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Authority EO 10561

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System Open Market Account

Federal Open Market Committee

(1923 - 1934)

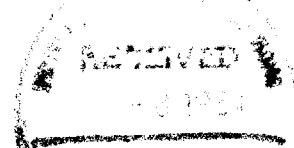
Part 1

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Authority EO 10561

FEDERAL RESERVE BANK OF PHILADELPHIA

925 CHESTNUT STREET



September 7, 1934

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

My dear Mr. Smead:

In the absence of Governor Norris, I write to acknowledge your letter of September 6 stating that this bank may discontinue furnishing the Board with schedules covering its allotments in the purchase of Government Securities for the System's special investment account.

Yours very truly,

John S. Sinclair
Deputy Governor

JSS:MDC

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September 6, 1934

Mr. G. W. Norris, Governor,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania

Dear Governor Norris:

As the Federal Reserve Bank of New York furnishes the Board with monthly statements showing the participations by each Federal Reserve bank in the total purchases of United States Government securities for the System Special Investment Account, and of all bills purchased through foreign banks, your bank may discontinue furnishing us with schedules covering its allotments in such purchases.

Very truly yours,

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

[Handwritten signature]

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Authority EO 10561

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B-979.

April 10, 1934.

The Honorable

The Comptroller General of the United States.

Sir:

Reference is made to your letter of September 6, 1933 (A-50561), relating to the submission to your office for direct settlement of a voucher covering various expenses incurred in connection with the emergency banking situation, in favor of the Federal Reserve Bank of Dallas, Texas, which was approved for the Comptroller of the Currency in the amount of \$2,790.55, for payment from the appropriation "Expenses, National Banking Emergency, Act March 9, 1933, Comptroller of the Currency," and requesting to be informed which of the items involved in the claim are considered not properly payable under the appropriation and the reasons therefor, and that there be furnished your office a copy of any regulations which have been issued concerning expenditures from this fund; to a letter of the Under Secretary of the Treasury dated October 2, 1933, setting forth a description of certain items in the voucher mentioned which the office of the Comptroller of the Currency was unable to certify for payment; and to a number of letters from the Claims Division of your office addressed to the Comptroller of the Currency under your files Misc. 014506(3), 015096(1), 0232879(2), 0365373(1)(3), 0421355, 0426813, and 0428207, returning certain vouchers submitted by Federal Reserve Banks and others for further administrative reports in the matter.

There appears to have been a general misunderstanding with respect

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to reimbursements for expenses in connection with the licensing of banks following the banking holiday. Accordingly, I have caused an investigation to be made of the matter with a view to determining what expenses had been authorized by the officials of the Treasury Department in connection with the duties devolving upon the Secretary of the Treasury under the Act of March 9, 1933 (47 Stat. 1-7). For your information, there are enclosed copies of telegrams dated April 8, 1933, signed by the Under Secretary of the Treasury, outlining the class of expenditures which would be reimbursed due to the charges for transportation of shipments of gold coin, gold certificates, etc. to member banks or Federal Reserve Banks in accordance with Sections 2, 3 and 5 of Executive Order No. 6102 of April 5, 1933; and April 22, 1933, signed by Assistant Secretary of the Treasury James H. Douglas, outlining the class of expenditures which would be reimbursed to Federal Reserve Banks due to the actual licensing of member banks and making available to member banks proclamations, orders, regulations and interpretations thereof, both of which were addressed to the Governors of the several Federal Reserve Banks.

Section 1 of the Act of March 9, 1933, supra, reads as follows:

"The actions, regulations, rules, licenses, orders and proclamations heretofore or hereafter taken, promulgated, made, or issued by the President of the United States or the Secretary of the Treasury since March 4, 1933, pursuant to the authority conferred by subdivision (b) of section 5 of the Act of October 6, 1917, as amended, are hereby approved and confirmed,"

and Section 501 of that Act provides:

"There is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$2,000,000,

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which shall be available for expenditure, under the direction of the President and in his discretion, for any purpose in connection with the carrying out of this Act."

The Office of the Comptroller of the Currency has interpreted the Act of March 9, 1933, to provide for the reimbursement of only the cost of telegrams sent and telephone calls made on and after March 9, 1933, by Federal Reserve Banks in connection with the licensing of banks following the banking holiday. It is apparent that it is the intention of the Sections of the Act of March 9, 1933, quoted above, to make the appropriation available for payment of expenses incurred after the issuance of Proclamation No. 2039 by the President on March 6, 1933, and the telegram of April 22, 1933, referred to above, was based upon that understanding. Accordingly, the vouchers returned by your office will be reexamined, reapproved in accordance with this letter, and resubmitted to the Claims Division of your office for further consideration as rapidly as possible. It is the opinion of this Department that these vouchers, as well as all others hereafter submitted to your office, should include all items which represent reimbursement for out of pocket expenses incurred in connection with the actual licensing of member banks and making available to member banks proclamations, orders, regulations and interpretations thereof, after the issuance of the Proclamation of March 6, 1933, which bears the hour of signature as 1 A.M.

Under date of March 1, 1933, the Secretary of the Treasury, with the approval of the President, issued Instructions G (photostatic copy enclosed), which provided that member banks of the Federal Reserve

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system should turn in to the Federal Reserve Banks all gold and gold certificates owned by them before they could avail themselves of the currency and coin, rediscount, and other facilities of the Federal Reserve banks, which facilities the Federal Reserve Banks were authorized to extend to member banks in order to enable such banks to perform the functions permitted under the regulations issued by the Secretary of the Treasury.

Reimbursement of the expenses of the transportation of gold coin and gold certificates is authorized by section 3 of the Act of March 9, 1933, supra, including the cost of insurance, protection, and such other incidental costs as may be reasonably necessary.

In accordance with the law and regulations cited above, therefore, supplemental vouchers will be submitted to your office for consideration and direct settlement of the cost of transportation, etc., of gold and gold certificates, which were disallowed by the office of the Comptroller of the Currency. X

For your further information I am attaching a copy of an order signed by the President on March 10, 1933, allotting the sum of \$1,000,000 of the appropriation mentioned above to the Treasury Department, this amount, or so much thereof as may be necessary, to be expended for any purpose in connection with the carrying out of the provisions of the Act of March 9, 1933, under such rules and regulations as the Secretary of the Treasury shall prescribe. A copy of an order signed by the President on December 28, 1933, allotting to the Treasury Department the unexpended balance under the original appropriation to be expended under similar conditions, is

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also enclosed.

Your cooperation in effecting settlement of these claims will be appreciated.

By direction of the Secretary:

Respectfully,

(Signed) Wm. H. McReynolds

Wm. H. McReynolds,
Administrative Assistant
to the Secretary.

Encls.

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FEDERAL RESERVE BANK

CONFIDENTIAL

OF NEW YORK

January 11, 1934.

Dear Governor Black:

The only changes in the holdings of United States Government securities in the System Account during the week ended January 10 were an exchange in the market of \$5,000,000 Treasury bills due March 28, 1934, for Treasury bills maturing April 4, 1934, and the maturity on January 10 of \$32,250,000 Treasury bills which were replaced by the purchase in the market of \$10,940,000 Treasury bills due April 11, 1934, and the temporary purchase of \$21,310,000 - 3/4% certificates of indebtedness due December 15, 1934, to be held pending permanent replacement.

There were no transactions in government securities in the Investment Account of this bank.

Throughout the current week prices of United States Government securities were weak following the budget message. On Thursday, the day of the message, prices dropped from 1/4 to 1/2 point and on each succeeding day declined fractionally further under heavy offerings despite considerable support which was given the market through purchases for Treasury accounts. The greatest weakness was in Treasury bonds and the longer maturity Treasury notes, which declined from 1/2 to 2 1/2 points. The two recent issues of Treasury bonds, the 3 1/4s of 1941 and the 4 1/4-3 1/4s of 1943/45, touched new low points yesterday at 97 29/32. The declines in short-term issues were only moderate as there was some tendency to shift holdings from long into short maturities. Discount bills were sold yesterday by the Treasury at an average price to yield 0.62% on an annual basis, the same yield as on the issue dated January 3. The average yield on the short-term issues of government securities was 0.13% higher at 1.34% at the close of this week, and the average closing sale price of the Liberty Loan bonds was 101.04 and Treasury bonds 98.83 as compared with 101.47 and 100.33 respectively at the close of the previous period. The present position of the market

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FEDERAL RESERVE BANK
OF NEW YORK

January 11, 1934.

CONFIDENTIAL

Dear Governor Black:

The only changes in the holdings of United States Government securities in the System Account during the week ended January 10 were an exchange in the market of \$5,000,000 Treasury bills due March 28, 1934, for Treasury bills maturing April 4, 1934, and the maturity on January 10 of \$32,250,000 Treasury bills which were replaced by the purchase in the market of \$10,940,000 Treasury bills due April 11, 1934, and the temporary purchase of \$21,310,000 - 3/4% certificates of indebtedness due December 15, 1934, to be held pending permanent replacement.

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FEDERAL RESERVE BANK OF NEW YORK 2 Honorable Eugene I Black 1/11/34.

and the price range for the year follow:

	1933	Jan. 10, 1934
	High	Low
3 issues of Liberty Loan bonds	103.31	100.33
10 " " Treasury	103.82	98.20
13 " combined	103.68	98.78
		101.04
		99.25
		99.62

The amount of net depreciation on United States Government securities held in the System Account on January 10 was \$8,808,964.49. The distribution of this amount is shown in the following table:

United States Certificates of Indebtedness	\$ 82,908.44
" " Treasury notes	11,440,063.41
" " Liberty Loan	2,801,656.98 (a)
" " Treasury Bills	87,649.62
Net depreciation	\$ 8,808,964.49

(a) appreciation

While the bill market was not as active as last week, dealers' sales continued to exceed their purchases and aggregate portfolios declined by \$18,500,000 to \$56,700,000.

Bills maturing within 60 days were in greater demand, but as dealers' portfolios soon ran short of those maturities, the demand late in the week was extended to include bills up to 75 days but was rather selective as to names.

Failure of the market to absorb longer maturities readily and the prospect of largely increased issues of short term Treasury securities have occasioned some uncertainty as to bill rates, but there has so far been no change in quotations. System holdings of bills declined \$7,000,000, operations of this bank resulting in a net decrease of \$1,450,000 in outright holdings and \$5,550,000 in sales contracts.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Deputy Governor

Honorable Eugene R. Black,
Governor, Federal Reserve Board,
Washington, D. C.

WRB/H

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Authority EO 10501

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January 10, 1934

Mr. Martin

Mr. Van Fossen *71*

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In accordance with your request, we have calculated the depreciation on Government securities held by the Federal Reserve banks from January 3 to January 9 and find that the depreciation in market value of Government securities held in special investment account, based on closing bid prices of January 3 and 9, was approximately \$5,130,000 and the depreciation in Government securities held in own portfolio by the various Federal Reserve banks \$430,000.

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FEDERAL RESERVE BANK
OF NEW YORK

333/34

December 28, 1933.

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

Dear Mr. Smead:

Enclosed you will find statement showing appreciation
and depreciation in United States Government securities held
in the Federal Reserve Bank of New York Investment Account, and
in the System Special Investment Account, as of the close of
business December 27, 1933.

Very truly yours,



W. B. Matteson
Assistant Deputy Governor

Encl.

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APPRECIATION OR DEPRECIATION OF U.S. SECURITIES HELD IN NEW YORK INVESTMENT AND SYSTEM SPECIAL INVESTMENT ACCOUNTS
AS REPRESENTED BY DIFFERENCE BETWEEN BOOK VALUES AND MARKET BID PRICES AS OF CLOSE OF BUSINESS DECEMBER 27, 1933

INVESTMENT ACCOUNT FEDERAL RESERVE BANK OF NEW YORK

Issue	Maturity	Par Value	Approximate Book Values	Market Bid Prices	APPRECIATION in BLACK DEPRECIATION in RED
U.S. Treas. Bills	Feb. 14, 1934	\$ 250,000	0.375% disc't	0.60% disc't	\$ 74.85
" " "	Mar. 7, 1934	3,500,000	0.495% "	0.75% "	1,710.73
3/4% Cert. of Ind.	" 15, 1934	350,000	100	100 1/32	109.38
1/4% " " "	June 15, 1934	10,684,000	100	99 24/32	26,710.00
2 1/4% " " "	Dec. 15, 1934	3,863,000	100	100 8/32	9,657.50
2 1/8% Treas. Notes	Aug. 1, 1934	3,250,000	100 26/32	100 16/32	9,113.01
3 " " "	June 15, 1935	10,751,800	101 22/32	101	70,826.92
1 5/8% " " "	Aug. 1, 1935	3,659,700	100	98 26/32	43,458.94
2 7/8% " " "	Apr. 15, 1936	8,267,000	100 28/32	99 20/32	101,275.91
3 1/4% " " "	Aug. 1, 1936	6,900,000	103 11/32	100 12/32	202,528.44
3 " " "	Apr. 15, 1937	1,250,000	102 1/32	99 10/32	33,842.02
3 1/4% " " "	Sept. 15, 1937	6,000,000	102 25/32	99 22/32	184,985.85
2 5/8% " " "	Feb. 1, 1938	250,000	99 30/32	97 14/32	6,202.40
4 1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	12,380,000	100 11/32	101 2/32	92,598.12
4 1/4% " " "	" 15, 1933-38 Uncalled	28,162,050	100 14/32	101 26/32	391,428.24
4 1/4% 1st " "	June 15, 1947	6,750,000	100 2/32	101 9/32	83,070.25
3 3/8% Tr. Bds	" 15, 1940-43	9,762,000	101 29/32	99 12/32	246,900.23
3 5/8% " " "	" 15, 1943-47	4,267,000	102 9/32	99 3/32	134,875.87
Totals		\$120,296,550			\$485,641.68 Net preci

NET PROFIT REALIZED ON SALES CLOSE OF BUSINESS DECEMBER 27, 1933 - - - - - \$ 88,622.11

SYSTEM SPECIAL INVESTMENT ACCOUNT

U.S. Treas. Bills	Jan. 3, 1934	45,250,000	0.062% disc't	0.50% disc't	3,150.22
" " "	" 10, 1934	32,250,000	0.082% "	0.50% "	4,868.10
" " "	" 17, 1934	41,098,000	0.100% "	0.50% "	9,110.51
" " "	" 24, 1934	26,100,000	0.161% "	0.50% "	6,633.96
" " "	" 31, 1934	16,803,000	0.207% "	0.60% "	6,223.39
" " "	Feb. 7, 1934	12,710,000	0.20 % "	0.60% "	5,790.06
" " "	" 14, 1934	33,100,000	0.375% "	0.60% "	9,916.46
" " "	" 21, 1934	23,851,000	0.367% "	0.65% "	10,288.18
" " "	" 28, 1934	48,319,000	0.389% "	0.65% "	21,714.92
" " "	Mar. 7, 1934	35,874,000	0.569% "	0.75% "	12,390.96
" " "	" 21, 1934	47,135,000	0.699% "	0.75% "	5,555.26
" " "	" 28, 1934	49,845,000	0.70 % "	0.75% "	6,230.63
3/4% Cert. of Ind.	" 15, 1934	163,000,000	100 2/32	100 1/32	17,543.30
3 % Treas. Notes	May 2, 1934	118,587,000	100 16/32	100 26/32	396,902.36
1/4% Cert. of Ind.	June 15, 1934	134,563,000	100 1/32	99 24/32	345,472.14
2 1/8% Treas. Notes	Aug. 1, 1934	156,317,000	100 11/32	100 16/32	265,343.37
2 1/4% Cert. of Ind.	Dec. 15, 1934	172,774,000	100	100 8/32	431,935.00
3 % Treas. Notes	June 15, 1935	115,748,700	101 2/32	101	58,459.09
1 5/8% " " "	Aug. 1, 1935	93,753,300	100 7/32	98 26/32	1,303,852.75
2 7/8% " " "	Apr. 15, 1936	179,350,500	101 1/32	99 20/32	2,477,942.90
3 1/4% " " "	Aug. 1, 1936	51,092,000	102 10/32	100 12/32	974,208.03
2 3/4% " " "	Dec. 15, 1936	96,468,000	100 27/32	99 6/32	1,580,424.73
3 % " " "	Apr. 15, 1937	68,125,000	102 3/32	99 10/32	1,881,597.49
3 1/4% " " "	Sept. 15, 1937	80,100,000	102 19/32	99 22/32	2,318,284.84
2 5/8% " " "	Feb. 1, 1938	25,570,000	100 11/32	97 14/32	741,992.74
2 7/8% " " "	June 15, 1938	19,750,000	100 31/32	97 28/32	607,075.04
4 1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	58,941,200	100 10/32	101 2/32	455,140.09
4 1/4% " " "	" 15, 1933-38 Uncalled	197,649,800	100 13/32	101 26/32	2,811,496.25
3 1/2% 1st " "	June 15, 1947	25,025,000	100 1/32	100 15/32	113,317.26
4 1/4% " " "	" 15, 1947	29,000,000	100 2/32	101 9/32	354,413.89
4 1/4-3 1/4% Tr. Bds	Oct. 15, 1945	25,000,000	100 14/32	99	359,142.63
Totals		\$2,223,149,500			\$7,939,320.11 Net prec

NET PROFIT REALIZED ON SALES FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL
CLOSE OF BUSINESS DECEMBER 27, 1933 - - - - - \$955,015.66

New York's share in net depreciation - - - - - 2,719,217.14
" " " " profits held in Suspense Account - - - - - 327,092.86

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FEDERAL RESERVE BANK
OF NEW YORK

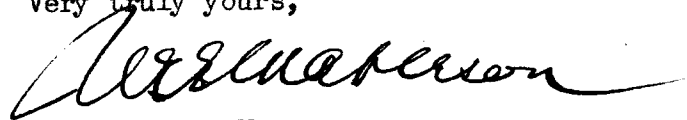
December 21, 1933.

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

Dear Mr. Smead:

Enclosed you will find statement showing appreciation and depreciation in United States Government securities held in the Federal Reserve Bank of New York Investment Account, and in the System Special Investment Account, as of the close of business December 20, 1933.

Very truly yours,



W. B. Matteson
Assistant Deputy Governor

Encl.

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APPRECIATION OR DEPRECIATION OF U.S. SECURITIES HELD IN NEW YORK INVESTMENT AND SYSTEM SPECIAL INVESTMENT ACCOUNTS
AS REPRESENTED BY DIFFERENCE BETWEEN BOOK VALUES AND MARKET BID PRICES AS OF CLOSE OF BUSINESS DECEMBER 20, 1933

INVESTMENT ACCOUNT FEDERAL RESERVE BANK OF NEW YORK

Issue		Maturity	Par Value	Approximate Book Values	Market Bid Prices	APPRECIATION in BLACK DEPRECIATION IN RED
U.S. Treas. Bills		Feb. 14, 1934	\$ 250,000	0.375% Disc.	0.60% Disc.	85.82
" "		Mar. 7, 1934	3,500,000	0.495% "	0.75% "	1,884.24
3/4% Cert. of Ind.		" 15, 1934	350,000	100	100	-0-
1/4% " "		June 15, 1934	10,684,000	100	99 20/32	40,065.
2 1/8% Treas. Notes		Aug. 1, 1934	3,250,000	100 26/32	100 12/32	13,997.45
2 1/4% Cert. of Ind.		Dec. 15, 1934	3,863,000	100	100 3/32	3,621.56
3 % Treas. Notes		June 15, 1935	10,751,800	101 22/32	100 30/32	79,884.65
1 5/8% " "		Aug. 1, 1935	3,659,700	100	98 22/32	48,033.56
2 7/8% " "		Apr. 15, 1936	8,267,000	100 28/32	99 16/32	112,195.98
3 1/4% " "		Aug. 1, 1936	6,900,000	103 11/32	100 4/32	221,466.77
3 % " "		Apr. 15, 1937	1,250,000	102 2/32	99 4/32	36,332.56
3 1/4% " "		Sept. 15, 1937	6,000,000	102 26/32	99 20/32	189,593.35
2 5/8% " "		Feb. 1, 1938	350,000	99 30/32	97 8/32	6,670.17
4 1/4% 4th L/L Bds		Oct. 15, 1933-38 Called	12,380,000	100 11/32	101 2/32	90,074.27
4 1/4% " " "		" 15, 1933-38 Uncalled	28,162,050	100 14/32	101 21/32	344,562.24
4 1/4% 1st " " "		June 15, 1947	6,750,000	100 2/32	101 7/32	78,710.10
3 3/8% Treas. Bonds		" 15, 1940-43	9,762,000	101 29/32	99 6/32	265,755.09
3 3/8% " "		" 15, 1943-47	4,267,000	102 9/32	99 1/32	137,727.62
			\$120,296,550			\$626,734.09 Not De

NET PROFIT REALIZED ON SALES CLOSE OF BUSINESS DECEMBER 20, 1933 - - \$ 88,622.11

SYSTEM SPECIAL INVESTMENT ACCOUNT

U.S. Treas. Bills	Dec. 27, 1933	49,845,000	0.056% Disc.	0.50% Disc.	3,687.43
" "	Jan. 3, 1934	45,250,000	0.062% "	0.50% "	6,825.73
" "	" 10, 1934	32,250,000	0.082% "	0.50% "	7,489.29
" "	" 19, 1934	41,098,000	0.100% "	0.50% "	12,299.26
" "	" 24, 1934	26,100,000	0.161% "	0.50% "	8,353.79
" "	" 31, 1934	16,803,000	0.207% "	0.60% "	7,504.60
" "	Feb. 7, 1934	12,710,000	0.20 % "	0.60% "	6,778.62
" "	" 14, 1934	23,100,000	0.375% "	0.60% "	11,262.57
" "	" 21, 1934	22,851,000	0.367% "	0.65% "	11,597.55
" "	" 28, 1934	48,319,000	0.389% "	0.65% "	24,166.57
" "	Mar. 7, 1934	25,874,000	0.569% "	0.75% "	13,648.05
" "	" 21, 1934	46,500,000	0.699% "	0.80% "	11,690.22
3/4% Cert. of Ind.	Mar. 15, 1934	163,000,000	100 2/32	100	74,706.32
3 % Treas. Notes	May 2, 1934	118,587,000	100 17/32	100 24/32	291,054.90
1/4% Cert. of Ind.	June 15, 1934	124,563,000	100 1/32	99 20/32	514,051.37
3 1/8% Treas. Notes	Aug. 1, 1934	156,952,000	100 11/32	100 12/32	53,433.23
2 1/4% Cert. Of Ind.	Dec. 15, 1934	172,774,000	100	100 3/32	161,975.63
3 % Treas. Notes	June 15, 1935	115,748,700	101 3/32	100 30/32	146,741.38
1 5/8% " "	Aug. 1, 1935	93,753,300	100 7/32	98 22/32	1,423,339.95
2 7/8% " "	Apr. 15, 1936	179,350,500	101 1/32	99 16/32	2,717,193.76
3 1/4% " "	Aug. 1, 1936	51,092,000	102 10/32	100 4/32	1,110,555.38
2 3/4% " "	Dec. 15, 1936	96,468,000	100 27/32	98 28/32	1,887,036.22
3 % " "	Apr. 15, 1937	68,125,000	102 3/32	99 4/32	2,017,548.39
3 1/4% " "	Sept. 15, 1937	80,100,000	102 20/32	99 20/32	2,379,014.85
2 5/8% " "	Feb. 1, 1938	25,570,000	100 11/32	97 8/32	790,342.49
2 7/8% " "	June 15, 1938	19,750,000	100 31/32	97 24/32	632,567.26
4 1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	58,942,200	100 10/32	101 2/32	444,049.57
4 1/4% " " "	" 15, 1933-38 Uncalled	197,649,800	100 13/32	101 21/32	2,484,124.31
3 1/2% 1st " " "	June 15, 1947	25,025,000	100 1/32	100 6/32	42,769.32
4 1/4% " " "	" 15, 1947	29,000,000	100 2/32	101 7/32	335,578.60
4 1/4-3 1/4% Tr. Bds	Oct. 15, 1945	25,000,000	100 14/32	98 24/32	421,856.13
			\$2,223,149,500		\$10,427,371.62 Not De

NET PROFIT REALIZED ON SALES FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL
CLOSE OF BUSINESS DECEMBER 20, 1933 - - - - - \$954,402.60

New York's share in net depreciation - - - - - \$3,576,588.47
" " " profits held in Suspense Account - - - - - 327,260.09

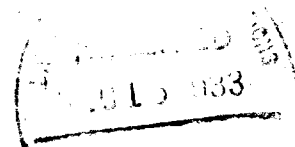
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Authority EO 10561

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FEDERAL RESERVE BANK
OF NEW YORK



333.34

December 14, 1933.

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

Dear Mr. Smead:

Enclosed you will find statement showing appreciation
and depreciation in United States Government securities held
in the Federal Reserve Bank of New York Investment Account, and
in the System Special Investment Account, as of the close of
business December 13, 1933.

Very truly yours,

W. B. Matteson
Assistant Deputy Governor

Encl.

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Authority EO 10561

APPRECIATION OR DEPRECIATION OF U. S. SECURITIES HELD IN NEW YORK INVESTMENT AND SYSTEM SPECIAL INVESTMENT ACCOUNTS
AS REPRESENTED BY DIFFERENCES BETWEEN BOOK VALUES AND MARKET BID PRICES AS OF CLOSE OF BUSINESS DECEMBER 13, 1933

INVESTMENT ACCOUNT FEDERAL RESERVE BANK OF NEW YORK

Issue	Maturity	Par Value	Approximate Book Values	Market Bid Prices	APPRECIATION in BLACK DEPRECIATION in RED
U.S. Treas. Bills	Feb. 14, 1934	\$ 250,000	0.375% disc't	0.60% Disc't.	96.78
" " "	Mar. 7, 1934	3,500,000	0.495% "	0.75% "	2,057.74
3/4% Cert. of Ind.	Dec. 15, 1933	2,863,000	100 1/32	100	6.37
4 1/4% " " "	" 15, 1933	1,000,000	100 1/32	100	76.16
3/4% " " "	Mar. 15, 1934	350,000	100	100	-0-
1/4% " " "	June 15, 1934	10,684,000	100	99 16/32	53,420.
2 1/8% Treas. Notes	Aug. 1, 1934	3,250,000	100 27/32	100 8/32	18,881.89
3 " " "	June 15, 1935	10,751,800	101 23/32	101	75,502.64
1 5/8% " " "	Aug. 1, 1935	3,659,700	100	99	36,597.
2 7/8% " " "	Apr. 15, 1936	8,267,000	100 28/32	99 24/32	92,114.80
3 1/4% " " "	Aug. 1, 1936	6,900,000	103 12/32	100 12/32	205,905.10
3 " " "	Apr. 15, 1937	1,250,000	102 2/32	99 16/32	31,791.85
3 1/4% " " "	Sept. 15, 1937	6,000,000	102 26/32	99 28/32	175,450.85
2 5/8% " " "	Feb. 1, 1938	250,000	99 30/32	97 16/32	6,044.19
4 1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	12,380,000	100 12/32	101 2/32	87,550.42
4 1/4% " " "	" 15, 1933-38 Uncalled	28,162,050	100 15/32	101 17/32	306,496.89
4 1/4% 1st " "	June 15, 1947	6,750,000	100 2/32	101 5/32	74,349.75
3 3/8% Treas. Bonds	" 15, 1940-43	9,762,000	101 30/32	99 13/32	244,951.82
3 3/8% " " "	" 15, 1943-47	4,267,000	102 9/32	99 4/32	133,932.19
TOTALS		\$120,296,550			608,432.12 Net prec

NET PROFIT REALIZED ON SALES CLOSE OF BUSINESS DECEMBER 13, 1933 - - - - - \$88,622.11

SYSTEM SPECIAL INVESTMENT ACCOUNT

U.S. Treas. Bills	Dec. 20, 1933	\$ 44,900,000	0.104% disc't	0.50% Disc't	2,957.85
" " "	" 27, 1933	49,845,000	0.056% "	0.50% "	7,989.57
" " "	Jan. 3, 1934	45,250,000	0.062% "	0.50% "	10,501.23
" " "	" 10, 1934	32,250,000	0.082% "	0.50% "	10,110.49
" " "	" 17, 1934	41,098,000	0.100% "	0.50% "	15,488.01
" " "	" 24, 1934	26,100,000	0.161% "	0.50% "	10,073.62
" " "	" 31, 1934	16,803,000	0.207% "	0.60% "	8,785.81
" " "	Feb. 7, 1934	12,710,000	0.20 % "	0.60% "	7,767.18
" " "	" 14, 1934	33,100,000	0.375% "	0.60% "	12,808.67
" " "	" 21, 1934	23,851,000	0.367% "	0.65% "	12,906.92
" " "	" 28, 1934	48,319,000	0.389% "	0.65% "	26,618.23
" " "	Mar. 7, 1934	35,874,000	0.569% "	0.75% "	14,905.14
3/4% Cert. of Ind.	Dec. 15, 1933	73,254,000	100 1/32	100	419.33
4 1/4% " " "	" 15, 1933	99,520,000	100 1/32	100	3,725.58
3/4% " " "	Mar. 15, 1934	163,000,000	100 2/32	100	80,931.84
3 % Treas. Notes	May 2, 1934	119,387,000	100 17/32	100 24/32	261,073.75
1/4% Cert. of Ind.	June 15, 1934	134,563,000	100 1/32	99 16/32	682,630.60
2 1/8% Treas. Notes	Aug. 1, 1934	157,752,000	100 12/32	100 8/32	160,368.07
3 " " "	June 15, 1935	115,748,700	102 3/32	101	90,337.79
1 5/8% " " "	Aug. 1, 1935	93,753,300	100 7/32	99	1,132,656.47
2 7/8% " " "	Apr. 15, 1936	179,350,500	101 1/32	99 24/32	2,283,880.25
3 1/4% " " "	Aug. 1, 1936	51,092,000	102 11/32	100 12/32	991,442.73
2 3/4% " " "	Dec. 15, 1936	96,468,000	100 27/32	99	1,771,600.21
3 " " "	Apr. 15, 1937	68,125,000	102 4/32	99 16/32	1,770,296.17
3 1/4% " " "	Sept. 15, 1937	80,100,000	102 20/32	99 28/32	2,189,432.36
2 5/8% " " "	Feb. 1, 1938	25,570,000	100 11/32	97 16/32	726,823.49
2 7/8% " " "	June 15, 1938	19,750,000	100 31/32	98	583,996.98
4 1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	58,941,200	100 11/32	101 2/32	432,959.05
4 1/4% " " "	" 15, 1933-38 Uncalled	197,649,800	100 14/32	101 17/32	2,218,517.94
3 1/2% 1st " "	June 15, 1947	25,025,000	100 1/32	100 2/32	11,322.94
4 1/4% " " "	" 15, 1947	29,000,000	100 3/32	101 5/32	316,743.31
4 1/4-3 1/4% Fr. Bds	Oct. 15, 1945	25,000,000	100 15/32	99	359,569.63
TOTALS		\$2,223,149,500			29,728,407.23 Net prec

NET PROFIT REALIZED ON SALES FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL
CLOSE OF BUSINESS DECEMBER 13, 1933 - - - - - \$951,459.57

New York's share in net depreciation - - - - - \$3,342,680.72
" " " " profits held in Suspense Account - - - - - 326,921.51

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Authority EO 10561

December 8, 1933

Federal Reserve Board

Mr. Smead

333.34

Attached is a statement furnished by the Federal Reserve Bank of New York showing the depreciation or appreciation on each class of United States Government securities held in the System's Special Investment Account and in the Federal Reserve Bank of New York's own portfolio on December 6, based on market bid prices as at close of business. It will be noted that there is a net depreciation of \$9,801,000 in securities held in the System's Special Investment Account and of \$653,000 in securities held in the portfolio of the New York Bank. It is also estimated that the net depreciation on United States Government securities held in the portfolios of other Federal Reserve banks amounts to about \$530,000. This makes a total net depreciation in the Government security holdings of the Reserve banks as of December 6 of something like \$10,984,000, compared with about \$7,150,000 on November 29 and about \$16,000,000 on November 22.

