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Authority **E.O. 12356**

Form F. R. 567

## END SHEET

KIND OF MATERIAL OR NUMBER

**333.-b-2**

NAME OR SUBJECT

**Open Market Investment Committee  
Meetings  
Open Market Operations**

DATES (Inclusive)

**1925 - 1926**

PART NUMBER

**Part 3**

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78

333-62

Form No. 131

Office Correspondence

FEDERAL RESERVE BOARD

Date November 24, 1926

To All members of the Board.

Subject:

From Eddy.

2-8495  
GPO

*Handwritten:*  
Manning  
1926

For your information.

*Handwritten:* See 11-17-26

- Governor Crissinger
- Mr. Platt ✓
- Mr. Hamlin ✓
- Mr. Miller ✓
- Mr. James ✓
- Mr. Cunningham ✓
- Mr. McIntosh

Please return to Secretary's Office.

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*Franklin*

FEDERAL RESERVE BANK  
OF NEW YORK

RECEIVED  
OFFICE OF  
THE GOVERNOR  
333-62

CONFIDENTIAL

November 17, 1926

Sir :

I am enclosing copy of the minutes of the meeting of the Open Market Investment Committee held in Washington, November 7, 1926, also report of the Committee to the Governors' Conference, November 8, 1926,

*11/7/26 filed 333-6-2  
Final Minutes*

Respectfully,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Encls (2)

DECLASSIFIED  
Authority E.O. 12356REPORT OF THE OPEN MARKET INVESTMENT COMMITTEE TO THE  
GOVERNORS' CONFERENCE, NOVEMBER 8, 1926333.-6-2  
*See Minutes*  
**AT BOARD MEETING**  
NOV 9 1926  
(16)

Since the Governors' conference last spring there have been two important changes in the special investment account, - a purchase of securities between March 29 and April 15, which increased the amount from 210 million to 275 million, and a sale of securities between August 7 and September 15, which reduced the account again to 200 million dollars.

*See Minutes*  
**AT BOARD MEETING**  
NOV 10 1926  
(17)Purchases in March and April

The purchase of 65 million dollars of securities in March and April was made at a time when business psychology was pessimistic, when commodity prices were falling, and when there had been a considerable liquidation of credit employed in the security markets, and to a lesser degree in commercial loans. The result of the purchases was to reduce approximately to that extent borrowing by member banks at the Federal Reserve Banks, particularly in larger centers, and to operate together with other causes toward slightly easier money conditions.

Sales in August and September

As the year advanced no business recession such as had been anticipated by many earlier in the year developed. The volume of trade continued at a very high level, building activity and automobile production were well maintained, commercial loans increased, and the volume of credit employed in the security markets again showed an increase. Money rates showed an advancing tendency and the Federal Reserve Bank of New York raised its discount rate from 3 1/2 to 4 per cent on August 12.

The sale of 75 million of securities from the open market investment account between August 7 and September 15 took two forms; first, the sale of 35 million to foreign correspondents to employ balances created by gold imports into this country. This sale of securities merely offset the effect of the gold

*See letter 11-10-26 filed*  
3333 O.M.I.C

imports. In addition 40 million of securities were sold to the Treasury Department for account of the sinking fund and the effect of this sale on the market was distributed throughout the country as the Treasury withdrew funds from depository banks in all districts to pay for the securities.

The sale of securities was naturally accompanied by a slight further increase in borrowing by member banks, by increased offerings of bills to the Reserve Banks, and by slightly firmer money conditions. The relationship between open market purchases and sales during the year to changes in bills discounted and holdings of bankers acceptances, is shown in the attached diagram.

#### The Present Credit Situation

The present credit situation does not appear to indicate the desirability of any change in open market policy. Business continues to be active and the volume of trade is at a high level. The business atmosphere, however, is conservative and there is some apprehension as to the future. There were reports recently of some decline in building and production of automobiles. In recent weeks there has been a considerable liquidation of brokers loans and some slight reduction in the total volume of credit outstanding. The October period of largest demand for commercial credit appears to have passed without credit stringency and, aside from a period of slight ease in the second half of October, money conditions have been steady.

#### Turn of the Year

In the past two years it has been found desirable to sell securities in January to take up the usual seasonal slack in credit resulting from the return of Christmas currency and the usual seasonal flow of funds to money centers. Last year a purchase of 50 million dollars of securities was made during the period of greatest currency demand in December, and these securities were sold in January and February. These transactions appeared to have a

stabilizing influence upon money conditions, although the amount of purchases and sales was not sufficient to prevent a considerable tightening of money rates at the end of the year and a considerable easing in rates at the beginning of the new year. The committee therefore suggests that this year it ~~will~~<sup>may</sup> be desirable to purchase up to 100 million of securities during the coming six weeks, to be sold again at such time as credit conditions appear to make that course desirable." If business and credit conditions continue as at present it would seem wise to sell these securities shortly after the turn of the year, but in the event of a decline in business activity, such as some observers think may occur, it then might be desirable to retain a part of these securities in the Federal Reserve portfolio. In any event we should be prepared for either course.

#### Temporary Sales of Securities

At the June 15 tax period the usual temporary sales of securities were made from the open market account to stabilize money conditions, with the result that money rates were steady during the period. At the September 15 tax period the New York City banks were so largely in debt at the Reserve Bank that it was felt that temporary sales would not be necessary and this proved to be the case. The temporary supply of funds in the market, due to the redemption of maturing issues, was offset by the liquidation of member bank indebtedness and money rates were steady during the period.

The exhibits "A" and "B" attached show in detail the distribution of government securities and bankers acceptances among the Federal Reserve Banks; there is also attached (exhibit "C") statement showing actual earnings of all Federal Reserve Banks for the first nine months of the year 1926 and the estimated earnings for the entire year; also (exhibit "D") a comparative statement of earning asset holdings of all Federal Reserve Banks.

Exhibit "A"

**STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
 SPECIAL INVESTMENT ACCOUNT AND CLASSIFICATION OF ISSUES HELD  
 OCTOBER 27, 1926 IN THE ACCOUNT BY MATURITIES**

	<u>Holdings</u>		<u>Holdings by Maturities</u>
Boston	\$ 8,767,000	December 15, 1926	\$ 42,802,500
New York	52,761,500	March 15, 1927	54,919,200
Philadelphia	4,920,000	June 15, 1927	67,457,000
Cleveland	13,202,000	December 15, 1927	34,821,300
Richmond	5,818,500		
Atlanta	-0		
Chicago	26,233,000		
St. Louis	13,725,000		
Minneapolis	8,923,500		
Kansas City	17,995,000		
Dallas	18,467,000		
San Francisco	<u>29,187,500</u>		
	<u>\$200,000,000</u>		<u>\$200,000,000</u>

## Exhibit "B"

PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 4 TO OCTOBER 27, 1926 AND AMOUNT  
EACH BANK HAS RECEIVED IN EXCESS OR SHORT OF ITS PRO RATA SHARE  
UNDER APPORTIONMENT PLAN PUT INTO EFFECT JANUARY 4, 1926

	<u>Bills Acquired</u>	<u>Bills Entitled to Acquire</u>	<u>Bills Over Pro Rata Share</u>	<u>Bills Short Pro Rata Share</u>
Boston	\$ 104,836,000	\$ 94,664,000	\$10,172,000	\$ 0
New York	315,436,000	318,297,000	0	2,861,000
Philadelphia	106,557,000	108,188,000	0	1,631,000
Cleveland	133,772,000	135,231,000	0	1,459,000
Richmond	70,376,000	70,945,000	0	569,000
Atlanta	70,841,000	71,411,000	0	570,000
Chicago	188,637,000	189,326,000	0	689,000
St. Louis	53,746,000	54,562,000	0	816,000
Minneapolis	56,768,000	57,422,000	0	654,000
Kansas City	80,155,000	81,140,000	0	985,000
Dallas	57,311,000	57,422,000	0	111,000
San Francisco	<u>121,885,000</u>	<u>121,712,000</u>	<u>173,000</u>	<u>0</u>
Totals	<u>\$1,360,320,000</u>	<u>\$1,360,320,000</u>	<u>\$10,345,000</u>	<u>\$10,345,000</u>

The overages shown in the above statement are being adjusted in the usual manner.



Exhibit "O"

STATEMENT SHOWING ACTUAL EARNINGS OF ALL FEDERAL RESERVE BANKS  
FOR THE FIRST NINE MONTHS OF THE YEAR 1926  
AND ESTIMATED EARNINGS FOR THE ENTIRE YEAR 1926

	Actual Net Earn- ings in Excess of Expenses and Dividends, but before Charge- offs, 9 Months Ended Sept. 30, 1926	Estimated Net Earnings in Excess of Expenses and Dividends, but be- fore Charge-offs Entire Year 1926	Estimated Charge-offs for Year 1926	Estimated Net Earnings after all Charge-offs Available for Surplus and Franchise Tax for Year 1926
Boston	\$ 533,345	\$ 711,132	\$ 137,047	\$ 574,085
New York	1,183,296	1,577,724	455,000	1,122,724
Philadelphia	528,870	705,156	38,000	667,156
Cleveland	570,000	760,000	372,000	388,000
Richmond	533,000	710,667	105,000	605,667
Atlanta	936,426	1,248,564	340,327	908,237
Chicago	938,099	1,250,800	660,197	590,603
St. Louis	592,684	790,248	233,591	556,657
Minneapolis	275,612	367,488	95,946	271,542
Kansas City	583,715	778,284	166,024	612,260
Dallas	531,019	708,024	41,296	666,728
San Francisco	<u>1,160,000</u>	<u>1,546,667</u>	<u>662,000</u>	<u>884,667</u>
Totals	<u>\$8,366,066</u>	<u>\$11,154,754</u>	<u>\$3,306,428</u>	<u>\$7,848,326</u>

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS NOVEMBER 3, 1926 COMPARED WITH PREVIOUS WEEK AND NOVEMBER 4, 1925; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 31, 1925 TO NOVEMBER 3, 1926 AS COMPARED WITH CORRESPONDING PERIOD 1925 AND ENTIRE YEAR 1925  
(000 Omitted)

		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Fran.	Total
Bills Discounted	- Oct. 27	\$32,405	\$132,347	\$40,916	\$74,122	\$41,866	\$53,350	\$106,081	\$42,171	\$12,099	\$13,962	\$20,070	\$62,534	\$ 631,923
"	- Nov. 3	23,975	172,403	38,705	69,260	35,364	50,461	130,644	44,538	10,500	16,553	19,594	63,901	675,898
Net Change		8,430-	40,056+	2,211-	4,862-	6,502-	2,889-	24,563+	2,367+	1,599-	2,591+	476-	1,367+	43,975+
Bills Purchased	- Oct. 27	34,296	48,231	26,015	28,148	13,701	34,829	44,488	5,716	13,449	17,648	14,151	26,869	307,541
"	- Nov. 3	31,254	71,290	26,194	30,024	14,349	33,858	44,912	7,382	13,387	17,710	14,313	27,425	332,098
Net Change		3,042-	23,059+	179+	1,876+	648+	971-	424+	1,666+	62-	62+	162+	556+	24,557+
Government Securities	- Oct. 27	9,609	54,084	19,928	34,690	7,060	1,866	47,802	19,610	17,486	27,999	21,172	38,868	300,174
"	- Nov. 3	9,958	54,084	19,928	35,542	7,059	1,887	48,136	19,610	17,486	28,349	21,439	38,868	302,346
Net Change		349+	-0-	-0-	852+	1-	21+	334+	-0-	-0-	350+	267+	-0-	2,172+
Total Earning Assets	- Oct. 27	76,310	234,662	88,859	136,960	62,627	90,045	198,371	67,497	43,534	59,609	55,393	128,271	1,242,138
"	- Nov. 3	65,187	297,777	86,827	134,826	56,772	86,206	223,692	71,530	41,873	62,612	55,346	130,194	1,312,842
Net Change		11,123-	63,115+	2,032-	2,134-	5,855-	3,839-	25,321+	4,033+	1,661-	3,003+	47-	1,923+	70,704+

Comparison of Weekly Averages of Earning Assets

Dec. 31, 1925 to November 3, 1926	80,361	272,206	89,970	108,230	61,266	76,510	156,281	63,500	38,188	63,774	53,586	115,914	1,179,786
Same period 1925	85,869	283,626	83,379	111,982	54,993	46,670	132,699	53,267	37,143	54,342	45,351	105,878	1,095,199
Entire year 1925	93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net change from same period 1925	5,508-	11,420-	6,591+	3,752-	6,273+	29,840+	23,582+	10,233+	1,045+	9,432+	8,235+	10,036+	84,587+
Net change from entire year 1925	13,098-	14,927-	4,892+	5,674-	6,532+	19,962+	18,236+	7,564+	917+	6,481+	4,562+	6,048+	41,495+

Comparison of Actual Earning Assets

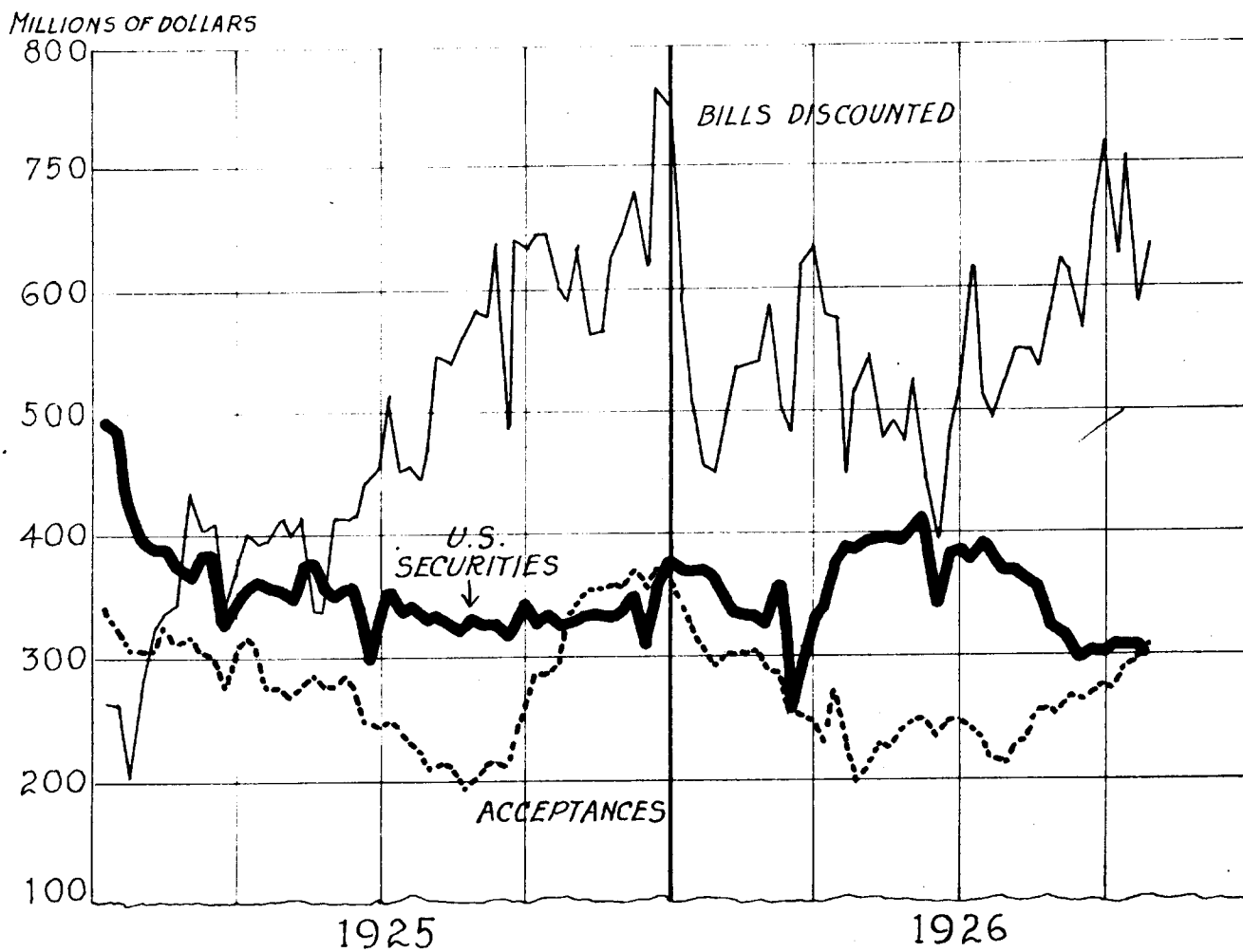
November 3, 1926	65,187	297,777	86,827	134,826	56,772	86,206	223,692	71,530	41,873	62,612	55,346	130,194	1,312,842
November 4, 1925	117,461	286,104	88,899	118,012	53,897	91,465	154,907	71,676	34,531	83,048	73,062	142,974	1,316,036
Net Change	52,274-	11,673+	2,072-	16,814+	2,875+	5,259-	68,785+	146-	7,342+	20,436-	17,716-	12,780-	3,194-

SUMMARY OF CHANGES FOR SYSTEM

Bills discounted for week	\$43,975+
Bills purchased for week	24,557+
Government securities for week	2,172+
Total earning assets for week	70,704+
Comparison of Weekly Averages of Earning Assets	
Dec. 31, 1925 to Nov. 3, 1926 against same period 1925	84,587+
Comparison of Weekly Averages of Earning Assets	
Dec. 31, 1925 to Nov. 3, 1926 against entire year 1925	41,495+
Comparison of Actual Earning Assets Nov. 3, 1926 with Nov. 4, 1925	3,194-

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Bills and Securities All Federal reserve banks

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Form No. 181.

Office Correspondence

FEDERAL RESERVE BOARD

Date September 16, 1926

FEDERAL RESERVE BOARD FILE  
333-6-2

To All Members of the Board

Subject:

From Mr. Noell

333-6-2 ✓

*Handwritten notes:*  
Mr. Noell  
Sept 10  
9-26  
7/11

9-14-26

At the meeting of the Executive Committee yesterday there was ordered circulated the attached letter from the Secretary of the Open Market Investment Committee enclosing copy of minutes of the meeting of the Committee held here on September 10th.

9/10/26 filed 333-6-2  
Final Minutes

- ✓ Governor Crissinger
- ✓ Mr. Platt
- ✓ Mr. Hamlin
- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Dr. Miller
- ✓ Col. McIntosh

Please return to the Secretary's Office.

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Authority E.O. 12356

333-62

September 16, 1936.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of September 14th, addressed to Governor Crissinger, enclosing a corrected copy of the minutes of the Open Market Investment Committee, held here on September 10th. These minutes have been substituted for those transmitted with your letter of September 13th. *9/10/26 filed 333-6-2 Final Minutes*

Very truly yours,

J. O. Noell,  
Assistant Secretary.

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

Prepared by  
*(initials)*

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Authority E.O. 12356

7A

333-6-2

FEDERAL RESERVE BANK  
OF NEW YORK

RECEIVED  
SEP 15 1926  
OFFICE OF  
THE GOVERNOR

CONFIDENTIAL

September 14, 1926

S i r :

Some slight corrections have been made in the minutes of the joint meeting of the Open Market Investment Committee and the Federal Reserve Board held on September 10, 1926, and I am enclosing a corrected copy herewith Will you be good enough to substitute this for the one previously sent you.

*See revised minutes 9-10-26*  
*files 333.-6-2*  
*Final minutes*

Respectfully,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Encl.

*Ordered Circulated*

AT EXECUTIVE COMMITTEE  
MEETING,

SEP 15 1926

*see ans 9/16/26*

333.-6-2

REPORT OF THE SECRETARY TO THE OPEN MARKET INVESTMENT COMMITTEE MEETING  
AT WASHINGTON, SEPTEMBER 10, 1926

Following the action taken by the Committee at its last meeting August 17, 1926 to make certain reductions in the System Account through the sale of Third Liberty Loan bonds to the Treasury Department and short-term securities to foreign correspondents the following transactions, in addition to the sales of \$7,337,000 to foreign correspondents approved at the last meeting, have taken place:

Sales of \$15,000,000 1927 Treasury Notes to other Federal reserve banks.

Purchases in lieu thereof of a like amount of Third Liberty Loan 4 1/4% bonds, thereupon selling to the Treasury Department

\$39,425,500 Third Liberty Loan 4 1/4% bonds.

Sales to foreign correspondents consisting of

\$ 490,000 September 15, 1926 Treasury Notes  
12,972,500 December 15, 1926 Certificates of Indebtedness

These sales, which were made without replacement, have brought the total System Account holdings at the close of business September 8, 1926 to \$209,975,000.

A special allotment of bankers acceptances since the last meeting amounting to \$3,679,000 was made from the portfolio of the New York bank to the Federal Reserve Bank of Atlanta to replace maturities in their special April 16 allotment of bills.

The Federal Reserve Bank of St. Louis which, on account of its reserve position, discontinued participation in System bill purchases for one week during the latter part of August made a further request September 4 that allotment be discontinued until further notice.

Figures shown on statement attached (Exhibit "B") reflect the distribution to all participating banks of System purchases of bills from

*Copy filed 333.34*

January 4 to September 1, 1926 , inclusive; the overages and shortages shown thereon have since been adjusted in the usual manner.

Attached are the following exhibits:

- (A) Statement showing participation of Federal reserve banks in System Special Investment Account and Classification of issues held in the account by maturities.
- (B) Statement showing purchases of bankers acceptances from January 1 to September 1, 1926 and the amount each bank has received in excess or short of its pro rata share under the apportionment plan put into effect January 4, 1926.
- (C) Statement showing earning asset holdings of all Federal reserve banks September 1, 1926 as compared with previous week; also weekly average of earning asset holdings from December 31, 1925 to September 1, 1926 as compared with corresponding period 1925 and entire year 1925.



Exhibit "A"

STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
SPECIAL INVESTMENT ACCOUNT AND CLASSIFICATION OF ISSUES HELD  
SEPTEMBER 7, 1926 IN THE ACCOUNT BY MATURITIES

	<u>Holdings</u>		<u>Holdings by Maturities</u>
Boston	\$ 9,204,000	September 15, 1926	\$ 59,395,000
New York	55,393,000	December 15, 1926	44,380,500
Philadelphia	5,165,000	March 15, 1927	76,878,200
Cleveland	13,860,000	December 15, 1927	29,321,300
Richmond	6,109,000		
Atlanta	0		
Chicago	27,541,500		
St. Louis	14,409,500		
Minneapolis	9,368,500		
Kansas City	18,893,000		
Dallas	19,388,500		
San Francisco	<u>30,643,000</u>		
Totals	<u>\$209,975,000</u>		<u>\$209,975,000</u>

## Exhibit "B"

PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 4 TO SEPTEMBER 1, 1926 AND AMOUNT  
EACH BANK HAS RECEIVED IN EXCESS OR SHORT OF ITS PRO RATA SHARE  
UNDER APPORTIONMENT PLAN PUT INTO EFFECT JANUARY 4, 1926

---

	Bills Acquired (Net)	Bills Entitled to Acquire	Bills Over Pro Rata Share	Bills Short Pro Rata Share
Boston	\$ 81,107,000	\$ 74,924,000	\$6,183,000	0
New York	249,352,000	251,839,000	0	2,487,000
Philadelphia	83,136,000	85,627,000	0	2,491,000
Cleveland	106,719,000	107,031,000	0	312,000
Richmond	54,961,000	55,248,000	0	287,000
Atlanta	52,083,000	51,882,000	201,000	0
Chicago	149,467,000	149,846,000	0	379,000
St. Louis	46,320,000	46,320,000	0	0
Minneapolis	44,279,000	44,545,000	0	266,000
Kansas City	63,689,000	64,220,000	0	531,000
Dallas	44,534,000	44,545,000	0	11,000
San Francisco	<u>96,712,000</u>	<u>96,332,000</u>	<u>380,000</u>	<u>0</u>
Totals	<u>\$1,072,359,000</u>	<u>\$1,072,359,000</u>	<u>\$6,764,000</u>	<u>\$6,764,000</u>

These figures reflect purchases allotted on basis of regular percentages but  
do not include inter-System sales from portfolio.

EXHIBIT "C"

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS SEPTEMBER 1, 1926 COMPARED WITH PREVIOUS WEEK AND SEPTEMBER 2, 1925; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 31, 1925 TO SEPTEMBER 1, 1926 AS COMPARED WITH CORRESPONDING PERIOD 1925 AND ENTIRE YEAR 1925

(000 Omitted)

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St.Louis	Minneapolis	Kansas City	Dallas	San Fran.	Total
Bills Discounted - Aug. 25	\$39,499	\$140,059	\$49,850	\$38,105	\$45,347	\$48,600	\$73,604	\$36,424	\$14,060	\$12,716	\$22,610	\$49,764	\$ 570,638
" " - Sept 1	46,064	176,243	45,611	33,467	47,649	50,166	69,993	39,266	16,218	12,341	25,261	64,069	626,348
Net Change	6,565+	36,184+	4,239-	4,638-	2,302+	1,566+	3,611-	2,842+	2,158+	375-	2,651+	14,305+	55,710+
Bills Purchased - Aug. 25	17,444	43,849	18,879	26,484	12,707	26,545	35,191	8,417	11,789	14,513	12,246	26,552	254,616
" " - Sept 1	22,839	33,191	19,028	27,398	12,557	29,884	36,529	8,569	11,778	14,355	11,356	25,997	253,481
Net Change	5,395+	10,658-	149+	914+	150-	3,339+	1,338+	152+	11-	158-	896-	555-	1,135-
Government Securities - Aug. 25	10,638	60,266	20,454	35,214	7,842	1,995	50,175	21,216	17,527	30,729	22,877	42,284	321,217
" " - Sept 1	10,486	60,713	20,369	34,986	7,741	1,883	50,730	20,979	17,377	30,167	21,752	41,781	318,964
Net Change	152-	447+	85-	228-	101-	112-	555+	237-	150-	562-	1,125-	503-	2,253-
Total Earning Assets - Aug. 25	67,581	244,174	91,183	99,803	65,896	77,840	158,970	66,057	44,376	57,958	57,733	118,600	1,150,171
" " - Sept 1	79,389	270,147	87,008	95,851	67,947	82,533	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
Net Change	11,808+	25,973+	4,175-	3,952-	2,051+	4,793+	1,718-	2,757+	1,997+	1,095-	636+	13,247+	52,322+
<u>Weekly Average of Earning Assets</u>													
Dec. 31, 1925 to Sept. 1, 1926	81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Corresponding period 1925	83,167	279,904	81,307	109,969	53,330	41,424	130,218	50,290	35,377	50,299	42,249	101,198	1,059,232
Net Change	1,895-	10,848-	8,252+	5,223-	6,728+	31,998+	20,401+	12,456+	1,192+	14,986+	10,999+	11,691+	100,735+
Dec. 31, 1925 to Sept. 1, 1926	81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Entire year 1925	93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net Change	12,187-	18,077-	4,481+	9,158-	5,324+	16,874+	12,572+	6,310+	702-	7,992+	4,224+	3,023+	21,676+
<u>Comparison of Earning Assets</u>													
September 1, 1926	79,389	270,147	87,008	95,851	67,947	82,633	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
September 2, 1925	67,961	279,403	86,794	104,672	65,678	63,482	117,394	68,737	43,808	59,593	48,692	119,375	1,126,089
Net Change	11,428+	9,256-	214+	8,821-	2,269+	19,151+	39,858+	77+	2,565+	2,730-	9,677+	11,972+	76,404+

SUMMARY FOR SYSTEM

Bills discounted for week	\$ 55,710+
Bills purchased for week	1,135-
Government securities for week	2,253-
Total earning assets for week	52,322+
Weekly average of earning assets Dec.31/25 to Sept.1/26 against corresponding period 1925	100,735+
Weekly average of earning assets Dec.31/25 to Sept.1/26 against entire year 1925	21,676+
Comparison of earning assets Sept.1,1926 with Sept. 2,1925	76,404+

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Report of the Chairman to the Open Market Investment Committee

September 10, 1926.

333-62

Changes Since Last Meeting

Open Market Account:

In accordance with the decision at the last meeting of the committee on August 17, the special investment account has been reduced from 270 million dollars to about 210 million dollars. Of this amount 39 million represents sales to the Treasury and 21 million sales to a foreign correspondent, exactly offsetting gold imports. The net result of these operations was, therefore, to take out of the money market the amount of funds represented by the securities sold to the Treasury, which were paid for by withdrawals from depositary banks throughout the country.

Federal Reserve Credit:

The result of these sales was to increase the direct borrowing by member banks, and bills discounted on September 7 amounted to 611 million compared with 535 million dollars on August 18 and 639 million a year ago. Total bills and securities of the System on September 7 were 1,187 million, a figure which has been reached or exceeded several times this year and which is about the same as a year ago, whereas they have as a rule this year been exceeding last year's figures by about 100 million dollars. The following table shows the bills and securities of the System on August 18, September 7 this year, and September 9 a year ago.

