

333-c  
Excerpt from the minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference on May 21, 1930.

5-27-30

"Governor Harrison stated that during the separate session of the Open Market Policy Conference its formal organization was considered with the result that he, as representative of the Federal Reserve Bank of New York, was chosen as Chairman, and Deputy Governor Burgess of the New York Bank as Secretary. He stated that the Executive Committee will be composed of the representatives of the Boston, New York, Philadelphia, Cleveland and Chicago banks for a period of one year, and that a policy of rotation among the Federal reserve banks will be followed thereafter in the selection of the committee.

"Governor Harrison reported that before taking up the discussion of open market policy, the conference discussed the question of its functions and jurisdiction.

- - - - -

"The Conference also voted, he stated, to go on record that recommendations as to the discount rate of any Federal Reserve bank or Federal Reserve banks are not within its proper province and the directors of any Federal Reserve bank must be free at any time to change the discount rate of their bank, subject only to the review and determination of the Federal Reserve Board.

333-2

Excerpt from the minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference on May 21, 1930.

The Governor "then reported that participation in the Open Market Policy Conference under the revised plan recently approved by the Board has been accepted by all Federal Reserve banks and that this, accordingly, is the first formal meeting of the Conference. He stated that in its acceptance the New York bank set forth its interpretation of the plan as not affecting in any way the present procedure with respect to bill operations. He stated that a copy of the New York letter will be furnished to each Governor for his information."

Form No. 181

# Office Correspondence

FEDERAL RESERVE  
BOARD

May 22, 1930 <sup>333-2</sup>

To Governor Young

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

From Mr. McClelland

*[Handwritten initials]*

At the meeting of the Board today the attached letter from the Chairman of the Federal Reserve Bank of New York was referred to you with the understanding that you would prepare and submit to the Board a reply regarding the bank's interpretation of the plan of the Open Market Policy Conference as not establishing any different procedure with respect to bill operations than has existed heretofore.

8-6495

9/8/30

*Kept by the Governor, without action,  
until his resignation.*

*File*

*[Handwritten initials]*

Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

May 19, 1930

To All Members of the Board

Subject:

From Mr. McClelland

333.-c

2-8495

At the meeting this morning, there was ordered circulated the attached letter, dated May 15th, from the Chairman of the Federal Reserve Bank of New York, advising that the Directors of the Bank have voted to accept participation in the Open Market Policy Conference under the plan recently approved by the Board, subject to their interpretation that the plan does not establish any different procedure with respect to bill operations than has existed heretofore.

Governor Young ✓  
Mr. Platt ✓  
Mr. Hamlin ✓  
Mr. James ✓  
Mr. Cunningham ✓  
Dr. Miller ✓  
Mr. Pole ✓

*Governor to  
prepare reply*

MAY 22 1930

Please circulate promptly and return to this office.



*Handwritten signature/initials*

**FEDERAL RESERVE BANK  
OF NEW YORK**

333-0  
RECEIVED  
MAY 16 1930  
OFFICE OF  
MAY 15, 1930.

Dear Governor Young.

The directors of this bank have considered the Federal Reserve Board's letter of March 31, 1930, <sup>X-6556</sup> together with the enclosed draft of open market procedure as revised on March 25, 1930, and have voted that this bank accept participation in the open market policy conference under the terms of the proposed plan as they interpret that plan.

In considering the plan of procedure it has seemed to our directors that there may be some possible ambiguity with regard to the extent to which the proposed procedure is applicable to Federal reserve bank transactions in bankers acceptances and our directors interpret the revised plan as not establishing any different procedure with respect to bill operation than has existed heretofore.

Operations in bankers acceptances are, of course, governed by a technique quite different from operations in government securities. Whereas the volume of purchases or sales of government securities may be determined directly, the volume of holdings of bankers acceptances on the other hand is subject largely to a rate control which must be adjusted promptly from time to time to changing market conditions, and therefore does not subject itself to determination in advance by an open market policy conference.

*Handwritten note:* When considering open market policy, the volume of holdings of bankers acceptances is subject to a rate control which must be adjusted promptly from time to time to changing market conditions.

We are mentioning this matter now only because of our desire to avoid any possible misunderstanding in the future, and to make sure that the plan suggested is not intended to set up any new procedure with regard to bill operations.

Faithfully yours,

*Handwritten signature of J. H. Case*

J. H. Case  
Chairman

*Ordered Circulated*  
AT BOARD MEETING.

MAY 19 1930

Hon. Roy A. Young,  
Governor, Federal Reserve Board,  
Washington, D. C.

333.-c

April 30, 1930

File

Dear Mr. Heath:

Receipt is acknowledged of your letter of April 25, from which the Federal Reserve Board, at its meeting this morning, was gratified to note that your Board of Directors on that date voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It was also noted that the Governor was designated to represent your bank at meetings of the conference and that in the event of his absence or disability, a Deputy Governor will be designated to serve in that capacity.

Very truly yours,

J. C. Noell,  
Assistant Secretary.

Mr. W. A. Heath, Chairman,  
Federal Reserve Bank,  
Chicago, Ill.

**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LA SALLE STREET

333-6

April 25, 1930

SUBJECT: Revision of Open Market Procedure.

Federal Reserve Board

Washington, D. C.

Gentlemen:

Reference is made to the Board's letter of March 31, 1930, X-6556 on the above subject.

The third paragraph of said letter concludes as follows:

"Please therefore submit the matter to the board of directors of your bank at its next meeting and advise the Board whether your directors accept participation in the Open Market Policy Conference under the plan as revised."

At the regular meeting of our board of directors held today, it was unanimously voted by our board to accept participation in the Open Market Policy Conference under the plan as revised, namely, the plan outlined in X-6556a.

It was also voted unanimously to designate the Governor of this bank as its representative upon the Open Market Policy Conference and that in the absence or disability of the Governor, a Deputy Governor be such representative.

Very truly yours,

*W. A. Heath*  
Chairman

*W. A. Heath*  
AT BOARD MEETING.

APR 30 1930



333.2

April 23, 1930.

Dear Mr. Newton:

The Federal Reserve Board is gratified to note from your letter of April 18, which was presented at the meeting today, that your Board of Directors on April 17 voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. Isaac B. Newton, Chairman,  
Federal Reserve Bank,  
San Francisco, Calif.

*Letter*

FEDERAL RESERVE BANK OF SAN FRANCISCO

ISAAC B. NEWTON  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

APR 12 1930  
WASHINGTON  
APR 11 18 1930  
RECEIVED

333.-c

Dear Sirs:

Receipt is acknowledged of the Board's letter of March 31, 1930, X-6559, subject: Revision of Open Market Procedure.

In compliance with the Board's request the draft of the Open Market Procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal reserve banks on March 25, 1930, was presented to our Board of Directors at their meeting held April 17, 1930, and it was voted to accept participation in the Open Market Policy Conference under the plan as revised.

Yours very truly,

*Isaac B. Newton*

Federal Reserve Agent

Federal Reserve Board,  
Washington,  
D. C.

*Noted*  
AT BOARD MEETING

APR 23 1930  
*NR*

*Carpenter*

333-C

April 18, 1930

Dear Mr. Newton:

The Federal Reserve Board is gratified to note from your letter of April 16, which was presented at the meeting today, that your Board of Directors, at its regular April meeting, voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It was also noted that Governor Black will represent your bank at meetings of the Conference, and in the event he is unable to serve, an alternate will be appointed by your executive committee.

Very truly yours,

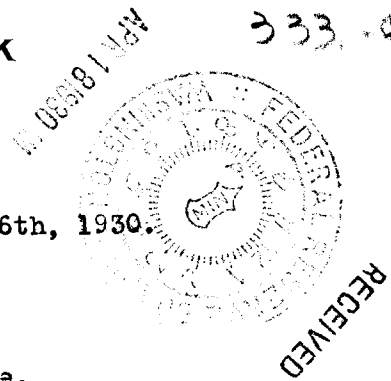
E. M. McClelland,  
Assistant Secretary.

Mr. Oscar Newton, Chairman,  
Federal Reserve Bank,  
Atlanta, Ga.

FEDERAL RESERVE BANK  
OF ATLANTA

OFFICE OF  
CHAIRMAN OF THE BOARD,  
FEDERAL RESERVE AGENT.

April 16th, 1930.



SUBJECT: Revision of Open Market Procedure.

Federal Reserve Board,  
Washington, D. C.

Attention: Mr. E. M. McClelland, Asst. Secretary.

Dear Sirs:

Reference is made to your letter (X-6556) under date of March 31st, 1930, and enclosure, relative to the revision of open market procedure.

At the meeting of our Board of Directors held April 11th and 12th, consideration was given to the revised procedure agreed upon by representatives of the Federal Reserve Banks and approved by you. Our Board voted to ratify the procedure and to participate in the open market policy under the plan as revised.

In my letter of February 15th, 1930, I advised you that Governor E. R. Black had been elected to represent the Federal Reserve Bank of Atlanta on the Open Market Policy Conference, and that in the event Governor Black was unable to attend any meeting of the Open Market Policy Conference, our Executive Committee was authorized to appoint an alternate. *OT AR*

Very truly yours,

*Oscar Newton*  
Chairman.

*Noted*  
AT BOARD MEETING.

APR 18 1930

733-0  
April 18, 1930

Dear Mr. Curtiss:

The Federal Reserve Board is gratified to note from your letter of April 10th, which was presented at its meeting today, that your Board of Directors on April 9th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. F. H. Curtiss, Chairman,  
Federal Reserve Bank,  
Boston, Mass.



April 16, 1930

Dear Mr. DeCamp:

The Federal Reserve Board is gratified to note from your letter of April 9th, which was presented at its meeting today, that your Board of Directors on April 9th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It is also noted that the Governor of your Bank was designated as its representative at meetings of the Conference.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. Geo. DeCamp, Chairman,  
Federal Reserve Bank,  
Cleveland, Ohio.

333.-c

April 18, 1930

Dear Mr. Hexton:

The Federal Reserve Board is gratified to note from your letter of April 14th, which was presented at its meeting today, that your Board of Directors on April 10th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It is also noted that Governor Seay was designated as the representative of your Bank at meetings of the Conference.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. W. W. Hexton, Chairman,  
Federal Reserve Bank,  
Richmond, Va.

333-C

April 16, 1930

Dear Mr. Stewart:

The Federal Reserve Board is gratified to note from your letter of April 4th, which was presented at its meeting today, that your Board of Directors on April 2nd voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. C. M. Stewart,  
Assistant Federal Reserve Agent,  
Federal Reserve Bank,  
St. Louis, Mo.

333-C

April 16, 1930

Dear Mr. Mosher:

The Federal Reserve Board is gratified to note from your telegram of April 14th, which was presented at its meeting today, that your Board of Directors on April 14th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It is also noted that Governor Geery was designated as the representative of your Bank at meetings of the Conference.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. C. L. Mosher,  
Assistant Federal Reserve Agent,  
Federal Reserve Bank,  
Minneapolis, Minn.

333.-2

April 16, 1930

Dear Mr. McClure:

The Federal Reserve Board is gratified to note from your letter of April 12th, which was presented at its meeting today, that your Board of Directors on April 10th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It is also noted that the Governor was designated as the representative of your Bank at meetings of the Conference, with the provision that an alternate shall be named by your executive committee in case the the Governor is unable to serve.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. M. L. McClure, Chairman,  
Federal Reserve Bank,  
Kansas City, Mo.

933.-c

April 16, 1930

Dear Mr. Walsh:

The Federal Reserve Board is gratified to note from your letter of April 8th, which was presented at its meeting today, that your Board of Directors on April 7th voted to accept participation in the proposed Open Market Policy Conference under the revised procedure.

It is also noted that Governor Talley was designated as the representative of your Bank at meetings of the Conference.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank,  
Dallas, Texas.

*Robert*

FEDERAL RESERVE BANK  
OF RICHMOND

April 14, 1930



Federal Reserve Board  
Washington, D. C.

Gentlemen:

Our Board of Directors at the meeting last Thursday considered the Board's letter of March 31, 1930, X-6556 (and 6556a, Subject "Revision of Open Market Procedure."

Our Board unanimously accepts participation in the Open Market Policy Conference under the plan as revised. Furthermore, our Board designated Governor Seay as the representative of this bank for the Open Market Policy Conference.

Very truly yours

W. W. Hoxton  
Chairman of the Board

*Noted*  
-----  
AT BOARD MEETING.

APR 16 1930

# TELEGRAM

## FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.

333.-2

4/14/30

284gea

Minneapolis 3pm Apl 14

Board

washn

directors today approved buying rates unchanged also

approved open market procedure as outlined in X-6556-A

3-31-30

and appointed Governor Gerry member of the conference  
representing this bank

Mosher 530pm

*Noted*

AT BOARD MEETING.

APR 16 1930

*(Signature)*



FEDERAL RESERVE BANK  
OF  
KANSAS CITY

M. L. MCCLURE,  
CHAIRMAN, BOARD OF DIRECTORS  
AND FEDERAL RESERVE AGENT

W. L. PETRIKIN  
DEPUTY CHAIRMAN  
BOARD OF DIRECTORS

A. M. MCADAMS,  
ASST. FEDERAL RESERVE AGENT  
AND SECRETARY

W. J. BAILEY, GOVERNOR  
C. A. WORTHINGTON, DEPUTY GOVERNOR  
J. W. HELM, CASHIER  
JOHN PHILLIPS, JR., ASST. CASHIER  
E. P. TYNER, ASST. CASHIER  
G. E. BARLEY, ASST. CASHIER  
M. W. E. PARK, ASST. CASHIER  
G. H. PIPKIN, ASST. CASHIER

April 12, 1930

333.2

Federal Reserve Board,  
Washington, D. C.

Gentlemen: Attention E. M. McClelland, Asst. Secretary

The subject matter of Board letter X-6556, dated March 31, 1930, with reference to the revision of open market procedure, was discussed by our Board of Directors in regular meeting on Thursday, April 10, and it was unanimously decided to accept participation in the Open Market Policy Conference under the plan as revised.

The Governor of the bank was designated as the representative of the bank in the conference, with the provision that an alternative representative shall be named by the Executive Committee in case at any time the Governor may be unable to serve.

Very truly yours,

  
Chairman

M/H

*Noted*  
-----  
AT BOARD MEETING.

APR 16 1930



**FEDERAL RESERVE BANK  
OF BOSTON**

FREDERIC H. CURTISS  
CHAIRMAN

April 10, 1930

333-C

Federal Reserve Board,  
Washington, D.C.

SUBJECT: Open Market Procedure

Dear Sirs:

Acting under instructions received in the Board's letter of March 31, 1930 (X-6556), I submitted to the Board of Directors of this Bank at its meeting held yesterday, April 9, 1930, the draft of the open market procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal Reserve Banks on March 25, 1930 and adopted by the Federal Reserve Board, which was enclosed in the Board's letter.

It was the general opinion of the Board of Directors that the open market procedure as outlined in this plan is satisfactory and a vote was passed authorizing this bank to accept participation in the open market policy conference under this revised plan.

I am,

Yours very truly,

*Frederic H. Curtiss*  
Chairman.

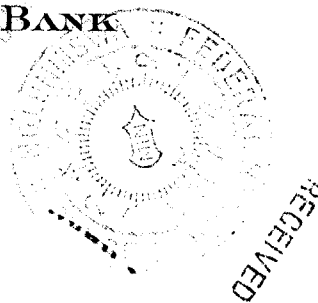
FHC/D

*Noted*  
AT BOARD MEETING.

APR 16 1930

FEDERAL RESERVE BANK  
OF CLEVELAND

April 9, 1930.



Federal Reserve Board,  
Washington, D. C.

Gentlemen:

Referring to your letter X-6556, dated March 31, 1930, subject: "Revision of Open Market Procedure":

This is to advise that at the regular meeting of our Board of Directors held today the above letter, together with the draft of open market procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal reserve banks on March 25, 1930, and adopted by the Federal Reserve Board, was submitted for consideration. Upon motion duly seconded it was voted unanimously that the Federal Reserve Bank of Cleveland accepts participation in the Open Market Policy Conference under the plan as revised.

By further action of our Board at its meeting of today, the Governor of this bank was designated as the representative of this bank to the Open Market Policy Conference.

This, I believe, is in accord with the request of your Board as outlined in the above-mentioned letter.

Very truly yours,

Chairman of the Board and  
Federal Reserve Agent.

*Noted*

AT BOARD MEETING.

APR 16 1930

FEDERAL RESERVE BANK  
OF DALLAS

333-c

C. C. WALSH  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

April 8, 1930

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

Reference is made to your letter of March 31, X-6556, on the subject, "Revision of Open Market Procedure;" also your communication of January 23, last, X-6484, on the same subject.

As stated to you in my letter of March 6, the latter communication, in accordance with the request contained therein, was considered at the regular meeting of our Board of Directors held on February 7. At that meeting Governor Talley submitted a memorandum on the subject of open market procedure, which was fully discussed and approved by our directors in principle. A copy of this memorandum was submitted to you with my letter of March 6.

At the regular meeting of our Board of Directors held yesterday, the 7th, your letter X-6556 of March 31 was read and discussed in connection with the draft of open market procedure as revised at the recent meeting of the Federal Reserve Board with representatives of the Federal reserve banks.

Our directors voted to accept participation on behalf of this bank in the open market policy conference under the plan as revised, and this should be considered as formal notice of that fact. Our directors also voted to redesignate Governor Talley as the duly accredited representative of this bank to attend the sessions of the open market policy conference.

Very truly yours,

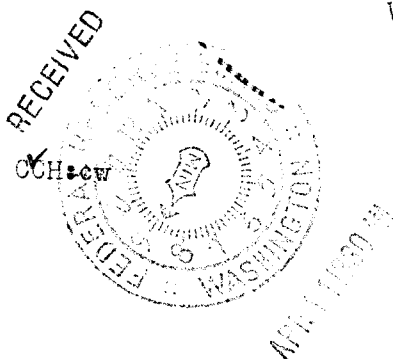
*C. C. Walsh*

Chairman of the Board

*Noted*

AT BOARD MEETING.