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Authority EO 10561

December 1, 1933

Federal Reserve Board

Mr. Snood

333.34

Attached is a statement furnished by the Federal Reserve Bank of New York showing the depreciation or appreciation on each class of United States Government securities held in the System's Special Investment Account and in the Federal Reserve Bank of New York's own portfolio on November 29, based on market bid prices as at close of business. It will be noted that there is a net depreciation of \$6,125,000 in securities held in the System's Special Investment Account and of \$490,000 in securities held in the portfolio of the New York Bank. It is also estimated that the net depreciation on United States Government securities held in the portfolios of other Federal Reserve banks amounts to about \$475,000. This makes a total net depreciation in the Government security holdings of the Reserve banks as of November 29 of something like \$7,150,000, compared with about \$16,000,000 on November 22 and \$6,630,000 on November 15.

VT/mcw

24

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Authority EO 10561

November 24, 1933

Federal Reserve Board

Mr. Smead

333-34

Attached is a statement furnished by the Federal Reserve Bank of New York showing the depreciation or appreciation on each class of United States Government securities held in the System's Special Investment Account and in the Federal Reserve Bank of New York's own portfolio on November 22, based on market bid prices as at close of business. It will be noted that there is a net depreciation of \$14,211,000 in securities held in the System's Special Investment Account and of \$1,097,000 in securities held in the portfolio of the New York Bank. It is also estimated that the net depreciation on United States Government securities held in the portfolios of other Federal Reserve banks amounts to about \$850,000. This makes a total net depreciation in the Government security holdings of the Reserve banks as of November 22 of something over \$16,000,000. Since November 22 the market for Governments has improved, so that the depreciation is now materially less than \$16,000,000.

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Authority EO 10561

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**FEDERAL RESERVE BANK
OF NEW YORK**

November 23, 1936.

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

Dear Mr. Smead:

Enclosed you will find statement showing appreciation and depreciation in United States Government securities held in the Federal Reserve Bank of New York Investment Account, and in the System Special Investment Account, as of the close of business November 22, 1936.

Very truly yours,



W. B. Mattonson
Assistant Deputy Governor

Encl.

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Authority E.O. 10561

November 17, 1933

Federal Reserve Board

Depreciation on U. S. Government

Mr. Smead

securities owned by F. R. banks

333.34

Attached is a statement furnished by the Federal Reserve Bank of New York showing the appreciation or depreciation on each class of United States Government securities held in the System Special Investment Account and in the Federal Reserve Bank of New York's own portfolio on November 15, based on market bid prices as at close of business. It will be noted that there is a net depreciation of \$5,618,300 in securities held in the System Special Investment Account and of \$362,136 in securities held in the portfolio of the New York bank.

On the basis of such information as is available, it is estimated that on November 15 there was a net depreciation of about \$650,000 in Government securities held in their own portfolios by Federal Reserve banks other than New York.

The par value and depreciation or appreciation in securities held in the System Special Investment Account by classes of securities are as follows:

Class of security

Liberty bonds	\$310,616.000	\$3,249,794.81	Appreciation
Other bonds	25,000,000	282,298.63	Depreciation
Treasury notes	972,771,500	8,263,568.51	Depreciation
Certificates of indebtedness	468,337,000	200,497,39	Depreciation
Treasury bills	446,425,000	121,732.75	Depreciation
Total	2,223,149,500	5,618,300.47	Net depreciation

0.75

VF/mcw

54

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Authority EO 10561

November 17, 1933

Mr. Hamlin

Depreciation on U. S. Government

Mr. Smead

securities owned by F. R. banks

333.39

With reference to your recent request it was not practicable to ascertain from data on file in this office the amount of depreciation on United States Government securities owned by the Federal Reserve banks and accordingly we have obtained from the Federal Reserve Bank of New York the necessary information with respect to securities held in the Special Investment Account and in the New York bank's own portfolio. According to the figures furnished by the Federal Reserve Bank of New York, on November 15 there was a net depreciation, on the basis of closing bid prices, of \$5,618,300 in the System Special Investment Account and of \$362,100 in securities owned by the Federal Reserve Bank of New York. On the basis of such information as is available regarding the Government securities held by other Federal Reserve banks and the book value of such securities, it is estimated that on November 15 there was a net depreciation of about \$650,000 in Government securities held in their own portfolios by Federal Reserve banks other than New York.

Liberty bonds held in Special Investment Account on November 15 had a market value of approximately \$3,250,000 in excess of book value while other securities held in Special Investment Account showed depreciation as follows:

Other bonds	\$282,300
Treasury notes	5,263,600
Certificates of indebtedness	200,500
Treasury bills	121,700

A detailed statement showing the depreciation or appreciation in securities held in the Special Investment account and in the New York bank's own portfolio is being furnished the Board.

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Authority EO 10561

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FEDERAL RESERVE BOARD October 12, 1933.

WASHINGTON

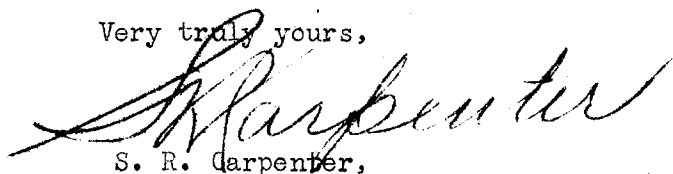
CONFIDENTIAL
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

Dear Sir:

The Federal Reserve Board today transmitted to Mr. George L. Harrison, as Chairman of the Federal Open Market Committee, a telegram reading as follows:

"The Federal Reserve Board has given careful consideration to the resolution adopted at the meeting on October 10, 1933, of the Federal Open Market Committee and has requested me to advise you that it authorizes the Executive Committee of the Federal Open Market Committee to proceed with the proposed purchases of United States Government securities up to the extent of the unused portion of the aggregate of \$1,000,000,000 covered by the authority granted as set forth in my wire to you of May 12, 1933. In granting this authority, the Board will expect to be kept informed currently by the Executive Committee of its program of purchases and as to any development in the situation which may affect the application of the program. The Board will have the whole matter of open market policy under constant review and will advise the Committee of changes to be made in the program in order more fully to adjust it to the requirements of the national situation."

Very truly yours,



S. R. Carpenter,
Assistant Secretary.

TO: CHAIRMEN OF ALL F. R. BANKS.

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Authority EO 10561

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Mr. T. J. [unclear]

FEDERAL RESERVE BOARD
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7491

July 10, 1933.

SUBJECT: Alternates for Members of Federal
Open Market Committee.

Dear Sir:

There is attached hereto, for your information,
a copy of a letter addressed by the Board to the Secre-
tary of the Federal Reserve Bank of Philadelphia under
date of July 8, 1933, with regard to the status of
alternates for regularly selected members of the Fed-
eral Open Market Committee.

Very truly yours,

Chester Morrill,
Secretary.

Inclosure.

TO ALL F. R. AGENTS.

DECLASSIFIED

Authority EO 10561

C O P Y

X-7491-a

July 8, 1933.

Mr. C. A. McIlhenny, Secretary,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. McIlhenny:

Receipt is acknowledged of your letter of June 28, 1933, advising that, at a meeting of the Board of Directors of the Federal Reserve Bank of Philadelphia held on June 21, 1933, Mr. George W. Norris, Governor, was elected a member of the Federal Open Market Committee to represent the Federal Reserve Bank of Philadelphia and Mr. William H. Hutt, Deputy Governor, was elected his alternate.

Under the provisions of Section 12A of the Federal Reserve Act, as amended by Section 8 of the Banking Act of 1933, the Federal Open Market Committee is a statutory committee; the Board of Directors of each Federal reserve bank is authorized to select only one member thereof annually; and no provision is made for an alternate. In the circumstances, it would seem that an alternate would have no legal status as a member of the Committee, even in the absence of the regularly appointed representative of his Federal Reserve Bank, and that the vote of an alternate on any matter coming before the Committee could not be counted, if a point of order were made against it.

There would seem to be no reasonable objection, however,

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Authority EO 10561

X-7491-a

Mr. C. A. McIlhenny,

- 2 -

to an alternate attending the meetings of the Committee and participating in the discussion, in the absence of the regularly appointed representative of his Federal Reserve Bank.

Very truly yours,

Chester Morrill,
Secretary.

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Authority E.O. 10561

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JAN

JUL 8 - 1933

Mr. Frederic H. Curtiss, Chairman,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Curtiss:

The Federal Reserve Board notes from your letter of June 29, 1933, that at the meeting of your directors on June 28 the Governor of the Federal Reserve Bank of Boston was appointed as a member of the Federal Open Market Committee representing the First Federal Reserve District, to serve until December 31, 1933, or until his successor is appointed and qualified.

You will be advised when the other members of the Federal Open Market Committee have been selected.

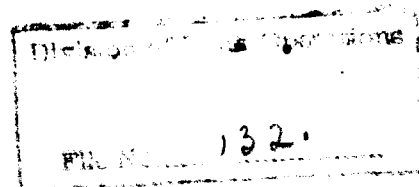
Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary

Copy to Mr. Smead

SRC/fsf



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Authority EO 10561

APPRECIATION OR DEPRECIATION OF U.S. SECURITIES HELD IN NEW YORK INVESTMENT AND SYSTEM SPECIAL INVESTMENT ACCOUNTS
AS REPRESENTED BY DIFFERENCE BETWEEN BOOK VALUES AND MARKET BID PRICES AS OF CLOSE OF BUSINESS DECEMBER 27, 1933

INVESTMENT ACCOUNT FEDERAL RESERVE BANK OF NEW YORK

Issue		Maturity	Par Value	Approximate Book Values	Market Bid Prices	APPRECIATION in BLACK DEPRECIATION in RED
U.S. Treas. Bills		Feb. 14, 1934	\$ 250,000	0.375% disc't	0.60% disc't	\$ 74.85
"		Mar. 7, 1934	3,500,000	0.495% "	0.75% "	1,710.73
3/4% Cert. of Ind.		" 15, 1934	350,000	100	100 1/32	109.38
1/4% " " "		June 15, 1934	10,684,000	100	99 24/32	26,710.00
1/4% " " "		Dec. 15, 1934	3,863,000	100	100 8/32	9,657.50
1/8% Treas. Notes		Aug. 1, 1934	3,250,000	100 26/32	100 16/32	9,113.01
"		June 15, 1935	10,751,800	101 22/32	101	70,826.92
5/8% " "		Aug. 1, 1935	3,659,700	100	98 26/32	43,458.94
7/8% " "		Apr. 15, 1936	8,267,000	100 28/32	99 20/32	101,275.91
1/4% " "		Aug. 1, 1936	6,900,000	103 11/32	100 12/32	202,528.44
"		Apr. 15, 1937	1,250,000	102 1/32	99 10/32	33,842.02
1/4% " "		Sept. 15, 1937	6,000,000	102 25/32	99 22/32	184,985.85
5/8% " "		Feb. 1, 1938	250,000	99 30/32	97 14/32	6,202.40
1/4% 4th L/L Bds		Oct. 15, 1933-38 Called	12,380,000	100 11/32	101 2/32	92,598.12
1/4% " " "		" 15, 1933-38 Uncalled	28,162,050	100 14/32	101 26/32	391,428.24
1/4% 1st " "		June 15, 1947	6,750,000	100 2/32	101 9/32	83,070.25
3/8% Tr. Bds		" 15, 1940-43	9,762,000	101 29/32	99 12/32	246,900.23
7/8% " "		" 15, 1943-47	4,267,000	102 9/32	99 3/32	134,875.87
Totals			\$120,296,550			\$485,641.68 Net De- preciation

NET PROFIT REALIZED ON SALES CLOSE OF BUSINESS DECEMBER 27, 1933 - - - - - \$ 88,622.11

SYSTEM SPECIAL INVESTMENT ACCOUNT

U.S. Treas. Bills	Jan. 3, 1934	45,250,000	0.062% disc't	0.50% disc't	3,150.22
"	" 10, 1934	32,250,000	0.082% "	0.50% "	4,868.10
"	" 17, 1934	41,098,000	0.100% "	0.50% "	9,110.51
"	" 24, 1934	26,100,000	0.161% "	0.50% "	6,633.96
"	" 31, 1934	16,803,000	0.207% "	0.60% "	6,223.39
"	Feb. 7, 1934	12,710,000	0.20 % "	0.60% "	5,790.06
"	" 14, 1934	33,100,000	0.375% "	0.60% "	9,916.46
"	" 21, 1934	23,851,000	0.367% "	0.65% "	10,288.18
"	" 28, 1934	48,319,000	0.389% "	0.65% "	21,714.92
"	Mar. 7, 1934	35,874,000	0.569% "	0.75% "	12,390.96
"	" 21, 1934	47,135,000	0.699% "	0.75% "	5,555.26
"	" 28, 1934	49,845,000	0.70 % "	0.75% "	6,230.63
3/4% Cert. of Ind.	" 15, 1934	163,000,000	100 2/32	100 1/32	17,543.30
1/2% Treas. Notes	May 2, 1934	118,587,000	100 16/32	100 26/32	396,902.36
1/4% Cert. of Ind.	June 15, 1934	134,563,000	100 1/32	99 24/32	345,472.14
1/8% Treas. Notes	Aug. 1, 1934	156,317,000	100 11/32	100 16/32	265,343.37
1/4% Cert. of Ind.	Dec. 15, 1934	172,774,000	100	100 8/32	431,925.00
1/2% Treas. Notes	June 15, 1935	115,748,700	101 2/32	101	58,459.09
5/8% " "	Aug. 1, 1935	93,753,300	100 7/32	98 26/32	1,303,852.75
7/8% " "	Apr. 15, 1936	179,350,500	101 1/32	99 20/32	2,477,942.90
1/4% " "	Aug. 1, 1936	51,092,000	102 10/32	100 12/32	974,208.03
3/4% " "	Dec. 15, 1936	96,468,000	100 27/32	99 6/32	1,580,424.73
"	Apr. 15, 1937	68,125,000	102 3/32	99 10/32	1,881,597.49
1/4% " "	Sept. 15, 1937	80,100,000	102 19/32	99 22/32	2,318,284.84
5/8% " "	Feb. 1, 1938	25,570,000	100 11/32	97 14/32	741,992.74
7/8% " "	June 15, 1938	19,750,000	100 31/32	97 28/32	607,075.04
1/4% 4th L/L Bds	Oct. 15, 1933-38 Called	58,941,200	100 10/32	101 2/32	455,140.09
1/4% " " "	" 15, 1933-38 Uncalled	197,649,800	100 13/32	101 26/32	2,811,496.25
1/2% 1st " "	June 15, 1947	25,025,000	100 1/32	100 15/32	113,317.26
1/4% " " "	" 15, 1947	29,000,000	100 2/32	101 9/32	354,413.89
1/4-3 1/4% Tr. Bds	Oct. 15, 1945	25,000,000	100 14/32	99	359,142.63
Totals		\$2,223,149,500			\$7,939,320.11 Net De- preciation

NET PROFIT REALIZED ON SALES FOR YEAR 1933 HELD IN SUSPENSE ACCOUNT GENERAL
CLOSE OF BUSINESS DECEMBER 27, 1933 - - - - - \$955,015.66

New York's share in net depreciation - - - - - 2,719,217.14
" " " " profits held in Suspense Account - - - - - 327,092.86

DECLASSIFIED

Authority EO 10661

Mr. Smead

3324

COPY

33234

July 8, 1933.

Mr. Allan Sproul, Secretary,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Sproul:

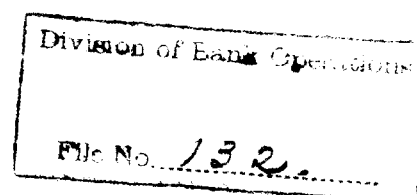
The Federal Reserve Board notes from your letter of July 3, 1933, that your board of directors, at its meeting on June 29, appointed Mr. George L. Harrison, Governor of the Federal Reserve Bank of New York, as a member of the Federal Open Market Committee for the remainder of the current year; it being contemplated that future selections of a member of that committee to represent the Second Federal Reserve District will be made at the annual meeting of the board of directors of your bank in January of each year.

You will be advised when the other members of the Federal Open Market Committee have been appointed.

Very truly yours,

Copy: Mr. Smead

(s) Chester Morrill,
Secretary



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Authority EO 10561

COPY

July 8, 1933.

Mr. C. A. McIlhenny, Secretary,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania.

Dear Mr. McIlhenny:

Receipt is acknowledged of your letter of June 28, 1933, advising that, at a meeting of the Board of Directors of the Federal Reserve Bank of Philadelphia held on June 21, 1933, Mr. George W. Norris, Governor, was elected a member of the Federal Open Market Committee to represent the Federal Reserve Bank of Philadelphia and Mr. William H. Hutt, Deputy Governor, was elected his alternate.

Under the provisions of Section 12A of the Federal Reserve Act, as amended by Section 8 of the Banking Act of 1933, the Federal Open Market Committee is a statutory committee; the Board of Directors of each Federal reserve bank is authorized to select only one member thereof annually; and no provision is made for an alternate. In the circumstances, it would seem that an alternate would have no legal status as a member of the Committee, even in the absence of the regularly appointed representative of his Federal Reserve Bank, and that the vote of an alternate on any matter coming before the Committee could not be counted, if a point of order were made against it.

There would seem to be no reasonable objection, however, to an alternate attending the meetings of the Committee and participating in the discussion, in the absence of the regularly appointed representative of his Federal Reserve Bank.

Very truly yours,

Division of Bank Operations

File No. 132

(s) Chester Morrill,
Secretary

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Authority EO 10561

Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARDDate June 10, 1933.To FilesSubject: 332.41
333.34From Mr. Smead

GPO

2-8495

ran

Dr. Burgess' letter to Governor Black dated June 8, states that the \$22,000,000 of United States securities purchased for System Account during the week ending Wednesday June 7, 1933, were allotted to Federal reserve banks on the ratio that each bank's cash reserves in excess of the amount required for a 55% reserve bore to the System total.

Division of Bank Operations

File No. 131.5

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Authority EO 10561

File.

35-34
4/26/32

Federal reserve banks that lend against Government securities at par
in all cases:

New York
Cleveland
Atlanta
Minneapolis
Dallas

Federal reserve banks that lend at par in some cases and at market in
others:

Boston
Philadelphia
Richmond
Chicago
St. Louis

Federal reserve banks that lend at market in all cases:

San Francisco

Kansas City - not mentioned.

(Excerpt from page 8 of Minutes of Open Market Policy Conference held in
Washington, January 11, 12, 1932.)

4-26-33.
132.

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March 12, 1933.

Curtiss - Young - Boston
 Austin - Norris - Philadelphia
 DeCamp - Pencher - Cleveland
 Hoxton - Seny - Richmond
 Newton - Black - Atlanta

Stevens - McDougal - Chicago
 Wood - Martin - St. Louis
 Bailey - Geary - Minneapolis
 McClure - Hamilton - Kansas City
 Walsh - McKinney - Dallas
 Newton - Calkins - San Francisco

TRANS. _____ In order that your bank may be able to pledge United States Government securities held in special investment account and notes, drafts, bills of exchange and bankers acceptances held for your account by the Federal Reserve Bank of New York as security for Federal reserve bank notes, it is suggested that you give to the Federal reserve agent at New York a power of attorney similar to form X-7146-a inclosed with Board's letter X-7146 of April 29, 1933, authorizing him to receive and hold for your account direct obligations of the United States and notes, drafts and bills of exchange and bankers acceptances. It is suggested that the form of power of attorney read as follows:

"Know all men by these presents that I, _____, Federal Reserve Agent of Federal Reserve Bank of _____, have constituted and appointed, and by these presents do constitute and appoint J. Herbert Case, Federal Reserve Agent at Federal Reserve Bank of New York, my true and lawful attorney in fact, to receive from Federal Reserve Bank of _____ or from Federal Reserve Bank of New York or other duly authorized agent of Federal Reserve Bank of _____ and to hold for me and in my name and subject to my order direct obligations of the United States and notes, drafts, bills of exchange and bankers acceptances eligible as collateral security for Federal reserve bank notes under the provisions of the sixth paragraph of Section 18 of the Federal Reserve Act, as

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Authority EO 10561

-2-

amended, with power to my said attorney without further order or instructions from me to release and deliver to Federal Reserve Bank of New York as agent of Federal Reserve Bank of _____ any of the said obligations of the United States so held upon receipt of other direct obligations of the United States, or any of said bankers acceptances so held upon receipt of other bankers acceptances eligible as collateral security for Federal reserve bank notes under the provisions of the sixth paragraph of Section 18 of the Federal Reserve Act, as amended, of a face amount not less than the obligations of the United States or bankers acceptances so released and delivered." The Federal Reserve Bank of New York will furnish you telegraphic and mail advice covering any United States Government securities, notes, drafts, bills of exchange or bankers acceptances deposited with or withdrawn from the Federal reserve agent at New York for your account as collateral security for Federal reserve bank notes in the same form as it now advises you regarding collateral pledged against Federal reserve notes. Schedules covering collateral pledged against Federal reserve bank notes should be furnished to the Federal Reserve Board in the same manner and to the same extent as schedules are now furnished covering collateral pledged with the Federal reserve agent against Federal reserve notes.

Morrill.

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February 24, 1933

Governor Meyer

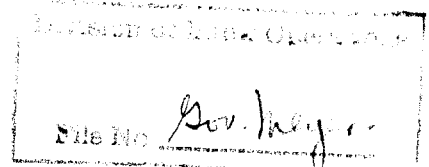
Mr. Smead

333.34

In accordance with your telephone request we have prepared two statements one showing the amount of short-term Treasury securities held in the special investment account, arranged according to maturities and the other the amount of the various issues of Treasury certificates, Treasury bills and Treasury notes outstanding and the amount of each issue held in the System special investment account.

It will be noted from the first mentioned statement that on February 15, 1933, the System held in the special investment account slightly more securities having a maturity within seven months than they held on August 3, 1932; that the amount maturing within one year was approximately \$150,000,000 less than on August 3, 1932; and that the amount maturing in from one to five years was \$418,000,000 on February 15, 1933, as compared with \$201,000,000 on August 3, 1932.

On August 3, 1932, the System held \$746,000,000 of securities which have since matured. In replacing these securities the Federal reserve banks have confined their purchases largely to the shorter term securities but to the extent of approximately \$85,000,000 have increased their holdings of Treasury notes having a maturity in excess of three years.



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Governor Meyer - #2

Holdings of Treasury notes maturing after February 1936 held on August 3, 1932, and weekly changes therein since that date were as follows:

	<u>Amount held</u>	<u>Weekly changes</u>
<u>1932</u>		
August 3	\$23,825,000	
" 10	28,325,000	+\$4,500,000
" 17	30,825,000	+ 2,500,000
Sept. 21	57,825,000	+27,000,000
" 28	55,325,000	-2,500,000
Oct. 12	49,608,500	- 5,716,500
" 19	11,108,500	-38,500,000
" 26	--	-11,108,500
Dec. 21	14,880,000	+14,880,000
" 28	19,880,000	+ 5,000,000
<u>1933</u>		
Feb. 1	31,420,000	+11,540,000
" 8	84,220,000	+52,800,000
" 15	112,770,500	+27,550,500

The only United States Government bonds held in Special Investment Account are Liberty bonds of which \$335,616,000 were held both on August 3, 1932 and February 15, 1933. During this period \$48,000,000 of First Liberty 3-1/2 per cent bonds were replaced by \$6,000,000 of First Liberty 4-1/4 per cent and \$42,000,000 of Fourth Liberty 4-1/4 per cent bonds, as indicated by the table below:

**UNITED STATES BONDS HELD IN SPECIAL INVESTMENT ACCOUNT
ON AUGUST 3, 1932, AND FEB. 15, 1933**

	<u>Aug. 3, 1932</u>	<u>Feb. 15, 1933</u>
1st Liberty 3-1/2*	\$73,025,000	\$25,025,000
1st Liberty 4-1/4*	23,000,000	29,000,000
4th Liberty 4-1/4†	239,591,000	281,591,000
Total	335,616,000	335,616,000

*Mature June 15, 1947, callable on any interest payment date on 6 months notice.

†Mature Oct. 15, 1938 callable on any interest payment date on 6 months notice.

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**MATURITY OF TREASURY NOTES, CERTIFICATES OF INDEBTEDNESS AND
TREASURY BILLS HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT
ON AUGUST 3, 1932, AND FEBRUARY 15, 1933**

	<u>August 3, 1932</u>	<u>Feb. 15, 1933</u>
Maturing within -		
1 month	\$192,056,000	\$220,975,000
2 months	416,508,500	274,825,000
3 months	619,342,000	449,322,000
4 months	619,342,000	582,347,000
5 months	733,039,000	582,347,000
6 months	746,314,000	582,347,000
7 months	746,314,000	772,880,000
8 months	899,839,000	772,880,000
9 months	1,002,991,500	772,880,000
10 months	1,002,991,500	850,984,000
11 months	1,098,066,500	850,984,000
1 year	1,098,066,500	850,984,000
2 years	1,197,566,500	1,065,536,000
3 years	1,275,166,500	1,156,013,000
4 years	1,298,991,500	1,105,443,000
5 years	1,298,991,500	1,268,783,500
Total maturing after 1 year	200,925,000	417,799,500
" " " 2 years	101,425,000	203,247,500
" " " 3 years	23,825,000	112,770,500

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**TREASURY BILLS, CERTIFICATES OF INDEBTEDNESS AND TREASURY NOTES
OUTSTANDING BY ISSUES, ON JANUARY 31, 1933, AND AMOUNTS THEREOF
HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT ON FEBRUARY 15, 1933**

<u>Treasury bills</u>	<u>Outstanding Jan. 31, 1933</u>	<u>In System Special Investment Account</u>
Maturing 2-23-33	\$60,000,000	\$40,000,000
3- 1-33	100,000,000	30,000,000
3-29-33	100,000,000	24,400,000
4-12-33	75,100,000	30,000,000
4-19-33	75,000,000	29,000,000
4-26-33	80,000,000	31,100,000
5-10-33	**75,200,000	100,000
5-17-33	*75,200,000	15,300,000

**Outstanding on Feb. 8, 1933 (date of issuance)

*Outstanding on Feb. 15, 1933 (date of issuance)

Certificates of indebtedness

3-3/4 per cent 3-15-33	660,700,000	151,000,000
2 " 3-15-33	33,600,000	--
2 " 5-2-33	239,200,000	114,300,000
1-1/2 " 6-15-33	373,900,000	117,700,000
1-1/4 " 9-15-33	451,400,000	190,500,000
3-4 " 12-15-33	254,400,000	78,100,000

Treasury notes

3 per cent 5-2-34	244,200,000	92,000,000
2-1/8 " 8-1-34	345,300,000	122,500,000
3 " 6-15-35	416,600,000	90,500,000
3-1/4 " 8-1 -36	365,100,000	12,100,000
2-3/4 " 12-15-36	360,500,000	27,400,000
3 " 4-15-37	508,300,000	24,200,000
3-1/4 " 9-15-37	834,400,000	32,800,000
2-5/8 " 2-1 -38	*277,500,000	16,400,000

*Outstanding on February 1, 1933 (date of issuance):

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FEDERAL RESERVE BOARD

STATEMENT FOR THE PRESS.

For publication in Morning Papers,
Friday, January 6, 1933.

*Policy
Record* 1/6/33

The Open Market Policy Conference of the Federal Reserve System, with representatives from all of the twelve Federal reserve banks in attendance, concluded its meetings with the Federal Reserve Board today. The sessions of the Conference were devoted to a review of economic, business, financial and banking conditions in each of the twelve Federal reserve districts and to the economic and financial situation in the country as a whole. Particular reference was made in the discussions to the workings and effects of the open market policy thus far pursued by the Federal Reserve System during the course of the economic depression. Consideration was also given to the attitude of the System in adjusting its operations to conditions and needs as they may change and develop.

The first and immediate objective of the open market policy was to contribute factors of safety and stability in meeting the forces of deflation. The larger objectives of the System's open market policy, to assist and accelerate the forces of economic recovery, are now assuming importance.

With this purpose in mind, the Conference has decided that there should be no change in the System's policy intended to maintain a substantial amount of excess member bank reserves, the continuance of which is deemed desirable in present conditions. Adjustments in the System's holdings in the open market account will be in accordance with this policy.

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January 3, 1933

R. & S.
Gr. 2CONFIDENTIALMEMORANDUM FOR OPEN-MARKET POLICY CONFERENCE

In recent weeks business has been marking time. After increasing considerably between July and September, it has remained relatively stable at a level somewhat above the low point, showing resistance to further declines. Commodity prices, however, have lost all of their mid-summer gain and are on the lowest average level of the depression. There is little activity in the capital market. Prices of bonds have shown a gradual downward movement, ^{but were strong in the last week of the year} while stock prices have fluctuated around a fairly constant level; prices of both classes of securities are considerably above the mid-summer low point.

Credit conditions have improved, bank failures are not as numerous as in the early part of the year, currency is being returned from hoarding, and the country's stock of monetary gold has regained somewhat more than half of the losses from the high point of the autumn of 1931. United States Government securities held by the reserve banks have been held at a constant level of \$1,850,000,000 since last August. Additions to the stock of gold, however, together with the return flow of currency from hoards and the issue of national bank notes, have resulted in a growth of member bank reserve balances, which at the present time are in excess of legal reserve requirements by more than \$500,000,000.

Notwithstanding the large volume of excess reserves, which has been maintained for several months, the volume of member bank credit has been declining since the middle of October. The banks' investments have remained at a fairly constant level, while their loans, both on securities and commercial, have declined further. Total loans and investments of reporting member banks in leading cities on December 21 were about \$250,000,000 lower than on October 19,

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but still \$550,000,000 higher than in mid-summer. The increase since the summer has been all at banks in New York City and all in investments, not in loans.

