of Indebtedness	"	"
Treasury Notes	"	"
U. S. Bonds to Secure Circulation	Account Closed	
Unmatured Coupons	24	1/19/25
Securities Sold under Repurchase Agreement from Special Investment Account	24	1/19/25
SERVICE DEPARTMENT		
Cuisine Division		
Cuisine Accounts Payable	26	12/31/24
Cuisine Coupons Outstanding	"	"
Cuisine Service	"	"
Cuisine Stores	"	"
TRANSIT DEPARTMENT		
Checks and Other Cash Items	Not Made	1/13/25
Dallas Clearing House	"	"
Due to Other Federal Reserve Banks - Collected Funds	"	"
Exchange for Clearing House	"	"
Income and Excess Profit Tax - Unadjusted Items	"	"
Transit Items Credit - Federal Reserve Banks	"	"
Transit Items Credit - Member Banks	"	"
Transit Items Debit - Federal Reserve Banks	"	"
Transit Items Debit - Due from Other F. R. Banks	"	"

	Month of February - 1925	Date of Previous Audit
Transit Items Debit - Member and Non-Member Banks	Not Made	1/13/25
Collection Division		
Bills and Drafts Forwarded for Collection	Not Made	1/22/25
WAR FINANCE DEPARTMENT		
General Ledger Accounts		
Documentary Stamps - W. F. C.	Account Closed	
Fiscal Agency General Ledger Accounts		
Additional Collateral	11	12/5/24
Bills Receivable - Form E	"	"
Collateral to Bills Receivable	"	"
Collateral to Rediscounts	"	"
Funds Held Pending Approval Refund Application	"	"
Funds Received from Treasurer U. S.	"	"
Miscellaneous Items Held in Abeyance	"	"
Negotiable Securities Held as Collateral	"	"
Notes Forwarded for Collection	"	"
Receipts Deposited with Treasurer U. S.	"	"
Rediscounts	"	"
MISCELLANEOUS ACCOUNTS		
Abrasion - Light Weight Gold	14	1/15/25
Advance Traveling Expenses	10	1/10/25
Appropriation for Educational Purposes	14	12/31/24
Bank Premises - Including Vaults	14	12/31/24
Capital Paid in by Applicants for Membership	28	12/31/24
Capital Stock Paid In	28	12/31/24
Cashier's Checks Outstanding	26	1/26/25
Claims Recoverable	28	1/31/25
Difference Account	28	1/31/25
Employees Suspense Account	14	1/15/25
Expense Checks Outstanding	26	1/26/25
Expense Current	28	1/31/25
Expenses Paid in Advance	14	1/15/25
Expense Recoverable	28	1/31/25
Federal Reserve Exchange Drafts	26	1/26/25
Federal Reserve Transfer Drafts	26	1/26/25
Five Per Cent Fund - Against F. R. Bank Notes	Account Closed	
Five Per Cent Fund - Member Banks	(Account Closed	12/17/24)
Fixed Machinery and Equipment	14	12/31/24
Foreign Banks	14	12/15/24
Furniture and Equipment	14	12/31/24
Gold Redemption Fund - Federal Reserve Notes	As of 1/31	As of 12/31/24
Mail Insurance Suspense Account	Account Closed	
Member Banks - Reserve Account	28	1/31/25
Miscellaneous Earnings	28	1/31/25
Non-Member Clearing Account	28	1/31/25

	Month of February - 1925	Date of Previous Audit
Overdrafts - Member Banks	28	1/31/25
Pay Roll Checks Outstanding	26	1/26/25
Penalties on Deficient Reserves	1/1 to 1/31	12/1/24 to 12/31/24
Profit and Loss	28	1/31/25
Real Estate Mortgage	28	1/31/25
Reserve for Depreciation on Bank Premises, Including Vaults	Not Made	12/31/24
Reserve for Depreciation on Fixed Mach. and Equipment	"	"
Reserve for Depreciation on U. S. Securities	"	"
Reserve for Losses Liquidating Bank Loans	14	1/15/25
Surplus Fund	Not Made	12/31/24
Miscellaneous Suspense Account	14	1/15/25
Unadjusted Life Insurance	14	Opened 12/17/24
Equity of P. & M. State Bank, Hearne, Texas, in Real Estate Mortgage (50%)	28	1/31/25

ACCOUNTS CHECKED OR VERIFIED DAILY

Accrued Dividends Unpaid
Accrued Sundry Expenses Unpaid
Accrued Taxes Unpaid
Adjustment - Transit Items
Cash Department - Suspense
Discount Earned on Bills Bought in Open Market
Discount Earned on Bills Discounted
Dividends Accrued
Gold Settlement Fund (Daily wire)
Interest Accrued on Real Estate Mortgage
Interest Accrued on U. S. Securities
Interest Earned but Not Collected
Interest Earned on Special Investments, U. S. Securities
Earnings on U. S. Securities
Transit Items Debit - R. C. C. H. Banks
Tellers Account
Transit Suspense
Interest Accrued on Foreign Loans
Interest Earned on Foreign Loans

MISCELLANEOUS AUDITS AND ANALYSES
NOT IN GENERAL LEDGER CONTROL

Insurance Policies and Bonds	Not Made	1/31/25
Notary Fund	28	1/31/25
Pay Off Employees	Not Made	12/31/24
Postage - Mailing Department	6	1/1/25
Transit Hold-Over Items	13-26	1/12/25-1/29/25
Vault Combinations and Controls	Not Made	12/31/24
Inventory Stock Room	17	4/8/24

BRANCHES

El Paso	Not Made	11/4/24
Houston	"	10/4/24"

Governor McKinney submitted a report covering the operations of the bank during the month of February, which was noted with interest and ordered spread upon the minutes:

"March 10, 1925

Board of Directors
Federal Reserve Bank of Dallas
Dallas, Texas

Gentlemen:

Business conditions in the district, on the whole, continued during the month of February to reflect a very satisfactory situation and outlook, although the effects of the continued winter drouth were the subject of widespread complaints, particularly in the grain belt and range country where lack of seasonal moisture has caused considerable deterioration in winter grain crops, ranges and livestock. From all sections of the district come reports that the farmers are well up with the work of preparing the soil for the new crops, and that with normal weather conditions during the growing season the outlook is favorable for another successful year from the standpoint of production. Our information is that there will be no substantial change in the district's cotton acreage. While there may be a slight increase in West Texas as the result of a smaller acreage devoted to small grains, it appears to be offset by the prospective reduction in the cotton acreage of East Texas, where an effort will be made to overcome the acute shortage in the feed supply of that section by devoting a larger acreage this year to feedstuffs.

Our daily statements continue to reflect a very limited demand for rediscount accommodation. In fact during the first few days of February our loans to member banks showed further declines, reaching on the 10th of the month a new low point since 1917 of $1,889,000. That date marked the turning point, however, and while the applications are still comparatively light our loans to member banks on the last day of February, leaving out of consideration the borrowings of the same two large city banks referred to in my last report, show an excess over the last day of January. In other words, although your report of our operations for the month just ended indicates a reduction in these loans of a little over $100,000, an analysis of the account shows that out of a total of 54 borrowing banks on the 28th day of February, 52 of them were owing us $1,116,817, a sum slightly over a half million dollars in excess of our advances to only 36 member banks on January 31. The demand for new advances during February came chiefly from banks located in the sheep and goat raising sections of the district in anticipation of shearing operations, which will be well under way this month. Further evidence of the slightly increased demand for accommodation is found in the fact that we served 47 member banks during February as compared with 38 during the preceding month. As an indication, however, of the comparatively small volume of loan transactions we are now being called upon to handle, it is interesting to observe that on February 26, 1924, 141 banks were owing us in excess of $10,000, while on the same day two years ago 245 banks were owing us almost $17,000,000. An even more significant comparison is found in the figures I have had compiled with respect to the number of carry-over lines for the past two years. Our records indicate that a total of 51 borrowing banks failed at any time during the year 1923 to liquidate in full their indebtedness to the Federal Reserve Bank. During the year 1924, excluding banks which have subsequently failed, only 14 member institutions were unable to liquidate in full their Federal Reserve Bank borrowings, and of these banks nine have subsequently retired their indebtedness here in full.

While the above circumstances combine, of course, to place us in a very favorable position with relation to our member banks and the district as a whole, they nevertheless operate to a distinct disadvantage with respect to our earnings. Possibly no phase of our present situation presents a more serious problem than that of providing out of limited earning assets sufficient funds with which to meet our dividend and expenses and at the same time, without encroaching upon our surplus, eliminate losses in connection with failed banks. As a result of the open market committee's recent policy of feeding the system investments to the market, the total system holdings were very substantially reduced during February, and of course this bank shared a proportionate loss of these earning assets. During February our bankers bills ran off some $7,000,000 net, while our participation in system purchases of government obligations was reduced over a million and half dollars. The System holdings of government securities have declined from $500,000,000 in November to $270,000,000 on February 25. Coincident therewith there has been a hardening of interest rates as outlined in the Open Market Committee's last report, which I will read in connection with this report. The market on bankers acceptances at the present time is substantially one per cent higher than the low point reached last Fall.

Although we were able to acquire fairly substantial amounts of long time Government bonds, our total earning assets had dwindled by the last day of February to a little over $36,000,000, a net decrease over January 31 of some $7,500,000. This, of course, accounts for the marked decrease in the amount of our gross earnings for February, which, you will note from your statement, totaled $99,167.91, or almost $50,000 less than gross earnings for January. These earnings lacked $28,340.68 of meeting the month's expenses and accrued dividend. This deficiency not only absorbs our previously accumulated net earnings of $20,178, but leaves a net deficit on February 28 of $8,162.21. It should be added that part of this deficit was occasioned by the transfer from net earnings of some $3,000 representing past due interest collected in connection with paper acquired from failed banks. We have determined that the more satisfactory accounting procedure would be to place this past due interest in a suspense account pending final settlement of the various trusts concerned, at which time, of course, these amounts will find their way back into our earnings, or used in reducing the amounts charged off in connection with paper of failed banks.

As referred to above, we purchased during February for our own account Liberty bonds in the aggregate amount of $1,259,350. The acquisition of these long term bonds independent of the committee is not out of harmony with the present policy and wishes of the committee, which is now confining its operations to short term Governments. I discussed the probability of our doing this with members of the Committee when last in Washington and they voiced no objection. I should be glad to discuss with the members of the board the question of making further investments of this character, as it is the judgment of Mr. Talley and me that our need for earnings warrants further substantial purchases.

Although the Open Market Committee is allotting its purchases at the present time only on the basis of expense and dividend requirements of the twelve banks, it was determined at the last meeting of the committee that the plan in effect last year — which also included estimated charge-offs in arriving at the basis of allotment — was the more equitable one and would be re-instated on or about April 1, by which time more or less accurate estimates could be submitted by all banks. This action of the committee, of course, affords us great comfort, as we feel that the matter of eliminating losses should come in for as much consideration in determining the proper basis for the apportionment of system investments as the matter of paying expenses and dividends — particularly dividends. The Open Market Committee has never failed to give full consideration to the peculiar needs of our situation here and we feel very grateful for their continued cooperation. Merely as a contrast with our present situation it is interesting to note that on February 28 last year we had accumulated $184,965 net earnings over and above expenses and accrued dividend.

On the last day of the month just ended our earning assets consisted of the following:

Bills discounted for member banks	$2,599,093.30
Bankers acceptances..................................	15,204,288.67
Foreign loans on gold................................	399,000.00
Liberty Bonds (as mentioned above)..................	3,259,350.00
Participation in system purchases of U. S. Government securities......................	14,342,500.00
Other U. S. bonds....................................	350,000.00
Total..	$36,154,231.97

In connection with the item of $399,000 representing foreign loans on gold, I may add that the Federal Reserve Bank of New York recently renewed $6,000,000 of the advance to the Bankovni of Prague at 3½ per cent instead of 3 per cent. Our participation continues at $228,000.

For the first time in many months our Loan & Discount Department held on February 28 no past due paper in its files. All earning assets, exclusive of government obligations, were distributed by maturities on the last day of February as follows:

Due within 15 days....................	$ 7,725,214.42
Due between 15 and 30 days...........	3,449,397.39
Due between 30 and 60 days...........	4,450,670.12
Due between 60 and 90 days...........	1,779,526.93
Due between 90 days and six months..	320,077.15
Due after six months..................	78,585.96

Our expenses for the month of February, amounting to $104,344.51, were almost $3,000 less than for January, the decrease being explained in the analysis of increase and decrease in expenses which you will find among the data before you. Compared with 1924 you will observe that we effected a reduction this year for the month of February of $11,000, while for the first two months of 1925 our expenses were $14,636.23 less than for the corresponding period of 1924.

Our Federal Reserve notes continued to run off during the month, decreasing from $47,709,000 on January 31 to $46,274,000 on the last day of February. The present circulation, however, is still some million and a half greater than on February 28 a year ago.

Our total deposits on February 12 reached the highest point in the history of the bank — $72,688,000. Approximately $3,600,000 of this amount, however, is accounted for by unsettled balances due to the fact that this bank remained open on February 12, on which date, being Lincoln's birthday, the Federal Reserve Board and most of the other Federal Reserve Banks were closed. However, on the following day our deposits receded only to $69,004,840, which still leaves a peak since the beginning of the bank's operations. Our member banks reserve deposits on February 28 amounted to $66,154,077 as compared with $64,872,560 on January 31 and $56,487,507 on February 28 a year ago. Statistics compiled from the condition reports of member banks as of December 31, 1924, show that on that date the total deposits of member banks in this district for the first time in their history passed the one billion dollar mark, the total being $1,004,225,000, which compares with the previous high point of $960,000,000 on December 31, 1919.

Due to constantly decreasing earning assets our reserve position went up to as high as 76.8 per cent during the month. On the last day it stood at 73.5 per cent, as compared with 67.2 per cent on January 31 and 41.9 per cent on February 28, 1924.

Although we made no advances for account of the War Finance Corporation during February representing primary obligations, there were transferred to us from Kansas City loans aggregating $225,119.27. We also advanced expense money totaling $21,327.02. Out of total loans of the War Finance Corporation of $39,882,446.31 handled by this bank, $3,520,640.52 is at present outstanding.

A net reduction of four during February leaves our present membership at 833. This compares with 859 on the last day of February a year ago. The following changes occurred during the month:

ADMISSIONS:

First National Bank, Weslaco, Texas, a primary organization.

First State Bank, Estancia, N. M., formerly the Stockmen's State Bank of Corona, a member bank, which moved to Estancia and changed its name.

Withdrawals by formal surrender of stock in this bank:

Central National Bank, Waco, Texas, consolidated with the First National Bank of Waco.
Citizens Guaranty State Bank of Lufkin, Texas, previously reported closed.
Stockmen's State Bank of Corona, N. M., as mentioned above.
First National Bank, Kemp City, Okla., absorbed by F. & M. National Bank of Achille.
American National Bank, Durant) Absorbed by Durant National Bank
First National Bank, Bokchito)

Our present membership is divided between State and national banks and among Head Office and Branches as follows:

	National	State	Total
Dallas	500	145	645
El Paso	42	4	46
Houston	110	32	142
Total	652	181	833

As is known to the members of the board, the banking laws of Texas have recently been so amended as to permit State banks to withdraw from the guaranty fund system by executing, under certain restrictions, a satisfactory bond covering the amount of the bank's capital stock in protection of its deposits, or by pledging for that purpose acceptable securities which are not a part of the bank's assets. While it is impossible, of course, to determine just what results this legislation will ultimately produce, we are deeply interested here in the final outcome. It is apparent that the larger State banks and even many of the smaller ones which have long been chafing under the assessments of the guaranty fund will lose no time in embracing, if they can, this opportunity to withdraw. It is not improbable that the guaranty fund system, thus weakened by these withdrawals, will become so burdensome as to make it doubtful whether any enterprising state banks will be content to remain. Those unable or unwilling to meet the requirements of the new law will doubtless seek the only other avenue of escape — that of nationalizing. Already we have received since the enactment of the law as many as twenty-seven applications to convert into national banks, fifteen of these coming from banks which are not now members of the Federal Reserve System. Much of the time of our officers is taken up by representatives of state banks seeking national charters. Our interest in the general banking situation of the State causes us to view with some concern a situation, which seems probable if not inevitable, wherein the entire burden of the guaranty fund will be shifted to the smaller, weaker State banks, many of which are unable to bear assessments even equal to, much less greater than, those they have already been called upon to pay. The new bank Commissioner of Texas seems to be making no effort to prolong the existence of banks whose condition seems hopeless, and, judging by the number which have closed their doors since he assumed office, as well as other circumstances coming under our observation, he may feel that those which in his opinion must eventually fail should be permitted to suspend while the number of banks subject to assessment remain practically unimpaired. We believe the developments will be well worth watching and the members of the board will be kept in touch with the situation from time to time.

As a matter of possible interest to the Board, I may advise that effective February 27 the Federal Reserve Bank of New York increased its rediscount rate from 3 per cent, which had been in effect since August 8, 1924, to $3\frac{1}{2}$ per cent, which is now the effective rate of the Federal Reserve banks of Boston, New York, Philadelphia, Cleveland and San Francisco. The rate of the remaining seven reserve banks is still 4 per cent.

You will note from your comparative statement that on February 28, 33 failed banks were indebted to us in the net sum of $1,423,783.21, excluding the amount charged on December 8, 1924, to Reserve for Losses. Our Insolvent Banks Department effected collections during the month totaling $84,603.91, incurring an expense in that connection of $3,483.89. This compares with total collections of $108,280.04 effected during January at a cost of $3,375.55. We hold against the above indebtedness of $1,423,783.21, total paper of $4,198,168.81, and have reserved on our books, as you will recall, a total of $519,630.63 against losses in connection with failed banks. While the personnel of our Insolvent Banks Department is giving every possible attention to the paper we hold, it is only natural that the volume of our collections from here out to the beginning of the crop moving season will not be very heavy.

Eleven banks closed in the Eleventh District during the month of February, four member banks and seven non-member. All of these eleven banks, except three, were State banks in Texas. The four member banks suspending business were the Bogata National Bank of Bogata, Texas; the City National Bank of Clarksville, Texas; the Lockney State Bank of Lockney, Texas, and the Farmers National Bank of Hempstead, Texas.

The Bogata National Bank was not indebted to us at the time of closing, although it had rediscounted heavily with us in previous years, owing us a maximum amount in 1922 of $98,000. We had many conferences with its officers during the last three years, besides being required to give its affairs much attention in many other ways. Last year we advanced the bank $43,000, which was fully repaid in November. There is not sufficient business in the Bogata community to support two banks, and that circumstance no doubt influenced the directors to close the bank's doors. I am pleased to say that the First National Bank of Bogata within the last few days has increased its capital and taken over the Bogata National Bank's assets and assumed its liabilities, thus bringing about a very satisfactory situation in the community.

I feel that the members of the board have been kept very well informed as to the affairs of the City National Bank of Clarksville during the past two or three years. While it perhaps cannot be said that that institution has given us more trouble than any member bank in the district, it is nevertheless quite true that in connection with none have we had more conferences, and we have had representatives visit the bank more perhaps than any other one of our members. In February, 1922, the bank owed us $275,000. While the amount of the line has steadily decreased from that date to the point where on the date of closing it owed us $72,137.51, this has been accomplished only by the bank collecting its most liquid paper. For several months we have realized the utter hopelessness of the bank's situation, but not desiring to do anything that would precipitate its closing we have been very patient and forbearing, even permitting the bank's indebtedness, which was in the form of a fifteen-day note, to run past due. We were further encouraged to exercise this leniency because of the hope that the Examination Department had of inducing one of the other banks in the town to take over the City National. Although the managing officers of the bank who have had its affairs in charge during the last two or three years have been, in our judgment, men of good moral character, it was nevertheless true that the bank had lost its prestige in the community and its actual local deposits had diminished to an amount no greater than half of its capital stock of $200,000. We felt that we did everything we could to prevent the closing of the bank and such, I understand, is the feeling of its own officers and directors. We held a margin of fifty per cent collateral in connection with the bank's indebtedness to us, besides having the endorsement of the directors, We apprehend no loss whatever, and it is probable that the depositors will receive a substantial dividend.

As will be recalled by members of the board, L. B. Amsler, Vice President and Cashier of the Farmers National Bank, committed suicide in the latter part of December. The bank was not indebted to us at that time and was in a pretty fair cash position. The circumstance of Mr. Amsler's suicide, however, immediately produced a crisis in the bank's affairs and Manager Harris of the Houston Branch, in whose territory the bank was located, went to Hempstead and conferred with the directors of the bank in an effort to bring about a composed situation, at the same time advancing $10,000 against a fifteen-day note and collateral to provide additional cash for an emergency. Mr. Amsler was also County Treasurer of the county in which Hempstead is located. It was discovered after his death that he was short in his accounts as Treasurer an amount in excess of $40,000. However, this amount was made good, we understand, by representatives of his estate out of the proceeds of life insurance policies carried by Mr. Amsler. The loan of $10,000 was repaid at maturity and the bank owed us nothing at the time of closing. An examination of the bank in the latter part of January disclosed losses of $64,500, which rendered the bank insolvent. Subsequent to this the County Judge of Waller County notified the bank that at nine o'clock the following morning the county funds, which were in excess of $40,000, would be withdrawn. As a result of this the bank did not open the next day, though of course it could not have been kept open anyway unless the necessary steps could have been taken to restore the capital.