APR 16 1930



# 3

323-2

April 4, 1930.

Dear Mr. Austin:

Your letter of April 2 was presented at the meeting of the Federal Reserve Board today, and it was gratified to note that your Board of Directors, at its meeting on that date, voted to participate in the proposed Open Market Policy Conference under the revised procedure. It was also noted that Governor Norris has been designated as the representative of your bank at meetings of the Conference.

Very truly yours,

(Signed) E. M. McClelland

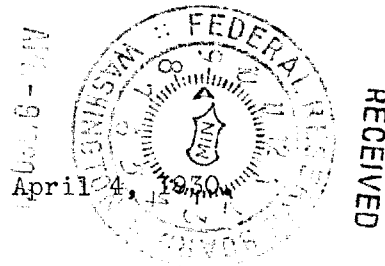
E. M. McClelland,  
Assistant Secretary.

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



FEDERAL RESERVE BANK  
OF  
ST. LOUIS

333.-C



Federal Reserve Board,  
Washington.

Attention Mr. E. M. McClelland, Asst. Secy.

Gentlemen:

With your letter of March 31, 1930, X-6556, was enclosed a revision of the open market procedure, which you stated had been considered by the Board and had been adopted without change to become effective when ratified by the Boards of Directors of the twelve Federal Reserve Banks.

The matter was presented to our Board of Directors on April 2, and it was moved, seconded and unanimously carried that the Federal Reserve Bank of St. Louis accept participation in the Open Market Policy Conference under the plan as revised.

Yours very truly,

*C. M. Stewart*  
Asst. Federal Reserve Agent.

*Noted*  
AT BOARD MEETING.

APR 16 1930

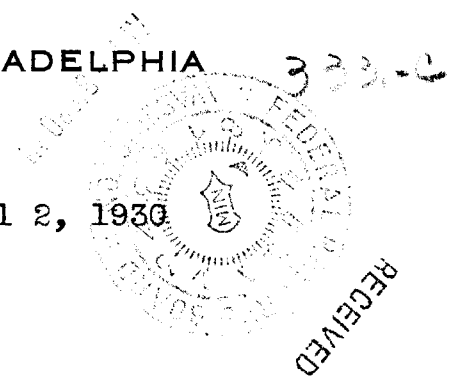
*March*

FEDERAL RESERVE BANK OF PHILADELPHIA

THIRD DISTRICT

RICHARD L. AUSTIN  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

April 2, 1930



FEDERAL RESERVE BOARD,  
Washington, D. C.

Dear Sirs -

*2-31-30*

Your letter X-6556 subject "Revision of Open Market Procedure" was received this morning and submitted to our board. The draft of the proposed form of open market procedure was considered, and upon motion duly carried the board of directors of this bank accepted participation in the open market conference under the revised plan submitted with your letter. Also on motion duly carried, the board designated Governor Norris to be the representative of this bank at open market conferences.

Very truly yours,

Chairman.

*Noted*

AT BOARD MEETING.

APR 4, 1930

FEDERAL RESERVE BANK  
OF  
ST. LOUIS

333-C

April 1, 1930.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

Attention Mr. E. M. McClelland.  
Assistant Secretary.

3-25-30

I wish to thank you for copy of  
the draft of the proposed Open Market procedure  
as it was revised during the discussion at the  
meeting of the members of the Board and repre-  
sentatives of the Federal Reserve Banks on  
March 25th.

Yours very truly,

*H. Mc Martin*

Governor.

RECEIVED





## FEDERAL RESERVE BOARD

WASHINGTON

X-6556

Carded

333.-C

March 31, 1930.

*Reply to  
St. Louis*

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

**SUBJECT:** Revision of Open Market Procedure.

Dear Sir:

*X-6484*

Under date of January 23, 1930, a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were made.

The revised procedure in its final form, copy of which is attached, was unanimously agreed to by the representatives of the Federal reserve banks. It has since been considered by the Federal Reserve Board and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your bank at its next meeting and advise the Board whether your directors accept participation in the Open Market Policy Conference under the plan as revised.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year;

*CLW*

-2-

X-6556

that the Executive Committee, provided for in the procedure, should consist of the chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

(Enclosure)

X-6556-a

(Draft of open market procedure as revised at the meeting of the Federal Reserve Board with representatives of the Federal reserve banks on March 25, 1930, and adopted by the Federal Reserve Board.)

"(1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy shall be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations."

**FEDERAL RESERVE BOARD**

x- 6556

**WASHINGTON**

**ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD**

**March 31, 1930.**

**SUBJECT: Revision of Open Market Procedure.**

**Dear Sir:**

Under date of January 23, 1930, a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were made.

The revised procedure in its final form, copy of which is attached, was unanimously agreed to by the representatives of the Federal reserve banks. It has since been considered by the Federal Reserve Board and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your bank at its next meeting and advise the Board whether your directors accept participation in the Open Market Policy Conference under the plan as revised.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year; that the Executive Committee, provided for in the procedure, should consist of the chair-

-2-

man and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

(Enclosure)

TO THE CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

*OK [Signature]*

X 655 0 a

(Draft of ~~proposed~~ open market procedure as revised at the meeting of the Federal Reserve Board with ~~the~~ representatives of the Federal reserve banks on March 25, 1930, <sup>1</sup> and adopted by the Federal Reserve Board)

" (1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) (3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed ~~policies~~ <sup>policy</sup> shall be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations. "

*Adopted*  
*See Minutes*  
-----  
AT BOARD MEETING.

MAR 26 1930

*(Signature)*

FEDERAL RESERVE BANK  
OF  
KANSAS CITY

W. J. BAILEY, GOVERNOR  
C. A. WORTHINGTON, DEPUTY GOVERNOR  
J. W. HELM, CASHIER  
JOHN PHILLIPS, JR., ASST. CASHIER  
E. P. TYNER, ASST. CASHIER  
G. E. BARLEY, ASST. CASHIER  
M. W. E. PARK, ASST. CASHIER  
G. H. PIPKIN, ASST. CASHIER  
N. R. OBERWORTMANN, ASST. CASHIER

M. L. MCCLURE  
CHAIRMAN, BOARD OF DIRECTORS  
AND FEDERAL RESERVE AGENT  
W. L. PETRIKIN  
DEPUTY CHAIRMAN  
BOARD OF DIRECTORS  
A. M. MCADAMS  
ASST. FEDERAL RESERVE AGENT  
AND SECRETARY

333-6

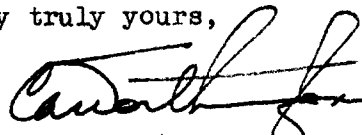
March 29, 1930.

Mr. E. M. McClelland,  
Assistant Secretary,  
Federal Reserve Board,  
Washington, D.C.

Dear Mr. McClelland:

This will acknowledge receipt of your letter of March 25, enclosing copy of the draft of the proposed open market procedure as revised during the discussion at the meeting of the members of the Board and the representatives of the Federal reserve banks on March 25. While in Washington, you called my attention to the fact that Mr. McClure had not answered Board's letter X-6484, dated January 23, 1930, outlining a suggested procedure for the Open Market Policy Conference, and I stated that I would bring it to his attention on my return. Since the entire matter was so thoroughly discussed and some slight changes suggested in the procedure at the conference of March 24 and 25, I assume it will now be unnecessary for Mr. McClure to make any comment on the letter of January 23. It is noted that the revised procedure suggested will be formally considered by the Board and transmitted to this bank for final submission to our Board of Directors in the form approved by the Board at such time.

Very truly yours,

  
Deputy Governor.

CAW:L

FEDERAL RESERVE BANK  
OF DALLAS

333.-2

March 29, 1930.

Federal Reserve Board,  
Washington, D. C.

Gentlemen: Attention Mr. E. M. McClelland, Asst. Secy.

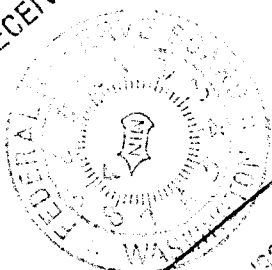
Your letter of March 25, enclosing copy of the draft of the proposed open market procedure at the meeting of the members of the Board and representatives of the Federal reserve banks on that date, has been received.

I brought a draft of this memorandum home with me but I understand that the Federal Reserve Board has not yet acted upon it.

Yours very truly,

*Wm. C. Miller*  
Governor

RECEIVED



APR 1 1930 PM



333-0

# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

March 28, 1930

X-

SUBJECT: Revision of Open Market Procedure.

Dear Sir:

Under date of January 23, 1930, <sup>(X-6484)</sup> a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were ~~agreed upon~~ made.

The revised procedure, <sup>in its final form,</sup> copy of which is attached, <sup>ⓧ</sup> ~~was~~ considered by the Federal Reserve Board ~~at its meeting today~~ and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your Bank at its next meeting and advise the Board whether your Directors accept participation in the Open Market Policy Conference under the plan as revised.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on

ⓧ was unanimously agreed to by the representatives of the FR Banks. It has since been

- 2 -

March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year; that the Executive Committee, provided for in the procedure, should consist of the chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the Conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

(Enclosure)

To the Chairmen of all Federal reserve banks.

*Amended & Approved*  
-----  
AT BOARD MEETING.

MAR 31 1930



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

March 26, 1930

X-

SUBJECT: Revision of Open Market Procedure.

Dear Sir:

Under date of January 23, 1930, a letter was addressed to each Federal reserve bank advising of adoption by the Board of a revision of the open market procedure made effective in April, 1923. This letter expressed the belief of the Board that the procedure adopted contained the essentials of a workable plan designed to give expression to the common interests of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. It requested that after each bank had had time to consider the plan its views thereon be forwarded to the Board.

On March 24th and 25th, a meeting was held for the consideration of open market policy attended by representatives of the twelve Federal reserve banks. At the conclusion of the regular business, a thorough discussion was had regarding open market procedure in the light of letters which had been received by the Board from the directors of eleven of the Federal reserve banks. Following this discussion the representatives of the Federal reserve banks, with the Governor of the Federal Reserve Board, were appointed a committee to prepare a further revision of the plan acceptable to them. This revision was then thoroughly discussed by the Board and the representatives of the Federal reserve banks, with the result that some further changes were agreed upon.

The revised procedure, copy of which is attached, was considered by the Federal Reserve Board at its meeting today and was adopted by the Board without change, to become effective when ratified by the boards of directors of the twelve Federal reserve banks. Please, therefore, submit the matter to the Board of Directors of your Bank at its next meeting and advise the Board whether your Directors accept participation in the Open Market Policy Conference under the plan as revised.

The Board believes that the plan as revised is entirely workable and while protecting the rights and franchises of the individual Federal

- 2 -

reserve banks provides through the Board a proper coordination for system action. While it does not include a provision for withdrawal from the arrangement by the Board, this right, in the opinion of the Board, can no more be questioned than can the same right of the Federal reserve banks, which for the purpose of clarity has been written into the plan.

In the Board's letter of January 23, 1930, it was pointed out that certain working arrangements which might be necessary would best be determined by the conference itself when organized. In this connection, the representatives of the Federal reserve banks at the meeting on March 24th and 25th voted it to be the sense of those present at the meeting that the representative of the Federal Reserve Bank of New York on the Open Market Policy Conference should be elected chairman for one year; that the Executive Committee, provided for in the procedure, should consist of the chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; and that the Conference adopt a principle of reasonable rotation in the membership of the Executive Committee after the first year.

By Order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

(Enclosure)

To the Chairmen of all Federal reserve banks.

#6

FEDERAL RESERVE BANK  
OF ATLANTA

333-C

OFFICE OF  
GOVERNOR

March 28, 1930.

Mr. E. M. McClelland,  
Assistant Secretary,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. McClelland:

I thank you for your favor  
of March ~~26th~~<sup>25</sup> sending me copy of draft  
of the proposed open market procedure,  
as it was revised during the discussion  
at the meeting of the Board and repre-  
sentatives of the Federal Reserve Banks  
on March 25th.

With my regards, I am

Yours very truly,

  
Governor.

B-C

#7  
**FEDERAL RESERVE BANK OF CHICAGO**

230 SOUTH LA SALLE STREET

333-2

OFFICE OF THE GOVERNOR

March 28, 1930.

Mr. E. M. McClelland, Ass't Secretary,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. McClelland:

I am pleased to acknowledge receipt of  
your letter of the 25th instant, enclosing copy of the  
revised draft of the proposed open market procedure,  
prepared at the recent meeting of the Open Market Committee  
for submission to the Federal Reserve Board.

Very truly yours,

LK.

*John M. Langley*  
Governor.

**FEDERAL RESERVE BANK  
OF NEW YORK**

333.-2

March 27, 1930.

Dear Sir:

Let me acknowledge in behalf of Mr. Case and myself the Board's letters of March 25 transmitting the draft of the proposed open market procedure, as revised at the meeting of representatives of the Federal reserve banks with the Federal Reserve Board on March 25. We note that the Federal Reserve Board will consider this proposed procedure and submit a draft including its own suggestions at a later date.

Very truly yours,



W. Randolph Burgess  
Assistant Federal Reserve Agent.

Mr. E. M. McClelland,  
Assistant Secretary,  
Federal Reserve Board,  
Washington, D. C.

WRB.H



FEDERAL RESERVE BANK  
OF RICHMOND

333-C

March 27, 1930.

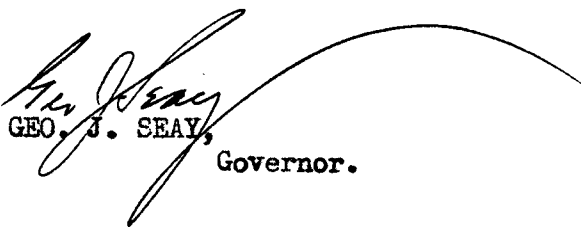
Mr. E. M. McClelland, Assistant Secretary,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. McClelland:

I thank you for your letter of the 25th sending me a memorandum verbally corrected giving the proposed provisions relative to the Open Market Policy Conference. I understand of course that this is merely a memorandum suggested at the recent conference, in which Governor Young participated, and that it has not yet been approved or acted upon by the Board.

Very truly yours,

GJS-CCP

  
GEO. J. SEAY,  
Governor.



333.-C

3-26-30

At the meeting of the Board on March 26, following a vote to reconsider the Board's action of January 16th in approving the open market procedure submitted to the banks with the Board's letter of January 23, 1930, Mr. Miller moved IX-6484 that the third, sixth and seventh paragraphs of the proposed revision be amended to read as follows:

"(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board.

"(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal Reserve Bank for determination as to whether it will participate in any purchases or sales recommended; any Federal Reserve bank dissenting from the proposed policy shall be expected to acquaint the Federal Reserve Board with the reasons for its dissent.

"(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference, and approved by the Federal Reserve Board."

The Three amendments moved by Mr. Miller were voted upon separately and lost, ~~XX~~  
~~XX~~

Mr. James moved that the revised procedure be adopted by the Board, to become effective when ratified by the boards of directors of the twelve Federal Reserve banks.

333-2

March 25, 1930.

Dear Sir:

3-25-30

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(signed) E. M. McClelland

E. M. McClelland,  
Assistant Secretary.

Mr. W. F. Paddock, Deputy Governor,  
Federal Reserve Bank,  
Boston, Massachusetts.

Enclosure.

333-C

March 25, 1930.

Dear Sir:

3-25-30

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(Signed) E. M. McClelland.

E. M. McClelland,  
Assistant Secretary.

Mr. W. R. Burgess, Acting Secretary,  
Federal Reserve Bank,  
New York, N. Y.

Enclosure.

373. 2

March 25, 1930.

Dear Sir:

3-25-30

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(SIGNED) E. M. McClelland

E. M. McClelland,  
Assistant Secretary.

Mr. W. R. Burgess, Acting Secretary,  
Federal Reserve Bank,  
New York, N. Y.

Enclosure.

332-4  
March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

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

Enclosure.

303.10

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. George W. Norris, Governor,  
Federal Reserve Bank,  
Philadelphia, Pennsylvania.

Enclosure.

333-6

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks to-day. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

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

Enclosure.

323-0

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(Signed) E. M. McClelland

E. M. McClelland,  
Assistant Secretary.

Mr. George J. Sany, Governor,  
Federal Reserve Bank,  
Richmond, Virginia.

Enclosure.



March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. E. R. Black, Governor,  
Federal Reserve Bank,  
Atlanta, Georgia.

Enclosure.

Prepared by

333.2

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

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

Enclosure.

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. William McC. Martin, Governor,  
Federal Reserve Bank,  
St. Louis, Missouri.

Enclosure.

March 26, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(Signed) E. M. McClelland.

E. M. McClelland,  
Assistant Secretary.

Mr. W. B. Geary, Governor,  
Federal Reserve Bank,  
Minneapolis, Minnesota.

Enclosure.

Prepared by

323-2

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

Mr. C. A. Worthington, Deputy Governor,  
Federal Reserve Bank,  
Kansas City, Missouri.

Enclosure.

March 25, 1930.

Dear Sir:

There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(Signed) E. M. McClelland.

E. M. McClelland,  
Assistant Secretary.

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

Enclosure.

March 25, 1930.

Dear Sir:

3-25-30  
There is enclosed herewith, merely for your information, copy of the draft of the proposed open market procedure as it was revised during the discussion at the meeting of the members of the Board and representatives of the Federal reserve banks today. It is understood, of course, that the suggested procedure will be formally considered by the Federal Reserve Board and transmitted to your bank for final submission to your Board of Directors when and in the form approved by the Board.

Very truly yours,

(Signed) E. M. McClelland

E. M. McClelland,  
Assistant Secretary.

Mr. J. U. Calkins, Governor,  
Federal Reserve Bank,  
San Francisco, California.