BILLS AND SECURITIES - FEDERAL RESERVE SYSTEM  
 (millions of dollars)

	<u>Sept. 9, 1925</u>	<u>Aug. 18, 1926</u>	<u>Sept. 7, 1926</u>
Bills Discounted	639	535	611
Bills Purchased	214	254	261
U. S. Securities	327	360	311
Other Securities	<u>10</u>	<u>3</u>	<u>4</u>
Total Bills & Securities	<u>1,190</u>	<u>1,152</u>	<u>1,187</u>

*See Minutes*  
**AT BOARD MEETING**  
**SEP 1 1926**

2

It will be seen from these figures that the result of the open market sales has been to shift to the member banks the responsibility for a somewhat larger proportion of the total amount of Federal Reserve credit now outstanding, which should presumably have the effect of subjecting future extensions of member bank credit to a closer scrutiny and making present discount rates more effective.

Money Rates:

The combined result of these recent open market sales, the continued influence of the increase of rate of the New York bank, and increasing fall demands for credit, are shown in a considerable increase in money rates, as indicated in the following table.

MONEY RATES AT NEW YORK

	<u>Sept. 9, 1925</u>	<u>Aug. 17, 1926</u>	<u>Sept. 8, 1926</u>
Commercial Paper	4 1/4	4 1/4 - 4 1/2	4 1/2
Bills (90 day)	3 1/2	3 5/8	3 7/8
March Certs. & Notes	3.26	3.42	3.40
F. R. B. of N. Y. rate	3 1/2	4	4

We are thus entering the Fall with a rate structure substantially higher than a year ago. Five of the Reserve Banks are also operating with a higher discount rate than was the case a year ago.

Member Bank Credit:

Total loans and investments of reporting member banks on September 1 were higher than at any time since June 30 but maintained about the same increase over the previous year, as has been the case for some months past, an increase which is not out of line with the usual year to year increase in the volume of credit to keep pace with the growth in population and trade. In the past month there has been an increase in commercial loans and in loans secured by stocks and bonds, partly offset by a decrease in investments. Total loans on stocks and bonds are slightly larger than at any time this year with the exception of January 6 and June 30.

Business and Financial Situation:

Business continues to be maintained at a high level, with few evidences of weakness. There has recently been some decrease in the amount of contracts and permits arranged for new building construction. This reduction will probably influence next year's construction rather than construction for the balance of this year, which promises to be maintained at a high level. In the main business continues to be conducted in conservative fashion and there is little evidence of overproduction or of speculative tendencies outside of the security markets. The business public appears to be critically-minded to observe any unwholesome tendencies in the business situation, as may be indicated by the recent unwillingness of the public to purchase bonds from the G. L. Miller Company and their consequent failure. Further evidence may be found in the critical attitude toward the extension of terms for installment selling, in the continuance of hand to mouth buying, and in the stability of prices of other than agricultural commodities. It is difficult to discover any grounds for serious business disturbance in the immediate future. { Even in the stock market, where speculative operations are most in evidence, the tendency is clearly toward a careful selection of stocks on the basis of earnings and fundamental values and the trading is of much more substantial character than it was a year ago. An excellent argument can be made in justification for much of the recent rise in stock prices.

OPEN MARKET POLICY

While it is clear that we are now at a high level of business and financial activity, and that we are in a situation where the influence of the Federal Reserve System should be toward caution and conservatism, there does not appear to be any emergency situation. The present volume of discounts, and the present rate structure now constitute a considerable restraint on further extensions of member bank credit. As the usual Fall needs for additional credit make themselves felt there will be a steady increase in the burden of indebtedness upon member banks, and money rates are likely to continue higher than a year ago.

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A further sale of securities at this time would in all probability be followed by an increase in money rates which would make it difficult to avoid rate increases at a number of the Federal Reserve Banks. Before such action were taken there should be careful consideration of its probable effect upon financing of the crop movement, agricultural prices, and the international relationship of money rates and gold movements. The special investment account is now down to about 200 million dollars and a further dissipation of this portfolio would leave the System with little control over the market in case of some future emergency.

In the light of these various considerations it would appear to be wise to defer further open market action for the present until there is a chance to observe the effect on the situation of the causes now operative and to observe further the tendencies in the volume and quality of credit as the Fall season advances.

MINUTES OF JOINT MEETING OF THE OPEN MARKET INVESTMENT COMMITTEE  
AND THE FEDERAL RESERVE BOARD HELD IN WASHINGTON, FRIDAY, SEPTEMBER 10, 1926

333-6-2

Present:

Governor Crissinger  
Vice Governor Platt  
Mr. Hamlin  
Mr. James  
Dr. Miller  
Mr. Cunningham  
Mr. McIntosh

*See revised  
minutes*

Members of the Board

Acting Chairman Case  
Governor Harding  
Governor McDougal  
Governor Norris  
Mr. F. J. Zurlinden, Deputy Governor of the  
Federal Reserve Bank of Cleveland,  
representing Governor Fancher

Members of the Committee

Under Secretary of the Treasury Winston  
Assistant Secretary of the Treasury Dewey  
Mr. Matteson, Secretary  
Mr. Noel  
Mr. Goldenweiser  
Mr. McClelland

The meeting was called to order at 11:00 o'clock a. m. by  
Governor Crissinger.

On motion, it was

VOTED to dispense with the reading of the minutes of the  
last meeting of the Committee held on August 17, 1926.

The report of the Secretary with accompanying exhibits was  
presented.

The report of the Chairman of the Committee was presented and  
read and there followed a full discussion of the contents of the report and  
of the credit situation generally. It was the sense of the meeting that  
the recent sale to the Treasury from the System Account of about \$40,000,000  
Third Liberty Loan bonds had served a good purpose in making effective the  
recent change in the New York discount rate, the discounts for the System

*See revised minutes filed Final Minutes*



2

as a whole having shown a substantial increase.

It was also the sense of the meeting that the open market account should be maintained, for the present, at about the present level, and upon motion, duly seconded, the Committee

VOTED that the open market account should be maintained for the present at \$200,000,000 or thereabouts, with the understanding that the Committee could, in its discretion, increase or decrease the account by not more than \$50,000,000.

*Cancelled* { It was also understood that in the event of further gold imports for the account of foreign correspondents, we should continue to furnish them with securities from the Special Account as heretofore.

Mr. Winston referred briefly to the Treasury financing and stated that there probably would be a temporary overdraft of approximately \$200,000,000 which the Treasury would carry with the reserve banks, which would only run four or five days. In the same connection Mr. Case stated, that owing to the discounts at the New York bank it would be necessary to sell only a small amount (if any) of Government securities to New York member banks, probably \$25,000,000 or \$30,000,000 at the most.

Mr. Case reported on the condition of the foreign accounts stating the changes which had occurred since the last meeting of the Committee.

On motion, the meeting adjourned at 1 p. m.

(Signed) W. B. Matteson

Secretary.

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Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date September 8, 1926.

To All members of the Board.

Subject: \_\_\_\_\_

From Mr. Nocell.

333- /

This is to remind you that a meeting of the Open Market  
Investment Committee will be held in Washington on Friday,  
September 10th, at 11 o'clock a.m.

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Authority E.O. 12356

333-62

September 7, 1928.

Dear Mr. Case:

I acknowledge receipt of and have brought to the attention of the members of the Board your telegram of September 3rd, addressed to Governor Crissinger, advising that following your conversation with him over the telephone on that day you arranged a meeting of the Open Market Investment Committee to be held in Washington on Friday, September 10th, at 11 o'clock a.m., standard time.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

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

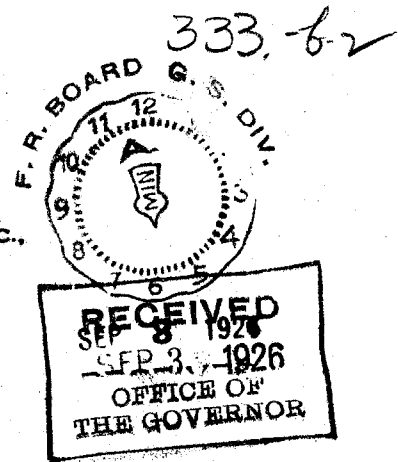
Prepared by  
*[Signature]*

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TELEGRAM

FEDERAL RESERVE SYSTEM  
(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.,



42urfa

New York 1155a Sept 3 1926

Governor Crissinger

Washn

Following my talk with you over the telephone this morning I have arranged a meeting of the open market investment committee to be held in Washington Friday September 10, at eleven o'clock am standard time.

Case

Acting Chairman

1106am

Noted  
AT BOARD MEETING  
SEP 7 1926

(Handwritten initials)

see ans 9/7/26

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Form No. 101

**Office Correspondence**

FEDERAL RESERVE  
BOARD

FEDERAL RESERVE BOARD FILE  
Date August 25, 1926.  
333 • -b-2

*Handwritten notes:*  
Mr. Hoell  
Mr. James  
Mr. Miller  
Mr. Hamlin  
Mr. Platt  
Mr. Crissinger  
Final Minutes

Members of the Board

Subject:

At the meeting of the Board yesterday, there was ordered circulated the attached letter dated August 20th from the Secretary of the Open Market Investment Committee, transmitting copy of the minutes of the meeting of the Committee held in New York on August 17th. *filed 333. -b-2 Final Minutes*

- ✓ Governor Crissinger
- ✓ Mr. Platt
- ✓ Mr. Hamlin
- ✓ Mr. Miller
- ✓ Mr. James
- ~~Mr. Cunningham~~
- ✓ Mr. McIntosh

Please return to Secretary's office.

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FEDERAL RESERVE BANK  
OF NEW YORK

RECEIVED  
AUG 1 1926  
OFFICE OF  
THE GOVERNOR

333-62

CONFIDENTIAL

August 20, 1926

Sir :

Enclosed please find copy of the minutes of <sup>8-17-26 filed 333-62</sup> <sub>Final Minutes</sub>  
the meeting of the Open Market Investment Committee  
held at the Federal Reserve Bank of New York on August  
17, 1926, also reports and data referred to therein.

Respectfully,



W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

*Ordered Circulated*

AT BOARD MEETING

AUG 24 1926



333-62

REPORT OF THE SECRETARY TO THE OPEN MARKET INVESTMENT COMMITTEE  
MEETING AT NEW YORK, AUGUST 17, 1926

At the last meeting of the Committee a motion was passed giving authority to make temporary purchases or sales in the System Account within a range of \$50,000,000 to relieve undue firmness in the money market over the end of the month. The shifting of funds to meet heavy interest and dividend disbursements was partially offset by the purchase for Treasury Account of \$60,000,000 Third Liberty Loan 4 1/4% bonds, with the result that money conditions held fairly stable throughout the July 1 period. Therefore it was not necessary for the Committee to make purchases or sales under this authority.

Transactions in the System Special Investment Account since the meeting of the Open Market Investment Committee held in Washington on June 21, 1926 have consisted of sales of certain issues to the Treasury Department and to foreign correspondents, which have been replaced with other issues purchased in the market, with the exception of a recent sale of \$4,800,000 September 15, 1926 Treasury Notes to a foreign correspondent. This leaves the System Account holdings at present \$270,200,000. These transactions, which were consummated with the approval of all members of the Committee, are as follows:

Sale to foreign correspondents of:

\$10,000,000 December 15, 1926 certificates on July 7/10  
2,000,000 December 15, 1926 certificates on July 28  
4,800,000 September 15, 1926 Treas. Notes on Aug. 7

Sale to the Treasury Department:

\$30,000,000 Third Liberty Loan 4 1/4% bonds on June 29.

These were replaced by the purchase of various short-term Government issues.

In this connection it will be noted that there is at present in the System Account a balance of \$24,425,500 Third Liberty Loan bonds, and approximately \$15,000,000 owned outright by other Federal reserve banks, which the Treasury has advised it is desirous of purchasing.

Special allotments of bankers acceptances during the period consisted of the sale by the New York bank of \$12,473,000 to replace maturities in the allotment

2

of \$15,998,500 of bills (made April 16 to the Atlanta bank in lieu of the release of a like amount of Government securities representing their participation in the Special Investment Account) and the distribution of \$3,355,000 to all other participating reserve banks which, on account of its reserve position, the Federal Reserve Bank of St. Louis wished to dispose of. During the week July 20 to July 27 the St. Louis bank temporarily discontinued its participation in System bill purchases.

Figures shown on statement attached (Exhibit "B") reflect the distribution to all participating banks of System purchases of bills during the current year; the overages and shortages shown thereon have since been adjusted in the usual manner.

In line with the possible Treasury financing on September 15, 1926, it will be noted that the System holdings of Treasury Notes maturing on this date aggregate about \$73,000,000, of which \$67,222,000 are held in the System Special Investment Account, the balance being held in the portfolios of various other reserve banks. (1)

*Handwritten: Add Special*

Attached are the following exhibits:

- A. Statement showing participation of Federal reserve banks in System Special Investment Account and classification of issues held in the account by maturities.
- B. Statement showing purchases of bankers acceptances from January 4 to August 11, 1926 and amount each bank has received in excess or short of its pro rata share under the apportionment plan put into effect January 4, 1926.
- C. Statement showing earning asset holdings of all reserve banks from August 11, 1926 as compared with previous week; also weekly average of earning assets from December 31, 1925 to August 11, 1926 as compared with corresponding period of 1925.

**ADDENDUM:**

In addition to the transactions referred to above, there was sold from the Special Investment Account yesterday, August 16, \$2,337,000 par value U.S. 4 1/4% Treasury Notes due September 15, 1926 which were not replaced.



Exhibit "A"

STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
SPECIAL INVESTMENT ACCOUNT AND CLASSIFICATION OF ISSUES HELD  
AUGUST 11, 1926 IN THE ACCOUNT BY MATURITIES

	<u>Holdings</u>		<u>Holdings by Maturities</u>
Boston	\$ 11,843,000	September 15, 1926	\$ 67,222,000
New York	71,280,000	December 15, 1926	57,353,000
Philadelphia	6,646,500	March 15, 1927	79,978,200
Cleveland	17,835,000	December 15, 1927	41,221,300
Richmond	7,861,500	September 15, 1928	24,425,500
Atlanta	0	3rd L/L bonds	
Chicago	35,443,000		
St. Louis	18,542,500		
Minneapolis	12,056,500		
Kansas City	24,311,500		
Dallas	24,949,500		
San Francisco	<u>39,431,000</u>		
Totals	<u>\$270,200,000</u>		<u>\$270,200,000</u>

## Exhibit "B"

PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 4 TO AUGUST 11, 1926 AND AMOUNT  
 EACH BANK HAS RECEIVED IN EXCESS OR SHORT OF ITS PRO RATA SHARE  
 UNDER APPORTIONMENT PLAN PUT INTO EFFECT JANUARY 4, 1926

	<u>Bills Acquired (Net)</u>	<u>Bills Entitled to Acquire</u>	<u>Bills Over Pro Rata Share</u>	<u>Bills Short Pro Rata Share</u>
Boston	\$ 74,188,000	\$ 66,944,000	\$7,244,000	0
New York	224,103,000	225,347,000	0	1,244,000
Philadelphia	76,080,000	76,506,000	0	426,000
Cleveland	94,726,000	95,629,000	0	903,000
Richmond	48,705,000	49,278,000	0	573,000
Atlanta	45,383,000	45,912,000	0	529,000
Chicago	132,999,000	133,885,000	0	886,000
St. Louis	42,409,000	42,999,000	0	590,000
Minneapolis	39,282,000	39,715,000	0	433,000
Kansas City	56,653,000	57,379,000	0	726,000
Dallas	39,359,000	39,715,000	0	356,000
San Francisco	<u>85,492,000</u>	<u>86,070,000</u>	<u>0</u>	<u>578,000</u>
Totals	<u>\$959,379,000</u>	<u>\$959,379,000</u>	<u>\$7,244,000</u>	<u>\$7,244,000</u>

These figures reflect purchases allotted on basis of regular percentages but  
 do not include inter-System sales from portfolio.

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS AUGUST 11, 1926 COMPARED WITH PREVIOUS WEEK AND AUGUST 12, 1925, ALSO WEEKLY  
AVERAGE OF EARNING ASSETS FROM DECEMBER 31, 1925 TO AUGUST 11, 1926 AS COMPARED WITH CORRESPONDING PERIOD 1925 AND ENTIRE YEAR 1925  
(000 Omitted)

		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
Bills Discounted	- Aug. 4	\$ 30,506	\$166,228	\$42,107	\$36,547	\$43,143	\$44,094	\$56,137	\$35,198	\$10,793	\$18,100	\$17,972	\$46,775	\$ 547,605
"	" 11	24,220	190,253	37,810	42,890	44,665	44,102	52,065	30,345	9,354	10,742	18,272	44,292	549,011
Net Change		6,286-	24,025+	4,297-	6,343+	1,518+	8+	4,072-	4,853-	1,439-	7,358-	300+	2,483-	1,406+
Bills Purchased	- Aug. 4	19,880	34,757	18,305	23,334	10,696	27,649	35,357	5,521	9,201	12,751	9,634	21,407	228,492
"	" 11	21,748	37,066	17,996	23,014	10,495	26,145	33,037	6,856	9,561	13,121	9,575	22,354	230,968
Net Change		1,868+	2,309+	309-	320-	201-	1,504-	2,320-	1,335+	360+	370+	59-	947+	2,476+
Government Securities	- Aug. 4	12,898	73,869	21,723	38,417	9,342	1,893	56,374	24,328	19,328	35,018	26,723	49,807	370,220
"	" 11	12,687	72,602	21,605	38,101	9,202	1,967	55,915	23,999	19,614	34,586	26,297	49,107	365,682
Net Change		211-	1,267-	118-	316-	140-	74+	459-	329-	214-	432-	426-	700-	4,538-
Total Earning Assets	- Aug. 4	63,284	274,854	84,135	98,298	63,186	74,336	147,868	65,047	40,322	65,869	54,329	117,989	1,149,517
"	" 11	58,655	299,921	79,411	104,005	64,363	72,914	141,017	61,200	39,029	58,449	54,144	115,753	1,148,861
Net Change		4,629-	25,067+	4,724-	5,707+	1,177+	1,422-	6,851-	3,847-	1,293-	7,420-	195-	2,236-	656-
<u>Weekly Average of Earning Assets</u>														
Dec. 31, 1925 to Aug. 11, 1926		82,147	270,243	89,767	105,236	59,963	72,792	150,165	62,207	35,790	65,957	52,842	112,088	1,159,197
Corresponding period 1925		84,467	281,317	80,844	110,491	52,942	39,358	130,637	48,207	34,438	49,655	41,579	100,122	1,054,057
Net Change		2,320-	11,074-	8,923+	5,255-	7,021+	33,434+	19,528+	14,000+	1,352+	16,302+	11,263+	11,966+	105,140+
Dec. 31, 1925 to Aug. 11, 1926		82,147	270,243	89,767	105,236	59,963	72,792	150,165	62,207	35,790	65,957	52,842	112,088	1,159,197
Entire year 1925		93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net Change		11,312-	16,890-	4,689+	8,668-	5,229+	16,244+	12,120+	6,271+	1,481-	8,664+	3,818+	2,222+	20,906+
<u>Comparison of Earning Assets</u>														
August 11, 1926		58,655	299,921	79,411	104,005	64,363	72,914	141,017	61,200	39,029	58,449	54,144	115,753	1,148,861
August 12, 1925		82,780	266,423	80,656	120,956	58,772	56,443	107,072	65,381	43,314	55,659	48,107	105,210	1,090,773
Net Change		24,125-	33,498+	1,245-	16,951-	5,591+	16,471+	33,945+	4,181-	4,285-	2,790+	6,037+	10,543+	58,088+

## SUMMARY FOR SYSTEM

Bills discounted for week	\$1,406+
Bills purchased for week	2,476+
Government securities for week	4,538-
Total earning assets for week	656-
Weekly average of earning assets Dec. 31, 1925 to Aug. 11, 1926 against corresponding period 1925	105,140+
Weekly average of earning assets Dec. 31, 1925 to Aug. 11, 1926 against entire year 1925	20,906+
Comparison of earning assets Aug. 11, 1926 with Aug. 12, 1925	58,088+

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333-f-2

## Report of the Chairman to the Open Market Investment Committee

August 17, 1926.

Since the last meeting of the Open Market Committee on June 21 the business and financial situation has been somewhat clarified. [The hesitation in business, and particularly in business sentiment, which was apparent in the spring, has largely passed away, and business is being carried forward at a very active pace, with optimistic sentiment as to the future. The present indications are that the year 1926 will establish new records in production, building, freight car loadings, and other phases of business activity. From the point of view of credit policy, perhaps the most important feature of the present activity of business is that it comes after a very long extended period of active business. In the past such a long period of activity has usually been followed by over-production and over-speculation and by a subsequent decline in activity.]

There are, however, few evidences of overdoing the present business prosperity. There is some indication of overbuilding. The textile industries have been ailing for some time. But in general it must be said that business men continue to conduct their affairs in orderly and conservative fashion. Prices of commodities have been remarkably steady, with the exception of farm products which have tended to decline. The principal example of speculative action is the stock market, in which higher prices and active trading appear to reflect not only heavy professional operations, but large earnings and an increasing public interest.]

Volume of Credit.

The reporting member banks are extending about one billion dollars more credit than a year ago, an increase which is not far from the usual increase of credit

2

from year to year due to the country's growth. The present volume of business is not requiring any exceptional growth in credit. About half of the increase since a year ago has been in bank investments and loans on securities.

The country has been using about 100 million dollars more of Federal Reserve credit than it was a year ago, although thus far in August the increase has not been this large. The division between different types of holdings of bills and securities was as follows on August 11:

Table 1 - Total Bills and Securities

	(in millions)	
	<u>Aug. 12, 1925</u>	<u>August 11, 1926</u>
Bills discounted	538	549
Bills purchased	212	231
U. S. Securities	329	366
Other	12	3
<b>Total Bills and Securities</b>	<b>1,091</b>	<b>1,149</b>

A further analysis of bills discounted, which constitutes the portion of Reserve Bank credit which comes under the influence of the discount rate, is shown by districts in the following table. The table indicates that in the Boston, Philadelphia and Cleveland districts in particular, bills discounted are markedly smaller than in 1925 or in 1923. Total bills discounted for the System are 250 million less than in 1923 and a little larger than last year.

Table 2 - Bills discounted - by districts

(in millions)

	Aug. 15 1923	Aug. 13 1924	Aug. 12 1925	Aug. 11 1926
Boston	51	12	43	24
New York	196	30	173	190
Philadelphia	66	21	46	38
Cleveland	63	23	73	43
Richmond	69	33	47	45
Atlanta	42	30	28	44
Chicago	76	34	39	52
St. Louis	51	18	23	30
Minneapolis	30	14	7	9
Kansas City	39	13	8	11
Dallas	46	22	10	18
San Francisco	73	19	42	44
<b>Total</b>	<b>901</b>	<b>266</b>	<b>538</b>	<b>549</b>

Future Policy

It would appear that there is nothing alarming in the present situation, but that in view of the present large volume of business and financial activity the influence of the Reserve System should be in the direction of caution and conservatism.

[ On August 12 the Federal Reserve Bank of New York raised its discount rate from 3 1/2 per cent to 4 per cent, and the results of this change are not yet fully apparent.

It would seem wise to consider, however, whether sales should not be made from the special investment account in order that a larger proportion of the Reserve credit outstanding may be converted into discounts, for which the member banks feel direct responsibility. This would have the effect of subjecting future extensions of member bank credit to still closer scrutiny and would make present discount rates more effective. There does not now seem to be, however, any reason for drastic or precipitate action in the sale of securities which might disturb the financing of fall trade and agriculture.] ✓

An opportunity for testing the effect of sales of securities is provided by the Treasury program of purchases for the sinking fund. The Treasury is desirous of purchasing 40 million dollars of Third Liberty Loan bonds now held by the Federal Reserve Banks. A sale of these bonds to the Treasury would constitute a convenient means of increasing the indebtedness of member banks at the Reserve Banks, with least disturbance to the money market. Transfers to the Treasury could be made at intervals with continuous observation as to the effects of the transaction on money conditions. It would be well for the committee to have authority to replace the securities sold by purchases in the market, if at any time the money market was seriously disturbed.

A still further problem which the committee will wish to consider is raised by the maturity on September 15 of 67 million of securities held in the special investment account, although the question as to whether or not these maturities should be replaced would depend somewhat upon the results of testing the market by the suggested

sale to the Treasury.

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Form No. 10

# Office Correspondence

FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD FILE  
Date: June 29, 1926.  
333-b ✓  
232

*Warrant # 201211  
# 2  
Mr. Eddy*

To: Members of the Board

From: Mr. Eddy

Subject:

2-8405

At the meeting this morning there was ordered circulated the attached letter, dated June 24, from the Secretary of the Open Market Investment Committee transmitting copy of the minutes of the joint meeting of the Committee and the Federal Reserve Board held in Washington on June 21.

*6-21-26 filed 333-b-2  
Final Minutes*

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

Please return to the Secretary's office for filing.



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*D. M. [unclear]*  
" "

FEDERAL RESERVE BANK  
OF NEW YORK

333-62

PERSONAL AND CONFIDENTIAL

June 24, 1926

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

Dear Mr. Eddy:

I am enclosing copy of the minutes of the  
joint meeting of the Open Market Investment Committee  
and the Federal Reserve Board held in Washington,  
June 21, 1926.

*6-21-26 filed 333-6-2  
Final Minutes*

Very truly yours,

*W. B. Matteson*

W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encl.

*Ordered Circulated*  
**AT BOARD MEETING**  
JUN 29 1926  
*W*

DECLASSIFIED  
Authority E.O. 12356

333 0-1-2

June 18, 1926.

REPORT ON FOREIGN ACCOUNTS

To the Members of the  
OPEN MARKET INVESTMENT COMMITTEE.

Since the last complete report to the Governors on the foreign accounts which was made at the Conference in March, there has been a further increase in the total amount of foreign monies with us, the aggregate now being \$132,000,000 as compared with \$187,000,000 on March 10 and \$63,000,000 one year ago. The important changes in the foreign accounts have been as follows: (1) decreases of \$5,000,000 and \$23,000,000 in the bills held respectively for the National Bank of Hungary and the Reichsbank, and (2) increases in the holdings of Treasury securities of about \$1,000,000 for the Agent General for Reparation Payments, \$5,000,000 for the Bank of England and \$4,000,000 for the National Bank of Hungary.

The gold held under earmark for foreign banks has increased from \$32,000,000 to \$52,000,000, this increase being accounted for in the holdings of the Reichsbank.

With respect to the loans on gold to the Bank Polski, the second renewal period of three months expired on May 25. Due to the unsettlement in Poland at that time, we thought it advisable to cable for further assurances as to the status of the Bank Polski before continuing the credit for another three months and fixing a rate to be effective for that period. A satisfactory reply to our inquiry was promptly received from Poland and we accordingly extended the credit for another three months to mature August 25 at the same rate, namely 4-1/2%. You will observe that the amount of advances to the

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2

June 16, 1926.

Bank Polski outstanding at present is \$7,500,000, a decrease of \$1,300,000 since March 10. You will recall that the agreement entered into with the Bank Polski on August 25, 1925, called for a three months credit with three renewals so that the present agreement expires at the end of the existing renewal on August 25, 1926.

A comparative statement of the foreign accounts in detail is attached hereto for the information of the Committee.

Very truly yours,

*George L. Harrison*  
GEORGE L. HARRISON,  
Deputy Governor.

J.D.H.K.