The picture, therefore, is one of the economic machine of the country being poised at a low level, slightly above the lowest depth reached last summer, showing some power of resistance to forces both national and international pulling it downward, but with the direction of the movement in the New Year still beset with great uncertainties.

Reserve system's open-market program

In these circumstances, the open-market policy of the Federal reserve system to be determined at this meeting is of even greater importance than at other times. The system holds \$1,850,000,000 of United States Government securities; discounts and acceptances are at a low level; reserves of member banks are high and increasing as the post-holiday return flow of currency proceeds; short-time money rates are at a record low level; gold reserves of the reserve banks are ample, but the banks are pledging \$429,000,000 of United States securities as collateral for Federal reserve notes, and if the authority to pledge Governments as collateral were withdrawn, the banks would be \$335,000,000 short in their gold position.

In determining upon a program of open-market policy the maturities of United States securities held should be completely disregarded. These maturities are an accidental matter and there is no reason why the amount that comes due at any given date should in any way influence the system's policy. There is no more reason for letting our portfolio go down as the result of maturities than there was for buying securities in proportion to new issues. The system must decide on a guiding principle for conducting its open-market operations in the light of credit conditions and developments, and not on the

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basis of a fortuitous circumstance like the maturity composition of its portfolio.

Alternatives to be considered

Several alternative courses of action may be considered:

(1) A program of extensive selling of securities. Concretely, to sell between \$500,000,000 and \$1,000,000,000 of securities in the next three months.

Proponents of such a program claim that, if carried out, it would relieve the system of the necessity of pledging Governments as collateral for Federal reserve notes, because an increase in bills or discounts would create enough collateral. It would tend to raise short-time money rates and possibly improve the earning power of member banks. It would remove the artificial support of the Treasury which our large holdings of securities represent. Treasury finance would be on a more normal and self-supporting basis.

On the other hand, such a course would be a policy of deflation in the face of business stagnation and credit contraction. With business at low levels and at best only showing a capacity to resist further declines, with prices still drifting downward, and with bank credit continuing to contract, a deflationary policy by the Federal reserve banks could not be seriously contemplated by the system. It would be a factor in making conditions worse; would result in greater difficulty in obtaining credit by trade and industry, and in a depreciation of Government and other securities held by the banks and insurance companies. It would also tend to defeat itself by increasing the flow of gold from abroad and by increasing the inducement for national banks to issue more bank notes. Such a policy would dissipate the good will which the system has been able to preserve through these trying times.

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(2) A policy of moderate reduction of the portfolio, fixed in amount at an arbitrary figure, such as \$250,000,000, to be accomplished at a weekly rate to be determined. Such a program could be left somewhat flexible by modifying it in case the return flow of currency exceeded or fell below the expected amount. In general, this plan would result, barring unforeseen circumstances, in the maintenance of excess reserves of member banks near their present level.

(3) A definite policy of selling securities in volume sufficient to offset the return flow of currency and the inflow of gold. Such a policy would involve definite recognition of the fact that the central objective of the reserve system's credit policy has been the volume of excess reserves of member banks and the pressure that these reserves exercise in the direction of resumption of activity. It could be decided that the system will maintain excess reserves within a determined range, such as \$250,000,000-\$500,000,000, or some narrower range. This would mean that securities would be sold when excess reserves exceeded \$500,000,000 and bought when they fell below \$250,000,000, or some other determined level. Such a plan would be logical and purposeful. It might, however, establish a precedent and furnish a formula which might cause difficulty to the system at other times, when such a course would not be desirable. There was a plan in Congress, proposed as an alternative to the price stabilization bill, to instruct the Federal reserve system to keep the total volume of member bank reserves at a given figure. Such a legislative mandate would be destructive of any rational Federal reserve policy. Adoption of ^{such a program} ~~this~~ principle, therefore, although sound in theory, might be undesirable on the ground of inexpediency. If it were presented, however, as the intention of the system, in view of large excess reserves, to offset for the present factors

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tending to increase reserves still further, it would not carry a definite implication of a formula.

This plan could be modified by a decision to offset the return flow of currency, but not the inflow of gold. The reasoning back of such a ^{distinction} ~~destination~~ would be that gold imports, because they reduce the reserves of banks in other countries, should be permitted to exert their full influence on the reserves of banks in the United States. The domestic demand for currency, on the other hand, has been met without an increase in member bank indebtedness, partly because it was considered undesirable to permit an abnormal development like the hoarding movement to put the banks heavily into debt and thus to exert a tightening influence on credit conditions. In these circumstances, it would be consistent at this stage to absorb the return flow of currency through the sale of United States Government securities, particularly since the member banks are borrowing little from the reserve banks and have a large volume of excess reserves. Such a modification of this plan would still have the effect of shifting the emphasis from the volume of security holdings by the reserve banks, which is not directly relevant to the credit situation, to the volume of excess reserves of member banks, which should be the central point in credit policy.

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~~tending to increase reserves still further, it would not carry so much implication of a formula.~~ ^{a definite}

^{Insert B}
 (4) A modification of this plan might be to undertake to sell securities when excess reserves exceed \$500,000,000, but to make the sales equal to one-half of such excess and not to exceed a fixed amount, say, \$25,000,000 a week. This plan would mean that when excess reserves were \$550,000,000, \$25,000,000 would be sold; if they were \$575,000,000, there would still be \$25,000,000 sold; and if they were \$520,000,000, there would be \$10,000,000 sold. A disadvantage of this plan would be that it would look too ingenious, and that it involves precision of action in a situation full of unknown factors.

(5) Another plan would be to have no sales at all, and to allow excess reserves to increase to the full extent of the return flow of currency from circulation and the inflow of gold from abroad. Under this plan the excess reserves would increase probably by \$300,000,000 or more in the next two or three months; short-time money rates would become still easier, and in general the situation would represent an accentuation of the conditions which have prevailed since mid-summer. This plan might result in the elimination of interest on deposits in central reserve cities and in a further reduction in other cities; this would tend to remove the pressure for activity exercised by excess reserves. A disadvantage of this plan would be that it might give the impression that the volume of Government securities held by the reserve system is frozen at \$1,850,000,000. If that figure becomes thoroughly imbedded in the minds of the public, a departure from it would have an exaggerated effect on the public mind.

(6) A modification of this plan would be a policy of selling about \$10,000,000 a week for three months. This volume of sales would still allow excess reserves to increase, since the return flow of currency and inflow of gold is almost sure to be in larger volume, unless unforeseen developments occur. Sales

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at the rate of \$10,000,000 a week would simply be notice that the amount of Federal reserve participation in the Government security market is not a fixed and inflexible quantity, but can and will be modified as occasion arises.

In considering these various alternatives and others that may be suggested, they may be grouped in general under three broad classifications:

- (a) A policy of sales---extensive or moderate---(plans 1 and 2).
- (b) A policy of maintenance of excess reserves near present level by buying or selling to offset other factors (plans 3 and 4).
- (c) A policy of no action or little action, permitting excess reserves to increase further (plans 5 and 6).

When a program for the next few weeks is adopted, it would appear desirable to make it definite enough to be capable of being understood by the public. This does not necessarily mean that an official statement would have to be issued, as the information could be conveyed to the press in general terms and informally. It is important, however, that the public should understand at this time what the Federal reserve authorities propose to do.

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CONFIDENTIAL

December 31, 1932.

PRELIMINARY MEMORANDUM FOR THE OPEN MARKET POLICY CONFERENCE,
JANUARY 4, 1933.

When the decision was made last February to begin open market purchases of securities the primary aim of the policy as revealed in the discussions was to check the unprecedented liquidation of bank credit which was exerting a seriously depressing influence on business and on prices. It was hoped that purchases of Government securities would enable member banks to pay off indebtedness and accumulate some excess reserves, with the consequence that the pressure to liquidate might be lessened and a moderate expansion of bank credit might occur, which would exert some influence in the direction of a recovery in business and in commodity and bond prices.

In the first half of the year funds made available by open market operations were largely absorbed by gold exports and currency hoarding, but in the second half of the year both these movements were reversed and, with the discontinuance of open market purchases, currency returns and gold imports were largely responsible for building up excess reserves and so became the active factors operating towards the objectives which had been set for open market operations.

Changes in Credit and Business

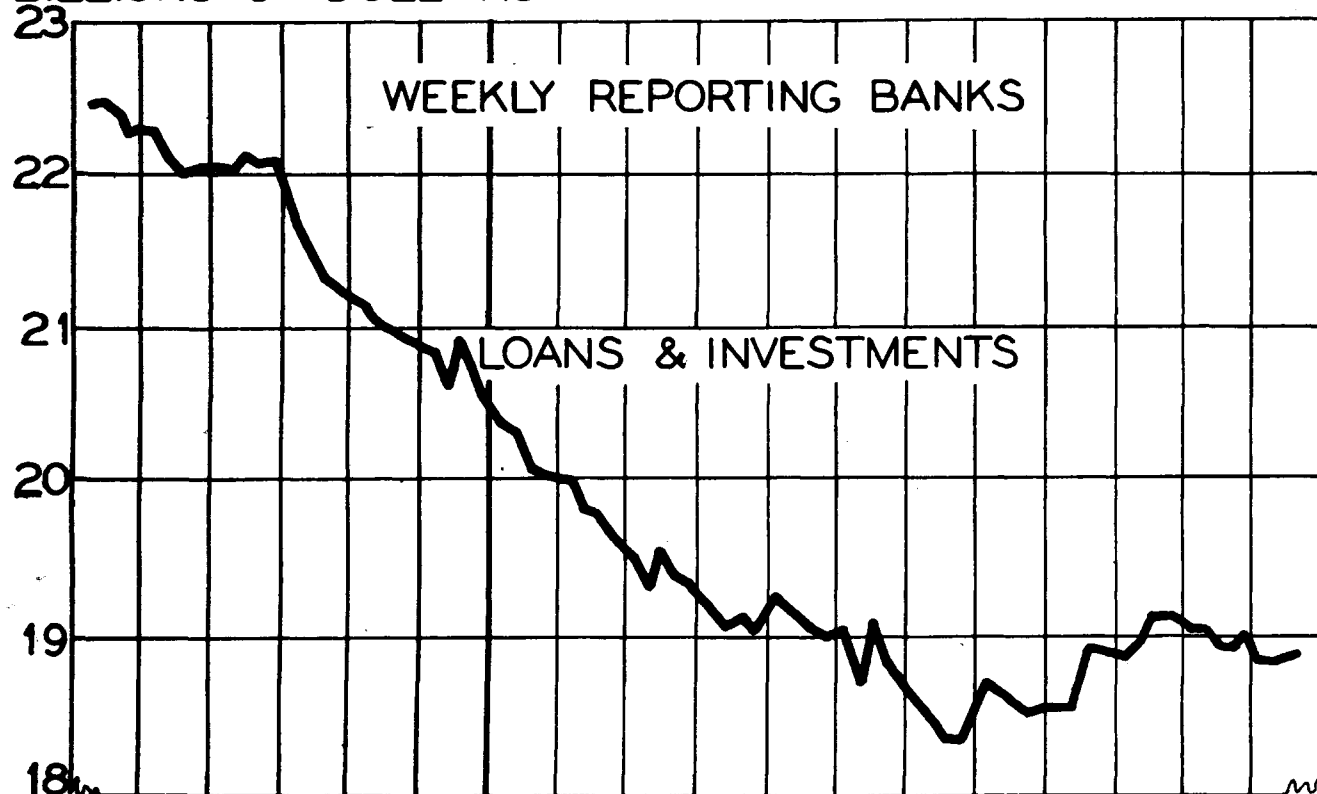
There have been substantial results towards achieving the objectives outlined above. These results may be summarized as follows:

(1) Member bank borrowing. When the open market policy was under discussion doubts were expressed as to the possibility of reaching the member banks outside of principal centers, whose borrowings accounted for a major part of reserve bank discounts. Since February 24 when purchases of government securities were begun discounts have been reduced from \$835,000,000 to \$265,000,000.

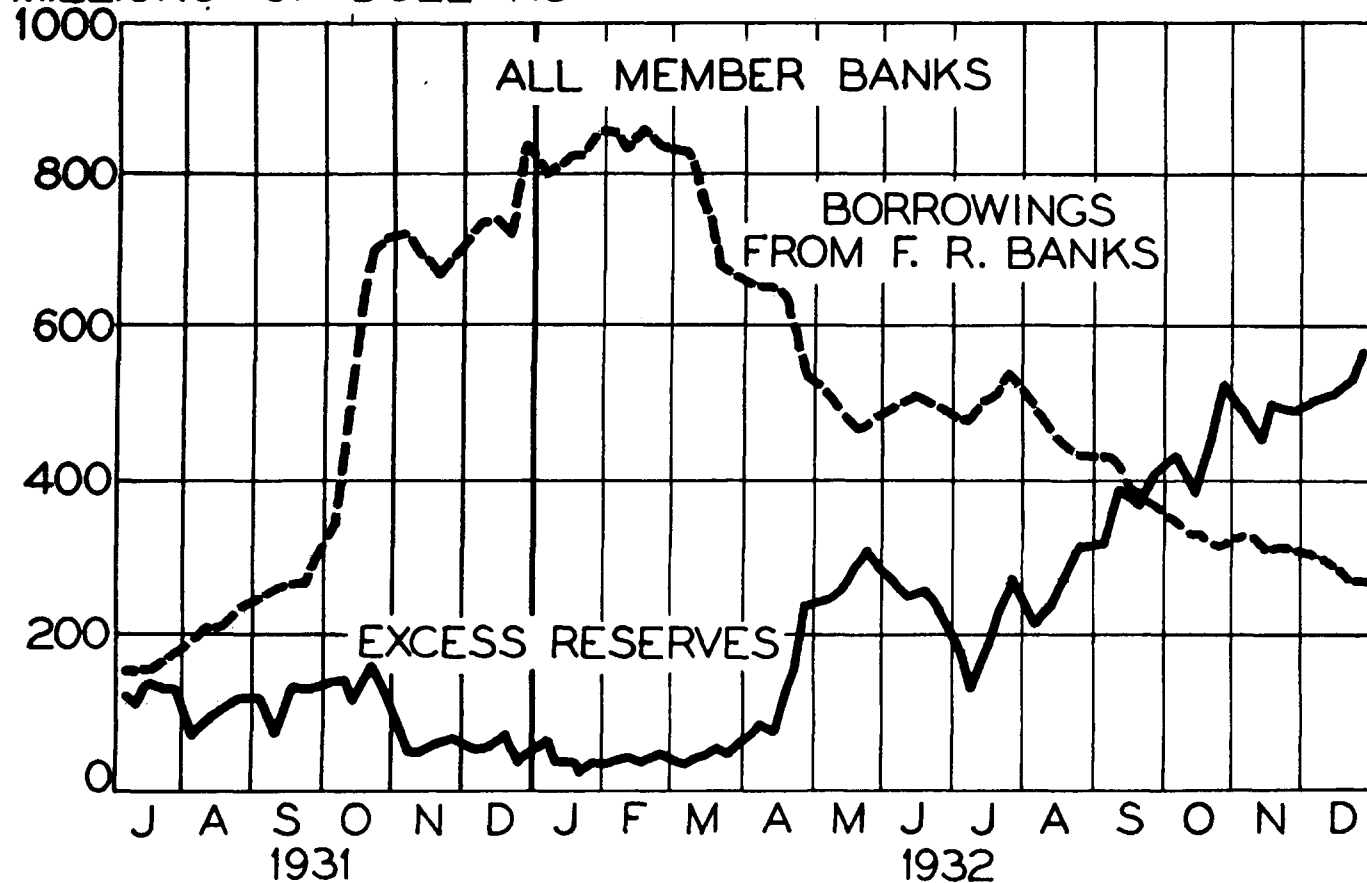
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2362
Report of the
Federal Reserve Bank of St. Louis
Nov 7, 1932

BILLIONS OF DOLLARS



MILLIONS OF DOLLARS



Excess Reserves and Indebtedness of All Member Banks, Compared with Loans and Investments of Weekly Reporting Banks

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(2) Bank credit. Loans and investments of the reporting banks stopped declining in July and since that time have increased by \$500,000,000. The increase was wholly in government securities though other forms of credit have shown greater stability. The increase also was concentrated in New York, but in other parts of the country the decline in credit has been checked.

(3) Bond market. The bond market made a recovery of about 25% and then lost approximately half the gain. The reaction was followed by a number of weeks of relative stability, and there is now some evidence of renewed strength. In recent weeks buying of long term government securities by banks, insurance companies and investors has resulted in new high prices since the autumn of 1931, and this buying movement appears to be spreading into other parts of the bond market. The prospects for an improved bond market are better than for some weeks past.

(4) Commodity prices. Commodity prices rose about 3 per cent and subsequently lost all of this gain, reflecting in part the pressure of depreciated currencies upon world prices, and especially the weakness of sterling. While depreciation of currencies has tended to increase or stabilize domestic paper prices it has depressed world gold prices by reducing the buying power of countries with depreciated currencies, and decreasing their production costs so they can sell at lower gold prices.

(5) Business. The volume of business as measured by production indexes rose about 14 per cent but has lost part of this gain.

The present situation may be summarized by saying that a good start was made toward recovery, that this movement has been interrupted, and is now hesitant and uncertain. The improvement in sentiment is perhaps even more marked than the improvement in the statistics; but in this respect also some ground has been lost in recent weeks.

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Precedents in Earlier Depressions

Whether or not these developments in business and in prices are to be viewed as disappointing depends very largely upon expectations. A comparison of recent developments with those of previous periods of depression shows that recent events have followed much the usual pattern of business recovery from depression which is usually highly irregular and uncertain in the early stages.

The accompanying series of charts indicates the sequence of events in the more important depressions of the past fifty years. The amount of excess reserves that accumulated in New York banks in each of these periods, and the lapse of time before a sustained recovery in prices and in business activity got under way are summarized in the succeeding table.

Excess reserves - N. Y. City Banks

<u>Period</u>	<u>Amount</u> <u>(\$ million)</u>	<u>Per cent of</u> <u>Requirements</u>
1884-'85	26 to 64	34 to 67
1893-'94	39 to 100	37 to 74
1896-'97	33 to 55	25 to 38
1908	30 to 58	11 to 18
1921-'22	(Practically none; borrowings equal to 1 1/2 times reserve requirements retired)	
1932 (since July)	100 to 300	14 to 40

Lapse of time until sustained rise in bond prices began

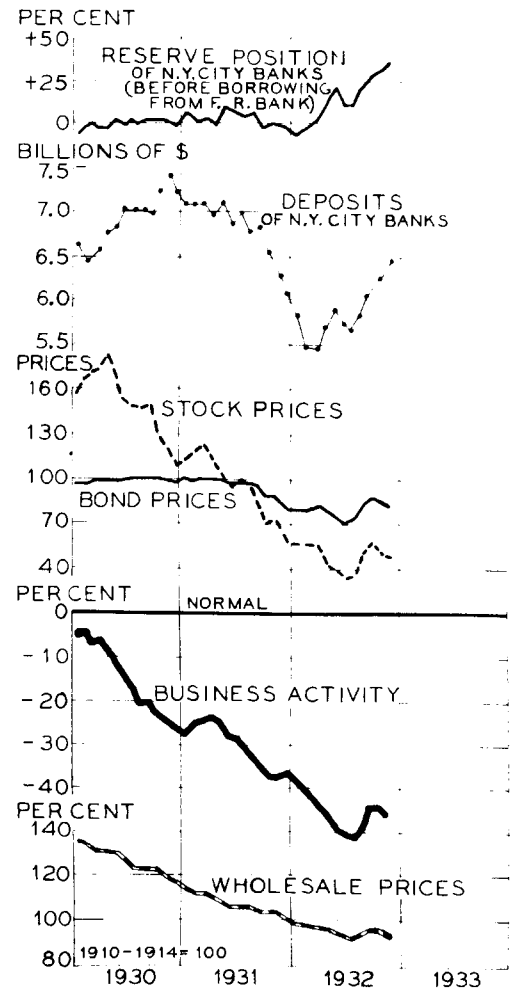
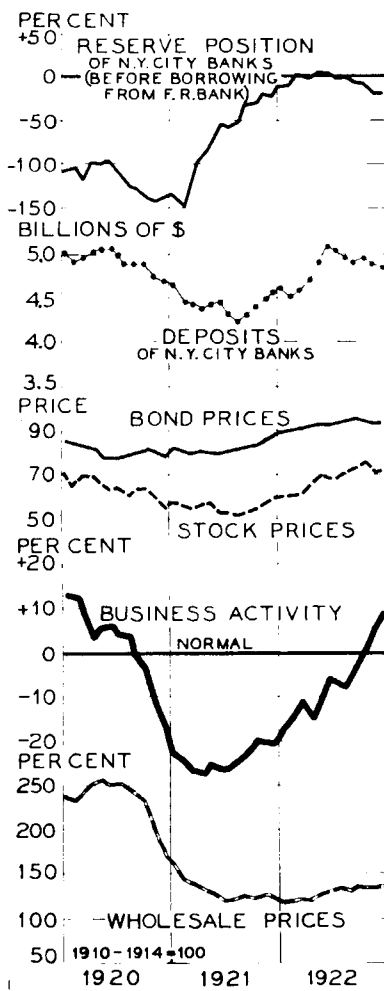
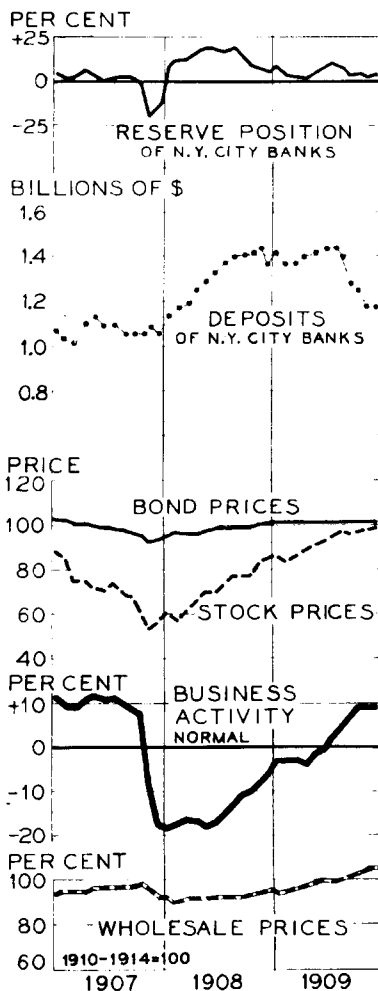
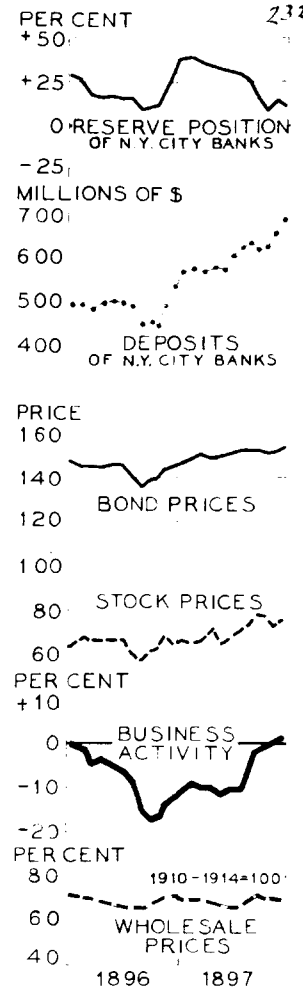
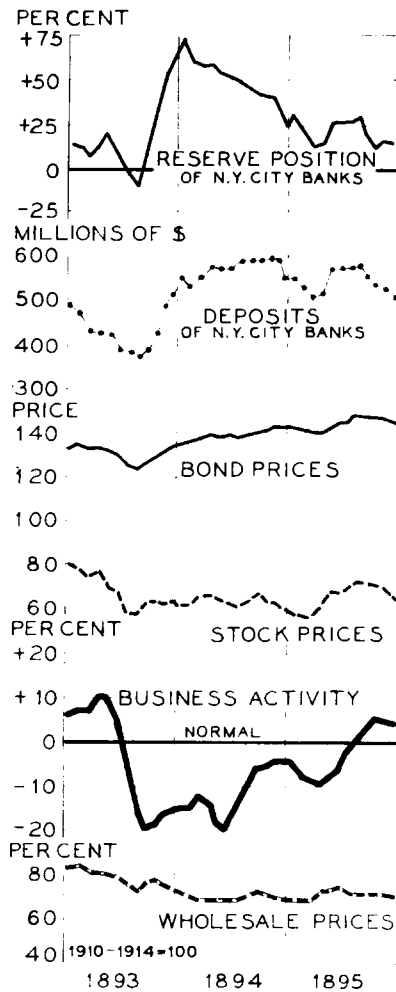
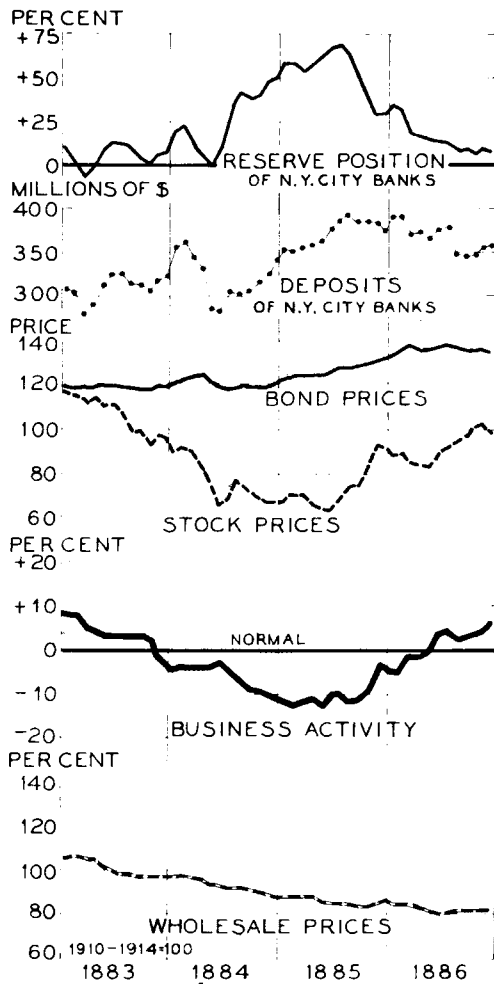
1884-'85	-	about 6 months
1893-'94	-	practically none
1896-'97	-	none
1908	-	practically none
1921-'22	-	within 3 months of substantial reduction in bank indebtedness.

Lapse of time until sustained rise in business activity began

1884-'85	-	nearly a year and a half
1893-'94	-	about 10 months
1896-'97	-	about 10 months
1908-	-	about 6 months
1921-'22	-	about 6 months after substantial reduction in bank indebtedness

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Federal Reserve Bank
of New York
Reports Department
1. 7, 1937.
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Lapse of time until sustained rise in commodity prices began

- 1884-'85 - over two years
- 1893-'94 - limited rise after at least 1 1/2 years
- 1896-'97 - about one year
- 1908 - gradual rise within 3 months; more rapid after 1 year
- 1921-'22 - about a year after substantial reduction in bank indebtedness

Present and Prospective Reserve Position.

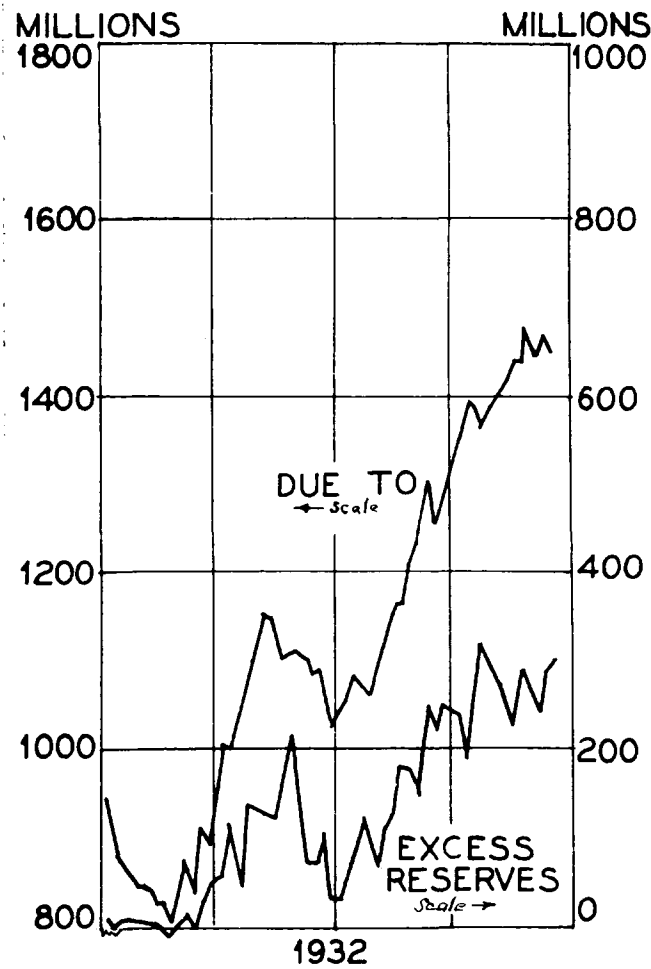
Excess reserves of member banks have generally been maintained since the November meeting of the conference at something above \$500,000,000. Christmas currency demands proved smaller than were expected, and gold receipts which included the \$95,550,000 debt payment of the British Government were larger than had been expected. Hence the member banks come to the end of the year with between \$500,000,000 and \$600,000,000 of excess reserves. This figure will be increased after the turn of the year. It remains to be seen how large the return flow of currency will be for we do not know whether the small Christmas takings of currency were due wholly to the depressed conditions or reflected some return of money from hoarding. The gold flow is definitely toward this country. From these two causes a gain to reserves may be anticipated in the next six weeks of anywhere from \$200,000,000 to \$400,000,000, in the absence of any unusual circumstances.

In determining the effectiveness of any given amount of excess reserves in constituting pressure for the employment of funds several considerations appear important.