Enclosure.

(1) The Open Market ~~Investment~~ Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference shall ~~meet~~ with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy <sup>shall</sup> be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations.

*Revised*  
AT BOARD MEETING.

MAR 26 1930

25



(1) The Open Market Investment Committee, as at present constituted, is hereby discontinued and a new committee, voluntary in character, to be known as the Open Market Policy Conference, is set up in its place.

(2) The Open Market Policy Conference shall consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference shall meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference shall be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, shall be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales recommended; any Federal reserve bank dissenting from the proposed policy <sup>will</sup> be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) An Executive Committee of five shall be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal Reserve Bank participating in the Open Market Policy Conference shall be considered as waiving none of its rights under the Federal Reserve Act; each Federal Reserve Bank shall have the right at its option to retire as a member of the Open Market Policy Conference, but each bank while a member of the Conference shall respect its Conference obligations.

333. -c

3-25-30

The Committee appointed at the meeting of the Federal Reserve Board with the representatives of the twelve Federal reserve banks yesterday, met at the Carlton Hotel last evening and adopted the attached revised draft of a proposed open market procedure.

It was also voted to be the sense of the representatives of the Federal reserve banks present at the meeting that the representative of the Federal Reserve Bank of New York be elected Chairman of the Conference for one year; that the Executive Committee provided for in the proposed procedure should consist of the Chairman and the representatives of the Federal Reserve Banks of Boston, Cleveland, Philadelphia and Chicago for one year; also, that the Conference adopt the principle of reasonable rotation in the membership of the Executive Committee after the first year.

*Submitted*

AT BOARD MEETING.

MAR 25 1930

*Copy filed 333. -b-1*

①

(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, to be known as the Open Market Policy Conference, to be set up in its place.

(2) The Open Market Policy Conference to consist of a representative from each Federal Reserve Bank, designated by the Board of Directors of the bank.

(3) The Conference to meet with the Federal Reserve Board upon the call of the Governor of the Federal Reserve Board or the Chairman of the Executive Committee, after consultation with the Governor of the Federal Reserve Board.

(4) The function of the Open Market Policy Conference to be to consider, develop and recommend policies and plans with regard to open market operations.

(5) The time, character and volume of purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference, when approved by the Federal Reserve Board, to be submitted to each Federal reserve bank for determination as to whether it will participate in any purchases or sales if recommended; any Federal reserve bank dissenting from the proposed policy to be expected to acquaint the Federal Reserve Board and the Chairman of the Executive Committee with the reasons for its dissent.

(7) A Committee of five to be selected from and by the members of the Conference for a term of one year, with full power to act in the execution of the policies adopted by the Open Market Policy Conference and approved by the Federal Reserve Board, and to hold meetings with the Board as frequently as may be desirable.

(8) Each Federal reserve bank to have the right, at its option, to retire as a member of the Open Market Policy Conference; no member of the Conference to be considered as waiving any of its rights under the Federal Reserve Act with

-2-

with respect to the purchase and sale of securities, but each member of the Conference will respect its Conference obligations.

*Submitted*  
AT BOARD MEETING.

MAR 25 1930

*(Handwritten mark)*

333.-C  
3/25/30

Excerpt from the minutes of the meeting of the Federal Reserve Board with the Open Market Policy Conference on March 25.

The revision submitted by the Committee, particularly the points of difference from the procedure adopted by the Board on January 16th, were thoroughly discussed. Several suggestions for changes were made with the result that the revised procedure was further amended so as to read as follows:

To all Members of the Board:

333.-4

3-25-30

The Committee that was suggested yesterday afternoon to draft an open market procedure for the System met last evening at the Carlton Hotel and after much discussion and many compromises, the attached draft was finally approved unanimously by the committee. I believe that it meets many of the criticisms that were made by the various boards of directors, but not all. Nevertheless, I do believe that after the directors of the various reserve banks learn that their representatives have agreed to it unanimously that they will no doubt adopt it.

The eighth section was included on my suggestion for certain specific reasons, which are as follows:

1. No board of directors would care to treat its responsibilities and duties under law in such a light manner as to assign those duties and responsibilities under all occasions and conditions, and I believe it advisable under the arrangement to specifically mention the rights that they have under the law.

2. From a practical standpoint, however, I do not believe that any Federal reserve bank would withdraw from representation in the Open Market Policy Conference except with great reluctance, even though their board of directors may frequently dissent from the policy.

3. If one or several of the smaller banks should elect to withdraw, I still believe that the committee would be in a position to function. If, however, one or several of the larger Federal reserve banks should elect to withdraw, the probabilities are that the committee plan would have to be abandoned, and open market

3

-2-

operations would have to be handled by regulation. Regardless of what has happened in the past, however, I believe this to be a very remote possibility.

I realize that this procedure will not meet the approval of my colleagues in every detail, but I do believe that if this is approached in the same attitude of mind that the various committee members approached it last evening in conference, any objections will be trivial.

-----

*Submitted*  
AT BOA MEETING

MAR 25 1930



To all Members of the Board,

March 25, 1930.

From Governor Young.

The Committee that was suggested yesterday afternoon to draft an open market procedure for the System met last evening at the Carlton Hotel and after much discussion and many compromises, the attached draft was finally approved unanimously by the committee. I believe that it meets many of the criticisms that were made by the various boards of directors, but not all. Nevertheless, I do believe that after the directors of the various reserve banks learn that their representatives have agreed to it unanimously that they will no doubt adopt it.

The eighth section was included on my suggestion for certain specific reasons, which are as follows:

(1) No Board of Directors would care to treat its responsibilities and duties under the law in such a light manner as to assign those duties and responsibilities under all occasions and conditions, and I believe it advisable under the arrangement to specifically mention the rights that they have under the law.

(2) From a practical standpoint, however, I do not believe that any Federal reserve bank would withdraw from representation in the Open Market Policy Conference except with great reluctance, even though their Board of Directors may frequently dissent from the policy.

(3) If one or several of the smaller banks should elect to withdraw, I still believe that the Committee would be in a position to function. If, however, one or several of the larger Federal reserve banks should elect to withdraw, the probabilities are that the committee plan would have to be abandoned, and open market operations would have to be handled by regulation. Regardless of what has happened in the past, however, I believe this to be a very remote possibility.

I realize that this procedure will not meet the approval of my colleagues in every detail, but I do believe that if this is approached in the same attitude of mind that the various committee members approached it last evening in conference, any objections will be trivial.



333, -C

3/24/30

Excerpt from minutes of meeting of the Federal Reserve Board with the Open Market Policy Conference on March 24, 1930.

\*\*\*\*\*, the question of open market procedure was taken up in the light of the replies received from eleven of the twelve Federal Reserve banks to the Board's letter of January 23rd, K-6484, requesting the views of the banks on the procedure approved by the Board at the meeting on January 16th.

Mr. Hamlin presented a digest of the replies prepared by him.

At the conclusion of the discussion, Mr. James moved that a committee be appointed for the purpose of preparing, based on the letters received from the Federal Reserve banks and suggestions made during the discussion at this meeting, a revision of the proposed procedure to be submitted to the Conference and the Board tomorrow and later to the Federal Reserve banks.

Governor McDougal moved, as an amendment, that the Committee consist of all representatives of the Federal Reserve banks present and the Governor of the Federal Reserve Board.

Mr. James accepted the amendment proposed by Governor McDougal and his motion, amended, accordingly was put by the Chair and carried.

OPEN MARKET POLICY COMMITTEE

X X-6525 333.2

3-24-30

Analysis of Replies of the Federal Reserve Banks to Board's Letter *Carded*  
dated January 23, 1930. / X-6484

(No replies received from the Richmond, Kansas City or Dallas Banks.)

1. Board's letter: - Changes name to Open Market Policy Conference.

New York prefers present name.

Cleveland objects, and prefers old name.

Other banks do not mention this.

2. Board recommendation: - Each Federal reserve bank to be represented on the Open Market Policy Conference.

Boston:

Suggests representation by the Governor, or by an officer designated by the Board of Directors.

New York:

To be composed of representatives of the twelve Federal reserve banks, provided an effective operating committee is appointed with full authority to execute approved plans or policies.

Committee should be composed of Governors.

We do not object if other Boards of Directors should appoint other representatives.

Philadelphia:

Not material whether Governor or other representative be designated by Directors.

Chicago:

Each Federal reserve bank should be represented.

San Francisco:

The Board of Directors has designated the Governor as its representative.

3. Board letter: - The Conferences should meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

Boston:

Suggests amendment so that Executive Committee can hold meetings on own initiative as well as on call of Board.

New York:

We assume that meetings of the Committee, or the Executive Committee will be called by the Chairman of the Committee after consultation with the Governor of the Federal Reserve Board, whenever desired by the Board or by the Committee.

Philadelphia:

Asserts the right of the Committee to meet whenever in the judgment of the Executive Committee a meeting is advisable.

Objects to the provision of (3) that the representatives of the banks shall meet with the Board.

This fails to observe the distinction running through the Act that the banks are the initiators of all transactions, subject to the review and coordinating authority of the Federal Reserve Board.

The Board cannot properly review policies in the framing of which it participates, nor should it take any part in the routine execution of policies which it has approved.

Objects to provision that the Conference shall meet only at such times as may be arranged by or with the Board. This would give the Board an absolute veto power over meeting of the Committee.

The Board has a veto power over the recommendations of the Committee, but should not have a veto power over its meetings.

The Executive Committee should have power to call a meeting at any time.

Cleveland:

We believe that meetings of the Committee should be called either by the Board or by the Executive Committee.

Two of the regular meetings of the full Committee should be held at the time of the semi-annual Governors' Conference.

Chicago:

The Chairman of the operating body should be authorized to call a meeting of the body at request of two or more members. The Federal Reserve Board could always call the body together.

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4. Board letter:- The function of the Open Market Policy Conference should be to consider, develop, and recommend plans with regard to the purchase or sale of securities in the open market.

Chicago approves this.

The other banks do not mention it.

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5. Board letter: - The time, character, and volume of such purchases and sales to be governed with the view of accommodating commerce and business, and with regard to their bearing upon the credit situation.

The banks do not comment on this.

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6. Board letter: - The conclusions and (or) recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration, and (or) action.

Boston:

Suggests amendment so that conclusions or recommendations of the Open Market Policy Conference shall be subject only to the approval of the Board.

New York:

The policy as to purchase or sale of Government securities should be made subject to review at any time that may seem wise either to the Board or to the participating banks.

We recognize that the banks and the Board have a joint interest in the matter of open market policies with respect to purchase and sale of Government securities.

Philadelphia:

Feels that the function of the Federal Reserve Board is as a supervising and coordinating authority, rather than an originating or operating body.

The Federal Reserve Board letter transforms the Committee into a Conference, the conferees consisting of a representative of each Bank and the Federal Reserve Board.

The Board's draft that the recommendations of the Conference should be submitted to each bank for consideration and, - or - action, is a very cumbersome requirement which might prevent prompt action and prove disastrous.

The Board should not be put in the position of having to consider and decide policies which it has assisted in framing.

These policies would not represent, as they now do, the uninfluenced and independent views of the banks subsequently allowed or approved by the Board, but would be the outcome of a wholly extra-legal conference, in which the reviewing authority had participated ab initio.

Cleveland:

Objects to (6) as cumbersome, retarding action, particularly in emergencies.

Prefers recommendation of Governors that the full Committee shall consider and act upon the recommendations of the Executive Committee, and shall then meet with the Board to discuss those recommendations before action by the Board.

Chicago:

Objects to (6) as unworkable.

Each bank should delegate authority to its representative on the Conference to act for his bank at all meetings of the Conference.

San Francisco:

Suggests that the conclusions and (or) recommendations of the Conference shall be submitted to the Federal Reserve Board for consideration, and if approved by it, shall thereupon become immediately operative, to be participated in by each Federal reserve bank as it may deem expedient.

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7. Board letter: - A Committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by the Federal reserve banks and the Federal Reserve Board.

Boston:

Suggests amendment to give Executive Committee power to carry out policies agreed on by the Conference through open market operations, subject to the review and coordinating authority of the Federal Reserve Board.

New York:

The Committee (presumably also the Executive Committee) should have authority to execute approved plans and policies in behalf of such banks as care to participate.

The meetings of the Committee, or the Executive Committee, should be called by the Chairman of the Committee after consultation with the Governor of the Federal Reserve Board, whenever desired by the Board or by the Committee.

Philadelphia:

Objects to provision that the Open Market Committee shall merely execute purchases and sales which have been approved by the banks and the Board.

This would put the Committee in a position little better than that of a broker or dealer.

The Executive Committee should continue to keep close watch upon financial developments, and anticipate as far as possible

situations likely to arise, and be prepared to formulate recommendations and suggestions for the consideration of the full Committee.

Cleveland:

The Executive Committee should have power to carry into effect the policies recommended by the full Committee and approved by the Board, as recommended by the Governors. Membership of the Executive Committee should be rotating, so that the Governor of each bank within over-night traveling distance from Washington would serve at appropriate times.

The Governor of the New York Bank should be a permanent member and act as Chairman of the full Committee, and of the Executive Committee, as the Committee's operations must obviously be carried on in New York.

Chicago:

The Open Market Conference should have an Executive Committee clothed with authority to function.

St. Louis:

There should be some method of rotation on the proposed Executive Committee, excepting only the Governor of the New York Bank.

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Suggestions by the Banks as to Participation:

Boston:

Will participate in all open market operations, without, however, surrendering any authority, rights, or powers of independent action conferred by the Federal Reserve Act.

New York:

Any Federal reserve bank may decline to participate in any purchases or sales at any particular time.

Will continue our participation as long as the composition and functions of the Committee will insure and facilitate the formulation and expeditious execution of sound System open market policies.

Our directors are agreeable to continue participation in System open market procedure worked out and agreed upon by the Board and the Committee, provided it is not inconsistent with these general views.

Cleveland:

will cooperate with the Committee, reserving our legal right to engage in open market operations under Section 14.

We have declined to participate only when, in our judgment, the legitimate demands of our member banks made it necessary so to do.

We will continue to support the open market policies approved by the Board, reserving the right to purchase at our option, Government

securities and bills in limited or reasonable amounts when offered to us by our own member banks, and will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

San Francisco:

Our Board expressly reserves to the Federal Reserve Bank of San Francisco, the right to determine whether the bank will participate in transactions recommended by the Conference and, if it does participate, the extent of such participation.

No present or future participation by this bank in the transactions of said Conference shall be interpreted as a commitment to further participation.

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Reservations.

Boston:

Reserves all authority, rights, or powers of independent action conferred by the Federal Reserve Act.

New York:

Without waiving the powers conferred upon us by law to make purchases and sales of Government securities, we would naturally assume, certainly as long as we continue a part of any approved open market committee procedure acting for the System, that we would not exercise our power to buy and sell Government securities in conflict with approved System policies, except as that might be necessary in an emergency in our own market.

Cleveland:

Will cooperate with the Committee, reserving our legal right to engage in open market operations under Section 14.

We will continue to support the open market policies approved by the Board, reserving the right to purchase at our option, Government securities and bills in limited or reasonable amounts when offered to us by our own member banks.

Will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

Atlanta:

It is understood that we may continue ordinary every-day practice of buying acceptances within our own District, and of buying from and selling to our member banks, Government and other securities authorized by Section 14.

The above practice will not hamper or interfere with the operations of the Open Market Conference.

Any action necessary in a large amount, in case of emergency, will be submitted to Board for approval.

San Francisco:

Approves Board letter without waiving any right, or delegating any power conferred upon this bank under the Federal Reserve Act.

This Board, in approving the establishment of said Conference, does not surrender, but expressly reserves to the Federal Reserve Bank of San Francisco, the right to determine whether this bank will participate in transactions recommended by the Conference and, if it does participate, the extent of such participation.

No present or future participation by this bank in transactions of said Conference shall be interpreted as a commitment to further participation.

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Joint Interest.

New York:

We recognize that the banks and the Board have a joint interest in the matter of open market policies with respect to purchase and sale of Government securities.

Right of Withdrawal from the Conference.

New York:

Any Federal reserve bank may withdraw from the Committee procedure altogether, if it deems it advisable.

Exigencies.

New York:

We would not exercise our power to buy and sell Government securities in conflict with approved System policies, except as that might be necessary in an emergency in our own market.

Cleveland:

While we reserve the right to purchase at our option Government securities and bills in limited or reasonable amounts when offered to us by our own member banks, we will exercise our right to engage in open market operations for our own account only in unforeseen emergencies.

Atlanta:

Any action necessary in the way of buying acceptances within our own District, and buying from and selling to our member banks Government and other securities authorized by Section 14, in a large amount, in case of emergency, would be submitted to the Board for approval.

Chicago:

The Federal reserve bank retains the powers conferred upon it by Section 14 to the extent that it may protect any sudden or extreme emergency.



333.-C

March 14, 1930

Dear Mr. Hoxton:

I acknowledge receipt of and thank you for your letter of March 13th, enclosing copy of the report unanimously adopted by your Board of Directors on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of all the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. W. W. Hoxton, Chairman,  
Federal Reserve Bank,  
Richmond, Va.

FEDERAL RESERVE BANK  
OF RICHMOND

333-C

March 13, 1930

Federal Reserve Board  
Washington, D. C.

Gentlemen:

Referring to the Board's letter of January 23, 1930, X 6484,  
Subject "Open Market Procedure", Under date of February 6, I advised  
the Board that a committee of our Directors had been appointed to study  
the question and report back to our Board of Directors at the March  
meeting.

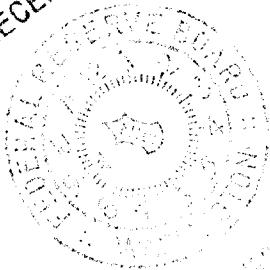
At our meeting today the Committee submitted its report, a copy  
of which is attached hereto. This report was unanimously adopted by our  
Board of Directors, and therefore constitutes our Board's reply to the  
Federal Reserve Board's circular letter specified above.