**REPORT TO OPEN MARKET INVESTMENT COMMITTEE**  
(Figures as of June 16, 1926.)

COMPARATIVE STATEMENT OF FOREIGN ACCOUNTS

	To-day	Report to Governors' Conference 3/10/26	Year Ago
Total Balances	\$ 6,355,954.80	\$ 4,814,815.51	\$ 6,007,392.29
Total Bills	55,089,417.84	83,008,377.21	33,459,616.62
Total Treasury Securities	72,876,000.00	61,945,000.00	2,738,000.00
Total Gold Earmarked	52,900,000.00	32,400,000.00	14,914,260.00
Sub Totals	\$187,221,372.64	\$182,168,192.72	\$57,119,268.91
Custodies not participated	5,426,510.21	5,431,312.24	6,747,172.94
<b>TOTALS</b>	<b>\$192,647,882.85</b>	<b>\$187,599,504.96</b>	<b>\$63,866,441.85</b>

	FREE BALANCES		BILLS		TREASURY SECURITIES		EARMARKED GOLD	
	6/16/26	3/10/26	6/16/26	3/10/26	6/16/26	3/10/26	6/16/26	3/10/26
Agent General for Reparation Payments	\$ 49,479.20	\$ 31,186.14	\$ 0	\$ 0	\$ 6,165,000.00	\$ 4,945,000.00	\$ 0	\$ 0
Bank of England	1,791,368.14	1,348,510.98	0	0	50,250,000.00	45,000,000.00	0	0
Bank of France	65.80	65.80	0	0	0	0	0	0
Bank of Japan	500,082.78	500,340.11	4,532,220.62	4,533,841.45	0	0	0	0
Bank Polski	131,713.26	124,365.99	0	0	0	0	0	0
Bank of the Republic of Colombia	976,053.47	1,482,517.43	0	0	0	0	1,500,000.00	1,000,000.00
Banque Nationale Suisse	99,567.96	99,722.61	14,442,272.03	14,749,598.19	0	0	6,400,000.00	6,400,000.00
Czechoslovak National Bank	100,057.97	100,159.68	0	0	0	0	0	0
De Javasche Bank	250,618.05	250,181.45	7,883,227.25	7,747,618.31	0	0	0	0
De Nederlandsche Bank	250,151.03	249,981.37	14,346,079.71	14,165,214.41	0	0	0	0
National Bank of Belgium	855.20	841.68	0	0	0	0	0	0
National Bank of Hungary	99,720.70	100,005.63	191,726.79	5,658,175.58	4,461,000.00	0	0	0
Reichsbank	1,906,491.40	379,049.26	13,693,791.44	36,153,929.27	0	0	45,000,000.00	25,000,000.00
Sveriges Riksbank	199,729.84	147,887.38	0	0	12,000,000.00	12,000,000.00	0	0
<b>TOTALS</b>	<b>\$6,355,954.80</b>	<b>\$4,814,815.51</b>	<b>\$55,089,417.84</b>	<b>\$83,008,377.21</b>	<b>\$72,876,000.00</b>	<b>\$61,945,000.00</b>	<b>\$52,900,000.00</b>	<b>\$32,400,000.00</b>

FOREIGN LOANS ON GOLD

To	Amount	Rate	Maturity Date	Gold Collateral Amount	Held by
Bank Polski	\$7,500,000.00	4-1/2%	Aug. 25, 1926	\$10,595,596.16	Bank of England.

TOTAL COMMISSIONS EARNED

From 3/11/26 to 6/16/26 inclusive.

	Agent General	Bk. of Japan	Banque Natl. Suisse	De Javasche Bk.	De Neder- landsche Bk.	N.B. of Hungary	Reichsbank	Sveriges Riksbank	Totals
Bankers Acceptances	\$ 0	\$ 1,807.42	\$ 4,538.85	\$ 2,704.77	\$ 4,571.63	\$ 56.99	\$ 6,201.78	\$ 0	\$ 19,881.44
Treasury Securities	1,143.50	0	0	0	0	978.92	0	2,200.34	4,322.76
									\$ 24,204.20

FEDERAL RESERVE BANK OF NEW YORK.

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REPORT OF THE CHAIRMAN TO THE  
OPEN MARKET INVESTMENT COMMITTEE

333-67  
6/21/26

The report of the secretary gives the details of operations since the last meeting. As far as policy is concerned, the two principal problems center around the changes in the money market due to the tax period, and the policy of the committee for the coming few months in view of the general credit situation.

Tax Period

The detail of gains and losses to the New York money market as a result of tax period operations, together with the position of reserves of the New York banks from day to day, are shown in the following table. The table indicates that the New York banks started the tax period with reserves substantially under requirements, and as a consequence of this fact and of rapid income tax collections, the surplus of funds on June 15 and 16 was only temporary and by Friday, when the banks average up their reserves, the situation was again at equilibrium.

As this week begins the prospects are that the banks in principal centers will be steadily losing in their reserves through the accumulation of Treasury balances at the Reserve Banks. Just as the problem last week was to prevent too great ease in funds, so the problem this week will be to prevent too rapid a tightening; and the same may be true of next week, when semi-annual settlements will coincide with requirements of currency over the July 4 holiday. Various methods for offsetting a disturbance to the money market at this time may well be considered. The situation may be met partly by Treasury investment

- 2 -

of part of its surplus. It may be desirable also for the committee to make temporary purchases for a few days, and authority should be secured for such operations.

#### The General Situation.

At the time of the governors' conference there was some anticipation of a recession in business. Since that time there has been a reduction in some lines of business activity. Production in various textile lines has been considerably curtailed. Production of iron and steel has decreased slightly. Building activity is not quite as intense and reports for May by the New York State Department of Labor, and by the Philadelphia Reserve Bank for the Philadelphia district, indicate a decline of about 2 per cent in factory employment. Wholesale and retail trade have been a little unsatisfactory, but that may largely be ascribed to the weather. This about concludes the evidence of recession, for, in general, business has continued at high speed above what we may call normal activity. Car loadings are large; production is large in most lines of industry; automobile output is exceptional; bank debits indicate a very large measure of activity; and taking all the evidence together there has been no such recession as was anticipated earlier in the year.

As far as credit is concerned, the country has continued to require about the same volume of credit as in the spring and there has been no particular seasonal reduction.

[ Industrial stock averages now within 6 to 8 points of February high, and 10 points above March low; and rails are practically at the year's high. The recent rise appears to be stimulated by general belief that money will be very cheap, and by apparent failure of expected business recession to materialize.

- 3 -

In the past few days the market has apparently been influenced by temporary ease of money over tax period and some misunderstanding of effect on money of Treasury's not putting out new issue.

The rise in stock prices has been accompanied by an increase of less than 100 million in brokers loans, which are still 700 million below the peak. Stocks are being carried much more largely on loans direct to customers by banks outside New York City. These banks are lending 400 million less to brokers in New York, but their total loans on stocks and bonds are as large as at year's high point. Thus the total amount of credit employed in carrying securities has decreased much less than the brokers loan reports indicate and is only about 200 million below the high point.

The general situation may be summarized by saying that the picture is not clear as to which direction business and credit are likely to take. A further expansion in business and in speculation is possible; on the other hand, a continued recession in business is possible. Under these conditions it would seem wise for the Open Market Committee to maintain its holdings of securities at \$275,000,000, or thereabouts, except for such temporary changes as may be necessary in the next two weeks.

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June 18, 1926

GAINS AND LOSSES TO NEW YORK MONEY MARKET

	JUNE	12	14	15	16	17	18	19
<u>Gains to the market:</u>								
Treasury transactions:								
Notes redeemed (Net)	0	0	110	3	0	0	0	0
Interest paid	0	0	29	5	2	1	0	0
Checks and warrants cashed	2	3	3	4	2	6	0	0
Securities purchased	0	2	12	0	0	0	0	0
Commercial and agency transactions:								
Securities purchased for other Federals	0	7	0	0	0	0	0	0
Transfers and checks settlements	1	0	54	22	0	0	0	0
Net Coin and currency receipts	0	0	4	3	0	0	0	0
Operations for foreign accounts (Net)	0	0	1	0	0	0	0	0
Reserve Bank Transactions:								
Acceptances bought	0	6	3	0	1	6	0	0
Acceptances, sales contracts, increase	0	13	0	0	0	15	0	0
Securities, sales contracts, increase	0	0	0	0	0	4	0	0
Securities bought for System's account	0	6	1	0	20	5	0	0
Net increase in loans to New York City banks	0	0	0	0	5	31	0	0
Total gains	3	37	217	37	30	68	5	5
<u>Losses by market:</u>								
Treasury transactions:								
Income taxes collected	2	3	6	75	18	16	0	11
Customs and other receipts	2	2	5	6	2	0	0	1
Foreign debt payments (cash)	0	0	4	0	0	0	0	0
Commercial and agency transactions:								
Transfers and check settlements	0	1	0	0	19	21	0	22
Net coin and currency payments	1	0	0	0	8	7	0	0
Operations for foreign accounts - net -	1	2	0	0	0	1	0	0
Gold exports	0	0	0	1	0	0	0	0
Reserve bank transactions:								
Acceptances matured	0	6	4	4	4	5	0	0
Acceptances, sales contracts, decrease	0	0	0	11	7	0	0	0
Securities sold from System's account	10	40	10	0	0	0	0	0
Net decrease in loans to New York City banks	7	6	39	8	0	0	0	13
Total losses	23	60	68	105	58	50	47	47
Net gain for day			149			18		
Net loss for day	20	23		68	28			42
<u>Reserve position of 23 leading New York City banks:</u>								
Actual reserves at opening of business	595	569	537	680	648	599	614	614
Average reserves	604	569	558	589	601	600	602	602
Reserve requirements	602	599	599	603	603	603	602	602



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REPORT OF THE SECRETARY TO THE OPEN MARKET INVESTMENT  
 COMMITTEE MEETING AT WASHINGTON  
 JUNE 21, 1926

333-6-2

The activities of the Open Market Investment Committee since its last meeting held in Washington on March 20, 1926, have been confined largely to transactions in the System Special Investment Account. Following the policy outlined at that meeting and in line with the Committee's recommendation that

"If developments in the money market indicate any need for doing so, the amount of securities in the System Account be increased to \$300,000,000"

*missing* ✓

which was approved by the Federal Reserve Board on March 25, 1926, with the stipulation by the latter that

"no purchases shall be made after April 15, 1926, without further consideration,"

*missing* ✓

the Committee authorized the purchase from time to time of short-term Government securities in the market as a result of which the holdings in this account aggregated \$275,000,000 by April 15. Transactions during the June 15 tax period consisted of the sale and redemption of securities aggregating \$51,000,000 of which \$36,500,000 represented maturing obligations, and \$14,500,000 sales of other issues to foreign accounts to replace their June 15 maturities; also purchases in replacement of approximately \$45,500,000, as a result of which the holdings in the System Account at the present time aggregate \$270,500,000.

Special allotments of System investments were made during the period as follows: - on April 16, at the request of the Atlanta bank, their participation in Government securities held in the System Special Investment Account amounting to \$15,998,500 was prorated to other reserve banks in exchange for a like amount of bankers acceptances in order that the Atlanta bank might maintain the proper gold reserve to deposit liability occasioned by large shipments of Federal reserve notes to meet a temporary currency condition at their Havana agency. As the Atlanta bank has not yet been in a position to take back these

governments, the New York bank has from time to time replaced the bills which matured through the sale to date from its portfolio of approximately \$12,000,000. The Federal Reserve Bank of New York also sold from its portfolio to the Federal Reserve Bank of Minneapolis about \$10,000,000 of bills on April 12 in order to be of assistance in building up their declining earning assets.

The Federal Reserve Bank of St. Louis on March 31, 1926, requested that they be relieved temporarily of participating in System purchases of bills and securities. In order to be of further assistance the Committee purchased from the St. Louis bank from March 31 to June 1, bills aggregating \$10,650,000 which were redistributed to the other participating banks. By June 7, however, their improved position permitted them to resume their participation in both governments and bills.

The United States Treasury found it unnecessary to make any offering of Government securities on June 15 and similarly found it unnecessary to withdraw any funds from its government depositories. The redemption of maturing obligations, however, resulted in a temporary surplus of funds in the market and the Committee made temporary sales to various banks in New York during the period from June 12 to 18 of Government securities from the System Special Investment Account aggregating \$25,000,000. The selling of these securities exerted a stabilizing influence on the money market so that call rates did not go below 3 1/2%.

The heavy tax payments on and immediately following June 15 will result in the Treasury accumulating substantial balances in the Federal reserve banks, but this is to be taken care of in part by purchases of Third 4 1/4% Liberty Loan Bonds.

Attached are the following exhibits:

- "A" Statement Showing Participation of Federal Reserve Banks in System Special Investment Account and Classifications of Issues Held in the Account by Maturities.

- "B" Statement Showing Purchases of Bankers Acceptances from January 4 to June 16, 1926, and Amount Each Bank Has Received in Excess or Short of Its Pro Rata Share.
- "C" Statement Showing Earning Asset Holdings of All Reserve Banks June 16, 1926, as Compared with Previous Week, Also Weekly Average from December 31, 1925, to June 16, 1926, as Compared with Corresponding Period of 1925.
- "D" Statement Showing Estimated Net Earnings Over Expense and Dividend Requirements for year 1926, of all Reserve Banks based on Figures Furnished Committee as of May 31, 1926; Also Estimated Charge-offs for Entire Year.

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS JUNE 16, 1926 COMPARED WITH PREVIOUS WEEK AND JUNE 17, 1925; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM DECEMBER 31, 1925 TO JUNE 16, 1926 AS COMPARED WITH CORRESPONDING PERIOD 1925 AND ENTIRE YEAR 1925  
(000 Omitted)

		<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Bills Discounted	- June 9	\$22,552	\$114,013	\$45,371	\$43,765	\$46,013	\$35,232	\$46,311	\$24,593	\$5,940	\$20,117	\$11,142	\$33,114	\$ 448,163
	" 16	18,953	67,066	43,064	44,359	45,438	36,610	43,555	22,912	4,149	18,637	11,309	37,278	393,330
Net Change		3,599-	46,947-	2,307-	594+	575-	1,378+	2,756-	1,681-	1,791-	1,480-	167+	4,164+	54,833-
Bills Purchased	- June 9	16,153	65,898	13,108	23,263	11,173	24,919	31,676	4,987	11,822	12,625	10,792	23,405	249,821
	" 16	14,123	44,070	14,755	22,328	11,647	27,939	32,267	6,432	10,713	12,768	10,974	25,143	233,159
Net Change		2,030-	21,828-	1,647+	935-	474+	3,020+	591+	1,445+	1,109-	143+	182+	1,738+	16,662-
Government Securities	- June 9	18,465	83,859	24,215	38,554	9,925	3,847	60,535	30,114	20,720	39,789	35,564	52,721	418,308
	" 16	21,808	160,293	26,830	48,907	8,286	1,849	67,493	23,853	18,209	33,251	26,959	44,508	482,335
Net Change (Board Report)		3,343*	76,434+	2,615 +	10,353+	1,639-	1,998-	6,948+	6,261-	2,511-	6,538-	8,606-	8,213-	63,927+
(Excluding Over-														
* Net Change (drafts-including temporary sales)		6,061-	12,971-	2,770-	1,797-	911-	1,998-	4,773-	4,546-	1,396-	4,288-	6,297-	4,565-	* 52,573-
Total Earning Assets	- June 9	57,808	266,072	85,617	106,481	67,556	65,594	139,673	60,055	39,251	72,859	57,792	109,820	1,128,578
	" 16	55,454	273,494	87,362	116,397	65,768	67,398	144,333	53,520	33,811	64,948	49,504	107,447	1,119,426
Net Change (Board Report)		2,354-	7,412+	1,745+	9,916+	1,798-	1,804+	4,660+	6,535-	5,440-	7,911-	8,288-	2,373-	9,152-
(Excluding Over-														
* Net Change (drafts-including temporary sales (Govt. Securities))		11,758-	81,993-	3,640-	2,434-	1,050-	1,804+	7,061-	4,820-	4,325-	5,661-	5,979-	1,275+	* 125,652-
<b>Weekly Average of Earning Assets</b>														
Dec. 31, 1925 to June 16, 1926		87,653	268,364	91,082	106,713	58,675	74,017	149,378	61,854	35,520	66,834	52,902	110,731	1,163,728
Corresponding period 1925		86,801	293,907	81,640	113,077	49,349	34,106	132,452	43,100	32,434	48,122	39,036	98,218	1,052,242
Net Change		852+	25,543-	9,442+	6,359-	9,326+	39,911+	16,926+	18,754+	3,086+	18,712+	13,866+	12,513+	111,486+
Dec. 31, 1925 to June 16, 1926		87,653	268,364	91,082	106,713	58,675	74,017	149,378	61,854	35,520	66,834	52,902	110,731	1,163,728
Entire year 1925		93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net Change		5,806-	18,769-	6,004+	7,186-	3,941+	17,469+	11,333+	5,918+	1,751-	9,541+	3,878+	865+	25,437+
<b>Comparison of Earning Assets</b>														
June 16, 1926		55,454	273,484	87,362	116,397	65,768	67,398	144,333	53,520	33,811	64,948	49,504	107,447	1,119,426
June 17, 1925		67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196
Net Change		12,096-	63,264+	8,298+	17,946+	2,453-	10,544+	17,807+	2,543-	6,741-	11,402+	1,842+	4,960+	112,230+

## SUMMARY FOR SYSTEM

Bills discounted for week	Net Change Based on Board Report	Net Change Excluding Over-drafts and Including Temporary Sales Govt. Sec. System Account
Bills purchased for week	\$54,833-	
Government securities for week	16,662-	
Total earning assets for week	63,927*	52,573-
Weekly average of earning assets Dec. 31, 1925 to June 16, 1926 against corresponding period 1925	9,152-	
Weekly average of earning assets Dec. 31, 1925 to June 16, 1926 against entire year 1925	111,486 +	
Comparison of earning assets June 16, 1926 with June 17, 1925	25,437+	
	112,230+	

\* These figures of net change in Government securities and total earning assets exclude \$141,500,000 temporary advances to Treasury and include \$25,000,000 Government securities sold temporarily from System Account over tax period and repurchased by June 18, 1926.

## Exhibit "A"

STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM SPECIAL INVESTMENT  
ACCOUNT AND CLASSIFICATION OF ISSUES HELD IN THE ACCOUNT BY MATURITIES

	<u>Holdings</u>		<u>Holdings By Maturities</u>
Boston	\$ 11,856,500	September 15, 1926	\$ 50,522,000
New York	71,359,500	December 15, 1926	45,203,000
Philadelphia	6,654,000	March 15, 1927	83,228,200
Cleveland	17,855,000	December 15, 1927	46,121,300
Richmond	7,870,500	September 15, 1928	45,425,500
Atlanta	0	3rd L/L bonds	
Chicago	35,482,000		
St. Louis	18,563,000		
Minneapolis	12,069,500		
Kansas City	24,338,500		
Dallas	24,977,000		
San Francisco	<u>39,474,500</u>		
Totals	<u>\$270,500,000</u>		<u>\$270,500,000</u>

## Exhibit "B"

PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 4 TO JUNE 16, 1926 AND AMOUNT  
EACH BANK HAS RECEIVED IN EXCESS OR SHORT OF ITS PRO RATA SHARE  
UNDER APPORTIONMENT PLAN PUT INTO EFFECT JANUARY 4, 1926

	<u>Bills Acquired (Net)</u>	<u>Bills Entitled to Acquire</u>	<u>Bills Over Pro Rata Share</u>	<u>Bills Short Pro Rata Share</u>
Boston	\$ 51,505,000	\$ 48,945,000	\$2,560,000	\$ 0
New York	163,615,000	165,606,000	0	1,991,000
Philadelphia	55,567,000	55,937,000	0	370,000
Cleveland	68,699,000	69,918,000	0	1,219,000
Richmond	35,667,000	35,817,000	0	150,000
Atlanta	33,133,000	32,451,000	682,000	0
Chicago	98,373,000	97,887,000	486,000	0
St. Louis	31,808,000	31,898,000	0	90,000
Minneapolis	28,854,000	28,824,000	30,000	0
Kansas City	41,822,000	41,953,000	0	131,000
Dallas	28,912,000	28,824,000	88,000	0
San Francisco	<u>63,036,000</u>	<u>62,931,000</u>	<u>105,000</u>	<u>0</u>
Totals	<u>\$700,991,000</u>	<u>\$700,991,000</u>	<u>\$3,951,000</u>	<u>\$3,951,000</u>

These figures reflect purchases allotted on basis of regular percentages  
but do not include inter-System sales from portfolio.

## Exhibit "D"

## STATEMENT SHOWING ESTIMATED NET EARNINGS OVER EXPENSE AND DIVIDEND REQUIREMENTS FOR YEAR 1926 OF ALL RESERVE BANKS BASED ON FIGURES FURNISHED THE COMMITTEE AS OF MAY 31, 1926; ALSO ESTIMATED CHARGE-OFFS FOR ENTIRE YEAR

	Net Earnings in Excess of Expenses and Dividends (Ex- cluding Charge-offs) May 31, 1926	Estimated Net Earn- ings in Excess of Expenses and Divi- dends (Excluding Charge-offs) December 31, 1926 (Based on Column 1)	Estimated Charge-offs for Year 1926
Boston	\$ 434,277	\$ 1,042,000	\$ 132,047
New York	644,154	1,546,000	455,000
Philadelphia	308,965	742,000	38,000
Cleveland	326,000	782,000	372,000
Richmond	244,000	586,000	105,000
Atlanta	551,854	1,324,000	525,327
Chicago	568,904	1,365,000	660,197
St. Louis	295,731	710,000	233,591
Minneapolis	128,189	308,000	95,946
Kansas City	322,281	773,000	166,024
Dallas	251,309	603,000	41,296
San Francisco	<u>575,000</u>	<u>1,380,000</u>	<u>725,000</u>
Totals	<u>\$4,650,664</u>	<u>\$11,161,000</u>	<u>\$3,549,428</u>

DECLASSIFIED  
Authority E.O. 12356

# 2

333.-62

FEDERAL RESERVE BANK  
OF NEW YORK

1833

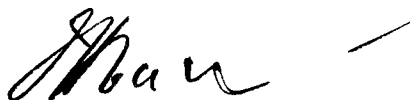
RECEIVED  
1926  
OFFICE OF  
MR. PLATT.

June 15, 1926.

Dear Governor Platt:

I have advised the members of the Open  
Market Investment Committee that the meeting to be held  
on Monday, June 21 next, will convene at 11 o'clock in  
the Federal Reserve Board room.

Very truly yours,



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

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

P.S. Governor Norris and I are coming over on the early  
train from Philadelphia, which is due in Washington  
at that hour.



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Authority E.O. 12356

COMMERCIAL TELEGRAM

Form 148 A

FEDERAL RESERVE BOARD

LEASED WIRE SERVICE  
WASHINGTON

*Meeting 6/21/26  
Wash. D.C.*

*323-6-2  
~~355~~*

The telegram given below is hereby confirmed.

2-9454 a  
G P O

June 10 1926

D R Crissinger  
Hotel Harding  
Marion Ohio

Open market committee meeting will be held here June 21 and not Monday of next week as I stated to you over telephone this morning

Eddy

Official business  
Govt rate

Chg. Fed. Reserve Board

DECLASSIFIED  
Authority E.O. 12356

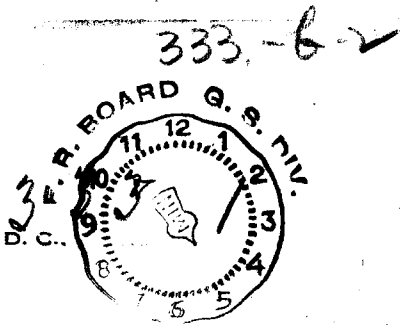
*Meeting June 21, 1926  
W.C.*

**TELEGRAM**

**FEDERAL RESERVE SYSTEM**

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.



JUN 10 1926

32nrfa

New York 1101a June 10 1926

Edward Platt, FRB

• Washn

*6/9/26*

Acknowledge your letter of yesterday meeting of open market committee has been called June 21 in Washington.

Case

1012 am

*see letter 6/15/26*

333.6-2

June 9, 1926.

Dear Mr. Case:

In the Governor's absence I discussed with the Board this morning the question of holding an Open Market Committee meeting on June 21st with particular reference to the question whether it should be held in Washington or New York. I stated that as I understood it there was no proposition for a change in the general policy, i.e. in addition to or subtraction from the System's open market fund, but that temporary purchases on account of the conditions arising from the Treasury's unusual action and from the window dressing at the end of the month might be necessary. Several members of the Board expressed considerable interest in the situation due to the fact that the Treasury is not to issue any new certificates but is to accumulate funds and pay off the maturing obligations, and the sentiment seemed to be very strongly in favor of holding the meeting in Washington on the date mentioned.

Yours very truly,

(D) *Edmund Platt*  
Vice Governor.

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

see ans 6/10/26  
copy filed 333.3 333.6-1

DECLASSIFIED  
Authority E.O. 12356

TELEGRAM

FEDERAL RESERVE SYSTEM  
(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.



148nrf a

New York 355p June 8 1926

Edmund Platt

Frb Washn

As arranged with you over the telephone a meeting of open market committee will be held on monday June 21 either in Washington or New York which ever place will suit you better

Case

303p

see ans 6/9/26

DECLASSIFIED  
Authority E.O. 12356

*Minutes of  
Meeting March  
20 1926*

*#2*

FEDERAL RESERVE BANK FILE  
333. - 6-2  
~~333.~~

April 19, 1926.

Dear Mr. Matteson:

I acknowledge receipt of your letter of April 15th, enclosing copies of the minutes of the meeting of the Open Market Investment Committee and its joint session with the Board on March 20, 1926. These minutes will be placed in our files.

*3/20/26 filed  
333. - 6-2  
Final minutes*

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

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

DECLASSIFIED  
Authority E.O. 12356

FEDERAL RESERVE BANK  
OF NEW YORK

*Boers  
DRL*

*333.-6-2*

April 15, 1926.

CONFIDENTIAL

S i r :

There is enclosed for your files copies of the  
Minutes of the Meeting of the Open Market Investment Com-  
mittee and of the Joint Meeting of the Open Market Invest-  
ment Committee and the Federal Reserve Board held in  
Washington on March 20, 1926.

*13-20-26 filed 333.-6-2 Final Minutes*

Respectfully,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Enclosures

*Noted*  
AT BOARD  
APR 1 1926  
(711)

*N 1*

*see ans 4/19/26*

DECLASSIFIED  
Authority E.O. 12356

# 2

FEDERAL RESERVE BANK  
OF NEW YORK


FEDERAL RESERVE BOARD FRA  
333-62  
333-1

April 1, 1926.

Dear Mr. Eddy:

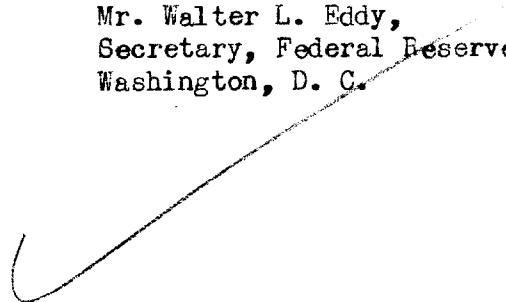
I want to acknowledge and thank you for your letter of March 31, enclosing a copy of a transcript of some stenographic notes made by Mr. McClelland of Professor Sprague's remarks at the meeting of the Board and Open Market Committee on March 20.

Very truly yours,



GEORGE L. HARRISON,  
Deputy Governor.

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



DECLASSIFIED  
Authority E.O. 12356

# 2

333-62  
333 1

March 31, 1928

Dear Mr. Harrison:

Referring to our telephone conversation, I am enclosing herewith, for your information, a copy of a transcript of some stenographic notes made by Mr. McClelland of Professor Sprague's remarks at the meeting of the Board and Open Market Committee on March 20th.

*enclosure  
not  
in  
files*

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,  
Secretary

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

(Enclosure)



DECLASSIFIED  
Authority E.O. 12356

Form No. 131.

# Office Correspondence

FEDERAL RESERVE  
BOARD

333-82 ✓

Date March 30, 1926.

To Governor Crissinger

Subject: \_\_\_\_\_

From Mr. Eddy

3-8495

At the meeting of the Board yesterday, the following resolution was unanimously adopted:

"WHEREAS, on March 9, 1926, the Federal Reserve Board passed the following resolution:

'That Washington be designated as the future regular meeting place of the Open Market Investment Committee, except when the Committee is authorized by the Board to meet elsewhere.'

Now, therefore, the Governor is directed to advise, from time to time, after consultation with the Chairman of said Committee, when in his opinion it is desirable from the nature of the business to be transacted that meetings of the Committee be held at places other than Washington."

*orig. filed 333-82 333-8-1*

DECLASSIFIED  
Authority E.O. 12356

**FEDERAL RESERVE BOARD**  
**WASHINGTON**

March 23, 1926.

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

324  
333.-6-2  
~~333-1~~

Dear Sirs:

I am glad to transmit herewith for the information of the Federal Reserve Board ten copies of the report of the Open Market Investment Committee to the Governors' Conference. This report was submitted to and approved by the Conference on March 22nd.

3-22-26

Respectfully,

*George L. Harrison*

George L. Harrison,  
Secretary, Governors' Conference.

Federal Reserve Board,  
Washington, D. C.

*See Minutes*

AT BOARD MEETING

MAR 23 1926 & March 24, 1926

*See Minutes*

AT BOARD MEETING

MAR 25 1926

DECLASSIFIED  
 Authority E.O. 12356

*Postpone!* *Spec Order 4/21* *See Minutes*  
 AT BOARD MEETING AT BOARD MEETING  
 NOV 17 1925 NOV 20 1925 NOV 23 1925

*Bygones* (11)

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

333-62

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.

2

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. (Gait)
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:

Table

4

Credit Changes Since April, 1925

(dollar figures in millions)

	<u>Apr. 29</u>	<u>Oct. 14</u>	<u>Change</u>
<u>Money Rates</u>			
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
<u>Earning Assets Federal Reserve Banks</u>			
	\$	\$	\$
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
<b>Total Bills and Securities</b>	<b>1.028</b>	<b>1.276</b>	<b>+248</b>
<u>Loans and Investments Weekly Reporting</u>			
<u>Member Banks</u>			
Commercial Loans	8.354	8.673	+319
Loans on Stocks and Bonds	4.878	5.192	+314
Investments	5.484	5.462	- 22
<b>Total Loans and Investments</b>	<b>18.716</b>	<b>19.327</b>	<b>+611</b>
<u>Borrowings at Federal Reserve Banks</u>			
By weekly reporting member banks in:			
New York City	47	155	+108
Chicago	2	22	+ 20
Other principal cities	162	291	+129
<b>Total principal cities</b>	<b>211</b>	<b>468</b>	<b>+257</b>
By non-reporting banks outside principal cities	189	176	- 13
	(March 1)	(Oct. 1)	
<b>Money in circulation</b>	<b>4.725</b>	<b>4.827</b>	<b>+102</b>

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

.6.