The Lockney State Bank was not indebted to us at the time it suspendedbbusiness, although in 1922 and 1923 it had fairly heavy lines here. Within our knowledge the bank's capital had been impaired, if not totally wiped out, for a year or more, and last year we declined to grant it any credit until its capital had been properly restored. It was kept going by substantial deposits, either made or brought about by the Bank Commissioner of Texas.

On December 3 the bank was examined by the State banking authorities and losses aggregating $62,200 were found, against a combined capital and reserve of $52,500. This rendered the institution totally insolvent. The president of the bank made strenuous but unsuccessful efforts to raise a new capital, visiting Amarillo, Fort Worth and Austin. He did succeed in securing one proposition from individuals capable of refinancing the bank, this proposition being predicated on the Banking Department contributing $25,000 out of the guaranty fund to take out losses. The new Bank Commissioner, however, acting perhaps somewhat along the lines indicated in a previous paragraph of this report, declined to do this and the result was that the examiners closed the bank. We had a representative on the ground for about ten days before the bank closed, to render such assistance as he could to prevent the closing of the bank.

The non-member banks closing during the month were:

HEAD OFFICE

Peoples State Bank of Ranger, Texas
Lometa State Bank of Lometa, Texas
Guaranty State Bank & Trust Company, Sulphur Springs, Texas

HOUSTON BRANCH

Rock Island State Bank, Rock Island, Texas
Hardin County State Bank, Kountze, Texas
American State Bank, Harrisburg, Texas
First State Bank, Rio Hondo, Texas

Banks were reported closed in other districts during February as follows:

	Member	Non-member	Total
Chicago	2	8	10
Kansas City	0	4	4
Minneapolis	6	5	11
Philadelphia	0	2	2
Richmond	1	2	3
St. Louis	0	1	1
San Francisco	2	1	3
Total	11	23	34

Since the last meeting of the Board General Auditor Foulks visited the Hugo National Bank, accompanied by an assistant, and checked up the affairs of that institution as they relate to the taking over of the First National Bank of Hugo in the early part of September, 1923. As has been explained to the board, the officers of the Hugo National Bank have contended that there are heavy losses in the paper taken over from the First National Bank not provided for at the time of the merger, and that unless some relief is afforded them in connection with these losses the result may be of serious consequence to the Hugo National Bank. Mr. Foulks has submitted his report, from which it appears that a great many items have been included in the list of losses which should properly be borne by the Hugo National Bank itself. In addition to this it appears that the capital stock of the Hugo National Bank, which is $200,000, is impaired in the amount of about $80,000 by losses in the assets of the Hugo National Bank which bear no relation to those acquired from the First National Bank. Mr. Shull, President of the Hugo National Bank, is anxious to have a conference with our Executive Committee at which the whole situation may be carefully reviewed. It may be that our executive committee will find it necessary to make some further concessions in this case. The facts in relation to this situation will be further discussed in connection with this report, with a view of having the members of the board give the executive committee the benefit of their advice and suggestions.

I spent practically all of last week in Carlsbad with Counsel Stroud and Deputy Governor Grund in connection with the Livingston Cattle matter, which has been brought to the attention of the board at different meetings. Reciting the matter briefly, I may say that we hold as additional collateral to the indebtedness of the National Bank of Carlsbad a note of the Livingston Cattle Company for approximately $128,000, secured by a mortgage on the cattle of that concern, which at the time we took the mortgage were estimated to be about 9,000 in number. On account of the continued dry weather and the inability of the company itself to provide funds with which to buy feed, this matter reached a critical stage about two weeks ago and I sent Counsel Stroud to Carlsbad with instructions to endeavor to make some settlement of the transaction whereby we would acquire full title to the cattle on which we took a lien, Mr. Grund and I joining him a few days later at his request. Some days previous we had placed a representative of our own at the Livingston ranch and had provided some feed for the cattle. There were many angles to this matter, involving the rights of junior lien holders, unsecured creditors and an individual who had a mortgage on the ranch on which the cattle were located, as well as a second lien on the cattle themselves. As a result of several days' negotiations we arrived at a tentative agreement whereby the Livingston Cattle Company would execute to us a bill of sale covering all of the cattle mortgaged to us upon the consideration of a cash payment of $10,000, for approximately one-half of which sum we expect to be reimbursed by other interested parties, the amount to be paid us either in cash or in cattle at their present worth. The man whom we had placed on the ranch estimated that there were about 5,000 cattle on the ranches at the present time on which we had a lien. Several hundred head of the cattle apparently have died during the last few weeks. We have supplied feed, however, and we hope to arrest this loss at least in some measure. Our representative also stated that the calf crop, notwithstanding the drouth and other unfavorable conditions, will be fairly good. If we acquire title to the cattle, we expect to provide them with sufficient feed for the next sixty days, after which we expect to make such disposition of them as the circumstances and conditions will at that time warrant, hoping of course to make sale of them on the ranches.

Recognizing the difficulties attending our efforts to handle this cattle situation from Dallas, just before leaving Carlsbad I called up Manager Reordan of the El Paso Branch and asked him to meet me at Pecos last Saturday. This he did and I arranged for him to spend as much time as necessary during the next few weeks in Carlsbad and vicinity, giving special attention to the handling of these cattle. It is felt that not only by reason of his familiarity with that section of the district and his acquaintance with the people in that vicinity, but also through the fact that he has had considerable experience lately with cattle in which we had an interest, he is qualified to handle this situation to the very best advantage. The work at the El Paso Branch is very light at this time and it was felt that he could be spared without any serious inconvenience to the operation of the Branch. The Executive Committee has designated Mr. Crump as Acting Manager to serve during the several absences of Mr. Reordan.

The regular spring conference of the Governors of the twelve Federal Reserve Banks has been called to meet in Washington beginning April 6, and I am making my plans to attend.

Respectfully submitted,

(Signed) B. A. McKinney
Governor."

The Governor's reference to the position of the bank with respect to earnings, and its investment policy for the immediate future, developed a free discussion. It was the consensus of opinion that in view of the bank's present earning position it was quite desirable that purchases of Government securities be continued, and upon motion by Mr. Frost, duly carried, an investment up to $10,000,000 in U. S. Government bonds was authorized.

At this juncture Chairman Talley received a message of the death of a member of Mrs. Talley's family, and stated that it would be necessary for him to leave the meeting.

In the absence of Deputy Chairman Lins, Class C Director Perkins took the chair.

The Board went into executive session, with only the directors, the Secretary of the Board, and Advisory Councilman McGregor, present.

Mr. McGregor submitted a comprehensive report covering the topics considered at the recent meeting of the Advisory Council, and the recommendations thereon. The report was supplemented by a verbal statement and an interesting discussion of the topics developed.

No further business being presented, a motion to adjourn prevailed.

APPROVED:

____
Chairman

ATTEST:

____
Secretary

#2

~~333-1~~
333.-6-1

February 17, 1925

Executive Folder
Date 2/17/25

Dear Mr. Matteson:

Receipt is acknowledged of your letter of the 10th instant, enclosing a statement of revised percentages of participation of Federal Reserve banks in System purchases of Government securities and bankers acceptances, to apply during the month of February.

Your letter and enclosure will be brought to the attention of the members of the Board.

Very truly yours,

(Signed) Walter L. Eddy
Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

10

3886

333.-F.-1

FEDERAL RESERVE BANK

OF NEW YORK

RECEIVED
FEB 11 1925
OFFICE OF
THE GOVERNOR

PERSONAL

February 10, 1925.

Dear Governor Crissinger:

Enclosed is a statement showing the revised percentages of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances based on reports received by the Committee as of the close of January 31, 1925, which ratios are to apply on System purchases made during the month of February.

I am also enclosing for your information a copy of letter which is being sent to-day to the governors of all the Federal reserve banks.

Very truly yours,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated

Encls. (2)

FEB 1 1925

MD

see ans 2/17/25

Copy

FEDERAL RESERVE BANK

OF NEW YORK

February 10, 1925

Dear Governor :

The Committee has received estimates of expenses of all Federal reserve banks for the current year to be used as a basis for allotting System purchases of Government securities and bills.

PERSONAL

Some of the banks included estimates of the probable amounts that they would charge off at the end of the year, principally for buildings and estimated losses. While it is expected that it may be possible to distribute during the course of the year purchases which may be made in such a manner as to take care of all or part of the estimated charge-offs, the Committee has deemed it more practical and equitable to make allotments of purchases, for the present, on the basis of estimated current expenses and dividends only, the theory of such a distribution being that some of the banks, even on this basis, have shown a deficiency in their earnings since January 1, 1925 and it is felt that estimates should fully cover expenses and dividends before providing for charge-offs.

There is enclosed, in tabulated form, a statement showing estimated current expenses from February 1 to December 31, 1925 (including dividends) and the percentage ratios based thereon. You will note from this that your allotment for the current month will be ______% of total purchases of Government securities and bills.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Encl.

See ans 2/ /25

REVISED PERCENTAGES OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF JANUARY 31, 1925

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1 - Jan. 31, 1925	Estimated Expenses Feb. 1 - Dec. 31/25 Including Dividends	Estimated Expenses (Net) from Feb. 1 - Dec. 31/25 Including Dividends	Revised Ratio of Participation
Boston	$ 64,790	$ 2,284,600	$ 2,219,810	7%
New York	143,148	7,887,000	7,743,852	X 24%
Philadelphia	3,717	2,480,000	2,476,283	8%
Cleveland	67,600	3,236,000	3,168,400	10%
Richmond	x 42,000	1,702,000	1,744,000	5%
Atlanta	x 43,272	1,383,819	1,427,091	5%
Chicago	51,573	4,411,092	4,359,519	13%
St. Louis	x 15,200	1,714,000	1,729,200	5%
Minneapolis	x 8,330	1,304,400	1,312,730	4%
Kansas City	3,339	1,958,298	1,954,959	6%
Dallas	20,178	1,388,169	1,367,991	4%
San Francisco	33,000	2,957,000	2,924,000	9%
	$278,543	$32,706,378	$32,427,835	100%

x Expenses exceed earnings.

Form No. 131.

File Copy

Office Correspondence

FEDERAL RESERVE
BOARD

Date Ja ary 14, 1925.

To All Members of the Board

Subject:

From [illegible]

333

333-6-1

At the meeting of the Federal Reserve Board on January 8th, the following resolution was unanimously adopted:

"That the Director of the Board's Division of Research and Statistics should appear before the Board on Thursday of each week and make a report to the Board on developments on the business and credit situation, including the operations of the Open Market Investment Committee".

see memo 1/8/25

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date January 8, 1925

To Governor Crissinger

Personal

Subject: 333.-b-1

From Mr. Eddy

Eddy

2—8406

Several days ago you stated that you thought it might be desirable to have Dr. Stewart come before the Board prior to the next meeting of the Open Market Committee of Governors to report upon recent developments in the business and credit situation and review the operations of the Open Market Committee of Governors. You also stated that you thought it might be desirable to have him appear before the full Board more or less regularly for such a discussion and report. I have rather hurriedly drafted the attached resolution for such use as you may care to make of it. Dr. Stewart has been consulted.

See Minutes

8

see memo 1/14/25

In order that each member of the Board may have the benefit of the views of the other members of the Board on current economic and financial trends, and also on the policies and operations of the Open Market Committee,

BE IT RESOLVED, That a full discussion of these subjects be had at a meeting of the Board at least once each week hereafter, and that the Director of the Board's Division of Research and Statistics, who is also Secretary of the Board's Committee on Discount and Open Market Policy, be directed to attend the meetings of the Board at which such discussions may ensue, and report upon recent developments in the business and credit situation, and review the operations of the Open Market Committee of Governors.

4

Notes on Recommendations of the O. M. I. C.

Note 1: 12/3/23 The O. M. I. C. recommended the purchase of securities provided that such purchases could be made without disturbing the money - or U. S. Government Security markets, with the understanding that the views of the Board and participating banks as to further purchases would be asked for after a total of $100,000,000 had been acquired.

The Board favored the purchase of a limited volume of securities, reserving the right to discontinue purchases and require sale at any time. (p. 5)

Note 2: 1/14/24 Motion adopted that the Committee be authorized to purchase not more than $15,000,000 Treasury notes (due 12/15/25) prior to its next meeting - buying rates not to be advanced. (p. 6)

Note 3: 2/8/24 Prices at which Committee was authorized to purchase securities were revised so as to permit purchases up to the amount of $100,000,000 previously agreed upon. (p. 6b)

Note 4: 2/25/24 Moved that Chairman submit to all banks recommendations that further purchases not exceeding $100,000,000 be made after first $100,000,000 purchase had been completed. (p. 6b)
(No record of formal authorization by the Board of this action.)

Note 5: 4/22/24 Voted that additional purchases be authorized up to and not exceeding in the aggregate $250,000,000. (p. 7)
(No record of formal approval or discussion by the Board of this proposal.)

Note 6: 5/29/24 Recommended an increase in O. M. I. C. holdings of $150,000,000 the purchases to be made at the discretion of the Committee at current market prices, and also that the Chairman be authorized to make temporary sales during quarterly tax periods of amounts deemed advisable under suitable repurchase arrangement.

The Board on June 4, 1924 voted authorization and asked to be advised when purchases were completed. (p. 10)

Note 7: 7/16/24 Voted that the maximum limit on purchases be raised from $400,000,000 to $500,000,000, prices to be at Chairman's discretion, the operations to be conducted in such a way as to minimize changes in either the credit situation or market quotations for securities. Authority was given to make purchases in other districts than N. Y. Expressed the view (by formal vote) that in event of substantially unchanged conditions a further increase of the $500,000,000 limit would be favored and requested an indication of the views of the Board on this point.

The Board on July 29, 1924, approved increasing the account from $400,000,000 to $500,000,000 with the understanding that all effort would be made to avoid disturbance to the money market. No action was taken on the question of further increasing the $500,000,000 maximum. (p. 11)

Note 6: 10/24/24 Resolution passed recommending that the Chairman be given authority to buy or sell up to $100,000,000 of securities to meet any situation developing in the money market. (p. 13)
(No action taken by the Board until Nov. 12, 1924)

Note 8: 11/12/24 Meeting of the Board attended by members of the O. M. I. C. approved recommendations, (1) that the Committee continue to make temporary sales and purchases deemed necessary at tax periods, (2) that the distribution to the banks of bills and securities purchased be continued on basis of estimated deficiencies in earnings, (3) that the Governors Conference authorize the Committee to exchange certificates maturing after December 31, 1925 for shorter maturities, and authorized the Committee to, (1) replace the $65,000,000 of December maturities, to the extent advisable in consideration of market conditions at that time, (2) to offset gold movements or earmarkings to the extent advisable in consideration of market conditions, but not in excess of $100,000,000, (3) to sell securities to reduce the S. I. account to $500,000,000 as rapidly as money conditions make it practicable. (p. 14)

Note 9: 12/19/24 The Chairman reported to the Board in joint meeting and proposed that while the Committee should be prepared to either buy or sell according to money market developments it would be desirable to maintain the S. I. account at about $450,000,000 and that from time to time holdings should be liquidated.
The report and proposals were approved by the Board. (p. 26)

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date Dec. 18, 1924.

324

To Federal Reserve Board

Subject:

From Committee on Discount & Open Market Policy.

333

The undersigned Committee on Discount & Open Market Policy, to whom were assigned the reports of the Governors and of Chairmen at their recent Conference on the topic:

> "The advisability of a Federal Reserve Bank investing an amount equal to capital and surplus in Government bonds for earning purposes".

begs leave to report that the Governors after a lengthy discussion of the question were evenly divided when a vote was taken on the following motion:

> "That it is the sense of the conference that there is no objection in principle to the investment by Federal reserve banks in long time Government obligations of so much of their capital and surplus as is not represented by buildings or other fixed investments."

The Chairmen in conference by unanimous vote adopted the following resolution:

> "The committee believes that the System should not change its investment policy any more than it should change its policy in regard to services and other operative matters, because of temporary changes in credit conditions. The policy of the System has not been to invest in long time Government bonds to any extent, although the matter has been discussed many times. The committee moreover believes that in view of the present cheapness of credit and consequent high quotations for bonds, the present is not an opportune time to make such an investment even if, as a matter of policy, it was considered desirable."

Appd

AT BOARD MEETING DEC 18 1924

The Committee after consideration of the matter finds itself in substantial agreement with the position stated in the resolution adopted at the Chairmen's conference and recommends it for careful consideration by the Board should the Board at any time be disposed to formulate an expression of its attitude in the matter of investment by Federal reserve banks of amounts equal to their capital and surplus in Government bonds for earning purposes.

Respectfully submitted,

A. C. Miller

E.A.G.

E.P.

)Committee
)on Discount
)& Open Market
)Policy.

I would not necessarily limit further investment in Government bonds when time comes to consider this question before the [illegible] [illegible] consideration. E.A.G.

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

333.-6 1

Date December 8, 1924.

To Committee on Discount & Open Market Policy (Messrs. Miller, Platt & Cunningham)

Subject:

From Mr. Eddy

2—8495

By direction of the Governor, there is respectfully referred to the Committee on Discount and Open Market Policy, for report at the meeting on Friday, the attached memorandum of action by the recent Governors' and Federal Reserve Agents' Conferences on the advisability of a Federal Reserve bank investing an amount equal to capital and surplus in government bonds for earning purposes.

Report of Joint Conference discussion on the following topic:

"Advisability of a Federal reserve bank investing an amount equal to capital and surplus in Government bonds for earning purposes."

Governor Strong: If it is the desire of the Board to go over this program which has been submitted, we will take up the first item on the program, which is

1. Advisability of a Federal reserve bank investing an amount equal to capital and surplus in Government bonds for earning purposes.

I have not the minutes of our proceedings to refer to, of course, but the action of the Conference was that it was not advisable to do so at this time.

Governor Crissinger: Are there any remarks about that?

Mr. Miller: Did you take a vote on these things?

Governor Strong: Yes. Mr. Harrison reminds me that that was an evenly divided vote. I think I voted on it, did I not?

Mr. Harrison: Yes. You voted against it.

The Chairman: That is correct. The vote was evenly divided, and I voted against it.

Governor Seay: May I suggest that it was an evenly divided vote as to principle.

Governor Strong: I think if the recommendation had been to buy some long term bonds at this time it would have been different.

Governor Crissinger: Does anyone desire to know how the banks voted? (After a pause) Apparently not.

Governor Crissinger: Have you any report on No. 1?

Mr. Perrin: The Committee believes that the system should not change its investment policy any more than it should change its policy with regard to services and other operating matters because of temporary changes in credit conditions. The policy of the System is not to invest in long time government bonds to any extent, although the matter has been discussed many times. The committee, moreover, believes that in view of the present cheapness of credit and consequent high quotations for bonds, the present is not an opportune time to make such an investment, even if, as a matter of policy, it was considered desirable.

The Committee attaches hereto three arguments which have been made, one in favor of investing in bonds, and the other two against doing so.

I might say that the Conference of Federal Reserve Agents was split up into four committees of three each, the topics were referred to these committees for consideration, reports were made to the conference and adopted, as in this case.

Governor Crissinger: Let us have those arguments in the record, and if there is nothing further, we will go to topic No. 3.

(The arguments referred to are as follows:)

Advisability of a Federal Reserve Bank Investing an amount equal to capital and surplus in Government bonds for earning purposes.

In considering this matter, disposition first should be made to the broader question as to whether or not a Federal reserve bank should make investments for income purposes, when such investments do not seem to be required by the demands of trade. This question has been touched ron time to time ay our conferences, but the attitude of the Federal Reserve Board and the officers of the banks, as far as the writer knows, never has been accurately ascertained. Proponents of the theory that Federal reserve banks should not put money into the market unless the market needs it, or at least can take it without causing disturbance, hold the opinion that at such times the Federal reserve banks should run at a loss rather than make earnings through such investments. But it is believed that it will be found that a large majority feel that the Federal reserve banks were organized to be self-supporting - that the reductions in the reserve requirements of member banks, and other measures, are amply sufficient to compensate them for the slight competition they might meet from the Federal reserve banks,- that generally speaking, business will absorb, without material disturbances, the amount of funds the Federal reserve banks will have to invest to make sufficient earnings to cover their expenses,- that it would be a great menace to the continuance of the System should the banks not be able to support themselves,- and that there would hardly ever be a time when the latter would be justified in refraining from maintaining sufficient earning assets to pay expenses and dividends.