Very truly yours



Wm. W. Hoxton  
Chairman of the Board and  
Federal Reserve Agent.

RECEIVED



MAR 14 1930 AM

FEDERAL RESERVE BANK  
OF RICHMOND

333-C

March 13, 1930

Federal Reserve Board  
Washington, D. C.

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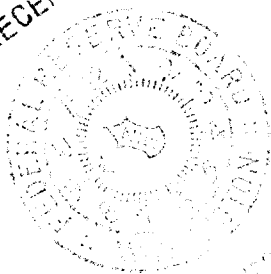
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Very truly yours



Wm. W. Hoxton  
Chairman of the Board and  
Federal Reserve Agent.

RECEIVED



MAR 14 1930 AM

**REPORT OF THE COMMITTEE OF DIRECTORS OF THE FEDERAL RESERVE BANK  
OF RICHMOND APPOINTED AT THE MEETING OF DIRECTORS FEBRUARY 6 TO  
CONSIDER THE MEMORANDUM OF THE FEDERAL RESERVE BOARD DATED JANUARY  
22, 1930, ON OPEN MARKET PROCEEDINGS.**

March , 1930.

To the Board of Directors

of the Federal Reserve Bank of Richmond:

The meeting of our directors on February 6 afforded the first opportunity to consider collectively the memorandum of the Federal Reserve Board relating to a proposed Open Market Policy Conference, hence the delay in appointing your committee to consider the memorandum and recommend views for adoption and communication to the Federal Reserve Board, as invited.

On April 11, 1929, the suggestion of the Federal Advisory Council that the Open Market Committee be enlarged to embrace the governors of all the Federal Reserve Banks, with an executive committee composed of five members, was brought up for consideration by our Board. The action taken on this proposal by the Conference of Governors and Agents at a meeting held in Washington in November, 1928, was reported, and our Board approved the proposal. This action was taken by our directors under the assumption that open market operations would continue to be conducted substantially as in the past. It is not clear to us from the Board's memorandum whether or to what extent the Board now contemplates a change in the method of open market practice and procedure, other than that which will naturally result from the enlargement of the committee. The plan proposed in the memorandum of the Board seems to be addressed specifically to open market transactions in securities, but it is assumed that it will extend to all open market operations which have an important influence upon the money market.

Very early in operation, the Federal Reserve Banks found it necessary, or expedient, to conduct their open market operations, other than those of a local nature, through a voluntary committee, partly in order to avoid conflict or competition with each other in their purchases and sales, since at that time there was only one outstanding open market in which the overwhelming majority of transactions were conducted. That committee, heretofore known as the Open Market Investment Committee, consisted of the governors of the following named banks: Boston, New York, Philadelphia, Cleveland, and Chicago. The Open Market Investment Committee had no authority to act for any Federal Reserve Bank other than that which was given by prearrangement, and every Federal Reserve Bank had the right, upon notice at any time, to withdraw from participation in the transactions of the committee, which is a right that cannot lawfully be surrendered. The right of Federal Reserve Banks to act jointly or severally through a committee of this kind in the consummation of transactions authorized by their directors, under the law, we think cannot be disputed, although it is provided in the Act that purchases and sales of bills in the open market shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

We believe it to be desirable to continue the conduct of System open market transactions through a committee substantially as heretofore conducted; and,

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since it is now proposed to enlarge this committee to twelve members (which proposal has heretofore been approved by our directors), we believe it to be essential, as suggested in the Board's memorandum, for convenient and effective operation, that a subcommittee, or an executive committee, be appointed, to consist of not more than five members. While it is assumed that the full committee will be empowered to appoint its own executive committee, it is our opinion that the members of this committee should be selected from the Reserve Banks in most direct and intimate touch with open market operations and in quick communication with each other for frequent meetings, either among themselves or with the Federal Reserve Board. It is our further opinion that with a committee of twelve governors, it will probably be advisable to have four regular meetings in each year, to review open market conditions and consider whether any change in policy is required. Meetings of the full committee to be called at other times by the chairman when considered necessary by the executive committee or by the Federal Reserve Board. These meetings may well supersede the governors' conferences.

We recognize the mutual and joint interests and the need for coordination and cooperation of the Federal Reserve Banks and the Federal Reserve Board in open market transactions, especially in those transactions entered into with the view of influencing credit conditions, or, as generally designated, for "System account."

Without any desire or intention of differentiating between the powers of the Federal Reserve Board and the powers and responsibilities of the directors of this bank, it seems clear to us that the responsibility of initiating open market transactions rests upon the directors of Federal Reserve Banks. Our by-laws, Article II, Section 2, provide that, subject to the supervision and control of the Board of Directors, the Executive Committee shall have the power to initiate and conduct open market transactions. In the case of this bank, where meetings of directors occur only once a month, it is imperative that the directors vest this authority in the executive officers of the bank, since operating conditions may at any time arise — and in fact are constantly arising — which call for immediate action. Holding this view, it is our opinion that the open market executive committee, in order to promote the most effective operation of the full committee, should function practically as the Open Market Investment Committee has hitherto functioned, and more in accordance with the resolutions approved by the Federal Reserve Board on March 22, 1923; to wit, "that it be the duty of this committee to devise and recommend plans for the purchase, sale, and distribution of the open market purchases of the Federal Reserve Banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

The recommendations of the executive committee, however, under the new plan will, we assume, be made to the full committee for adoption before being submitted to the Federal Reserve Board for discussion, approval, and action. It is assumed that the executive committee will render weekly reports to all Federal Reserve Banks, as at present, and will communicate to other members of the full committee from time to time, between meetings of that committee, its observations and opinions on changing market conditions, to facilitate action by the full committee when called together, or in case more prompt action is required to secure the concurrence of the other members of the committee.

Inasmuch as differences of opinion with respect to open market policies and action are likely to arise in the future, as they have in the past, it will

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be fully understood, we assume, that every Federal Reserve Bank may decline to participate in open market operations contemplated at any particular time, and that with respect to its own investments, will be at full liberty to liquidate them should its own position require it. Such situations have heretofore been taken care of by the individual Federal Reserve Banks acting through the committee, which practice in our judgment should continue. It is of course assumed that while a member of the committee no Federal Reserve Bank will act contrary to approved System policy.

We do not believe that the arrangement proposed in paragraphs six and seven of the Board's memorandum is a practical or workable arrangement. In our opinion, the functions of the executive committee should be materially enlarged. For this reason we have indicated in the foregoing in some detail our views as to the functioning of the new committee. If the Federal Reserve Banks are to operate jointly in the open market, which is constantly undergoing change, they must act under a policy and plan which give wide flexibility of decision, subject to frequent review by the Federal Reserve Board. The change in the name of the committee does not recommend itself to us.

Respectfully submitted,

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\_\_\_\_\_  
COMMITTEE.

333 -2

March 10, 1930

Dear Mr. Walsh:

Receipt is acknowledged of your letter of March 8th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23, 1930, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. C. C. Walsh, Chairman,  
Federal Reserve Bank,  
Dallas, Texas.

*Please  
insert  
here*

FEDERAL RESERVE BANK  
OF DALLAS

March 6, 1930.

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RECEIVED

MAR 10 1930  
OFFICE OF  
THE GOVERNOR

My dear Governor Young:

I am enclosing herewith a copy of a memorandum for discussion in connection with requested action on Federal Reserve Board's letter X-6484, of January 23, 1930, which was submitted by Governor Talley at our last Board meeting.

As you will observe from the minutes of our last Board meeting, our Directors unanimously adopted the memorandum in principle, realizing that it would be necessary for either the Federal Reserve Board itself, or at another conference of Governors, to complete the details of any new setup of the Open Market Committee.

I have inadvertently delayed sending you this but assume that the delay in doing so has caused no inconvenience, as no doubt the Board will require considerable deliberation.

Yours very truly,

*W. A. Rask*

C h a i r m a n



MEMORANDUM FOR DISCUSSION IN CONNECTION WITH REQUESTED  
ACTION ON FEDERAL RESERVE BOARD'S LETTER X-6484, JANUARY 23, 1930.

The recent special meeting of the Governors of the twelve Federal reserve banks with the Federal Reserve Board on January 28 and 29, was requested in the following telegram dated January 21:

"Washington, January 21,

"Talley - Dallas

Trans 1145 Open Market Investment Committee has been enlarged to include all banks. Letter outlining new procedure will follow shortly. Board, however, has called meeting of committee for Tuesday, January 28, and hopes all banks will be represented."

The Federal Reserve Board's letter outlining the organization of the Open Market Policy Conference to succeed the Open Market Investment Committee, which was set up in April 1923, was not written until January 23, and was not received here before I left to attend the Conference. Therefore, I did not have an opportunity to give any consideration to the letter until I reached Washington for the meeting.

I have read to you the Board's letter and I have also read to you from the minutes of the Joint Conference of Governors and Federal Reserve Agents with the Federal Reserve Board on November 16, 1928, the action which was taken at that time on this subject. Although several of the Governors felt when this subject was discussed at the Conference that there was a considerable difference in principle between the outline adopted in November 1928 by the Joint Conference of Governors and Agents, and the Federal Reserve Board's memorandum of January 23, my conviction is that such difference is more imagined than real and grows out of an apprehension of some that the Federal Reserve Board has a desire and will usurp the prerogatives of the Federal reserve banks in open market

transactions as either expressed through the recommendations and actions of the Open Market Policy Conference or otherwise.

Personally, I have no such apprehension and moreover I feel that it is fundamental to recognize not only the Federal Reserve Board's place in the picture but the Board's ranking sequence and its responsibility for System policy. Nothing is farther from my thought than that the Federal Reserve Board would ever undertake to stifle or prevent a meeting of the Open Market Policy Conference that might be initiated by either the Conference or its Executive Committee. I think this statement is clearly supported by the Federal Reserve Board's action in calling the Governors in special meeting on August 6, 1929, at the time that a crisis in credit policy of the System was clearly impending, and again on January 28, for a review of Open Market operations for the period November 29, 1929 to January 28, 1930, and a discussion of open market policy and credit policy of the individual Federal reserve banks for the immediate future.

Therefore, as a conclusion, I feel that this Board could very well adopt in principle the memorandum submitted by the Federal Reserve Board in its letter X-6484 of January 23, with the feeling if not conviction that it would largely meet the objections that have heretofore been raised to the procedure under the present Open Market Committee, composed of representatives of the Boston, New York, Philadelphia, Cleveland and Chicago reserve banks. The plan as submitted by the Board will create the opportunity for each Federal reserve bank to express the views of its own Board of Directors and its Governor in respect to open market operations and if the suggestion that I shall make in reference to organization is

adopted, the plan would afford an opportunity for experience of each Governor on the Executive Committee of the Open Market Policy Conference and would be of educational value to all of the other seven Governors who have heretofore not had a hand in, or a close contact with the formation of open market policy.

If you are in accord with my suggestion that the plan be approved by you in principle, I would further suggest that the Executive Committee of the Open Market Policy Conference as proposed by the Federal Reserve Board's plan, be composed as follows:

First, that the Governor of the Federal Reserve Bank of New York be made the permanent Chairman of the Open Market Policy Conference; that the membership of the Executive Committee should comprise the Chairman of the Conference and the Governors of four other Federal reserve banks; that the four members of the Executive Committee beside the Chairman of the Conference should serve for terms of four months each and be elected in either odd or even numerical order of the district (except New York), and in the first instance be elected in such numerical order for terms of one, two, three and four months each, and that thereafter a new member of the Executive Committee in subsequent numerical order be automatically appointed each thirty days.

Respectfully submitted,

333-2

March 1, 1930

Dear Mr. Curtiss:

Receipt is acknowledged of your letter of February 26th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

J. C. Neell,  
Assistant Secretary

Mr. Frederic H. Curtiss, Chairman,  
Federal Reserve Bank,  
Boston, Mass.

100-2  
March 1, 1930

Dear Mr. Newton:

Receipt is acknowledged of your letter of February 26th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

J. C. Moell,  
Assistant Secretary

Mr. Isaac B. Newton, Chairman,  
Federal Reserve Bank,  
San Francisco, Calif.

FEDERAL RESERVE BANK  
OF BOSTON

FREDERIC H. CURTISS  
CHAIRMAN

February 26, 1950

Federal Reserve Board,  
Washington, D.C.

Dear Sirs:

After careful study of the proposed open market procedure set forth in the Federal Reserve Board's letter of January 23, 1950 (X-6484), the directors at a meeting held today voted that they approve the general theory of the plan outlined by the Board, but believe that the plan would be improved by making the following changes:

1. That paragraph 2 be changed to provide that each Federal Reserve bank be represented on the open market policy committee by the governor, or by an officer designated by the board of directors of each Federal Reserve bank.
2. That paragraph 3 be amended so that the policy conference or executive committee could hold meetings on their own initiative as well as at the call of the Federal Reserve Board.
3. That paragraph 6 be amended so that the conclusions or recommendations of the open market policy conference be subject only to the approval of the Federal Reserve Board.
4. That paragraph 7 be amended so as to give the executive committee power to carry out the policies agreed upon by the conference through open market operations, subject to review and coordinating authority of the Federal Reserve Board.

Our directors recognize the importance of all Federal Reserve banks being kept currently advised of matters pertaining to the open market activities of this executive committee, and that each Federal Reserve bank should participate in the open market activities of the system through purchases and sales made by the committee as freely as practicable with the conditions existing from time to time in the individual districts. It has been the policy of the directors of the Federal Reserve Bank of Boston, through its officers, to participate in all of the open market operations carried on through the committee and approved by the Federal Reserve Board and it is their intention and desire to continue to participate in such future operations and commitments without, however, surrendering any authority, rights or powers of independent action conferred by the Federal Reserve Act.

Yours very truly,



Chairman.

FHC/D

# FEDERAL RESERVE BANK OF SAN FRANCISCO

ISAAC B. NEWTON  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

February 26, 1930

Federal Reserve Board,  
Washington,  
D. C.

Dear Sirs:

The Board of Directors and the officers of this bank have given extended consideration to the Federal Reserve Board's letter of January 23, concerning the open market procedure of the Federal Reserve System. Their views are set forth in the following resolution which was adopted by the Board of Directors at its meeting of February 20, 1930:

WHEREAS, the Federal Reserve Board has proposed the discontinuance of the Open Market Committee and the establishment of an Open Market Policy Conference, consisting of representatives of all Federal reserve banks.

THEREFORE, BE IT RESOLVED by the Board of Directors of the Federal Reserve Bank of San Francisco that, without waiving any right or delegating any power conferred upon this bank by the provisions of the Federal Reserve Act, it approves the establishment of the Open Market Policy Conference and designates the Governor of this bank as its representative in that conference;

PROVIDED, however, that it is the opinion and recommendation of this Board that the conclusions and/or recommendations of the Open Market Policy Conference should be submitted to the Federal Reserve Board for consideration and, if approved by it, should thereupon become immediately operative, to be participated in by each Federal reserve bank as it may deem expedient; and

PROVIDED FURTHER that this Board does not, by its approval of the establishment of said Open Market Policy Conference surrender but expressly reserves to the Federal Reserve Bank of San Francisco the right to determine whether this bank will participate in transactions recommended by the Open Market Policy Conference and, if it does participate, the extent of such participation; and

PROVIDED FURTHER that no present or future participation by the Federal Reserve Bank of San Francisco in the transactions of said Open Market Policy Conference shall be interpreted as a commitment to further participation.

Yours very truly,

*Isaac B. Newton*

Chairman of the Board.

333-C

February 24, 1930

Dear Mr. McGarragh:

Receipt is acknowledged of your letter of February 21st, giving the general views of the Board of Directors of your Bank with respect to open market operations in Government securities for System account. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

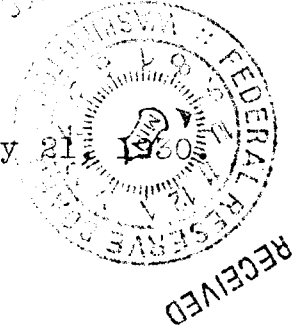
J. C. Noell,  
Assistant Secretary

Mr. Gates W. McGarragh, Chairman,  
Federal Reserve Bank,  
New York, N. Y.



**FEDERAL RESERVE BANK  
OF NEW YORK**

February 21, 1930



Federal Reserve Board,  
Washington, D. C.

S i r s :

The directors have received and considered the Board's letter of January 23, 1930 (X-6484) setting forth certain proposed changes in the existing procedure relating to open market operations for System account, and have noted that the Board has expressed a desire to have the views of the directors of this bank relating to the proposed procedure.

The directors would prefer specifically not to pass upon or to make any detailed suggestions as to the procedure proposed in the Board's letter, especially as in some respects they are not wholly clear as to its full purport. They feel that it will be more helpful to the Board and to the committee to express their general views with respect to open market operations in government securities for System account. The directors of other Federal reserve banks also will probably send their views to the Federal Reserve Board so that all of these will no doubt be kept in mind when the procedure and general setup of the committee is being finally considered by the Board and the committee.

In general, we believe it would be desirable to continue an open market committee composed of representatives of the Federal reserve banks, with the duty of initiating and

recommending plans and policies with regard to the purchase and sale of government securities in the open market, and with authority to execute approved plans and policies in behalf of such Federal reserve banks as may care to participate.

We also agree with the enlargement of the present committee to include representatives of the twelve Federal reserve banks, provided that the procedure to be set up will make some provision for an effective operating executive committee with full authority to execute approved plans or policies. Otherwise, the directors feel that the procedure may become so cumbersome as to defeat the objects sought by the creation of a committee to function for System account.