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



7

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. (11)

*Smith*

INDEX OF EXHIBITS

- A. Statement Showing Transactions in the System Special Investment Account Since Last Governors Conference in April 1925.
- B. Statement Showing System Purchases of Bankers Acceptances from January 2, 1925, to October 21, 1925, and their Allotment to Participating Banks.
- C. Chart of Earning Assets of All Federal Reserve Banks Showing Discounts for Banks in Principal Cities and Outside of Principal Cities.
- D. Chart of Money Rates in New York.

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

	<u>Participation</u>	<u>Ratio</u>	<u>Maturities</u>	
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	34,281,500	16.3%		
	<u>\$210,000,000</u>	<u>100%</u>		<u>\$210,000,000</u>

## EXHIBIT "B"

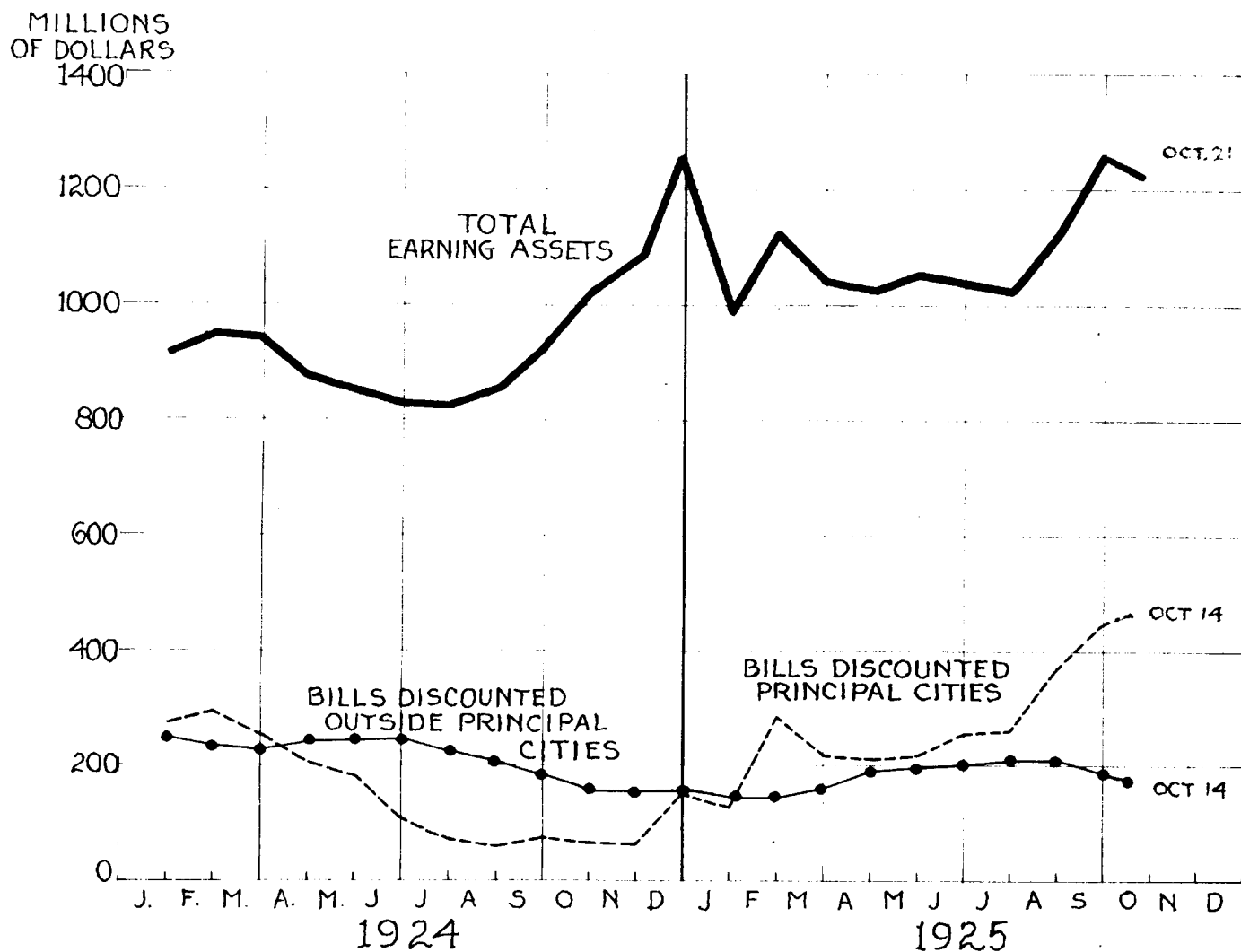
STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM JANUARY 2, 1925  
TO OCTOBER 21, 1925 AND THEIR ALLOTMENT TO PARTICIPATING BANKS

	<u>Purchases</u>	<u>Participations</u>
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	<u>41,886,000</u>	<u>124,596,000</u>
Totals	<u>\$1,281,699,000</u>	<u>\$1,281,699,000</u>

\* 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

DECLASSIFIED  
 Authority E.O. 12356

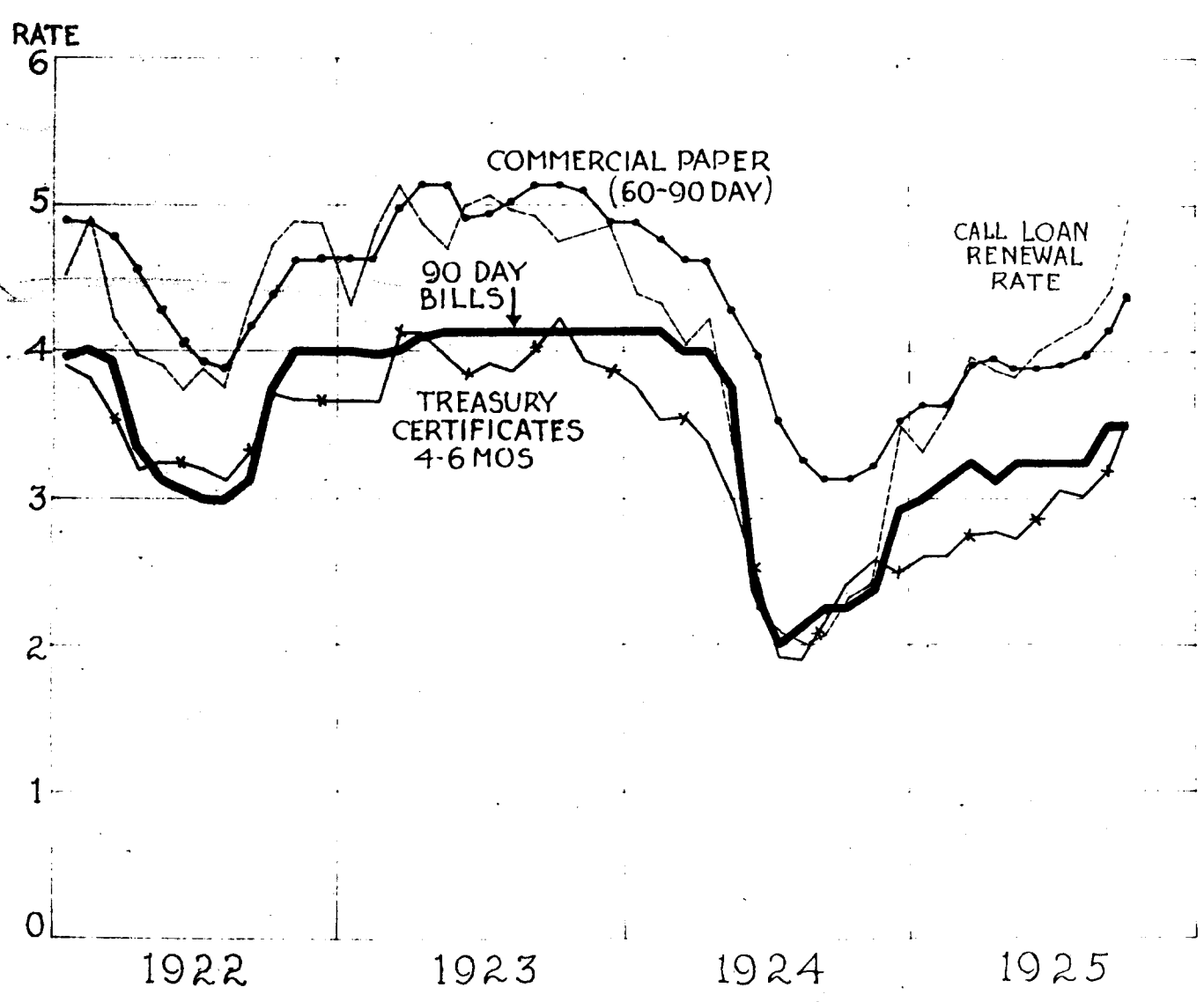
EXHIBIT "C"



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

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EXHIBIT "D"



Money Rates in the New York Market

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333.-6-2

September 29, 1925.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of September 25th, enclosing copy of the minutes of the meeting of the Open Market Investment Committee held at Washington on September 22nd, which have been brought to the attention of the members of the Board.

Very truly yours,

J. G. Hoell,  
Assistant Secretary.

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

filed 333.-6-2  
Final Minutes

see memo 9/29/25

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Form No. 131

# Office Correspondence

FEDERAL RESERVE BOARD

Date September 29, 1925

To To All Members of the Board

Subject: 333-1

From [Handwritten Signature]

333-62  
8496

There is attached hereto ~~letter dated September 25th~~ from the Secretary of the Open Market Investment Committee transmitting copy of the minutes of the meeting of the Committee held in Washington on September 22nd: 9/22/25 filed 333-62 Final Minutes

- ✓ Governor Grissinger
- ✓ Mr. Platt
- ~~Mr. [Redacted]~~
- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Mr. McIntosh (per [Handwritten])

Please return to Secretary's Office.



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*Slochet*

FEDERAL RESERVE BANK  
OF NEW YORK

333.-6-2

CONFIDENTIAL

September 25, 1925.

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

My dear Mr. Eddy:

I am enclosing copy of the minutes of the meet-  
ing of the Open Market Investment Committee held in the  
offices of the Federal Reserve Board, Washington,  
September 22, 1925.

*9/27/25 filed 333.-6-2  
Final minutes  
9/27/25*

Very truly yours,  
*W. B. Matteson*

W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encl.

*Ordered Circulated*  
AT BOARD MEETING  
SEP 29 1925

*see memo 9/24/25  
see ans 9/29/25*

## Report of the Chairman to the Open Market Investment Committee

Washington, D. C.

September 22, 1925

333-6-2

Credit Conditions

Since the last meeting of the committee on June 24, business has continued in large volume, with a tendency in recent weeks toward still greater activity. Business continues free, however, from speculative tendencies and the price level is only slightly higher than it was at the end of June. Speculation in stocks and in real estate has increased.

The effect of these changes on the credit situation has been to increase the borrowings of member banks at the Federal Reserve Banks and to tighten money rates by  $1/4$  to  $1/2$  of 1 per cent. The principal changes in credit are shown in the accompanying table. The figures are shown for September 9 rather than for a later date because the figures since that time have been distorted by changes incident to Treasury financing.

One feature of interest in the banking changes since the end of June has been that the entire increase in borrowings at the Federal Reserve Banks has been by banks in principal cities, whereas the banks outside of these cities have reduced their borrowings. Most of the recent increase in street loans on the New York Stock Exchange to a new high appears to have come from outside of principal cities.

The net result of the credit changes since the end of June has been to increase the indebtedness at the Reserve banks of member banks in principal centers by nearly 200 million dollars, - considerably more than half of this increase taking place in New York City. This result is very similar to what would have taken place if the Reserve Banks had sold 200 million dollars of Government securities in the open market while credit conditions remained otherwise unchanged. Member banks in principal cities are substantially in debt at the

2

- Reserve banks and are under the influence of the discount rate. In other words, the situation is such that it will be more largely influenced by the position of the discount rate than by open market transactions.

#### September 15 transactions

A review of the changes likely to occur in the banking situation in connection with Government operations on and after September 15 appeared to indicate that sales from the special investment account would not be necessary to insure a reasonable degree of stability, because it was supposed that member banks in principal cities were sufficiently in debt at the Reserve Banks to utilize any excess funds in paying off indebtedness at the Reserve Banks. Such repayment actually did take place and the System's statement for September 16 showed a reduction of discounts and advances of 150 million, as compared with the preceding week. Repayment was not made, however, with sufficient rapidity to absorb all surplus funds, particularly amounts held by non-borrowing banks, and money was quoted as low as 3 1/2 per cent for parts of three days. In order to avoid even such temporary ease in money, which was misinterpreted by many, it may seem desirable in the future either to make sales to the market or else to enlist the cooperation of some of the large banks in adjusting the money position more rapidly at these periods.

#### Future Program

As indicated earlier, the principal question of Federal Reserve policy appears at present to be related to discount rates rather than to open market operations. Recent changes in money rates raise the question as to whether present discount rates are now a fair price for money. X

A second problem has to do with the preparation for the movement of funds over the end of the year. Last year very effective use was made of the special investment account by selling securities in January to offset the return of funds to principal centers, which is usual at that time of year. The present portfolio is too small to use effectively for this purpose without impairing its

3

usefulness for any later emergency. It would seem wise for the committee to be prepared to increase the portfolio somewhat when and if it can be done without disturbance. The usual Christmas demand for funds may furnish such an opportunity. Experience over the fifteenth of the month and on previous occasions would indicate that semi-automatic changes in borrowings by member banks cannot be relied upon completely to make adjustment for any large or rapid movement of funds. (A)

Credit Changes Since June 24, 1925

(Dollar figures in millions)

	<u>June 24</u>	<u>Sept. 9</u>	<u>Change</u>
<u>Money Rates</u>			
Bills (90 day)	3 1/4	3 1/2	+ 1/4
Commercial paper (4 - 6 mos.)	3 3/4 - 4	4 1/4	+ 1/2
C/I's (3 mos.)	2.87	3.01	+ .14
(6 mos.)	2.98	3.26	+ .28
<u>Earning Assets Federal Reserve Banks</u>			
Discounts and Advances	\$ 455	\$ 639	\$ +184
Bills Owned	215	192	- 23
Bills Sales Contract	26	22	- 4
U. S. Securities Owned	317	319	+ 2
U. S. Securities Sales Contract	7	8	+ 1
Total Earning Assets	1,034	1,190	+156
<u>Loans and Investments Weekly Reporting</u>			
<u>Member Banks</u>			
Commercial Loans	8,171	8,379	+208
Loans on Stocks and Bonds	5,034	5,063	+ 29
Investments	5,505	5,457	- 48
Total Loans and Investments	18,710	18,899	+189
<u>Borrowings at Federal Reserve Banks</u>			
By weekly reporting member banks in:			
New York City	73	195	+122
Chicago	5	4	- 1
Other principal cities	176	242	+ 66
Total principal cities	254	441	+187
By non-reporting banks outside principal cities	200	197	- 3

September 19, 1925.

REPORT ON FOREIGN ACCOUNTS

To the Members of the  
OPEN MARKET INVESTMENT COMMITTEE.

For the first time since last March there has been an increase in the bills bought for foreign banks, the total on hand now being \$34,000,000 as compared with \$31,000,000 when the last report was made to the Open Market Committee on August 1. This increase has been due entirely to an increase in the portfolio of the Swiss National Bank, while the holdings of the other foreign banks have remained unchanged.

Accompanying this increase in bills there has been a big drop in the amount of gold earmarked for foreign banks from \$18,000,000 to \$3,000,000 at present.

With respect to loans on gold held abroad, there has been a decrease of \$3,000,000 in the loans made to the Bankovní in Prague which brings the total advances to that institution down to \$7,500,000, while the credit to the Bank Polski has been used to the extent of \$300,000.

The usual comparative statement is attached hereto.

Very truly yours,

J. H. CASE,  
Deputy Governor.

Kno.

September 19, 1925.

REPORT TO OPEN MARKET INVESTMENT COMMITTEE

BANKERS ACCEPTANCES

	<u>Bank of Japan</u>	<u>De Nederlandsche Bank</u>	<u>De Javasche Bank</u>	<u>Swiss National Bank</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Bank Polski</u>	<u>Totals</u>
Close of Business On Hand 7/31/25	\$2,515,933.93	\$13,370,847.71	\$6,052,059.27	\$9,922,022.42	\$ 0	\$ 0	\$ 0	\$31,860,863.33
Purchased	1,290,968.91	10,367,790.82	3,088,877.30	8,392,066.55	0	0	0	23,139,703.58
Matured or dis-counted	1,289,453.46	10,303,170.62	3,010,063.77	5,724,010.31	0	0	0	20,326,698.16
On Hand 9/19/25	2,517,449.38	13,435,467.91	6,130,872.80	12,590,078.66	0	0	0	34,673,868.75

earmarked GOLD

De Javasche Bank	\$ 814,260.00
Bank of the Republic, Bogota,	1,000,000.00
Swiss National Bank, Berne,	1,265,637.55
	<u>\$3,079,897.55</u>

FOREIGN LOANS ON GOLD

<u>To</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Collateral Amount</u>	<u>Held by</u>
Bankovni urad Ministerstva Financi, Prague,	\$4,500,000.00	3 1/2%	October 14, 1925 )	\$11,109,147.28	Natl. Bank of Belgium
ditto	3,000,000.00	4 1/2%	November 30, 1925 )		
Bank Polski	300,000.00	4 1/2%	November 25, 1925	\$ 1,946,625.40	Bank of England
	<u>\$7,800,000.00</u>			<u>\$13,055,772.68</u>	

FREE BALANCES

	<u>Bk. of Japan</u>	<u>Nederlandsche Bank</u>	<u>Javasche Bank</u>	<u>Swiss N. Bank</u>	<u>N.B. of Belgium</u>	<u>Bk. of England</u>	<u>Bk. of France</u>	<u>Agt. Gen. for Rep. Paymts.</u>	<u>Bk. of Republic of Pol.</u>	<u>Bank Polski</u>	<u>Totals</u>	
Close 7/31/25	\$501,331.72	\$249,914.70	\$250,661.47	\$37,012.06	\$100,230.41	\$ 583.14	\$ 0	\$ 65.80	\$84,197.60	\$495,224.09	\$1,127,288.70	\$2,846,509.69
Close 9/19/25	500,718.56	251,240.77	250,201.10	100,512.11	100,159.68	583.14	0	65.80	492,171.64	495,224.09	162,465.49	2,353,342.38

TOTAL COMMISSIONS EARNED

	<u>From 8/1/25 to 9/19/25 inclusive.</u>					<u>Bk. of England</u>	<u>Bk. Polski</u>	<u>Agt. Gen. for Rep. Paymts.</u>	<u>Totals</u>
	<u>De Nederlandsche Bk.</u>	<u>Bank of Japan</u>	<u>Javasche Bank</u>	<u>Bk. of France</u>	<u>Swiss N.B.</u>				
Bankers Acceptances	\$5,913.08	\$719.12	\$1,749.89	\$ 0	\$4,568.91	\$ 0	\$ 0	\$ 0	\$12,951.00

FEDERAL RESERVE BANK OF NEW YORK.

REPORT OF SECRETARY TO THE OPEN MARKET INVESTMENT COMMITTEEMEETING AT WASHINGTON, SEPTEMBER 22, 1925CHANGES IN HOLDINGS

Transactions in the System Special Investment Account since the last meeting of the Open Market Investment Committee held in New York, June 24, 1925, have resulted in a reduction in the amount of securities held in this account from \$221,000,000 to the present holdings of \$210,000,000. Of the securities sold \$4,000,000 of September 15, 1925 certificates were purchased by the Bank of England and \$22,100,000 of Government securities (the greater part being Third Liberty Loan bonds) were purchased by the Treasury for account of the Alien Property Custodian and the Cumulative Sinking Fund. These sales were made with the approval of all members of the committee and were partially replaced by the purchase of 4 3/4% Treasury notes maturing March 15, 1926.

SPECIAL ALLOTMENTS

The Committee at its last meeting voted to make special allotments of bills when possible to the Federal Reserve Banks of Minneapolis, Kansas City, Dallas and Atlanta so as to enable them to maintain as nearly as may be their needed proportion of open market investments. This has been done and in addition the following special sales have been made:

- (1) To the Federal Reserve Bank of Atlanta from the New York bank's portfolio of bills \$3,150,000
- (2) To the Federal Reserve Banks of Minneapolis and Dallas bills from the portfolio of the Federal Reserve Bank of St. Louis, totaling 6,463,000
- (3) The redistribution to all other participating banks of Government securities from the holdings of the Federal Reserve Bank of St. Louis amounting to 10,000,000

CHANGES IN BILL RATES

Following the increase in dealers' rates on bankers acceptances during the latter part of August, Federal reserve banks increased their buying rates for

2

prime bills 1/8% to 3 1/8% for 30, 3 1/4% for 60 and 3 3/8% for 90 day maturities and made a further change in rates on September 21 to 3 1/4% for 1 to 45 day bills and 3 3/8% for 46 to 90 day maturities. The System holdings of bills, which on June 24 amounted to \$215,000,000 and which were reduced by August 26 to \$182,000,000, have since increased slightly and now amount to about \$200,000,000. Total System purchases during this period aggregated \$310,000,000 and maturities \$292,000,000.

#### SEPTEMBER 15 TREASURY OPERATIONS

The firmness of call money rates and heavy borrowings of New York City banks from the Federal Reserve Bank of New York over the September 15 quarterly tax period did not appear to justify the sale (under temporary repurchase agreements) of any securities from the Special Investment Account.

#### ESTIMATE OF EARNINGS, ETC.

The attached exhibit A, "Estimate of Probable Earnings and Requirements, Federal Reserve System," for the year 1925 indicates that the System as a whole will earn in excess of their total requirements for expenses and dividends for the year and will have a substantial sum (estimated at \$2,800,000 on the basis of average earnings for the first eight months) to apply against the estimated charge-offs of \$5,826,123. Expenses and dividends, therefore, appear to be safely covered and it seems apparent that the earning assets in excess of the amount required to cover expenses and dividends should be distributed as nearly as possible in proportion to the estimated charge-offs of the several banks.

#### RECOMMENDATIONS

It is recommended that beginning October 1, 1925, the Committee authorize a distribution of additional earning assets acquired on the basis of maintaining each bank's earning asset figure at a point which will assure the covering of -

1st - Expenses and dividends for the bank



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2nd - Such proportion of its estimated charge-offs as the excess of earning assets for the System bears to the amount required to fully cover estimated charge-offs.

This will necessitate taking into consideration changes in the earning assets of each bank at frequent intervals, and any changes in these assets will correspondingly affect the ratio for the distribution of bill purchases as used from week to week.

Other exhibits B to D attached reflect the present status of the System Special Investment Account, and the changes in holdings of earning assets of all banks.

## EXHIBIT "A"

ESTIMATE OF PROBABLE EARNINGS AND REQUIREMENTS,  
FEDERAL RESERVE SYSTEM FOR THE YEAR 1925

Tabulation showing course of total earning assets for the year 1925:

	Average (Daily) Earning Assets (In Millions)
January - - - - -	1,070
February - - - - -	1,050
March - - - - -	1,076
April - - - - -	1,056
May - - - - -	1,050
June - - - - -	1,058
July - - - - -	1,061
August - - - - -	1,092
 Average first 8 months - - - - -	 1,064
 Actual average for the first 17 days in September - - - - -	 1,150

Gross earnings of System for 4 months' period  
 Sept. 1 to Dec. 31, 1925 based on average earning  
 assets of \$1,150,000,000 and on average earning rate  
 of 3 1/2% - - - - - 13,410,000

Estimated results for year 1925 on above basis:

Actual net earnings first 8 months - - - - -	\$2,535,319
Estimated gross earnings last 4 months \$13,410,000	
Less estimated expenses and dividends last 4 months - - - - -	<u>12,100,121</u>
Estimated Excess of Earnings over Expenses and Dividends last 4 months - - - - -	<u>1,309,879</u>
Estimated Total Net Earnings for the year after Expenses and Dividends - - - - -	\$3,845,198
Estimated charge-offs as submitted by the banks - - - - -	\$5,826,123

**NOTE:** An increase in the average earning assets of approximately \$85,000,000 for the full four months' period would, at 3 1/2%, produce approximately \$1,000,000 additional earnings.