Believing then that a majority of this body feels that Federal reserve banks should carry sufficient earning assets to meet their expense, dividend and surplus requirements, the question arises - "Why should not a reasonable part of such earning assets consist of Government bonds?" Because we have not been investing in Government bonds, one is inclined to ask - "What is the matter with them?" The security is unquestioned, the income larger than that from other Government obligations, or from bankers' bills; they are flexible, and, for strategic purposes, just as good to hold. The question before us is the same as the one submitted to the Board some three years ago when the financial conditions existing today were plainly foreseen. The suggestion that Federal reserve banks be allowed to invest in Liberty bonds and Victory notes for income purposes was not then approved, but investments in United States notes and Certificates of Indebtedness were permitted. The Federal Advisory Council, to which the question of investments of Federal reserve banks was referred in the spring of 1922, said:-

"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 cannot avoid at this time for 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 amounts to approximately $300,000,000, the Council does not feel that there is just cause to criticise 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 theircapital 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."

Why this distinction was made, never has been convincingly explained. It is not unlikely that the attitude towards Government bonds was due to the unsatisfactory condition of the bond market that had existed up to that time. The great war issues had not been digested; member banks and Federal reserve banks were carrying as collateral security for loans hundreds of millions of them which had been bought, not for investment purposes, but from patriotic motives, and the banks were most anxious to get rid of them. Securities, floated in such a way, would not be looked upon favorably by bankers, and this professional attitude of the bankers toward investments was allowed to affect their thinking; even about Government bonds. The Government bond market has so changed that it is doubtful if the same attitude would be taken today, as no one seriously can say that the bonds of our Government do not provide the safest investment that can be made. That have a broader market, can be sold at any time in any kind of a money market with less fluctuations in price than any other security, and as far as our operations for stabilizing the money market may go, they provide better instruments than any other investment.

Had investments in Government bonds been permitted at the time the suggestion was made, no disturbance of the money market would have resulted. The reserve banks, undoubtedly, would have been sold the bonds which they already were holding as security for loans to member banks. Thus the borrowings of member banks would have been more speedily liquidated; earning investments of Federal reserve banks would not have been increased; the Government bond market would have been stabilized; the banks would have had an assured income, and would not have been so constantly in the market for bills and Government short-term investments. It is surprising now to think that any opposition was offered to such investments.

Shortly after their organization the Federal reserve banks made large purchases of United States bonds for income purposes. The Federal Reserve Act provided that Federal reserve banks should purchase from member banks at par United States two per cent bonds, which bonds might be exchanged fifty per cent for 30-year three per cent bonds and fifty per cent for one year 3 per cent notes, subject to thirty renewals. This provision of the Act appears to be a clear approval of the investment by reserve banks in United States bonds.

A study of the charters and operations of the Banks of England, France, Belgium, Holland, Sweden and Japan shows that all are authorized to hold Government securities; that some are required to invest all or a part of their capital and surplus in the loans of their respective governments; and that all carry large amounts of them.

The above statements are sufficient to show that Federal reserve banks did invest in Government bonds, and that, under certain circumstances, they were required to do so; that it is a proper policy, and one followed by the central banks of the nations of the world.

The average price of United States four and a half per cent bonds is about 102. Were the capital and surplus of the Federal reserve banks, amounting to $333,000,000 invested in those bonds at that average price, the income would amount to $13,875,000. To produce an equal income it would require an investment of $616,000,000 in bankers bills at the rate they are returning today, or an investment of $542,000,000 in United States certificates of Indebtedness. Thus a conservation of resources amounting to $283,000,000 could be made by investing in bonds instead of Certificates of Indebtedness.

About eighteen months ago, in carrying out the investment policy of the banks, we sold, at quite a loss, some of our holdings of United States Certificates of Indebtedness, and also reduced our holdings of bankers' bills, presumably because money was so abundant that it was considered unwise for Federal reserve banks to contribute funds to the market when the apparent demand for them was so small. Some months later, when apparently there was a less demand for funds, the investment policy was changed, and it was dediced to buy for the banks $300,000,000 of Treasury bills. Following that by a few months, when still the money market failed to show any improvement, a further increase in the amount of Treasury bills to be purchased was agreed upon. The combined statements of the Federal reserve banks show that discounts had declined from $884,000,000 on October 31, 1923, to $401,000,000 on June 4, 1924, and the increase in the purchases of Treasury notes and Ceritifacates of Indebtedness may have been made to offset this decline in the holdings of discounted bills. While the advisability of purchases in the open market to maintain the earnings assets of the banks was recognized, some thing that Government bonds would have been a better purchase. But, it would seem that this policy of making any purchases during these periods is a distinct reversal of the policy according to which several of the banks a few months prior had been compelled to sell securities.

Without a doubt, it would be unwise at once to make large investments in Government bonds, but it would seem to be sound to refrain from further buying of Certificates of Indebtedness, and as funds arereleased from them, to reinvest those funds in bonds. Should there be any opportunities to make additional investments in bonds, advantage should be taken of them up to a r asonable extent.

(The secons argument is by Mr. Shepard Morgan and is as follows:)

"This is in response to your request for a memorandum on the following topic, which is on the program for the joint conference of Governors and Agents:

"The advisability of a Federal reserve bank investing an amount equal to capital and surplus, in Government bonds for earning purposes..

This proposal must be considered from the standpoint of the system rather than as a matter of individual bank policy, because changes in the investment accounts of one bank are apt to be felt promptly by some or all of the other reserve banks. The purpose of the proposed investment is to provide earnings, and hence involves a departure from the present open market policy of the system, which is dictated not by a need for earnings but by the system's obligations toward credit. Further, if the investment did indeed provide earnings, it would involve inflation; if it did not involve inflation, it would be futile. In either case, it involves investment by a Reserve bank in a larger amount of long-time securities than complete liquidity warrants.

First. The investment policy of the system is now and should remain entirely independent of the question of earnings.

This principle was discussed at length at the Governors' conference in May, and "it was the consensus of opinion that the open market operations of the system should be conducted independently of the question of earnings." (Secretary's summary, page 4). No further argument on the economic considerations leading to the adoption of this principle is necessary, except in view of the recent public discussions of the system's holdings of Government securities. These discussions have assumed that the Reserve banks are holding a large portfolio of Government securities in order to make earnings, and in so doing are competing with the normal functions of the member banks. If, as is not the fact, the reserve banks have accumulated their holdings of Government securities in furtherance of their obligations toward credit, such competition in the market as may have taken place, was purely incidental to the performance of a public duty, and was not competition in the ordinary business sense at all. If, on the other hand, the Reserve banks should not proceed to accumulate a large portfolio of Government bonds for purposes of making earnings, they would in fact be competing with the member banks in the full commercial meaning of the term. The embarrassment of such an admission at this time is obvious; it would be scarcely less so in the future, when discount rates rise and earnings increase, and demands reappear for interest on deposits; for it would be impossible to establish that the reserve banks consistently determine their discount and investment policy with an eye single toward credit, and not on earnings.

Second. If the proposed investment in Government bonds did increase earnings, it would involve inflation; if it did not involve inflation it would be futile.

The present capital and surplus of the reserve banks amount approximately to $333,000,000 and their holdings of Government bonds to about $41,000,000, thus leaving a margin for further investment of $292,000,000. At first glance there is warrant for investing a reserve bank's capital and surplus that does not exist with respect to other reserve bank funds, since capital and surplus represent (a) dividend-bearing obligations held by the member banks, and (b) the residue of reserve bank earnings. Granted that this is so, there are already resources of the Reserve banks which are partial offsets to capital and surplus, notably the item "bank premises" which amounts to $60,000,000; and in some banks slow and overdue loans. These items should, on accounting principles, reduce the amount available for investment, but the remainder would still be large.

The controlling principle in this case, however, is not that of accounting but of credit responsibility. Any investment made by the Reserve banks on their own initiative which is not offset by a corresponding reduction in earning assets elsewhere or by an equivalent export of gold forces expansion, and this expansion is inflation in a more or less mild form. If the reserve banks should now begin gradually to accumulate a portfolio of $292,000,000 or any fraction of that sum in Government bonds, and if that accumulation should not be offset by reductions elsewhere, an expansion of member bank loans and deposits would follow to an amount several times the amount of Government bonds purchased. If, on the other hand, the purchases should be offset by reductions in other assets accounts, and inflation be avoided, the reserve banks would receive no additional earnings, save as the bonds purchased might have a yielddifferent from the assets relinquished . Hence, the result of the action would be either inflation of futility.

The foregoing holds true even if only a few reserve banks adopt the proposal. If investment by those banks involves an increase in their earning assets and hence of their earnings, that increase will be at the expense of other Federal reserve banks or else inflation must result.

Third. The proposal contemplates investment in a larger amount of long-time securities than complete liquidity warrants.

More than half of the securities purchased through t he open market committee and now held by the banks, mature within eleven months; the two nearest maturities, those of December 1924, and March, 1925, are the heaviest of all, and the others are spread at short intervals through three years. This permits the reserve banks to avoid heavy sales of securities in case credit conditions make liquidation desirable. Quite the contrary would be the case if investments were to take the form of longer-term bonds. To the extent that any reserve bank makes such investments it limits its power to lend in emergency to member banks. Making l rge investments in bonds at times like the present is commonly the subject of criticism when followed by member banks, and usually involves the sale of bonds on a falling market or the writing off of losses as values decline. In any case, it is contrary to principles governing banks of issue.

The proposal has no merits to recommend it and is a compromise with sound principle. If it produced earnings, it would produce inflation, and without inflation it would produce no earnings.

(The third argument is by Mr. Curtiss of the Federal Reserve Bank of Boston and is as follows:

Federal Reserve Bank of Boston

Financial Statistics Division.

1. The advisability of a Federal reserve bank investing an amount equal to capital and surplus in government bonds for earning purposes.

Below is a tabulation of the earnings accruing at the rate of two per cent, three per cent and four per cent on amounts equal to the combined capital and surplus of each Federal reserve bank as of October 8, 1924. For comparative purposes, columns are also given showing the current expenses, the charge-offs for reserves and the dividends paid by each bank during the calendar year 1923.

Page 45-46 missing from re, rt

$540,000,000 in such investments. If to this figure were added the $333,000,000 equivalent to the total capital and surplus as shown above, the banks would hold about $860,000,000 of short-dated government securities. This is something under one-fifth of the total supply of such securities which now amounts to about $4,5000,000,000.

In conclusion, it appears that the weight of evidence is distinctly against the advisability of investing an amount equal to capital and surplus in government bonds for earning purposes.

#2

333
333.-b-1

December 8, 1924.

Dear Mr. Burgess:

Receipt is acknowledged of your letter of December 5th and you are advised that it will be satisfactory to the Board for you to continue, as in the past, to report other Federal Reserve banks' purchases of bills by maturities and by rates in the aggregate for each week, but to segregate purchases for the Federal Reserve Bank of New York by days.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank,
New York, N.Y.

Prepared by [illegible]

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date December 8, 1924.

To All Members of the Board

Subject:

From Mr. Eddy

333.-01

333.-61

Reserve Ratios

12/3/24 Ed 12/8/24

There is attached hereto, for the information of the members, letter from the Secretary of the Open Market Investment Committee, transmitting a schedule showing the revised ratios of participation of Federal reserve banks during December in System purchases of Government securities and bankers acceptances.

Mr. Miller
Mr. Platt
Mr. Cunningham

Members, Committee on Discount and Open Market Policy

Governor Crissinger
Mr. Hamlin
Mr. James

333-b-1

December 8, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of December 3rd enclosing schedule showing the revised ratios of participation of Federal reserve banks during December in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Open Market Investment Committee as of the close of business November 30, 1924.

Your letter will be brought to the attention of the members of the Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date December 8, 1924.

To All Members of the Board

Subject:

From Mr. Eddy

Regular Ratios

12/3/24 Ed 12/8/24

333.-1
333.-b1

There is attached hereto, for the information of the members, letter from the Secretary of the Open Market Investment Committee, transmitting a schedule showing the revised ratios of participation of Federal reserve banks during December in System purchases of Government securities and bankers acceptances.

Mr. Miller
Mr. Platt
Mr. Cunningham

Members, Committee on Discount and Open Market Policy

Governor Crissinger
Mr. Hamlin
Mr. James

333.3

FEDERAL RESERVE BANK

OF NEW YORK

December 5, 1924.

Mr. Walter L. Eddy,
Secretary, Federal Reserve Board,
Washington, D. C.

Dear Mr. Eddy:

This note is to save a telephone call, as we seem to have difficulty in getting connected. We have been going over carefully the subject of your letter of November ~~26~~ 25 to Mr. Matteson, although things have been boiling here so that it has been difficult to attend to these matters promptly.

I have already talked the problem over somewhat with Mr. Stewart. In order to inaugurate the complete report of maturities and rates of purchases each day by all Federal Reserve Banks, it would be necessary for us to arrange a three to five hundred-word telegram from each bank to us each week. This would, of course, seriously clog the wires and entail a considerable amount of extra labor. It would mean adding four or five extra pages to our open market investment report. The information, moreover, is now contained in the schedule of purchases which each bank sends to the Federal Reserve Board daily. Moreover, the daily statement of condition of each bank shows the holdings of bills by maturities.

My suggestion would be that for other Federal Reserve Banks we continue as in the past to report their purchases of bills by maturities and by rates in the aggregate for each week, but that for the Federal Reserve Bank of New York we segregate our day's purchases since a large proportion of all purchases is

see ans 12/8/24

made in New York. This will give the Board the trend of the market and further details can be obtained from the schedules as they come through. We are making out our open market investment report today on this basis, and I trust it will be satisfactory. If it is not I should be glad if you would telephone me and we will undertake to collect the figures from the other Reserve Banks by wire for the report next week.

I understand that the second paragraph of your letter is taken care of by our daily telegram.

Very truly yours,

W. Randolph Burgess

W. RANDOLPH BURGESS
Assistant Federal Reserve Agent.

Gov Miller

OK

I would N.Y.
recommend
Dept. maturities
bills purchased for
joint a/c account
as per attached
letter
Edg

COPY

333.-f 1

FEDERAL RESERVE BANK

of NEW YORK

December 5, 1924.

My dear Governor:

I am sending out notices calling the meeting of the Open Market Committee on Investments for Wednesday, the 17th instant, with a warning to the members of the Committee that it will be highly desirable for them to make plans to stay over the 18th also.

It is impossible as yet, and probably will not be possible any time to forecast exactly when the money market effect of all the transactions of the 15th of December will be felt in New York. Mr. Case and I agree, however, that probably the 17th and 18th will be the best time for observation.

I hope that you can arrange to attend the meeting. I also understand informally that it was your expectation to have Dr. Stewart come over the same time and hope that he will do so.

In connection with the policy of the bank in its relation to the money market, it is necessary to bear in mind that what we do must be matched in with a very large volume of transactions which we are now conducting for the Treasury. They are making some very large sales and counter purchases. Mr. Winston understands quite fully what our attitude is toward the market, and is so arranging his operations that they will coordinate with ours, and I regard the whole affair as being in excellent shape.

The market is being swept bare of short maturities of Government obligations in connection with the refunding loan. This is leaving a vacuum, which we expect will result in a good distribution of bills through the hands of the dealers. On the other hand, we must be careful that money rates do not stiffen to such a point that this market is lost, as bills will not distribute satisfactorily if rates on the Stock Ex-

orig. filed 333.31

C O P Y

Honorable D. R. Crissinger 12/5/24.

change are too high in relation to the rates at which bills are selling.

The situation is one that requires management and, as I explained to you over the telephone yesterday, we must be prepared to sell some of our March maturities at any time there is to be an over supply of funds in the market, but later on it may be necessary for us to be buyers of some of the short maturities in case the amount of money taken out of the market has the effect of running up the rate for bills too rapidly. It is, in fact, a situation which requires watching from day to day very carefully.

Very truly yours,

BENJ. STRONG
Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Form No. 131.

Office Correspc .el :e

FEDERAL RESERVE BOARD

333-f-1

Date December 4, 1924.

To Federal Reserve Board

Subject:

From Mr. Eddy

2—8495

The recent conference of Federal Reserve Agents considered the following topic:

"Advisability of a Federal reserve bank investing an amount equal to capital and surplus in Government bonds for earning purposes."

The following committee report was unanimously adopted:

"The committee believes that the System should not change its investment policy any more than it should change its policy in regard to services and other operative matters, because of temporary changes in credit conditions. The policy of the System has not been to invest in long time Government bonds to any extent, although the matter has been discussed many times. The committee moreover believes that in view of the present cheapness of credit and consequent high quotations for bonds, the present is not an opportune time to make such an investment even if, as a matter of policy, it was considered desirable."

See 11-28-25

See 6-26 & 6-30-24

Docket 8. Hibt Board ...

FEDERAL RESERVE BANK

OF NEW YORK

333.-Fb-1

RECEIVED
1924
OFFICE OF
GOVERNOR

December 3, 1924

Sir:

I am enclosing a schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Committee as of the close of business November 30, 1924.

These ratios are to apply on all purchases made during the month of December.

Respectfully,

W. B. Matteson
C.

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Enclosure

Ordered Circulated

DEC 6 - 1924

see ans 12/8/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF NOVEMBER 30, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan.1 - Nov.30/24	Estimated Gross Earnings Dec. 1 - Dec. 31/24 Based on Earning Assets Held Nov. 30 Remaining Unchanged	Total Net Earnings Jan.1/24-Nov.30/24 and Gross Earnings Dec.1/24-Dec.31/24	Estimated Expenses Dec.1/24-Dec.31/24 Including Dividends	Estimated Charge-offs for 1 9 2 4	Total Estimated Expenses Including Dividends Dec.1/24-Dec.31/24 and Charge-offs for year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation
Boston	$ 8,900	$ 244,594	$ 253,494	$ 192,155	$ 134,047	$ 326,202	$ 72,708-	2%
New York	391,938*	830,000	438,062	777,000	771,000	1,548,000	1,109,938-	26%
Philadelphia	109,234	226,000	335,234	242,000	38,000	280,000	55,234+	0
Cleveland	181,000	323,000	504,000	288,000	770,000	1,058,000	554,000-	13%
Richmond	350,000	107,000	457,000	165,000	190,000	355,000	102,000+	0
Atlanta	404,907	123,344	528,251	119,824	459,066	578,890	50,639-	1%
Chicago	221,286	420,495	641,781	406,921	657,196	1,064,117	422,336-	10%
St Louis	30,413*	123,000	92,587	186,000	316,000	502,000	409,413-	10%
Minneapolis	224,477	109,055	333,532	163,213	91,180	254,393	79,139+	0
Kansas City	99,300	174,000	273,300	177,000	359,700	536,700	263,400-	6%
Dallas	580,307	131,000	711,307	132,661	1,042,241	1,174,902	463,595-	11%
San Francisco	100,000*	274,000	174,000	272,000	777,000	1,049,000	875,000-	21%
Totals	$1,657,060	$3,085,488	$4,742,548	$3,121,774	$5,605,430	$8,727,204	$4,221,029-	100%

* Expenses exceed earnings.

Form No. 131.

Office Correspc ,e

FEDERAL RESERVE BOARD

Date November 28, 1924.

To The Federal Reserve Board,

Subject: 333.-6-1

From Mr. Eddy.

The Federal Reserve Board submitted the following topic to the recent Governors' Conference:

"The advisability of a Federal Reserve Bank investing an amount equal to capital and surplus in Government bonds for earning purposes."

After a lengthy discussion of the principles and practical questions involved, Governor Norris made the following motion:

"That it is the sense of the conference that there is no objection in principle to the investment by Federal reserve banks in long time Government obligations of so much of their capital and surplus as is not represented by buildings or other fixed investments."

This motion was lost by a vote of six to six, the Governors recording themselves as follows:

"Aye" - Wellborn, McDougal, Young, Norris, Bailey and Harding.
"No" - Strong, McKinney, Biggs, Fancher, Calkins and Seay.

There is attached hereto stenographic report of the conference discussion on the above topic.

File 6-26-24
6-30-24

Governors' Conference discussion of Topic I. D., suggested by the Federal Reserve Board:

"The advisability of a Federal Reserve Bank investing an amount equal to capital and surplus in Government bonds for earning purposes."

The Chairman: 1-(c) is withdrawn. I would like to call your attention to this in connection with the suggestion of sub-topic (b), obviously, the proposal to invest an amount equal to capitd and surplus in long time government bonds is based upon the theory that capital and surplus are notsubject to the same rules as to liquidity as apply to assets arising from deposits. The capital and surplus of the Federal Reserve System today is $333,000,000, or thereabouts. Of that $333,000,000 some $41,000,000 is already invested in long time bonds, which would reduce the free capital and surplus to $292,000,000. Of that $292,000,000 $60,000,000 is invested in buildings, which would reduce it to $232,000,000. Of that $232,000,000, I assume that certain of the reserve banks have certain more or less fixed assets, as the result of the period which we have just been through, which could be considered more or less permanent investments of capital and surplus. That amount is undetermined. So that it is not $333,000,000 that is being considered on that thiery, but it is some sum possibly in excess of $200,000,000 or thereabouts.

Governor Norris: As it is stated here it would be the whole $333,000,000 because the topic does not make any exception at all.