The directors believe that it would be preferable, as in the past, to have the open market committee composed of Governors of the several Federal reserve banks. They are appointed by the directors as active executive heads of their respective banks and as such are the ones who would naturally be expected to formulate and make recommendations to the respective boards of directors and on their behalf to initiate and make recommendations which, under the proposed procedure, are to be approved by the Federal Reserve Board. Furthermore, they are the ones who are expected to execute all approved plans or recommendations. But while it would be our intention to continue the designation of the Governor as the representative of this bank, we would not feel free to object if other boards of directors should prefer to appoint other representatives.

It is assumed that meetings of the committee or its executive committee will be called by the chairman of the

FEDERAL RESERVE BANK OF ST. LOUIS

Federal Reserve Board

2/21/30.

committee, after consultation with the Governor of the Federal Reserve Board, whenever desired by the Board or by the committee, it being evident that open market policies of the System relating to the purchase or sale of government securities should be made subject to review at any time that may seem wise either to the Federal Reserve Board or to the participating Federal reserve banks.

It is our understanding that any System procedure which may be agreed upon would contemplate that any Federal reserve bank might decline to participate in any purchases or sales made by the committee at any particular time or might, of course, withdraw from the committee procedure altogether if for any reason that seemed advisable.

We recognize, however, that the Federal reserve banks and the Federal Reserve Board have a joint interest in the matter of open market policies with respect to purchases and sales of government securities and we would be agreeable to a continuance of our participation in an Open Market Investment Committee so long as the composition and functions of that committee will insure and facilitate the formulation and expeditious execution of sound System open market policies with a view of accommodating commerce and business.

Differences of opinion will no doubt develop from time to time and the views of individual Federal reserve banks and the Federal Reserve Board may at times be at variance with the views of the majority. But, of course, while we would not, even if we could, waive such powers as are conferred upon us by law to make purchases and sales of government securities, we

FEDERAL RESERVE BANK OF

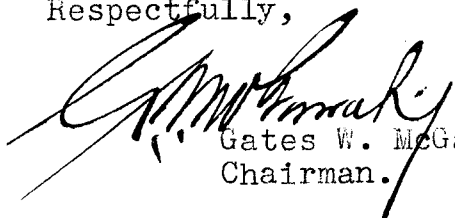
St. Louis

Federal Reserve Board. 2/21/30.

should naturally assume, certainly so long as we continue a part of any approved open market committee procedure acting for the System, that we would not exercise our powers to buy and sell government securities in conflict with approved System policies, except as that might be necessary in an emergency in our own market. It is not likely that any Federal reserve bank or the Federal Reserve Board itself would wish, on its own account, unnecessarily to defeat a System policy representing the consensus of views of the System.

The directors of this bank are, therefore, agreeable to continue its participation in a System open market procedure, worked out and agreed upon by the Board and the committee, provided it is not inconsistent with these general views which we appreciate your having given us an opportunity to express.

Respectfully,



Gates W. McGarrah,  
Chairman.

333.1-2

February 20, 1930

Dear Mr. Austin:

Receipt is acknowledged of your letter of February 19th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

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

333-C

February 20, 1930

Dear Mr. Williams:

Receipt is acknowledged of your letter of February 14th, giving the views of the Board of Directors of your Bank, on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. L. B. Williams, Deputy Chairman,  
Federal Reserve Bank,  
Cleveland, Ohio.

333-1

February 20, 1930

Dear Mr. Hoxton:

Receipt is acknowledged of your letter of February 6th, from which the Board notes that the question of the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484, will be further considered by your Board of Directors at its March meeting, and the Board advised of its views.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. W. W. Hoxton, Chairman,  
Federal Reserve Bank,  
Richmond, Va.

833-C

February 20, 1930

Dear Mr. Newton:

Receipt is acknowledged of your letter of February 15th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. Oscar Newton, Chairman,  
Federal Reserve Bank,  
Atlanta, Ga.



333 - C

February 20, 1930

Dear Mr. White:

Receipt is acknowledged of your letter of February 17th, giving the views of the Executive Committee and several of the other directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6484. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. Wm. H. White, Secretary,  
Federal Reserve Bank,  
Chicago, Ill.

333-2

February 20, 1930

Dear Mr. Stewart:

Receipt is acknowledged of your letter of February 6th, giving the views of the Board of Directors of your Bank on the revision of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-8434. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. C. M. Stewart,  
Assistant Federal Reserve Agent,  
Federal Reserve Bank,  
St. Louis, Mo.

333-c

February 20, 1930

Dear Mr. Mitchell:

Receipt is acknowledged of your letter of January 23th, advising of approval by your Board of Directors of the Open Market Procedure, as set out in the Board's letter of January 23rd, X-6424. When the views of the Boards of Directors of the other Federal reserve banks have been received, the question will be given further consideration by the Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary

Mr. J. E. Mitchell, Chairman,  
Federal Reserve Bank,  
Minneapolis, Minn.

FEDERAL RESERVE BANK OF PHILADELPHIA

THIRD DISTRICT

RICHARD L. AUSTIN  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT

February 19, 1930

333.-C

RECEIVED

FEDERAL RESERVE BOARD,  
Washington, D. C.

Dear Sirs -

Your letter of January 23, - X-6484 + subject "Open market procedure", stating that you have drawn up a revision of the 1923 open market procedure, which embodies a fuller recognition of the joint interest and responsibility of the Federal reserve banks and the Federal Reserve Board in the matter of open market policy, with an accompanying memorandum containing the elements of this procedure, and asking to have an expression of the views of this bank after it has considered that plan, was duly received.

The plan was referred to a committee of our board of directors at its meeting held February 5th, and at the meeting of the board, held today, that committee presented its report, which report was unanimously adopted by our board, and a copy of which is enclosed herewith.

Very truly yours,

  
Chairman

# FEDERAL RESERVE BANK OF PHILADELPHIA

925 CHESTNUT STREET

February 19, 1930

To the Board of Directors of the  
Federal Reserve Bank of Philadelphia

Your committee, appointed at the meeting of February 5th, 1930, to consider and report upon a revision of the open market procedure of the Federal Reserve System, suggested by the Federal Reserve Board under date of January 23, 1930, respectfully reports as follows:

The fundamental purposes of open market procedure were briefly defined in 1923, and the application and practice left to a committee composed of the Governors of five banks, designated as the "Open Market Committee".

Views having been expressed that all twelve banks should be represented in the shaping of open market policy, the Federal Advisory Council in September 1928, suggested to the Federal Reserve Board to consider the advisability of having the membership of the Committee consist of the Governors of all the Reserve Banks, with an executive committee of five with full power to act.

At the Joint Conference of Federal Reserve Agents and Governors, held in the following November, a resolution was adopted with substantial unanimity, re-affirming the fundamental purposes of open market action, as defined in 1923, and adopting in whole the recommendation of the Federal Advisory Council.

This resolution further provided (a) that it should be the function of the Committee to "consider, prepare, and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System, or participating Federal Reserve Banks"; (b) that meetings of the Committee should be called

- 2 -

"either by the Board or by the Executive Committee"; (c) that in case of the inability of any Governor to attend, an alternate should be appointed by the Directors of his bank; (d) that the Committee should select from its membership an Executive Committee of five which should "carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board"; and (e) that the procedure at meetings of the Committee should be, first, action upon the recommendations of the Executive Committee, and then discussion with the members of the Federal Reserve Board prior to official approval or disapproval by the Board.

This resolution appears to represent the practically unanimous judgment of the Advisory Council, the Agents, and the Governors. It appears to us to recognize the following important principles:

(1) The right of any Federal Reserve Bank to participate or not participate in open market operations undertaken for the System.

(2) The right of the Committee to meet whenever in the judgment of the Executive Committee a meeting is advisable.

(3) The function of the Federal Reserve Board as a supervising and coordinating authority, rather than as an originating or operating body.

The resolution further commends itself to our judgment as being not only in accord with the spirit of the Federal Reserve Act, but as providing a simple, clear-cut, and practicable method of procedure.

The memorandum submitted by the Federal Reserve Board apparently transforms the Committee into a "Conference", the conferees consisting of a representative of each Reserve Bank, and the Federal Reserve Board. Whether it be stated that a bank shall be represented by the Governor, or by a representative designated by the Board of Directors, strikes us as comparatively immaterial. The provision that the representatives of

- 3 -

the banks shall meet with the Federal Reserve Board strikes us, however, as objectionable. It fails to observe the distinction running all through the Federal Reserve Act (to which we have already alluded) that the banks, through their respective Boards of Directors, are the initiators of all transactions, subject to the reviewing and coordinating authority of the Federal Reserve Board. That Board cannot properly "review" policies in the framing of which it has participated, nor should it take any part in the routine execution of policies which it has approved.

The provision that the Committee (or Conference) shall meet only "at such times as may be arranged by or with the Federal Reserve Board", would give to the Board an absolute veto power over any meeting of the Committee. The Board having a veto power over the recommendations of the Committee, we cannot see why it should have a veto power over its even meeting. If the Executive Committee deems it important that a meeting should be held, we do not think that authority should exist to prevent such a meeting.

The provision that the recommendations of the Conference should be submitted to each Federal Reserve Bank and to the Board for "consideration and/or action" seems to us to introduce into the procedure a very cumbersome and objectionable element, which might, at some time when prompt action was called for, prove disastrous. The Federal Reserve Board would be placed in the inconsistent and uncomfortable position of having to "consider" and decide upon policies which it had assisted in framing. These policies would not represent, as they now do, the uninfluenced and independent views of the banks, subsequently allowed or approved by the Board, but would be the outcome of a wholly extra-legal conference, in which the reviewing authority had participated ab initio.

- 4 -

The provision that the only function of the Executive Committee shall be the execution of such purchases and sales as have been approved, reduces it to a position little better than that of a broker or dealer. It seems to us that the Executive Committee should continue to keep close watch upon financial developments, anticipate, as far as possible, situations likely to arise, and be prepared to formulate recommendations and suggestions for the consideration of the full Committee.

For the reasons above stated, your Committee finds itself in entire accord with the Advisory Council, the Agents, and the Governors, and out of accord with the memorandum of the Federal Reserve Board.

Respectfully submitted,

(signed) Harry L. Cannon

Joseph Wayne, Jr.

C. Fred'k C. Stout

Committee.



# FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

February 17, 1930

SUBJECT: Open Market Procedure.

Federal Reserve Board

Washington, D. C.

Gentlemen:

Reference is made to the Board's letter of January 23, 1930, X-6484, on the above subject. I note the request contained in the last paragraph of your letter to the following effect:

"After your bank has had time to consider the plan, the Board will welcome an expression of your views."

On receipt of your letter, copies were sent to each member of our board with the suggestion that the letter be carefully read and inviting comments thereon. At the executive committee meeting last week, the letter was discussed to some extent, and on February 7, was brought up for consideration and further discussion at the regular meeting of the executive committee, at which five directors were present.

The committee finally and unanimously approved the expression which is quoted below:

"First: Each Federal Reserve bank should have representation upon the Open Market body.

"Second: Such body should have an executive committee clothed with authority to function.

"Third: The Chairman of the operating body should be authorized to call a meeting of said body upon the request of two or more members. The Federal Reserve Board, of course, always may call the body together.

"Fourth: There is no indication that the existing procedure of buying and selling daily in nominal or reasonable amounts will be changed. This should continue as at present.

"Fifth: The provisions of sections 4 and 5 of the Federal Reserve Board's memorandum are reasonable and satisfactory. Section 6, however, which imposes upon the Open Market Policy Conference the obligation to submit its recommendations to all Federal Reserve banks and to the Federal Reserve Board in advance of action will be under certain conditions manifestly unworkable. In order to assure the effectiveness of any operation which the Open Market Policy Conference should agree upon, it would seem advisable that each Federal Reserve bank delegate authority

FEDERAL RESERVE BANK OF CHICAGO

-2-

February 17, 1930

Federal Reserve Board.

to its representative on the conference to act for his bank at all meetings of the conference. This section should also be so amended as to clearly indicate that each Federal Reserve bank retain the powers conferred upon it by Section 14 of the Act, to the extent that it may protect any sudden or extreme emergency as it arises."

A copy of this expression was forwarded to each member of our board who was not present at the committee meeting February 7. At this writing, reply has been received from three of our directors, who express their entire approval of the action taken.

Very truly yours,

  
S e c r e t a r y

**FEDERAL RESERVE BANK**  
**OF ATLANTA**

333.-C

OFFICE OF  
CHAIRMAN OF THE BOARD.  
FEDERAL RESERVE AGENT.

February 15, 1930.

SUBJECT: Open Market Procedure.

Federal Reserve Board,  
Washington, D. C.

Attention Mr. E. M. McClelland, Asst. Secretary.

Dear Sirs:

Your letter of January 23rd<sup>X-6484</sup> relating to this subject was read and carefully considered at the meeting of our Board of Directors held Friday, February 14th, and a resolution approving the program outlined in your letter was adopted.

On motion, Mr. E. R. Black, Governor, was appointed representative of this bank on the Open Market Policy Conference.

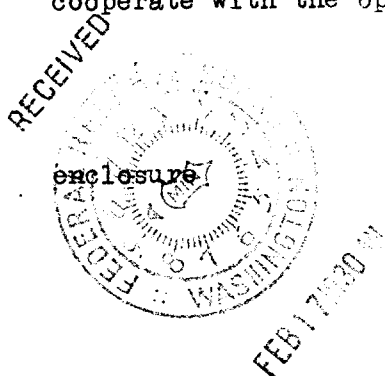
Excerpt from the Minutes containing the resolution and motion are enclosed.

In discussing and considering this resolution, it was the understanding of our Board that our Bank would continue its ordinary every day practice of buying acceptances within our district, and of buying from and selling to our member banks Government and other securities authorized by Section 14 of the Federal Reserve Act.

This practice, we are sure, would not hamper or interfere with the operations of the Open Market Policy Conference. Any action necessary in a large amount, in case of emergency, would be submitted to you for approval. In our operations, we would make every effort to cooperate with the operations of the Open Market Policy Conference.

Very truly yours,

*Oscar Newton*  
Chairman.



FEDERAL RESERVE BANK OF ATLA.

**EXCERPT FROM MINUTES OF MEETING OF THE BOARD OF DIRECTORS, FEDERAL  
RESERVE BANK OF ATLANTA, HELD FEBRUARY 14, 1930.**

"The Secretary read a letter from the Federal Reserve Board, X-6484, under date of January 23, 1930, relating to the procedure with regard to open market operations.

A resolution was offered, duly seconded and adopted, as follows:

"WHEREAS, this Board is firmly of the opinion that the twelve Federal reserve banks should be represented in the shaping of the open market policy of the System, and that a representative of the Federal Reserve Bank of Atlanta should participate in the shaping and effectuating the open market policy and operation; and

WHEREAS, the program contained in memorandum of the Federal Reserve Board as transmitted to this bank by letter dated January 23, 1930, provides that the twelve banks so participate in open market policy and that a representative of this bank participate in formulating and effectuating such open market policy,

THEREFORE, BE IT RESOLVED That this Board approve said program."

It was moved by Chairman Newton that Governor E. R. Black be elected to represent the Federal Reserve Bank of Atlanta on the open market policy conference and that, in the event Governor Black was unable to attend any meeting of the open market policy conference, the Executive Committee of the bank be authorized to appoint an alternate. The motion was duly seconded and unanimously adopted."

\*\*\*\*\*

I, W. Albertson, Secretary of the Board of Directors of the Federal Reserve Bank of Atlanta do hereby certify that the foregoing is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Federal Reserve Bank of Atlanta held on the fourteenth day of February, 1930.

  
\_\_\_\_\_  
SECRETARY.

200  
FEDERAL RESERVE BANK  
OF CLEVELAND

333. C  
February 14, 1930.

Federal Reserve Board,  
Washington, D. C.

Gentlemen:

The Board's letter X-6484 of January 23, 1930, subject: "Open Market Procedure" was the subject of discussion at a meeting of our Board of Directors on Friday, February 7. Inasmuch as the Federal Reserve Board invited an expression from this bank, I am pleased to advise you of the views of our board:

We are in sympathy with the purpose of the Federal Reserve Board to accord a fuller recognition of the joint interest and responsibility of the Federal Reserve banks and the Federal Reserve Board in the matter of open market policies, by permitting all Federal Reserve banks to take part in formulating open market policies.

In discussing the procedure outlined in the Board's letter, our board also considered a recommendation of the Federal Advisory Council to the Federal Reserve Board in September, 1928, as well as a procedure recommended by the Conference of Governors and concurred in at a joint conference of Governors and Federal Reserve Agents in November, 1928.

The procedure recommended by the Governors' conference and concurred in by the Agents, differs in some respects from that proposed by the Federal Reserve Board, and our Board of Directors have the feeling that the Governors' plan will tend to operate more smoothly for the following reasons:

First: The Open Market Investment Committee, operating over a period of years, has acquired a standing and prestige which should be preserved by continuing the designation "Open Market Investment Committee" rather than adopting the new designation "Open Market Policy Conference." Enlarging the Open Market Investment Committee to include representatives of all of the Federal Reserve banks without changing the designation of the committee can be readily accomplished without any disturbance of existing conditions;

Second: The provision in the Governors' recommendation that meetings of the full committee shall be called by either the Federal Reserve Board or by the Executive Committee to be held in Washington, or in such other place and at

## FEDERAL RESERVE BANK OF CLEVELAND

Federal Reserve Board

- 2 -

February 14, 1930.

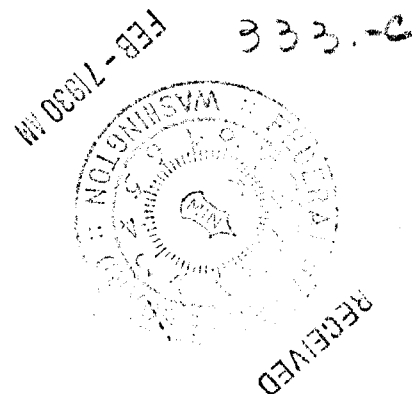
such times as may be arranged by the Chairman of the Executive Committee and the Governor of the Federal Reserve Board, will facilitate the prompt action which may be necessary in emergencies. In this connection, it is suggested that two of the regular meetings of the full open market committee be held at the time of the semi-annual Governors' conferences.