## EXHIBIT "B"

**STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
 SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS SEPTEMBER 21, 1925  
 AND CLASSIFICATION OF ISSUES HELD IN THE ACCOUNT**

	<u>Holdings</u>	<u>Holding Ratio</u>			
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	<u>34,281,500</u>	<u>16.3%</u>			
	<u>\$210,000,000</u>	<u>100%</u>			<u>\$210,000,000</u>

COMPARISON OF TOTAL EARNING ASSETS OF ALL FEDERAL RESERVE BANKS WEEKLY FROM JANUARY 7, 1925 TO SEPTEMBER 16, 1925  
(000 Omitted)

EXHIBIT "C"

		<u>Boston</u>	<u>New York</u>	<u>Phila- delphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minne- apolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
January	7	\$107,950	\$275,015	\$73,130	\$143,735	\$35,929	\$29,239	\$143,909	\$44,076	\$29,176	\$53,350	\$53,200	\$121,256	\$1,109,965
	14	98,627	311,445	70,904	123,874	31,551	26,488	136,642	41,436	30,003	50,886	50,121	107,744	1,079,721
	21	87,001	231,102	69,381	114,189	29,192	22,776	129,865	40,624	26,013	46,254	45,568	103,491	945,456
	28	91,339	269,259	70,980	117,771	31,030	23,253	129,753	38,677	25,613	43,579	43,496	103,832	988,582
February	4	85,444	316,952	76,055	120,200	29,957	20,333	128,719	38,842	24,845	42,862	42,659	105,490	1,032,258
	11	94,035	342,200	76,638	116,575	28,476	19,260	128,790	38,323	24,266	42,482	41,318	107,245	1,059,608
	18	91,125	324,713	76,345	123,971	36,237	21,067	122,364	41,078	25,609	43,520	39,191	101,161	1,046,381
	25	91,199	416,409	76,961	120,304	37,548	21,218	124,466	38,136	25,574	41,727	35,912	100,243	1,129,697
March	4	89,429	367,550	82,071	121,329	42,707	31,189	131,685	34,296	28,654	42,076	33,979	96,229	1,101,194
	11	91,730	384,709	87,649	125,294	44,466	29,501	121,914	31,195	30,581	43,490	32,469	91,062	1,114,060
	18	87,773	328,492	96,489	118,832	50,350	33,151	116,049	36,620	30,023	43,462	30,022	85,584	1,056,847
	25	90,123	296,354	92,108	108,577	50,919	32,890	141,088	32,432	31,209	44,963	33,108	86,928	1,040,699
April	1	103,329	284,298	93,964	117,918	56,502	37,344	154,229	37,004	30,509	45,865	32,409	93,170	1,086,539
	8	96,988	327,087	83,675	106,992	55,058	33,823	144,124	34,025	30,105	45,077	30,848	88,814	1,076,616
	15	89,604	279,563	89,125	120,918	56,671	36,812	130,244	36,584	32,403	45,357	31,212	90,851	1,039,344
	22	91,256	274,002	86,954	108,136	57,663	37,650	145,778	36,275	40,520	45,379	31,179	98,065	1,052,857
	29	84,772	241,744	88,181	110,036	63,780	38,845	150,035	35,925	41,727	46,684	31,241	94,782	1,027,752
May	6	75,963	334,009	83,570	107,360	59,798	34,681	138,835	36,035	39,760	45,538	31,533	89,600	1,076,682
	13	69,938	277,313	83,280	98,984	62,445	38,751	126,292	42,359	36,897	53,280	35,574	88,472	1,012,585
	20	69,759	217,869	82,767	83,142	62,342	46,708	126,931	57,022	35,235	60,000	42,231	91,554	985,560
	27	76,237	241,731	84,402	101,217	63,931	45,745	128,652	68,333	34,057	60,808	46,649	102,614	1,054,376
June	3	81,196	240,138	78,745	98,845	66,596	49,945	125,749	73,358	42,013	58,866	47,354	101,346	1,064,151
	10	70,850	261,590	76,915	97,209	62,998	51,125	126,198	65,689	43,076	55,878	47,932	105,218	1,064,684
	17	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196
	24	72,759	217,101	76,379	105,117	64,128	57,566	126,550	61,354	39,644	53,895	48,613	111,364	1,034,470
July	1	86,721	227,163	81,472	100,296	70,618	57,639	144,629	62,704	37,507	53,020	47,623	97,648	1,127,040
	8	83,054	236,293	73,479	94,922	66,176	53,735	127,888	60,713	36,792	52,619	50,841	106,241	1,042,753
	15	80,390	237,229	80,362	99,852	62,439	52,996	126,633	61,341	37,142	54,594	50,347	99,970	1,043,295
	22	66,462	223,410	74,934	96,908	65,845	54,885	116,784	62,954	42,239	54,754	51,140	104,386	1,014,701
	29	67,004	204,111	83,201	102,501	62,255	51,064	131,340	64,925	42,479	54,441	48,503	109,518	1,021,342
August	5	80,571	276,634	77,160	101,322	59,523	56,578	120,650	68,857	44,479	55,058	48,480	112,341	1,101,653
	12	82,730	266,423	80,656	120,956	58,772	56,443	107,072	65,381	43,314	55,659	48,107	105,210	1,090,773
	19	67,508	238,181	87,056	105,225	61,592	62,689	133,456	74,237	48,138	56,198	49,359	107,263	1,090,902
	26	72,431	276,926	84,882	103,293	62,655	64,203	126,400	74,557	44,214	55,703	50,159	110,870	1,126,293
September	2	67,961	279,403	86,794	104,672	65,678	63,482	117,394	68,737	43,808	59,593	48,692	119,875	1,126,089
	9	66,963	336,006	86,758	116,026	62,601	56,644	123,194	65,063	47,493	58,257	50,456	120,808	1,190,269
	16	67,272	266,205	89,392	119,277	65,307	55,140	114,512	72,445	50,077	57,587	49,184	112,673	1,119,071

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STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS SEPTEMBER 16, 1925 AS COMPARED WITH PREVIOUS WEEK, ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM JANUARY 1 TO SEPTEMBER 16, 1925 AS COMPARED WITH CORRESPONDING PERIOD 1924 AND ENTIRE YEAR 1924  
(000 Omitted)

		<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Bills Discounted	- Sept. 9	\$25,102	\$254,334	\$ 47,293	\$ 67,273	\$ 51,656	\$30,108	\$51,930	\$ 30,756	\$ 8,305	\$ 7,945	\$9,848	\$ 54,556	\$ 639,192
"	" 16	21,475	110,361	48,551	69,451	54,323	28,885	43,579	39,563	7,882	7,203	8,495	48,172	487,940
Net Change		3,628-	143,973-	1,258+	2,178+	2,667+	1,308-	8,351-	8,807+	423-	742-	1,353-	6,384-	151,252-
Bills Purchased	- Sept. 9	36,057	22,146	18,576	17,362	5,003	11,742	27,203	3,094	22,963	17,342	10,779	21,936	214,143
"	" 16	38,981	11,960	19,961	18,077	5,142	12,088	28,912	2,374	23,670	18,698	11,251	20,848	211,962
Net Change		2,924+	10,186-	1,385+	775+	139+	346+	1,709+	720-	707+	1,356+	472+	1,088-	2,181-
Government Securities	- Sept. 9	5,248	57,501	17,872	30,648	5,544	14,402	43,026	30,868	15,978	32,670	29,566	43,791	327,114
"	" 16	6,261	141,859	17,863	30,946	5,444	13,860	40,986	30,163	18,278	31,286	29,175	43,128	409,249
Net Change		1,013+	84,358+	9-	298+	100-	542-	2,040-	705-	2,300+	1,384-	391-	663-	82,135+
Total Earning Assets	- Sept. 9	66,963	336,006	86,758	116,026	62,601	56,644	123,194	65,063	47,493	58,257	50,456	120,808	1,190,269
"	" 16	67,272	266,205	89,392	119,277	65,307	55,140	114,512	72,445	50,077	57,587	49,184	112,673	1,119,071
Net Change		309+	69,801-	2,634+	3,251+	2,706+	1,504-	8,682-	7,382+	2,584+	670-	1,272-	8,135-	71,198-
<u>Weekly Average of Earning Assets</u>														
January 1 to September 16, 1925		82,300	281,050	81,672	110,384	54,377	42,206	129,604	51,289	36,101	50,711	42,659	102,038	1,064,391
Corresponding period 1924		58,549	201,276	71,020	89,164	54,560	47,100	117,163	38,811	37,097	47,756	51,411	84,289	898,196
Net Change		23,751+	79,774+	10,652+	21,220+	183-	4,894-	12,441+	12,478+	996-	2,955+	8,752-	17,749+	166,195+
January 1 to Sept. 16, 1925		82,300	281,050	81,672	110,384	54,377	42,206	129,604	51,289	36,101	50,711	42,659	102,038	1,064,391
Entire Year 1924		66,191	238,230	70,767	97,230	49,719	43,005	123,699	40,453	36,501	48,917	50,154	89,113	953,979
Net Change		16,109+	42,820+	10,905+	13,154+	4,658+	799-	5,905+	10,836+	400-	1,794+	7,495-	12,925+	110,412+

SUMMARY FOR SYSTEM

Bills discounted for week	\$ 151,252-
Bills purchased for week	2,181-
Government securities for week	82,135+
Total earning assets for week	71,198-
Weekly average of earning asset holdings Jan. 1 to Sept. 16/25 against corresponding period 1924	166,195+
Weekly average of earning asset holdings Jan. 1 to Sept. 16/25 against entire year 1924	110,412+

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Form No. 131.

# Office Correspondence

FEDERAL RESERVE BOARD

1  
333-62  
June 26, 1925.

To All Members of the Federal Reserve Board # Subject: ~~333-1~~

From Mr. Nicoll

*Handwritten signatures and initials, including "Stacy" and "Nicoll".*

2-9405

At the meeting of the Board this morning, there was ordered circulated the attached letter dated June 25th from the Secretary of the Open Market Investment Committee transmitting copy of the minutes of the Committee held in New York on June 24th.

*6/24/25 filed 333.-6-2 Final Minutes*

- Governor Crissinger
- Mr. Platt
- Mr. Hamlin
- Mr. Miller
- Mr. James
- Mr. Cunningham
- Mr. McIntosh

*File*

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Authority E.O. 12356

*Slack*

333-b-2

FEDERAL RESERVE BANK  
OF NEW YORK

CONFIDENTIAL

June 25, 1925

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

Dear Mr. Eddy:

I am enclosing copy of the minutes of the meet-  
ing of the Open Market Investment Committee held at the  
Federal Reserve Bank of New York on June 24, 1925, also  
a revised copy of the report of the Chairman which was  
submitted at the meeting.

6-24-25 filed 333-b-2  
Final Minutes

Very truly yours,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encls. (2)

*Ordered Circulated*

AT ST. LOUIS MO  
JUN 26 1925

333-6-2

REPORT OF THE CHAIRMAN  
TO THE OPEN MARKET INVESTMENT COMMITTEE  
MEETING AT NEW YORK, JUNE 24, 1925

---

Following the last meeting of the Open Market Investment Committee, \$79,149,500 of the government securities held in the System Special Account were redistributed to reduce the participations of five banks and increase the participations of six. Special allotments were made of \$10,000,000 of bankers acceptances to Minneapolis and \$4,000,000 to Kansas City in lieu of governments which they were unable to take because of shortness of collateral for note issue. Allotments of \$5,000,000 each of bankers acceptances were also made from the New York portfolio to Kansas City, Atlanta, and Dallas. Partly as a result of these changes estimated earnings of all of the banks, except Minneapolis, for the first half year have been slightly in excess of their estimated expenses and dividends, but not sufficient to cover charge-offs. The attached exhibits A to E show the effect on earnings of recent redistribution of System investments, status of securities held in special account, changes in earning assets, etc.

It may be noted that thus far earning assets of the System have averaged about \$130,000,000 more than last year, while present indications are that expenses will be somewhat less. In view of the usual increase in earning assets in the fall of the year, it appears reasonably sure that the earning position of the System this year will be better than last year.

Quarterly Tax Day Operations

With the heavy redemption of about \$400,000,000 of maturing issues and a consequent prospect of very easy money conditions, the following sales



2

under repurchase agreement of securities from the Special Investment Account were made on June 13 and 15:

June 13 to New York banks - - -	\$47,000,000
" 15 " Chicago banks - - -	4,000,000

The sale in New York on June 13 caused a deficit in the reserves of New York City banks for two days, Saturday and Sunday, which was effective in offsetting large gains to the market resulting from redemptions on Monday. By Wednesday the collection of income taxes and wire transfers to other districts had withdrawn sufficient funds from the market to bring bank reserves practically down to the required minimum. By the end of the week the securities sold had all been repurchased. The net result of tax period operations was remarkably steady interest rates, the call rate remaining at 3 3/4 per cent throughout the entire period.

#### Present Credit Situation

Our best information indicates that for several months business activity has tended to recede from the high point reached early in the year. Business men do not generally regard the present situation as wholly satisfactory, although the current rate of activity is probably above normal and greater than last year. From the point of view of business, it seems desirable that money should continue to be easily available at moderate rates.

[Recent activity in the security markets has brought prices to the highest point of all time, and the amount of funds employed in the market is larger than ever before. The volume of new issues, both foreign and domestic, so far this year, has been in excess of the unusually large volume for the corresponding period of last year. While higher money rates would perhaps have some restraining influence upon the security markets the effect on business would probably not be favorable.]

In the light of these conditions no extended program of either purchases or sales in the Special Investment Account seems desirable. The member banks in principal cities are already substantially in debt at the Reserve Banks and the pressure of this indebtedness is sufficient to maintain unusual stability in open market money rates at about present levels. There have been no excess funds in the market and the call rate has consistently remained above the Federal Reserve discount rate. At the same time business funds are readily available at moderate rates. This is a healthy situation and should be maintained.

It is customary for the earning assets of the Reserve Banks to reach their low point in midsummer - usually August - when the demand for funds is at a minimum. To avoid instability of rates during the summer the committee should be prepared, if necessary, to make sales from the special account. It is also recommended that replacement of the 16 1/2 million dollars of treasury notes, matured on June 15 and not yet replaced, be deferred until later.

In the fall of the year there will normally be a considerable increase in the demand for funds and an increase in acceptance holdings and the amounts borrowed by member banks. At that time it will probably be possible, if indications suggest the need to build up the Special Investment Account to a somewhat higher figure. The desirability of doing so would appear to depend largely upon the developments in business and finance before that time.

There is a still further factor in the situation which should be considered in formulating open market policy, and that is the possible use of the British credit. The employment of this credit would have the same effect as purchases of securities in putting funds into the market. The Reserve Banks should be in a position, if the condition of the money market made it desirable, to offset the use of the credit by the sale of securities. The Special

Investment Account should therefore as a long time policy be maintained in an amount large enough to meet any such contingency.

#### Possible Special Operations

In addition to the regular quarterly tax day periods, the committee might well consider whether special operations in the account should be undertaken on the following occasions:

July 4 currency demand  
Autumn trade requirements  
Christmas currency demand  
January ease in money

The July 4 holiday customarily calls for from 100 to 200 million dollars of currency and usually leads to member bank borrowing of about that amount for a few days. This is a very temporary need and complete liquidation takes place within a few days. Hence it has little effect on the general credit situation and it is believed no special operations should be carried through to take care of it.

By reason of advance redemptions the government maturity on September 15 will amount to but \$229,000,000. Since tax payments will be around \$300,000,000 the effect of tax day operations in the market will be quite different from the usual effects. As tax cheques are collected the market will probably be out of funds and the committee may need to consider the purchase of securities in order to prevent too rapid tightening in the money market, just at a period of the year when the commercial demand for funds is expanding. Action cannot be determined definitely until we know the details of treasury program at that time.

As suggested above the autumn trade demand together with the Christmas currency demand offer opportunity for increasing somewhat the portfolio of the

Special Investment Account, without easing the money market. The experience of the past year indicates the desirability of having on hand a portfolio from which sale may be made in January to prevent the rapid return flow of funds from causing too great ease in the money markets; and the committee may need to consider purchasing securities for this purpose during the autumn trade expansion and currency demand in October, November, and December.

#### Allotments

It is proposed that the committee continue to allot System open market purchases of Bills on the basis of requirements. As a basis for computations all banks are being requested to furnish figures as of June 30, 1925, showing (1) actual net earnings for the first six months of this year; (2) estimated gross earnings for the second half of the year; (3) estimated expenses, including dividends, for the second half of the year; and (4) for the information of the committee, estimated charge offs (in detail) for the entire year. These figures (exclusive of charge offs) will be used as a basis for making allotments during the month of July and will be revised monthly. (11)

## EXHIBIT "A"

STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS JUNE 17, 1925.,  
AND CLASSIFICATION OF ISSUES HELD IN THE ACCOUNT

	<u>Holdings</u>	<u>Holding Ratio</u>	<u>Holdings by Maturities</u>			
Boston	\$ 316,500	0.1%	Sept. 15, 1925	2 3/4%	C/I	\$ 5,274,500
New York	56,491,300	24.2%	Dec. 15, 1925	4 3/8%	T/N	40,160,100
Philadelphia	406,000	0.2%	March 15, 1926	4 3/4%	T/N	61,301,000
Cleveland	12,061,000	5.2%	Sept. 15, 1926	4 1/4%	T/N	40,401,000
Richmond	4,560,000	2.0%	March 15, 1927	4 3/4%	T/N	23,875,900
Atlanta	13,000,000	5.6%	Dec. 15, 1927	4 1/2%	T/N	32,296,300
Chicago	22,463,000	9.6%	Sept. 15, 1928	4 1/4%	3rd L/L	30,100,000
St. Louis	32,091,000	13.7%				
Minneapolis	9,136,500	3.9%				
Kansas City	21,611,500	9.3%				
Dallas	24,057,000	10.3%				
San Francisco	<u>37,215,000</u>	<u>15.9%</u>				
	<u>\$233,408,800</u>	<u>100%</u>				<u>\$233,408,800</u>

STATEMENT SHOWING EFFECT ON EARNING POSITION OF ALL FEDERAL RESERVE BANKS OF REDISTRIBUTION OF \$79,149,500  
 GOVERNMENT SECURITIES AND SPECIAL \$14,000,000 ALLOTMENT OF BILLS; ALSO CHANGES IN EARNING  
 ASSET HOLDINGS MAY 27, 1925 AS COMPARED WITH JUNE 17, 1925

EXHIBIT "B"

	<u>TOTAL ESTIMATED EARNINGS FOR 1925</u>		Total Estimated Expenses and Dividends 1925 Excluding Charge-offs	Estimated Excess of Earnings After Adjustment	Holdings	Holdings	Increase or Decrease
	Before Adjustment (April 1)	After Adjustment (May 23)			May 27, 1925 (Following Adjustment)	June 17, 1925	
Boston	\$ 2,908,694	\$ 2,449,040	\$ 1,912,300	\$ 536,740	\$ 76,237,000	\$ 67,550,000	\$ 8,687,000-
New York	7,490,192	6,641,157	6,519,000	122,157	241,731,000	210,220,000	31,511,000-
Philadelphia	2,482,309	2,301,738	2,077,000	224,738	84,402,000	79,064,000	5,338,000-
Cleveland	3,071,300	2,743,652	2,647,000	96,652	101,217,000	98,451,000	2,766,000-
Richmond	1,399,000	1,474,713	1,422,000	52,713	63,931,000	68,221,000	4,290,000+
Atlanta	860,906	1,204,920	1,161,976	42,944	45,745,000	56,854,000	11,109,000+
Chicago	4,223,498	3,930,230	3,567,134	363,096	128,652,000	126,526,000	2,126,000-
St. Louis	831,610	1,518,154	1,465,000	53,154	68,333,000	56,063,000	12,270,000-
Minneapolis	818,631	1,034,343	1,074,100	39,757	34,057,000	40,552,000	6,495,000+
Kansas City	1,299,401	1,667,359	1,632,577	34,782	60,808,000	53,546,000	7,262,000-
Dallas	848,633	1,182,057	1,138,400	43,657	46,649,000	47,662,000	1,013,000+
San Francisco	<u>2,199,000</u>	<u>2,581,319</u>	<u>2,489,000</u>	<u>92,319</u>	<u>102,614,000</u>	<u>102,487,000</u>	<u>127,000-</u>
Totals	\$28,433,174	*\$28,728,682	\$27,105,487	\$1,623,195	\$1,054,376,000	\$1,007,196,000	\$47,180,000-

\*Includes special allotment \$14,000,000 bills:  
 \$10,000,000 to Minneapolis  
 4,000,000 to Kansas City.

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COMPARISON OF TOTAL EARNING ASSETS OF ALL FEDERAL RESERVE BANKS WEEKLY FROM JANUARY 7, 1925, TO JUNE 17, 1925

EXHIBIT "C"

		(000 omitted)												Total
		Boston	New York	Phila- delphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Winne- apolis	Kansas City	Dallas	San Francisco	Total
January	7	\$107,950	\$275,015	\$73,130	\$143,735	\$35,929	\$29,239	\$143,909	\$44,076	\$29,176	\$53,350	\$53,200	\$121,256	\$1,109,965
	14	98,627	311,445	70,904	123,874	31,551	26,488	136,642	41,436	30,003	50,886	50,121	107,744	1,079,721
	21	87,001	231,102	69,381	114,189	29,192	22,776	129,865	40,624	26,013	46,254	45,568	103,491	945,456
	28	91,339	269,259	70,980	117,771	31,030	23,253	129,753	38,677	25,613	43,579	43,496	103,832	988,582
February	4	85,444	316,952	76,055	120,200	29,957	20,233	128,719	38,842	24,845	42,862	42,659	105,490	1,032,258
	11	94,035	342,200	76,638	116,575	28,476	19,260	128,790	38,323	24,266	42,482	41,318	107,245	1,059,608
	18	91,125	324,713	76,345	123,971	36,237	21,067	122,364	41,078	25,609	43,520	39,191	101,161	1,046,381
	25	91,199	416,409	76,961	120,304	37,548	21,218	124,466	38,136	25,574	41,727	35,912	100,243	1,129,697
March	4	89,429	367,550	82,071	121,329	42,707	31,189	131,685	34,296	28,654	42,076	33,979	96,229	1,101,194
	11	91,730	384,709	87,649	125,294	44,466	29,501	121,914	31,195	30,581	43,490	32,469	91,062	1,114,060
	18	87,773	328,492	96,489	118,832	50,350	33,151	116,049	36,620	30,023	43,462	30,022	85,584	1,056,847
	25	90,123	296,354	92,108	108,577	50,919	32,890	141,088	32,432	31,209	44,963	33,108	86,928	1,040,699
April	1	103,329	284,298	93,964	117,918	56,502	37,344	154,229	37,004	30,509	45,865	32,409	93,170	1,086,539
	8	96,988	327,087	83,675	106,992	55,058	33,823	144,124	34,025	30,105	45,077	30,848	88,814	1,076,616
	15	89,604	279,563	89,125	120,918	56,671	36,812	130,244	36,584	32,403	45,357	31,212	90,851	1,039,344
	22x	91,256	274,002	86,954	108,136	57,663	37,650	145,778	36,275	40,520	45,379	31,179	98,065	1,052,857
	29	84,772	241,744	88,181	110,036	63,780	38,845	150,035	35,925	41,727	46,684	31,241	94,782	1,027,752
May	6	75,963	334,009	83,570	107,360	59,798	34,681	138,835	36,035	39,760	45,538	31,533	89,600	1,076,682
	13x	69,938	277,313	83,280	98,984	62,445	38,751	126,292	42,359	36,897	53,280	35,574	88,472	1,013,585
	20x	69,759	217,869	82,767	93,142	62,342	46,708	126,931	57,022	35,235	60,000	42,231	91,554	985,560
	27x	76,237	241,731	84,402	101,217	63,931	45,745	128,652	68,333	34,057	60,808	46,649	102,614	1,054,376
June	3x	81,196	240,138	78,745	98,845	66,596	49,945	125,749	73,358	42,013	58,866	47,354	101,346	1,064,151
	10x	70,850	261,596	76,915	97,209	62,998	51,125	126,198	65,689	43,076	55,878	47,932	105,218	1,064,684
	17x	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196

\*CHANGES IN HOLDINGS DURING THESE WEEKS INCLUDE THE FOLLOWING SYSTEM REDISTRIBUTION OF \$79,149,500 GOVERNMENT SECURITIES AND SPECIAL ALLOTMENTS OF \$39,000,000 BILLS

		Sales in red													
		Purchases in black													
Apr.	22 Bills													10,000	10,000
May	13 Gov't Sec.	5,806	10,724	2,281	4,138	957	4,345	5,051	8,671		4,000 bills	4,212	4,829		32,000
"	20 "	5,806	10,724	2,280	4,139	956	4,345	5,051	8,672		4,986				28,000
"	27 "	5,629	10,398	2,212	4,012	927	4,213	898	8,409		835	4,083	4,682		23,149
June	3 Bills									10,000					10,000
"	10 "		5,000				5,000								5,000
"	17 "		10,000								5,000	5,000			10,000
		<u>\$17,241</u>	<u>\$46,846</u>	<u>\$6,773</u>	<u>\$12,289</u>	<u>\$2,840</u>	<u>\$17,903</u>	<u>\$11,000</u>	<u>\$25,752</u>	<u>\$20,000</u>	<u>\$19,808</u>	<u>\$17,506</u>	<u>\$14,340</u>		<u>\$118,149</u>

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STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS (1) JUNE 17, 1925 AS COMPARED WITH PREVIOUS WEEK, (2) TOTAL EARNING ASSETS  
 JUNE 17, 1925 AS COMPARED WITH JUNE 18, 1924, (3) WEEKLY AVERAGE OF TOTAL EARNING ASSETS FROM JANUARY 1 TO JUNE 17, 1925  
 AS COMPARED WITH CORRESPONDING PERIOD OF 1924 AND ENTIRE YEAR 1924  
 (000 Omitted)

		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	S. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total	
(1) Bills Discounted	- June 10	\$31,506	\$123,682	\$35,819	\$43,967	\$46,185	\$19,834	\$47,289	\$17,944	\$ 4,968	\$ 7,164	\$ 5,920	\$32,856	\$ 417,134	
	" " 17	27,625	118,257	39,141	49,709	52,485	23,894	56,586	16,023	5,046	7,428	6,482	39,288	441,964	
	Net Change	3,881-	5,425-	3,322+	5,742+	6,300+	4,060+	9,297+	1,921-	78+	264+	562+	6,432+	24,830+	
Bills Purchased	- June 10	34,087	64,881	19,929	24,207	9,933	13,833	34,537	11,475	20,221	11,702	8,416	21,731	274,952	
	" " 17	34,685	30,858	18,849	22,072	9,903	18,654	29,841	11,144	19,718	16,178	13,063	21,118	246,083	
	Net Change	598+	34,023-	1,080-	2,135-	30-	4,821+	4,696-	331-	503-	4,476+	4,647+	613-	28,869-	
Government Securities	- June 10	4,480	70,198	17,941	27,911	6,323	17,028	42,923	35,787	17,541	36,592	33,228	49,896	359,848	
	" " 17	4,463	58,270	17,848	25,546	5,276	13,876	38,650	28,413	15,442	29,520	27,749	41,346	306,399	
	Net Change	17-	11,928-	93-	2,365-	1,047-	3,152-	4,273-	7,374-	2,099-	7,072-	5,479-	8,550-	53,449-	
Total Earning Assets	- June 10	70,850	261,596	76,915	97,209	62,998	51,125	126,198	65,689	43,076	55,878	47,932	105,218	1,064,684	
	" " 17	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196	
	Net Change	3,300-	51,376-	2,149+	1,242+	5,223+	5,729+	328+	9,626-	2,524-	2,332-	270-	2,731-	57,488-	
(2) Comparison of Earning Asset Holdings	June 17, 1925 with June 18, 1924														
	June 17, 1925	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196	
	June 18, 1924	49,413	191,403	59,963	76,714	56,049	36,876	115,217	32,115	40,189	54,231	42,732	81,003	835,905	
	Net Change	18,137+	18,817+	19,101+	21,737+	12,172+	19,978+	11,309+	23,948+	363+	685-	4,930+	21,484+	171,291+	
(3) Weekly Average of Earning Asset Holdings	Jan. 1 to June 17, 1925														
	Jan. 1 to June 17, 1925	86,801	293,907	81,640	113,077	49,349	34,106	132,452	43,100	32,434	48,122	39,036	98,218	1,052,242	
	Corresponding Period 1924	61,596	184,006	78,975	96,215	58,896	54,586	120,482	41,953	35,052	48,793	52,646	87,846	921,046	
	Net Change	25,205+	109,901+	2,665+	16,862+	9,547-	20,480-	11,970+	1,147+	2,618-	671-	13,610-	10,372+	131,196+	
Jan. 1 to June 17, 1925	Jan. 1 to June 17, 1925	86,801	293,907	81,640	113,077	49,349	34,106	132,452	43,100	32,434	48,122	39,036	98,218	1,052,242	
	Entire year 1924	66,191	238,230	70,767	97,220	49,719	43,005	123,699	40,453	36,501	48,917	50,154	89,113	953,979	
	Net Change	20,610+	55,677+	10,873+	15,847+	370-	8,899-	8,753+	2,647+	4,067-	795-	11,118-	9,105+	98,263+	

## SUMMARY FOR SYSTEM

Bills discounted for week	\$24,830+
Bills purchased for week	28,869-
Government securities for week	53,449-
Total earning assets for week	57,488-
Comparison of earning asset holdings June 17/25-June 18/24	171,291+
Weekly average earning asset holdings Jan. 1 to June 17/25 against corresponding period 1924	131,196+
Weekly average earning asset holdings Jan. 1 to June 17/25 against entire year 1924	98,263+

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SUMMARY OF REPLIES RECEIVED FROM THE SEVEN PURCHASING BANKS TO GOVERNOR STRONG'S  
LETTER OF MAY 26 INQUIRING AS TO THEIR EARNING POSITION AFTER REDISTRIBUTION OF SECURITIES AND BILLS

EXHIBIT "E"

<u>Bank</u>	<u>Date of Reply</u>	
Richmond	Letter May 27	Amount of rediscounts relatively large and earning assets from present indications will meet expenses and dividends and provide for regular depreciation charges.
Atlanta	Letter June 2	Earnings not sufficient to cover expenses and dividends for year. Average daily earning assets of \$48,600,000 required to meet expenses and dividends, and to care for estimated charge-offs would require \$87,200,000. Present earning assets \$45,700,000. Purchase of \$12,900,000 securities under adjustment plan has greatly depleted excess working supply of gold as collateral to notes and reserve against deposits. Would like to acquire 5,000,000 bills in order to provide further earnings and to use as collateral to notes, thereby releasing like amount of gold. (5,000,000 bills has been furnished from New York portfolio.)
St. Louis	Letter May 28	Earning position at present comfortable provided it can be maintained. Earnings from later demands will probably provide for major portion of charge-offs. For balance (about 50%) of charge-offs, dividends and normal expenses plus reasonable increase, account moving into new building, we shall require about \$500,000 additional earnings. (Figures submitted by St. Louis are estimated earnings \$2,445,000, estimated expenses \$2,925,000, which figure includes charge-offs of \$1,000,000.)
Minneapolis	Letter May 28	Running behind in earnings and unable to see that future rediscounts in this district will increase income to any considerable extent. At present rates, should have \$42,000,000 invested continuously but at present have only \$34,000,000. Would like approximately \$10,000,000 bills to replace extra bills received under adjustment plan now eliminated due to short maturities. (Special allotment given \$10,000,000 bills purchased New York market.)
Kansas City	Letter May 29 Telegram June 12	Present earning power just about sufficient to meet dividend and necessary overhead expense without any unusual allowance for depreciation. In order to maintain this position it will be necessary to be supplied with new paper to take care of runoffs. Requested \$5,000,000 bills to replace maturing assets. (These were furnished from New York portfolio.)
Dallas	Letter June 6	Net earnings since readjustment of Government securities exceed current expense and dividend requirements by from \$300 to \$500 daily and should absorb present operative deficit of \$59,000 by close of year. Have set aside \$1,024,000 this year as a reserve for losses on paper held from closed banks and believe entire amount will be absorbed by end of year. Therefore, appreciate Committee including estimated charge-offs in calculations fixing future participations. Under present conditions would be unable to accept substantial increase government securities, but would, of course, be glad to receive increased participation in bills. (\$5,000,000 bills furnished from New York portfolio.)
San Francisco	Letter June 15	Recent distribution of earning assets is satisfactory for present at least, therefore, present participation should not be disturbed unless readjustment appears necessary later in year.

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Form No. 131.

# Office Correspondence

FEDERAL RESERVE  
BOARD

June 25, 1925.

To All Members of the Board # 2

Subject:

333-62

From W. H. Noell 6/24/25

~~333-1~~

*[Handwritten signature]*  
6/24/25

At the meeting this morning there was ordered circulated among the members of the Board the attached report of the Chairman of the Open Market Investment Committee made at the meeting in New York yesterday.