The Chairman: No, it does not. I am just discussing certain aspects of it.

Governor Wellborn: How would it be to invest the surplus in Government bonds?

The Chairman: I hesitate to express any very strong opinion, because we have no intention of doing that in New

York.

Governor Seay: I thought it was recognized that no part of the reserves of the Federal Reserve Bank should be invested purely for the purpose of income; that the whole matter of the use of Federal Reserve Bank resources was controlled by a much broader principle than that, in fact the principle which governs the actions of the Open Market Investment Committee. I think the two are very closely allied, and the very statement of this question I think is a negation of the principle.

Governor Wellborn: My idea is that the banks have to pay their dividends out of surplus.

Governor Seay: I think it must be remembered that this is intimately connected with open market operations and we are on record as having given voice to the conviction that no part of the operations of the Open Market Investment Committee should be undertaken purely for the purposes of revenue.

Governor McDougal: That applies, I think, Governor Seay, entirely to the special fund.

Governor Seay: I believe, Mr. Chairman, that it ought to apply fundamentally to all investments of Federal reserve banks.

The Chairman: Perhaps so, but it does not.

Governor McKinney: In other words, when we inject two hundred millions of our resources into the money market, it has the same effect whether contributed to us by the member banks as capital, or whether it is deposits---

Governor Seay: Whether it is capital and surplus or deposits, it amounts to the same thing.

Governor Calkins: This is a matter that could not be determined except by reference to the boards of directors of the various reserve banks. It is impossible for me to say what the view of the directors of the San Francisco Bank would be, except to say that I should personally at the present time be very rigidly opposed to any such proposal, and I have no doubt that they would be.

Governor Seay: I would like to ask what we would do with our discounted paper when it had accumulated in volume, and when we had an abundance of earning assets independent of that portion of our resources which was invested in Government securities? Would we sell them?

Governor Norris: I should think so.

The Chairman: We would realize a good fat loss if we did.

Governor McDougal: May I inquite who put this topic on the program?

The Chairman: The board.

Governor McDougal: In respect to the subject, I think it should be considered that the Federal Reserve System has taken on obligations in the form of services which we have voluntarily extended to our member banks, the cost of which represents a very large proportion of the cost of operating the reserve banks. It seems to me that the Federal reserve banks cannot be expected to be a medium through which the member banks will borrow, excepting in times of seasonal or unusual requirements, and in emergencies great and small, and it seems to me that as a matter of prudence it would be advisable for the Federal Reserve Banks to lay in a reasonable supply of assets of this sort for earning purposes. I am not intending to say that it should be an amount equal to the capital or the capital and surplus, but a backlog upon which we could depend for an income during a long period of lean earnings which these banks can look forward to.

The Chairman: But would you do that now?

Governor McDougal: Not at present, no. I would do it as the opportunity arises. Two or three months ago our Board passed a resolution under which it was decided that instead of immediately marketing all of any one specific issue of bonds that came to us from member banks in amounts of five, ten thousand, or larger, that we would retain those. We are doing it and have been doing it for this purpose. We are one of the banks I think Governor Strong has in mind, and there are others that have been doing the same thing. We have accumulated I think seven or eight million dollars over that period of time of that class of securities for that purpose, and we think we are perfectly justified in doing so.

Governor Young: Minneapolis is the worst offender in that respect on this question of buying long time bonds. That came about for a number of reasons. Two or three years ago we anticipated the time would dome when our member banks would not borrow a great deal of money from us. We appeared before this conference several times and tried to eliminate certain gratuitous services that we had been performing. We realized that there was a large expense that we could not cut down. We felt that it was good commercial banking to invest the capital and surplus in long time assets, that is, your capital and surplus that you perhaps would never be called upon to pay, so that we have purchased seven million dollars worth of long time government bonds and it has been a nice source of income.

At that time you will recall that all the other Federal reserve banks were bidding against each other to buy short time government obligations. In fact we got so much in the System that the Secretary of the Treasury requested us to sell some of them. Minneapolis did not participate in that, but bought long time bonds in preference to short time bonds and we have quite a handsome profit inthose bonds at the present time. I do not believe that our people would go into this market and buy those bonds. We have made a profit. They have earned us better than 4¼ per cent. If we were forced to sell them this year we would just have to turn the money over to the Government. If we can go along until next year perhaps we could sell them and use those profits to advantage. It may be bad Federal reserve banking and financing, I do not know, but I think it was good commercial bank financing.

Governor McKinney: Will you not have to readjust the value of those bonds at the end of this calendar year, in accordance with the Board's program?

Governor Young: I did not intend to take that up with this conference. I intended to see the Board about that myself. If we do we will sell them. I would not put those on the books at the present values.

Governor Norris: I will offer a resolution that it is the sense of this conference that there is no objection in principle to the investment by reserve banks in long time government bonds of such of their capital and surplus as is not represented by buildings or other fixed investments.

Governor Young: I will second that motion.

Governor Wellborn: I will second it.

Governor Seay: I have been unable to adopt the view that any portion of the resources of reserve banks should be invested with a view to permanency. I believe it is inconsistent with the usage of reserves.

Governor McKinney: I concur with Governor Seay's views on that.

Governor Seay: It is my conviction that we are all---

some of us at least--- at least bit to hasty in reaching the conclusion that the ordinary demands upon the reserve banks will not be sufficient to give them an earning power. There have been enumerated here today a number of factors which are gradually making for a higher money rate and a greater activity in the money market and a greater demand upon the Federal reserve banks. We are never able to anticipate that and because of that fact I think the investment of any part of the resources of the reserve banks with a view to permanency is positively inconsistent with reserve banking principles.

The Chairman: Is there any further discussion?

Governor Norris: Mr. Chairman, this is a topic that Mr. Austin, our Chairman, has always been very much interested in. When it was put on this program I asked him to put his views in writing, which he did, and I would like to read from his memorandum.

"In considering this matter, disposition first should be maee to the broader question as to whther or not a Federal reserve bank should make investments for income purposes, when such investments do not seem to be required by the demands of trade. This question has been touched on from time to time at our conferences, but the attitude of the Federal Reserve Board and the officers of the banks, as far as the wroter knows, never has been accurately ascertained. Proponents of the theory that Federal reserve banks should not put money into the market unless the market needs it, or at least can take it without causing disturbance, hold the opinion that at such times the Federal reserve banks should run at a loss rather than make earnings through such investments. But it is believed that it will be found that a large majority feel that the Federal reserve banks were organized to be self-supporting--- that the reductions in the reserve requirements of member banks, and other measures, are amply sufficient to compensate them for the slight competition they might meet from the Federal reserve banks,-- that generally speaking, business will absorb, without material disturbance, the amount of funds the Federal reserve banks will have to invest to make sufficient earnings to cover their expenses,-- that it would be a great menace to the continuance of the System should the banks not be able to support themselves, - and that there would hardly ever be a time when the latter would be justified in refraining from maintaining sufficient earning assets to pay expenses and dividends.

"Believing then that a majority of this body feels that Federal reserve banks should carry sufficient earning assets to meet their expense, dividend and surplus requirements, the question arises - 'Why should not a reasonable part of such earning assets consist of Government bonds?" Because we have not been investing in Government bonds, one is inclined to ask - "What is the matter with them?" The security is unquestioned, the income larger than that from other Government obligations, or from bankers bills; they are flexible, and, for strategic purposes just as good.

This question before us is the same as the one submitted to the Board some three years ago when the financial conditions existing today were plainly foreseen. The suggestion that Federal reserve banks be allowed to invest in Liberty bonds and Victory notes for income purposes was not approved, but investments in United States notes and Certificates of Indebtedness were permitted. The Federal Advisory Council, to which the question of investments of Federal reserve banks was referred in the spring of 1922, said:-

"'While the council believes at the same time that the Fed ral 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 cannot avoid at this time, for the reasons 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 amounts to approximately $300,000,000, the Council does not feel that there is just cause to criticise 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.'

"Why this distinction was made, never has been convincingly explained. It is not unlikely that the attitude towards Government bonds was due to the unsatisfactory condition of the bond market that had existed up to that time. The great war issues had not been digested; member banks and Federal reserve banks were carrying as collateral security for loans hundreds of millions of them which had beenbought, not for investment purposes, but from patriotic motives, and the banks were most anxious to get rid of them. Securities, floated in such a way, would not be looked upon favorably by bankers and this professional attitude of the bankers toward investments was allowed to affect their thinking even about Government bonds. The Government bond market hasso changed that it is doubtful if the same attitude would be taken today, as no one seriously can say that the bonds of our Government do not provide the safest investment that can be made. They have a broader market, can be sold at any time in any kind of a money market with less fluctuations in price than any other security, and as far as our operations for sabilizing the money market may go, they prodide better instruments than any other investment.

"Had investments in Government bonds been permitted at the time the suggestion was made no disturbance of the money market would have resulted. The reserve banks undoubtedly would have been sold the bonds which they already were holding as security for loans to member banks. Thus the borrowings of member banks would have been more speedily liquidated; earning investments of Federal reserve banks would not have been increased; the Government bond market would have been stabilized; the banks would have had an assured income, and would not have been so constantly in the market for bills and Government short-term investments. It is surprising now to think that any opposition was offered to such investments.

"Shortly after their organization the Federal reserve banks made large purchases of United States bonds for income purposes. The Federal Reserve Act provided that Federal reserve banks should purchase from member banks at par United States 2 per cent bonds, which bonds might be exchanged 50 per cent for 30-year 3 per cent bonds and 50 per cent for one year 3 per cent notes, subject to 30 renewals. This provision of the Act appears to be a clear approval of the investment by reserve banks in United

States bonds.

"A study of the charters and operations of the Banks of England, France, Belgium, Holland, Sweden and Japan shows that all are authorized to hold Government securities; that some are required to invest all or a part of their capital and surplus in the loans of their respective governments; and that all carry large amounts of them.

"The above statements are sufficient to show that Federal reserve banks did invest in Government bonds, and that, under certain circumstances, they were required to do so; that it is a proper policy, and one followed by the central banks of the nations of the world.

"The average price of United States 4¼$ bonds is about 102. Were the capital and surplus of the Federal reserve banks, amounting to $333,000,000 invested in those bonds at that average price, the income would amount to $13,875,000. To produce an equal income, it would require an investment of $616,000,000 in bankers bills at the rate they are returning today, or an investment of $542,000,000 in United States Certificates of Indebtedness. Thus a conservation of resources amounting to $283,000,000 could be made by investing in bonds instead of Certificates of Indebtedness.

"About 18 months ago, in carrying out the investment policy of the banks, we sold at quite a loss some of our holdings of U. S. Certificates of Indebtedness, and also reduced our holdings of bankers' bills, presumably because money was so abundant that it was considered unwise for Federal reserve banks to contribute funds to the market when the apparent demand for them was so small. Some months later, when apparently there was a less demand for funds, the investment policy was changed, and it was decided to buy for the banks $300,000,000 of Treasury bills. Following that by a few months, when still the money market failed to show any improvement, a further increase in the amount of Treasury bills to be purchased was agreed upon. The combined statements of the Federal reserve banks show that discounts had declined from $884,000,000 on October 31, 1923, to $401,000,000, on June 4, 1924, and the increase in the purchases of Treasury notes and Certificates may have been made to offset this decline in the holdings of discounted bills. While the advisability of purchases in the open market to maintain the earning assets of the banks was recognized, some thing that Government bonds would have been a better purchase. But it would seem that this policy of making any purchases during these periods is a distinct reversal of the policy according to which several of the banks a few months prior had been compelled to seall securities.

"Without a doubt, it would be unwise at once to make large investments in Government bonds, but it would seem to be sound to refrain from further buying of Certificates of Indebtedness, and as funds are released from them, to reinvest those funds in bonds. Should there be any opportunities to make additional investments in bonds, advantage should be taken of them up to a reasonable extent."

Governor Norris: I think there is a good deal in that. I think there is no doubt about the fact that our original purchases of government bonds and certificates were made for earning purposes, and if we are going to carry any government securities at all for earning purposes, it would seem to me to be wiser to deal in the larger market than in the smaller market, and to buy securities which we do not have to be continually replacing.

The Chairman: Governor Norris, the precedents cited there, I think are liable to be misleading if you do not go a little bit underneath the surface. In the case of the Bank of England, a charter to the Bank of England was granted upon the condition that the bank would make the loan to the British Government and the increment of some part of the public debt now owned by the Bank of England has been due to an operation of a system of retirement of (notes ?) (private banks) of private banks which has resulted, just as it would have resulted in the case of the Federal Reserve System if we had taken over the national bank notes.

In the case of the Bank of France, when Napoleon granted a charter to the Bank of France he did it in return for a Government loan, which is a statutory loan, and that loan has always been carried since then.

When the Mikado made a decree establishing the Bank of Japan, that was done upon the basis of a loan to the Government by the Bank of Japan without interest. It is a statutory loan and was mase for the purpose of facilitating the ultimate retirement of the national bank note circulation that took the place of the Shogun notes.

The situation in Germany, which I cannot describe in detail, is very much the same. All of these large holdings of government bonds by the banks of issue originated at the time of the establishment of the bank, because the government made a bargain with the proprietors of private banks to grant a charter in exchange for a loan, and those banks, except as the result of war emergencies, are not large buyers of Government bonds in the markets at all. The Bank of France is inflicted with an enormous volume of government loans, which were imposed upon it as the result of the war, and as you know, the entire surplus of the earnings of the Bank of France are now appropriated to reducing that debt just as fast as they can. Therefore, I think the precedent, when you analyze it, in the history of these banks is quite the other way. It is not a subject that I put on the program, and I have no strong feeling about it, but as long as it was under discussion, I wanted to present that view of it.

Governor Seay: The banks you refer to are not essentially what you might term reserve banks.

The Chairman: Are you ready for the question on

212

Governor Norris' motion?

(The motion, having been duly seconded, was lost, six voting in favor of it, and six voting no.)

Dr Miller's memo

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November 25, 1924.

Dear Mr. Matteson:

Confirming my statement to you over the telephone on November 20th, you are advised that I have been instructed by the Federal Reserve Board to request that in the Open Market Investment Committee's weekly report of transactions in government securities and bankers acceptances you show for each day during the period covered by the report the actual amounts of different maturities of bills purchased and the actual rates at which they were obtained.

I was also instructed to ask that the daily letters of the Federal Reserve Bank of New York, copies of which we receive here regularly, show the amounts of the various maturities of acceptances purchased by the Federal Reserve bank and the rate on each maturity.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary
Open Market Investment Committee,
C/o Federal Reserve Bank,
New York, N.Y.

see ans 12/5/24

November 20, 1924 333.-b-1

Mr. Miller then called attention to the sharp increase in the holdings of bankers acceptances purchased through the Open Market Investment Committee and stated that in his opinion the Federal Reserve buying rate on these acceptances may be too low. 11-20-24

Thereupon it was voted that the weekly reports of the Open Market Investment Committee and the daily letters of the Federal Reserve Bank of New York include hereafter the actual rates at which acceptances of different maturities have been bought.

CONFIDENTIAL

FEDERAL RESERVE BANK

OF NEW YORK

333-b-1

November 19, 1924.

Federal Reserve Board,

Washington, D. C.

S i r s :

LOANS AND INVESTMENTS: Accompanying evidences of a continuance of slightly firmer conditions in the money markets, our total earning assets advanced $27,300,000 today and at $320,200,000 are the highest since November 10 and about $31,000,000 higher than November 12, last previous reporting date.

The gain today resulted from an increase in loans to member banks of $21,000,000 and an increase in bills purchased outright of $6,900,000, following the slightly firmer conditions in the bill market. Bills held under sales contracts decreased slightly, however. The increase in bills purchased outright reflected new purchases of $10,200,000, which were partly offset by maturities of $1,600,000 and deliveries to other banks of $1,700,000 held overnight in our account. Of today's new purchases, $5,800,000 are for deliveryto other banks tomorrow. A summary of our earning assets follows:

	Millions of Dollars		
		Change from	
	Today	Yesterday	Nov. 12
Bills discounted	51.0	+ 21.0	+ 25.8
Bills held under sales contracts	3.1	- 0.6	- 12.7
Other bills purchased	78.9	+ 6.9	+ 17.9
Special investment account	186.1	0.0	0.0
Other investments	1.2	0.0	0.0
Total earning assets	320.3	+ 27.3	+ 31.0

The increase in loans to member banks today resulted chiefly the reopening of National City Bank's account in the amount of $21,000,000 and a further loan of $2,000,000 to the New York Trust Company, which now owes $4,000,000.

RESERVE RATIO: We appear to have lost $5,000,000 further to the interior today in ordinary commercial settlements, making a total loss in the past three days of about $45,000,000. Totalcash reserves declined $1,100,000 today but combined deposit and note liabilities increased $24,000,000, accompanying the rise of $27,000,000 in our earning assets today, so that our reserve ratio declined 1.6 points to 76.5 per cent, according to an early estimate tonight.

GOVERNMENT ACCOUNT: At $3,600,000, the Treasurer's balance with us shows practically no change as a result of today's operations. Check payments of $3,400,000, interest payments of $800,000, and mutilated currency shipments of $1,300,000 were offset by collections of $2,900,000, new money received $600,000, and a transfer of $2,000,000 from Philadelphia.

STREET LOANS: (The following information is reported to this bank in confidence and should not be quoted.) Notwithstanding the continued activity on the stock exchange, total street loans which daily reporting banks in New York City have outstanding for their own account and for correspondents declined in the first two days of the week about $40,000,000 from the high record figure reached last Saturday. As loans for their own accounts remain practically unchanged, this decline has been due almost entirely to a reduction in loans for the account of correspondents, following the loss to the interior during this period of about $40,000,000 in ordinary commercial settlements.

MONEY MARKET: Accompanying the loss of funds to the interior, aggregating about $45,000,000 in the past three days, money conditions in New York have been slightly firmer. Stock exchange call money opened and renewed today at 2 1/2 per cent. and continued unchanged throughout the day. The demand continued active and the total volume of new loans placed was substantially above the usual daily requirements. Outside the exchange a moderate amount of money was placed at the prevailing rate. Following the recent period of activity, the time money market was quiet and rates were unchanged.

Commercial paper dealers report a moderately active market with a scarcity of good named paper. Rates were generally steady at the somewhat higher levels reached last week. The bank acceptance market was quiet and rates were unchanged, several dealers continuing to bid 2 3/4 per cent. for 90 day bills but all dealers, offering this maturity at 2 1/2 per cent. Short term Government securities continue to be freely offered with moderate declines in prices and corresponding rise in yields. A summary of money rates follows:

3. Federal Reserve Board, Washington, D. C. 11/19/24

	Today	Yesterday	Week Ago
Call money, renewal	2.50	2	2
Call money, new loans, average	2.50	2.42	2
Time money, 61-90 days, offer	2 3/4 - 3 1/4	2 3/4 - 3 1/4	3 1/4 - 3 1/2
Commercial paper, prime	3 1/4 - 3 1/2	3 1/4 - 3 1/2	3 1/4
Bills, 90 days, offer	2 1/2	2 1/2	2 1/4
U. S. Sec. - Mar. 1925, yield	2.66	2.63	2.58
U. S. Sec. - Sept. 1925, yield	2.82	2.78	2.74
U. S. Sec. - Sept. 1926, yield	3.49	3.48	3.46

BOND MARKET: Railroad bonds continued to be the most active element of the bond market, but price movements were irregular, fractional declines appearing in a number of issues that have recently shown substantial gains. Public utility and industrial issues were generally steady, and the foreign list held practically unchanged. The volume of trading was the largest in a week, sales on the Exchange totaling $20,000,000. Liberty bonds were firmer, as the following summary of sales shows. Decimals express 32nds:

Sales in Thousands		Issue	Closing Prices Yesterday	Closing Prices Today	Gain Today	Gain since January 1
162		3 1/2s	100.16	100.18	.2	1.12
154	1st	4 1/4s	101.18	101.21	.3	3.12
490	2nd	4 1/4s	101.2	101.3	.1	2.28
645	3rd	4 1/4s	101.11	101.16	.5	2.6
1661	4th	4 1/4s	101.30	102.2	.4	3.22
178	Treasury	4 1/4s	105.12	105.18	.6	6.8

STOCK MARKET: Stock sales reached the largest volume of the year today, sales totaling 2,450,000 shares. A strong advance in prices continued in early trading, but around noon heavy selling appeared that caused reactions in a number of leading stocks, with no substantial recovery before the close. A few stocks again showed substantial net gains, but the Dow-Jones averages below show declines for both industrials and rails.