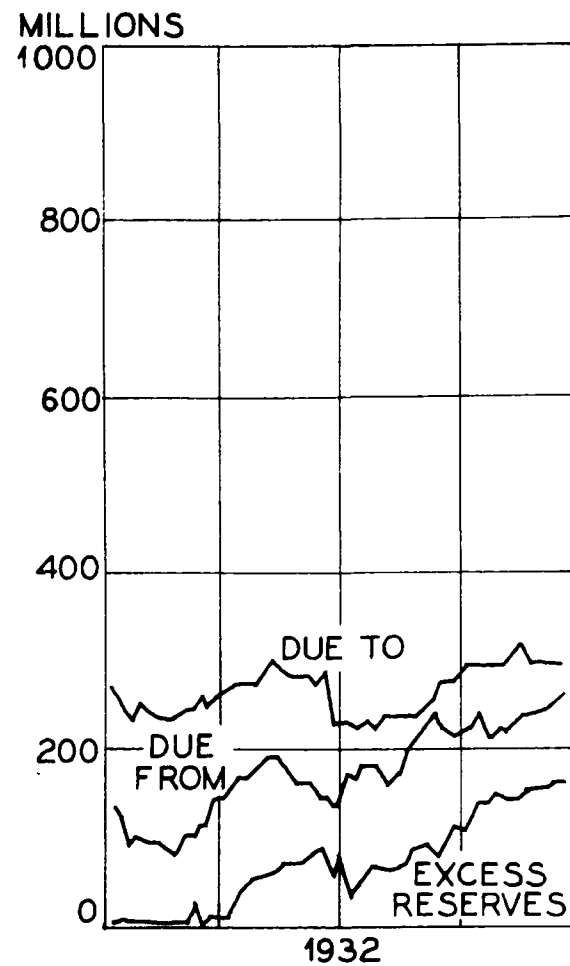
(1) Location. Excess reserves are now largely concentrated in New York and Chicago as shown on the attached chart. In both these cities, however, the increase in excess reserves has been paralleled by an increase in amounts "due to banks" so that the excess funds really represent largely funds of out-of-town banks and the pressure to put these funds to work rests not alone on the New York and Chicago banks but on the banks generally throughout the country. The excess

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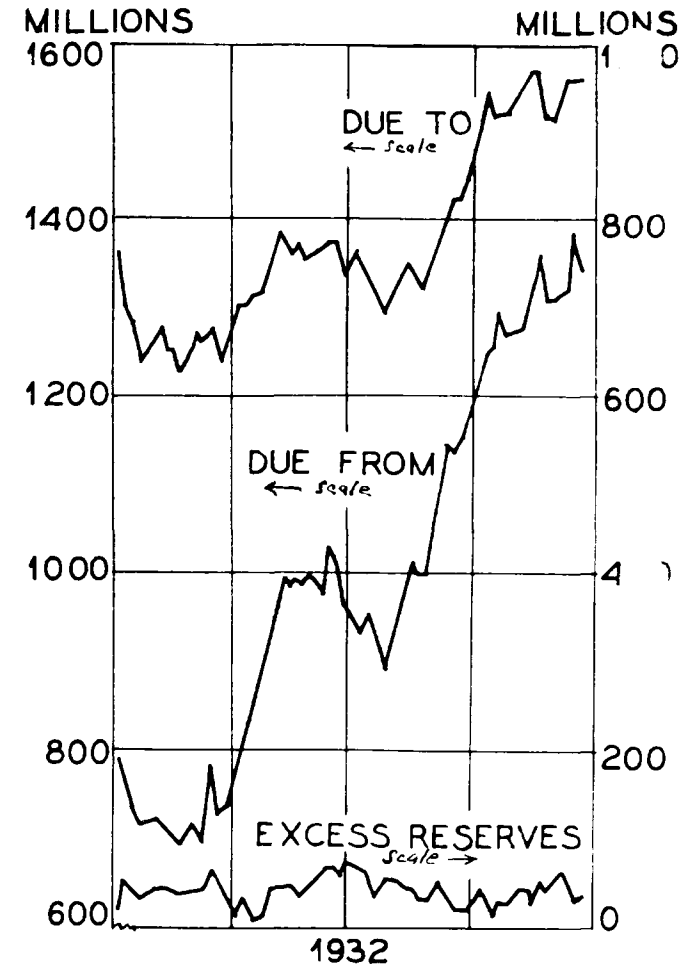
NEW YORK CITY



CHICAGO



OTHER WEEKLY REPORTING BANKS



Excess Reserves and Amounts Due to Banks and Due from Banks
 of Weekly Reporting Banks in New York City, Chicago, and Other Centers

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of reserves is thus widespread in its influence.

(2) Time. The experience of the past summarized in a previous chart indicates that the effectiveness of excess reserves depends in part on the length of time they are held. In previous periods of depression it has frequently taken six months to a year for very large amounts of excess reserves to find reflection in business.

(3) Assurance of Continuance. The use of reserves depends in part on the confidence the banks feel in their continuance. In the pre-war days it was believed that excess reserves would continue until they were used; there was no mechanism for absorbing them. In recent months there has been uncertainty as to the effects on excess reserves of Federal reserve policy or possible demands upon the banks.

Foreign Influence.

During the year influences from abroad have been important and at times dominating. Early in the year gold withdrawals were disturbing. When the gold movement turned, strengthening our position but weakening the European position, depreciating exchanges became a depressing influence on world prices as noted above. The debt uncertainties were a disturbing influence second only to the political campaign.

Debts, Prices, and Recovery.

While the financial and business situation shows now a considerable improvement from the position of mid-summer the improvement is not sufficient and the direction of movement is not sufficiently well established to assure a solution to the major economic problem which confronts this country and other countries as well. That problem is whether the economic structure must be readjusted to conform to something like the present price level and volume of business or whether we may expect in a reasonable period of time sufficient advance from

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the present price level and sufficient resumption of business activity so that a general readjustment of debts will not be necessary.

The condition of panic which prevailed last spring has been checked but the critical problem of prices and debts remains. It is clear that a continuance of the present price level and the present volume of business activity would involve a vast readjustment of the entire debt structure, including readjustment of a number of banking situations. The question arises whether the grinding process of deflation of recent months must continue or whether it would be preferable to move decisively either for a more rapid deflation or for some measure of inflation. The improvement which took place from mid-summer into the autumn gave some reason to hope that recovery might go far enough and rapidly enough to relieve greatly the weight of debts. The question now is whether that recovery can be resumed or not. The question is complicated by widespread public and political interest both in this country and abroad so that every decision in the field becomes in some sense a political question.

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333.34

- 1919 - Reserve for depreciation of foreign exchange \$325,741.35 combined with reserve for self insurance fund and shown against caption "Special reserves" - page 234 of 1919 Annual Report.
- 1920 - Reserve for depreciation of foreign exchange \$106,164.69 combined with other reserves and shown against caption "Special reserves" - page 222 of 1920 Annual Report.
- 1924 - Net appreciation on foreign exchange \$173,055.96 shown among "All other" additions to current net earnings - page 113 of 1924 Annual Report.
- 1926 - Net appreciation of foreign exchange \$5,262.62 shown among "Additions to current net earnings" - page 127 of 1926 Annual Report.

12- 32

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Form No. 181

Office Correspondence

FEDERAL RESERVE
BOARD

Date December 12, 1932

To Office Memorandum

Subject:

From Mr. Van Fossen

2-8405

Mr. Freeland, Supervisor of General Ledger Section, Accounting Division, Federal Reserve Bank of New York, gave me the following figures on the par value, book value, and market value and appreciation on United States securities held in special investment account on November 30.

Securities in System Special Investment Account on November 30, 1932.

	Par Value	Book value	Market value - Dec.	Appreciation
1st Liberty Loan $3\frac{1}{2}$	\$25,025,000	\$25,066,466.55	\$25,478,578.13	\$412,111.58
1st Liberty Loan $4\frac{1}{2}$	29,000,000	29,178,349.57	29,643,437.50	465,087.93
4th Liberty Loan $4\frac{1}{2}$	281,591,000	286,391,887.45	291,446,685.00	5,054,797.55
All other*	1,303,991,500	1,306,974,485.86	1,316,014,021.80	9,039,535.94
Total	1,639,607,500	1,647,611,189.43	1,662,582,722.43	14,971,533.00

*Comprises \$351,788,000 Treasury notes, \$594,245,500 Certificates of indebtedness, and \$357,958,000 Treasury bills.

Mr. Miller of the Securities Department later informed me that the premium on all United States securities, subject to call before maturity, is being amortized to the nearest call date, i.e., in the case of the First Liberty bonds to June 15, 1933, since that is the earliest date as of which the bonds can now be called. Under this procedure it is obvious that the premium on Liberty bonds held in special investment account would never be completely amortized prior to the maturity of the bonds unless they were actually called. While I am sure we did not have this in mind when we issued the instructions with regard to the premiums on callable bonds it seems to be in accordance with the spirit of those instructions.

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Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARDDate October 11, 1932To Mr. SmeadSubject: 323.34From Mr. Myrick *mm*

2-8495

The 1927 earnings and expense table in the Board's annual report for that year has a note on the item "Traveling expenses" reading "Other than those connected with governors' and agents' conferences and meetings of directors and of the Advisory council."

In the year 1928 and subsequent reports the reference to "directors' meetings" has been eliminated although traveling expenses of directors are still included in the item "Directors meetings" rather than in the item "Traveling expenses."

Mr. McClelland inquired as to whether traveling expenses of directors were included in "Traveling expenses" or in "Directors meetings" when he prepared the attached draft of letter to Mr. N. G. Olney.

It appears to me that the note on the item "Traveling expenses" should be the same as shown in the 1927 A. R. and I recommend that the earnings and expense table in the 1932 Annual Report be changed accordingly.

We are unable to determine from the records who authorized the change in the 1928 report or why it was made.

I agree
WJ

Division of Bank Operations

10-11-32

File No. 133.

Annual Report
data

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CONFIDENTIAL

File: 17.32

REPORT OF OPEN MARKET OPERATIONS TO MEETING OF OPEN MARKET POLICY
 CONFERENCE HELD AT WASHINGTON, D. C., JULY 14, 1932

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As reported to the last meeting of the Open Market Policy Conference held in Washington on May 17, 1932, the total holdings of United States Government securities in the System Special Investment Account on May 14, amounted to \$1,219,821,000. There remained an unexpired authorization for purchase of \$96,995,000.

At that meeting a resolution was adopted, and approved by the Federal Reserve Board, authorizing the executive committee of the Open Market Policy Conference to continue the purchase of government securities for the System Account up to a total of \$500,000,000 in addition to previous authorizations. The executive committee voted that approximately \$80,000,000 of government securities should be purchased in the statement week ending May 18, if available, and it was agreed that the amount of purchases in the following weeks should be determined from time to time by telephone. At a meeting of the executive committee on June 16, a proposal was made and agreed upon as follows: (1) that until further notice sufficient purchases of government securities should be made to keep excess reserves of member banks at a figure between \$250,000,000 and \$300,000,000; (2) that the System should continue to show an increase from week to week in total holdings of government securities; (3) that in the coming week it appeared that this purpose might be accomplished by smaller purchases, but at the end of June the Reserve banks should be prepared to do whatever was necessary to meet the situation.

Under the authority of May 17, purchases of government securities were made for System Account as follows:

For delivery - May 16 to May 18, inclusive (This amount together with \$4,500,000 purchased for delivery May 11 to May 14, reported to previous meeting, made a total of \$81,139,000 purchased during week ended May 18).		\$76,639,000
" " - Week ended May 25		58,520,000
" " - " " June 1		50,003,000
" " - " " " 8		69,500,000
" " - " " " 15		46,850,000
" " - " " " 22		38,250,000
" " - " " " 29	(see note on following page)	0
" " - " " July 6		30,000,000
" " - " " " 13		20,000,000
		<u>\$389,762,000</u>

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These purchases, which were made by the following Federal reserve banks in their respective markets,

Boston	\$ 1,500,000	Chicago	\$16,100,000
New York	359,740,000	St. Louis	200,000
Philadelphia	1,950,000	San Francisco	10,272,000

brought the amount of total holdings in the System Account up to \$1,609,583,000

NOTE: In the statement week ended June 29, the Federal Reserve Bank of Chicago purchased from its member banks \$41,515,000 government securities which it is retaining in its own investment account for the present, and as this increase in its holdings was reflected in the System Statement it was decided to show no net increase in System Special Investment Account.

Transactions effected in the System Account since May 14, other than new purchases of government securities, consisted of

(1)	<u>Redemptions</u>	<u>Replacements purchased in the market</u>
\$ 16,111,000-Treas.Bills due May 18, 1932	\$16,111,000-Treas.Bills due Aug. 17, 1932	
14,907,000- " " " 25, 1932	14,907,000- " " " 24, 1932	
50,087,000- " " " June 1, 1932	50,087,000- " " " 31, 1932	
36,550,000- " " " 29, 1932	36,550,000-Various issues of C/I & T/N	
41,000,000- " " " July 13, 1932	40,000,000-Treas.Bills due Oct. 11, 1932	
	1,000,000-3% T/N " May 2, 1934	
<u>\$158,655,000</u>	<u>\$158,655,000</u>	

(2) Exchange pursuant to Treasury offering dated June 6, 1932:

\$ 29,550,000-2 3/4% C/I due June 15, 1932 for	\$14,775,000-1 1/2% C/I due June 15, 1933
	14,775,000-3 % T/N " " 15, 1935
	<u>\$29,550,000</u>

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(3) Exchanges in the market at advantageous rates

<u>Sold</u>			<u>Purchased</u>		
\$ 13,000,000-2 3/4% C/I due	June 15, 1932	\$ 442,000-Treas. Bills due Aug. 31, 1932			
34,500,000-Treas. Bills "	July 13, 1932	1,000,000- " " " Sept. 28, 1932			
5,150,000- " " " Aug. 17, 1932		12,000,000-1 1/8% C/I " " 15, 1932			
25,250,000-3 1/8% C/I " " 1, 1932		3,058,000-3 % " " 15, 1932			
7,500,000-1 1/8% " " Sept. 15, 1932		1,000,000-3 1/8% " " Oct. 15, 1932			
1,000,000-3 % " " 15, 1932		5,200,000-3 1/4% T/N " Dec. 15, 1932			
7,500,000-3 1/8% " " Oct. 15, 1932		1,950,000-3 3/4% C/I " Mar. 15, 1933			
3,500,000-3 1/4% T/N " Dec. 15, 1932		2,000,000-2 % " " May 2, 1933			
250,000-3 3/4% C/I " Feb. 1, 1933		47,750,000-1 1/2% " " June 15, 1933			
2,500,000-3 3/4% " " Mar. 15, 1933		6,000,000-3 % T/N " May 2, 1934			
1,000,000-2 % " " May 2, 1933		23,750,000-3 % " " June 15, 1935			
8,000,000-3 % T/N " " 2, 1934		11,500,000-4 1/4% 4th L/L Bds.			
6,500,000-3 % " " June 15, 1935					
6,000,000-3 1/2% 1st L/L Bds.					
<u>\$115,650,000</u>		<u>\$115,650,000</u>			

(4) Sales in the market of securities acquired under resale agreement and replacements by purchases in the market of other issues of short-term government securities. (In several instances, in order to complete purchases, it was necessary to acquire from dealers several blocks of government securities which were available only under resale agreement, such securities acquired being held only until permanent replacements could be made).

<u>Sales</u>			<u>Replacements</u>		
\$10,000,000-2 3/4% C/I due	June 15, 1932	\$12,175,000-1 1/2% C/I due	June 15, 1933		
10,000,000-3 1/8% " " Aug. 1, 1932		1,000,000-2 % T/N " May 2, 1934			
7,000,000-3 % " " Sept. 15, 1932		25,825,000-3 % " " June 15, 1935			
9,000,000-2 % " " May 2, 1933					
3,000,000-3 3/4% " " Mar. 15, 1933					
<u>\$39,000,000</u>		<u>\$39,000,000</u>			

The following is a statement showing the maturities of the issues held in the System Account on May 14, 1932 and on July 13, 1932.

	May 14, 1932	July 13, 1932
U. S. Treasury Bills due May 18, 1932	\$16,111,000	\$ 0
" " " " " 25, 1932	14,907,000	0
" " " " " June 1, 1932	50,087,000	0
" " " " " " 29, 1932	36,550,000	0
" " " " " July 13, 1932	75,500,000	0
" " " " " " 20, 1932	40,475,000	40,475,000
" " " " " " 27, 1932	43,150,000	43,150,000
" " " " " Aug. 10, 1932	15,000,000	16,000,000
" " " " " " 17, 1932	0	53,600,000
" " " " " " 24, 1932	0	47,427,000
" " " " " " 31, 1932	0	76,029,000
" " " " " Sept. 28, 1932	0	9,000,000
" " " " " Oct. 11, 1932	0	40,000,000

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	<u>May 14, 1932</u>	<u>July 13, 1932</u>
2 3/4% Cert. of Ind. due June 15, 1932	\$ 42,550,000	\$ 0
3 1/8% " " " " Aug. 1, 1932	53,900,000	60,650,000
1 1/8% " " " " Sept. 15, 1932	73,693,000	86,893,000
3 % " " " " " 15, 1932	77,751,500	101,009,500
3 1/8% " " " " Oct. 15, 1932	84,161,500	85,011,500
3 1/4% Treasury Notes " Dec. 15, 1932	108,975,000	111,697,000
3 3/4% Cert. of Ind. " Feb. 1, 1933	8,025,000	13,275,000
3 3/4% " " " " Mar. 15, 1933	124,275,000	153,025,000
2 % " " " " May 2, 1933	75,200,000	102,350,000
1 1/2% " " " " June 15, 1933	0	94,600,000
3 % Treasury Notes " May 2, 1934	40,250,000	69,175,000
3 % " " " " June 15, 1935	0	77,600,000
4 1/4% 4th L/L Bds. of 1933-38	139,985,000	232,591,000
3 1/2% 1st " " " 1932-47	79,025,000	73,025,000
4 1/4% 1st " " " 1932-47	20,250,000	23,000,000
	<u>\$1,219,821,000</u>	<u>\$1,609,583,000</u>

ALLOTMENT OF NEW PURCHASES AND CHANGES IN
PARTICIPATIONS IN GOVERNMENT SECURITIES
HELD IN SYSTEM SPECIAL INVESTMENT ACCOUNT

The \$389,762,000 of new purchases made since May 14, have been allotted to Federal reserve banks as follows:

Boston	\$ 0
New York	203,379,000
Philadelphia	31,333,000
Cleveland	40,925,000
Richmond	3,902,000
Atlanta	16,139,500
Chicago	49,696,500
St. Louis	12,066,000
Minneapolis	11,692,500
Kansas City	5,865,500
Dallas	3,999,000
San Francisco	10,764,000
Total	<u>\$389,762,000</u>

Pursuant to the action taken at the meeting of the Open Market Policy Conference on May 17, in which it was voted to be the sense of the conference that all reserve banks should participate in the usual ratios, to the extent allowed by their reserve position, in all purchases made for the System Account since April 12, 1932, the following adjustments were made in the participations of the Federal reserve banks:

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Boston	\$ 30,574,500 +
New York	164,299,000 -
Cleveland	15,484,000 +
Richmond	15,256,000 +
Atlanta	18,056,000 +
St. Louis	16,618,000 +
Minneapolis	11,404,000 +
Kansas City	19,906,500 +
San Francisco	<u>37,000,000 +</u>
Total Adjustment	<u>\$164,299,000</u>

CHANGES IN HOLDINGS OF GOVERNMENT SECURITIES
 IN THE INVESTMENT ACCOUNT OF THE FEDERAL
 RESERVE BANK OF NEW YORK

Owing to the low reserve position of the New York reserve bank, temporary sales from its outright holdings of \$124,000,000 government securities were made to the Federal Reserve Banks of Boston and Chicago, as follows:

On June 29, to Boston	\$10,000,000 - Treasury Bills due Aug. 17, 1932
" " 29, " Chicago	10,000,000 - " " " " 24, 1932
" July 6, " Boston	6,000,000 - 1 1/8% Cert. of Ind. due Sept. 15, 1932
" " 13, " Boston	<u>6,000,000 - Treasury Bills due Aug. 10, 1932</u>
	<u>\$32,000,000</u>

PLANS FOR REDISTRIBUTION OF UNITED STATES GOVERNMENT SECURITIES

At the meeting of the executive committee of the Open Market Policy Conference on June 16, there was an informal review of the distribution of government securities among the several reserve banks. It was pointed out that a number of the banks were limited by relatively low reserve percentages from taking their full quota of participation in System purchases and the New York bank had found it necessary to absorb a considerably larger amount of governments than its own share, and it was agreed that the secretary would prepare and send to each bank tables showing various plans for redistribution. In accordance with this action, tables showing various plans for redistribution based on figures as of June 15, 1932, were mailed to each Federal reserve bank on June 24. Copies of these plans, based on figures as of July 6, 1932, are attached to this report.

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PARTICIPATIONS IN SYSTEM PURCHASES OF BANKERS ACCEPTANCES

The amount of bankers acceptances purchased by the System since May 14 has been negligible, with no allotments being made except (1) a special purchase on June 14 from a foreign correspondent of \$33,466,000 bills, at a special rate of 1%, in connection with the completion of gold earmarking operations of the foreign correspondent, and (2) purchase on July 2, from a foreign correspondent of \$10,365,000 bills, at a rate of 1%, in order to provide for payments to the money market. All of the Federal reserve banks participated in these purchases except that the Federal Reserve Banks of Kansas City, Minneapolis and Dallas did not participate in the first purchase of \$33,466,000.

Attached are statements showing:

Exhibit "A" - Issues of United States Government securities purchased for System Account during period April 13 to July 13, 1932, the markets in which these securities were purchased; also, the apportionment to participating Federal reserve banks of the securities purchased, the amount that each reserve bank participated over or short of its pro rata share and the reserve ratio of each Federal reserve bank on July 11, 1932.

Table No. 1 - Plans for redistribution of government securities in System Account.

Table No. 2 - Plans for redistribution of total holdings of government securities.

STATEMENT SHOWING ISSUES OF UNITED STATES GOVERNMENT SECURITIES PURCHASED FOR SYSTEM ACCOUNT DURING PERIOD APRIL 13 TO JULY 13, 1932,
THE MARKETS IN WHICH THESE SECURITIES WERE PURCHASED; ALSO, THE APPORTIONMENT TO PARTICIPATING FEDERAL RESERVE BANKS OF THE
SECURITIES PURCHASED, THE AMOUNT THAT EACH RESERVE BANK PARTICIPATED OVER OR SHORT OF ITS PRO RATA SHARE AND THE
RESERVE RATIO OF EACH RESERVE BANK ON JULY 11, 1932

Issues of Securities Purchased				Par Amount	Classification of Issues	
Treas. Bills	due	5/1/32		\$ 1,530,000	Treasury Bills	\$293,564,000
"	"	5/18/32		5,000,000	Certificates of Indebtedness	360,180,000
"	"	5/25/32		5,000,000	Treasury Notes	110,222,000
"	"	6/1/32		10,500,000	Liberty Loan Bonds	108,801,000
"	"	6/29/32		7,800,000		
"	"	7/13/32		75,500,000		
"	"	7/20/32		40,475,000		
"	"	7/27/32		39,350,000		
"	"	8/10/32		1,000,000		
"	"	8/17/32		42,639,000		
"	"	8/24/32		32,520,000		
"	"	8/31/32		25,500,000		
"	"	9/28/32		8,000,000		
Cert. of Ind.	"	6/15/32 - 2 3/4%		10,000,000		
"	"	8/1/32 - 3 1/8%		66,850,000		
"	"	9/15/32 - 1 1/8%		24,030,000		
"	"	9/15/32 - 3 %		49,150,000		
"	"	10/15/32 - 3 1/8%		36,880,000		
"	"	2/1/33 - 3 3/4%		9,150,000		
"	"	3/15/33 - 3 3/4%		45,225,000		
"	"	5/2/33 - 2 %		102,995,000		
"	"	6/15/33 - 1 1/2%		15,900,000		
Treas. Notes	"	12/15/32 - 3 1/4%		29,047,000		
"	"	5/2/34 - 3 %		61,175,000		
"	"	6/15/35 - 3 %		18,750,000		
1st L/L Bonds	"	6/15/47 - 4 1/4%		2,750,000		
4th " " "	"	10/15/38 - 4 1/4%		106,051,000		
TOTAL				\$872,767,000	TOTAL	\$872,767,000

Purchased By Following Federal Reserve Banks In Their Respective Markets

Boston	\$ 4,180,000
New York	800,220,000
Philadelphia	6,355,000*
Atlanta	10,000
Chicago	51,180,000
St. Louis	200,000
Dallas	350,000
San Francisco	10,272,000

*Of this amount \$3,205,000 was purchased from the portfolio of the Federal Reserve Bank of Philadelphia.

AMOUNT OF EACH FEDERAL RESERVE BANK'S PARTICIPATION IN ABOVE LISTED PURCHASES

	Participations At Time Of Purchase	Subsequent Adjustments in Participations	Total Participations	Current Allotment Ratios	Bank's Pro Rata Share Based on Current Allotment Ratios	Amount OVER or SHORT Of Pro Rata Share	Reserve Ratios July 11/32	
Boston	\$ 10,000,000	\$ 30,574,500+	\$ 40,574,500	7 1/4%	\$ 63,275,500	\$ -0-	\$ 22,701,000	66.4%
New York	481,505,500	164,299,000-	317,006,500	27 %	235,645,000	81,361,500	-0-	49.1%
Philadelphia	68,767,000	-0-	68,767,000	7 3/4%	67,639,500	1,127,500	-0-	53.9%
Cleveland	76,156,500	15,484,000+	91,640,500	10 1/2%	91,640,500	-0-	-0-	55.1%
Richmond	12,796,000	15,256,000+	28,052,000	5 %	43,638,500	-0-	15,586,500	50.6%
Atlanta	21,026,000	18,056,000+	39,082,000	4 3/4%	41,456,500	-0-	2,374,500	46.3%
Chicago	111,280,000	-0-	111,280,000	12 3/4%	111,280,000	-0-	-0-	71.2%
St. Louis	19,625,000	16,618,000+	36,243,000	4 1/4%	37,093,000	-0-	850,000	54.2%
Minneapolis	14,779,000	11,404,000+	26,183,000	3 %	26,183,000	-0-	-0-	50.6%
Kansas City	12,524,000	19,906,500+	32,430,500	5 1/2%	48,002,000	-0-	15,571,500	53.9%
Dallas	8,357,500	-0-	8,357,500	3 3/4%	32,728,500	-0-	24,371,000	53.8%
San Francisco	36,150,500	37,000,000+	73,150,500	8 1/2%	74,185,000	-0-	1,034,500	49.3%
TOTALS	\$872,767,000	\$164,299,000 Adj.	\$872,767,000	100 %	\$872,767,000	\$82,489,000	\$82,489,000	56.1% System

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Exhibit "A" (1)

MATURITIES OF GOVERNMENT SECURITIES HELD IN SYSTEM ACCOUNT

JULY 13, 1932

SHORT-TERM ISSUES

Treasury Bills, Certificates and Notes

MATURING WITHIN 1 YEAR

Within 3 months (Including Oct. 15)	\$659,245,000
3 to 6 months	111,697,000
6 to 9 "	166,300,000
9 to 12 "	<u>196,950,000</u>

TOTAL MATURITIES WITHIN 1 YEAR - - - - - \$ 1,134,192,000

MATURING 1 TO 2 YEARS - - - - - 69,175,000

MATURING 2 TO 3 YEARS - - - - - 77,600,000

T O T A L - - - - - \$1,280,967,000

LIBERTY LOAN BONDS

First 3 1/2% Liberty Loan Bonds	\$ 73,025,000
" 4 1/4% " " "	<u>23,000,000</u>

(Due June 15, 1947
(Callable on or after Dec. 15, 1932) 96,025,000

Fourth 4 1/4% Liberty Loan Bonds

(Due Oct. 15, 1938
(Callable on or after Oct. 15, 1933) 232,591,000

G R A N D T O T A L - - - - - \$1,609,583,000

TABLE NO. 1

STATEMENT SHOWING VARIOUS PLANS OF REDISTRIBUTION OF GOVERNMENT SECURITIES IN SYSTEM ACCOUNT
FIGURES AS OF JULY 6, 1932
(000 Omitted)

	Amount of Participation in System Account	PLAN 1 Present Plan - Based on Earning Requirements of Each Bank			PLAN 2 Provides for Adjustment of Participations to Average Ratio of All Banks - 56.3%			PLAN 3 Provides for Adjustment of Each Bank's Participation So That Its Holdings will be on the same Ratio that its combined Capital and Sur- plus is to the System Total			PLAN 4 Provides for Adjustment of Each Bank's Participation so that its Excess Cash Reserves will be on the same ratio that its Capital and Surplus is to the System Total		
		Current Allotment Ratio	Present Holdings OVER or SHORT of Pro Rata Share		Reserve Ratio	Present Holdings OVER or SHORT of Pro Rata Share		Ratio of Com- bined Capital and Surplus to System Total	Present Holdings OVER or SHORT of Pro Rata Share		Excess Cash Reserves to System Total	Present Holdings OVER or SHORT of Pro Rata Share	
Boston	\$ 95,978	7 1/4%	\$ -0- \$ 19,266		65.3%	\$ -0- \$ 31,681		7 1/2%	\$ -0- \$ 23,240		10 3/4%	\$ -0- \$ 29,000	
New York	592,541	27 %	163,354 -0-		50.0%	96,008 -0-		32 1/2%	75,926 -0-		21 3/4%	97,000 -0-	
Philadelphia	131,592	7 3/4%	8,399 -0-		53.9%	9,332 -0-		10 1/4%	-0- 31,340		6 1/2%	35,000 -0-	
Cleveland	173,030	10 1/2%	6,123 -0-		54.7%	7,420 -0-		10 %	14,071 -0-		8 %	18,000 -0-	
Richmond	47,132	5 %	-0- 32,346		50.5%	8,618 -0-		4 %	-0- 16,451		2 %	18,000 -0-	
Atlanta	51,560	4 3/4%	-0- 23,945		47.8%	13,660 -0-		3 3/4%	-0- 8,049		1 3/4%	19,000 -0-	
Chicago	194,092	12 3/4%	-0- 8,580		70.8%	-0- 143,837		13 1/2%	-0- 20,501		35 1/4%	-0- 197,000	
St. Louis	63,529	4 1/4%	-0- 4,028		54.5%	2,973 -0-		3 1/2%	7,894 -0-		2 3/4%	6,000 -0-	
Minneapolis	45,587	3 %	-0- 2,101		49.2%	8,812 -0-		2 1/4%	9,820 -0-		1 1/2%	6,000 -0-	
San Francisco	54,629	5 1/2%	-0- 32,798		52.4%	6,236 -0-		3 %	6,942 -0-		2 1/2%	4,000 -0-	
Indianapolis	20,721	3 3/4%	-0- 38,888		56.9%	-0- 520		2 3/4%	-0- 22,992		1 3/4%	8,000 -0-	
San Francisco	119,192	8 1/2%	-0- 15,924		50.5%	22,979 -0-		7 %	7,920 -0-		5 1/2%	15,000 -0-	
TOTALS	\$1,589,583	100%	\$177,876 \$177,876		56.3%	\$176,038 \$176,038		100%	\$122,573 \$122,573		100%	\$226,000 \$226,000	

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TABLE NO. 2

STATEMENT SHOWING VARIOUS PLANS OF REDISTRIBUTION OF TOTAL HOLDINGS OF GOVERNMENT SECURITIES
FIGURES AS OF JULY 6, 1932
(000 Omitted)

PLAN 1
PLAN 2
PLAN 3
PLAN 4

**Present Plan - Based on Earning
Requirements of Each Bank**

**Provides for Adjustment of
Total Holdings to Average
Ratio of All Banks - 56.3%**

**Provides for Adjustment of Each
Bank's Total Holdings So That Its
Holdings Will Be On the Same Ratio
That Its Combined Capital and Sur-
plus Is To The System Total**

**Provides for Adjustment of Each
Bank's Total Holdings So That Its
Excess Cash Reserves Will Be On
The Same Ratio That Its Capital
and Surplus Is To The System Total**

Current
Allotment
Ratios

Present Holdings
OVER or SHORT
of Pro Rata Share

Reserve
Ratios

Present Holdings
OVER or SHORT
of Pro Rata Share

Ratios of Com-
bined Capital
and Surplus to
System Total

Present Holdings
OVER or SHORT
of Pro Rata Share

Excess Cash
Reserves to
System Total

Present Holdings
OVER or SHORT
of Pro Rata Share

	Amount of Total Hold- ings of Government Securities	Current Allotment Ratios	Present Holdings OVER or SHORT of Pro Rata Share	Reserve Ratios	Present Holdings OVER or SHORT of Pro Rata Share	Ratios of Com- bined Capital and Surplus to System Total	Present Holdings OVER or SHORT of Pro Rata Share	Excess Cash Reserves to System Total	Present Holdings OVER or SHORT of Pro Rata Share
Boston	\$ 112,730	7 1/4%	\$ -0- \$ 17,699	65.3%	\$ -0- \$ 31,681	7 1/2%	\$ -0- \$ 22,196	10 3/4%	\$ -0- \$ 29,000
New York	690,838	27 %	205,102 -0-	50.0%	96,008 -0-	32 1/2%	106,156 -0-	21 3/4%	97,000 -0-
Philadelphia	132,998	7 3/4%	-0- 4,426	53.5%	9,332 -0-	10 1/4%	-0- 49,402	6 1/2%	35,000 -0-
Cleveland	173,030	10 1/2%	-0- 15,867	54.7%	7,420 -0-	10 %	-0- 6,872	8 %	18,000 -0-
Richmond	47,132	5 %	-0- 42,819	50.5%	8,618 -0-	4 %	-0- 24,829	2 %	18,000 -0-
Atlanta	51,676	4 3/4%	-0- 33,778	47.8%	13,660 -0-	3 3/4%	-0- 15,787	1 3/4%	19,000 -0-
Chicago	267,205	12 3/4%	37,330 -0-	70.8%	-0- 143,837	13 1/2%	24,337 -0-	35 1/4%	-0- 197,000
St. Louis	64,029	4 1/4%	-0- 12,429	54.5%	2,973 -0-	3 1/2%	1,063 -0-	2 3/4%	6,000 -0-
Minneapolis	52,755	3 %	-0- 1,216	49.2%	8,812 -0-	2 1/4%	12,277 -0-	1 1/2%	6,000 -0-
Kansas City	54,716	5 1/2%	-0- 44,230	52.4%	6,236 -0-	3 %	745 -0-	2 1/2%	4,000 -0-
Dallas	30,721	3 3/4%	-0- 36,742	56.9%	-0- 520	2 3/4%	-0- 18,752	1 3/4%	8,000 -0-
San Francisco	119,191	8 1/2%	-0- 33,726	50.5%	22,379 -0-	7 %	-0- 6,740	5 1/2%	15,000 -0-
Totals	\$1,797,021	100 %	\$242,932 \$242,932	56.3%	\$176,038 \$176,038	100 %	\$144,578 \$144,578	100 %	\$226,000 \$226,000

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PRELIMINARY MEMORANDUM FOR THE OPEN MARKET POLICY CONFERENCE

JULY 14, 1932.