Third: The selection of an Executive Committee consisting of five members which shall carry into effect the policies from time to time recommended by the full committee and approved by the Federal Reserve Board, as recommended by the Governors, seems to our board to insure more harmonious action and to have a tendency to promote better feeling on the part of all Federal Reserve banks, particularly if membership on the Executive Committee is rotated so that the Governor of each Federal Reserve bank within over-night traveling distance to Washington would serve an appropriate time. Inasmuch as the committee's operations must, obviously, be carried on in New York, it seems appropriate that the Governor of the Federal Reserve Bank of New York should be a permanent member and act as Chairman of the full committee and of the Executive Committee.

Fourth: The recommendation of the Governors that the full committee shall consider and act upon the recommendations of the Executive Committee and shall then meet with the Federal Reserve Board to discuss these recommendations with the members of the board before action by the board, is believed to be conducive to prompt and effective action, whereas the Federal Reserve Board's proposal that the conclusions and/or recommendations be submitted to each of the Federal Reserve banks and to the Federal Reserve Board for consideration and/or action, would seem to have the effect of making the machinery so cumbersome as to seriously retard action, particularly in emergencies. It is presumed, of course, that the Boards of Directors of the several Federal Reserve banks will have the opportunity to review the policies adopted by the Federal Reserve Board and to participate or not, as they may decide.

FEDERAL RESERVE BANK  
OF RICHMOND

February 6, 1930



Federal Reserve Board  
Washington, D. C.

Gentlemen:

Our Board of Directors to-day considered the Board's letter of January 23, 1930 X6484, Subject "Open Market Procedure". There appeared some question as to whether the procedure suggested by the Federal Reserve Board is not too cumbersome to insure a smooth and prompt consummation of open market activities.

After considerable discussion we appointed a committee of three: Mr. Delano, Class C, Mr. Graham, Class B and Mr. Rieman, Class A., to study the question and report back to our Board of Directors at the March meeting.

When the Committee's report has been considered by our Board I will of course, immediately advise the Federal Reserve Board of the conclusion reached by our Board.

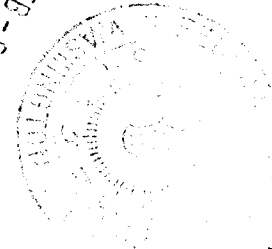
Very truly yours,

A handwritten signature in cursive script, appearing to read "Wm. W. Hoxton".

Wm. W. Hoxton  
Chairman and Federal Reserve Agent.

FEDERAL RESERVE BANK  
OF  
ST. LOUIS

FEB - 8 1930



RECEIVED

February 6, 1930.

Federal Reserve Board,  
Washington.

Gentlemen:

In your letter of January 23, 1930, X-6484, you outlined a revised open market procedure, and asked for an expression of our views in regard to the plan.

At the meeting of our Board of Directors yesterday, Governor Martin presented the letter above mentioned and, after discussion, the following resolution was unanimously adopted:

"That the open market procedure as outlined in general by the Federal Reserve Board in its letter of January 23, 1930, X-6484, be approved and that this bank be represented by its Governor in Open Market meetings. It is the further feeling of the Board that membership on the proposed Open Market Executive Committee, with the exception of the Governor of the New York Federal Reserve Bank, who should always be Chairman of the Committee, should be through some method of rotation, so that all the Governors will serve on this committee during the year."

Yours very truly,

*C. M. Stewart*  
Asst. Federal Reserve Agent.



*Holy*

**FEDERAL RESERVE BANK OF MINNEAPOLIS**

NINTH DISTRICT

OFFICE OF THE CHAIRMAN  
AND FEDERAL RESERVE AGENT

JOHN R. MITCHELL  
CHAIRMAN AND FEDERAL RESERVE AGENT

333-C

Jan. 28,  
1930.

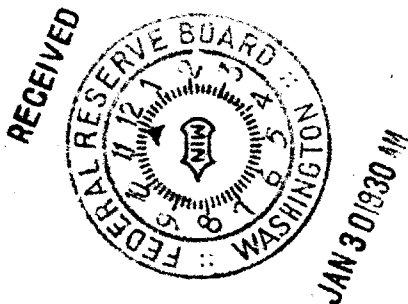
Federal Reserve Board,  
Washington,  
D. C.

Gentlemen:

I acknowledge receipt of your favor  
*X-6484 1-23-30*  
of the 23rd instant on the subject of Open Market  
Procedure. The letter was read to our Board of  
Directors at their meeting on January 27th, and I  
beg to say that our Board is heartily in  
accord with the procedure set forth in your  
letter.

Yours very truly

*J. R. Mitchell*  
J. R. Mitchell.  
Federal Reserve Agent.



## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

333-3  
333-4  
X-6484

January 23, 1930.

SUBJECT: Open Market Procedure.

Dear Sir:

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

It may be recalled that it was in April, 1923, that the present procedure with regard to open market operations was adopted. In the preceding year many of the reserve banks, in order to maintain portfolios of earning assets, entered the market on their own separate accounts to purchase United States Government securities, without much regard to the effects of their operations on the market for Government securities or on credit conditions. It was found necessary, in consequence, to give to open market operations a status which recognized their credit effects and economic consequences and also their effects on the position of each Federal reserve bank.

A copy of the Board's resolution containing an outline of the procedure adopted in 1923 is herewith enclosed. Under this procedure the principle governing open market operations was defined and its application and practice left to a Committee consisting of five reserve banks acting under the general supervision of the Federal Reserve Board.

The principle was stated as follows:

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

The five banks constituting the Open Market Investment Committee were the following:

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

X-6484

- 2 -

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The experience of this period shows that the open market operation, when involving other than trifling amounts, may be of first-rate importance in altering credit conditions even when viewed on a national scale.

It is not surprising, therefore, that suggestions should have been made that the System character of open market operations should be fully recognized by having all twelve Federal reserve banks, instead of five as at present, represented in the shaping of open market policy. Views to this effect have been expressed informally by reserve banks not included in the existing set-up, and formally by the Federal Advisory Council in the following recommendation adopted in September, 1928:

"The Federal Advisory Council without any intention of criticising the present arrangements but in order that all governors of the Federal reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal reserve banks with an executive committee composed of five members with full power to act."

For the reasons briefly set forth above, the Board has drawn up a revision of the 1923 open market procedure, which embodies a fuller recognition of the joint interest and responsibility of the Federal reserve banks and the Federal Reserve Board in the matter of open market policy. The elements of this procedure are contained in a memorandum adopted by the Federal Reserve Board reading as follows:

"(1) The Open Market Investment Committee, as at present constituted, to be discontinued and a new committee, to be known as the Open Market Policy Conference, to be set up in its place.

(2) Each Federal reserve bank to be represented on the Open Market Policy Conference.

X-6484

- 3 -

(3) The Conference to meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

(4) The function of the Open Market Policy Conference to be to consider, develop and recommend plans with regard to the purchase or sale of securities in the open market. *Open market*

(5) The time, character and volume of ~~such~~ purchases and sales to be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

*L.* { (6) The conclusions and/or recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration and/or action.

(7) A committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by ~~Federal reserve banks and the Federal Reserve Board.~~ *on behalf of participating banks*

*and to perform such other duties as may be assigned to it*  
Such further working arrangements as may be found necessary to make the above outlined plan operative will, in the opinion of the Board, best be determined by the Conference itself when it is organized.

The Board believes that the above procedure contains the essentials of a workable plan designed to give expression to the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views.

By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

TO CHAIRMEN OF ALL F. R. BANKS.

X-4586

RESOLUTIONS APPROVED BY FEDERAL RESERVE BOARD AT  
MEETING ON MARCH 22, 1923.

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

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

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

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

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

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

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

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

Be It Further Resolved, That on and after April 1, 1923, the present Committee of Governors on Centralized Execution of Purchases and Sales of Government Securities be discontinued, and be superseded by a new committee known as the Open Market Investment Committee for the Federal Reserve System, said Committee to consist of five representatives from the reserve banks and to be under the general supervision of the Federal Reserve Board; and that it be the duty of this Committee to devise and recommend plans for the purchase, sale and distribution of the open market purchases of the Federal reserve banks in accordance with the above principles and such regulations as may from time to time be laid down by the Federal Reserve Board."

- 5 -

Such further working arrangements as may be found necessary to make the above outlined plan operative will, in the opinion of the Board, best be determined by the Conference itself when it is organized.

The Board believes that the above procedure contains the essentials of a workable plan designed to give expression to the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views.

*By order of the Federal Reserve Board*

*Very truly yours,*

*E. M. McCalland  
and Secy.*

**FEDERAL RESERVE BOARD**

**WASHINGTON**

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

X-6484

January 23, 1930.

**SUBJECT: Open Market Procedure.**

Dear Sir:

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

It may be recalled that it was in April, 1923, that the present procedure with regard to open market operations was adopted. In the preceding year many of the reserve banks, in order to maintain portfolios of earning assets, entered the market on their own separate accounts to purchase United States Government securities, without much regard to the effects of their operations on the market for Government securities or on credit conditions. It was found necessary, in consequence, to give to open market operations a status which recognized their credit effects and economic consequences and also their effects on the position of each Federal reserve bank.

A copy of the Board's resolution containing an outline of the procedure adopted in 1923 is herewith enclosed. Under this procedure the principle governing open market operations was defined and its application and practice left to a Committee consisting of five reserve banks acting under the general supervision of the Federal Reserve Board.

The principle was stated as follows:

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The five banks constituting the Open Market Investment Committee were the following:

Federal Reserve Bank of Boston  
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Federal Reserve Bank of Philadelphia  
Federal Reserve Bank of Cleveland  
Federal Reserve Bank of Chicago.

3331  
OM Policy Comm  
Org. of

clerk

X-6484

- 2 -

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The experience of this period shows that the open market operation, when involving other than trifling amounts, may be of first-rate importance in altering credit conditions even when viewed on a national scale.

It is not surprising, therefore, that suggestions should have been made that the System character of open market operations should be fully recognized by having all twelve Federal reserve banks, instead of five as at present, represented in the shaping of open market policy. Views to this effect have been expressed informally by reserve banks not included in the existing set-up, and formally by the Federal Advisory Council in the following recommendation adopted in September, 1928:

"The Federal Advisory Council without any intention of criticising the present arrangements but in order that all governors of the Federal reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal reserve banks with an executive committee composed of five members with full power to act."

For the reasons briefly set forth above, the Board has drawn up a revision of the 1923 open market procedure, which embodies a fuller recognition of the joint interest and responsibility of the Federal reserve banks and the Federal Reserve Board in the matter of open market policy. The elements of this procedure are contained in a memorandum adopted by the Federal Reserve Board reading as follows:

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X-6484

- 3 -

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By order of the Federal Reserve Board.

Very truly yours,

E. M. McClelland,  
Assistant Secretary.

*Chairman*  
TO ~~GOVERNORS~~ OF ALL F. R. BANKS.

20 have.  
January 28, 1930.

Mr.                       
Chairman of the Board of Directors  
Federal Reserve Bank of                     

X-6484

SUBJECT: Open Market Procedure.

Sr:  
Dear                     

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

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Form No. 131.

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date Jan. 21, 1930.

To \_\_\_\_\_

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

From Mr. Miller

333-C

2-9405

**Draft of proposed letter to Federal Reserve  
banks on subject of open market procedure.**

*Letter Appd*

*Submitted  
See Minutes*

January 21, 1930.

Mr. \_\_\_\_\_  
Chairman of the Board of Directors,  
Federal Reserve Bank of \_\_\_\_\_  
\_\_\_\_\_.

SUBJECT: Open Market Procedure.

Dear Mr. \_\_\_\_\_

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- 5 -

Such further working arrangements as may be found necessary to make the above outlined plan operative will, in the opinion of the Board, best be determined by the Conference itself when it is organized.

The Board believes that the above procedure contains the essentials of a workable plan designed <sup>to give expression to</sup> ~~for~~ the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views. //

A.C.M.

January 22, 1930.

Mr. \_\_\_\_\_  
Chairman of the Board of Directors,  
Federal Reserve Bank of \_\_\_\_\_  
\_\_\_\_\_

SUBJECT: Open Market Procedure.

Dear Mr. \_\_\_\_\_

This letter invites the attention of your bank to changes which the Federal Reserve Board, after prolonged consideration of the matter, has concluded should be made in the existing procedure governing open market operations.

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(6) The conclusions and/or recommendations of the Open Market Policy Conference to be submitted to each of the Federal reserve banks and to the Federal Reserve Board for consideration and/or action.

(7) A committee to be known as the Open Market Executive Committee to be constituted for the purpose of executing such purchases and sales of securities as have been approved by Federal reserve banks and the Federal Reserve Board. "

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The Board believes that the above procedure contains the essentials of a workable plan designed to give expression to the common interest of the Federal reserve banks in matters of open market policy and to provide a reasonable and practicable method for joint action. After your bank has had time to consider the plan, the Board will welcome an expression of your views.



Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date January 17, 1930

To Dr. Miller

Subject: 333.1-C

From Mr. McClelland

670

2-8495

At the meeting yesterday, the Board approved the suggested revision of open market investment procedure submitted by you and also voted to transmit the revision to the Federal reserve banks, with the request that the Board be advised, within the next thirty days, as to its approval or disapproval by their Boards of Directors.

It was understood that you would prepare draft of a letter of transmittal.

333.-c

1-15-30

SUGGESTED REVISION OF OPEN MARKET INVESTMENT

PROCEDURE.

" (1) That the Open Market Investment Committee, as at present constituted, be discontinued and a new committee, to be known as the Open Market Policy Conference, be set up in its place.

(2) Each Federal reserve bank to be represented on the Open Market Policy Conference.

(3) The Conference shall meet with the Federal Reserve Board at such times as may be arranged by or with the Board.

(4) It shall be the function of the Open Market Policy Conference to consider, discuss, develop and recommend plans with regard to the purchase or sale of securities in the open market.

(5) The time, character and volume of such purchases and sales shall be governed with the view of accommodating commerce and business and with regard to their bearing upon the credit situation.

(6) The conclusions and/or recommendations of the Open Market Policy Conference shall be submitted to each of the Federal reserve banks and to the Federal Reserve Board for their consideration and action.

(7) For the purpose of executing such purchases and sales of securities as have been approved by the Federal reserve banks and the Federal Reserve Board, there shall be constituted a committee to be known as the Open Market Executive Committee.

*Agreed  
Lee Hunt*


JAN 16 1930

*[Signature]*

Jan. 15, 1930.

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Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate December 13, 1929To To all membersSubject: Aug. ofFrom Mr. McClelland

era 2-8405

At the meeting of the Board on August 16th, 1929, it was voted that at an early meeting at which the full membership of the Board should be present consideration should be given to the advisability of having all Federal reserve banks represented on the Open Market Investment Committee. Mr. Miller gave notice that when the matter came up, he would move that all meetings of the Committee be conducted under the supervision of the Board, with the Governor presiding as Chairman.

At its meeting on September 23, 1929, the Federal Advisory Council submitted the following recommendation:

"The Federal Advisory Council without any intention of criticizing the present arrangements but in order that all governors of the Federal Reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal Reserve banks with an executive committee composed of five members with full power to act."

The matter came up for consideration by the Board on October 1st, and it was brought out that other phases of the open market procedure of the system might be in need of revision, with the result that Messrs. Miller and Platt were appointed a special committee to draft and submit to the Board a proposed revision of that procedure. The Committee submitted the following:

"(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

"(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.

"(3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet at such times and places as may be arranged by or with the Federal Reserve Board.

"(4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.

"(5) That purchases and sales of securities for system account in the open market shall consist primarily of bankers acceptances.

*Discussed*  
AT BOARD MEETING.

JAN 15 1930

-2-

"(6) That the time, manner and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

"(7) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee."

This report was amended at the meeting of the Board on November 10, 1926, and the Governor was authorized to refer it to the forthcoming conferences of Governors and Federal reserve agents, in the following form:

"(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

"(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.

"(3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet with the Federal Reserve Board at such times as may be arranged by or with the Federal Reserve Board.

"(4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.

"(5) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

"(6) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee."

At this same meeting, it was voted to be the sense of the Board that it would be advisable for each Federal reserve bank to be represented at conferences held for the purpose of determining open market investment policy.

The Federal reserve agents in considering the Board's proposal voted to concur in it, after amending paragraph (2) to read as follows:

"That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative and/or an alternate to be designated annually by the Board of Directors of the Bank."

- 3 -

The Governors submitted the following proposed revision in lieu of that suggested by the Board:

"(1) That the Open Market Investment Committee, which is now composed of five Governors, be enlarged so as to include the other seven Governors, making a Committee of twelve, provided that in case of the inability of any Governor to attend, an alternate shall be appointed by the Directors of his bank.

"(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

"(3) That it shall be the function of the Open Market Investment Committee to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System or participating Federal reserve banks.

"(4) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

"(5) That the meetings of the Open Market Investment Committee, which shall be called either by the Board or by the Executive Committee of the Open Market Investment Committee shall be held in Washington or at such other place as may be arranged by the Chairman of the Executive Committee of the Open Market Investment Committee and the Governor of the Federal Reserve Board.

"(6) That the procedure at meetings of the Open Market Investment Committee shall be in the future as in the past, to wit: that the Committee shall consider and act upon the recommendations of the Executive Committee and shall then meet with the Federal Reserve Board to discuss those recommendations with members of the Board before action by the Board."

This was considered at the meeting of the Board on November 15th and the feeling was that if it were adopted, it would result merely in an enlargement of the existing Open Market Investment Committee without any practical change in procedure.