	Today	Change from Yesterday	1924 High	1924 Low	1923 High	1923 Low
20 railroads	95.26	- 0.34	95.60	79.98	90.63	76.78
20 industrials	110.24	- 0.49	110.73	88.33	105.33	85.76

FOREIGN EXCHANGES: Sterling showed a slight reaction today, but other European rates were firmer. Little change appeared in South American and Far-eastern rates, with the exception of the Argentine rate which advanced 90 points to a new high for the year. Closing cable rates in New York were:

4. Federal Reserve Board, Washington, D. C. 11/19/24

	Par	Yesterday	Today
London	$4.865	$4.63375	$4.6275
Paris	.1930	.0523	.05245
Belgium	.1930	.0481	.0482
Italy	.1930	.043275	.0433
Holland	.4020	.4015	.4016
Germany	.2380	.2380	.2380
Rio de Janeiro	.3244	.1188	.1180
Buenos Aires	.9643	.8606	.8696
Yokohama	.4935	.385625	.38625
Shanghai		.76375	.7650
Calcutta	.4866	.3450	.34375
Canada (check)	1.00	.99 63/64	.99 63/64

COMMODITY MARKETS: Cotton was quiet and but little changed in price through most of the day, but a moderate decline occurred in late trading that left net losses of 11 to 20 points for the day. New York spot was 15 points lower at 24.35 cents. Price movements were irregular in the grain market, December wheat showing a met decline of 1 3/8 cents to $1.51 3/4, while corn advanced 2 3/8 cents further to $1.18 1/8. Copper is said to have been less active since the price was advanced to 14 cents, and a few concessions were reported. Prices of both raw and refined sugar were steady, and a fair volume of business was reported. Crude rubber was quoted 1/8 lower at 33 3/4 cents.

IRON AND STEEL: Pig iron prices were advanced 50 cents to $2.00 a ton during the past week and steel prices were raised in a number of cases. It is said, however, that the substantial volume of orders recently reported was placed at the prices prevailing before the advance. Pig iron sabs for the week totaled 450,000 tons; structural steel orders totaled 45,000 tons - the largest in two months; railroad buying included 40,000 tons of rails and over 4,000 cars. Mill operations in the vicinity of Pittsburgh are estimated at 65 per cent. of capacity, compared with 60 per cent. in the previous week, and several more blast furnaces were blown in.

Respectfully,

W. Randolph Burgess,
Assistant Federal Reserve Agent.

WRB/CA

#2

~~333~~
333-6

Executive Folder
Date 11/10/24

November 10, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of November 7th, enclosing a schedule showing the revised ratios of participation of Federal reserve banks, during the month of November, in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Committee as of the close of business October 31, 1924.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

Ratios of participation

Executive Folder
Date 10-10-24

2 ~~FOR APPROVAL OF GOVERNORS and Return to~~

October 7, 1924.

333.-f.
333.-f.1

Dear Mr. Matteson:

Receipt is acknowledged of your letter of October 4th, enclosing schedule showing the revised ratios of participation of Federal reserve banks during the month of October in System purchases of Government securities and bankers acceptances, based on the earning requirements as reported to the Open Market Investment Committee as of the close of business September 30, 1924.

Your letter will be brought to the attention of the members of the Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

M

Crissinger

333.-f-1

FEDERAL RESERVE BANK

OF NEW YORK

November 7, 1924.

S i r :

I am enclosing a schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Committee as of the close of business October 31, 1924.

These ratios are to apply on all purchases made during the month of November.

Respectfully,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated

Enclosure

NOV 10 1924

see ans 11/10/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF OCTOBER 31, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan.1 - Oct.31/24	Estimated Gross Earnings Nov. 1 - Dec. 31/24 Based on Earning Assets Held Oct. 31 Remaining Unchanged	Total Net Earnings Jan.1/24-Oct.31/24 and Gross Earnings Nov.1/24-Dec.31/24	Estimated Expenses Nov.1/24-Dec.31/24 Including Dividends	Estimated Charge-offs for 1924	Total Estimated Expenses Including Dividends Nov.1/24-Dec.31/24 and Charge-offs for year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participatio
Boston	* $ 27,177	$ 340,200	$ 313,023	$ 415,600	$ 137,047	$ 552,647	$ 239,624-	4%
New York	* 525,731	1,613,000	1,087,269	1,452,000	1,760,000	3,212,000	2,124,731-	37%
Philadelphia	115,992	378,000	493,992	481,000	35,000	516,000	22,008-	1%
Cleveland	143,500	568,000	711,500	564,500	770,000	1,334,500	623,000-	11%
Richmond	384,000	257,000	641,000	319,000	190,000	509,000	132,000+	0
Atlanta	421,159	230,602	651,761	255,301	414,934	670,235	18,474-	1%
Chicago	170,979	815,920	986,899	818,563	657,196	1,475,759	488,860-	9%
St. Louis	* 13,514	267,000	253,486	299,000	318,000	617,000	363,514-	6%
Minneapolis	223,997	240,300	464,297	284,816	91,180	375,996	88,301+	0
Kansas City	98,800	339,100	437,900	343,400	459,700	803,100	365,200-	6%
Dallas	545,862	260,000	805,862	265,374	1,042,241	1,307,615	501,753-	9%
San Francisco	* 95,000	526,000	431,000	548,000	781,000	1,329,000	898,000-	16%
Totals	$1,442,867	$5,835,122	$7,277,989	$6,046,554	$6,656,298	$12,702,852	$5,645,164-	100%

* Expenses exceed earnings

Oct 6
OFFICE OF
THE GOVERNOR

333.-b

FEDERAL RESERVE BANK
OF NEW YORK

Docket

CONFIDENTIAL

October 4, 1924.

S i r :

I am enclosing schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Committee as of the close of business September 30, 1924.

These ratios are to apply on purchases that may be made during the month of October.

Respectfully,

W B Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated

AT BO...
OCT 7 1924

Encl.

See ans 10/7/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF SEPTEMBER 30, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan.1 - Sept.30/24	Estimated Gross Earnings Oct. 1 - Dec.31/24 Based on Earning Assets Held Sept. 30 Remaining Unchanged	Total Net Earnings Jan.1/24-Sept.30/24 and Gross Earnings Oct.1/24-Dec.31/24	Estimated Expenses Oct.1/24-Dec.31/24 Including Dividends	Estimated Charge-offs for 1924	Total Estimated Expenses Including Dividends Oct.1/24-Dec.31/24 and Charge-offs for Year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation
Boston	$ x 8,592	$ 520,054	$ 511,462	$ 629,994	$ 137,047	$ 767,041	$ 255,579-	4%
New York	x 615,635	2,440,000	1,824,365	2,175,000	1,760,000	3,935,000	2,110,635-	34%
Philadelphia	153,000	462,000	615,000	732,000	35,000	767,000	152,000-	2%
Cleveland	137,500	740,500	878,000	861,000	770,000	1,631,000	753,000-	12%
Richmond	394,000	401,000	795,000	493,000	190,000	683,000	112,000+	0
Atlanta	433,626	325,126	758,752	384,459	408,527	792,986	34,234-	1%
Chicago	156,128	1,074,248	1,230,376	1,236,118	657,196	1,893,314	662,938-	11%
St. Louis	x 2,815	413,000	410,185	450,000	315,000	765,000	354,815-	6%
Minneapolis	208,779	403,729	612,508	398,080	91,180	489,260	123,248+	0
Kansas City	100,100	483,900	584,000	523,200	459,700	982,900	398,900-	7%
Dallas	547,018	389,665	936,683	395,203	1,042,242	1,437,445	500,762-	8%
San Francisco	x 56,000	771,000	715,000	835,000	786,000	1,621,000	906,000-	15%
T O T A L S	$1,447,109	$8,424,222	$9,871,331	$9,113,054	$6,651,892	$15,764,946	$6,128,863-	100%

xExpenses exceed earnings.

#2

~~332~~

~~9/5/24~~

332-6-1

September 5, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of September 4th, enclosing schedule showing revised ratios of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances during the month of September, which has been brought to the attention of the Federal Reserve Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N.Y.

Ack'd

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
1924
OFFICE OF
THE GOVERNOR

333.-B-1

September 4, 1924

Sir:

I am enclosing a schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities and bankers acceptances based on the earning requirements as reported to the Committee as of the close of business August 31, 1924. These ratios are to apply on all purchases made during the month of September.

Respectfully,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated

Enclosure (1)

see ans 9/5/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF AUGUST 31, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1 - Aug.31/24	Estimated Gross Earnings Sept.1 - Dec.31/24 Based on Earning Assets Held Aug. 31 Remaining Unchanged	Total Net Earnings Jan.1/24-Aug.31/24 and Gross Earnings Sept.1/24-Dec.31/24	Estimated Expenses Sept.1/24-Dec.31/24 Including Dividends	Estimated Charge-offs for 1924	Total Estimated Expenses Including Dividends Sept.1/24-Dec.31/24 and Charge-offs for Year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation
Boston	$ 6,837	$ 682,846	$ 689,683	$ 850,518	$ 142,048	$ 992,566	$ 302,883-	4%
New York	x640,091	2,780,000	2,139,909	2,904,000	1,760,000	4,664,000	2,524,091-	36%
Philadelphia	189,241	652,000	841,241	975,000	35,000	1,010,000	168,759-	2%
Cleveland	156,400	916,000	1,072,400	1,158,000	770,000	1,928,000	855,600-	12%
Richmond	397,000	526,000	923,000	658,000	180,000	838,000	85,000+	0
Atlanta	441,010	421,320	862,330	518,256	408,527	926,783	64,453-	1%
Chicago	152,113	1,362,594	1,514,707	1,662,735	657,197	2,319,932	805,225-	11%
St. Louis	5,689	473,000	478,689	598,000	315,000	913,000	434,311-	6%
Minneapolis	184,444	548,401	732,845	518,891	391,180	910,071	177,226-	3%
Kansas City	102,000	640,500	742,500	705,300	459,700	1,165,000	422,500-	6%
Dallas	525,775	649,808	1,175,583	506,977	1,042,242	1,549,219	373,636-	5%
San Francisco	x 36,000	952,000	916,000	1,109,000	809,000	1,918,000	1,002,000-	14%
	$1,484,418	$10,604,469	$12,088,887	$12,164,677	$6,969,894	$19,134,571	$7,130,684-	100%

x Expenses exceed earnings

#2

333.-F-1

~~333.1~~

8/14/24

August 14, 1924.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of the 8th instant, addressed to Governor Crissinger, enclosing a schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities based on the earning requirements as reported to the Committee as of the close of business July 31, 1924, which has been brought to the attention of the Board.

Very truly yours,

(Signed) J. C. Noell

J. C. Noell,
Assistant Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N.Y.

FEDERAL RESERVE BANK

OF NEW YORK

333-b-1

August 8, 1924.

Sir:

I am enclosing a schedule showing the revised ratios of participation of Federal reserve banks in System purchases of Government securities based on the earning requirements as reported to the Committee as of the close of business July 31, 1924.

These ratios are to apply on all purchases of Government securities made during the month of August.

Respectfully,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Encl.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

Ordered Circulated

see ans 8/14/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM PURCHASES OF GOVERNMENT SECURITIES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE AS OF THE CLOSE OF JULY 31, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends, Jan. 1 - July 31 1924	Estimated Gross Earnings Aug.1/24-Dec. 31/24 Based on Earning Assets Held July 31 Remaining Unchanged	Total Net Earnings Jan.1/24-July 31/24 and Gross Earnings Aug.1/24-Dec.31/24	Estimated Expenses Aug.1/24-Dec.31/24 Including Dividends	Estimated Charge-offs For 1924	Total Estimated Expenses Including Dividends, Aug.1/24-Dec.31/24 and Charge-offs for Year 1924	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation
Boston	$ 29,462	$ 810,318	$ 839,780	$ 1,065,870	$ 142,147	$ 1,208,017	$ 368,237 -	5%
New York	[x]567,943	3,156,000	2,588,057	3,625,000	1,760,000	5,385,000	2,796,943 -	37%
Philadelphia	209,207	846,000	1,055,207	1,209,000	17,000	1,226,000	170,793 -	2%
Cleveland	196,600	1,178,400	1,375,000	1,448,500	770,000	2,218,500	843,500 -	11%
Richmond	409,000	762,000	1,171,000	825,000	190,000	1,015,000	156,000 +	0
Atlanta	455,670	580,306	1,035,976	648,922	408,527	1,057,449	21,473 -	1%
Chicago	160,008	1,706,058	1,866,066	2,096,174	657,197	2,753,371	887,305 -	12%
St. Louis	33,455	522,000	555,455	747,850	315,000	1,062,850	507,395 -	7%
Minneapolis	148,430	704,500	852,930	628,399	391,180	1,019,579	166,649 -	2%
Kansas City	98,200	874,200	972,400	902,500	459,720	1,362,220	389,820 -	5%
Dallas	474,888	841,615	1,316,503	632,315	1,042,242	1,674,557	358,054 -	5%
San Francisco	27,000	1,269,000	1,296,000	1,416,000	842,000	2,258,000	962,000 -	13%
Total	$1,673,977	$13,250,397	$14,924,374	$15,245,530	$6,995,013	$22,240,543	$7,472,169 -	100%

[x]Expenses Exceed Earnings

Ruu ads memo to Mr Emly

2

~~333-1~~
333.-b1

July 30, 1924.

Dear Mr. Matteson:

I have discussed the question of the distribution among the Federal reserve banks of United States securities purchased by the Open Market Investment Committee with several members of the Board and believe that it will be the Board's policy for the present at least to express no opinion with reference to this matter. It is suggested therefore that you proceed as you have in the past and base your ratios of participation on figures furnished by the reserve banks.

With a view of having earnings figures of each Federal reserve bank properly recorded in the reports for the month of July, we would like very much to have you make the distribution of purchases made during July not later than tomorrow, the 31st. If this is not done we may have considerable difficulty in straightening out the reports and in getting the correct rate of earnings for publication in the Bulletins and in the Annual Report.

I regret very much that it was not possible to write you earlier with reference to this question, but it was impracticable to handle the matter any more expeditiously. As I stated over the telephone this morning to your assistant, Mr. Rounds and I discussed this subject quite thoroughly and he agrees with me that it would be advisible to have purchases already made distributed among the Federal reserve banks before the close of business on the 31st.

Very truly yours,

(Signed) E. L. Smead

E. L. Smead, Chief,
Division of Bank Operations.

Assistant Secretary
Files

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
Federal Reserve Bank,
New York, N. Y.

see letters 7/21/24 and 7/25/24

Holdings to $500,000,000

Statements minutes July 1924 meeting

333 /
333.-6-1

July 29, 1924.

Dear Governor Strong:

Receipt is acknowledged of your letter of July 18th, enclosing draft of the minutes of the meeting of the Open Market Investment Committee for the Federal Reserve System, held in Boston on July 16, 1924, and copy of a letter addressed by you to the Governors of the various Federal reserve banks, relative to action taken at the meeting.

Your letter and enclosures have been brought to the attention of the members of the Board, and at the meeting this morning, it was voted to approve the recommendation of the Open Market Investment Committee that the open market holdings of the Federal reserve banks be increased from $400,000,000 to $500,000,000. The Board desires, however, that in carrying through this program all effort be made to avoid any disturbance of the money market.

Action on the suggestion of the Committee that the Federal reserve banks' holdings be further increased to $600,000,000 was deferred.

Very truly yours,

(Signed) D. R. Crissinger.

Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N.Y.

Prepared by MD

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

333.-b-1

OFFICE OF THE GOVERNOR

July 26, 1924.

Mr. Walter L. Eddy, Secretary,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Eddy:

At the regular meeting of our Board of Directors held yesterday, it was noted that the earnings for several months past have been insufficient to provide for commitments in the form of expenses, dividends and reasonable charge-offs, including possible losses. Consideration was also given to the large expense commitments, occasioned to a considerable extent by the cost of free services, which we have voluntarily offered to the member banks and which services in the opinion of our Board cannot be consistently withdrawn at this time.

While our Board is not unduly apprehensive because of the present low earnings, which in all probability may be only temporary, the conclusion reached on previous occasions when the subject has been under consideration was reaffirmed, to the effect that over a longer period of time the bank should be made to pay its own way.

For several years, as a service to our member banks, we have received from them such government bonds as they desired to dispose of, selling the same at once in the open market. In view of the fact that this bank needs investments, our Board concluded that instead of selling such bonds as they were offered, it would be advisable and proper for this bank to purchase these voluntary offerings as an investment, thus gradually accumulating a backlog for earning purposes.

I am addressing you in order that the Board may be fully apprised of the views of our Board of Directors and the proposed procedure.

Very truly yours,

J. B. McDougal
Governor.

HS.

no ans to this letter

333.-1

FEDERAL RESERVE BANK

OF NEW YORK

July 25, 1924.

Mr. E. L. Smead,
Chief, Division of Bank Operations,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Smead:

Since writing you on July 21 we have had some further discussion here concerning the basis for distributing the Government Securities being acquired for the special investment account of the system.

The difference between the figures assembled by us and those prepared by your office for the purpose of determining the deficiency in earnings of the several banks, results almost entirely from the fact that our figures contain the estimated chargeoffs for the current year while yours do not. Both estimates include an allowance for the payment of dividends, from which I assume it was the thought of your office, as well as of the several banks, that the amount of earnings necessary to be obtained should cover all known charges against earnings.

This being the case, the only question to be determined is whether or not the amounts estimated for the chargeoffs are reasonable and proper items to include in such a statement. Each bank has, of course, prepared its own estimate of chargeoffs and while it may be that they are not in all respects on a comparable basis, it is undoubtedly true that a considerable portion of these chargeoffs would in any event in ordinary practice come ahead of dividends as a charge against earnings. The committee would

see ans 7/30/24

scarcely be justified in arbitrarily changing or questioning the estimate submitted by any bank; I, therefore, think we must assume that the estimates as submitted are approximately correct.

After giving consideration to all angles of this matter we believe it would be desirable to make the distribution of the investments acquired from June 16 to the end of this current month on the basis of the figures to be furnished me as of July 31, which will be prepared in the same manner and on the same basis as those which were assembled from the figures furnished to the committee as of June 30, 1924.

Even assuming that there may be some inconsistencies as between the figures prepared by different banks, it is not at all likely that these figures would have any appreciable effect on the total amount of purchases made but would merely affect slightly the percentage to be alloted to the different banks.

As you know, the Federal Reserve Banks are being requested to furnish new figures each month and we believe it may be advisable later in the year, say about October, to request each bank, in the light of nine months actual operation, to review their figures and also to indicate anew the amounts of its estimated chargeoffs. It should be possible at that time to make reasonably accurate estimates and during the remaining three months of the year there would be the opportunity to adjust the allotments in such a way as to closely equalize the earnings of the several banks in proportion to their needs.

The New York Bank is, as you know, temporarily carrying the amount so far invested since the last meeting of the committee. It is, therefore, desirable that the basis of apportionment be <u>promptly</u> determined so that the distribution of the amounts already purchased can be made to the banks as soon after the first of the month as possible.

Mr. Rounds is to be in Washington on Monday next and as he is familiar with this subject, he will be able to discuss with you any points which I have not made entirely clear.

I understand you will have an opportunity to present the matter on Monday or Tuesday next to some of the members of the Board who are now absent. If there appears to be any objection to our proceeding with the distribution as outlined above, it would be appreciated if you would let me know as promptly as possible.

Very truly yours,

W. B. Matteson
Secretary, Open Market Investment Committee.

OL

C O P Y

333.-b-1

FEDERAL RESERVE BANK

of NEW YORK

July 24, 1924

Mr. W. L. Eddy,
Secretary, Federal Reserve Board,
Washington, D. C.

My dear Mr. Eddy:

This is to advise you that all members of the Committee have approved, without change, the minutes of the meeting of the Open Market Investment Committee held in Boston on July 16, 1924, a draft of which was sent to Governor Crissinger in Chairman Strong's letter of July 18.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

orig filed 333.31 see ans 7/29/24

Form No. 131.

Office Correspon.e. .e

FEDERAL RESERVE BOARD

Date July 23, 1924.

To Mr. Eddy

Subject:

From Mr. Smead

333 -6-1

333

2—8495

At a meeting of the Open Market Investment Committee held at the Federal Reserve Bank of Boston on July 18, 1924, Dr. Miller presented a memorandum prepared by this office comparing our estimate of earning assets required to cover 1924 expenses and dividends with a similar estimate prepared by the Committee, which was based on figures reported by the various banks. The two statements were in substantial agreement except that our statement was based on operating expenses and dividends only, whereas the Committee's statement included also estimated allowances for reserves and extraordinary charge-offs aggregating about $7,000,000.

It was the understanding of the Committee that before the ratios to be used in alloting securities purchased during July were prepared, the secretary of the Committee would confer with this office. Before discussing the question with the secretary of the Open Market Investment Committee, however, I should like to know what the attitude of the Board is with reference to these charge-offs, that is, whether current expenses, dividends, and the normal annual depreciation charge on bank premises should be considered as the earning requirements of the banks for the purpose of alloting open market purchases of U. S. securities, or whether in addition to the above items allowance should be made for probable losses on paper now held under discount for member banks considered to be in an unsafe condition, for extraordinary charge-offs to bring the book value of bank premises down to approximate replacement costs, and for furniture and equipment purchased during the year.