- ✓ Governor Crissinger
- ✓ Mr. Platt
- ✓ Mr. Hamlin
- ✓ Mr. Miller

- ✓ Mr. James
- ✓ Mr. Cunningham
- ✓ Mr. McIntosh

6-24-25

333-62

FEDERAL RESERVE BANK  
OF NEW YORK

June 23, 1925.

REPORT ON FOREIGN ACCOUNTS

To the Members of the  
OPEN MARKET INVESTMENT COMMITTEE.

Since the last report to the Committee as of March 31, the total amount of bills held for foreign banks has decreased \$13,900,000. There has been a decrease of \$2,000,000 in the bills held for the Bank Polski, while the holdings of de Nederlandsche Bank have decreased \$12,500,000, and those of de Javasche Bank have gone up \$400,000.

There has been a decrease of \$1,000,000 in the gold held for the Bank of the Republic of Colombia, and a decrease of \$4,500,000 in the gold holdings of the Swiss National Bank.

The only other important changes in the accounts have been, an increase of \$2,388,000 in the Treasury certificates of indebtedness purchased for the Agent General for Reparation Payments, and an increase of about \$800,000 in the free balance of the Bank Polski. This latter is partially offset by a reduction of \$457,000 in the Bank of France's free balance.

The usual comparative statement is attached hereto.

Very truly yours,

J. H. CASE,  
Deputy Governor.

Enc.

June 23, 1925.

REPORT TO OPEN MARKET INVESTMENT COMMITTEE

	<u>BANKERS ACCEPTANCES</u>							<u>Totals</u>
	<u>Bank of Japan</u>	<u>De Nederlandsche Bank</u>	<u>De Javasche Bank</u>	<u>Swiss National Bank</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Bank Polski</u>	
Close of Business On Hand 3/31/25	\$2,515,590.79	\$31,931,500.50	\$5,562,526.11	\$8,445,240.88	\$ -0-	\$ -0-	\$ 2,000,571.21	\$50,455,429.49
Purchased	2,843,121.49	20,323,743.51	6,181,541.27	6,056,317.36	-0-	-0-	-0-	35,404,723.63
Matured or discounted	2,843,023.50	32,652,808.87	5,780,531.92	6,058,558.42	-0-	-0-	2,000,571.21	49,335,493.92
On Hand 6/22/25	2,515,688.78	19,602,435.14	5,963,535.46	8,442,999.82	-0-	-0-	-0-	36,524,659.20

EARMARKED GOLD

De Javasche Bank	\$ 814,260.00
Bank of the Republic, Bogota,	1,000,000.00
Swiss National Bank, Berne,	6,100,000.00
	<u>\$7,914,260.00</u>

U. S. CERTIFICATES OF INDEBTEDNESS

Agent General for Reparation Payments,	\$2,738,000.00
--	----------------

FREE BALANCES

	<u>Bk. of Japan</u>	<u>Nederlandsche Bank</u>	<u>Javasche Bank</u>	<u>Swiss Natl. Bk.</u>	<u>Bankovni</u>	<u>Natl. Bk. of Belgium</u>	<u>Bk. of England</u>	<u>Bk. of France</u>	<u>Agt. Gen. for Rep. Payments</u>	<u>Bk. of Republic of Colombia</u>	<u>Bank Polski</u>	<u>Totals</u>
Close 3/31/25	\$500,519.54	\$249,208.57	\$250,712.59	\$98,850.42	\$101,152.52	-0-	-0-	\$457,282.48	\$57,247.34	\$511,861.92	\$9,888.03	\$2,236,723.41
Close 6/22/25	501,196.51	249,553.40	249,502.35	194,860.71	100,500.01	\$583.14	-0-	65.80	95,425.79	495,224.09	808,292.42	2,695,204.22

TOTAL COMMISSIONS EARNED

from 4/1/25 to 6/22/25 inclusive.

	<u>De Nederlandsche Bank</u>	<u>Bank of Japan</u>	<u>Javasche Bk.</u>	<u>Bk. of France</u>	<u>Swiss N.B.</u>	<u>Bk. of England</u>	<u>Bk. Polski</u>	<u>Agt. Gen. for Rep. Paymts.</u>	<u>Totals</u>
Bankers Acceptances	\$11,118.71	\$ 1,530.67	\$ 3,416.19	\$ -0-	\$ 3,771.29	\$ -0-	\$ -0-	\$ -0-	\$19,836.86
Certificates of indebtedness	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,785.51	<u>1,785.51</u>
									\$21,622.37

FEDERAL RESERVE BANK OF NEW YORK.

333-8-2

*Ordered Circulated*

REPORT OF THE CHAIRMAN  
TO THE OPEN MARKET INVESTMENT COMMITTEE **AT BOARD MEETING**  
MEETING AT NEW YORK, JUNE 24, 1925 JUN 25 1925

*100*

Following the last meeting of the Open Market Investment Committee, \$79,149,500 of the government securities held in the System Special Account were redistributed to reduce the participations of five banks and increase the participations of six. Special allotments were made of \$10,000,000 of bankers acceptances to Minneapolis and \$4,000,000 to Kansas City in lieu of governments which they were unable to take because of shortness of collateral for note issue. Allotments of \$5,000,000 each of bankers acceptances were also made from the New York portfolio to Kansas City, Atlanta, and Dallas. Partly as a result of these changes estimated earnings of all of the banks, except Minneapolis, for the first half year have been slightly in excess of their estimated expenses and dividends, but not sufficient to cover charge-offs. The attached exhibits A to E show the effect on earnings of recent redistribution of System investments, status of securities held in special account, changes in earning assets, etc.

It may be noted that thus far earning assets of the System have averaged about \$130,000,000 more than last year, while present indications are that expenses will be somewhat less. In view of the usual increase in earning assets in the fall of the year, it appears reasonably sure that the earning position of the System this year will be better than last year.

Quarterly Tax Day Operations

With the heavy redemption of about \$400,000,000 of maturing issues and a consequent prospect of very easy money conditions, the following sales

2

under repurchase agreement of securities from the Special Investment Account were made on June 13 and 15:

June 13 to New York banks - - -	\$47,000,000
" 15 " Chicago banks - - -	4,000,000

The sale in New York on June 13 caused a deficit in the reserves of New York City banks for two days, Saturday and Sunday, which was effective in offsetting large gains to the market resulting from redemptions on Monday. By Wednesday the collection of income taxes and wire transfers to other districts had withdrawn sufficient funds from the market to bring bank reserves practically down to the required minimum. By the end of the week the securities sold had all been repurchased. The net result of tax period operations was remarkably steady interest rates, the call rate remaining at 3 3/4 per cent throughout the entire period.

#### Present Credit Situation

Our best information indicates that for several months business activity has tended to recede from the high point reached early in the year. Business men do not generally regard the present situation as wholly satisfactory, although the current rate of activity is probably above normal and greater than last year. From the point of view of business, it seems desirable that money should continue to be easily available at moderate rates.

Recent activity in the security markets has brought prices to the highest point of all time, and the amount of funds employed in the market is larger than ever before. The volume of new issues, both foreign and domestic, so far this year, has been in excess of the unusually large volume for the corresponding period of last year. While higher money rates would perhaps have some restraining influence upon the security markets the effect on business would probably not be favorable.

3

In the light of these conditions no extended program of either purchases or sales in the Special Investment Account seems desirable. The member banks in principal cities are already substantially in debt at the Reserve Banks and the pressure of this indebtedness is sufficient to maintain unusual stability in open market money rates at about present levels. There have been no excess funds in the market and the call rate has consistently remained above the Federal Reserve discount rate. At the same time business funds are readily available at moderate rates. This is a healthy situation and should be maintained.

It is customary for the earning assets of the Reserve Banks to reach their low point in midsummer - usually August - when the demand for funds is at a minimum. To avoid instability of rates during the summer the committee should be prepared, if necessary, to make sales from the special account. It is also recommended that replacement of the 16 1/2 million dollars of treasury notes, matured on June 15 and not yet replaced, be deferred until later.

In the fall of the year there will normally be a considerable increase in the demand for funds and an increase in acceptance holdings and the amounts borrowed by member banks. At that time it will probably be possible, if indications suggest the need to build up the Special Investment Account to a somewhat higher figure. The desirability of doing so would appear to depend largely upon the developments in business and finance before that time.

There is a still further factor in the situation which should be considered in formulating open market policy, and that is the possible use of the British credit. The employment of this credit would have the same effect as purchases of securities in putting funds into the market. The Reserve Banks should be in a position, if the condition of the money market made it desirable, to offset the use of the credit by the sale of securities. The Special

Investment Account should therefore as a long time policy be maintained in an amount large enough to meet any such contingency.

Possible Special Operations

In addition to the regular quarterly tax day periods, the committee might well consider whether special operations in the account should be undertaken on the following occasions:

July 4 currency demand  
Autumn trade requirements  
Christmas currency demand  
January ease in money

The July 4 holiday customarily calls for from 100 to 200 million dollars of currency and usually leads to member bank borrowing of about that amount for a few days. This is a very temporary need and complete liquidation takes place within a few days. Hence it has little effect on the general credit situation and it is believed no special operations should be carried through to take care of it.

By reason of advance redemptions the government maturity on September 15 will amount to but \$229,000,000. Since tax payments will be around \$300,000,000 the effect of tax day operations in the market will be quite different from the usual effects. As tax cheques are collected the market will probably be out of funds and the committee may need to consider the purchase of securities in order to prevent too rapid tightening in the money market, just at a period of the year when the commercial demand for funds is expanding. Action cannot be determined definitely until we know the details of treasury program at that time.

As suggested above the autumn trade demand together with the Christmas currency demand offer opportunity for increasing somewhat the portfolio of the



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Special Investment Account, without easing the money market. The experience of the past year indicates the desirability of having on hand a portfolio from which sale may be made in January to prevent the rapid return flow of funds from causing too great ease in the money markets; and the committee may need to consider purchasing securities for this purpose during the autumn trade expansion and currency demand in October, November, and December.

#### Allotments

It is proposed that the committee continue to allot System open market purchases of Bills on the basis of requirements, ~~first, for current expenses and dividends, and second, as far as possible, for chargeoffs.~~ As a basis for computations all banks are being requested to furnish figures as of June 30, 1925, showing (1) actual net earnings for the first six months of this year; (2) estimated gross earnings for the second half of the year; (3) estimated expenses, including dividends, for the second half of the year; and (4) estimated chargeoffs (in detail) for the entire year. These figures will be used as a basis for making allotments during the month of July and will be revised monthly.

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EXHIBIT "A"

**STATEMENT SHOWING PARTICIPATION BY FEDERAL RESERVE BANKS IN SYSTEM  
 SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS JUNE 17, 1925.,  
 AND CLASSIFICATION OF ISSUES HELD IN THE ACCOUNT**

	<u>Holdings</u>	<u>Holding Ratio</u>	<u>Holdings by Maturities</u>			
Boston	\$ 316,500	0.1%	Sept. 15, 1925	2 3/4%	C/I	\$ 5,274,500
New York	56,491,300	24.2%	Dec. 15, 1925	4 3/8%	T/N	40,160,100
Philadelphia	406,000	0.2%	March 15, 1926	4 3/4%	T/N	61,301,000
Cleveland	12,061,000	5.2%	Sept. 15, 1926	4 1/4%	T/N	40,401,000
Richmond	4,560,000	2.0%	March 15, 1927	4 3/4%	T/N	23,875,900
Atlanta	13,000,000	5.6%	Dec. 15, 1927	4 1/2%	T/N	32,296,300
Chicago	22,463,000	9.6%	Sept. 15, 1928	4 1/4%	3rd L/L	30,100,000
St. Louis	32,091,000	13.7%				
Minneapolis	9,136,500	3.9%				
Kansas City	21,611,500	9.3%				
Dallas	24,057,000	10.3%				
San Francisco	<u>37,215,000</u>	<u>15.9%</u>				
	<u>\$233,408,800</u>	<u>100%</u>				<u>\$233,408,800</u>

*Jul 10 M-3<sup>rd</sup>*  
*Aug 10 M. New 3 9/16*

STATEMENT SHOWING EFFECT ON EARNING POSITION OF ALL FEDERAL RESERVE BANKS OF REDISTRIBUTION OF \$79,149,500  
GOVERNMENT SECURITIES AND SPECIAL \$14,000,000 ALLOTMENT OF BILLS; ALSO CHANGES IN EARNING  
ASSET HOLDINGS APRIL 1, 1925 AS COMPARED WITH JUNE 17, 1925

EXHIBIT "B"

	TOTAL ESTIMATED EARNINGS FOR 1925		Total Estimated Expenses and Dividends 1925 Excluding Charge-offs	Estimated Excess of Earnings After Adjustment	Holdings on Which Estimated Earnings Were Based (April 1)	Holdings June 17, 1925	Increase or Decrease
	Before Adjustment (April 1)	After Adjustment (May 23)					
Boston	\$ 2,908,694	\$ 2,449,040	\$ 1,912,300	\$ 536,740	\$ 103,327,000	\$ 67,550,000	\$35,777,000-
New York	7,490,192	6,641,157	6,519,000	122,157	284,298,000	210,220,000	74,078,000-
Philadelphia	2,482,309	2,301,738	2,077,000	224,738	93,964,000	79,064,000	14,900,000-
Cleveland	3,071,300	2,743,652	2,647,000	96,652	117,918,000	98,451,000	19,467,000-
Richmond	1,399,000	1,474,713	1,422,000	52,713	56,502,000	68,221,000	11,719,000+
Atlanta	860,906	1,204,920	1,161,976	42,944	37,344,000	56,854,000	19,510,000+
Chicago	4,223,498	3,930,230	3,567,134	363,096	154,229,000	126,526,000	27,703,000-
St. Louis	831,610	1,518,154	1,465,000	53,154	37,004,000	56,063,000	19,059,000+
Minneapolis	818,631	1,034,343	1,074,100	39,757	30,509,000	40,552,000	10,043,000+
Kansas City	1,299,401	1,667,359	1,632,577	34,782	45,865,000	53,546,000	7,681,000+
Dallas	848,633	1,182,057	1,138,400	43,657	32,409,000	47,662,000	15,253,000+
San Francisco	2,199,000	2,581,319	2,489,000	92,319	93,170,000	102,487,000	9,317,000+
Totals	\$28,433,174	x \$28,728,682	\$27,105,487	\$1,623,195	\$1,086,539,000	\$1,007,196,000	\$79,343,000-

\*Includes special allotment \$14,000,000 bills:  
\$10,000,000 to Minneapolis  
4,000,000 to Kansas City.

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COMPARISON OF TOTAL EARNING ASSETS OF ALL FEDERAL RESERVE BANKS WEEKLY FROM JANUARY 7, 1925, TO JUNE 17, 1925

EXHIBIT "C"

		(000 omitted)											Total	
		Boston	New York	Phila- delphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco	Total
January	7	\$107,950	\$275,015	\$73,130	\$143,735	\$35,929	\$29,239	\$143,909	\$44,076	\$29,176	\$53,350	\$53,200	\$121,256	\$1,109,965
	14	98,627	311,445	70,904	123,874	31,551	26,488	136,642	41,436	30,003	50,886	50,121	107,744	1,079,721
	21	87,001	231,102	69,381	114,189	29,192	22,776	129,865	40,624	26,013	46,254	45,568	103,491	945,456
	28	91,339	269,259	70,980	117,771	31,030	23,253	129,753	38,677	25,613	43,579	43,496	103,832	988,582
February	4	85,444	316,952	76,055	120,200	29,957	20,233	128,719	38,842	24,845	42,862	42,659	105,490	1,032,258
	11	94,035	342,200	76,638	116,575	28,476	19,260	128,790	38,323	24,266	42,482	41,318	107,245	1,059,608
	18	91,125	324,713	76,345	123,971	36,237	21,067	122,364	41,078	25,609	43,520	39,191	101,161	1,046,381
	25	91,199	416,409	76,961	120,304	37,548	21,218	124,466	38,136	25,574	41,727	35,912	100,243	1,129,697
March	4	89,429	367,550	82,071	121,329	42,707	31,189	131,685	34,296	28,654	42,076	33,979	96,229	1,101,194
	11	91,730	384,709	87,649	125,294	44,466	29,501	121,914	31,195	30,581	43,490	32,469	91,062	1,114,060
	18	87,773	328,492	96,489	118,832	50,350	33,151	116,049	36,620	30,023	43,462	30,022	85,584	1,056,847
	25	90,123	296,354	92,108	108,577	50,919	32,890	141,088	32,432	31,209	44,963	33,108	86,928	1,040,699
April	1	103,329	284,298	93,964	117,918	56,502	37,344	154,229	37,004	30,509	45,865	32,409	93,170	1,086,539
	8	96,988	327,087	83,675	106,992	55,058	33,823	144,124	34,025	30,105	45,077	30,848	88,814	1,076,616
	15	89,604	279,563	89,125	120,918	56,671	36,812	130,244	36,584	32,403	45,357	31,212	90,851	1,039,344
	22x	91,256	274,002	86,954	108,136	57,663	37,650	145,778	36,275	40,520	45,379	31,179	98,065	1,052,857
	29	84,772	241,744	88,181	110,036	63,780	38,845	150,035	35,925	41,727	46,684	31,241	94,782	1,027,752
May	6	75,963	334,009	83,570	107,360	59,798	34,681	138,835	36,035	39,760	45,538	31,533	89,600	1,076,682
	13x	69,938	277,313	83,280	98,984	62,445	38,751	126,292	42,359	36,897	53,280	35,574	88,472	1,013,585
	20x	69,759	217,869	82,767	93,142	62,342	46,708	126,931	57,022	35,235	60,000	42,231	91,554	985,560
	27x	76,237	241,731	84,402	101,217	63,931	45,745	128,652	68,333	34,057	60,808	46,649	102,614	1,054,376
June	3x	81,196	240,138	78,745	98,845	66,596	49,945	125,749	73,358	42,013	58,866	47,354	101,346	1,064,151
	10x	70,850	261,596	76,915	97,209	62,998	51,125	126,198	65,689	43,076	55,878	47,932	105,218	1,064,684
	17x	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196

\*CHANGES IN HOLDINGS DURING THESE WEEKS INCLUDE THE FOLLOWING SYSTEM REDISTRIBUTION OF \$79,149,500 GOVERNMENT SECURITIES AND SPECIAL ALLOTMENTS OF \$39,000,000 BILLS

		Sales in red Purchases in black												
Apr. 22	Bills									10,000			10,000	
May 13	Gov't Sec.	5,806	10,724	2,281	4,138	957	4,345	5,051	8,671		4,000 bills	4,212	4,829	32,000
" 20	"	5,806	10,724	2,280	4,139	956	4,345	5,051	8,672		4,986	4,211	4,829	28,000
" 27	"	5,629	10,398	2,212	4,012	927	4,213	898	8,409		835	4,083	4,682	23,149
June 3	Bills									10,000				10,000
" 10	"		5,000				5,000							5,000
" 17	"		10,000								5,000	5,000		10,000
		<u>\$17,241</u>	<u>\$46,846</u>	<u>\$6,773</u>	<u>\$12,289</u>	<u>\$2,840</u>	<u>\$17,903</u>	<u>\$11,000</u>	<u>\$25,752</u>	<u>\$20,000</u>	<u>\$19,808</u>	<u>\$17,506</u>	<u>\$14,340</u>	<u>\$118,149</u>

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Authority E.O. 13526

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS (1) JUNE 17, 1925 AS COMPARED WITH PREVIOUS WEEK, (2) TOTAL EARNING ASSETS  
 JUNE 17, 1925 AS COMPARED WITH JUNE 18, 1924, (3) WEEKLY AVERAGE OF TOTAL EARNING ASSETS FROM JANUARY 1 TO JUNE 17, 1925  
 AS COMPARED WITH CORRESPONDING PERIOD OF 1924 AND ENTIRE YEAR 1924  
 (000 Omitted)

		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	S. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
(1) Bills Discounted	- June 10	\$31,506	\$128,682	\$35,819	\$43,967	\$46,185	\$19,834	\$47,289	\$17,944	\$ 4,968	\$ 7,164	\$ 5,920	\$32,856	\$ 417,134
"	" 17	27,625	118,257	39,141	49,709	52,485	23,894	56,586	16,023	5,046	7,428	6,482	39,288	441,964
Net Change		3,881-	5,425-	3,322+	5,742+	6,300+	4,060+	9,297+	1,921-	78+	264+	562+	6,432+	24,830+
Bills Purchased	- June 10	34,087	64,881	19,929	24,207	9,933	13,833	34,537	11,475	20,221	11,702	8,416	21,731	274,952
"	" 17	34,685	30,858	18,649	22,072	9,903	18,654	29,841	11,144	19,718	16,178	13,063	21,118	246,083
Net Change		598+	34,023-	1,080-	2,135-	30-	4,821+	4,696-	331-	503-	4,476+	4,647+	613-	28,869-
Government Securities	- June 10	4,480	70,198	17,941	27,911	6,323	17,028	42,923	35,787	17,541	36,592	33,228	49,896	359,848
"	" 17	4,463	58,270	17,846	25,546	5,276	13,876	38,650	28,413	15,442	29,520	27,749	41,346	306,399
Net Change		17-	11,928-	95-	2,365-	1,047-	3,152-	4,273-	7,374-	2,099-	7,072-	5,479-	8,550-	53,449-
Total Earning Assets	- June 10	70,850	261,596	76,915	97,209	62,998	51,125	126,190	65,689	43,076	55,878	47,932	105,218	1,064,684
"	" 17	67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196
Net Change		3,300-	51,376-	2,149+	1,242+	5,223+	5,729+	328+	9,626-	2,524-	2,332-	270-	2,731-	57,488-
(2) Comparison of Earning Asset Holdings														
June 17, 1925 with June 18, 1924														
June 17, 1925		67,550	210,220	79,064	98,451	68,221	56,854	126,526	56,063	40,552	53,546	47,662	102,487	1,007,196
June 18, 1924		49,413	191,403	59,963	76,714	56,049	36,876	115,217	32,115	40,189	54,231	42,732	81,003	835,905
Net Change		18,137+	18,817+	19,101+	21,737+	12,172+	19,978+	11,309+	23,948+	363+	685-	4,930+	21,484+	171,291+
(3) Weekly Average of Earning Asset Holdings														
Jan. 1 to June 17, 1925		86,801	293,907	81,640	113,077	49,349	34,106	132,452	43,100	32,434	48,122	39,036	98,218	1,052,242
Corresponding Period 1924		61,596	184,006	78,975	96,215	58,896	54,586	120,482	41,953	35,052	48,793	52,646	87,846	921,046
Net Change		25,205+	109,901+	2,665+	16,862+	9,547-	20,480-	11,970+	1,147+	2,618-	671-	13,610-	10,372+	131,196+
Jan. 1 to June 17, 1925		86,801	293,907	81,640	113,077	49,349	34,106	132,452	43,100	32,434	48,122	39,036	98,218	1,052,242
Entire year 1924		66,191	238,230	70,767	97,220	49,719	43,005	123,699	40,453	36,501	48,917	50,154	89,113	953,979
Net Change		20,610+	55,677+	10,873+	15,847+	370-	8,899-	8,753+	2,647+	4,067-	795-	11,118-	9,105+	98,263+

## SUMMARY FOR SYSTEM

Bills discounted for week	\$24,830+
Bills purchased for week	28,869-
Government securities for week	53,449-
Total earning assets for week	57,488-
Comparison of earning asset holdings June 17/25-June 18/24	171,291+
Weekly average earning asset holdings Jan. 1 to June 17/25	
against corresponding period 1924	131,196+
Weekly average earning asset holdings Jan. 1 to June 17/25	
against entire year 1924	98,263+

SUMMARY OF REPLIES RECEIVED FROM THE SEVEN PURCHASING BANKS TO GOVERNOR STRONG'S  
LETTER OF MAY 26 INQUIRING AS TO THEIR EARNING POSITION AFTER REDISTRIBUTION OF SECURITIES AND BILLS

EXHIBIT "E"

<u>Bank</u>	<u>Date of Reply</u>	
Richmond	Letter May 27	Amount of rediscounts relatively large and earning assets from present indications will meet expenses and dividends and provide for regular depreciation charges.
Atlanta	Letter June 2	Earnings not sufficient to cover expenses and dividends for year. Average daily earning assets of \$48,600,000 required to meet expenses and dividends, and to care for estimated charge-offs would require \$87,200,000. Present earning assets \$45,700,000. Purchase of \$12,900,000 securities under adjustment plan has greatly depleted excess working supply of gold as collateral to notes and reserve against deposits. Would like to acquire 5,000,000 bills in order to provide further earnings and to use as collateral to notes, thereby releasing like amount of gold. (5,000,000 bills has been furnished from New York portfolio.)
St. Louis	Letter May 28	Earning position at present comfortable provided it can be maintained. Earnings from later demands will probably provide for major portion of charge-offs. For balance (about 50%) of charge-offs, dividends and normal expenses plus reasonable increase, account moving into new building, we shall require about \$500,000 additional earnings. (Figures submitted by St. Louis are estimated earnings \$2,445,000, estimated expenses \$2,925,000, which figure includes charge-offs of \$1,000,000.)
Minneapolis	Letter May 28	Running behind in earnings and unable to see that future rediscounts in this district will increase income to any considerable extent. At present rates, should have \$42,000,000 invested continuously but at present have only \$34,000,000. Would like approximately \$10,000,000 bills to replace extra bills received under adjustment plan now eliminated due to short maturities. (Special allotment given \$10,000,000 bills purchased New York market.)
Kansas City	Letter May 29 Telegram June 12	Present earning power just about sufficient to meet dividend and necessary overhead expense without any unusual allowance for depreciation. In order to maintain this position it will be necessary to be supplied with new paper to take care of runoffs. Requested \$5,000,000 bills to replace maturing assets. (These were furnished from New York portfolio.)
Dallas	Letter June 6	Net earnings since readjustment of Government securities exceed current expense and dividend requirements by from \$300 to \$500 daily and should absorb present operative deficit of \$59,000 by close of year. Have set aside \$1,024,000 this year as a reserve for losses on paper held from closed banks and believe entire amount will be absorbed by end of year. Therefore, appreciate Committee including estimated charge-offs in calculations fixing future participations. Under present conditions would be unable to accept substantial increase government securities, but would, of course, be glad to receive increased participation in bills. (\$5,000,000 bills furnished from New York portfolio.)
San Francisco	Letter June 15	Recent distribution of earning assets is satisfactory for present at least, therefore, present participation should not be disturbed unless readjustment appears necessary later in year.

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Authority E.O. 12356

DECLASSIFIED  
Authority E.O. 12356

*Apr: 30. Minutes  
Open Market  
D*

*333-6  
333-1*

May 7, 1925.

Dear Mr. Matteson:

I acknowledge receipt of and shall bring to the attention of the members of the Board your letter of the 6th instant, enclosing a 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, and also a schedule adopted at the meeting for the redistribution of a portion of the Government securities held in the System's Special Investment Account.

*4/30/25  
333-6-2  
Final minutes*

Very truly yours,

*(Signed) Walter L. Eddy,*

Walter L. Eddy,  
Secretary.

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

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Authority E.O. 12356

FEDERAL RESERVE BANK  
OF NEW YORK

333-6-2

May 6, 1925.

Dear Mr. Eddy:

See 4/30/25  
4/30/25 filed 333.-6-2 Final Minutes

I am enclosing copy of minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York on April 30, 1925, also a schedule of the plan adopted at the meeting for the redistribution of a portion of Government securities held in the System Special Investment Account aggregating approximately \$83,000,000.

Very truly yours,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Ordered docketed  
for next Board meeting

At Executive  
Committee Meeting

MAY 8 - 1925

See Minutes  
AT BOARD MEETING  
MAY 21 1925

see ans 5/7/25



DECLASSIFIED  
Authority E.O. 12356

Form No. 131.

# Office Correspondence

FEDERAL RESERVE BOARD

Date 11 27, 1925

To All members of the Board  
From Mr. Eddy

Subject: \_\_\_\_\_  
333-6-2  
333

*[Handwritten signature and scribbles]*  
4/6/25

Please circulate promptly and return to the Secretary's Office for filing:

- Governor Crissinger
- Mr. Platt
- Mr. Hanlin
- Mr. James
- Mr. Cunningham
- Mr. Miller

Letter from Mr. Matteson April 25th sending revised minutes of meeting of April 6th of Open Market Investment Committee.

*4/6/25 filed*  
333-b-2  
*Final minutes*

*see letters 4/25/25 and 4/27/25*

DECLASSIFIED  
Authority E.O. 12356

FEDERAL RESERVE BANK  
OF NEW YORK

333.-b-2

April 25, 1925

Dear Mr. Eddy:

4/6/25 filed 333.-b-2  
Final minutes

As stated in Sub-division I of the minutes of the meeting of the Open Market Investment Committee held in Washington April 6, a copy of which was sent you with my letter of April 22, 1925, there was a change made in the report as originally submitted by the Chairman of the Open Market Investment Committee to the Governors' Conference.

I am accordingly enclosing for your files a copy of this report in its final form.