The results of purchases of government securities by the System since March were reviewed in a letter of July 5 from the chairman of the Conference to the governors of all Reserve banks. This letter indicated that the funds made available by security purchases had been largely used to enable banks to meet gold losses and to repay indebtedness at the Reserve banks, and that only a relatively small amount remained to provide excess reserves. In the absence of purchases of government securities there would have been a considerable increase in borrowings at the Reserve banks and a continuation of the drastic credit deflation which had been going on.

As to the effect on the Reserve System the purchases of government securities were a very small influence upon the reserve position of the Federal reserve banks, the declines in reserve ratios over this period being due almost altogether to gold losses rather than to purchases of governments.

The general results of the System's purchases of securities were summarized as follows:

- "(1) The very large repatriation of foreign central bank funds has been accomplished without any strain on the position of member banks, and thus one important obstacle to a more normal credit position has been removed.
- "(2) The pressure for liquidation of bank credit which usually results from the indebtedness of member banks has been materially lightened by a reduction in their total borrowings from more than \$800,000,000 to less than \$500,000,000.
- "(3) The decline in member bank deposits has been checked, and the liquidation of bank credit which had been proceeding at an alarming rate has been substantially retarded."

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All of these results are real accomplishments in themselves and have probably avoided very serious consequences of continued or increased credit liquidation. Nevertheless the ultimate purpose of bringing about an increase in the volume of bank credit, which might in its turn influence business activity has not yet been achieved for the results so far accomplished are not such as would be expected to exercise a very direct or affirmative influence upon business activity. It, therefore, seems desirable at this time to review the general business and industrial situation as a basis for determining the extent to which further purchases of government securities would be likely to prove effective.

Production, Trade, and Employment

A further decline in the volume of production and trade and in numbers of workers employed is shown by the available figures for May and June. Indexes commonly used to measure fluctuations in business now show greater declines than this country has ever before experienced. The depressions of the 70s and the 90s brought with them nothing approaching the cessation in activity which occurred in recent months. The following table shows the percentage decline in production in this recent period compared with the decline in other important depressions:

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Declines in Industrial Activity *

(Computed normal = 100)

<u>High Point</u>		<u>Low Point</u>		<u>Decline</u>
<u>Date</u>	<u>Actual Data</u>	<u>Date</u>	<u>Actual Data</u>	<u>Per Cent</u>
Jan. 1873	114.6	Feb. 1878	87.3	24
Feb. 1892	113.9	Jan. 1894	80.1	30
Jan. 1906	112.6	May 1908	81.9	27
Jan. 1920	111.2	Apr. 1921	73.0	34
Apr. 1923	115.2	July 1924	87.3	24
June 1929	114.7	June 1932 (est.)	50.6	56

* From index published by Cleveland Trust Company.

The total number of wholly unemployed workers in the United States is now estimated at about 10,000,000, an increase of about 3,000,000 to 4,000,000 from a year ago. This is more severe unemployment than we have ever before experienced in this country and constitutes a major social and economic problem for it carries with it the threat of social disturbance and radical legislation. To bring about reemployment before winter is the problem which faces the country.

Looked at from the point of view of business and finance the problem is almost equally pressing, for a continuation of the present restricted volume of business activity over an extended period of months would mean the bankruptcy of many business concerns

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including many railroads, and the insolvency of many banks.

Favorable Factors

Fortunately, at this point a number of the principal obstacles to business and financial improvement have been removed. The practical completion of the removal of foreign short time balances from our money market has removed a threat to our gold position. Domestic gold hoarding has practically stopped. A tax bill has been passed by Congress which it is hoped will place the budget in approximate balance. The relief bill with added powers to the Reconstruction Finance Corporation will probably soon be passed. The reparations agreement has been signed at Lausanne. Definite settlement has been effected of a number of individual domestic situations which threatened to prove disturbing. The bonus bill and a number of other unsound legislative proposals have been defeated. Business has effected many readjustments in costs and has begun to evidence a more hopeful sentiment.

Already the course of financial events has begun to reflect these favorable developments. The bond market, and particularly the market for foreign bonds, has shown improvement as indicated in the following figures:

	1932 Low	July 11, 1932
Standard Statistics corporation bond average	57.45	60.19
Baker-Kellogg foreign bond average	54.22	59.58*

* July 8 figure

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Basic commodity prices, after a month of approximate stabilization, have begun to show improvement as indicated by the following figures for principal basic commodities.

	<u>1932</u>	
	<u>Low</u>	<u>July 11</u>
Wheat, cash, at Minneapolis, per pound	\$0.5288	\$0.5400
Corn, cash, at Chicago, per pound	0.2938	0.3175
Hogs, average, per hundredweight	3.19	5.33
Steers, average, per hundredweight	6.29	8.38
Hides, per pound	0.0369	0.0425
Sugar, raw, per pound	0.0257	0.0305
Cotton, middling, New York, per pound	0.0500	0.0585
Wool, per pound	0.3072	0.3072
Silk, per pound	1.13	1.18
Rubber, smoked ribbed sheets, per pound	0.0256	0.0256
Copper, electrolytic, per pound	0.0525	0.0531
Tin, per pound	0.1844	0.2075
Pig iron, per ton	13.76	13.76
Finished steel, per pound	0.02037	0.02087
Scrap steel, Pittsburg, per ton	8.25	8.25
Petroleum, crude, per barrel	0.873	1.017

The establishment of banking and industrial committees in the different Federal reserve districts should also be listed as among the favorable factors, for they provide machinery available to carry out in the several districts any plans agreed upon for industrial and financial rehabilitation.

Capital Goods Industries Most Depressed

In considering the effectiveness of various means which may be employed for stimulating employment or industrial activity, consideration may well be given to the variation between different industries as to their extent of activity and employment of workers. These figures which are shown in full in the tables at the end of this memorandum, show that the greatest cessation of activity has been in the basic industries producing what may be termed capital goods. This may be illustrated by the following index figures for activity in different industries.

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<u>Industry</u>	<u>Percentage of Computed Normal</u>
Pig iron	20
Steel	23
Bituminous coal	48
Cement	44
Lumber	33

As contrasted with these figures production of the following consumption goods may be listed:

<u>Industry</u>	<u>Percentage of Computed Normal</u>
Boots and shoes	87
Hosiery	67
Live stock	83
Wheat flour	78
Sugar	56
Tobacco	79

The whole group of industries classified under producers goods in the index compiled by the Federal Reserve Bank of New York are operating at 49 per cent of computed normal, whereas the industries classified under consumers' goods are operating at a rate 77 per cent of computed normal. Unemployment and wage figures support this same general conclusion, that the greatest cessation in activity and the greatest amount of unemployment has taken place in the capital goods industries; that is, those industries which produce for the use of other industries primarily, and the activities of which are largely financed through the capital market.

The extreme depression in these industries appears to reflect, first, some over-production of capital goods in the years just before the depression, and second the disorganization of the bond market to a point where new financing has become practically impossible, and capital is no longer available for business even at prohibitive prices. What is most required to revive these basic industries, is cheap long-term capital.

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The surveys thus far conducted by banking and industrial committees in a number of districts appear to indicate that there are a considerable number of sound enterprises which can go forward as soon as capital is available upon moderate terms. There are three principal fields in which these enterprises now appear:

(1) Building Construction. While there has been over-production of office buildings and high class apartments there is a considerable demand for cheap apartments and moderate-priced private dwellings, and for modernization of old buildings.

(2) Modernization of existing industrial facilities to keep pace with recent inventions and improvements.

(3) Public and semi-public projects.

In addition to these three major forms of capital goods there appear to be many other small enterprises in which a more adequate supply of capital and of bank credit would find profitable employment if it were available upon moderate terms. In the consumption industries also stocks are low and trade is retarded by shortages of capital and credit.

Function of the Banks

In the furnishing of both credit and capital to business the banks occupy the key position. For the past year and a half the banks have not only decreased greatly their extensions of credit to business but also have withdrawn large amounts of funds from the capital market as illustrated in the following figures for weekly reporting banks:

(In millions of dollars)

	Dec. 31, 1930	July 6, 1932
Loans:		
On securities	7,814	4,632
All other loans	8,449	6,484
Investments:		
U. S. securities	2,992	4,210
Other securities	3,701	3,206
Total loans and investments	22,956	18,532

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By their decrease in investments in securities other than Governments and their decrease in loans upon securities these banks have thus withdrawn in this period nearly four billion dollars from the capital market, whereas ordinarily the banks of the United States pour into this market about a billion dollars a year in these two forms.

In recent weeks since the Reserve System began its policy of vigorous purchases of government securities there has been some change in this tendency. Bank credit as a whole stopped its rapid decline and tended to level out and the contribution of the banks to the capital market showed a similar tendency until the latter part of June when bank disturbances and mid-year and holiday demands used up most of the surplus reserves and caused some resumption in the decline in credit.

Any program for meeting the present emergency must depend upon two forces for increasing business activity and employment: first, the natural stimulation which will arise from a general improvement in the security market and in the business and financial situation generally, and second, the stimulation of activity through the agencies of the government. The problem has now become so acute and the time has become so short that it has now been generally agreed that artificial methods are necessary. The artificial methods used appear to depend upon the particular form of the relief bill which Congress may adopt. In any event such a bill is likely to require a considerable amount of additional government financing, the floating of which on the market during coming months is essential to the entire program. Along with this governmental program it is to be hoped that a natural recovery in the security markets and in prices and business itself may be accompanied by an increased use of the normal channels of financing. To achieve both of these purposes vigorous support by the banks of the country is essential, and an increase in bank credit.

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APPENDIX

8

CHANGES IN EMPLOYMENT AND PAYROLLS BETWEEN MAY 1929 AND MAY 1932

(1923-1925 average = 100)

	<u>Employment</u>		<u>Payrolls</u>	
	<u>1929</u> <u>May</u>	<u>1932</u> <u>May</u>	<u>1929</u> <u>May</u>	<u>1932</u> <u>May</u>
Iron and steel	100.7	57.2	111.6	30.4
Machinery	119.1	54.4	131.9	35.9
Textiles	97.3	62.0	99.3	41.5
Food products	97.3	81.0	103.1	72.9
Paper and printing	102.8	83.8	114.3	77.0
Lumber and products	89.2	38.6	92.8	22.2
Transportation equipment	101.5	52.4	116.0	45.9
Automobiles	130.0	59.7	147.1	53.5
Leather and products	90.3	72.7	88.1	45.7
Cement, clay, and glass	93.1	47.0	91.8	30.2
Nonferrous metals	105.3	51.4	123.1	34.5
Chemicals	110.3	78.3	113.1	66.9
Petroleum refining	114.4	78.2	118.9	72.5
Rubber products	115.3	66.0	146.5	48.7
Tobacco products	90.3	67.3	86.1	48.4

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INDEXES OF PRODUCTION

(Computed normal = 100)

<u>Items</u>	<u>1929</u> <u>May</u>	<u>1932</u> <u>May</u>	<u>1932</u> <u>June</u>
Pig iron	114	22	20
Steel ingots	121	24	23
Lead	112	43	-
Zinc	113	35	32
Tin	141	48	48
METALS	131	31	-
Cotton consumption	109	55	-
Wool mill activity	102	38	-
Silk consumption	101	60	-
TEXTILES	105	51	-
Bituminous coal	110	52	48p
Coke	120	40	-
Petroleum, crude	112	72	-
Cement	115	44	-
Lumber	104	33	-
Newsprint paper	98	79	-
Cotton receipts	103	109	-
Wheat receipts	92	73	-
OTHER PRODUCERS GOODS	103	66	-
TOTAL PRODUCERS GOODS	113	49	-
Anthracite coal	90	52	40p
Petroleum products	101	67	-
Boots and shoes	111	87	-
Finished cotton goods	116	53	-
Hosiery	108	67	-
Knit underwear	115	84	-
Livestock	93	96	83
Wheat flour	108	78	-
Sugar	80	56	-
Tobacco	112	79	-
Farm produce	96	92	-
TOTAL CONSUMERS GOODS	103	77	-

p = preliminary

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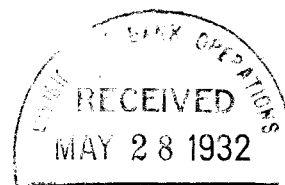
INDEXES OF BUSINESS ACTIVITY

(Computed normal = 100)

<u>Items</u>	<u>1929</u> <u>May</u>	<u>1932</u> <u>May</u>	<u>1932</u> <u>June</u>
Carloadings, mdse. and misc.	104	56	55
Carloadings, other	111	42	38
Exports	102	50p	-
Imports	115	60p	-
Waterway traffic	113	34	-
Wholesale trade	<u>103</u>	<u>76</u>	<u>-</u>
PRIMARY DISTRIBUTION GROUP	106	57	-
Department store sales	101	76	-
Chain grocery	104	77	-
Other chain	107	78	-
Mail order	116	75	-
Advertising	102	59	-
Automobile registrations	<u>115</u>	<u>31p</u>	<u>-</u>
DISTRIBUTION TO CONSUMER GROUP	105	70	-
Life insurance	99	73	-
Postal receipts	101	69	-
Electric power	107	68p	-
Corporations formed	<u>101</u>	<u>83</u>	<u>-</u>
GENERAL GROUP	<u>102</u>	<u>68</u>	<u>-</u>
TOTAL VOLUME OF DISTRIBUTION OF GOODS	<u>105</u>	<u>65</u>	<u>-</u>
Production of producers goods	113	49	-
Production of consumers goods	103	77	-
Automobile production	136	37	-
Employment	105	64	-
Building construction	<u>115</u>	<u>31</u>	<u>22p</u>
PRODUCTIVE ACTIVITY GROUP	<u>110</u>	<u>57</u>	<u>-</u>
TOTAL VOLUME OF PRODUCTION AND DISTRIBUTION OF GOODS	<u>106</u>	<u>63</u>	<u>62p</u>
New York City debits	130	57	-
Shares sold on N. Y. Stock Exchange	237	56	59
New capital issues	130	14	-
Trading in grain futures	<u>98</u>	<u>48</u>	<u>-</u>
FINANCIAL GROUP	130	44	-
Outside debits	<u>107</u>	<u>63</u>	<u>62p</u>
TOTAL VOLUME OF TRADE	<u>106</u>	<u>61</u>	<u>-</u>

p = preliminary

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C O P Y

May 24, 1932

TO: Mr. Morrill
 FROM: Mr. Smead

In accordance with the letter from Mr. Lichtenstein, Secretary of the Federal Advisory Council, which you telephoned over last evening, we have prepared the attached tables showing --

1. Holdings of United States securities in the Special Investment Account on February 24, 1932 and purchases from that date to April 27 and from April 27 to May 18. These purchases have been segregated so as to show --

- (a) Purchases in the open market for system account
- (b) Replacement of matured securities
 - (1) in open market
 - (2) by Treasury subscriptions
- (c) Securities acquired through exchange operations in the market

2. Holdings on February 24, 1932, of United States securities in its investment account by each Federal reserve bank, exclusive of securities temporarily held and of participation in System special investment account, and classification of securities purchased by each Federal reserve bank from February 24 to April 27 and from April 27 to May 18.

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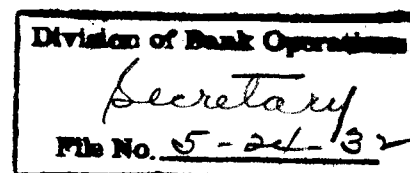


TABLE 1 -- CLASSIFICATION OF UNITED STATES GOVERNMENT SECURITIES HELD IN SPECIAL INVESTMENT ACCOUNT ON FEBRUARY 24, 1932, AND OF SECURITIES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FROM FEBRUARY 25 TO APRIL 27, AND FROM APRIL 28 TO MAY 18, 1932, INCLUSIVE

(In thousands of dollars)

United States Govern- ment Securities	Holdings on Feb. 24, 1932	Purchases in open market		Replacements of matured issues				Exchanges in Open Market	
				In Open Market		Treasury Subscriptions			
		Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18
Treasury Bills due on -									
Mar. 2, 1932	17,925	-	-	-	-	-	-	-	-
Mar. 30 "	4,050	200	-	-	-	-	-	1,000	-
Apr. 13 "	3,000	500	-	-	-	-	-	-	-
Apr. 27 "	2,500	1,000	-	-	-	-	-	-	-
May 11 "	10,725	7,630	-	-	-	-	-	-	-
May 18 "	5,111	5,000	-	-	-	-	-	-	-
May 25 "	6,907	5,000	-	-	-	-	-	-	-
June 1 "	-	41,162	-	17,925	1,000	-	-	16,000	-
June 29 "	-	32,800	-	250	-	-	-	3,500	-
July 13 "	-	75,500	-	-	-	-	-	-	-
July 20 "	-	40,475	-	-	-	-	-	-	-
July 27 "	-	24,350	15,000	3,800	-	-	-	-	-
Aug. 10 "	-	-	1,000	-	15,000	-	-	-	-
Aug. 17 "	-	-	37,639	-	16,111	-	-	-	-
Total Treasury Bills	53,518 ✓	239,617 ✓	53,639 ✓	21,975 ✓	32,111 ✓	-	-	20,500 ✓	-

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TABLE 1 -- CLASSIFICATION OF UNITED STATES GOVERNMENT SECURITIES HELD IN SPECIAL INVESTMENT ACCOUNT ON FEBRUARY 24, 1932, AND OF SECURITIES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FROM FEBRUARY 25 TO APRIL 27, AND FROM APRIL 28 TO MAY 18, 1932 INCLUSIVE

(In thousands of dollars)

United States Govern - ment Securities	Holdings on Feb. 24 1932	Purchases in open market		Replacements of matured issues				Exchanges in Open Market	
				In Open Market		Treasury Subscriptions			
		Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18
Certificates of Indebtedness due on -									
Mar. 15, 1932 - 2%	57,731.5	1,250	-	-	-	-	-	10,000	1,250
June 15 " - 2-3/4%	40,400	14,150	-	-	-	-	-	-	-
Aug. 1 " - 3-1/8%	24,800	23,100	16,000	-	-	-	-	2,500	-
Sept. 15 " - 1-1/8%	54,500	15,168	4,750	775	-	-	-	1,000	2,000
Sept. 15 " - 3%	64,051.5	45,700	750	250	-	-	-	2,000	-
Oct. 15 " - 3-1/8%	-	34,150	9,780	10,250	-	8,981.5	-	21,000	-
Dec. 15 " - 3-1/4%	-	1,650	-	-	-	-	-	-	-
Feb. 1 1933 - 3-3/4%	1,000	3,800	4,250	475	-	-	-	-	-
Mar. 15 " - 3-3/4%	-	26,470	*24,105	30,250	-	10,000	-	32,700	2,000
May 2 " - 2%	-	-	82,895	-	2,355	-	-	-	1,000
Total certificates of indebtedness	242,883 ✓	165,438 ✓	142,530 ✓	42,000 ✓	2,355 ✓	18,981.5 ✓	-	69,200 ✓	5,000 ✓
Treasury notes due on -									
Dec. 15, 1932 - 3-1/4%	59,000	18,500	18,025	500	-	-	-	**15,000	-
May 2, 1934 - 3%	-	-	51,950	-	-	-	-	-	-
Total Treasury notes	59,000 ✓	18,500 ✓	69,975 ✓	500 ✓	-	-	-	15,000 ✓	-

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TABLE 1 -- CLASSIFICATION OF UNITED STATES GOVERNMENT SECURITIES HELD IN SPECIAL INVESTMENT ACCOUNT ON FEBRUARY 24, 1932, AND OF SECURITIES PURCHASED FOR SPECIAL INVESTMENT ACCOUNT FROM FEBRUARY 25 TO APRIL 27, AND FROM APRIL 28 TO MAY 18, 1932, INCLUSIVE

(In thousands of dollars)

United States Government Securities	Holdings on Feb. 24, 1932	Purchases in open market		Replacements of matured issues					
				In Open Market		Treasury Subscriptions		Exchanges in Open Market	
		Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18	Feb. 25-Apr. 27	Apr. 28-May 18
Liberty Loan Bonds due on-									
Oct. 15, 1938 - 4th - 4 1/2%	115,040	24,945	12,500	-	-	-	-	-	-
June 15, 1947 - 1st - 3 1/2%	80,025	-	-	-	-	-	-	-	-
June 15 " - 1st - 4 1/2%	16,750	2,500	-	-	-	-	-	1,000	-
Total Liberty Loan Bonds	211,815 ✓	27,445 ✓	12,500 ✓	-	-	-	-	1,000 ✓	-
Total United States Government Securities									
	566,816 ✓	451,000 ✓	278,644 ✓	64,475 ✓	34,466 ✓	18,981.5	-	105,700 ✓	5,000 ✓

*Includes \$3,205,000 purchased from the portfolio of a Federal reserve bank.

** " 10,000,000 " " " " " " " " " "

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
MAY 24, 1932

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Authority EO 10561

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TABLE 2 - CLASSIFICATION OF UNITED STATES GOVERNMENT SECURITIES HELD IN INVESTMENT ACCOUNT BY EACH FEDERAL RESERVE BANK ON FEB. 24, 1932

(Exclusive of securities acquired under resale agreement, of participation in special investment account, and of securities held temporarily by Federal reserve banks of Atlanta and Minneapolis pending their sale for the account of member banks)

(In thousands of dollars)

U. S. Government securities	Total	Boston	New York	Philadelphia	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas
Total holdings	173,060 ⁶⁰	752 [✓]	125,839 [✓]	6,606 [✓]	117 [✓]	21,598 [✓]	500 [✓]	7,563 [✓]	85 [✓]	10,000 [✓]
Treasury bills due on -	33,486		33,486 [✓]							
March 2, 1932	4,413	-	4,413	-	-	-	-	-	-	-
May 11, 1932	6,500	-	6,500	-	-	-	-	-	-	-
May 18, 1932	10,000	-	10,000	-	-	-	-	-	-	-
May 25, 1932	12,573	-	12,573	-	-	-	-	-	-	-
Treasury certificates due on -	18,263		15,640 [✓]						23	
March 15, 1932 - 2 $\frac{1}{2}$ %	3,564	-	356	3,200 [✓]	-	-	-	-	8 [✓]	-
Sept. 15, 1932 - 1-1/8%	12,515	-	12,500	-	-	-	-	-	15 [✓]	-
Sept. 15, 1932 - 3%	2,184	-	2,184	-	-	-	-	-	-	-
Treasury notes due on -										
Dec. 15, 1932 - 3-1/4%	14,495	45 [✓]	14,450 [✓]	-	-	-	-	-	-	-
Bonds:	106,816	707 [✓]	62,863 [✓]	3,406 [✓]	116	21,598 [✓]		7,563	62	10,000
3% Conversion, 1946-47	654	529	-	-	10	-	-	115 [✓]	-	-
3-1/2% Liberty Loan, 1947	4,500	-	4,500	-	-	-	-	-	-	-
4-1/4% First Liberty Loan, 1947	9,381 ⁸¹	-	8,750	2	4 [✓]	10,000 [✓]	500 [✓]	-	-	125 [✓]
4-1/4% Fourth Liberty Loan, 1938	59,190 ⁰	18	34,542	2,800	35	19,500 [✓]	-	2,327 [✓]	-	-
3-3/8% Treasury bonds, 1940-43	13,772	-	9,762	-	-	-	-	10 [✓]	-	4,000 [✓]
3-3/8% " " 1941-43	5,852	-	-	5	100	-	-	2,653 [✓]	14 [✓]	3,080
3-3/8% " " 1943-47	5,772	160	4,267	550	-	-	-	-	-	795 [✓]
4% " " 1944-54	412	-	210	36	-	-	-	166 [✓]	-	-
3-3/4% " " 1946-56	2,832	-	832	-	-	-	-	-	-	2,000 [✓]
3% " " 1955	536	-	-	13	-	-	-	475 [✓]	48 [✓]	-
3-1/8% " " 1949	3,915	-	-	-	-	2,098 [✓]	-	1,817 [✓]	-	-

FEDERAL RESERVE BOARD

DIVISION OF BANK OPERATIONS

MAY 24, 1932

NOTE: Cleveland, Richmond and San Francisco - none.

* Includes \$250 of First Liberties 3-1/2's and \$1,950 of First Liberties 4's.

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Authority EO 10661

**TABLE 3 -- CLASSIFICATION OF UNITED STATES GOVERNMENT SECURITIES PURCHASED BY EACH
FEDERAL RESERVE BANK FROM FEBRUARY 25 TO APRIL 27, 1932, AND FROM
APRIL 28 TO MAY 18, 1932, INCLUSIVE**

(Exclusive of securities acquired under resale agreement, of participation in special investment account, and of securities held temporarily by Federal reserve banks of Atlanta and Minneapolis pending their sale for the account of member banks)

(In thousands of dollars)

U. S. Government securities	Total	New York	Philadelphia	Kansas City
<u>Purchases from Feb. 25 to Apr. 27, 1932</u>				
Treasury bills due on - June 1, 1932	*4,413	*4,413 ✓	-	-
Treasury certificates due on - Mar. 15, 1933, 3-3/4%	13,560 #10,000	**355 ✓ #10,000 ✓	**3,205 ✓	-
Treasury bonds 1951-55, 3%	10	-	-	10 ✓
Total	17,983 ✓	14,768 ✓	3,205 ✓	10 ✓

Purchases from April 28
to May 18, 1932

Treasury bills due on - Aug. 10, 1932	*6,000	*6,000 ✓	-	-
" 17, "	*10,000	*10,000 ✓	-	-
Treasury certificates due on - May 15, 1933, 3-3/4%	*500	*500 ✓	-	-
Total	16,500 ✓	16,500 ✓	-	-

*Purchased in the market to replace matured securities redeemed by the Treasury.

**Replacement of matured issue by Treasury subscription.

#Purchased in the market to replace a sale to the Special Investment Account.

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
MAY 24, 1932

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Authority EO 10561

Lichtenstein -- extract from letter.

"The Federal Advisory Council has requested me to ask the Federal Reserve Board to supply it if possible with the following information regarding the open market operations of the System. The Council is desirous of knowing by ten o'clock tomorrow morning, Tuesday, May 24, the amount of short time securities in the portfolio of the Federal Reserve System and the separate Federal reserve banks on February 24; likewise the amount of long time securities in the portfolio of the Federal Reserve System and of the separate Federal reserve banks on February 24. Furthermore, the Council is desirous of knowing in some detail the purchases made by the System and the separate Federal reserve banks in the period from February 24 to April 27 and from April 27 to date, especially showing the amount of short-time securities and the amount of long-time securities, as well as the exact nature of these securities (that is, specifically which issues were purchased). The Council is also interested in knowing to what extent these purchases in the period from February 24 to date were made in the open market or through banks and how much was obtained by direct subscription. The Council wishes to have this information in order to use it as the basis for a possible recommendation."

5/24/32

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Authority EO 10961

"The Federal Advisory Council has requested me to ask the Federal Reserve Board to supply it if possible with the following information regarding the open market operations of the System. The Council is desirous of knowing, by ten o'clock tomorrow morning, Tuesday, May 24, the amount of short-time securities in the portfolio of the Federal Reserve System and the separate Federal reserve banks on February 24; likewise the amount of long-time securities in the portfolio of the Federal Reserve System and of the separate Federal reserve banks on February 24. Furthermore, the Council is desirous of knowing in some detail the purchases made by the System and the separate Federal reserve banks in the period from February 24 to April 27 and from April 27 to date, especially showing the amount of short-time securities and the amount of long-time securities as well as the exact nature of these securities (that is, specifically which issues were purchased). The Council is also interested in knowing to what extent these purchases in the period from February 24 to date were made in the open market or through banks and how much was obtained by direct subscription. The Council wishes to ~~us~~ have this information in order to use it as the basis for a possible recommendation."