The Joint Conference of Governors' and Federal Reserve Agents held on November 16th slightly amended and adopted the recommendation of the Governors' Conference, as follows:

"(1) That the Open Market Investment Committee, which is now composed of five Governors, be enlarged so as to include the other seven Governors, making a Committee of twelve, provided that in case of the inability of any Governor to attend, an alternate shall be appointed by the Directors of his bank.



- 4 -

"(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

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The matter was further discussed at the meeting of the Board on December 3, 1928, and at the conclusion of the discussion, it was the consensus of opinion that it might be advisable for the Board at that time merely to amend the resolutions adopted on March 22, 1923, establishing the Open Market Investment Committee, so as to provide that the Committee should "consist of twelve representatives from the Reserve banks" instead of five as at present, but formal action was deferred.

The Governors' Conference in May, 1929, took the following action:

"The discussion of this topic brought out the fact that the Federal Reserve Board has not yet acted upon the recommendation of the joint conference of Governors and Agents of November, 1928, and it was

"VOTED to be the sense of the conference that it is still in agreement with the recommendations of the Federal Advisory Council, made at its meeting in September, 1928, relative to

- 4 -

"(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

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- 5 -

"the enlargement of the Open Market Committee, and that the object of those recommendations might effectively be accomplished by the adoption of the procedure proposed to the conference of Governors in November, 1928, as amended and approved by that conference and the joint conference of Governors and Federal Reserve Agents.

"In discussing this subject, the conference further expressed the opinion that it might be helpful and advisable to review the functions of the Open Market Investment Committee, believing the committee can best serve its purpose by continuing a procedure such as that referred to by the Open Market Committee in its report of January 7, 1929, a procedure which the conference understood to be the procedure followed in the past."

At the meeting on December 12, 1929, the matter was called up for consideration and was made special order of business on a date to be fixed by the Governor within the next two weeks.

Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate December 13, 1929

To \_\_\_\_\_

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

From Mr. McClelland

2-8495

At the meeting of the Board on August 16th, 1928, it was voted that at an early meeting at which the full membership of the Board should be present consideration should be given to the advisability of having all Federal reserve banks represented on the Open Market Investment Committee. Mr. Miller gave notice that when the matter came up, he would move that all meetings of the Committee be conducted under the supervision of the Board, with the Governor presiding as Chairman.

At its meeting on September 28, 1928, the Federal Advisory Council submitted the following recommendation:

"The Federal Advisory Council without any intention of criticizing the present arrangements but in order that all governors of the Federal Reserve banks may participate in the discussion leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal Reserve banks with an executive committee composed of five members with full power to act."

The matter came up for consideration by the Board on October 1st, and it was brought out that other phases of the open market procedure of the System might be in need of revision, with the result that Messrs. Miller and Platt were appointed a special committee to draft and submit to the Board a proposed revision of that procedure. The Committee submitted the following:

"(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

"(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.

"(3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet at such times and places as may be arranged by or with the Federal Reserve Board.

"(4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.

"(5) That purchases and sales of securities for System account in the open market shall consist primarily of bankers acceptances.

- 2 -

"(6) That the time, manner and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

"(7) That for the purpose of executing such purchases and sales of securities for system account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee."

This report was amended at the meeting of the Board on November 10, 1928, and the Governor was authorized to refer it to the forthcoming conferences of Governors and Federal reserve agents, in the following form:

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The Federal reserve agents in considering the Board's proposal voted to concur in it, after amending paragraph (2) to read as follows:

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-3-

The Governors submitted the following proposed revision in lieu of that suggested by the Board:

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- 4 -

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"VOTED to be the sense of the conference that it is still in agreement with the recommendations of the Federal Advisory Council, made at its meeting in September, 1928, relative to

- 8 -

"the enlargement of the Open Market Committee, and that the object of those recommendations might effectively be accomplished by the adoption of the procedure proposed to the conference of Governors in November, 1928, as amended and approved by that conference and the joint conference of Governors and Federal Reserve Agents.

"In discussing this subject, the conference further expressed the opinion that it might be helpful and advisable to review the functions of the Open Market Investment Committee, believing the committee can best serve its purpose by continuing a procedure such as that referred to by the Open Market Committee in its report of January 7, 1929, a procedure which the conference understood to be the procedure followed in the past."

At the meeting on December 12, 1929, the matter was called up for consideration and was made special order of business on a date to be fixed by the Governor within the next two weeks.



OFFICERS

F. O. WETMORE, PRESIDENT  
B. A. MCKINNEY, VICE-PRESIDENT  
WALTER LICHTENSTEIN, SECRETARY

EXECUTIVE COMMITTEE

F. O. WETMORE  
B. A. MCKINNEY  
W. C. POTTER  
L. L. RUE  
HARRIS CREECH  
W. W. SMITH

FEDERAL ADVISORY COUNCIL

OFFICE OF THE PRESIDENT

38 SOUTH DEARBORN STREET

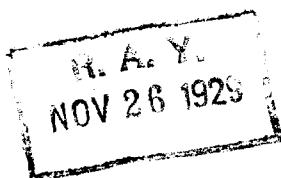
MEMBERS

1929

A. M. HEARD, DISTRICT No. 1  
WILLIAM C. POTTER, DISTRICT No. 2  
L. L. RUE, DISTRICT No. 3  
HARRIS CREECH, DISTRICT No. 4  
JOHN POOLE, DISTRICT No. 5  
J. P. BUTLER, JR., DISTRICT No. 6  
F. O. WETMORE, DISTRICT No. 7  
W. W. SMITH, DISTRICT No. 8  
THEODORE WOLD, DISTRICT No. 9  
P. W. GOEBEL, DISTRICT No. 10  
B. A. MCKINNEY, DISTRICT No. 11  
F. L. LIPMAN, DISTRICT No. 12

CHICAGO, November 21, 1929.

333.-C



Hon. Roy A. Young, Governor,  
Federal Reserve Board,  
Washington, D. C.

My dear Governor Young:-

I had intended to inquire at the meeting on Tuesday as to what results, if any, had arisen from the Recommendation of the Council under date of Sept. 28th, 1928, that all of the banks be given an opportunity to sit in on the Open Market Committee's deliberations where and when time permitted. I seem to have a hazy recollection in my mind that you had mentioned this subject either to me personally or to the Council since that date, but if so I am unable to recall what it was or what you said. I would be pleased to hear from you at your convenience, and with best regards, remain

Sincerely yours,

President.

n No. 181.

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date May 13, 1929.

333.1  
OM Policy Comm  
Orig. of

To Federal Reserve Board

Subject: Open Market Investment

From Mr. McClelland,

Committee

2-4195

The minutes of the recent Conference of Governors contain the following entry with respect to the Conference's consideration of the question of the organization of the Open Market Investment Committee:

"The discussion of this topic brought out the fact that the Federal Reserve Board has not yet acted upon the recommendation of the joint conference of Governors and Agents of November, 1928, and it was

VOTED to be the sense of the conference that it is still in agreement with the recommendations of the Federal Advisory Council, made at its meeting in September, 1928, relative to the enlargement of the Open Market Committee, and that the object of those recommendations might effectively be accomplished by the adoption of the procedure proposed to the conference of Governors in November, 1928, as amended and approved by that conference and the joint conference of Governors and Federal Reserve Agents.

In discussing this subject, the conference further expressed the opinion that it might be helpful and advisable to review the functions of the Open Market Investment Committee, believing the committee can best serve its purpose by continuing a procedure such as that referred to by the Open Market Committee in its report of January 7, 1929, a procedure which the conference understood to be the procedure followed in the past."

*Special Order*  
*within two weeks*  
AT BOARD MEETING.

DEC 12 1929

*[Signature]*

6



*All banks  
represented*

*Mr. Letter  
1-6484-1123/70*

FILED  
*333-1*

November 27, 1929.

*333-1*

Dear Mr. Wetmore:

This will acknowledge receipt of your letter of November 21st and I advise that up to the moment nothing has been done with the recommendation of the Council under date of September 28, 1928, that the Open Market Committee be extended to cover representation from all of the Federal reserve banks.

Delay in adopting the suggestion has occurred because of some petty differences of opinion, which, I believe, are now practically eliminated. I expect to again revive the suggestion and be able to announce to you at a later date that the recommendation of the Council has been adopted by the Board and the Reserve banks. During the interim may I ask your kind indulgence.

With kind personal regards, I am

Yours sincerely,

R. A. Young,  
Governor.

Mr. F. O. Wetmore, President,  
Federal Advisory Council,  
38 South Dearborn Street,  
Chicago, Illinois.

Form No. 131.

# Office Correspondence

FEDERAL RESERVE  
BOARD

324  
Date May 13, 1929. 323-C

To Federal Reserve Board

Subject: Open Market Investment

From Mr. McClelland.

Committee  
333-1

The minutes of the recent Conference of Governors contain the following entry with respect to the Conference's consideration of the question of the organization of the Open Market Investment Committee:

"The discussion of this topic brought out the fact that the Federal Reserve Board has not yet acted upon the recommendation of the joint conference of Governors and Agents of November, 1928, and it was

VOTED to be the sense of the conference that it is still in agreement with the recommendations of the Federal Advisory Council, made at its meeting in September, 1928, relative to the enlargement of the Open Market Committee, and that the object of those recommendations might effectively be accomplished by the adoption of the procedure proposed to the conference of Governors in November, 1928, as amended and approved by that conference and the joint conference of Governors and Federal Reserve Agents.

In discussing this subject, the conference further expressed the opinion that it might be helpful and advisable to review the functions of the Open Market Investment Committee, believing the committee can best serve its purpose by continuing a procedure such as that referred to by the Open Market Committee in its report of January 7, 1929, a procedure which the conference understood to be the procedure followed in the past."

*Noted*  
AT BOARD MEETING.

MAY 23 1929



333.-C

May 3, 1929.

Dear Mr. Hoxton:

Your letter of April 30th has been brought to the attention of the Federal Reserve Board, which notes that the directors of your bank, at their meeting on April 11th, concurred in the recommendation of the Fall Conference of Governors and Federal Reserve Agents, that the Open Market Investment Committee be enlarged by placing thereon the Governor of each Federal Reserve Bank not now represented.

Very truly yours,

(Signed) E. M. McCLELLAND  
E. M. McClelland,  
Assistant Secretary.

Mr. W. W. Hoxton, Chairman,  
Federal Reserve Bank,  
Richmond, Virginia.

*Robert*

FEDERAL RESERVE BANK  
OF RICHMOND

333.-c

April 30, 1929.

Federal Reserve Board,  
Washington, D. C

Gentlemen:-

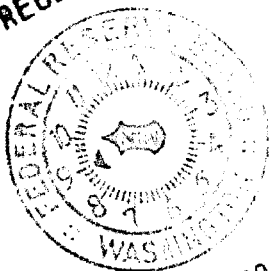
At the last meeting of our board of directors, held on April 11th, our board concurred in the recommendation of the last conference of governors and Federal reserve agents to the Federal Reserve Board that the System's Open Market Investment Committee be enlarged by placing thereon the governor of each Federal reserve bank not now represented.

Respectfully,



Wm. W. Hoxton,  
Chairman of the Board.

RECEIVED



MAY - 2 1929

*Noted*  
-----  
AT BOARD MEETING.

MAY 3 1929



*Open Market  
Committee*

*24*

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

*333.-C*  
*333. /*

X-6191

December 10, 1938.

SUBJECT: Action on Conference Recommendations.

Dear Sir:

There are enclosed herewith, for your information, copies of letters addressed to the Secretary of the Governors' Conference and the Chairman of the Conference of Federal Reserve Agents, with respect to the status before the Board of the various matters considered by either or both of the Conferences.

Very truly yours,

Walter L. Eddy,  
Secretary.

TO ALL GOVERNORS AND FEDERAL RESERVE AGENTS.

*Indelible Copy filed*  
*324. 11/14/58*

COPY

X-6191-a

December 6, 1928.

Dear Governor Harrison:

The Federal Reserve Board has given careful consideration to the various topics discussed at the recent conference of Governors of the Federal Reserve Banks, as reported to it in the Secretary's minutes which you forwarded to the Board under date of December 1, 1928. The status here of the various matters, as well as definite actions which have been taken with respect to some of them, are as follows:

Topic I-a- Suggested revision of Open Market Investment Procedure.

The Board still has this matter under advisement and consideration is being given to the recommendation of the Governors, as amended and adopted by the Joint Conference of Governors and Federal Reserve Agents. The matter will be made the subject of a communication to all Federal Reserve Banks at a later date.

Topic I-b - Discount rates and open market policies.

The Board noted that the Conference appointed a Committee to make a study and to report to each Governor as soon as practicable any conclusions or recommendations which the Committee deems necessary with respect to Federal Reserve credit operations, objectives and policies. It is requested that you arrange to have a copy of the Committee's report forwarded to the Board at the time it is submitted to the Governors.

Topic I-c - Loans by Federal Reserve Banks to their member banks.

The Board concurs in the recommendation of the Conference, made after discussion of the several related subjects listed under this general topic, that it would be advisable to require all reporting member banks each week to report in the same manner now required of banks in some of the principal cities, the amount of their call and time loans to brokers and dealers, secured by stocks and bonds. At an early date appropriate instructions will go forward to all Federal Reserve Banks.

Topic I-c-5 - Minimum maturity on member bank collateral notes.

Upon further consideration of the suggestion contained in the Board's letter of September 4, 1928 (X-6124) relative to the establishment of a minimum maturity on member banks' collateral notes, the Board voted not to adopt the suggestion.

Topic I-c-6 - Suggestion that special effort be made to impress upon member banks the desirability of maintaining adequate portfolios of eligible paper and acquainting them with the kinds of paper eligible for rediscount (Board's letter of August 24, 1928 - X-6118).

X-6191-a

Governor Harrison....2

The Board has voted to adopt the recommendation made by the Conference that it issue a statement in the Federal Reserve bulletin dealing with the above question and an appropriate statement is in the course of preparation and will appear in an early issue of the bulletin.

Topic I-d - Report on relations with foreign banks.

In the minute entry relating to this topic the statement is made that in addition to your review of the various matters relating to operations of foreign banks of issue, you reviewed plans which are now pending for the stabilization of certain currencies abroad. The minutes do not indicate whether or not this report was a written one, and members of the Board have requested that if a written report was not prepared, copy of which can be forwarded to the Board, you furnish the Board with a memorandum setting forth in substance your remarks concerning the various matters, particularly those relating to stabilization plans which are pending at this time.

Topic IV-a - Proposed revision of functional expense report.

The Board noted the concurrence of the Conference in the views set forth in the report submitted by Messrs. Smead and Rounds, and has voted to approve their recommendation that the functional expense report be continued in its present form.

Topic IV-b-1 - Separate financial statements of corporations or firms closely affiliated with the borrower.

The Board noted the view of the Conference that inasmuch as the relative provisions of Regulation A were amended only recently, it would be preferable as a practical matter not to suggest another amendment to the regulation pending further experience.

Topic IV-b-2 - Desirability of amending Sections 7 and 9 of Regulation A so as to except from the prohibition on the discount of paper bearing the signature or endorsement of nonmember banks, bills of exchange payable at sight or on demand of the kind described in Section 7 (Board's letter X-6145 dated September 26, 1928).

In view of the understanding had at the Joint Conference on November 16th, that the situation giving rise to this question can be handled under the regulation as it now stands, it was voted that no amendment to the regulation be made at this time.

Topic IV-b-3 - Right of Federal Reserve Bank to charge items to the reserve account of banks "at any time when in any particular case such Federal Reserve Bank deems it necessary to do so." (Section 5 Regulation J)

The Board has voted to amend Section 5 of Regulation J by eliminating from paragraph 4 thereof the phrase "Provided, however, that any Federal Reserve Bank may reserve the right in its check-collection circular to charge such items to the reserve account or clearing account of any such bank at any time when in any particular case the Federal Reserve Bank deems it necessary to do so." This amendment will not be made effective, however, until after consultation with the various Federal Reserve Banks.

X-6191-a

Governor Harrison....3

Topic IV-c - Deduction of foreign balances in computing member bank reserves - (Board's letter X-6125 dated September 4, 1928.)

The views of the Conference on this topic were noted and the Board voted that the ruling made by it in 1919, to the effect that balances due from foreign banks may not be deducted from balances due to other banks by a member bank in calculating its reserves, should not be revoked.

Topic IV-d - Suggestion that meetings between the Federal Reserve Board and the directors of the Federal Reserve Banks be held annually in Washington. (Board's letter X-6142 dated September 22, 1928).

The Board concurs in the position of the Conference that no further action is necessary on this question.

Topic IV-e - Report of Leased Wire Committee.

The summary appearing in the Secretary's minutes relating to this report was noted and the Board will request the Chairman of the Committee to furnish it with a copy of the report for its records.

Topic IV-g - Report of Pension Committee.

The action of the Conference in voting to accept this report was noted and the Board requests that it be furnished at this time with a complete copy of the report for its files and, later, with a copy of the new bill which the Committee plans to offer.

Topic IV-h - Report of Subcommittee of General Committee on bankers' acceptances.

The action of the Conference in approving this report and its instructions to the Committee were noted by the Board, which requests that a complete copy of this report also be furnished to it.

Topic III-b - Future policy with respect to Gold certificate circulation.

The Board concurs in the view of the Conference that no change should be made in the present policy under which gold certificate circulation has been maintained at about one billion dollars.

Topic V-b - Collateral for war loan deposits.

The Board noted with approval the recommendation to be made by the Conference to the Secretary of the Treasury that it would be advisable to make only government securities eligible as collateral for war loan deposits.

Canadian Currency.

For the purpose of making a further study and report on this question the Board has appointed a Committee consisting of Managing Director Schneckenburger of the Buffalo Branch, Managing Director Cation of the Detroit Branch, Managing Director Shaw of the Seattle Branch and Deputy Governor Moore of the Federal Reserve Bank of Minneapolis. The Board later will make this matter the subject of special communications to the Governors of those Federal Reserve Banks having representatives on the Committee.