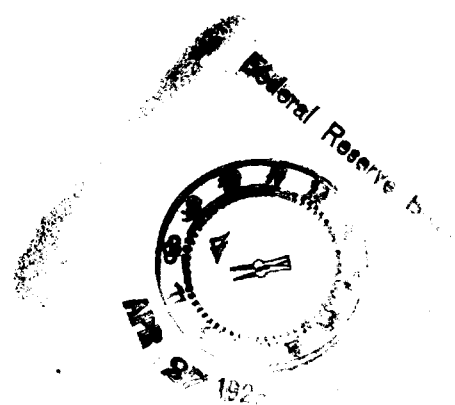
see 4/6/25

Very truly yours,  
*W. B. Matteson*

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Encl.



see ans 4/27/25

DECLASSIFIED  
Authority E.O. 12356

333-8 ✓

April 27, 1925.

Dear Mr. Matteson:

*see 4-25-25*

I acknowledge receipt of and thank you for sending to the Board for its files a copy of the amended report of the Chairman of the Open Market Investment Committee to the recent Governors' Conference.

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 letter 4/25/25*

DECLASSIFIED  
Authority E.O. 12356

Form No. 181.

Office Memorandum

FEDERAL RESERVE BOARD

Date: April 23, 1925

To: All Members of the Board

Subject:

From: Mr. Eddy

333-62  
333-1

2-5405

*See 422-25*

Please circulate and return to the Secretary's Office for filing:

- Governor Crissinger
- Mr. Platt
- Mr. Hamlin
- Mr. James
- Mr. Cunningham
- Mr. Miller
- Col. McIntosh

DECLASSIFIED  
Authority E.O. 12356

*Minutes*

*#2*

333-6 ✓  
333-1

April 23, 1925.

My dear Sir:

I beg to acknowledge yours of April 22 enclosing  
<sup>4/25 filed 333-6-2 Final Minutes</sup>  
two copies of the minutes of the meeting of the Open

Market Investment Committee held April 6, 1925.

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.

DECLASSIFIED  
Authority E.O. 12356

2 copies  
Minutes of Meeting  
4/6/25

# 2

333-1

April 23, 1925.

Dear Mr. Matteson:

I acknowledge receipt of and shall file with the Board's records the copy of the minutes of the meeting of the Open Market Investment Committee for the Federal Reserve System held in the Federal Reserve Board room on Monday, April 6, 1925. The copy of the minutes sent direct to Governor Crissinger was brought to the attention of the other members of the Board at its meeting this morning.

4/6/25 filed  
333-b-2  
Final minutes

Very truly yours,

(Signed) Walter L. Eddy

Walter L. Eddy,  
Secretary.

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

see letter 4/22/25

DECLASSIFIED  
Authority E.O. 12356

333-6 ✓

April 23, 1925.

My dear Sir,

I beg to acknowledge yours of April 22 enclosing  
*4/6/25 filed 333-6-2 Final Minutes*  
two copies of the minutes of the meeting of the Open

Market Investment Committee held April 6, 1925.

Very truly yours,

D. H. Crissinger,  
Governor.

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

DECLASSIFIED  
Authority E.O. 12356

FEDERAL RESERVE BANK  
OF NEW YORK

*File*  
RECEIVED  
APR 23 1925  
OFFICE OF  
THE GOVERNOR

April 22, 1925.

Sir :

At the time of the Governors' Conference a meeting of the Open Market Investment Committee was held in the Federal Reserve Board room on Monday, April 6, 1925. I am accordingly enclosing copy of the minutes of this meeting.

*4/23/25 filed 333 See 4/6/25  
Final minutes*

Very truly yours,  
*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*  
AT BOARD MEETING  
APR 23 1925  
*(initials)*

*see ans 4/23/25*



DECLASSIFIED  
Authority E.O. 12356

333-62

FEDERAL RESERVE BANK  
OF NEW YORK

April 22, 1925.

Dear Mr. Eddy:

At the time of the Governors' Conference a meeting of the Open Market Investment Committee was held in the Federal Reserve Board room on Monday, April 6, 1925. I am accordingly enclosing a copy of the minutes of this meeting.

4/6/25  
Federal Minutes

Very truly yours,  
*W. B. Matteson*

W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encl.

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

see ans 4/23/25

DECLASSIFIED  
Authority E.O. 12356

333-82  
D/16

FEDERAL RESERVE BANK  
OF NEW YORK

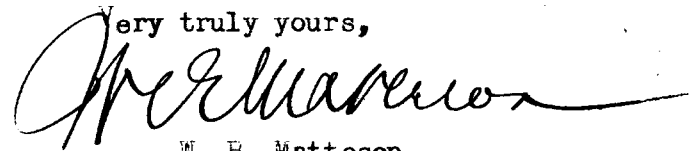
PERSONAL

April 22, 1925.

S i r :

At the time of the Governors' Conference a meet-  
ing of the Open Market Investment Committee was held in the  
Federal Reserve Board room on Monday, April 6, 1925. I am  
accordingly enclosing copy of the minutes of this meeting.

4/6/25 filed 333-82 4/6/25  
Federal minutes

Very truly yours,  


W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encl.

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

see encls 4/23/25

DECLASSIFIED  
Authority E.O. 12356

333-22  
D/R

FEDERAL RESERVE BANK  
OF NEW YORK

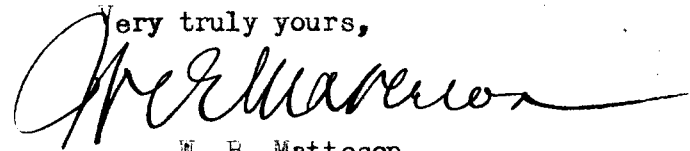
PERSONAL

April 22, 1925.

S i r :

At the time of the Governors' Conference a meet-  
ing of the Open Market Investment Committee was held in the  
Federal Reserve Board room on Monday, April 6, 1925. I am  
accordingly enclosing copy of the minutes of this meeting.

4/6/25 filed 333-22 4/6/25  
Federal Minutes

Very truly yours,  


W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encl.

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

see encls 4/23/25

333-62

REPORT OF THE CHAIRMAN OF THE OPEN MARKET INVESTMENT COMMITTEETO THE GOVERNORS' CONFERENCE, APRIL 1925

4-6-25

(11) Since the last joint conference in November the special investment account of the Federal Reserve System has been reduced from 500 million dollars to approximately 250 million. During a period of 3 1/2 months, from early December to the middle of March, 250 million of securities were sold in keeping with the purposes for which the account was first established at the end of 1923.

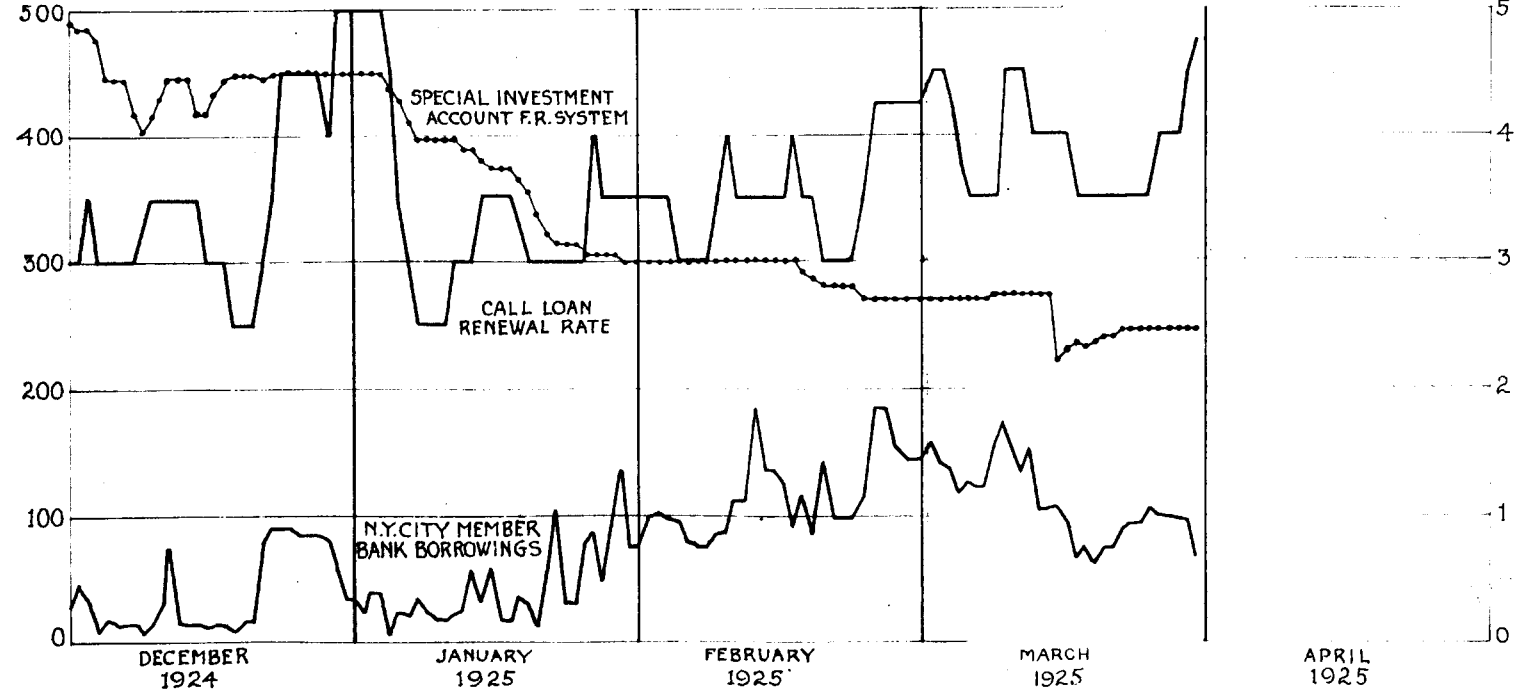
The first reduction in the size of the account was made in the early part of December. Sales at that time were in part directed to steadying the money market and in part to facilitating the Treasury offering of December 15, by making available to the market Government securities maturing in March which might be exchanged for the new 4 per cent issue. The net result of the operation over December 15 was to reduce the special account by 50 million.

Early in January it became apparent that the usual return flow of funds to New York, simultaneous with the return of currency from circulation, would create very easy money conditions unless funds were absorbed from the market. Further sales from the account were therefore made amounting to 150 million dollars and bringing the account to 300 million. Further sales of 50 million were made in February and March, with the same end in view. All but 31 million of the entire sale of 250 million were made in the New York market.

The immediate result of these sales, occurring as they did simultaneously with gold exports, was to place New York City member banks in debt at the Federal Reserve Bank. As a consequence the call loan rate promptly took and maintained a position above the discount rate and showed an average of about 3 1/2 per cent, with irregular movements above and below that rate, and there was no period of undue ease as had been threatened. / Other money rates worked steadily upward during the period; from early December to the end of February commercial paper went from 3 1/2 per cent to 4, time money from 3 1/2 to 4 1/4, 90-day

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MILLIONS OF DOLLARS



Effect on the New York Money Market of Sales from the Special Investment Account.

2

bankers bills from 2 3/4 to 3 1/4. Bill rates were influenced by successive increases in Federal Reserve buying rates on bills from 2 3/4 to 3 1/8 per cent for 90-day bills. On February 27 the Federal Reserve Bank of New York raised its discount rate from 3 to 3 1/2 per cent. The changes in the special investment account, in New York City member bank borrowings, and in call loan renewal rates are shown on the attached chart.

[ Following these various changes speculative activity on the stock market became much less intense with periodic reactions, and finally after the middle of March price averages showed rapid reductions. It seems clear that to some extent the open market operations of the System had a deterrent effect on the continuation of heavy speculative activity.]

#### OPERATIONS AT TAX PERIODS

In June of last year the committee inaugurated the policy of making temporary sales of securities from the special investment account to take up slack in the money market produced by the excess of government disbursements over receipts in the early days of the tax period. In December a review of money conditions indicated that such sales would not be necessary since the holiday demand for funds and prospective transfers out of the district might be expected to take up the slack in the money market, and this proved to be the case.

At the March tax period there was an exceptionally large government disbursement in New York and a large Treasury overdraft outstanding for about a week. A reduction in member bank indebtedness took up much of the resulting slack in funds, but in addition temporary sales of 20 million from the special account were made in New York City and 4 million in Chicago. Slack funds were not entirely taken up by the liquidation of member bank borrowings or by

these temporary sales, but the ease in money was not serious.

The experience in recent tax periods appears to indicate the desirability of temporary sales to the market at any tax period when redemptions are large and member banks are not borrowing heavily at the Reserve Banks. December tax periods may be an exception, when demands for Christmas currency offset the tendency towards easy money. The results of such operations in the future will probably be more completely successful as member banks understand the purposes better and as sales are arranged earlier.

#### APPORTIONMENT OF PURCHASES

During the second half of 1924 purchases of Government securities and bills made by the open market investment committee were distributed to the different Reserve Banks on the basis of their estimated earning requirements. Purchases up to April 1, 1925 have been distributed on the basis of estimated expenses, including dividends but excluding charge-offs. In the light of new figures received as of April 1, 1925 from all twelve Federal Reserve Banks, it is now proposed to apportion purchases in accordance with the earning requirements of the several banks. (11)

#### INDEX OF EXHIBITS

- (A) Statement Showing Participation in System Holdings of Government Securities at Close of Business March 31, 1925 and Classification by Maturities.
- (B) Statement Showing System Purchases of Bankers Acceptances from October 29, 1924 to March 25, 1925, and Their Allotment to Participating Banks.
- (C) Statement Showing Status of System Investment Account Close of Business March 31, 1925 and the Profit and Loss if Securities were Sold at Market Price.
- (D) Statement Showing Earning Asset Holdings of All Reserve Banks March 25, 1925 as Compared with Previous Week, Also Weekly Average from January 1, 1925 to March 25, 1925 as Compared with Corresponding Period of 1924 and Entire Year 1924.
- (E) Statement Showing Ratios of Participation of Federal Reserve Banks in System Open Market Purchases Based on Figures Furnished as of March 31, 1925.

## EXHIBIT "A"

STATEMENT SHOWING PARTICIPATION IN SYSTEM HOLDINGS OF GOVERNMENT SECURITIES AT  
CLOSE OF BUSINESS MARCH 31, 1925 AND THE CLASSIFICATION BY MATURITIESPARTICIPATION BY FEDERAL RESERVE BANKSRECAPITULATION OF HOLDINGS BY MATURITIES

Boston	\$ 17,241,000	June 15, 1925	\$ 25,932,700
New York	91,267,000	Sept. 15, 1925	10,474,500
Philadelphia	6,773,000	Dec. 15, 1925	56,385,500
Cleveland	24,726,500	March 15, 1926	39,237,600
Richmond	1,763,000	Sept. 15, 1926	31,901,000
Atlanta	737,500	March 15, 1927	18,875,900
Chicago	34,387,000	Dec. 15, 1927	32,296,300
St. Louis	8,312,000	Third L. L. Bonds Sept. 15, 1928	30,100,000
Minneapolis	9,825,000		
Kansas City	12,043,000		
Dallas	13,025,500		
San Francisco	<u>25,103,000</u>		
	<u>\$245,203,500</u>		<u>\$245,203,500</u>



## EXHIBIT "B"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES  
FROM OCTOBER 29, 1924 TO MARCH 25, 1925 AND THEIR  
ALLOTMENTS TO PARTICIPATING BANKS

	<u>Purchases</u>	<u>Allotments</u>
Boston	\$103,175,000	\$105,109,000
New York	590,884,000	191,778,000
Philadelphia	37,313,000	37,313,000
Cleveland	16,650,000	86,085,000
Richmond	3,832,000	15,312,000
Atlanta	11,483,000	26,313,000
Chicago	44,533,000	96,457,000
St. Louis	0	48,574,000
Minneapolis	0	10,880,000
Kansas City	0	42,595,000
Dallas	1,169,000	53,984,000
San Francisco	<u>19,893,000</u>	<u>114,532,000</u>
Totals	<u>\$828,932,000</u>	<u>\$828,932,000</u>

Richmond did not participate in purchases during year 1924  
 Philadelphia " " " " " " months of Dec. 1924 and  
 Jan. 1925.  
 Minneapolis " " " " " from Oct. 1924 to Feb. 1925.

STATEMENT SHOWING STATUS OF SYSTEM SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS MARCH 31, 1925  
AND THE PROFIT OR LOSS IF SECURITIES WERE SOLD AT MARKET PRICES APRIL 1, 1925

<u>MATURITY</u>	<u>RATE</u>	<u>PAR VALUE</u>	<u>* ACTUAL BOOK COST</u>	<u>MARKET PRICES APRIL 1, 1925</u>	<u>IF SOLD AT CURRENT MARKET PRICES</u>	
					<u>PROFIT</u>	<u>LOSS</u>
June 15, 1925	4 1/2% T/N	\$ 25,932,700	100.252	100.250		\$ 518.65
Sept. 15, 1925	2 3/4% C/I	10,474,500	99.998	100.000	\$ 288.46	
Dec. 15, 1925	3% C/I	918,500	100.000	100.000		
Dec. 15, 1925	4 3/8% T/N	55,467,000	100.682	100.875	107,051.31	
March 15, 1926	4 3/4% T/N	39,237,600	101.122	101.250	50,224.13	
Sept. 15, 1926	4 1/4% T/N	31,901,000	100.983	101.031	15,312.48	
March 15, 1927	4 3/4% T/N	18,875,900	101.629	102.000	70,029.59	
Dec. 15, 1927	4 1/2% T/N	32,296,300	101.941	101.968	8,720.00	
Sept. 15, 1928	4 1/4% 3rd L/L	<u>30,100,000</u>	101.488	101.468		<u>6,020.00</u>
		<u>\$245,203,500</u>			<u>\$251,625.97</u>	<u>\$6,538.65</u>

SYSTEM HOLDINGS CLOSE OF BUSINESS ON FOLLOWING DATES

October 29, 1924	\$500,000,000	December 24, 1924	\$449,035,000	February 18, 1925	\$290,000,000
November 5, 1924	500,000,000	" 31, 1924	449,035,000	" 25, 1925	270,000,000
" 12, 1924	500,000,000	January 7, 1925	408,035,000	March 4, 1925	270,000,000
" 19, 1924	500,000,000	" 14, 1925	388,125,500	" 11, 1925	275,350,000
" 26, 1924	495,000,000	" 21, 1925	335,375,500	" 18, 1925	244,803,500
December 3, 1924	485,000,000	" 28, 1925	304,275,500	" 25, 1925	245,203,500
" 10, 1924	412,600,000	February 4, 1925	300,000,000	" 31, 1925	245,203,500
" 17, 1924	436,440,000	" 11, 1925	300,000,000		

\* Book value represents average cost with premium or discount amortized to date.

Transactions in Special Investment Account from Oct. 29, 1924 to March 31, 1925 (during which period the account was reduced from \$500,000,000 to \$245,203,500) yielded a net profit of \$442,741.03.

**DECLASSIFIED**  
Authority E.O. 12356

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS MARCH 25, 1925 AS COMPARED WITH PREVIOUS WEEK  
 ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM JANUARY 1 TO MARCH 25 AS COMPARED WITH CORRESPONDING  
 PERIOD OF 1924 AND ENTIRE YEAR 1924  
 (000 Omitted)

		<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Bills Discounted	- March 18	\$27,956	\$103,164	\$31,896	\$49,027	\$35,344	\$16,811	\$27,441	\$14,350	\$ 3,867	\$ 4,419	\$ 1,520	\$23,689	\$339,484
"	" 25	27,883	136,821	41,108	37,007	34,372	15,396	43,598	9,824	4,092	4,287	1,551	21,702	377,641
Net Change		73-	33,657+	9,212+	12,020-	972-	1,415-	16,157+	4,526-	225+	132-	31+	1,987-	38,157+
Bills Purchased	- March 18	39,724	52,620	23,659	30,249	11,368	12,294	31,840	13,258	8,803	14,439	10,618	27,839	276,711
"	" 25	41,092	62,209	24,279	30,913	12,834	13,302	43,282	13,193	9,343	15,304	11,050	30,104	306,905
Net Change		1,368+	9,589+	620+	664+	1,466+	1,008+	11,442+	65-	540+	865+	432+	2,265+	30,194+
Government Securities	- March 18	20,093	169,653	38,484	38,348	3,029	3,584	55,204	8,427	16,983	23,642	17,485	33,258	428,250
"	" 25	21,148	94,269	24,271	39,449	3,104	3,730	52,644	8,890	17,404	24,410	20,108	34,324	343,751
Net Change		1,055+	75,384-	14,213-	1,101+	75+	146+	2,560-	403+	421+	768+	2,623+	1,066+	84,499-
Total Earning Assets	- March 18	87,773	328,492	96,439	118,832	50,350	33,151	116,049	36,620	30,023	43,462	30,022	85,584	1,056,847
"	" 25	90,123	296,354	92,108	108,577	50,919	32,890	141,088	32,432	31,209	44,963	33,108	86,928	1,040,699
Net Change		2,350+	32,138-	4,381-	10,255-	569+	261-	25,039+	4,188-	1,186+	1,501+	3,086+	1,344+	16,148-
<u>Weekly Average of Earning Asset Holdings</u>														
Jan. 1 to March 25, 1925		95,024	324,538	79,638	122,976	37,565	26,122	131,401	38,664	27,848	45,650	41,206	102,744	1,073,377
Corresponding Period 1924		68,420	199,174	87,299	97,345	56,338	61,029	118,436	44,612	30,943	48,854	60,329	90,799	963,580
Net Change		26,604+	125,364+	7,661-	25,631+	18,773-	34,907-	12,965+	5,946-	3,095-	3,204-	19,123-	11,945+	109,797+
Jan. 1 to March 25, 1925		95,024	324,538	79,638	122,976	37,565	26,122	131,401	38,664	27,848	45,650	41,206	102,744	1,073,377
Entire Year 1924		66,191	238,220	70,757	97,220	49,719	43,006	123,699	40,453	36,501	48,917	50,154	89,113	953,979
Net Change		28,833+	86,308+	8,881+	25,746+	12,154-	16,884-	7,702+	1,789-	8,653-	3,267-	8,948-	13,631+	119,398+

SUMMARY FOR SYSTEM

Bills Discounted for week	\$ 38,157+
Bills Purchased for week	30,194+
Government securities for week	84,499-
Total earning assets " "	16,148-
Average earning asset holdings Jan. 1 to Mar. 25/25	
against corresponding period 1924	109,797+
Average earning asset holdings Jan. 1 to March 25/25	
against entire year 1924	119,398+

STATEMENT SHOWING REVISED RATIOS OF PARTICIPATION OF FEDERAL RESERVE BANKS IN SYSTEM  
OPEN MARKET PURCHASES BASED ON FIGURES FURNISHED AS OF MARCH 31, 1925.

	E A R N I N G S			E X P E N S E S		Total Estimated Expenses Including Dividends and Charge-offs Apr.1/25-Dec.31/25 for year 1925	Amount of Earnings Over or Short of Estimated Requirements for year 1925	Revised Ratio of Participation
	Net Earnings Less Current Expenses Paid and Accrued and Accrued Dividends Jan.1 - Mar.31/25	Estimated Gross Earnings Apr. 1 - Dec. 31/25 Based on Earning Assets Held Mar. 31 Remaining Unchanged	Total Net Earnings Jan.1/25 - Mar.31/25 and Gross Earnings Apr.1/25-Dec.31/25	Estimated Expenses Apr.1/25-Dec.31/25 Including Dividends	Estimated Charge-offs for 1 9 2 5			
Boston	\$ 131,194	\$ 2,777,500	\$ 2,908,694	\$ 1,912,300	\$ 127,047	\$ 2,039,347	\$ 869,347 +	0
New York	512,192	6,978,000	7,490,192	6,519,000	814,000	7,333,000	157,192 +	0
Philadelphia	29,309	2,453,000	2,482,309	2,077,000	28,000	2,105,000	377,309 +	0
Cleveland	146,400	2,924,900	3,071,300	2,647,000	372,000	3,019,000	52,300 +	0
Richmond	99,000	1,498,000	1,399,000	1,422,000	235,000	1,657,000	258,000	5%
Atlanta	141,133	1,002,039	1,143,172	1,161,976	815,836	1,977,812	834,640	14%
Chicago	49,250	4,174,248	4,223,498	3,567,134	600,197	4,167,331	56,167 +	0
St. Louis	88,390	920,000	831,610	1,465,000	1,110,000	2,575,000	1,743,390	30%
Minneapolis	39,969	858,600	818,631	1,074,100	123,300	1,197,400	378,769	7%
Kansas City	55,833	1,355,234	1,299,401	1,632,577	326,722	1,959,299	659,898	12%
Dallas	35,367	884,000	848,633	1,138,400	542,520	1,680,920	832,287	15%
San Francisco	2,000	2,201,000	2,199,000	2,489,000	703,000	3,192,000	993,000	17%
	\$ 688,919	\$28,026,521	\$28,715,440	\$27,105,487	\$5,797,622	\$32,903,109	\$5,659,984	100%
							1,512,315 +	
							Net System deficit .....	\$4,187,669

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 Authority E.O. 13526

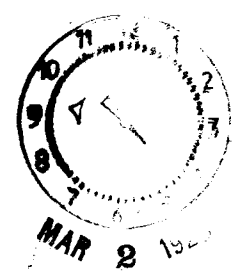
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Authority E.O. 12356

333-b-2  
Federal Reserve

FEDERAL RESERVE BANK  
OF NEW YORK

Docket

Presented  
to Board



February 28, 1925.

Dear Mr. Eddy:

I am sending herewith extract of the minutes  
of the meeting of the Open Market Investment Committee  
with the Federal Reserve Board held in Washington,  
February 25, 1925 pertaining to the activities of the  
Open Market Investment Committee.

2/25/25 filed  
333-b-2 Final  
minutes

Very truly yours,

*W. B. Matteson*

W. B. Matteson  
Secretary, Open Market  
Investment Committee

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

Enclosure

*Ready orders filed*  
RECORDED  
MAR 6 1925

DECLASSIFIED  
Authority E.O. 12356

*Minutes Meeting  
2/25/25*

*# 2*

FEDERAL RESERVE BOARD  
333-62  
333-1

March 2, 1925.

Dear Mr. Matteson:

Receipt is acknowledged of your letter of February 28th enclosing extract of the minutes of the meeting of the Open Market Investment Committee with the Federal Reserve Board held in Washington, February 25, 1925, pertaining to the activities of the Open Market Investment Committee, which has been brought to the attention of the members of the Board.

*2/25/25 filed  
333-62  
Final Minutes*

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.

*Jan*

DECLASSIFIED  
Authority E.O. 12356

# 2

FEDERAL RESERVE BANK  
OF NEW YORK

333-6-2  
RECEIVED  
FEB 2 1925  
OFFICE OF  
THE GOVERNOR

File  
3/5/25

February 26, 1925.

Federal Reserve Board,  
Washington, D. C.

Attention: Honorable D. R. Crissinger.

Dear Governor Crissinger:

If, as I understand, a stenographic record of our meeting yesterday was kept, could you have a copy of it sent to me as soon as it is written out, as doubtless it will require some of the usual verbal corrections of grammar and rhetoric which so often appear in such records.

I very much appreciate your cooperation in solving some of our problems.

Very truly yours,

*Ben. Strong*

BENJ. STRONG  
Governor.

*Admin Strong  
no minutes  
except  
Meeting Day*

74

2/25/25

333-62

REPORT OF THE CHAIRMAN OF THE OPEN MARKET INVESTMENT COMMITTEEMEETING IN WASHINGTON, FEBRUARY 25, 1925.

Changes in money conditions in the past two months have followed very much the course which was anticipated in preceding reports of this committee. After Christmas there was the usual return of currency to the Reserve Banks amounting in this case to approximately 300 million dollars. There was also the usual flow of funds to New York from the interior, resulting in an increase of more than 250 million in the street loans of out-of-town banks, compared with a decrease of about 100 million in the street loans of New York City banks. The result of these tendencies was a rapid decline in Federal Reserve rediscounts, particularly in New York, to a point where member banks were practically out of debt at the Reserve Banks. Money rates moved to lower levels and on one or two days touched 2 per cent.

As this situation began to make itself evident sales were begun from the Special Investment Account, reaching in the aggregate during January about 150 million dollars. These sales were promptly followed by increases in the rediscounts of member banks in New York City of between 100 and 150 million and a comparative stabilization of call loan rates around 3 1/2 per cent. Gold exports amounting to nearly 100 million dollars during January and February and transfers to the interior over the first of February, were further factors making for firmer rates.

Simultaneously with firmer money conditions the buying rates on bankers acceptances of 30 and 60 day maturities were raised from 2 3/4 and 2 7/8 to 3 per cent., thus placing all maturities up to 90 days at 3 per cent. The open market rate for 90 day bills has risen to 3 1/8, but other market rates are substantially where they were for the greater part of December.

In case the flow of funds continues to New York it is believed that the committee should continue to sell securities from time to time to prevent undue ease in money conditions, such sales to be limited for the present to an amount to bring the Special Investment Account down to 200 million dollars.