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Authority EO 10561

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARDDate March 16, 1932To Mr. MorrillSubject: Allotment of United States Govern-
ment securities in Special Invest-
ment AccountFrom Mr. Smead

On February 29, 1932, just before the System began increasing its holding of securities in the Special Investment Account, the participation of the Federal Reserve Bank of Atlanta amounted to \$12,478,000, and there has been no change in Atlanta's participation since that date. This \$12,478,000 does not include \$7,000,000 sold from its participation to other Federal reserve banks in October and December last year.

The \$70,000,000 of United States securities purchased for the Special Investment Account since February 29 have been allotted as follows:

New York	\$56,052,000
Philadelphia	5,425,000
Cleveland	4,673,000
Kansas City	3,850,000
Total	70,000,000

It has been the practice to vary, from time to time, the percentage participation of the various Federal reserve banks in the System Account, depending on their expenses, dividends, charge-offs, etc. The following percentages, based on the ratio that each bank's expenses, dividends and charge-offs for the year 1931 bore to the total of such items for the System, were set up for use during the first six months of 1932, with the intention of adjusting them each month thereafter, based on the actual and estimated figures available at the end of each month during the last half of the year:

Boston	7-1/4 per cent	Chicago	12-3/4 per cent
New York	27 "	St. Louis	4-1/4 "
Philadelphia	7-3/4 "	Minneapolis	3 "
Cleveland	10-1/2 "	Kansas City	5-1/2 "
Richmond	5 "	Dallas	3-3/4 "
Atlanta	4-3/4 "	San Francisco	8-1/2 "
		Total	100 "

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Authority EO 10561

- 2 -

The \$70,000,000 of securities recently purchased for System Account have not been allotted on the basis of these percentages.

The actual participation of each Federal reserve bank in the Special Investment Account as of last night, and its quota of such securities based on the above percentages, is as follows:

Federal Reserve Bank	Actual participation	Participation based on allotment ratios
Boston	\$55,404,000	\$46,169,160
New York	209,560,000	171,940,320
Philadelphia	57,074,000	49,353,240
Cleveland	72,989,500	66,865,680
Richmond	19,080,500	31,840,800
Atlanta	12,478,000	30,248,760
Chicago	85,362,000	81,194,040
St. Louis	27,286,500	27,064,680
Minneapolis	20,003,000	19,104,480
Kansas City	22,474,000	35,024,880
Dallas	17,363,500	23,880,600
San Francisco	37,741,000	54,129,360
Total	636,816,000	636,816,000

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Authority EO 10561332,47
333,34
March 8, 1932

Office Memorandum

Mr. Van Possen *W* *JMP*Reserve for depreciation On U.S.
bonds and special investment account

Mr. Freeland of the New York Bank advised me yesterday that the reserve for depreciation on United States bonds held in special investment account was allocated to the various Federal reserve banks in proportion to the ratio of their participation in the special investment account to the total amount of United States securities so held. It should be noted that the disposition was not made in accordance with the ratio of United States bonds in special investment account held by each bank as reported on December 31, 1931. In setting up the reserve for depreciation, the amount of premiums to be amortized in 1932 was deducted from the book value in accordance with instructions received from the Federal Reserve Board. The par value, book value and market value of United States bonds held in special investment account on December 31, the amount of premiums to be amortized in 1932 and the depreciation reserve set up on each issue were as follows:

	<u>Par value</u>	<u>Book value</u>	<u>Market value</u> <u>Dec. 31, 1931</u>
First Liberties <i>346</i>	\$80,025,000	\$81,032,082.80	\$78,324,468.75
First Liberties <i>446</i>	16,750,000	17,013,881.67	16,676,718.75
Fourth " <i>446</i>	<u>115,040,000.00</u>	<u>118,900,171.61</u>	<u>114,536,700.00</u>
Total	211,815,000	216,946,136.08	209,537,887.50

	<u>Premium to be amortized in 1932</u>	<u>Depreciation reserve set up on Dec. 31, 1931</u>
First Liberties <i>346</i>	1,007,082.80	1,700,531.25
First " <i>446</i>	263,881.67	73,281.25
Fourth " <i>446</i>	<u>2,163,587.04</u>	<u>2,199,884.57</u>
Total	3,434,551.51	3,973,697.07

(See Charge-off folder 1931 for Original of this memo. -
noted *W. Smead*).

Copy 2 330.33

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Authority EO 10561

332.41

February 17, 1932

Governor Meyer

Mr. Smead

3 33.34

In accordance with your verbal request, I am attaching hereto a statement showing the amount of United States bonds purchased for Special Investment Account from dealers in securities, where such purchases were accompanied by the sale, on the same day to the same dealer, of an equal amount of short-term securities. The statement covers the period from August 1, 1931 to February 10, 1932.

There is also attached another statement, showing sales of United States bonds from Special Investment Account to dealers in securities during the same period, where such sales were accompanied by purchases, on the same day from the same dealer, of an equal amount of short-term securities.

The only transactions of the above character made by the Federal Reserve Bank of New York for its own account were a purchase of \$250,000 of First Liberties from the Discount Corporation on December 4, accompanied by the sale to the same corporation of an equal amount of Treasury bills; and the purchase of \$2,000,000 of Treasury certificates from Salomon Brothers and Hutzler on September 17, which were offset by the sale to them of an equal amount of First Liberties.

Division of Bank Operations

File No. 2-17-32

41

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Authority EO 10561

SALES, TO DEALERS IN SECURITIES, OF UNITED STATES BONDS FROM SPECIAL INVESTMENT ACCOUNT, WHICH WERE ACCOMPANIED BY PURCHASES ON THE SAME DAY OF AN EQUAL AMOUNT OF SHORT-TERM SECURITIES FROM THE SAME DEALER- AUGUST 1, 1931 TO FEBRUARY 10, 1932

Sold to	Date	Class	Amount (par value)	Rate	Maturity
Salomon Bros. & Hutzler	⁸ 9-4-31	First Liberties	\$5,000,000	4-1/4%	6-15-47
Salomon Bros. & Hutzler	⁹ 9-15-31	" "	16,500,000	4-1/4	6-15-47
N. Y. & Hanseatic Corp.	⁹ 9-15-31	" "	5,000,000	4-1/4	6-15-47
Salomon Bros. & Hutzler	¹⁰ 10-7-31	Fourth Liberties	2,000,000	4-1/4	10-15-38
Total			<u>28,500,000</u>		

MPC
E.B.

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Authority EO 10561

022-11

**PURCHASES OF UNITED STATES BONDS, FOR SPECIAL INVESTMENT ACCOUNT, FROM DEALERS
IN SECURITIES, WHICH WERE ACCOMPANIED BY SALES ON THE SAME DAY OF AN EQUAL
AMOUNT OF SHORT-TERM SECURITIES TO THE SAME DEALER -
AUGUST 1, 1931 TO FEBRUARY 10, 1932**

Bought from	Date	Class	Amount (par value)	Rate	Maturity
First Nat.-Old Colony Corp.	8-4-31	First Liberties	\$2,000,000	3-1/2%	6-15-47
C. F. Childs & Co.	8-5-31	" "	1,000,000	3-1/2	6-15-47
C. F. Childs & Co.	8-6-31	" "	1,000,000	3-1/2	6-15-32-47
Discount Corp.	8-5-31	" "	500,000	3-1/2	6-15-47
Discount Corp.	8-6-31	Fourth Liberties	1,500,000	4-1/4	10-15-33-38
First Nat.-Old Colony Corp.	8-11-31	First Liberties	1,000,000	3-1/2	6-15-47
First Nat.-Old Colony Corp.	8-12-31	" "	1,250,000	4-1/4	6-15-47
First Nat.-Old Colony Corp.	8-17-31	" "	1,250,000	4-1/4	6-15-47
Salomon Bros & Hutzler	8-17-31	" "	1,500,000	4-1/4	6-15-47
New York & Hanseatic Corp.	8-18-31	" "	200,000	3-1/2	6-15-47
C. F. Childs & Co.	8-18-31	" "	1,500,000	4-1/4	6-15-47
Discount Corp.	8-18-31	" "	500,000	3-1/2	6-15-47
Discount Corp.	8-18-31	" "	1,300,000	4-1/4	6-15-47
Discount Corp.	8-18-31	Fourth Liberties	2,500,000	4-1/4	10-15-38
Discount Corp.	8-18-31	" "	2,500,000	4-1/4	10-15-38
Discount Corp.	8-19-31	" "	1,000,000	4-1/4	10-15-38
C. F. Childs & Co.	8-19-31	First Liberties	1,000,000	3-1/2	6-15-47
C. F. Childs & Co.	8-19-31	" "	1,000,000	4-1/4	6-15-47
First Nat.-Old Colony Corp.	8-19-31	" "	1,000,000	3-1/2	6-15-47
Salomon Bros. & Hutzler	8-20-31	" "	1,000,000	3-1/2	6-15-47
Salomon Bros & Hutzler	8-20-31	" "	4,000,000	4-1/4	6-15-47
C. F. Childs & Co.	8-20-31	" "	2,000,000	4-1/4	6-15-47
Discount Corp.	8-20-31	Fourth Liberties	5,000,000	4-1/4	10-15-38
Salomon Bros & Hutzler	8-21-31	First Liberties	6,500,000	4-1/4	6-15-47
Salomon Bros & Hutzler	8-21-31	" "	1,000,000	3-1/2	6-15-47
C. F. Childs & Co.	8-21-31	" "	5,000,000	4-1/4	6-15-47
First Nat.-Old Colony Corp.	8-21-31	" "	1,000,000	3-1/2	6-15-47
Salomon Bros. & Hutzler	8-22-31	Fourth Liberties	1,000,000	4-1/4	10-15-38
C. F. Childs & Co.	9-9-31	First Liberties	5,000,000	3-1/2	6-15-47
C. F. Childs & Co.	9-23-31	" "	1,000,000	3-1/2	6-15-47
Discount Corp.	9-24-31	" "	10,000,000	3-1/2	6-15-47
Salomon Bros & Hutzler	9-25-31	Fourth Liberties	3,500,000	4-1/4	10-15-38
Salomon Bros & Hutzler	9-28-31	First Liberties	1,000,000	3-1/2	6-15-47
Discount Corp.	9-28-31	" "	1,000,000	4-1/4	6-15-47
Discount Corp.	9-28-31	" "	5,000,000	3-1/2	6-15-47
Salomon Bros & Hutzler	12-7-31	" "	1,000,000	4-1/4	6-15-47

Total

77,500,000

77,500,000

83
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Authority EO 10501

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARDDate February 5, 1932To Mr. SmeadSubject: 333.34From Mr. Myrick *my*

2-8405

[Handwritten initials]

In compliance with your request I have looked into the question of whether it is correct to refer to "the amount of U. S. securities allotted to your bank from the System's Special Investment Account."

Form 34 shows the amount of U. S. Certificates of Indebtedness and Treasury Bills "Exclusive of certificates and bills purchased through Open Market Policy Conference and held for our account by F. R. Bank of New York."

Form B-3 shows the amount of total discount and open market operations "Exclusive of bills payable in foreign currencies purchased abroad and of U. S. securities bought for or from the System's Special Investment Account."

Form E has an explanatory note on page 35 reading "Do not include participations in securities purchased and sold by the Executive Committee of the Open Market Policy Conference."

The Investment Schedules (Form S-2) submitted by New York read: "PURCHASED SPECIAL INVESTMENT ACCOUNT UNITED STATES SECURITIES FOR FEDERAL RESERVE SYSTEM."

The Secretary's Minutes of the December, 1931 Governors' Conference refers to "Governor Harrison, Chairman of the Open Market Policy Conference." The minutes also refer to the "Executive Committee of the Open Market Policy Conference."

Form 34 also shows the item "Participation in special investment account - U. S. securities."

Division of Bank Operations

Bo
 File No. 2-5-32

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Authority EO 10561

332.41

333.34

FEDERAL RESERVE BANK
OF NEW YORK

IN REPLY PLEASE REFER
TO General Ledger

January 2, 1932

Attention of Mr. Smead

S i r s :

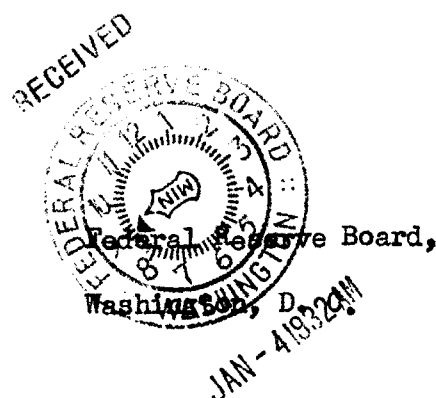
The depreciation December 31, 1931 on Special Investment Account, United States Securities, for the Federal Reserve System as computed by us is as follows:

Boston	\$ 388,703.07
New York	1,011,039.67
Philadelphia	357,867.18
Cleveland	473,330.90
Richmond	133,766.56
Atlanta	87,476.97
Chicago	588,417.12
St. Louis	186,469.71
Minneapolis	140,231.77
Kansas City	130,563.76
Dallas	139,254.24
San Francisco	<u>336,576.12</u>
Total	\$3,973,697.07

Respectfully,



W. W. Burt,
Manager, Accounting Department



332.41
333.56
12/31-37

Prepared by Mr. Scudder for Mr. Smead's information
(to be kept up to date)

**HOLDINGS IN SPECIAL INVESTMENT ACCOUNT AND AMOUNTS OF PARTICIPATION
RELINQUISHED AND RESUMED FROM DECEMBER 1, 1931.**

1931	New York		Richmond		Atlanta		Dallas
Nov. 30	112,894		27,406		14,646		14,632
Dec. 1	109,894	Dallas resumed \$3,000,000 of amount relinquished in October					17,632 Resumed \$3,000,000
Dec. 19	107,394	Dallas resumed \$2,500,000 of amount relinquished in October					20,132 Resumed \$2,500,000
Dec. 23	140,983	Richmond relinquished \$3,000,000	24,406	Relinquished to New York			
Dec. 29	142,010	Atlanta relinquished \$2,000,000			12,646	Relinquished to New York	
Dec. 31	144,217	Richmond relinquished \$5,000,000	19,081	Relinquished to New York			
1932							
Jan. 2	154,217	Richmond relinquished \$10,000,000	9,081	Relinquished to New York			

Division of Bank Operations
Filed 1-2-32
File No. 100-20

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for 333.34

November 4, 1931

STEWART
ST. LOUIS

11/2/31
YOUR WIRE BY FOREIGN BILLS WE MEAN BILLS PAYABLE IN FOREIGN CURRENCY PURCHASED
FROM FOREIGN CORRESPONDENTS BY NEW YORK FOR SYSTEM ACCOUNT. ALL OTHER BILLS
ARE DOMESTIC.

GOLDENWEISER

DST:FCOH

62/10-28

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TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

202 gb

RECEIVED AT WASHINGTON, D. C.

Stleuis Nov 3 212p 1931

Goldenweiser

Washn

Form for acceptances attached your letter october 28 calls for domestic bills and foreign bills separately Crowells dictionary defines domestic bill as one drawn and payable in same country while foreign bill is one drawn in one country and payable in another It also states that a bankers bill is domestic when drawn on a home bank and foreign when drawn on a bank abroad Under first definition dollar acceptance would be foreign bill and under second a domestic bill In order to be certain please give us your definitions

Stewart

325p

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RECEIVED
NOV -4 1931
DIVISION OF RESEARCH
AND STATISTICS

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33334PRELIMINARY MEMORANDUM, SUBJECT TO REVISIONCONFIDENTIAL

August 3, 1931.

MEMORANDUM ON CREDIT CONDITIONS FOR THE MEETING OF
THE OPEN MARKET POLICY CONFERENCE AUGUST 11, 1931.

In the past six weeks there has been no evident improvement in business. In fact the available indexes rather show some decrease in activity. The complete figures for June show a volume of activity considerably reduced from the two preceding months and nearly as low as the lowest point reached in January as indicated by the following principal indexes.

	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>June</u>
F. R. Bank of N. Y. Volume of Trade Index ⁽¹⁾	81	83	83	84	83	82p
F. R. Bd. Production Index ⁽²⁾	83	86	88	90	89	86p

(1) In per cent of calculated normal. p Preliminary

(2) In per cent of 1923-1925 average.

While the weekly indexes of commodity price movements show a practically stable level for the past two months, a number of important individual commodities have been weak, especially agricultural products. Industrial employment, after showing at least the usual expansion in the spring, declined in June to a new low level for recent years.

The great impediment to business improvement has been a series of financial disturbances both at home and abroad which have unsettled confidence. In June there were 166 bank failures in the United States, the largest number since January, with total deposits involved of \$218,000,000, the largest since last December. The preliminary figures for July indicate 89 failures with deposits of \$45,000,000, the same as in May.

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Bank Suspensions

	<u>Number</u>		<u>Deposits</u> <u>In millions of dollars</u>	
	<u>1930</u>	<u>1931</u>	<u>1930</u>	<u>1931</u>
January	99	202	29	78
February	85	77	33	35
March	76	86	24	35
April	96	64	33	42
May	55	89	19	45
June	66	166	71	218
July	65	89p	32	45p
August	67		22	
September	66		24	
October	72		25	
November	254		186	
December	344		367	p Preliminary

But of considerably greater magnitude than the financial troubles at home have been difficulties abroad, which have included temporary breakdowns of the financial structure in a number of the central European countries. These events in turn have placed such pressure on the London money market as to cause a drain in a few brief weeks of more than \$150,000,000 in gold, with the consequence that the Bank of England has sought and obtained a central bank credit and has arranged by Treasury minute an increase of 15 million pounds in its fiduciary issue. A lesser but contributing factor to financial unrest has been the addition of Chile to the list of South American countries which have suspended payment on their foreign debts.

These financial developments are only the symptoms of a deeper underlying economic disequilibrium. The worldwide drop in commodity prices has thrown out of balance the international trade position of many countries and has increased the burden of the payment of international debts to a point where many of these countries will have grave difficulty in meeting their external obligations. This disturbance to the balance of trade has accompanied a decline in national income

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which has forced out of balance the government budgets of many countries. At a time when unemployment is creating great social distress and when government enterprises are being advocated as a means of relief, governments are finding their income insufficient to meet even their ordinary budgetary expenses. Under these circumstances our trade with other countries has been cut to less than half the 1929 figures.

Prior to the recent outbreak of financial difficulties in central Europe there was perhaps some reason to hope for a business improvement in the autumn with some recovery in commodity prices. Recent developments have decreased the probability of any such recovery. It now appears that in this and other countries a winter of severe unemployment and distress is to be expected unless some unusual development now unforeseen occurs to change the situation. Another winter of this sort may bring with it a severe threat to the capitalist system in some countries, the risk of the overthrow of conservative governments and the danger of critical social and political disturbances in many parts of the world. The situation is sufficiently serious to justify the consideration of every sound remedy.

Federal Reserve Position

Since June 22 the Federal Reserve banks have purchased \$80,000,000 of Government securities under the authorization to purchase up to \$100,000,000, arranged at the meeting of the open market policy conference on April 29 and approved by the Federal Reserve Board. The changes since that time in the various elements of Federal Reserve credit and other factors influencing the money market are shown in the following table.

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(Averages of daily figures. In millions of dollars)

	<u>Week Ended</u> <u>June 20, 1931</u>	<u>Week Ended</u> <u>Aug. 1, 1931</u>	<u>Change</u>
Bills discounted	197	185	- 12
Bills bought	118	66	- 52
U. S. securities	601	678	+ 77
Other reserve bank credit	30	23	- 7
Total reserve bank credit	946	952	+ 6
Monetary gold stock	4,884	4,951	+ 67
Treasury currency - adjusted	1,764	1,788	+ 24
Money in circulation	4,773	4,812	+ 39
Member bank reserve balances	2,407	2,388	- 19
Miscellaneous	414	491	+ 77 *

*Due chiefly to increase in balances of foreign correspondents with Federal Reserve Banks which now total over \$100,000,000.

Bills discounted and acceptances purchased taken together have declined \$64,000,000, nearly offsetting the purchases of Government securities. A gain of \$67,000,000 in gold has been practically absorbed by an increase of currency in circulation, and in addition balances of foreign banks at the Reserve Banks have increased by an amount sufficient to absorb all of the excess reserves and leave the member banks just about even in their reserve position. Thus neither the purchases of securities nor the gain in gold have placed any more funds permanently at the disposal of the member banks, but on the contrary there are now less free funds than a month ago.

Member banks generally did not put to active use the excess reserves in their possession for some weeks past. The temper of the banks has been to make their position constantly more liquid rather than to seek full employment of their funds. In pursuance of this aim they have reduced their loans on securities and their holdings of securities other than Governments and have increased their holdings of bankers acceptances and Government securities. The New York banks, in which the surplus of reserves centered, have indeed increased their extensions of

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credit, but not in sufficient amount to offset decreases elsewhere. These tendencies are shown in the following table.

Weekly Reporting Banks - figures in millions of dollars

	<u>Change from June 24 to July 29</u>		
	<u>N. Y. City</u>	<u>Other cities</u>	<u>Total</u>
Loans			
On securities - - - - -	- 106	- 53	- 159
All other* - - - - -	+ 138	- 33	+ 105
Investments			
U. S. Government securities - - -	+ 118	- 79	+ 39
Other securities - - - - -	- 19	- 13	- 32
Total - - - - -	+ 131	- 178	- 47

* Includes bankers acceptances.

This conservative attitude of the banks and their desire to maintain their funds in very liquid form operates as a limitation to their putting into active use additional funds which become available.

In considering the prospective influences upon the Federal Reserve position for the next few weeks the following comments may be made.

(1) The gold movement appears at the moment to be partly arrested though some imports continue and though there are a number of countries from which more substantial imports might easily come.

(2) Bills discounted and bills purchased appear to be at a practical minimum. The present amount of bills purchased appearing in the statement as \$60,000,000 includes less than \$30,000,000 of domestic bills, the balance consisting of foreign bills. The amount of foreign bills held is not likely to diminish but may well increase, and before many weeks we shall reach the period when more domestic bills come into the market. The System appears now therefore to have

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just reached the point where further purchases of Governments will no longer be offset by declines in discounts and bills.

(3) Currency circulation ordinarily reaches approximately its lowest point for the year in the last week of July and thereafter begins to increase. The future movement of circulation depends not a little upon the state of confidence in banks. There is now probably as much as \$500,000,000 of hoarded currency.

(4) The increase in foreign balances with the Reserve Banks has become an important influence on the money market, though this movement is probably nearing its end.

In the consideration of any further purchases of Government securities or equally of credits to foreign countries question arises as to the gold position of the Reserve System and how much leeway the System has for further such operations. It may reasonably be assumed that at the present time for the first time in recent years purchases of Government securities would cause very little if any reduction in discounts or acceptances, but would be followed mainly by an increase in member bank reserve balances, (unless some other cause not now foreseen operated to absorb the funds). On this assumption \$35 of gold would be required to be set aside for every \$100 of Government securities purchased. To the extent, however, that purchases were accompanied by decreases in discounts or acceptances \$100 of gold would have to be set aside for every \$100 of security purchases, since this amount would be required as collateral for Federal Reserve notes to replace the discounts or bills liquidated. The effect of investments in foreign bills which are not under present arrangements eligible as collateral for Federal Reserve notes would be somewhat similar to the effect of buying Government securities. The various possible effects are shown in the attached table.

The amount of free gold available to meet these or other requirements, such as an emergency demand for currency, is shown in the following table both for

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the system as a whole and for the several Reserve banks. The first column shows the amounts of free gold on the assumption that Federal Reserve notes are treated as at present, with considerable amounts of notes in the tills of most of the Reserve banks that have been issued to the banks but not put into circulation. The second column shows the results if these notes in till are reduced to a reasonable minimum in accordance with computations made by the Federal Reserve Board on the basis of information from the Reserve banks.

"FREE GOLD" OF THE FEDERAL RESERVE SYSTEM

(Figures as of July 29, 1931 - In millions of dollars)

<u>District</u>	<u>Actual Free Gold*</u>	<u>Potential Free Gold**</u>
Boston - - - - -	32	48
New York - - - - -	469	623
Philadelphia - - - - -	40	68
Cleveland - - - - -	60	75
Richmond - - - - -	8	7
Atlanta - - - - -	5	7
Chicago - - - - -	69	149
St. Louis - - - - -	7	11
Minneapolis - - - - -	5	5
Kansas City - - - - -	13	8
Dallas - - - - -	6	9
San Francisco - - - - -	<u>34</u>	<u>76</u>
System - - - - -	748	1,086

* After providing collateral for all notes actually issued to Federal Reserve Banks.

** Computed by Division of Bank Operations of Federal Reserve Board assuming provision for collateral for only a minimum supply of Federal Reserve notes issued to the banks but not in actual circulation.

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**CHANGES IN FEDERAL RESERVE SYSTEM POSITION
 RESULTING FROM \$100,000,000 CREDIT TO A FOREIGN BANK OF ISSUE**

Assumptions

1. That the credit is entirely used.
2. That foreign bills purchased are not available as collateral for Federal Reserve Notes.

	Actual Statement July 8 (millions)	Position after buying \$100,000,000 of Foreign Bills		
		If Proceeds Are Used to Earmark or Export Gold (millions)	If Proceeds Are Used to Create Deposit At Reserve Banks (millions)	If Deposit so Created is Used to Make Payments (millions)
Total Reserves	\$ 3592	→\$ 3492	\$ 3592	\$ 3592
Earning Assets				
Bills discounted	162	162	162	162
Bills bought	92	→ 192	→ 192	→ 192
Gov. securities	668	668	668	668
Other securities	10	10	10	10
Total	<u>932</u>	<u>→ 1032</u>	<u>→ 1032</u>	<u>→ 1032</u>
Due from Foreign Banks	4	4	4	4
Note Circulation	1737	1737	1737	1737
Deposits				
Member Banks	2439	2439	2439	→ 2539
Foreign Banks	40	40	→ 140	40
Other	48	48	48	48
Total	<u>2527</u>	<u>2527</u>	<u>→ 2627</u>	<u>→ 2627</u>
Reserve %				
Combined	84.2%	→ 81.9%	→ 82.3%	→ 82.3%
Against deposits after providing for note collateral	66.3%	→ 62.4%	→ 63.8%	→ 63.8%
Free Gold Remaining	792	→ 692	→ 757	→ 757
Effect on Market		None	None	Gain of 100 million

If instead of buying bills the credit should take the form of placing a deposit in a foreign bank, the only change in the above would be that bills bought would show no increase from the actual amount on July 8 and due from foreign banks would be increased \$100,000,000. The effects on the reserve percentage, free gold, or the money market would be the same as those shown above.

→ indicates items showing change

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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6576

April 19, 1930.

Dear Sir:

Money market and related developments since the last meeting of the Open Market Policy Conference March 24-25 have been such as to lead to some thought here, as elsewhere, that the relation of the Federal Reserve System to current trends should be reviewed with a view of determining whether the System's position should be readjusted; and, more particularly, whether the System portfolio of Governments should be maintained at its existing level.

With these considerations in mind, I am writing to ask whether you think a meeting in the near future is desirable, and whether it would be convenient for you to attend, if the meeting were called for Monday, May 5th. It is realized that not all members of the Conference may find it convenient to attend, especially those living at a distance; and the fact that two meetings of the Conference have already been held this year is not overlooked by the Board.

A written statement of views would be appreciated by the Board from any bank not participating in the meeting of the Conference, should it be called.

Very truly yours,

R. A. Young,
Governor.

TO ALL GOVERNORS.

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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;

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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)

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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."

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(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.)

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The Open Market Committee, including informally representatives of all the reserve banks, has considered the information submitted in the Chairman's preliminary memorandum, by the Federal Reserve Board, and by representatives of the several banks.

While Treasury tax period operations have distorted the near-time view of the money situation, it is clear that since the meeting of the Committee on January 28 and 29 money conditions have eased substantially and money has become more freely available and the ease has been extended from the short time to the long time money market.

The Committee believes the steps already taken by the Federal Reserve System in easing the money market through open market operations have gone as far in providing the stimulus of easy money for business use as seems desirable at this time. The Committee believes that at present there is no occasion for further purchases of Government securities.

In the interest of flexibility and preparedness for the unexpected, the Committee favors a reduction in the minimum buying rate on bills, fixed by the Reserve Board, to 2-1/2%. It is the sense of the meeting, however, that in the absence of some developments that cannot now be anticipated, bills should not be bought below 3%.

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REPORT OF THE SECRETARY OF THE OPEN MARKET INVESTMENT COMMITTEE
TO THE MEETING OF THE COMMITTEE AT WASHINGTON ON MARCH 24, 1930

At the time of the last meeting of the Open Market Investment Committee, which was held at Washington on January 28 and 29, 1930, the total holdings of government securities in the System Special Investment Account amounted to - - - - - \$277,500,000

There was no change in the total amount of holdings in the System Account during the period January 28 to March 5, 1930. In view of declines in the bill portfolio of the System and pending a meeting of the Open Market Committee, the Federal Reserve Bank of New York, with the approval of the Federal Reserve Board, purchased approximately \$50,000,000 of government securities which have been allotted to such reserve banks as desired to participate, and made a part of the special investment account. These purchases were made during the following statement weeks.

Week ending Wednesday, March 12, 1930 - - - - -	26,750,000
" " " " 19, 1930 - - - - -	<u>23,000,000</u>

Total amount of holdings close of
business Wednesday, March 19, 1930 - - - - - \$327,250,000

The Federal Reserve Bank of San Francisco, at its request, was apportioned a sufficient amount of the new purchases of governments to increase its participation in the System Account to approximately its proportionate share of the total holdings in the Account. The reserve banks that expressed a desire to participate in these purchases and the amount that each bank received were as follows:

Boston	\$ 3,482,500
New York	6,219,000
Philadelphia	3,234,000
Cleveland	4,726,000
Richmond	2,736,000
Minneapolis	1,617,000
Kansas City	2,860,500
San Francisco	<u>24,875,000</u>
Total	<u>\$49,750,000</u>

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The principal changes in the make-up of the government securities in the System Account since January 28, 1930, none of which affected the total amount of holdings, were as follows:

<u>February</u>	On February 18, the Federal Reserve Bank of Dallas asked to be relieved temporarily of \$5,000,000 of its participation of government securities in the System Account. These securities were taken over temporarily by the Federal Reserve Bank of New York on February 18 and apportioned on February 19 to the other reserve banks which cared to participate, with the understanding that the Federal Reserve Bank of Dallas would repurchase these securities within sixty days.
<u>February</u>	Exchange in the market of \$15,000,000 5 1/8% Treasury certificates due March 15, 1930, for a like amount of 3 1/2% Treasury notes due 1930-32, anticipating the maturity of the certificates.
<u>February</u>	Exchange in the market of \$25,250,000 of the \$50,250,000 Treasury Bills due March 17, 1930, held in the Account for a like amount of 3 1/2% Treasury notes due 1930-32, in anticipation of the bill maturity.
<u>March 15</u>	Exchange of \$14,000,000 - 5 1/8% Treasury certificates due March 15, 1930, for a like amount of the new Treasury 3 1/4% certificates, pursuant to the terms of the Treasury's offering.
<u>March 17</u>	Redemption of the balance of \$25,000,000 Treasury Bills due March 17, 1930, which was offset by purchase in the market of a like amount of short-term governments.