X-6191-a

Governor Harrison....4

Granting of fiduciary powers to national banks (Memo X-6172 dated November 3, 1928.)

The Board noted that the Conference was favorably inclined to the suggestions contained in the memorandum but is not prepared, however, to immediately take definite action with respect thereto. The Board will advise all Federal Reserve Banks in due course of whatever action is taken.

Waiver of six months' notice by state banks voluntarily withdrawing from the Federal Reserve System.

In accordance with the recommendation of the Conference the Board voted to suggest an amendment, at the proper time, which would give it the option of waiving the six months' notice required of state member banks voluntarily withdrawing from the system. If the amendment is passed the reserve banks will be given an opportunity to express to the Board in each individual case their views with respect to the wisdom of a waiver of notice.

The several other matters covered in the Secretary's report do not appear to require any action by the Federal Reserve Board.

Copy of this letter will be forwarded to the Governor of each of the Federal Reserve Banks for his information.

Very truly yours,

R. A. Young,  
Governor.

Mr. George L. Harrison, Secretary,  
Governors' Conference,  
Care Federal Reserve Bank,  
New York, N. Y.

COPY

X-6191-b

December 8, 1928.

Dear Mr. Martin:

The Federal Reserve Board has considered the various topics discussed at the recent Conference of Federal Reserve Agents, as reported in the Secretary's minutes forwarded to the Board with your letter of November 28, 1928.

The status here or action taken on the several topics considered jointly by the Federal Reserve Agents and the Governors are reported in a letter dated December 6th to the Secretary of the Governors' Conference, copy of which is enclosed herewith. The other matters discussed by the Federal Reserve Agents were dealt with by the Board as follows:

Topic I-a - Suggestion that special effort be made to impress upon member banks the desirability of maintaining adequate portfolios of eligible paper and acquainting them with the kinds of paper eligible for rediscount. (Board's letter X-6118, dated August 24, 1928.)

In addition to the action of the Board reported in the attached letter to the Secretary of the Governors' Conference in approving the suggestion that a statement on this question be published in the Federal Reserve bulletin, the Board will confer with the Comptroller of the Currency, as recommended by the Federal Reserve Agents, with a view to having his examiners cooperate in the matter of acquainting officers of national banks with eligibility requirements.

Topic I-f - Classification of member banks by electoral groups.

The Board noted the view of the Conference that the classification and grouping must be determined by the needs of each individual district. The replies to the Board's letter of October 12, 1928, X-6159, requesting certain information and suggestions are now being compiled and will be ready for submission to the Board shortly after the first of the year. At that time the Board will again communicate with the Chairman regarding this subject.

Topic I-k - Examination of state member banks (Memo. X-6173 dated October 12, 1928.)

The Board has voted to abolish its Department of State Bank Examinations, effective February 1, 1929. In due course a special communication with reference to this action will be addressed to each Federal Reserve Agent.

X-6191-b

Mr. Wm. McC. Martin...2.

Topic I-k - Applications for reduction in reserve requirements.  
(Memo X-6176, dated October 27, 1928)

The Board has noted the recommendation of the Federal Reserve Agents' Conference on this topic but is not prepared to take immediate action relative thereto.

Topic II-c - Report of Bank and Public Relations Committee.

The action of the Conference in accepting this report has been noted by the Board but no action relative to it will be taken at this time.

Topic II-d - Report of Committee on National Summary of Business Conditions.

The recommendation contained in this report and adopted by the Conference that efforts be made to standardize the length of the summary at about 700 words has been noted and the matter has been referred to the Director of the Board's Division of Research and Statistics.

Topic III-e - When such a thing as a run occurs, how should officers of Reserve Banks and Branches answer questions?

The Board has noted with approval the view of the Conference with respect to the position which should be taken by Federal Reserve Banks and Branches in replying to inquiries regarding bank disturbances.

Topic III-g - Unretired stock in Federal Reserve Banks held by banks in process of liquidation.

In its last annual report the Board recommended an amendment to the Act permitting the cancellation of Federal Reserve Bank stock held by member banks which have gone out of business without a receiver or liquidating agent having been appointed therefor, and has now requested its Counsel to prepare a specific form of amendment which will be considered by the Board in due course.

Topic III-n - Auditing Departments.

The Board approved the action of the Conference in voting that a meeting of the General Auditors of the twelve Federal Reserve Banks and a representative of the Federal Reserve Board be called in the near future for the purpose of discussing problems incident to their work. Mr. Smead will represent the Board at this Conference and it is requested that you communicate with him regarding the time at which it should be held.

The other matters reported in the Secretary's minutes do not require action by the Board.

X-6191-b

Mr. Wm. McC. Martin...3

A copy of this letter and enclosure is being forwarded to the Chairman of each Federal Reserve Bank for his information.

Very truly yours,

R. A. Young,  
Governor.

Mr. Wm. McC. Martin, Chairman,  
Federal Reserve Agents' Conference,  
care Federal Reserve Bank,  
St. Louis, Missouri.

333-C

**EXCERPT FROM MINUTES OF THE MEETING OF THE BOARD HELD ON DECEMBER 3, 1928.**

The Governor then referred to the suggested revision of the Open Market Investment procedure of the Federal Reserve System and reviewed the past consideration given to the subject. He submitted the suggestion to the Governors' Conference, as amended and adopted by the Joint Conference of Governors and Federal Reserve Agents on November 16th, as follows:

XXXXXXXXXX

\*\*\*\*\* A detailed discussion ensued at the conclusion of which it was the consensus of opinion that it might be advisable for the Board at the present time merely to amend the resolutions adopted on March 22, 1923, establishing the Open Market Investment Committee, so as to provide that the Committee should "consist of twelve representatives from the Reserve banks" instead of five as at present, but formal action was deferred.

Form No. 181

## Office Correspondence

FEDERAL RESERVE  
BOARD333.-C  
Date November 19, 1928.To Members of the Board (Individually)

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

From Mr. Eddy.

2-8495

There is quoted below for your information the suggested revision of the Open Market Investment Procedure of the System, recommended by the Governors' Conference, as amended and adopted by the Joint Conference of the Governors and Federal Reserve Agents on Friday November 16.

*banks representative*  
 "(1) That the Open Market Investment Committee, which is now composed of five Governors, be enlarged so as to include the other seven *banks* Governors, making a Committee of twelve, provided that in case of the inability of any Governor to attend, an alternate shall be appointed by the Directors of his bank.

"(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

"(3) That it shall be the function of the Open Market Investment Committee to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System or participating Federal reserve banks.

"(4) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

"(5) That the meetings of the Open Market Investment Committee, which shall be called either by the Board or by the Executive Committee of the Open Market Investment Committee shall be held in Washington or at such other place as may be arranged by the Chairman of the Executive Committee of the Open Market Investment Committee and the Executive Officer of the Federal Reserve Board.

"(6) That the procedure at meetings of the Open Market Investment Committee shall be in the future as in the past, to wit: that the Committee shall consider and act upon the recommendations of the Executive Committee and shall then meet with the Federal Reserve Board to discuss those recommendations with members of the Board for such action as the Board may deem proper."

*Lee Mammitt*  
 AT BOARD MEETING

8 1928

Form No. 181

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date 333.-C

To All members of the Board  
(Individually)

Subject: November 18, 1938.

From \_\_\_\_\_

Mr. McClelland

U.F.O. 2-8406

There is attached hereto a copy of the suggested revision of the Open Market Investment procedure of the Federal Reserve System, submitted by the Board's Committee, together with copies as appended by the Federal Reserve Agents and as recommended by the Governors' Conference.

*Orig. filed*

## GOVERNORS

(1) That the Open Market Investment Committee, which is now composed of five Governors, be enlarged so as to include the other seven Governors, making a Committee of twelve, provided that in case of the inability of any Governor to attend, an alternate shall be appointed by the Directors of his bank.

(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

(3) That it shall be the function of the Open Market Investment Committee to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System or participating Federal reserve banks.

(4) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

(5) That the meetings of the Open Market Investment Committee, which shall be called either by the Board or by the Executive Committee of the Open Market Investment Committee shall be held in Washington or at such other place as may be arranged by the Chairman of the Executive Committee of the Open Market Investment Committee and the Governor of the Federal Reserve Board.

(6) That the procedure at meetings of the Open Market Investment Committee shall be in the future as in the past, to wit: that the Committee shall consider and act upon the recommendations of the Executive Committee and shall then meet with the Federal Reserve Board to discuss those recommendations with members of the Board before action by the Board.

November 14, 1928.



Federal Reserve Agents.

(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative and/or an alternate to be designated annually by the Board of Directors of the bank.

(3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet with the Federal Reserve Board at such times as may be arranged by or with the Federal Reserve Board.

(4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.

(5) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

(6) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee.

333.-C

EXCERPT FROM MINUTES OF MEETING ON NOVEMBER 15, 1928

"The Governor then presented the following report of action taken by the Conference of Governors, with respect to the suggested revision of the Open Market Investment procedure of the Federal Reserve System:

(Insert)

A detailed discussion then ensued during which certain members of the Board called attention to the fact that the recommendation of the Governors' Conference, if adopted, would result merely in an enlargement of the present Open Market Investment Committee without any practical change in the existing procedure,. . . ."

Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date November 13, 1928.

To All members of the Board  
(Individually)

Subject: 333-C

From Mr. McCalland.

GPO

2-8495

11-10-28  
There is attached hereto a copy of L-6175 "Suggested Revision of Open Market Investment procedure" which was considered by the Federal Reserve Agents' Conference.

The following action was taken by the conference:

"On motion, duly made and seconded, it was voted to concur in the proposed plan, with the following amendments: It was recommended that in the third line of paragraph 2, after the word 'Representative' the words 'and/or an alternate' be inserted and that after the word 'designated' the word 'annually' be inserted, so that the paragraph will read as follows: '(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative and/or an alternate to be designated annually by the Board of Directors of the bank.' Mr. Curtiss requested to be recorded as voting 'no'."

B

Form No. 131

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date November 10, 1928.

To Governor Young

Subject: 333.-C

From Mr. McClelland

GPO

2-8405

At the meeting of the Board today it was voted to be the sense of the Board that it would be advisable for each Federal Reserve Bank to be represented at conferences held for the purpose of determining open market investment policy and you were authorized to submit to the conferences of Governors and Federal Reserve Agents the outline of the suggested revision of the open market investment procedure of the system which was considered at the meeting.

Twenty-five mimeograph copies of the outline of the suggested new procedure are attached hereto for your use.

*X-6145 filed 11-10-28*

333.-c  
X-6175

11/10/28

SUGGESTED REVISION OF OPEN MARKET INVESTMENT  
PROCEDURE.

- (1) That the Open Market Investment Committee, as at present constituted, be discontinued.
- (2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.
- (3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet with the Federal Reserve Board at such times as may be arranged by or with the Federal Reserve Board.
- (4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.
- (5) That the time, manner, character and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.
- (6) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee.

November 10, 1928.

(3)

333.-c-1

333.-C  
EXCERPT FROM MINUTES OF MEETING OF FEDERAL RESERVE  
BOARD HELD ON NOVEMBER 10, 1928.

"The Governor then presented the report submitted at the meeting on October 30th, by the special committee appointed at the meeting on October 2nd, setting forth an outline of a suggested revision of the open market investment procedure of the Federal Reserve System.

A detailed discussion ensued during which the outline of a new procedure set forth in the Committee report was amended in several respects.

Mr. James then moved that it be the sense of the Federal Reserve Board that it would be advisable for each Federal Reserve Bank to be represented at conferences held for the purpose of determining open market investment policy.

Mr. James' motion being put by the Chair was carried.

Mr. Platt stated that he voted in favor of the motion with the understanding that under the suggested procedure it would not be necessary for each Federal Reserve bank to have an individual representative at open market conferences, but that one Federal Reserve bank could be represented, if it desired, by the designated representative of another bank.

Upon motion, the Governor was then authorized to refer to the forthcoming Conference of Governors and Federal Reserve Agents the revised procedure recommended by the Committee, with the amendments made at this meeting, as follows: "\*\*\*\*\* "

333.-C

EXCERPT FROM MINUTES OF October 30, 1928.

"A general discussion then ensued with respect to the Committee report, submitted at the meeting on October 26th, of a suggested revision of the Open Market Investment procedure of the Federal Reserve System, but the matter was put over without action until the meeting of the Board on Thursday."

①

333.-C

10-26-28

(1) That the Open Market Investment Committee, as at present constituted, be discontinued.

(2) That a Committee to be known as The Open Market Policy Conference be set up with a representative from each of the twelve Federal reserve banks, the representative to be designated by the Board of Directors of the bank.

(3) The Open Market Policy Conference to be under the chairmanship of the Governor of the Federal Reserve Board and to meet <sup>in Washington</sup> at such times and places as may be arranged by or with the Federal Reserve Board.

(4) That it shall be the function of The Open Market Policy Conference to consider, prepare and recommend plans with regard to the purchase or sale of securities in the open market for account of the Federal Reserve System and participating Federal reserve banks.

(5) That purchases and sales of securities for System account in the open market shall consist primarily of bankers acceptances.

(6) That the time, manner and volume of such purchases and sales shall be governed primarily with the view of accommodating commerce and business and with regard to their bearing upon the general credit situation.

(7) That for the purpose of executing such purchases and sales of securities for System account as may be approved by Federal reserve banks and the Federal Reserve Board there shall be constituted a committee to be known as The Open Market Executive Committee.

*Special Order 7-1st*

AT BOARD MEETING

OCT 30 1928

*Submitted*

OCT 6

②



Form No. 131

## Office Correspondence

FEDERAL RESERVE  
BOARDDate 333-0  
October 2, 1928.To Messrs Miller and Platt

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

From Mr. McClelland.

GPO 2-8495

The Board at its meeting yesterday considered the following recommendation made by the Federal Advisory Council at its meeting on September 28:

"The Federal Advisory Council without any intention of criticizing the present arrangements but in order that all governors of the Federal Reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal Reserve banks with an executive committee composed of five members with full power to act."

In this connection attention was called to the fact that at the meeting of the Board on August 16 it was voted that at an early meeting, at which the full membership of the Board is present, consideration be given to the advisability of having all Federal reserve banks represented on the Open Market Investment Committee and at that time the suggestion was also made that all meetings of the Committee be conducted under the supervision of the Board with the Governor of the Board presiding as Chairman of the meeting.

During the discussion yesterday it was brought out that other phases of the Open Market procedure of the system may be in need of revision and consequently you were appointed a special committee to draft and submit to the Board a proposed revision of that procedure.

333.-C

9-28-28

RECOMMENDATION: " The Federal Advisory Council without any intention  
of criticizing the present arrangements but in order that all governors  
of the Federal Reserve banks may participate in the discussions leading  
up to actions of the Open Market Committee suggests to the Federal  
Reserve Board to consider the advisability of having the membership of  
the Open Market Committee consist of all the governors of the Federal  
Reserve banks with an executive committee composed of five members with  
full power to act. "

(1)

133  
733  
733-C  
RECOMMENDATIONS OF THE FEDERAL ADVISORY COUNCIL TO THE  
FEDERAL RESERVE BOARD

September 28, 1928.

TOPIC No. 1. Business conditions in the respective Federal Reserve Districts.

RECOMMENDATION: Members of the Council have been polled and report that business is generally good and on a sound basis. The aggregate volume is greater than the most optimistic forecasts of the earlier part of the year prophesied.

TOPIC No. 2. Effect of prevailing rediscount rates on business.

RECOMMENDATION: The prevailing rediscount rates have not retarded business since its demands have been taken care of satisfactorily by the banks in this time of high money rates and generally have been favored by a preferential discount rate. The Council believes the banks are disposed to continue this practice of favoring commercial borrowers as long as possible. It should also be noted that some financing of a more or less permanent type has been delayed by the present high money market.

TOPIC No. 3. Open Market Committee.

RECOMMENDATION: The Federal Advisory Council without any intention of criticizing the present arrangements but in order that all governors of the Federal Reserve banks may participate in the discussions leading up to actions of the Open Market Committee suggests to the Federal Reserve Board to consider the advisability of having the membership of the Open Market Committee consist of all the governors of the Federal Reserve banks with an executive committee composed of five members with full power to act.

TOPIC No. 4. Suggestion that the Board revoke its ruling of 1919 to the effect that balances due from foreign banks may not be deducted from balances due to other banks by a member bank in calculating its reserves.

RECOMMENDATION: The Council understands fully the need of the ruling of 1919 at the time it was made, but it urges strongly that now under altered conditions deposits in foreign banks immediately available be made a deductible item in figuring the required reserves of member banks.

TOPIC No. 5. Suggestion that the Board's Regulations be amended so as to fix seven days as the minimum limitation on advances by Federal Reserve banks to member banks on their promissory notes secured by eligible paper or Government securities.

RECOMMENDATION: The Federal Advisory Council is opposed to the above amendment of the Board's Regulations. It seems to the Council it will tend to increase rather than diminish the funds available for speculation and to increase the sale and purchase of Federal Reserve funds. It is obvious that, if a member bank must borrow for a period of seven days even though it needs the money for a shorter period only, such a bank will be compelled either to place its idle funds temporarily at the disposal of the call money market or to sell such Federal funds to some other member bank.

Form No. 131.

# Office Correspondence

FEDERAL RESERVE  
BOARD

Date 333.-C

To \_\_\_\_\_

Subject: 8-16-78

From \_\_\_\_\_

2-3495  
GPO

At the meeting of the Board on August 16th it was voted that at an early meeting, at which the full membership of the Board is present, consideration be given to the advisability of having all Federal Reserve banks represented on the Open Market Investment Committee.

Mr. Miller gave notice that when this matter comes up for consideration, he will move that all meetings of the Committee be conducted under the supervision of the Federal Reserve Board, with the Governor of the Board presiding as Chairman of the meeting.