Even though Federal reserve banks should at times purchase securities in the open market for the purpose of making expenses, it would not seem that open market investment policy should be influenced by any desire on the part of the banks to make sufficient earnings during any given year to cover extraordinary charge-offs on bank premises to bring book values down to approximate replacement costs; for the purpose of making sufficient earnings to cover possible future losses on paper held under discount for banks considered to be in an unsafe condition; or to enable them to charge-off the full value of furniture and equipment purchased during the year. It is therefore felt that in determining the ratios to be used in alloting securities purchased by the Open Market Investment Committee, which allotments are now based on earning requirements, allowance should be made only for current operating expenses, dividends, and normal annual depreciation charges, or for current operating expenses and dividends only in case it is evident that earnings will not be sufficient to also cover normal depreciation charges on bank premises.

Form No. 131.

Office Correspon :e

FEDERAL RESERVE BOARD

Date ..ly 22, 1924.

To To All Members of the Board

Subject: 333.-b-1

From Mr. Eddy

2—9495

7/18/24

At the meeting of the Board today the attached letter from the Governor of the Federal Reserve Bank of New York relative to action taken at the meeting of the Open Market Committee held in Boston on July 16th, was ordered circulated and placed on the docket for consideration at the meeting of the Board to be held on Tuesday, July 29th.

Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. James
Mr. Miller
Mr. Cunningham
Mr. Dawes

7-21-24

There is also attached for the information of the members of the Board a memorandum and chart prepared by the Director of the Board's Division of Analysis and Research commenting on the action taken by the Open Market Committee in voting to increase holdings of Government securities from $400,000,000 to $500,000,000, and to later on with the approval of all Federal reserve banks and the Board to increase such holdings to $600,000,000.

See minutes

AT BOARD MEETING
JUL 29 1924

see memo 7/21/24

333-b-1

FEDERAL RESERVE BANK

OF NEW YORK

July 21, 1924.

Mr. E. L. Smead,
Chief, Division of Bank Operations,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Smead:

Filed 333-b-2

Referring to our telephone conversation to-day, I am enclosing a copy of the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of Boston on July 16, 1924. You will observe that on the fourth page reference is made to the memorandum from you to Mr. Eddy which contains a comparison of the Board's estimate of earning assets required to cover 1924 expenses and dividends, taken from reports made to the Board by reserve banks, with a similar schedule prepared by the Committee based on estimated requirements for the year as reported by the various banks to the Committee.

I am also sending you a copy of the schedule showing the apportionment to the various Federal reserve banks for the current month.

Filed

For your further information I am enclosing a copy of the minutes of the Open Market Committee meeting on May 29, 1924 from which you will note that it was

333-[illegible]

> VOTED that the Secretary be instructed to prepare a new plan of apportionment of Government securities based on earning requirements of the respective banks as shown by figures furnished to the Committee on May 21, 1924, with adjustments from time to time as conditions warrant and new estimates are made; such plan to be submitted to the members of the Committee and the participating banks for their approval.

I therefore asked the Federal reserve banks to furnish me the following figures:

1. Earnings less current expenses paid and accrued and dividends down to May 31

2. Estimated gross earnings from June 1 to December 31, if present total of earning assets remains unchanged

3. Estimated expenses from June 1 to December 31 including dividends, estimated charge-offs, etc.

These figures were the basis for the apportionment schedule for the month of June and similar figures for the month of June were used as a basis for the July schedule of apportionment.

You will note from the minutes of the July 16 meeting that I was in-

see memo 7/23/24
see letter 7/25/24 see ans 7/30/24

Mr. E. L. Smead,
Federal Reserve Board,
Washington, D. C.

7/21/24

structed to confer with you before preparing a new apportionment schedule and I would suggest that as a preliminary step in that direction we talk the matter over by telephone to-morrow. As I advised you over the telephone this morning, I think it would be a good plan for us to talk the matter over personally if possible and I may decide to pay you a visit for that purpose in the event that the other matter with Mr. Rounds, which you spoke of, will not bring you to New York within the next two or three days.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Encls. (3)

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date July 21, 1924.

To Mr. Eddy

Subject: Open-market operations.

From Mr. Stewart

333-b-1

W.W.S

AT BOARD JUL 22 1924

7-21-24

I have your memorandum asking for comments on the letter from Governor Strong of July 18 and the minutes of the meeting of the open-market investment committee held in Boston on July 16.

The only important questions of policy raised in the recommendations of the committee are in paragraphs 4 and 6 of Governor Strong's letter to the Federal Reserve banks. These recommendations are that further purchases of Government securities be made up to a total of $500,000,000 and that the desirability of increasing the total by another $100,000,000 be considered.

In both of these matters it is important to distinguish between the effect of further purchases under present money market conditions and the effect of purchases made earlier this year. At present not only are money rates at an extremely low level, but there is an accumulation of funds at the member banks in New York, which they have found it difficult to place, even at existing rates. This is evidenced by the fact that there has been for the past two months a continuous excess of reserves at the New York clearing house banks in large volume, amounting on July 19 to $38,000,000. Such a condition can arise only when the member banks in New York are practically out of debt to the reserve bank and when acceptance holdings of that bank have been reduced to a low level. The earlier purchases, though also made at a time when rates were low, had the effect chiefly of reducing the discount and acceptance holdings of the bank without adding greatly to the loanable funds in the market. The effect of purchases at present would be to add to the present supply of unloanable funds. In the absence of a commercial demand for credit the New York banks, though they have rapidly increased their investments, have not been able to find immediate

See memo 7/22/24

.131.

Office Correspondence FEDERAL RESERVE BOARD

Date

To

Subject:

From

2—8495

employment for their funds.

A chart is attached showing the position of member banks in New York City. Attention is called to the rapid increase during the last month in their demand deposits, their loans secured by stocks and bonds, and their investments; also to the fact that, while their "all other loans" (commercial) have declined, the total of their loans and investments is at a peak figure and their accommodation at the reserve bank has practically disappeared. It is evident that under these circumstances a purchase in the open market will have a different effect than earlier in the year.

The committee's suggestion that, wherever possible, new purchases be made elsewhere than in New York is not likely to overcome the probability of a further accumulation of funds in the New York market. Funds arising out of purchases in the interior, while they may lead to some reduction of discounts at other Federal reserve banks, are likely at this time, when balances of interior banks in New York are increasing, to be added for the most part to the flow of funds to New York. As has been recognized by the committee in earlier discussions, in open market operations the New York market is the national money market, and the effects of purchases and sales wherever made are reflected in the condition of that market. In considering the recommendations of the committee, therefore, decisions must rest primarily upon the situation in New York.

Form No. 131.

Office Correspo[illegible]ce

FEDERAL RESERVE BOARD

[illegible]y 21, 1924.

To Dr. Stewart

Subject: 333-b-1

From Mr. Eddy.

2—8495

7/18/24

Referring to our telephone conversation please read and comment upon the attached letter and enclosures from Governor Strong. Please return the file today, in order that it may be presented at an Executive Committee meeting to be held tomorrow morning.

RECEIVED

C O P Y

333.-b-1

FEDERAL RESERVE BANK

of NEW YORK

July 18, 1924.

Carded

My dear Governor Crissinger:

With this I am enclosing to you a draft of the minutes of the meeting of the open market investment committee which was held in the Federal Reserve Bank of Boston on July 16. Of course, the minutes have not yet been approved by the members of the committee, and if there are any material changes a revised copy will be sent to you.

Accompanying this is a copy of a letter which is being addressed to all the Federal Reserve Banks in order to give effect to the action taken by the committee, and from which I believe the Board will be fully advised of all action taken at the meeting.

I would appreciate an expression of the views of the Board as to paragraph 6 of the letter addressed to the Federal Reserve Banks. Of course, the proposal is a purely tentative one based upon conditions as they are now, and the views of the members of the committee may change before the time comes to take definite action.

I beg to remain,

Yours very truly,

Orig. filed 333.-b-2

Benj. Strong,
Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS.MM
enc.

see memo 7/21/35 — see letter 7/24/24
orig filed 333.31 see ans 7/29/24

Ratio of participation
Mr. McDonald +
Enb.

#2
#2

333-1
333.-b-1

July 16, 1924.

Dear Mr. Matteson:

I acknowledge receipt of your letter of the 15th instant, addressed to Governor Crissinger, enclosing schedule which you state has been approved by all members of the Open Market Investment Committee, showing the revised ratio of participation of System purchases of Government securities and bankers acceptances which are to be applied on all purchases during the month of July.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. W. B. Matteson, Secretary,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N.Y.

333-1-1

FEDERAL RESERVE BANK

OF NEW YORK

July 15, 1924.

Sir:

I am attaching herewith a schedule, which has been approved by all the members of the Open Market Investment Committee for the Federal Reserve System, showing the revised ratio of participation of System purchases of Government securities and bankers acceptances based on the amount of estimated deficiencies of earnings for the year as shown by the figures furnished as of the close of business June 30, 1924.

These ratios are to apply on all purchases made during the month of July.

Respectfully,

W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

Encl.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

see ans 7/16/24

REVISED PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN THE SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE ON JUNE 30, 1924

	Net Earning Less Current Expenses Paid and Accrued and Dividends Jan.1/24-June 30/24	Estimated Gross Earnings July 1/24-Dec.31/24 Based on Earning Assets Held June 30 Remaining Unchanged	Total Net Earnings Jan.1/24-June 30/24 and Gross Earnings July 1/24-Dec. 31/24	Estimated Expenses July 1/24-Dec.31/24 Including Dividends Estimated Charge-offs, Etc.	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	Revised Ratio of Participation
Boston	$ 71,312	$ 944,672	$1,015,984	$1,441,621	$ 425,637-	5%
New York	x500,891	3,518,000	3,017,109	6,125,000	3,107,891-	37%
Philadelphia	266,022	1,026,000	1,292,022	1,495,000	202,978-	2%
Cleveland	261,400	1,258,500	1,519,900	2,507,000	987,100-	12%
Richmond	368,530	1,152,500	1,521,030	1,180,000	341,030+	0
Atlanta	463,200	692,960	1,156,160	1,185,807	29,647-	1%
Chicago	195,115	1,956,087	2,151,202	3,175,215	1,024,013-	12%
St Louis	73,072	636,179	709,251	1,188,000	478,749-	6%
Minneapolis	108,000	828,000	936,000	1,153,000	217,000-	3%
Kansas City	84,300	1,067,000	1,151,300	1,538,000	386,700-	5%
Dallas	430,178	875,148	1,305,326	1,817,220	511,894-	6%
San Francisco	85,000	1,504,000	1,589,000	2,544,000	955,000-	11%
	$1,905,238	$15,459,046	$17,364,284	$25,349,863	$8,326,609-	100%

xExpenses Exceed Earnings

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date July 12, 1924

To Dr. Miller

Subject: 333.-b-1

From Mr. Eddy

2—8495

See 7-11-24

For your information. Please return to Secretary's Office for acknowledgment.

Noted

File

FEDERAL RESERVE BANK

OF NEW YORK

333.

July 11, 1924.

Federal Reserve Board,

Washington, D. C.

Gentlemen:

7-11-24

Enclosed please find copy of letter written to-day by Governor Strong, Chairman, to the other members of the Open Market Investment Committee for the Federal Reserve System, also copy of schedule of revised ratios of participation of System purchases of Government securities and bankers acceptances based on earning requirements as reported to the Committee as of the close of business June 30, 1924.

, see 7-15-24

Upon receipt of the approval of the new ratios by the other members of the Committee they will be put into effect with advice to all Federal reserve banks and to the Federal Reserve Board.

Very truly yours,

W. B. Matteson
Secretary, Open Market
Investment Committee

Fncls. (2)

C
O
P
Y

333.-b-1

July 11, 1924.

Mr. W. P. G. Harding,
Governor, Federal Reserve Bank of Boston,
Boston, Mass.

Dear Governor Harding:

You will recall that under the new plan of apportionment of Government securities and bankers acceptances purchased by the System, adopted at the meeting of the Open Market Investment Committee held in Washington on May 29, 1924, it was voted that the apportionment should be based on the earning requirements for the balance of the current year, such ratio to be revised monthly as changes in earning assets occur.

It is understood that the ratios of participation in effect up to the time the System purchases amounted to $250,000,000. will remain constant as applied to that amount and that the ratios effective during the month of June as submitted to you in my letter of June 10 will pertain to all securities purchased up to June 30, 1924 in excess of the $250,000,000. namely, $112,831,100.

I am enclosing a statement showing the revised ratios of participation based on the amount of the estimated deficiency of earnings for the year as shown by the figures furnished at the close of business June 30, 1924. These ratios will apply on the increased purchases over the $362,831,100. held at the close of business June 30, 1924.

Will you please wire me whether this meets your approval in order that we may advise the other Federal reserve banks and make the necessary adjustments as soon as possible.

Very truly yours,

(Signed) Benj. Strong
Chairman, Open Market
Investment Committee

#2

Meeting Chicago 7/25/24

~~333-1~~

333-6-1

FEDERAL RESERVE BANK

OF NEW YORK

July 9, 1924.

Dear Governor Crissinger:

Thank you for your note of July 3. As suggested in your letter, I have sent notice to the members of the Open Market Investment Committee suggesting a meeting for the 25th of July to be held in Chicago, and as soon as replies are received will advise you whether it will be possible to have a quorum.

Yours very truly,

Benj. Strong

Benj. Strong,
Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS.MM

Copy filed 333.31

Form No. 1.

Office Correspondence

FEDERAL RESERVE BOARD

Date July 5, 1924.

To Mr. Smead

Subject: 3 3 3-b-1

From Mr. Eddy

2—8495

letters 6/30/24 & 7/3/24

Please note the attached and return to this office today.

Returned with thanks

ESB

Strict.

233.-4-1

July 3, 1924

Dear Governor Strong:

I acknowledge receipt of and thank you for your personal note of the 30th ultimo, which I have brought to the attention of the other members of the Board. We think here that it would be a good idea for you to hold a meeting of the Open Market Investment Committee in Chicago some time during July, on a date to be determined by you and Governor McDougal. When a definite date has been fixed, will you not please advise the Board?

Very truly yours,

(Signed) D. R. Crissinger.

Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

see ans 7/9/24

Circulate

Federal Reserve Board
333.-B-1
JUL 1 1924

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL

June 30, 1924.

Dear Governor Crissinger:

As I think I explained to you verbally, Mr. Matteson's wife was struck by an automobile, and his necessary absence from the office in connection with her accident and the fact that he was very much upset about it is really the cause of the delay in sending forward the reports which accompany this letter. (See minutes of 5-29-24 filed 333.-B-7)

The action of the committee covered in Vote (2) certainly seemed to give sufficient authority for the preparation of a new plan which would in a measure take account of the earnings position of the respective Reserve Banks as a result of the first five months operation this year. I interpreted the action of the committee as justifying such a procedure, but not as justifying any retroactive reapportionment of the original purchase of $250,000,000 of government securities.

You will observe by the record that the table of reapportionment, of which copy is enclosed, was submitted to all Reserve Banks and the division of purchases in excess of $250,000,000 was not made until after its approval by all of the banks. It resulted, as you will observe, in the exclusion of Philadelphia, Richmond and Atlanta from participation at all, very much reduced some of the other allotments, and increased the New York participation from 29 to 51 per cent. All of this may not be exactly in accordance with the understanding expressed in your letter of June 25, and for that reason I am calling it especially to your attention.

Requests have already gone out for revised estimates as of June 30, and in accordance with the committee's minute, which is as expressed in your letter,

see ans 7/3/24

we are proposing to submit a new schedule of apportionment after those figures are in hand.

I now have a letter from Governor McDougal advising that as the weekly meetings of their executive committee are held on Fridays and the monthly board meeting is held on the fourth Friday of each month, he hopes that the next meeting of the open market committee can be held in Chicago to coincide with one of their regular meetings so that their directors, or at least the members of their executive committee, may be able to meet with the open market committee. He reiterates the statement which he made in Washington that he believes the Federal Reserve Banks should purchase a reasonable amount of long-time government securities. In view of your letter and his, I was proposing to call a meeting of the committee to be held in Chicago sometime next month (July), when he might expect a satisfactory attendance by his directors. Possibly the 25th of July will be the best date as that is the date of his directors meeting.

I beg to remain,

Yours very truly,

Benj. Strong

Benj. Strong,
Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS.MM
enc.

NEW PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN THE SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE ON JUNE 6, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1/24-May 31/24	Estimated Gross Earnings June 1/24-Dec.31/24 Based on Earning Assets Held May 31 Remaining Unchanged	Total Net Earnings Jan.1/24-May 31/24 and Gross Earnings June 1/24-Dec. 31/24	Estimated Expenses June 1/24-Dec.31/24 Including Dividends Estimated Charge-offs, Etc.	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	New Ratio of Participation
Boston	$ 87,500	$1,188,900	$1,276,400	$1,672,000	$ 395,600-	6%
New York	x380,150	3,896,000	3,516,000	7,004,000	3,488,000-	51%
Philadelphia	270,245	1,624,000	1,894,245	1,697,000	197,245+	0
Cleveland	255,500	2,090,000	2,345,500	2,820,150	474,650-	7%
Richmond	315,790	1,455,000	1,770,790	1,360,000	410,790+	0
Atlanta	444,370	1,267,600	1,711,970	1,315,410	396,560+	0
Chicago	153,130	2,776,650	2,929,780	3,624,580	694,800-	10%
St. Louis	96,100	1,065,000	1,161,100	1,241,600	80,500-	1%
Minneapolis	64,390	1,020,000	1,084,390	1,268,260	183,870-	3%
Kansas City	53,080	1,355,150	1,408,230	1,755,400	347,170-	5%
Dallas	341,000	1,044,000	1,385,000	1,970,000	585,000-	8%
San Francisco	93,000	2,077,000	2,170,000	2,777,000	607,000-	9%
					$6,856,590-	100%

xExpenses in Excess of Earnings Jan. 1/24-May 31/24

DRL

Submit to board to
approve Dale
DRL

#3

(13 ...
332.12

FEDERAL RESERVE BANK OF PHILADELPHIA

#3

925 CHESTNUT STREET

333.-6-1

OFFICE OF THE
CHAIRMAN OF THE BOARD AND
FEDERAL RESERVE AGENT

Hold for
Gov. Conference

June 30, 1924

JUL 1 1924

FEDERAL RESERVE BOARD,
Washington, D. C.

Attention of Governor Crissinger -

Dear Sirs -

We are duly in receipt of your favor of June 26th, in reference to investing in Government bonds, advising us that you regard such investment at this time as undesirable, but that the question has been scheduled for consideration at the autumn conference of Federal Reserve Agents and Governors.

Very truly yours,

R. L. Austin

Federal Reserve Agent.

332.12

#3
#3

333-1

Hold for Fall conference

June 26, 1924.

Dear Mr. Austin:

Referring again to your letter of June 18th, you are advised that the Board has given consideration to the request made by your directors for authority to invest in Government bonds a sum equal to your bank's capital and surplus, in order to give the bank "assurance of sufficient earnings to pay dividend and operating expenses and really make it very much less of a competitor with member banks in the money market".

Without committing itself on the question of whether an investment in Government bonds by your bank of a sum equal to your capital and surplus would be right in principle, the Board is of the opinion that such an investment at this time would be undesirable.

However, the question as to Federal reserve banks investing their capital and surplus in whole or in part in Government securities has been scheduled for consideration at the autumn conference of Governors and Federal Reserve Agents.

Very truly yours,

(Signed) D. R. Crissinger

Governor.

Mr. R. L. Austin, Chairman,
Federal Reserve Bank,
Philadelphia, Pa.

Ey.

see ans 6/30/24

333.-b-1
6-25-24

June 25, 1924

Report of Committee on Discount and Open Market Policy on the matter referred to it at the meeting on June 19th, namely, letter dated June 18th from the Chairman of the Federal Reserve Bank of Philadelphia, requesting approval of an investment by that bank in government bonds of a sum equal to the capital and surplus of the bank; the Committee's report reading as follows:

"The Discount and Open Market Policy Committee at its meeting on June 24th adopted the following:

"The Committee has given consideration to the request made by the Philadelphia ~~Federal~~ Reserve Bank in its letter of June 18th asking for authority to invest in government bonds a sum equal to its capital and surplus, in order to give the bank 'assurance of sufficient earnings to pay dividend and operating expenses and really make it very much less of a competitor with member banks in the money market'.

Without committing the Board on a question of principle, the Committee is of the opinion that authority to make such investments as the Reserve Bank of Philadelphia asks would at this time be undesirable. It therefore recommends that the authority asked for be not granted.

The Committee suggests that the questions as to Federal reserve banks investing their capital and surplus in whole or in part in government securities be scheduled for consideration at the autumn conference of Governors and Federal Reserve Agents."

After discussion, Mr. Platt moved adoption of the Committee's recommendation that the authority asked for be not granted.

Mr. Platt's motion being put by the chair was carried, the members voting as follows:

Mr. Platt, "aye"
Mr. Miller, "aye"
Mr. Cunningham, "aye"
Mr. Hamlin, "no"
Mr. James, "no"
Governor Crissinger, "not voting"

Mr. Hamlin stated that he voted "no" as he had grave doubt as to the power of the Board to make any such ruling.