There were also changes in the issues of governments which have had the effect of decreasing the amount of the longer maturities and increasing the amount of the shorter maturities.

The Federal Reserve Bank of New York is still holding in its investment account approximately \$112,000,000 of short-term governments which were purchased in the market last fall as previously reported. At the present time these securities consist of the following issues:

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U. S. Treasury Bills due May 15, 1930	\$ 11,000,000
4 7/8% Cert. of Ind. " June 16, 1930	10,301,000
3 1/8% " " " Sept. 15, 1930	28,463,000
3 1/4% " " " Dec. 15, 1930	1,615,000
3 1/2% Treasury Notes " Mar. 15, 1930-32	30,941,900
3 1/2% " " " Sept. 15, 1930-32	<u>29,851,750</u>
Total	<u>\$112,172,650</u>

In addition to the foregoing the Federal Reserve Bank of New York has purchased \$50,000,000 short-term governments, consisting principally of June, September and December 15 certificates, to replace a sale to be made to the Treasury, account Sinking Fund, during the latter part of March and early part of April of \$50,000,000 3 1/2% Treasury notes, Series A-1930-32; \$25,000,000 of which notes are in the System Account and the balance of \$25,000,000 in the investment account of the Federal Reserve Bank of New York.

TRANSACTIONS RELATING TO
SYSTEM PURCHASES OF BANKERS ACCEPTANCES

On February 21, the Federal Reserve Bank of Kansas City resumed participation in System purchases of bills and asked to be allotted \$5,000,000 additional bills. At its request, \$5,000,000 of bills were sold to the Kansas City Reserve Bank from the portfolio of the New York Reserve Bank, and again on March 15, by request, a similar sale was made in the amount of \$3,000,000.

On March 4, owing to its low earnings, the Federal Reserve Bank of Minneapolis asked for a larger allotment of bills. As it seemed unlikely that the System's purchases of bills would be sufficient in the near future to increase the Kansas City Reserve Bank's allotment, it was sold \$5,000,000 of bills from the portfolio of the New York Reserve Bank.

The Federal reserve banks that are participating at present in the System purchases of bills are as follows:

*Boston	Chicago
New York	St. Louis
*Philadelphia	Minneapolis
Cleveland	Kansas City
Richmond	Dallas
Atlanta	San Francisco

* Participations at present confined to purchases in own district.

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Attached are statements showing:

- Exhibit "A" - Outright holdings of government securities by individual Federal reserve banks, also their participation in the System Special Investment Account, and classification of issues held in the System Account by maturities, all as of close of business March 19, 1930.
- Exhibit "B" - Bills purchased outright by the System by weeks from January 3, 1929 to March 19, 1930.
- Exhibit "C" - Earning asset holdings of all Federal reserve banks March 19, 1930, as compared with previous week and March 20, 1929, also weekly average of earning assets from January 2, 1930 to March 19, 1930, as compared with corresponding period 1929 and entire year 1929.
- Exhibit "D" - Actual net earnings of all Federal reserve banks for the months of January and February 1930.

DECLASSIFIED

Authority EO 10661

EXHIBIT "A"

STATEMENT SHOWING HOLDINGS OF GOVERNMENT SECURITIES BY FEDERAL RESERVE BANKS
(Excluding Sales Contracts)

	Outright Holdings of Government Securities by Federal reserve banks as at the close of business March 19, 1930	Participation by Federal reserve banks in System Special Investment Acct. Government Securities as at the close of Business March 19, 1930	Total
Boston	\$ 706,600	\$ 30,162,500	\$ 30,869,100
New York	116,402,600*	105,571,000	221,973,600
Philadelphia	15,010,100	31,697,500	46,707,600
Cleveland	10,164,800	25,251,000	35,415,800
Richmond	1,152,100	11,670,000	12,822,100
Atlanta	2,599,500	6,226,000	8,825,500
Chicago	19,927,400	51,412,000	71,339,400
St. Louis	8,625,000	10,641,000	19,266,000
Minneapolis	7,790,250	10,957,000	18,747,250
Kansas City	3,000	5,920,500	5,923,500
Dallas	9,987,800	10,647,500	20,635,300
San Francisco	9,642,650	27,094,000	36,736,650
Totals	<u>\$202,011,800</u>	<u>\$327,250,000</u>	<u>\$529,261,800</u>

* Exclusive of Special one-day Certificate of Indebtedness issued to cover the overdraft, and includes \$4,000,000 held temporarily for resale to Treasury.

CLASSIFICATION OF ISSUES OF GOVERNMENT SECURITIES
HELD IN THE SYSTEM SPECIAL INVESTMENT ACCOUNT
CLOSE OF BUSINESS MARCH 19, 1930

U. S. Treas. Bills due May 19, 1930	\$ 26,000,000
4 7/8% C/I due June 16, 1930	60,610,000
3 1/8% " " Sept. 15, 1930	80,075,000
3 1/4% " " Dec. 15, 1930	36,000,000
3 1/2% T/N " March 15, 1932	37,555,000
3 1/2% " " Sept. 15, 1932	31,635,000
3 1/2% " " Dec. 15, 1932	34,925,000
4 1/4% 4th L/L bonds Oct. 15, 1938	20,450,000
Total	<u>\$327,250,000</u>

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM JANUARY 3 TO DECEMBER 31, 1929 AND FROM JANUARY 2 TO MARCH 19, 1930, INCLUSIVE
 (000 Omitted)

EXHIBIT "B"

Weeks Ending -1929- Jan.	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts New York System		Dealers Operations With Other Districts	
		Banks	Dealers	Total										Operations	Operations	Received	Sent
9	\$ 15,601	\$ 8,624	\$ 7,684	\$ 16,308	\$ 2,925	-0-	\$ 150	-0-	\$ 2,782	-0-	\$ 504	\$10,059	\$ 48,329	\$26,633-	\$ 7,258-	\$ 1,557	\$ 9,808
16	8,792	18,089	7,047	25,126	3,058	1,251	547	127	1,727	-0-	747	3,297	44,684	10,283-	4,139+	5,574	7,422
23	4,605	14,543	10,624	25,167	2,144	539	357	-0-	1,554	-0-	509	1,684	36,559	26,014-	27,021-	2,573	5,604
30	1,148	14,898	1,107	16,000	2,524	-0-	1,134	1,430	290	-0-	672	972	24,170	15,620-	13,609-	2,852	3,060
Feb. 6	1,726	16,870	1,694	18,564	3,155	717	75	112	883	-0-	505	1,298	27,035	17,956-	24,367-	2,010	2,031
13	550	9,382	5,346	14,728	1,129	1,303	568	125	577	-0-	1,049	5,582	25,431	18,448-	19,684-	327	5,582
20	816	25,293	5,079	30,392	553	476	250	201	1,088	-0-	1,517	2,704	37,997	25,738-	35,422-	903	6,257
27	1,564	8,457	705	9,162	969	253	-0-	1,201	1,249	-0-	983	263	15,744	15,273-	21,561-	3,441	3,575
March 6	1,579	12,256	2,244	15,500	3,311	418	515	405	592	-0-	729	1,935	24,984	14,398-	29,431-	2,521	4,920
13	6,389	2,018	5,569	7,585	2,124	1,518	150	200	623	-0-	1,093	2,539	22,213	12,323-	21,543-	3,575	5,243
20	1,506	9,752	7,508	17,260	1,227	863	469	1,302	25	-0-	808	3,294	26,574	35,520-	46,243-	2,556	5,499
27	4,701	5,648	12,097	17,745	516	1,424	1,305	657	621	-0-	602	3,400	30,971	17,464-	28,411-	1,866	17,510
April 3	929	9,073	6,584	15,657	1,410	498	275	340	95	-0-	1,012	353	20,569	13,573-	33,724-	3,490	6,274
10	1,665	6,732	2,531	9,263	1,639	-0-	228	403	14	-0-	1,490	952	15,294	13,862-	17,386-	3,436	2,853
17	4,281	3,525	2,504	6,029	1,594	2,042	134	778	20	-0-	642	241	15,761	13,772-	16,290-	4,739	3,744
24	2,496	8,321	416	8,737	2,554	-0-	25	1,214	218	-0-	722	338	16,304	2,116+	148+	2,421	3,557
May 1	3,050	13,843	8,654	22,497	2,387	-0-	-0-	524	539	-0-	714	1,036	30,747	20,847+	29,246+	1,904	3,653
8	1,442	7,408	191	7,599	1,689	250	278	1,287	192	-0-	1,132	1,698	15,567	13,132-	13,240-	2,311	1,775
15	3,230	4,385	9,634	14,019	1,399	8	101	761	728	-0-	1,692	323	22,251	8,759-	11,074-	2,080	2,904
22	1,742	6,382	11,898	18,280	1,623	-0-	400	650	830	-0-	1,308	1,626	26,459	5,063-	3,121-	1,384	2,211
29	1,442	3,834	6,390	10,224	1,946	502	100	806	1,480	-0-	1,101	1,742	19,343	15,983-	20,067-	4,747	2,403
June 5	1,594	4,856	2,902	7,758	2,113	-0-	200	1,145	204	-0-	518	847	14,379	4,566+	5,172-	5,083	3,203
12	1,040	4,008	1,355	5,363	2,177	-0-	225	991	271	-0-	969	743	11,884	6,402+	1,370+	6,212	2,082
19	114	2,810	2,883	5,693	991	792	-0-	303	450	-0-	654	1,769	10,766	22,822-	27,085-	3,000	4,900
26	339	4,374	945	5,319	877	1,050	313	178	648	-0-	874	769	10,367	762-	4,193-	2,547	4,945
July 3	1,686	15	6,606	6,621	1,305	-0-	-0-	531	629	-0-	618	354	11,744	3,282-	8,917-	2,080	10,463
10	-0-	-0-	1,270	1,270	45	-0-	-0-	851	50	-0-	720	-0-	2,936	2,137-	7,946-	3,836	297
17	604	847	-0-	847	124	-0-	-0-	729	30	-0-	1,210	700	4,244	1,793+	1,662+	7,227	2,973
24	598	1,575	8,654	10,229	771	-0-	458	575	526	-0-	1,125	869	15,151	1,426-	1,204+	2,646	6,818
31	864	4,831	-0-	4,831	588	-0-	147	298	61	-0-	500	898	8,187	6,197+	5,725+	4,785	1,715
Aug. 7	720	3,831	-0-	3,031	1,090	-0-	-0-	143	470	-0-	390	68	5,912	2,361+	4,591+	891	2,083
14	4,857	2,038	6,707	8,745	1,356	-0-	380	365	1,326	-0-	738	1,757	19,504	32,877+	38,727+	2,938	4,853
21	2,281	3,929	2,819	6,748	1,558	104	-0-	354	1,830	-0-	825	2,710	16,410	3,949+	14,252+	2,003	4,123
28	2,686	6,585	5,926	12,511	3,644	598	85	1,060	217	-0-	514	2,492	23,807	17,515+	24,377+	3,824	1,323
Sept. 4	1,411	2,919	8,265	11,184	1,856	1,190	100	1,563	324	-0-	993	2,069	20,690	21,232+	26,402+	1,125	1,403
11	1,334	16,779	21,431	38,210	2,023	-0-	350	2,089	425	-0-	814	868	46,113	32,231+	39,313+	5,645	3,252
18	1,131	13,090	13,974	27,064	2,202	200	160	1,140	631	-0-	501	1,839	34,868	17,408+	18,874+	5,733	3,098
25	357	16,556	5,151	21,707	2,304	75	358	208	614	-0-	1,041	2,314	28,978	20,267+	22,831+	6,220	2,060
Oct. 2	1,014	14,113	52,986	67,099	2,938	479	65	682	476	-0-	866	2,317	75,936	54,263+	58,884+	4,070	3,129
9	1,125	9,828	41,463	51,291	1,981	-0-	166	2,732	1,970	-0-	686	2,789	62,300	4,065+	10,333+	1,516	1,537
16	962	13,966	18,963	32,929	1,943	460	-0-	1,847	551	-0-	371	2,334	41,297	24,836+	26,959+	3,457	4,310
23	1,744	2,323	30,092	32,415	952	316	316	1,618	348	-0-	757	933	39,434	22,946+	19,273+	10,067	5,299
30	5	6,053	-0-	6,053	284	-0-	995	560	746	-0-	204	1,013	9,860	29,993-	39,498-	6,629	3,754
Nov. 6	3	12,862	-0-	12,862	161	-0-	-0-	1,044	349	-0-	752	250	15,421	4,698-	9,511-	3,495	1,155
13	18	775	200	975	707	-0-	-0-	1,460	387	-0-	217	760	4,524	25,230-	30,362-	3,577	1,058
20	12	311	1,785	2,096	338	-0-	50	1,210	579	-0-	421	1,492	6,198	9,994-	15,681-	4,412	2,297
27	383	-0-	-0-	-0-	573	-0-	100	364	328	-0-	383	2,151	4,232	25,906-	26,516-	6,963	2,024
Dec. 4	-0-	1,351	2,820	4,171	141	-0-	715	645	550	-0-	400	636	7,508	662-	797-	4,385	2,579
11	1,418	11,650	9,944	21,594	1,285	-0-	97	737	3,657	-0-	362	3,210	32,360	57,279+	65,322+	3,217	3,037
18	84	17,630	19,750	37,380	1,220	-0-	-0-	770	1,415	-0-	654	1,417	42,940	15,538+	12,429+	4,696	3,254
24	1,187	8,974	297	9,271	565	-0-	177	1,133	2,128	-0-	387	1,473	10,520	38,602+	45,532+	3,296	3,031
31	1,642	7,995	33,298	41,293	2,629	-0-	135	3,148	3,392	-0-	423	2,693	54,762	13,383+	37,266+	2,603	1,715
TOTALS	\$100,474	\$406,402	\$416,010	\$822,412	\$80,617	\$17,353	\$12,653	\$43,056	\$41,909	-0-	\$39,430	\$88,850	\$1,246,754	\$62,778-	\$92,149-	\$185,645	\$204,415

DECLASSIFIED
 Authority EO 10561

DECLASSIFIED
Authority EO 10561

EXHIBIT "B" (a)

CLASSIFICATION BY MATURITIES OF BILLS PURCHASED
BY FEDERAL RESERVE BANKS IN THEIR RESPECTIVE DISTRICTS
DURING THE PERIOD FROM JANUARY 3 TO DECEMBER 31, 1929
AND FROM JANUARY 2 TO MARCH 19, 1930
(EXCLUDING SALES CONTRACTS)
(000 Omitted)

January 3 to December 31, 1929					
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	\$ 24,461	\$ 27,309	\$ 45,645	\$ 3,059	\$ 100,474
New York	362,675	178,190	261,554	19,993	822,412
Philadelphia	28,019	19,535	33,063	0	80,617
Cleveland	6,065	3,848	7,440	0	17,353
Richmond	2,858	4,222	5,573	0	12,653
Atlanta	29,939	5,387	7,356	374	43,056
Chicago	21,690	12,838	7,381	0	41,909
Dallas	13,254	14,709	7,035	4,432	39,430
San Francisco	17,275	34,343	34,454	2,778	88,850
Totals	\$506,236	\$300,381	\$409,501	\$30,636	\$1,246,754

January 2 to March 19, 1930					
	1-30 days	31-60 days	61-90 days	Over 90-days	Total
Boston	\$ 2,512	\$ 4,593	\$ 4,306	\$ 743	\$ 12,154
New York	182,869	103,884	44,623	1,063	332,439
Philadelphia	1,778	5,267	6,893	0	13,938
Cleveland	0	0	0	0	0
Richmond	949	1,038	1,085	0	3,072
Atlanta	3,621	1,147	1,565	0	6,333
Chicago	2,551	6,300	203	0	9,054
Minneapolis	625	1,005	479	0	2,109
Dallas	2,524	1,682	543	340	5,089
San Francisco	4,702	14,211	7,639	285	26,837
Totals	\$202,131	\$139,127	\$67,336	\$2,431	\$ 411,025

STATEMENT SHOWING EARNING ASSET HOLDINGS OF ALL FEDERAL RESERVE BANKS MARCH 19, 1930 COMPARED WITH PREVIOUS WEEK AND MARCH 20, 1929; ALSO WEEKLY AVERAGE OF EARNING ASSETS FROM JANUARY 2, 1930 TO MARCH 19, 1930, INCLUSIVE, COMPARED WITH CORRESPONDING PERIOD 1929 AND ENTIRE YEAR 1929
(000 Omitted)

		<u>Boston</u>	<u>New York</u>	<u>Phila.</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minn.</u>	<u>Kan. City</u>	<u>Dallas</u>	<u>San Fran.</u>	<u>Totals</u>
Bills Discounted	- March 12	\$22,705	\$33,148	\$38,424	\$34,316	\$16,685	\$24,319	\$38,358	\$14,450	\$2,190	\$14,722	\$9,634	\$17,307	\$ 266,338
"	" 19	18,365	30,810	32,492	25,263	14,707	17,765	24,179	12,341	2,252	13,274	5,892	8,294	205,634
Net Change		4,340-	2,338-	5,932-	9,053-	1,976-	6,554-	14,179-	2,109-	62+	1,448-	3,742-	9,015-	60,704-
Bills Purchased	- March 12	10,489	60,558	10,232	28,024	12,724	16,779	29,762	15,187	13,917	10,316	12,591	35,959	256,538
"	" 19	5,750	7,431	9,404	25,828	12,007	15,154	26,328	13,656	12,925	11,760	10,747	34,027	185,017
Net Change		4,739-	53,127-	828-	2,196-	717-	1,625-	3,434-	1,531-	992-	1,444+	1,844-	1,932-	71,521-
Government Securities	- March 12	27,442	233,430	45,224	33,231	10,086	8,777	71,459	19,266	17,264	3,063	20,635	24,236	514,113
"	" 19	30,869	252,974	46,707	35,416	12,822	8,826	72,519	19,266	18,746	5,923	20,635	36,736	561,439
Net Change		3,427+	19,544+	1,483+	2,185+	2,736+	49+	1,060+	-0-	1,482+	2,860+	-0-	12,500+	47,326+
Total Earning Assets	- March 12	61,636	337,186	94,880	95,571	39,493	49,875	139,579	48,933	33,371	28,101	42,860	77,584	1,049,069
"	" 19	55,984	297,965	89,603	86,507	39,536	41,745	123,026	45,293	33,923	30,957	37,274	79,057	960,870
Net Change		5,652-	39,221-	5,277-	9,064-	43+	8,130-	16,553-	3,640-	552+	2,856+	5,586-	1,473+	88,199-
Comparison of Weekly Average of Earning Assets														
Jan. 2, 1930 to Mar. 19, 1930		64,811	387,867	100,785	111,114	45,443	53,610	163,885	50,979	30,813	30,229	47,217	69,225	1,155,978
Same period 1929		116,848	342,040	125,308	145,095	59,731	81,121	245,233	68,427	39,588	52,725	54,026	137,867	1,468,009
Entire year 1929		99,695	371,248	120,236	138,383	63,530	90,105	194,135	66,641	40,016	55,420	51,655	114,486	1,394,950
Net Change from same period 1929		52,037-	45,827+	24,523-	33,981-	14,288-	27,511-	81,348-	17,448-	8,775-	22,496-	6,809-	68,642-	312,031-
" " " entire year 1929		34,884-	16,619+	19,451-	27,269-	16,087-	26,495-	50,250-	15,062-	9,203-	25,191-	4,438-	45,261-	238,972-
Comparison of Earning Assets														
March 19, 1930		55,984	297,965	89,603	86,507	39,536	41,745	123,026	45,293	33,923	30,957	37,274	79,057	960,870
" 20, 1929		85,419	290,218	137,012	131,099	54,999	63,980	284,955	78,000	36,913	54,914	37,410	116,852	1,371,771
Net Change		29,435-	7,747+	47,409-	44,592-	15,463-	22,235-	161,929-	32,707-	2,990-	23,957-	136-	37,795-	410,901-

SUMMARY FOR SYSTEM

Bills Discounted for week	\$60,704-
Bills Purchased for week	71,521-
Government Securities for week	47,326+
Total Earning Assets for week	88,199-
Comparison of Weekly Average of Earning Assets Jan. 2, 1930 to March 19, 1930 with same period 1929	312,031-
Comparison of Weekly Average of Earning Assets Jan. 2, 1930 to March 19, 1930 with entire year 1929	238,972-
Comparison of Earning Assets March 19, 1930 with March 20, 1929	410,901-

DECLASSIFIED
Authority E.O. 10561

BILLS PURCHASED OUTRIGHT BY SYSTEM BY WEEKS
FROM JANUARY 3 TO DECEMBER 31, 1929 AND FROM JANUARY 2 TO MARCH 19, 1930, INCLUSIVE
(000 Omitted)

EXHIBIT "B"

Weeks Ending -1929- Jan.	Boston	New York			Phila.	Cleveland	Richmond	Atlanta	Chicago	Minn.	Dallas	San Fran.	Totals	INCREASE or DECREASE in Holdings Including Sales Contracts New York Operations		Dealers Operations With Other Districts Received Sent	
		Banks	Dealers	Total										Operations	Operations		
9	\$ 15,601	\$ 8,624	\$ 7,584	\$ 16,308	\$ 2,925	-0-	\$ 150	-0-	\$ 2,782	-0-	\$ 504	\$10,059	\$ 48,329	\$26,633-	\$ 7,258-	\$ 1,557	\$ 9,808
16	8,792	18,089	7,047	25,136	3,058	1,251	547	127	1,727	-0-	747	3,297	44,684	10,283-	4,139+	5,574	7,422
23	4,605	14,543	10,624	25,167	2,144	539	357	-0-	1,554	-0-	509	1,584	36,559	26,014-	27,021-	2,573	5,604
30	1,148	14,893	1,107	16,000	2,524	-0-	1,134	1,430	290	-0-	672	972	24,170	15,620-	18,609-	2,852	3,060
Feb. 6	1,726	16,370	1,594	18,564	3,155	717	75	112	383	-0-	505	1,298	27,035	17,956-	24,967-	2,010	2,031
13	550	9,382	5,346	14,728	1,129	1,303	568	125	577	-0-	1,069	5,582	25,631	18,448-	19,684-	327	5,582
20	816	25,293	5,079	30,372	550	476	250	201	1,038	-0-	1,517	2,704	37,997	25,738-	35,422-	903	6,257
27	1,564	8,457	705	9,162	969	250	-0-	1,201	1,349	-0-	983	263	15,944	15,273-	21,561-	3,641	3,575
March 6	1,579	13,256	2,244	15,500	3,311	418	515	405	592	-0-	729	1,935	24,984	14,398-	29,431-	2,521	4,920
13	6,389	2,013	5,567	7,585	2,124	1,510	150	200	623	-0-	1,093	2,539	22,213	12,823-	21,543-	3,575	5,243
20	1,506	9,752	7,508	17,260	1,227	863	469	1,302	25	-0-	908	3,294	26,574	35,520-	46,263-	2,556	5,459
27	4,701	5,648	12,097	17,745	516	1,424	1,305	557	621	-0-	602	3,400	30,971	17,464-	28,411-	1,866	17,510
April 3	929	9,073	6,584	15,657	1,410	498	275	340	95	-0-	1,312	353	20,569	18,573-	33,724-	3,490	6,274
10	1,565	6,732	2,531	9,263	1,539	-0-	228	403	14	-0-	1,490	952	15,294	13,862-	17,386-	3,436	2,853
17	4,281	3,525	2,504	6,029	1,594	2,042	134	778	20	-0-	642	241	15,761	13,772-	16,290-	4,739	3,744
24	2,496	8,321	416	8,737	2,554	-0-	25	1,214	218	-0-	722	338	16,304	2,116+	148+	2,421	3,557
May 1	3,050	13,343	8,654	22,097	2,387	-0-	-0-	524	539	-0-	714	1,036	30,747	20,847+	29,246+	1,904	3,553
8	1,442	7,408	191	7,599	1,689	250	278	1,287	192	-0-	1,132	1,698	15,567	13,132-	13,240-	2,311	1,775
15	3,230	4,385	9,634	14,019	1,399	8	101	761	728	-0-	1,682	323	22,251	8,759-	11,074-	3,080	2,904
22	1,742	6,382	11,898	18,280	1,623	-0-	400	650	830	-0-	1,308	1,626	26,459	5,063-	8,121-	1,984	2,211
29	1,442	3,334	6,390	10,224	1,946	502	100	806	1,480	-0-	1,101	1,742	19,343	15,983-	20,067-	4,747	2,403
June 5	1,594	4,856	2,902	7,758	2,113	-0-	200	1,145	204	-0-	518	847	14,379	4,566+	5,172-	5,083	3,203
12	1,040	4,008	1,355	5,363	2,177	-0-	225	991	271	-0-	969	743	11,884	6,402+	1,370+	6,212	2,082
19	114	2,810	2,983	5,693	991	792	-0-	303	450	-0-	654	1,769	10,766	22,822-	27,085-	3,000	4,900
26	339	4,374	945	5,319	877	1,050	313	178	648	-0-	874	769	10,367	762-	4,193-	2,547	4,945
July 3	1,686	15	6,606	6,621	1,305	-0-	-0-	531	629	-0-	618	354	11,744	3,282-	8,917-	2,080	10,463
10	-0-	-0-	1,270	1,270	45	-0-	-0-	851	50	-0-	720	-0-	2,936	2,137-	7,946-	3,336	297
17	604	847	-0-	847	124	-0-	-0-	729	30	-0-	1,210	700	4,244	1,793+	1,662+	7,227	2,973
24	598	1,575	3,054	10,229	771	-0-	458	575	526	-0-	1,125	869	15,151	1,426-	1,204+	2,646	6,818
31	864	4,531	-0-	4,831	588	-0-	147	298	61	-0-	500	898	8,187	6,197+	5,725+	4,785	1,715
Aug. 7	720	3,031	-0-	3,031	1,090	-0-	-0-	143	470	-0-	390	68	5,912	2,361+	4,591+	891	2,083
14	4,557	2,038	6,707	8,745	1,356	-0-	380	365	1,326	-0-	738	1,737	19,504	32,877+	38,727+	2,938	4,853
21	2,281	3,929	2,819	6,748	1,558	104	-0-	354	1,830	-0-	825	2,710	16,410	3,949+	14,252+	2,003	4,123
28	2,686	6,585	5,926	12,511	3,644	598	85	1,060	217	-0-	514	2,492	23,807	17,515+	24,377+	3,824	1,323
Sept. 4	1,411	2,919	8,265	11,184	1,856	1,190	100	1,563	324	-0-	993	2,069	20,590	21,232+	26,402+	1,125	1,403
11	1,334	16,779	21,431	38,210	2,023	-0-	350	2,089	425	-0-	814	868	46,113	32,231+	39,313+	5,645	3,252
18	1,181	13,090	13,974	27,064	2,202	200	160	1,140	631	-0-	501	1,839	34,868	17,408+	18,874+	5,733	3,098
25	357	16,556	5,151	21,707	2,304	75	358	208	614	-0-	1,041	2,314	28,978	20,267+	22,831+	6,220	2,860
Oct. 2	1,014	14,113	52,986	67,099	2,938	479	45	682	476	-0-	866	2,317	75,936	54,263+	58,884+	4,070	3,129
9	1,125	9,828	41,463	51,291	1,981	-0-	166	2,732	1,970	-0-	686	2,789	62,300	4,065+	10,333+	1,516	1,537
16	962	13,966	10,963	32,929	1,943	460	-0-	1,547	551	-0-	371	2,334	41,297	24,896+	26,979+	3,457	4,310
23	1,744	2,323	30,092	32,415	952	351	316	1,518	343	-0-	757	933	39,434	22,846+	19,273+	10,067	5,299
30	5	6,053	-0-	6,053	284	-0-	995	560	746	-0-	204	1,213	9,760	29,993-	39,498-	6,629	3,754
Nov. 6	3	12,862	-0-	12,862	161	-0-	-0-	1,044	349	-0-	752	250	15,421	4,698-	9,511-	3,495	1,155
13	18	775	200	975	707	-0-	-0-	1,460	387	-0-	217	760	4,524	25,230-	30,862-	3,577	1,058
20	12	311	1,785	2,096	338	-0-	50	1,210	579	-0-	421	1,492	6,198	9,774-	15,681-	4,412	2,297
27	383	-0-	-0-	-0-	573	-0-	100	364	328	-0-	383	2,151	4,282	25,906-	26,516-	6,953	2,024
Dec. 4	-0-	1,351	2,820	4,171	141	-0-	715	645	550	-0-	400	686	7,308	662-	797-	4,385	2,579
11	1,418	11,650	9,944	21,594	1,285	-0-	97	737	3,657	-0-	362	3,213	32,360	57,179+	65,322+	3,217	3,037
18	84	17,630	19,750	37,380	1,220	-0-	-0-	770	1,415	-0-	654	1,417	41,940	15,538-	12,429-	4,696	3,254
25	1,187	8,974	297	9,271	565	-0-	177	1,133	2,128	-0-	387	1,478	16,326	38,602+	45,532+	3,296	3,031
31	1,642	7,995	33,298	41,293	2,629	-0-	135	3,148	3,392	-0-	423	2,093	54,762	13,383+	37,266+	2,603	1,715
TOTALS	\$100,474	\$406,402	\$416,010	\$822,412	\$80,617	\$17,353	\$12,653	\$43,056	\$41,909	-0-	\$39,430	\$88,850	\$1,246,754	\$62,778-	\$92,149-	\$185,645	\$204,415
-1930- Jan. 8	2,359	25,766	7,338	33,104	1,385	-0-	599	1,790	615	-0-	661	2,248	42,761	56,544-	73,042-	13,068	7,113
15	3,359	20,539	30,900	51,439	1,838	-0-	650	303	975	-0-	483	4,961	64,008	5,149+	4,180+	3,179	876
22	1,627	9,398	14,187	23,585	1,608	-0-	473	965	1,107	-0-	592	3,761	38,718	28,774-	24,958-	5,075	3,440
29	563	10,740	4,834	15,574	1,160	-0-	-0-	942	137	-0-	356	1,913	20,645	30,555-	39,917-	3,819	3,530
Feb. 5	172	37,970	14,294	52,264	1,813	-0-	-0-	769	469	-0-	595	2,129	58,211	36,257+	37,319+	7,154	2,143
11	-0-	6,073	8,973	15,046	544	-0-	-0-	426	361	-0-	402	430	17,209	19,318-	19,707-	2,615	1,086
19	613	37,852	12,431	50,283	878	-0-	403	96	730	-0-	550	2,902	57,163	7,701+	4,943+	4,887	1,837
26	2,175	30,381	15,677	46,058	2,585	-0-	50	323	389	547	410	1,930	54,467	12,031+	18,249+	5,314	10,582
Mar. 5	900	28,464	3,858	32,322	1,150	-0-	283	496	721	854	316	5,427	42,469	24,578-	28,104-	11,346	5,939
12	301	8,714	2,587	11,101	279	-0-	514	223	2,960	-0-	443	984	16,805	10,971-	14,664-	8,640	3,518
19	85	13,650	4,567	18,217	698	-0-	100	-0-	590	-0-	281	152	20,123	62,031-	60,904-	7,753	8,026
TOTALS	\$12,154	\$229,547	\$119,446	\$348,993	\$13,938	-0-	\$3,072	\$ 6,333	\$ 9,054	\$2,109	\$ 5,089	\$26,837	\$ 427,579	\$171,623-	\$206,585-	\$72,850	\$48,110

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Exhibit "D"

STATEMENT SHOWING EARNINGS
OF ALL FEDERAL RESERVE BANKS
FOR JANUARY AND FEBRUARY 1930

	Ratios Based on Each Bank's Expenses and Dividends for Year 1929	Gross Earnings January and February 1930	Percentage of Each Bank's Gross Earnings to Total Gross Earnings	Actual Net Earnings Available for De- preciation Allowances, Reserves, Surplus and Franchise Tax
Boston	7 %	\$ 445,949	5.21	\$ 38,553 (A)
New York	20 1/2%	2,807,262	32.78	1,048,797
Philadelphia	6 1/2%	738,354	8.62	224,090
Cleveland	9 1/2%	897,052	10.48	279,050
Richmond	5 1/2%	361,695	4.22	19,431
Atlanta	7 3/4%	406,830	4.75	136,796
Chicago	13 %	1,253,816	14.64	354,478
St. Louis	6 3/4%	368,754	4.31	76,380
Minneapolis	3 1/4%	316,516	2.53	18,810
Kansas City	5 3/4%	287,316	3.36	61,488 (A)
Dallas	5 %	335,257	3.91	71,816
San Francisco	9 1/2%	444,679	5.19	71,796 (A)
Totals	100 %	\$8,563,480	100%	\$2,057,811

Total for same period 1929 - - - - - \$5,623,183

(A) Deficit

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STATEMENT SHOWING APPROXIMATE AMOUNT OF NET PROFIT THAT WAS REALIZED ON VARIOUS
 SALES OF UNITED STATES GOVERNMENT SECURITIES HELD IN THE SYSTEM ACCOUNT AND
 IN THE FEDERAL RESERVE BANK OF NEW YORK INVESTMENT ACCOUNT
 DURING PERIOD OCTOBER 31, 1929, TO MARCH 20, 1930.