- 2 -

We may anticipate before many weeks that the usual spring demand for funds will make itself felt in the money market. Indeed, the spring demand taken together with gold exports, which are still continuing heavy, and the cumulative effect of active business may possibly lead to a rapid increase in rediscounts and a sharp upturn in money rates, which would make an early review of the committee program necessary. (11)

Accompanying exhibits submitted by the Secretary, reflecting in detail recent Committee activities and data pertinent to System operations, are as follows:

- (A) Comparison of Earning Assets Held by all Federal Reserve Banks Weekly from December 3, 1924 to February 18, 1925.
- (B) Statement Showing Participation in System Holdings of Government Securities at Close of Business February 21, 1925 and Classification by Maturities.
- (C) Statement Showing System Purchases of Bankers Acceptances from June 1, 1924 to February 18, 1925 and their Allotments to Participating Federal Reserve Banks.
- (D) Statement Showing Sales of Government Securities from System Account and the Profit Thereon January 9 to February 24, 1925.
- (E) Statement Showing Status of System Special Account and the Resultant Profit or Loss if Securities were Sold at Market Prices, February 21, 1925.
- (F) Chart Showing Effect on New York Money Market of Sales from the System Special Investment Account.

## EXHIBIT "A"

COMPARISON OF EARNING ASSETS HELD BY ALL FEDERAL RESERVE BANKS  
WEEKLY FROM DECEMBER 3, 1924 TO FEBRUARY 18, 1925  
(000 Omitted)

	TOTAL EARNING ASSETS	*GOVERNMENT SECURITIES		*BANKERS	BILLS
		Own Purchases	Special Inv. Acct.	ACCEPTANCES	DISCOUNTED
-1924-					
Dec. 3	\$1,186,527	\$ 89,943	\$485,000	\$354,606	\$248,928
" 10	1,167,040	139,296	412,600	352,838	254,256
" 17	**1,192,850	**127,722	436,440	336,827	283,811
" 24	1,331,932	88,844	449,035	389,574	396,429
" 31	1,249,438	91,125	449,035	387,100	314,128
-1925-					
Jan. 7	1,109,965	87,994	408,035	340,978	264,408
" 14	1,079,721	97,376	388,126	323,901	261,759
" 21	945,456	88,088	335,376	306,176	202,757
" 28	988,582	89,788	304,276	307,767	273,692
Feb. 4	1,032,258	88,828	300,000	308,004	322,367
" 11	1,059,608	90,096	300,000	324,647	331,806
" 18	1,046,381	88,205	290,000	311,747	342,471

\*Includes sales contracts

\*\*Includes \$40,000,000 advance to Treasury on special certificate.

## EXHIBIT "B"

STATEMENT SHOWING PARTICIPATION IN SYSTEM HOLDINGS OF GOVERNMENT SECURITIES AT  
CLOSE OF BUSINESS FEB. 21, 1925, AND THE CLASSIFICATION BY MATURITIES

PARTICIPATION BY FEDERAL RESERVE BANKSRECAPITULATION OF HOLDINGS BY MATURITIES

Boston	\$ 19,688,000	March 15, 1925	\$ 41,365,000
New York	104,217,500	June 15, 1925	25,932,700
Philadelphia	7,733,500	Sept. 15, 1925	10,174,500
Cleveland	28,235,000	Dec. 15, 1925	50,117,000
Richmond	2,013,500	March 15, 1926	39,237,600
Atlanta	842,500	Sept. 15, 1926	31,901,000
Chicago	39,267,500	March 15, 1927	18,875,900
St. Louis	9,491,500	Dec. 15, 1927	32,296,300
Minneapolis	11,219,500	Third L. L. Bonds	
Kansas City	13,752,500	Sept. 15, 1928	30,100,000
Dallas	14,873,500		
San Francisco	<u>28,665,500</u>		
	<u>\$280,000,000</u>		<u>\$280,000,000</u>

(\$10,000,000 4 3/4% March 15, 1925, notes have been sold for delivery February 24, reducing the System holdings to \$270,000,000.)



EXHIBIT "D"

STATEMENT SHOWING SALES OF GOVERNMENT SECURITIES FROM SYSTEM ACCOUNT SINCE JANUARY 9, 1925,  
DATE OF LAST MEETING OF COMMITTEE, AND THE PROFIT RECEIVED IN EXCESS OF ACTUAL BOOK COST

<u>DELIVERY DATE</u>	<u>PURCHASER</u>	<u>MATURITY</u>	<u>PAR VALUE</u>	<u>PRICE</u>	<u>PROFITS</u>
January 13, 1925	Market	4 1/2% T/N 6/15/25	\$ 10,000,000	2.60% Basis - less 1/32	\$ 23,913.33
" 15, 1925	Treasury a/c A. P. C.	2 3/4% C/I 9/15/25	1,750,000	Par	65.32
" 15, 1925	Market	4 3/8% T/N 12/15/25	7,500,000	101 9/32	32,187.08
" 16, 1925	"	4 3/8% T/N 12/15/25	5,000,000	101 9/32	21,585.61
" 19, 1925	"	4 3/4% T/N 3/15/26	5,000,000	101 7/16	4,118.98
" 19, 1925	"	4 1/2% T/N 6/15/25	5,000,000	2.60% Basis - less 1/32	11,403.99
" 20, 1925	"	4 1/2% T/N 6/15/25	10,000,000	2.60% Basis - less 1/32	22,624.08
" 21, 1925	"	4 1/2% T/N 6/15/25	3,000,000	2.60% Basis - less 1/32	6,732.09
" 21, 1925	Treasury a/c A. F. C.	2 3/4% C/I 9/15/25	2,500,000	Par	81.39
" 21, 1925	Market	2 3/4% C/I 9/15/25	13,000,000	"	423.23
" 22, 1925	"	2 3/4% C/I 9/15/25	12,000,000	"	389.03
" 22, 1925	Treasury a/c A. P. C.	2 3/4% C/I 9/15/25	2,500,000	"	81.05
" 23, 1925	" " " " "	2 3/4% C/I 9/15/25	5,000,000	"	161.41
" 23, 1925	Market	4 3/4% T/N 3/15/27	2,000,000	101 29/32	2,433.66
" 26, 1925	"	4 3/4% T/N 3/15/27	2,000,000	101 29/32	2,570.76
" 26, 1925	"	4 1/2% T/N 6/15/25	4,000,000	2.60% Basis - less 1/32	8,609.20
" 26, 1925	"	4 3/4% T/N 3/15/27	2,000,000	101 29/32	2,570.76
" 27, 1925	"	4 3/4% T/N 3/15/26	3,000,000	101 13/32	2,308.24
" 29, 1925	"	4 3/4% T/N 3/15/27	2,000,000	101 15/16	3,332.85
" 30, 1925	"	4 3/4% T/N 3/15/25	1,275,500	2.55% Basis	1,056.63
" 30, 1925	"	4 3/4% T/N 3/15/26	1,000,000	101 13/32	866.21
" 30, 1925	"	4 3/4% T/N 3/15/27	2,000,000	101 15/16	3,378.55
February 18, 1925	"	2 3/4% C/I 9/15/25	5,000,000	Par	124.17
" 18, 1925	Treasury a/c Prior Redemption	2 3/4% C/I 9/15/25	5,000,000	"	124.17
" 19, 1925	" " " " "	2 3/4% C/I 9/15/25	5,000,000	"	123.57
" 20, 1925	Market	4 3/4% T/N 3/15/25	5,000,000	2.55% Basis	2,152.94
" 24, 1925	"	4 3/4% T/N 3/15/25	10,000,000	2.55% Basis	3,553.18
			<u>\$131,525,500</u>		<u>\$156,971.48</u>

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Authority E.O. 12356

EXHIBIT "E"

STATEMENT SHOWING STATUS OF SYSTEM SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS FEBRUARY 21, 1925  
AND THE PROFIT AND LOSS IF SECURITIES WERE SOLD AT MARKET PRICES FEBRUARY 21, 1925

MATURITY	RATE	PAR VALUE	ACTUAL BOOK COST	MARKET PRICES FEBRUARY 21, 1925	IF SOLD AT CURRENT MARKET PRICES	
					PROFIT	LOSS
March 15, 1925	4 3/4% T/N	*\$ 31,365,000	100.085	100.093	\$ 2,509.20	
June 15, 1925	4 1/2% T/N	25,932,700	100.380	100.468	22,820.77	
Sept. 15, 1925	2 3/4% C/I	10,174,500	99.998	100.	203.49	
Dec. 15, 1925	4 3/8% T/N	50,117,000	100.755	101.062	153,859.19	
March 15, 1926	4 3/4% T/N	39,237,600	101.245	101.312	26,289.19	
Sept. 15, 1926	4 1/4% T/N	31,901,000	101.053	100.906		46,894.47
March 15, 1927	4 3/4% T/N	18,875,900	101.716	101.843	23,972.39	
Dec. 15, 1927	4 1/2% T/N	32,296,300	102.015	101.843		55,549.64
Sept. 15, 1928	4 1/4% 3rd L/L	<u>30,100,000</u>	101.533	101.437		<u>28,896.00</u>
		<u>\$270,000,000</u>			<u>\$229,654.23</u>	<u>\$131,340.11</u>

SYSTEM HOLDINGS CLOSE OF BUSINESS ON FOLLOWING DATES

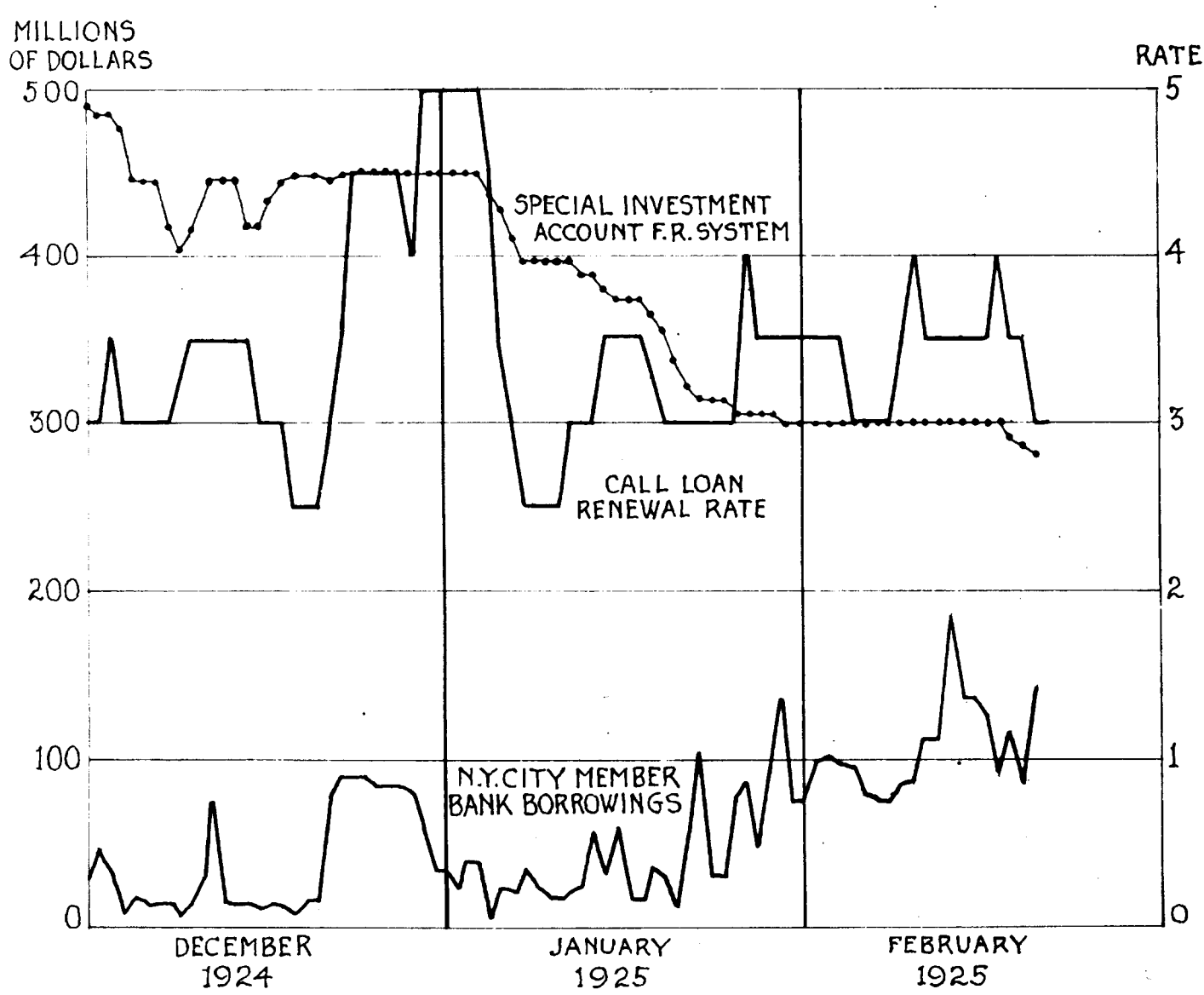
December 31, 1924	\$449,035,000
January 7, 1925	408,035,000
" 14, 1925	388,125,500
" 21, 1925	335,375,500
" 28, 1925	304,275,500
February 4, 1925	300,000,000
" 11, 1925	300,000,000
" 18, 1925	285,000,000
" 21, 1925	x 270,000,000

\*Excludes \$10,000,000 March 1925 Treasury Notes sold for delivery February 24, 1925

**DECLASSIFIED**  
 Authority E.O. 13526

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Authority E.O. 12356

1054 ;



Effect on the New York Money Market of Sales from the Special Investment Account

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Authority E.O. 12356

*Meeting in  
New York  
2/25/25*

*H 2*

FEDERAL RESERVE BANK  
OF NEW YORK

300-62  
~~333-1~~

February 20, 1925.

Dear Governor Crissinger:

This is to advise you that we now have replies from all the members of the Open Market Investment Committee in accordance with our discussion, arranging to meet in Washington at ten o'clock next Wednesday morning.

Very truly yours,

*Benj. Strong*  
BENJ. STRONG  
Governor.

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

*[Large handwritten checkmark]*



DECLASSIFIED  
Authority E.O. 12356

*Minutes of meeting*

FEDERAL RESERVE BOARD FILE  
333-6 ✓  
333-6-2

January 16, 1925.

Dear Mr. Case:

The Federal Reserve Board has considered and notes with approval the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York on January 9th, indicating that the Committee proposed to continue to sell from the Open Market portfolio of securities, as it can be done from time to time without disturbance of the market.

1-9-25 filed  
333-6-2  
Final minutes

Very truly yours,

*Platt*

Edmund Platt,  
Vice Governor.

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

12

*see letter 1/13/25*

DECLASSIFIED  
Authority E.O. 12356

7A

333.-6-2

Final Minutes

January 15, 1925

Dear Mr. Matteson:

I acknowledge receipt of your letter of the 13th instant, forwarding a draft of the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York on January 9th, and also several copies of the Secretary's report submitted at the said meeting. I note that the minutes in question have not been approved by all the members of the Committee and that if there are any changes or corrections a revised copy will be sent to 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.

see letter 1/16/25

1/19/25 filed  
333.-6-2  
Final minutes

DECLASSIFIED  
Authority E.O. 12356

333-62

FEDERAL RESERVE BANK  
OF NEW YORK

January 13, 1925.

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

Dear Mr. Eddy:

I am sending you herewith draft of the minutes <sup>1-9-25</sup> of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York on January 9, 1925, also several copies of the Secretary's report submitted at the meeting.

These minutes have not been approved by all the members of the Committee and if there are any changes or corrections a revised copy will be sent to you.

Very truly yours,

W. B. Matteson  
Secretary, Open Market  
Investment Committee

Encls. (4)

see ans 1/16/25  
see ans 1/15/25

333-62

REPORT OF SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE  
FOR THE FEDERAL RESERVE SYSTEM SUBMITTED AT MEETING AT  
FEDERAL RESERVE BANK OF NEW YORK, JANUARY 9, 1925

U    II    Since the last meeting of the Committee on December 19 the trend of money rates has been very much as was anticipated. Immediately following that meeting a considerable return flow of funds took place to the interior to fill the vacuum created by Treasury transfers to this district. There continued to be some gold withdrawals and these influences, together with year-end readjustments, resulted in firmer money conditions.

Call money renewed at 5 per cent. and new loans were placed at 5 1/2 per cent., and the earning assets of the Federal Reserve Bank of New York increased to \$410,000,000 on December 24, largely due to increases in rediscounts and holdings of bills under sales contract. This increase in our earning assets created a buffer to take up some of the slack which might develop after the first of the year. \*

During the first week of the new year the return of currency from circulation, and the return of funds from the interior led to a rapid easing in money conditions bringing the call loan rate down to 2 per cent. on January 8. This easing took place more rapidly than could be compensated for entirely by declines in bills discounted or holdings of acceptances. Earning assets of the New York bank declined from \$410,000,000 on December 24, to \$275,000,000 on January 7; bills discounted being reduced by \$80,000,000, while holdings of bills and securities under sales contract were entirely wiped out. ✓

In view of these conditions the members of the Committee were communicated with and on January 5 a decision was reached to sell securities to the amount necessary to prevent undue ease in money conditions so far as this could

2.

be done without disorganizing the market. Accordingly \$5,000,000 of securities were sold on January 5, \$15,000,000 on January 6, \$16,000,000 on January 7, and \$5,000,000 on January 8. In addition \$9,909,500 were sold to the Treasury, account Alien Property Custodian, in replacement for sales of Treasury bonds of like amount to the market. The total holdings in the System's account were thereby reduced from \$449,035,000 on December 19 to \$398,125,500 on January 8, 1925, effecting a net reduction of \$50,909,500 in this account. ✓

#### Bankers Acceptances

Open market purchases of bankers acceptances from December 10 to December 31, 1924, have amounted to \$125,000,000. Of this amount approximately \$80,000,000 were purchased prior to December 22 when the reserve banks' buying rates were increased to 2 7/8 per cent. on 60's and 3 per cent. on 90-day bills. The balance of about \$45,000,000 was purchased during the week immediately following the change in rates. Owing to easier money conditions during the present week dealers' offerings have diminished and bills purchased in the New York district amounted to \$15,000,000. System bill holdings at the close of business January 7 amount to \$341,000,000 as compared with holdings of \$353,000,000 on December 10.

#### Future Policy

(11) b The ease in money conditions at the beginning of the year usually continues through January. At present our earning assets have decreased to a point where further liquidation is limited except in the Special Investment Account. It is believed, therefore, that the Committee should stand ready to make further sales, as far as it is necessary, to prevent a period of unusually easy money conditions, during January. In order to affect the money market most directly any sales should be made in New York. ✓

3.

It is customary for money conditions to become firmer in the latter part of February and in March, and with an increasing volume of business activity we may anticipate that this firming will be pronounced this coming spring. There will therefore probably be an opportunity for the Committee to repurchase without difficulty securities sold during January if that seems wise. The desirability of this repurchase can be determined at a later date when the trend of money and business conditions becomes clearer. It may be wise to allow the Special Investment Account to remain diminished for some months to come and to confine transactions for the account to sales.

#### APPORTIONMENT OF OPEN MARKET PURCHASES

Exhibit "B" attached shows purchases of bankers acceptances and their allotment to all participating banks under the plan which was put into effect June 1, 1924, of apportioning all open market purchases on the basis of earning requirements of the banks as reported to the Committee each month. The exhibit also shows the adjustments which are pending on purchases made during the month of December. The overages of the Boston and Atlanta banks which correspond to the aggregate shortages of the other seven participating banks are due to purchases in their districts in excess of their pro rata share. These differences will, however, be adjusted on January 31, 1925, through basing the new ratios of participation for February on the total earning assets held on January 31.

The ratios which were in effect during December of apportioning System open market purchases will continue during the month of January, as it was considered that the banks would be in a better position later in the month to determine their requirements for the year 1925. Therefore, all banks are to report their estimated requirements for the current year based on earning asset holdings as of January 31 from which new ratios will be computed to apply on purchases made during the month of February.

INDEX OF ATTACHED EXHIBITS

- (A) Statement of securities purchased for System account and their apportionment to all Federal reserve banks at the close of January 8, 1925.
- (B) Statement showing System purchases of bankers acceptances from June 1, 1924, to December 31, 1924, and their allotments to participating Federal reserve banks.
- (C) Statement showing profit and loss on System holdings of Government securities if sold at dealers' bid prices on January 9, 1925.

## EXHIBIT "A"

STATEMENT SHOWING UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR  
SPECIAL INVESTMENT ACCOUNT FOR THE FEDERAL RESERVE SYSTEM  
AND THEIR APPORTIONMENT TO ALL FEDERAL RESERVE BANKS  
AT CLOSE OF BUSINESS JANUARY 8, 1925

APPORTIONMENT

	<u>Treasury Notes</u>	<u>Certificates of Indebtedness</u>	<u>Liberty Loan Bonds</u>	<u>Total</u>
Boston	\$ 21,910,000	\$ 4,224,000	\$ 1,927,000	\$ 28,061,000
New York	115,645,000	21,361,500	11,182,500	148,189,000
Philadelphia	7,058,500	3,202,500	760,500	11,021,500
Cleveland	31,156,000	5,713,500	3,213,500	40,083,000
Richmond	2,246,500	494,000	149,500	2,890,000
Atlanta	905,000	115,500	155,500	1,176,000
Chicago	43,455,500	8,413,000	4,033,000	55,901,500
St. Louis	10,874,000	1,270,000	1,263,500	13,407,500
Minneapolis	12,781,000	2,093,000	1,112,500	15,986,500
Kansas City	15,244,500	2,821,500	1,487,000	19,553,000
Dallas	16,522,000	2,939,500	1,663,000	21,124,500
San Francisco	31,703,000	5,876,500	3,152,500	40,732,000
	<u>\$309,501,000</u>	<u>\$58,524,500</u>	<u>\$30,100,000</u>	<u>\$398,125,500</u>

RECAPITULATION OF PURCHASES

<u>Made by</u>	<u>Amount</u>
Boston	\$ 20,871,500
New York	274,334,200
Philadelphia	16,884,500
Cleveland	6,936,000
Richmond	600,000
Atlanta	1,944,400
Chicago	52,225,000
St. Louis	5,453,900
Minneapolis	3,128,000
Dallas	8,169,000
San Francisco	7,579,000
	<u>\$398,125,500</u>

RECAPITULATION OF PURCHASES BY MATURITIES

March 15, 1925	\$ 47,640,500
June 15, 1925	57,932,700
Sept. 15, 1925	58,524,500
Dec. 15, 1925	62,617,000
March 15, 1926	48,237,600
Sept. 15, 1926	31,901,000
March 15, 1927	28,875,900
Dec. 15, 1927	32,296,300
Third L. L. Bonds	
Sept. 15, 1928	30,100,000
	<u>\$398,125,500</u>



## EXHIBIT "B"

STATEMENT SHOWING SYSTEM PURCHASES OF BANKERS ACCEPTANCES FROM  
JUNE 1 TO JULY 18, ALSO AUGUST 28 TO DECEMBER 31, 1924  
DISTRIBUTED UNDER THE NEW APPORTIONMENT PLAN  
WHICH WAS PUT INTO EFFECT JUNE 1, 1924

(000 Omitted)

	<u>Purchases</u>	<u>Allotments</u>	<u>Pending Adjustments</u>	
Boston	\$ 82,656	\$ 88,668	\$25,703	Over
New York	549,008	204,335	5,493	Short
Philadelphia	25,592	25,675	0	
Cleveland	14,154	73,895	2,466	Short
Richmond	0	0	0	
Atlanta	15,599	17,333	3,246	Over
Chicago	26,467	75,141	143	Short
St. Louis	0	38,860	6,078	Short
Minneapolis	0	5,052	0	
Kansas City	48	36,680	1,876	Short
Dallas	1,966	58,310	5,151	Short
San Francisco	<u>13,187</u>	<u>104,728</u>	<u>7,742</u>	Short
TOTALS	<u>\$728,677</u>	<u>\$728,677</u>	<u>\$28,949</u>	

During period from July 19 to August 27, no distribution was made due to light bill offerings.

Richmond did not participate in purchases during the entire period.  
Philadelphia did not participate in purchases during months of June & December.  
Atlanta " " " " " " month of June.  
Minneapolis " " " " " " months of October,  
November and December.

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES IN SYSTEM SPECIAL INVESTMENT ACCOUNT AT CLOSE OF BUSINESS  
JANUARY 8, 1925 AND THE PROFIT AND LOSS THEREON IF SOLD AT DEALERS' BID PRICES JANUARY 9, 1925

<u>MATURITY</u>	<u>RATE</u>	<u>PAR VALUE</u>	<u>ACTUAL BOOK COST</u>	<u>DEALERS' BID PRICES JANUARY 9, 1925</u>	<u>IF SOLD AT CURRENT MARKET PRICES</u>	
					<u>Profit</u>	<u>Loss</u>
March 15, 1925	4 1/2% C/I	-0-	-0-	-0-		
March 15, 1925	4 3/4% T/N	\$47,640,500	100.263	100.312	\$ 23,343.85	
June 15, 1925	4 1/2% T/N	57,932,700	100.529	100.656	73,574.53	
Sept. 15, 1925	2 3/4% C/I	58,524,500	99.997	99.906		53,257.30
Dec. 15, 1925	4 3/8% T/N	62,617,000	100.867	101.250	239,823.11	
March 15, 1926	4 3/4% T/N	48,237,600	101.387	101.375		5,788.51
Sept. 15, 1926	4 1/4% T/N	31,901,000	101.134	100.875		82,623.59
March 15, 1927	4 3/4% T/N	28,875,900	101.816	101.937	34,939.84	
Dec. 15, 1927	4 1/2% T/N	32,296,300	102.102	101.937		53,288.90
Sept. 15, 1928	4 1/4% 3rd L/L	<u>30,100,000</u>	101.585	101.218		<u>110,467.00</u>
		<u>\$398,125,500</u>			<u>\$371,681.33</u>	<u>\$305,425.30</u>

SALES THIS WEEK

<u>Delivery Date</u>	<u>Purchaser</u>	<u>Par Value</u>	<u>Maturity</u>	<u>Price</u>	<u>Profit</u>
January 5	Market	\$ 5,000,000	4 1/2% March 15, 1925 C/I	2.47 Basis	\$ 30.11
6	"	15,000,000	2 3/4% Sept. 15, 1925 C/I	100	580.62
7	"	4,000,000	4 3/4% March 15, 1927 T/N	101 15/16	4,654.92
7	"	12,000,000	2 3/4% Sept. 15, 1925 C/I	100	462.65
7	Treasury a/c A. P. C.	5,000,000	4 1/2% March 15, 1925 C/I	2.47 Basis	26.08
8	"	2,709,500	4 1/2% March 15, 1925 C/I	2.47 Basis	13.08
8	"	2,200,000	2 3/4% Sept. 15, 1925 C/I	100	84.48
8	Market	<u>5,000,000</u>	4 3/4% March 15, 1925 T/N	2.47 Basis	<u>6,989.42</u>
		<u>\$50,909,500</u>			<u>\$12,841.36</u>

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Form No. 131.

*W. H. ...*  
**Office Correspondence**

~~FEDERAL RESERVE BOARD~~

333-62  
Date January 8, 1925.  
333-1

*W. H. ...*  
*Jan 10, 1925*

All members of the Board.

Subject:

Mr. Eddy.

The next meeting of the Open Market Investment Committee for the Federal Reserve System will be held at the Federal Reserve Bank of New York on Friday, January 9th.

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*Dodder*

333-b-2

January 2, 1926

My dear Governor:

I am bringing to the attention of the Board the date of the Open Market Investment Committee meeting which you have fixed for Saturday, January 10, at Philadelphia, and I think it will be entirely satisfactory. I will try to be over, if it is thought advisable, and probably other members of the Board will attend.

Very truly yours,

(Signed) D. R. Grissinger  
D. R. Grissinger,  
Governor.

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

*see memo 1/3/25*  
*see letter 12/31/24*

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333.-6-2

FEDERAL RESERVE BANK  
OF NEW YORK

December 31, 1924.

Federal Reserve Board,  
Washington, D. C.

Attention: Honorable D. R. Crissinger.

My dear Governor:

At the last meeting of the Open Market Investment Committee, it was informally suggested that the next meeting might well be held in Philadelphia early in January.

After a canvass of the several Governors who are members of the Committee, Saturday, January 10, has been agreed upon as the most convenient date. And notices for a meeting on that date at the Philadelphia Reserve Bank are being sent out.

I hope that this date will be convenient for you or for any of the members of the Board who plan to participate, and if Dr. Stewart, also, is able to come, we are always glad to have him.

Having this January 10 meeting will afford a good opportunity to survey what happens after the close of the year.

Very truly yours,

*Benj. Strong*  
BENJ. STRONG  
Governor.

*Board advised changed to New York - Jan. 9th*

JAN 10 1925  
*(initials)*

*see ans 1/2/25*