Mr. Platt stated that he voted for the recommendation on the theory that it is probably undesirable to make such investments at this time, but that he thinks Congress distinctly contemplated investments by Federal Reserve banks in government bonds and that the time will come when it might be advisable for the banks to buy such bonds to some extent. X

June 25, 1924 (Cont'd)

Mr. Platt then moved approval of the Committee's suggestion that the question of Federal Reserve banks investing their capital and surplus in whole or in part in government securities be scheduled for consideration at the autumn conference of Governors and Federal Reserve Agents.

Carried.

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date June 25, 1924.

333-b-1

To The Federal Reserve Board

Subject: Request for authority from Philadelphia Federal Reserve Bank to make further investments in government bonds.

From Discount and Open-market Policy Committee

2—8495

WWS

"The Discount and Open-market Policy Committee at its meeting on June 24th adopted the following:

"The Committee has given consideration to the request made by the Philadelphia Federal Reserve Bank in its letter of June 18th asking for authority to invest in government bonds a sum equal to its capital and surplus, in order to give the bank "assurance of sufficient earnings to pay dividend and operating expenses and really make it very much less of a competitor with member banks in the money market."

Without committing the Board on a question of principle, the Committee is of the opinion that authority to make such investments as the Reserve Bank of Philadelphia asks would at this time be undesirable. It therefore recommends that the authority asked for be $\boxed{\text{not}}$ granted.

The Committee suggests that the question as to Federal reserve banks investing their capital and surplus in whole or in part in government securities be scheduled for consideration at the autumn conference of governors and Federal reserve agents."

A. C. Miller
Edmund Platt
E. F. Cunningham

Appd

AT BOARD MEETING
JUN 25 1924

see letter 6/26/24

Genl. apportionment
Duncan's memo attached

2

333-1
333-f-1

June 25, 1924.

Dear Governor Strong: 6/25/24

The Federal Reserve Board at its meeting this morning considered a report of its Committee on Discount and Open Market Policy with reference to the basis of apportionment of future purchases of Government securities for the open market investment account of the Federal reserve banks, as outlined in your letter to the Board of June 6th. Upon the recommendation of the Committee, the Board voted to approve the plan suggested by you. The Board also voted to request the Open Market Investment Committee to consider at each of its meetings the question of an equitable basis of apportionment of Government security purchases in the light of existing conditions and the situation at each of the reserve banks. *5

For your information, the Board also approved a recommendation of its Committee that it would be inadvisable at this time to adopt the suggestion that a reapportionment of Government security holdings of Federal reserve banks showing earnings for the first six months of 1924 in excess of expenses and dividend requirements be made in favor of those banks which have shown a deficit during the period.

Very truly yours,

Signed) D. R. Crissinger

D. R. Crissinger,
Governor.

Mr. Benj. Strong, Chairman,
Open Market Investment Committee,
c/o Federal Reserve Bank,
New York, N. Y.

See memo 6/20/24

333-f-1
6-25-24

June 25, 1924

Report of Committee on Discount and Open Market Policy on the matter referred to it at the meeting yesterday, namely, letter dated June 6th from the Governor of the Federal Reserve Bank of New York, suggesting the apportionment of government securities and bills between the Federal Reserve banks on the basis of earnings' requirements; the Committee's report reading as follows:

"The Discount and Open Market Policy Committee at its meeting on June 24th adopted the following recommendation to the Federal Reserve Board:

The Board has given further consideration to the basis of apportionment of future purchases of government securities for the open market investment account of the Federal Reserve banks, as outlined in a letter to the Board dated June 6th from the Chairman of the Governors' Open-market Committee. The Board's Committee sees no present occasion for the Board's recommending a change of this basis of apportionment. It does, however, recommend that the Board ask the Governors' Open-market Committee to consider at each of its meetings the question of an equitable basis of apportionment of government security purchases in the light of existing conditions and the situation at each of the reserve banks.

"The Committee has also given consideration to the suggestion that a reapportionment of government security holdings of Federal reserve banks showing earnings for the first six months of 1924 in excess of expenses and dividend requirements be made in favor of those banks which have shown a deficit during the period, and it is the opinion of the Committee that it would be inadvisable at this time to propose to the Open-market Committee any such reapportionment."

Mr. Platt moved adoption of the Committee's report.

Carried, Mr. James voting "no".

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date June 25, 1924.

333.-b-1

To The Federal Reserve Board

From Discount and Open-market Policy Committee

Subject: Apportionment of purchases of government securities among the Federal reserve banks.

W.W.S. Dicty:

The Discount and Open Market Policy Committee at its meeting on June 24th adopted the following recommendation to the Federal Reserve Board:

The Committee has given further consideration to the basis of apportionment of future purchases of government securities for the open-market investment account of the Federal reserve banks, as outlined in a letter to the Board dated June 6th from the Chairman of the Governor's Open-market Committee. The Board's Committee sees no present occasion for the Board's recommending a change of this basis of apportionment. It does, however, recommend that the Board ask the Governor's Open-market Committee to consider at each of its meetings the question of an equitable basis of apportionment of government security purchases in the light of existing conditions and the situation at each of the reserve banks.

The Committee has also given consideration to the suggestion that a re-apportionment of government security holdings of Federal reserve banks showing earnings for the first six months of 1924 in excess of expenses and dividend requirements be made in favor of those banks which have shown a deficit during the period, and it is the opinion of the Committee that it would be inadvisable at this time to propose to the Open-market Committee any such reapportionment.

A. C. Miller
Edmund Platt
E. H. Cunningham

see letter 6/25/24
see letter 6/6/24
see memo 6/20/24

333-b-1
6-24-24

June 24, 1924

Governor Strong then discussed with the members of the Board at some length (1) the action of the directors of his bank in voting to pay the usual semi-annual dividend partly from the bank's surplus; (2) the desire of the directors of the Federal Reserve Bank of Philadelphia to invest in government securities up to the capital and surplus of the bank; and (3) a memorandum dated June 20th from the Chief of the Board's Division of Bank Operations regarding the proposed plan for reapportioning future purchases of government securities and bills among the twelve Federal Reserve banks.

After discussion, the proposed plan was referred back to the Board's Committee on Discount and Open Market Policy for a formulation of principles upon which the Board could base its suggestion for the reapportionment of open market purchases.

#3

Referred to Committee 6/19/24

FEDERAL RESERVE BANK OF PHILADELPHIA

925 CHESTNUT STREET

333.-6

OFFICE OF THE
CHAIRMAN OF THE BOARD AND
FEDERAL RESERVE AGENT

June 21, 1924.

JUN 23 1924

FEDERAL RESERVE BOARD,
Washington, D. C.

Dear Sirs -

We beg leave to acknowledge the receipt of your letter of the ~~20th~~ 19th, advising us of your approval of the action of our Board in voting to establish a minimum buying rate of 2% for bankers acceptances, for which we thank you.

We note what you say about our investing in U. S. Government bonds to an amount equal to our capital and surplus, and will await further advice from you on this matter.

Very truly yours,

R L Austin

CHAIRMAN.

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date June 20, 1924.

333-6-1

To Mr. Eddy

Subject: Allotment of Government Securities and bills.

From Mr. Smead

Carded

We have read Governor Strong's letter of June 6, 1924, regarding the apportionment to be made of additional purchases of Government securities and bills between the Federal reserve banks and wish to make the following suggestions in regard thereto:

1. Inasmuch as there is some doubt as to whether or not the System as a whole will earn a sufficient amount during 1924 to cover current operating expenses and dividends, it is thought that the Open Market Investment Committee in making the allotments of securities and bills should consider current operating expenses, dividends, and actual determined losses in excess of available reserves as the earning requirements of each reserve bank. In case the System fails to make sufficient earnings this year to cover depreciation charges on bank premises, it is thought that such charges should be deferred until such time as current net earnings are sufficient to take care of them.

2. From figures available at the present time, it looks as if New York, Boston and possibly St. Louis may fail to earn sufficient amounts to cover current expenses and dividend requirements, but that the nine other Federal reserve banks will probably earn more than is necessary to cover operating expenses and dividends. The Federal Reserve Banks of Atlanta, Richmond, Dallas and Minneapolis are likely to have materially larger net earnings than any of the other banks and could very well relinquish some of their present holdings of open market securities and bills.

3. In view of the fact that the New York building will be completed and occupied this year it would be particularly unfortunate if that bank were to be the only one which failed to make sufficient earnings to cover operating expenses and dividends, as those inclined to criticize the System would cite the new building as the real cause of the deficit in earnings, thus drawing considerably more attention to the cost of that building.

4. It is therefore recommended that the Federal Reserve Banks of Minneapolis and Dallas each sell $10,000,000 of securities to the Federal Reserve Bank of New York; that the securities and bills held by the Federal Reserve Banks of Richmond and Atlanta with the exception of acceptances originating in their own districts be all sold to the Federal Reserve Bank of New York; and that all future purchases of securities and bills by the Open Market Investment Committee be allotted to the Federal Reserve Bank of New York except such amounts as are necessary to replace maturing securities and bills held by other Federal reserve banks. If the System is to purchase another $150,000,000 of securities all such securities under this plan would be allotted to New York with the result that the bank's earnings would be increased materially although perhaps not sufficiently to take care of all operating expenses and dividends.

If along about the end of September it appears that any of the western or southern reserve banks are likely to have a deficit in earnings the allotment of securities could be changed at that time.

see letter 6/25/24 see memo 6/25/24

Form No. 131.

Office Correspond ce

FEDERAL RESERVE BOARD

Date June 20, 1924.

To Mr. Smead.

Subject: 333.-B-1

From Mr. Eddy.

2—8495

6/6/24

Please read the attached communication from the Federal Reserve Bank of New York, which is self-explanatory, and return it to me promptly with any comments or suggestions you may have to make as to the new plan of allocating open market purchases of Government securities and bills.

see memo 6/25/24

see memo 6/20/24

see letter 6/25/24

333-b-1

June 19, 1924.

Dear Mr. Austin:

Referring to your letter of June 18th, I wish to confirm my telegram to you of this date advising that the Federal Reserve Board approved the action of your Directors in voting to establish a minimum buying rate of 2% for bankers acceptances.

The question of your bank's investing in United States Government bonds an amount equal to your capital and surplus, has been referred to the appropriate committee of the Board and you will be advised later of the Board's attitude toward the proposal.

Very truly yours,

Walter L. Eddy,
Secretary.

Mr. R. L. Austin, Chairman,
Federal Reserve Bank,
Philadelphia, Pa.

Prepared WW

see ans 6/21/24

Form 148

333.-f-1

TELEGRAM

FEDERAL RESERVE BOARD

LEASED WIRE SERVICE

WASHINGTON

2—9454

June 19, 1924

Austin - Philadelphia

Your letter 18th, Board approves action your directors in voting to establish minimum buying rate of realise for bankers acceptances.

EDDY

Form No. 131.

Office Correspondence

FEDERAL RESERVE BOARD

Date June 19, 1924.

To Comm. on Discount & Open Market Policy (Messrs. Miller, Platt & Cunningham)

Subject: 333-b-1

From Mr. Eddy

2—8495

At the meeting of the Board this morning there was referred to the Committee on Discount & Open Market Policy, for report at an early meeting of the Board, the attached letter dated June 18th from the Chairman of the Federal Reserve Bank of Philadelphia advising of the attitude of their Directors toward an investment in Government bonds of a sum equal to the capital and surplus of the bank.

333-b-1
6-19-24

June 19, 1924

Letter dated June 18th from the Chairman of the Federal Reserve Bank of Philadelphia, requesting approval of the action of the directors of that bank in voting to establish a 2% minimum purchase rate on bankers acceptances and advising the Board of the attitude of the directors of the bank that an investment in government bonds to an amount equal to the capital and surplus of the bank would be right in principle, giving assurance of sufficient earnings to pay dividends and operating expenses, and reduce competition with member banks in the money market.

Upon motion it was voted to approve for the Philadelphia bank a 2% minimum purchase rate on bankers acceptances.

Mr. Hamlin then moved that the question of increased investments in government bonds be referred to the Open Market Investment Committee for the Federal Reserve System for report.

Mr. Hamlin's motion being put by the chair was lost, the members voting as follows:

Governor Crissinger, "no"
Mr. Miller, "no"
Mr. Cunningham, "no"
Mr. Hamlin, "aye"
Mr. James, "aye"

Mr. Hamlin then moved that the matter be referred to the Board's Committee on Discount and Open Market Policy.
Carried.

333-b-1
6-19-24

June 19, 1924

The Governor then presented the matter ordered circulated at the meeting on June 10th, namely, letter dated June 6th/from the Governor of the Federal Reserve Bank of New York, with regard to the manner of apportioning further purchases of government securities and of bills between the Federal Reserve banks.

Upon motion the matter was referred to the Board's Division of Bank Operations for report.

333.-1-1

FEDERAL RESERVE BANK OF PHILADELPHIA

925 CHESTNUT STREET

OFFICE OF THE
CHAIRMAN OF THE BOARD AND
FEDERAL RESERVE AGENT

June 18, 1924

Minimum rate approved
question of investments referred
to Comm. on Disc. & O.M. Policy

AT BOARD MEETING
JUN 19 1924

FEDERAL RESERVE BOARD,
Washington, D. C.

Dear Sirs -

1 note in file

Confirming our telegram, we beg leave to say that at the meeting of our board of directors, held today, we established the rate of discount of 3½% for maturities of 90 days or less, and 4½% for all maturities beyond that.

We have been discussing the rate of discount for some time at our board meetings, and action probably would have been taken before this, except for the absence of some members of the board at recent meetings.

I discussed with the Board the advisability of making a lower rate for paper of short maturity, say 15-days. Previous to the breaking out of the war we had such a rate. It seemed to have answered a good purpose, and if put in force now we think it would help the business community, add to our income without bringing us into competition with our member banks, and give us a desirable amount of paper of short maturity.

Our board also passed a resolution asking for authority to buy bankers bills at a rate as low as two per cent, upon which we would be glad to have your action.

Present rate 2½%

We have taken up again the question of investing some of our funds in United States Government bonds. We asked for authority to do this over two years ago, but were refused. It seems to us now with the low price of Government notes, Certificates of Indebtedness and bankers bills, and the difficulty of getting investments for our funds, that investment in Government bonds of a sum equal to our capital and surplus would be right in principle, give us

see ans 6/26/24
see ans 6/19/24

see memo 6/25/24
see memo 6/19/24

assurance of sufficient earnings to pay our dividends and operating expenses, and really make us very much less competitors with our member banks in the money market. We do not believe any one entertains at this date the feeling which prevailed sometime ago, that investments in Government bonds are not desirable ones for Federal Reserve Banks.

Very truly yours,

R L Austin

Chairman of the Board.

P.S. - Since writing this letter I have had your communication over the 'phone, in reference to the rate of 4 1/2% for all maturities in excess of 90-days. Frankly, I would say the rate for maturities beyond 90-days to six months was not brought up, but the six months to nine months rate was discussed quite a lot, and we felt it was a bad principle to make a rate for so long time paper the same as that for 90 days. You probably recollect that when the nine months rate was put into effect we made it higher than our 90-day rate, and we feel convinced that that represents the proper principle in rate making. 4½% may be too high a rate for paper of maturity beyond 90 days to six months, and 4½% may be too high for six months to nine months paper compared with 3½% for 90 days.

I know our Board will be very glad to give further thought to these rates and make a proper adjustment of them if they are out of line.

R L A.

333.-f-1
6-17-24

June 17, 1924

not in file

Telegram dated June 16th from the Secretary of the Open Market Investment Committee quoting a telegram addressed to the Governor of each Federal Reserve Bank with regard to money rates and stating that the directors of the Federal Reserve Bank of New York at their next meeting will probably authorize a minimum purchase rate of 2%.

Noted.

June 11, 1924 not in file 333.-f-1 6-11-24

Letter dated June 10th from the Governor of the Federal Reserve Bank of Philadelphia, requesting that during his extended leave of absence the Philadelphia bank be represented on the Open Market Investment Committee and on the Board's Committee on Economy and Efficiency by Mr. William H. Hutt, Jr., who will be Acting Governor of the bank during Mr. Norris' absence.

Upon motion, it was voted to approve Mr. Hutt's substitution for Governor Norris on the Committees named.

June 10, 1924

Letter dated June 6th from the Governor of the Federal Reserve Bank of New York, submitting for the Board's consideration a resume of the matter discussed by him at the meeting on June 6th, namely, the plan of the Open Market Investment Committee for apportioning purchases of short time government securities for account of various Federal Reserve banks on the basis of their earnings' requirements.

Ordered circulated and docketed for a future meeting.

Droft

333.-b-1

FIFTEEN NASSAU STREET
NEW YORK

June 6, 1924

Federal Reserve Board,
Washington, D. C.

Gentlemen:

At the last meeting of the Committee on Open Market Investments, a resolution was passed directing me to prepare a new basis to apply thereafter to the apportionment of additional purchases of Government securities and of bills between the reserve banks, which would be based more nearly upon the earning requirements of the participating banks, as disclosed from time to time by reports to be made to the Committee.

In order to carry out the terms of the resolution, I have asked each reserve bank to furnish the Committee with the following figures:

(a) The amount of its net earnings down to June 1st, after deducting all expenses and accrued dividends.

(b) The estimated amount of gross earnings which will be realized for the balance of the year, assuming that the total of earning assets continues at the amount reported as of June 1st.

(c) An estimate of total expenses, and of dividend requirements plus an estimate of the amounts to be charged off, for the balance of the year.

You will observe that these figures will enable the Committee to roughly estimate what amount, if any, of additional earning assets will be required for this year (in excess of the total of June 1st) in order to enable each bank to meet all expenses, its dividend and the amount to be charged off for losses, depreciation, etc. The result will be a reduction of future

Ordered Circulated
AT BOARD MEETING
JUN 10 1924

see ans 6/25/24

see memo 6/25/24
see memos 6/20/24

allotments of Government securities and of bills to those banks which have earned a surplus in the early part of the year, until such time as surplus earnings are absorbed by the expenses of the last half of the year, and a monthly revision of allotments throughout the rest of the year will likely result in an equalization of earnings between all reserve banks.

My own feeling is that those banks which, by reason of local conditions and of earnings from their participation in the original purchase of $250,000,000 of Government securities, are able to earn their dividends and even some small surplus, should not suffer any reduction in their participation in the original $250,000,000 purchase, and so convert a possible surplus into a possible deficit of earnings, but that the reallotment should be so arranged that those banks which are capable of earning a surplus should do so, but from now on should not take a share in new purchases. Some of the banks, notably New York, will not, however, be able to make up the probable deficit of earnings, even though they took all of the additional securities now being purchased, and I anticipate that the result of the policy suggested will be to have some deficit shown at the end of the year by a few of the reserve banks, (possibly only by New York) but that most of them will likely show the full amount of their requirements earned, with none having any considerable surplus over requirements.

So far as I am aware of the view of the governors of the different reserve banks with whom I have discussed the Committee's operations, this will prove satisfactory. It seems desirable, however, that the Federal Reserve Board be made aware of what will result from this basis of reapportionment, in order to anticipate possible objections.

It will also possibly have the effect of reducing the amount of franchise taxes to be paid, in case surpluses which would otherwise be earned are, in effect, transferred to those banks which would not otherwise earn the full amount of their expenses and dividends.

It hardly seems necessary to reiterate that this suggestion of allotments of securities purchased among the reserve banks should not be construed as an indication that the purchases are made simply for the purpose of earnings, which might appear to be the case if this letter were read alone without considering in connection with it the motives which have led to the accumulation of short-time Government obligations by this method. Obviously, the fair basis of division is that which relates to earnings rather than to reserves, capital, etc.

Very truly yours,

Benj. Strong

Benj. Strong, Chairman,
Open Market Investment Committee.

333.-b-1

6/6/24

NEW PERCENTAGE OF PARTICIPATION OF FEDERAL RESERVE BANKS IN THE SYSTEM PURCHASES OF GOVERNMENT SECURITIES AND BANKERS ACCEPTANCES BASED ON THE EARNING REQUIREMENTS AS REPORTED TO COMMITTEE ON JUNE 6, 1924

	Net Earnings Less Current Expenses Paid and Accrued and Dividends Jan. 1/24-May 31/24	Estimated Gross Earnings June 1/24-Dec.31/24 Based on Earning Assets Held May 31 Remaining Unchanged	Total Net Earnings Jan.1/24-May 31/24 and Gross Earnings June 1/24-Dec. 31/24	Estimated Expenses June 1/24-Dec.31/24 Including Dividends Estimated Charge-offs, Etc.	Amount of Earnings Over or Short of Estimated Requirements for Year 1924	New Ratio of Participation
Boston	$ 87,500	$1,188,900	$1,276,400	$1,672,000	$ 395,600-	6%
New York	x380,150	3,896,000	3,516,000	7,004,000	3,488,000-	51%
Philadelphia	270,245	1,624,000	1,894,245	1,697,000	197,245+	0
Cleveland	255,500	2,090,000	2,345,500	2,820,150	474,650-	7%
Richmond	315,790	1,455,000	1,770,790	1,360,000	410,790+	0
Atlanta	444,370	1,267,600	1,711,970	1,315,410	396,560+	0
Chicago	153,130	2,776,650	2,929,780	3,624,580	694,800-	10%
St. Louis	96,100	1,065,000	1,161,100	1,241,600	80,500-	1%
Minneapolis	64,390	1,020,000	1,084,390	1,268,260	183,870-	3%
Kansas City	53,080	1,355,150	1,408,230	1,755,400	347,170-	5%
Dallas	341,000	1,044,000	1,385,000	1,970,000	585,000-	8%
San Francisco	93,000	2,077,000	2,170,000	2,777,000	607,000-	9%
					$6,856,590-	100%

xExpenses in Excess of Earnings Jan. 1/24-May 31/24

333.-b-1
6-6-24

June 6, 1924

At this point, Governor Strong of the Federal Reserve Bank of New York entered the meeting and outlined to the Board the plan of the Open Market Investment Committee for apportioning additional purchases of short time government securities for account of the various Federal Reserve banks on the basis of the earnings of the individual banks during the first five months of the current year, and the estimated amount of earnings necessary to enable each bank to meet its expenses and dividend payments.

After discussion, it was suggested that Governor Strong submit the matter in writing to the Board for its consideration in order that it might then be transmitted to the Federal Reserve banks with the Board's approval.

#2

333.-b.1

Purchases $400,000,000

June 4, 1924.

Dear Governor Strong:

Receipt is acknowledged of your letter of June 3rd and you are advised that the report made therein coincides with the Board's understanding of action taken at the recent meeting of the Open Market Committee. Under such action the Committee may purchase up to $400,000,000 of short time Government obligations at fair market prices, the additional $150,000,000 to be apportioned on the basis of the earning requirements of the various participants as shown by estimates to be submitted from time to time. When the total purchases by the Committee approach $400,000,000, the Board should be advised in order that it may consider the advisability of another meeting of the Committee at which future policy and practice can be discussed.

Very truly yours,

D. R. Crissinger,
Governor.

Mr. Benj. Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

Prepared by

333.-b-1
6-4-24

June 4, 1924

Letter dated June 3rd from the Governor of the Federal Reserve Bank of New York, requesting advice as to the attitude of the Board on action taken at the meeting of the Open Market Committee held on May 29th.

Upon motion, it was voted that Governor Strong be advised that the action reported in his letter is in accordance with the understanding of the Board, making it clear that the banks are authorized to purchase through the Committee up to $400,000,000 of short time government obligations, and that the Board should be advised when that is done.

Docket

333.-b-1

FEDERAL RESERVE BANK

OF NEW YORK

June 3, 1924.

Dear Governor Crissinger: Carded

While I do not understand that the Federal Reserve Board took any action at our committee meeting last week, I am now engaged as chairman of the committee in reporting the various decisions of the committee to the other Federal Reserve Banks, when the minutes shall have been approved by the members of the committee, and I should appreciate advice as to the attitude of the Federal Reserve Board so that each Reserve Bank may be notified.

The actions taken, you will recall, were as follows:

(1) The committee authorized the purchase of an additional $150,000,000 of short-time government obligations at fair market prices.

(2) The secretary was directed to prepare a reapportionment of the additional purchases beyond the original $250,000,000, upon the basis of the earning requirements of the various participants as shown by estimates to be submitted from time to time.

(3) The Federal Reserve Bank of New York was authorized to make temporary sales of short-time obligations held in its special account under repurchase arrangements, so as to neutralize any possible disturbing effect due to large transactions by the Treasury on dates when the income tax payments are made and when the Treasury makes its issues of securities.

The total amount now held in the account is $326,543,300, but purchases from now on are likely to be considerably slower. I would appreciate a line from you on this subject.

Yours very truly, See minutes

Benj. Strong

Benj. Strong,
Governor.

JUN 4 1924

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

See ans 6/4/24

W. W. S.

333-B-1

FEDERAL RESERVE BANK

OF NEW YORK

May 28, 1924.

Report on Foreign Accounts.

To the members of the
OPEN MARKET INVESTMENT COMMITTEE.

An increase of $22,500,000 in the amount of bills held for foreign banks has occurred since the last meeting of the Committee on April 22, bringing the total amount so invested up to $39,800,000. This increase is accounted for in de Nederlandsche Bank account. We received from that bank two further shipments of gold of which $8,000,000 was invested in bills, and from the proceeds of the Netherlands Government Loan recently sold here we received $14,000,000 for the purchase of bills to be held in special account for de Nederlandsche Bank.

There have been no important changes in the other accounts and the usual comparative statement is attached for the information of the Committee.

Very truly yours,

J. H. CASE,
Deputy Governor.

(Enc.)

333-b-1
6-6-24

June 6, 1924

At this point, Governor Strong of the Federal Reserve Bank of New York entered the meeting and outlined to the Board the plan of the Open Market Investment Committee for apportioning additional purchases of short time government securities for account of the various Federal Reserve banks on the basis of the earnings of the individual banks during the first five months of the current year, and the estimated amount of earnings necessary to enable each bank to meet its expenses and dividend payments.

After discussion, it was suggested that Governor Strong submit the matter in writing to the Board for its consideration in order that it might then be transmitted to the Federal Reserve banks with the Board's approval.

2

333-61

Purchase of $400,000,000

June 4, 1924.

Dear Governor Strong:

Receipt is acknowledged of your letter of June 3rd and you are advised that the report made therein coincides with the Board's understanding of action taken at the recent meeting of the Open Market Committee. Under such action the Committee may purchase up to $400,000,000 of short time Government obligations at fair market prices, the additional $150,000,000 to be apportioned on the basis of the earning requirements of the various participants as shown by estimates to be submitted from time to time. When the total purchases by the Committee approach $400,000,000, the Board should be advised in order that it may consider the advisability of another meeting of the Committee at which future policy and practice can be discussed.

Very truly yours,

D. R. Crissinger,
Governor.

Mr. Benj.Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

Prepared by

333.-b-1
6-4-24

June 4, 1924

Letter dated June 3rd from the Governor of the Federal Reserve Bank of New York, requesting advice as to the attitude of the Board on action taken at the meeting of the Open Market Committee held on May 29th.

Upon motion, it was voted that Governor Strong be advised that the action reported in his letter is in accordance with the understanding of the Board, making it clear that the banks are authorized to purchase through the Committee up to $400,000,000 of short time government obligations, and that the Board should be advised when that is done.

Docket

333.-b-15

FEDERAL RESERVE BANK

OF NEW YORK

June 3, 1924.

Dear Governor Crissinger:

Carded

While I do not understand that the Federal Reserve Board took any action at our committee meeting last week, I am now engaged as chairman of the committee in reporting the various decisions of the committee to the other Federal Reserve Banks, when the minutes shall have been approved by the members of the committee, and I should appreciate advice as to the attitude of the Federal Reserve Board so that each Reserve Bank may be notified.

The actions taken, you will recall, were as follows:

(1) The committee authorized the purchase of an additional $150,000,000 of short-time government obligations at fair market prices.

(2) The secretary was directed to prepare a reapportionment of the additional purchases beyond the original $250,000,000, upon the basis of the earning requirements of the various participants as shown by estimates to be submitted from time to time.

(3) The Federal Reserve Bank of New York was authorized to make temporary sales of short-time obligations held in its special account under repurchase arrangements, so as to neutralize any possible disturbing effect due to large transactions by the Treasury on dates when the income tax payments are made and when the Treasury makes its issues of securities.

The total amount now held in the account is $326,543,500, but purchases from now on are likely to be considerably slower. I would appreciate a line from you on this subject.

Yours very truly, See minutes

Benj. Strong

Benj. Strong,
Governor.

JUN - 4 1924

Hon. D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

See ans 6/4/24

W. W. S.

FEDERAL RESERVE BANK
OF NEW YORK

May 28, 1924.

Report on Foreign Accounts.

To the members of the
OPEN MARKET INVESTMENT COMMITTEE.

An increase of $22,500,000 in the amount of bills held for foreign banks has occurred since the last meeting of the Committee on April 22, bringing the total amount so invested up to $39,800,000. This increase is accounted for in de Nederlandsche Bank account. We received from that bank two further shipments of gold of which $8,000,000 was invested in bills, and from the proceeds of the Netherlands Government Loan recently sold here we received $14,000,000 for the purchase of bills to be held in special account for de Nederlandsche Bank.

There have been no important changes in the other accounts and the usual comparative statement is attached for the information of the Committee.

Very truly yours,

J. H. CASE,
Deputy Governor.

(Enc.)

May 28, 1924.

REPORT TO OPEN MARKET INVESTMENT COMMITTEE.

BANKERS ACCEPTANCES.

Close of Business	Bank of Japan	De Nederlandsche Bank	De Javasche Bank	Swiss Natl. Bank	Bank of England	Bank of France	Totals
On Hand 4/19/24	$ 2,518,642.39	$ 5,796,310.31	$ 5,933,353.11	$ 1,981,013.33	$ 492,709.15	$ 548,410.69	$ 17,270,438.98
Purchased	1,676,088.53	23,339,583.15	3,661,504.40	1,138,566.56	-0-	-0-	29,815,742.64
Matured or discounted	1,677,904.51	943,428.25	3,608,950.47	991,937.80	-0-	-0-	7,222,221.03
On Hand 5/27/24	2,516,826.41	28,192,465.21	5,985,907.04	2,127,642.09	492,709.15	548,410.69	39,863,960.59

EARMARKED GOLD

Close of Business	Swiss National Bank
On Hand 4/19/24	$4,751,122.50
On Hand 5/27/24	4,416,737.50

FREE BALANCES

	Bk. of Japan	Nederlandsche Bk.	Javasche Bk.	Swiss N.B.	Bankovni	Bk. of England	Bk. of France	Natl. Bk. of Belgium	Totals
Close 4/19/24	$ 499,680.99	$ 229,966.42	$ 251,113.35	$139,288.12	$101,171.12	$300.52	$433.44	$ 3,666.64	$1,225,620.60
Close 5/27/24	504,365.64	252,582.83	250,181.66	4,866.88	101,171.12	300.52	433.44	3,666.64	1,117,568.73

TOTAL COMMISSIONS EARNED
From 4/19/24 to 5/27/24 inclusive.

	De Nederlandsche Bank	Bank of Japan	Javasche Bank	Bank of England	Bank of France	Swiss N.B.	Totals
Bankers Acceptances	$10,312.96	$ 867.35	$1,867.11	- 0 -	- 0 -	$554.48	$13,601.90

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

OFFICE OF THE GOVERNOR

May 26, 1924.

Mr. Walter L. Eddy, Secretary,
Federal Reserve Board,
Washington, D. C.

My dear Mr. Eddy:

I am in receipt of your letter of the 23rd instant, containing information in relation to the meeting of the Open Market Investment meeting, called for Thursday, May 29th.

Thanking you, I am

Very truly yours,

Governor.

HS.

May 23, 1924.

Dear Governor McDougal:

Referring to our telephone conversation this morning, I am quoting below from the recommendations of the Federal Advisory Council, made following the Council meeting of May 13, 1924:

"With regard to open market operations Council reiterates the view expressed on previous occasions that the Federal Reserve banks should not make investments for the sole purpose of increasing their earnings and earning dividends. On the other hand, the Council is of the opinion that it is desirable for the Federal Reserve System in normal times to be possessed of a sufficient volume of investments (total earning assets) so as to be able to steady the market in case that should be necessary. The Council finds it extremely difficult to lay down any definite rule as to what the normal figure of investments should be because naturally it would change from time to time in accordance with the economic and financial conditions which prevail in given circumstances. Under present conditions, it would seem that it would not be out of line for the System to seek to preserve an aggregate investment of substantially its present volume with a tendency somewhat to increase these investments if this can be done without unduly affecting the market. The Council makes these suggestions with a great deal of reluctance as it feels that an authoritative opinion can only be given by those actively in charge of operations."

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. J. B. McDougal, Governor,
Federal Reserve Bank,
Chicago, Ill.

see ans 5/26/24

#2811

FEDERAL RESERVE BOARD FILE

3833-b-1

FEDERAL RESERVE BANK

OF NEW YORK

IN REPLY PLEASE REFER
TO

February 27, 1924.

Dear Governor Crissinger:

Thank you for your note of February 21, in regard to handling of special orders in open market purchases. Since I wrote you, Governor McKinney has been here and we feel that the matter is adjusted to everybody's satisfaction. We have not only filled up his requirements for the present, but for all maturities during this month.

Yours very truly,

Benj. Strong

Benj. Strong,
Governor.

Honorable D.R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS.MM

Reinvestment for maturities for Dallas Bk

#2 + 11

~~333-1~~
333-b-1

February 21, 1924.

Dear Governor Strong:

Your letter of February 18th has been received and brought to the attention of the Board, which is of the opinion that the manner in which special orders for open market purchases from the Federal Reserve Bank of Dallas have been handled by the Governors' committee is satisfactory. The Board sees no occasion for a departure from the understanding reached at the recent conference of the Open Market Policy Committee of the Federal Reserve banks with the Federal Reserve Board.

Very truly yours,

(Signed) D. R. Crissinger.

D. R. Crissinger,
Governor.

Mr. Benjamin Strong, Governor,
Federal Reserve Bank,
New York, N. Y.

Prepared by
WM

see ans 2/27/24

Form No. 131.

Office Correspo_le ce

FEDERAL RESERVE BOARD

Date _b. 20, 1924.

To Federal Reserve Board

Subject: 333-b-1

From Com. on Open Market & Discount Policy.

2-18-24

The Committee, to whom was referred the attached letter from the Governor of the Federal Reserve Bank of New York, begs leave to report that the manner in which special orders for open market purchases from the Federal Reserve Bank of Dallas have been handled by ~~the~~ Governors Committee is satisfactory, and Mr. Strong should be advised that the Board sees no occasion for a departure from the understanding reached at recent conference of the Open Market Policy Committee of the Federal Reserve Banks with the Federal Reserve Board.

Apprd

A BO _G

FEB 20 1924

ms

A C Miller

Edmund Platt

333.-B-1
2-19-24

February 19, 1924

Letter dated February 18th from the Governor of the Federal Reserve Bank of New York with regard to the execution by the Open Market Investment Committee of special orders received from Federal Reserve banks.

Referred to the Committee on Discount and Open Market Policy.

February 20, 1924

Report of Committee on Discount and Open Market Policy on Matter referred to it at the meeting on February 19th, namely, letter dated February 18th from the Governor of the Federal Reserve Bank of New York with regard to the execution by the Open Market Investment Committee of special orders received from Federal Reserve banks, particularly the Federal Reserve Bank of Dallas; the Committee reporting that the manner in which special orders for open market purchases from the Federal Reserve Bank of Dallas have been handled by the Governors' Committee is satisfactory and that Governor Strong be advised that the Board sees no occasion for a departure from the understanding reached at the recent conference of the Open Market Policy Committee of the Federal Reserve banks with the Federal Reserve Board.

Approved.

Form. No. 131.

Office Correspo: le ce

FEDERAL RESERVE BOARD

Date F. . 19, 1924.

333.-t-1

To Committee on Discount & Open Market Policy. (Messrs. Miller, Platt & Cunningham) Subject:

From Mr. Eddy

2—8495

At the meeting this morning, there was referred to the Committee on Discount and Open Market Policy the attached letter dated February 18th, from the Governor of the Federal Reserve Bank of New York with regard to the execution by the Open Market Investment Committee of special orders received from Federal Reserve banks.

see memo 2/20/24

333.-4 1

FEDERAL RESERVE BANK

OF NEW YORK

IN REPLY PLEASE REFER
TO

February 18, 1924.

Dear Governor Crissinger:

After going over the Investment Committee's minutes and operations with Mr. Case, I feel quite satisfied that there will be little difficulty in handling the Dallas maturities for reinvestment in such a way as will conform to the action taken by the committee when it met in Washington the week before last. Possibly when a similar situation arises in the future, you will feel willing to give consideration to the position of the committee in respect to these special orders - $10,000,000 in the case of Dallas - which we fear will have the effect of impairing the harmonious operation of the policy if other cases of that sort develop. X

The particular point that we have to watch with great care, of course, is always the interest of the Treasury. Every order that we get from Reserve Banks, including the execution of orders by the committee, is subordinated to all orders and transactions conducted for the Treasury. No possibility of conflict in our transactions can arise with the Treasury on that account. When one Reserve Bank, however, which is participating in the general purchase puts in a special order for the same securities, some one must at once decide whether that bank is to have the right away - so to speak - in allotments, or whether purchases are to be made for the committee, or whether they are to be divided, etc., etc.

To Comm. on Dis. & O.M. Policy

See ans 2/21/24
See memo 2/19/24

We don't feel willing here to take the responsibility for any departure from the committee's procedure; in fact, if special orders are to be executed in that way, the whole purpose of the committee's organization falls to the ground.

We have transferred $5,000,000 of bills to Dallas. We have other transfers in prospect, and we believe that by this method and by special transfers of allotments, such as were provided for at the last Washington meeting, we will cover the requirements at Dallas without it being necessary for them to proceed with any special purchases.

We hope all of this is in accordance with your own views.

Yours very truly,

Benj. Strong

Benj. Strong,
Governor.

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

BS.MM

333.-t-1

2-5-24

February 5, 1924

The Governor announced that the next meeting of the Open Market Investment Committee for the Federal Reserve System would be held in Washington on Friday, February 8th.

apportionment of Govt securities FR Bks

~~333~~

333.-8-1

January 5, 192

Dear Governor Strong:

On behalf of Governor Crissinger, I acknowledge receipt of your letter to him of January 4th advising of the apportionment among the twelve Federal Reserve banks of the short-term Government securities which have been acquired for the System's special investment account under the policy agreed upon at a recent meeting of the Board. This letter will be brought to the attention of the members of the Board.

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,
Secretary.

Mr. Benj. Strong, Chairman,
Open Market Investment Committee,
C/o Federal Reserve Bank,
New York, N.Y.

Prepared by
[illegible]

Executive Folder
Date 1/7/24

333.-f-1

FEDERAL RESERVE BANK

OF NEW YORK

January 4, 1924.

Dear Governor Crissinger:

Carded

In line with the policy recently agreed upon at a meeting between the Federal Reserve Board and the Open Market Investment Committee, the following short-term Government securities have been acquired for the System's special investment account:

Treasury certificates of indebtedness due 1924		$ 9,346,000.
" notes due 1924-25		9,237,000.
	Total	$18,583,000.

This investment has been apportioned among all twelve of the Federal reserve banks, in the percentages agreed upon, as follows:

Federal Reserve Bank of	Percentage	Par Value of Apportionment
Boston	8.4%	$ 1,560,900.
New York	27. %	5,017,500.
Philadelphia	8.1%	1,505,200.
Cleveland	9.7%	1,802,500.
Richmond	4.1%	761,700.
Atlanta	4.8%	891,900.
Chicago	16.3%	3,029,100.
St. Louis	3.5%	650,300.
Minneapolis	2.7%	501,900.
Kansas City	3.4%	632,000.
Dallas	2.9%	538,900.
San Francisco	9.1%	1,691,100.
		$ 18,583,000.

Very truly yours,

Benj. Strong

Benj. Strong,
Chairman, Open Market Investment
Committee for the Federal Reserve System

Honorable D. R. Crissinger,
Governor, Federal Reserve Board,
Washington, D. C.

see ans 1/5/24

FEDERAL RESERVE BANK

OF NEW YORK

333.-b-1

January 3, 1924.

Mr. E. L. Smead, Chief
Division of Bank Operations
Federal Reserve Board
Washington, D. C.

Dear Mr. Smead:

In accordance with our conversation of last night, I am enclosing herewith a copy of a letter sent to each Governor outlining the method of operation in connection with the handling of the special investments. After this letter went out it was decided to separate the two classes of investments, namely Certificates of Indebtedness and Treasury Notes, and to carry them in two accounts as follows:

Special Investment U. S. Certificates of Indebtedness
Special Investment U. S. Treasury Notes

This will obviate the necessity of the procedure outlined in paragraph #4 in connection with the transmitting of these figures to the other banks for press statement purposes. In other respects it is my understanding that the plan is being followed as outlined.

As you know, the actual distribution of the amounts already purchased was made yesterday, the percentage of participation of each bank being as follows:

Boston	8.4
New York	27.
Philadelphia	8.1
Cleveland	9.7
Richmond	4.1
Atlanta	4.8
Chicago	16.3
St. Louis	3.5
Minneapolis	2.7
Kansas City	3.4
Dallas	2.9
San Francisco	9.1
	100.

I talked with Mr. Higgins and it is my understanding that he will see that there is reported on form 34 for this bank the maturity data for the total investment for the system, inasmuch as this information will not be available to the other reserve banks.

Very truly yours,

L. R. Rounds
Acting General Auditor

LAL