	<u>System Account</u>	<u>Investment Account F.R.B. N. Y.</u>
Net Profit on Sales During Period Oct. 31, 1929, to Mar. 20, 1930 on Various Amount of Holdings	\$180,126.83*	\$540,204.06
Approximate Amount of Profit to be Realized on Sale to Treasury in the Near Future of \$50,000,000 - 3 1/2% Treasury Notes at Par	97,460.85	113,962.50

* \$174,403.53 of this amount is being held by the Federal Reserve Bank of New
 York in Suspense Account, to be distributed at the end of the current year.

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(March 20, 1930.)

333 34

PRELIMINARY MEMORANDUM FOR THE
OPEN MARKET INVESTMENT COMMITTEE

The most important development in the credit situation since the last meeting of the Open Market Investment Committee on January 28 and 29, is that business conditions have not improved as rapidly as had been hoped at that time. The January figures for business and trade were slightly better than those for December, and February in turn was very slightly better than January. But the improvement in both months was so small as to leave the total volume of production and trade below the corresponding period in any recent year. The recession appears to have been more severe than in either 1924 or 1927. Accompanying the business recession unemployment has become serious, probably more so than in any year since 1921. In both 1924 and 1927 business was supported in recessions by a continued substantial volume of building construction, but in the past few months building has continued at a low ebb without any indication yet of substantial recovery.

MONEY RATES

The trend toward easier money conditions which was observed at the time of the last meeting has continued even more rapidly than was then anticipated, partly due to a reduced demand for credit and currency for business, but more largely to a heavy flow of gold imports, mostly from Japan and Brazil, which has totaled about \$100,000,000 in the period. In the past two weeks Treasury operations in connection with the March 15 tax period have been an additional important factor toward ease. For ten days before the tax period the Treasury balance at the Reserve banks was drawn down to exceptionally low figures, thus putting funds into the market, and at the time of the tax period the excess of funds in the market as a result of large Treasury disbursements covered by an overdraft could not be absorbed in the usual way by a reduction in member bank indebtedness. And as a consequence there was a considerable volume of free funds available in the

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market which tended to depress money rates rapidly. On March 19 total bills discounted for the Federal Reserve System were \$206,000,000 as compared with \$407,000,000 on January 29. The decline in money rates in this period is indicated in the accompanying table:

	January 29, 1930		March 21, 1930
Rates for Commercial paper	4 3/4 - 5		4
90 day bills (offered)	4		2 1/2
Call money (renewal)	4 1/2		3
Time money	4 1/2 (nominal)		3 3/4
Bank rates to customers in New York	Jan. 15	Feb. 15	Mar. 15
	5.41	5.09	4.93 4 5/4

On March 18 the New York Clearing House reduced deposit rates by 1/2 of one per cent except for the rate on bank deposits which remained unchanged.

In the early part of this period rates tended to move rather sluggishly and to reflect rather slowly the fundamental changes in the credit position, but during the latter part of the period the decline became precipitous and during the tax period even more rapid than the fundamental credit situation appeared to justify.

BOND AND STOCK MARKETS

The effects of easy money and freely available credit have been in the first place to stimulate a vigorous recovery in the bond market. Bond prices have risen to the highest points in more than a year, and the bond market has been opened to new issues; so that bond financing is now in substantial volume and well absorbed. This is of particular importance with relation to the business situation because it makes possible the carrying forward of many business undertakings which had been postponed because of the condition of the bond market.

The stock market remained irregular until the past week when it made a considerable recovery with more active trading than for some time. Brokers loans as reported to the Federal reserve banks have risen \$500,000,300 since the last

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meeting of the committee. This probably represents in part an increase in loans by banks to replace loans withdrawn because of low rates by lenders whose operations do not appear in the Federal reserve reports, but it reflected in part also the recent recovery in stock prices.

BANK CREDIT

The total volume of bank credit continued to decline until the end of February but since that time has risen about \$300,000,000 and is now about as large as at the middle of January. The increase has been mostly in security loans, as so-called commercial loans have remained close to the lowest point of the year. In the week ended March 19 bank investments showed their first sizable increase, part of which resulted from subscription to the new Treasury issue.

FEDERAL RESERVE POSITION

In the face of continued business depression and a rapid downward movement of money rates changes in Federal reserve bank discount rates have taken place more rapidly than was anticipated at the time of the last meeting. Since that time two changes have been made in the rates of the New York and Cleveland banks and one change in the cases of Boston, Philadelphia, Richmond, Chicago, St. Louis, Minneapolis, Kansas City and Dallas.

During the early part of the period the Reserve banks were successful in pursuing the policy adopted at the January meeting of holding their bill portfolio at a level close to the level of the latter part of January, which was between \$275,000,000 and \$300,000,000. Early in March, however, it became clear that, with a decline in the total volume of bills in the market, and an increasing demand for bills from banks and others seeking short term investments, it would be impossible to maintain the bill portfolio. In these circumstances and in view of the unfavorable business situation the New York reserve bank, after consultation with the Federal Reserve Board, undertook to purchase \$50,000,000 of Government securities. All reserve banks were advised of this operation

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and offered participations in the purchase, and eight of the reserve banks took participations.

The following table compares system figures for March 19 with those for January 22. March 19 figures are distorted somewhat by the Treasury overdraft. More normal figures for this week will show an increase in bills and discounts, replacing the overdraft.

(In millions of dollars)

	<u>January 22</u>	<u>March 19</u>
Bills discounted	433	206
Bills bought	298	185
U. S. securities	477	561*
Other securities	<u>15</u>	<u>9</u>
Total bills and securities	1,223	961

* Includes \$29,000,000 of the \$44,000,000 special one-day Treasury certificate of indebtedness to cover overdraft on that date; a \$15,000,000 participation in the certificate was held by a New York Member bank.

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RECEIVED IN FILES SECTION

FEB 28 1930

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February 28, 1930.

Dear Mr. Case:

I acknowledge receipt of and thank you for your letter of
February 26, with reference to the Open Market Investment Account.

Very truly yours,

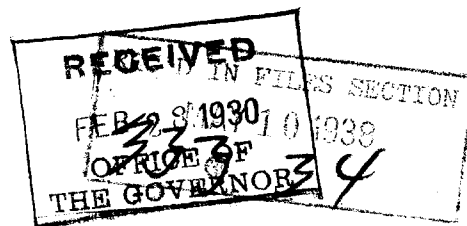
R. A. Young,
Governor.

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

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FEDERAL RESERVE BANK
 OF NEW YORK

CONFIDENTIAL



February 26, 1930.

Dear Governor Young:

The total par value of government securities in the Open Market Investment Account remains precisely the same as when I wrote you on February 19, 1930. There has, however, been some change in maturities. Our individual holdings of government securities remain the same, with sales contracts at \$4,750,000 - an increase of \$1,850,000.

There has been slightly more activity in the government security market, some demand having sprung up during the week. This demand has, for the most part, been for the shorter issues, but quotations for both the long and the short-term governments are fractionally higher than they were a week ago.

The bill market this week has had a considerable influx of new bills. Banks sold freely to the market the first part of the week and also made rather substantial sales to this bank, with the result that the outright purchases for the System through this bank increased by about \$10,000,000. Sales contracts also increased slightly. Bill dealers' portfolios remain substantially unchanged at \$114,000,000 tonight. Our purchases from dealers have about offset our maturities for the week, so that there is evidence of continued substantial distribution by the market at 3 3/4% for two name paper aside from sales to the System of three name paper at 3 3/4%. It would appear that our purchases from banks and banks' sales to the market were just about enough to relieve a little money stringency that was evident at the end of last week and Monday of this week. Yesterday and today money has been comfortably easy.

Faithfully yours,

Honorable R. A. Young,
 Governor, Federal Reserve Board,
 Washington, D. C.

J. H. CASE,
 Deputy Governor.

AT BOARD MEETING.

MAR 2 - 1930

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January 25, 1930.

PRELIMINARY MEMORANDUM
TO THE OPEN MARKET INVESTMENT COMMITTEE

January 28, 1930.

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At the last meeting of the Open Market Investment Committee on November 12 the resolutions adopted included the following statement of policy:

"Since the meeting of the Committee on September 24, the credit situation has changed abruptly. There has been a severe liquidation of credit against securities under circumstances which constitute a serious threat to business stability at a time when there were already indications of a business recession. This seems clearly to indicate the need of having the Federal Reserve System do all within its power towards assuring the ready availability of money for business, at reasonable rates.

"In view of these circumstances and for the purpose of avoiding any increase, and if possible facilitating some reduction, in the total volume of member bank discounts, the Committee believes that the System should be prepared to increase the open market holdings of the Federal reserve banks through the purchase of bills if they can be acquired in sufficient amounts without interfering with their present desirable distribution, and if not, through the purchase of Government securities."

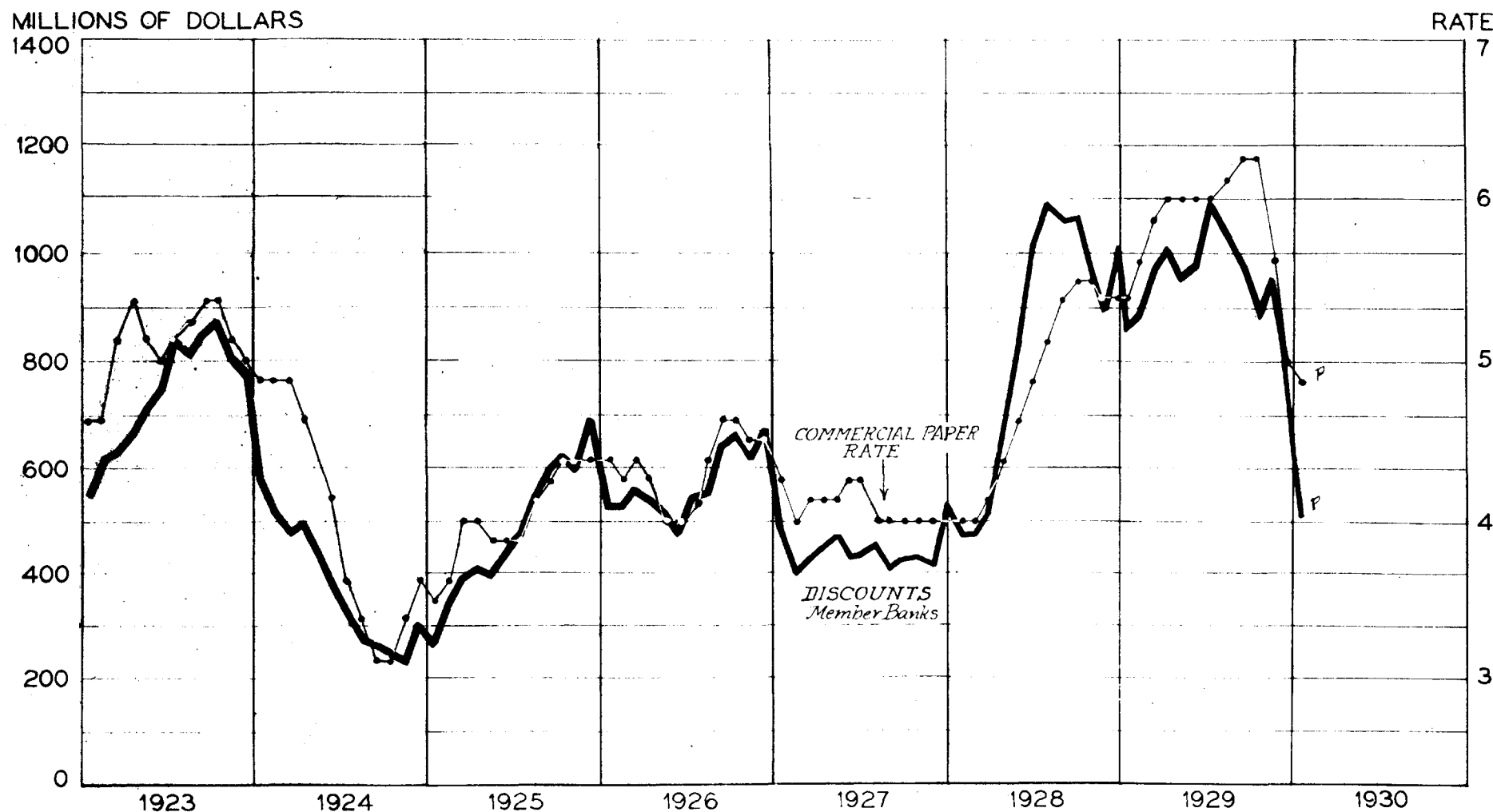
The committee recommended that to accomplish these purposes it be granted authority to purchase not to exceed \$200,000,000 of Government securities.

The Federal Reserve Board approved this program on November 25, and it was also approved by a majority vote of the Governors' Conference on December 11. Since November 27 purchases have been made under this authority totaling \$155,000,000, bringing the holdings in the open market account up to \$277,000,000 and the total security holdings of the System up to \$477,000,000. The purchases were all made prior to the first of the year.

Results Accomplished

The purchase of securities appears to have accomplished a considerable part of the results which the committee hoped for. During December, when there is ordinarily a considerable increase in rediscounts, no increase took place, but on the contrary there was some decrease, facilitated by the retirement of credit called into use in connection with the stock market break. After the first of the year the seasonal retirement of currency and credit, together with a continued

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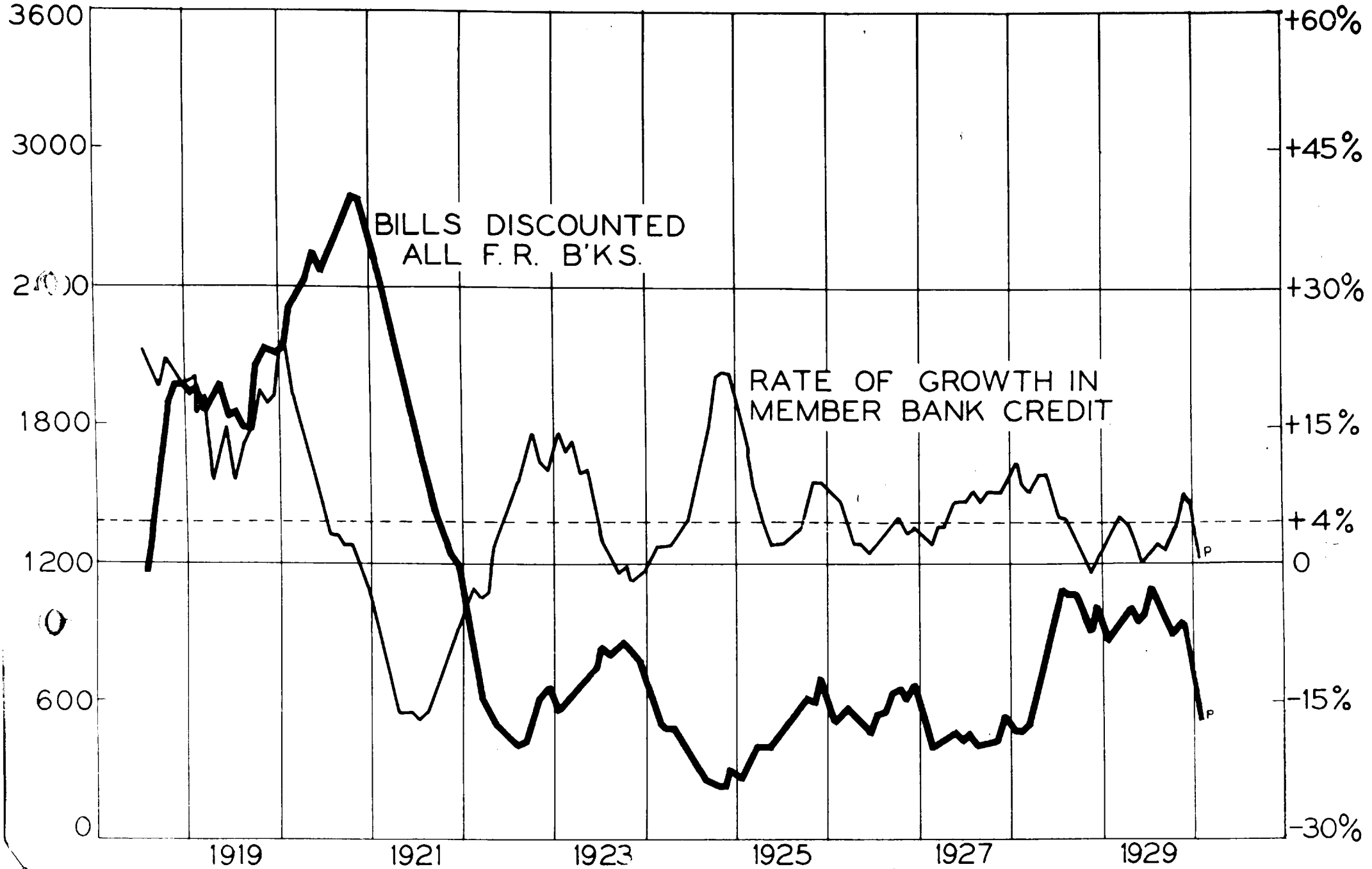
Member Bank Indebtedness at Federal Reserve Banks and Open Market Rate for
Commercial Paper (Monthly Data)

Federal Reserve Bank
of St. Louis
Reports Department
Jan. 10, 1930.

1907

MILLIONS OF DOLLARS

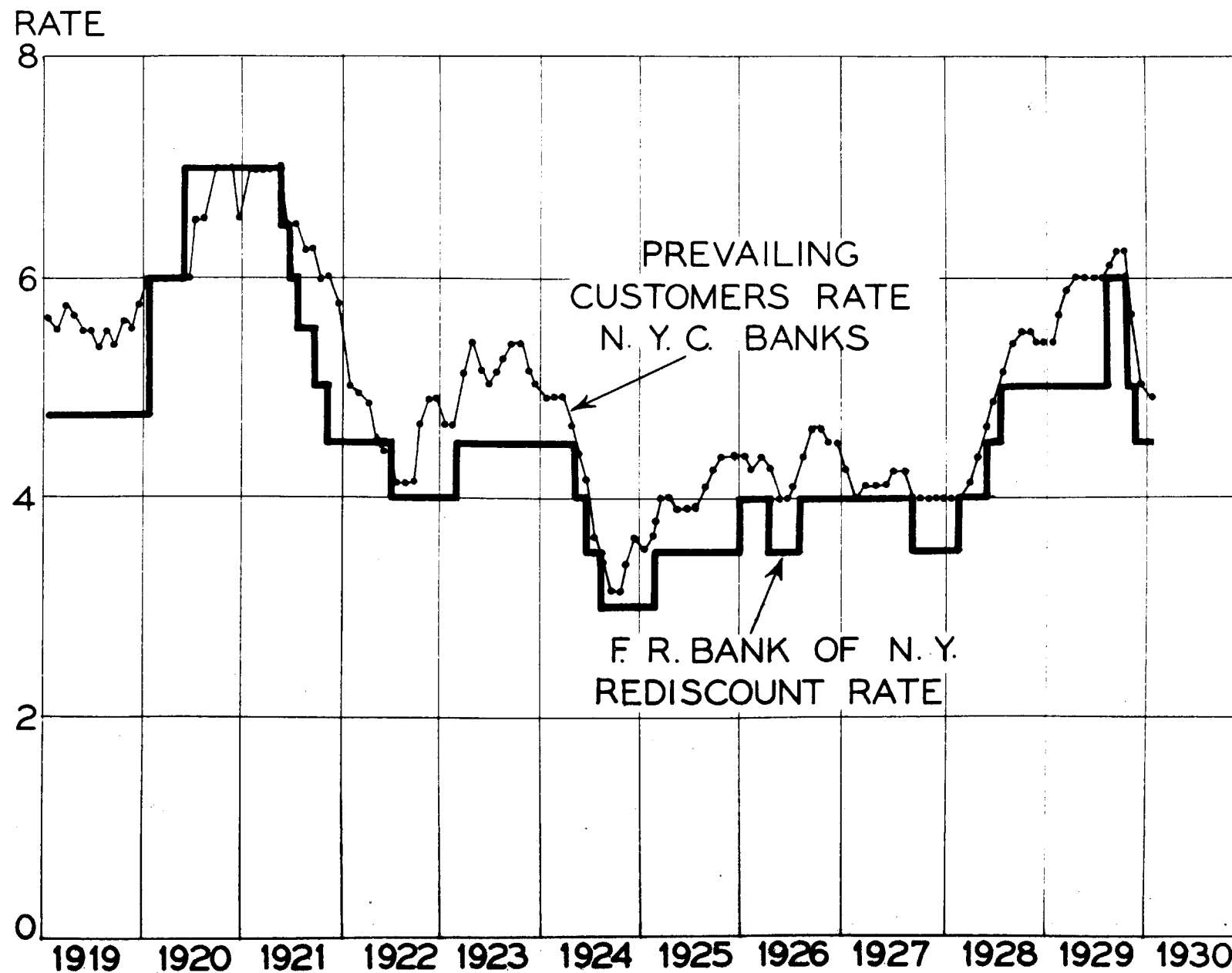
RATE OF GROWTH



Rate of Growth in Member Bank Credit Compared With Member Bank Borrowing at Federal Reserve Banks (Monthly Data).

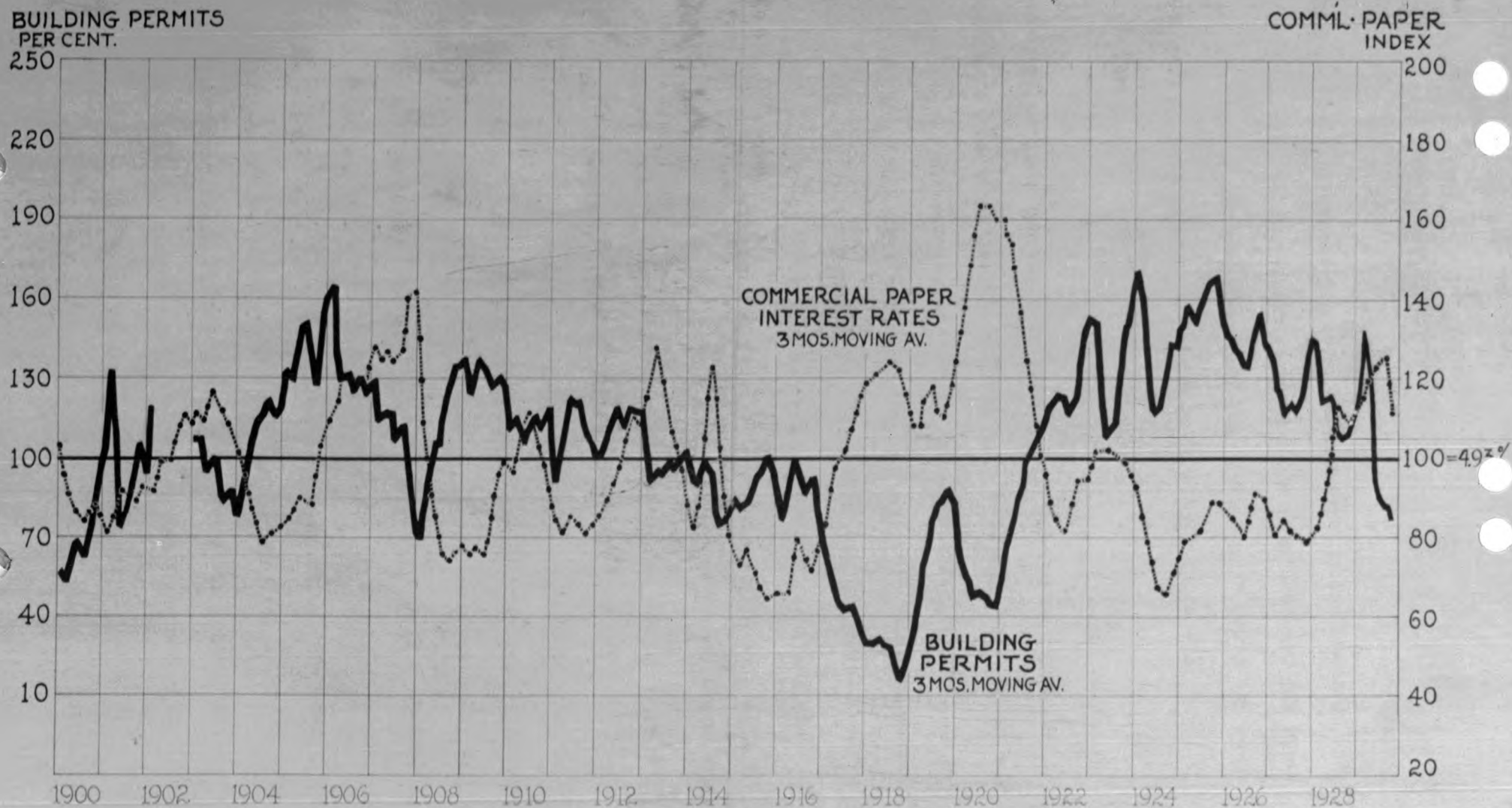
Federal Reserve Bank of St. Louis
Reports Department

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Rate Charged Customers by New York City Banks Compared with
Discount Rate of Federal Reserve Bank of New York

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Building Activity in terms of percentage change from the line of normal growth, allowance being made for changes in building costs, compared with the course of interest rates on commercial paper, in terms of percentage changes from the average rate of the last half century. Latest figures, November

Federal Reserve Bank
of New York
Reports Department
Jan. 11, 1930.

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liquidation of security loans enabled the member banks to decrease their indebtedness still further, and the System's total discounts for the past two weeks have been just under \$450,000,000. This is an amount of discounts conducive to a comfortable money position. The accompanying chart indicates that with this level of discounts, commercial paper rates might be expected to range from 4 to 4 1/2 per cent, other things being equal. The relationship between discounts and commercial paper rates has been remarkably close in the past, though rates are frequently a little sluggish in responding to a decrease in discounts. The second chart indicates also that with something like the present amount of discounts the volume of bank credit usually tends to increase at a rate consistent with the usual rate of growth of the country's business.

While discounts have been reduced, it cannot yet be said that money is readily available for business at such reasonable rates as would encourage business enterprise. Commercial paper rates in the open market are still 4 3/4 to 5 per cent, and the rate which the banks are charging customers on prime commercial paper in New York City is still 5 1/4 and 5 1/2 per cent. These relatively high interest rates reflect in part the slowness of rates to adjust themselves to a changed monetary condition, in part great caution and conservatism of the banks, and in part the discount rates of the Federal Reserve System which are higher than has usually been the case with the present volume of rediscounts. Mortgage money in particular is not yet freely available and the bond market still has limited absorptive power.

Volume of Credit

The total volume of bank credit has declined by nearly 2 billion dollars since the first of November, and the loans and investments of the reporting member banks are now less than one per cent higher than at this time in 1929, a year to year increase which is less than the usual growth of credit required by the country's business.

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Condition of Business

The recession in business activity which began in the late summer became more precipitate in the last two months of the year, and the December figures showed a decline greater than had occurred in any year since 1924. The meagre figures so far available for January show a seasonal recovery from the low point in December in the automobile, steel, and a number of other lines of business, but it is too early to judge whether the recovery has been more than the usual seasonal gain. Commodity prices have continued to be weak and in the United States show a decline of 2.6 per cent from a year ago. World prices as judged by the British index, show a decline of 4 per cent.

The Seasonal Expectation

Ordinarily the spring increase in business gives rise to an increase in the demand for Federal reserve credit of something in the neighborhood of \$90,000,000 from the lowest point at the end of January to the highest point early in April. The bill holdings of the System usually decline in this period because of a seasonal decline in the volume of bills outstanding, and as a consequence there is usually some increase in the discounts of the System and some firming in money conditions.

Condition of the Bill Market

The volume of bills outstanding increased to a new high figure of \$1,700,000,000 at the end of December. The bill holdings of the Federal Reserve System, however, amounting to \$392,000,000, constituted a much smaller proportion of the total bills outstanding than usual. This was due primarily to an extraordinary demand for liquid short term investments for the employment of funds withdrawn from the security markets in November. This demand was so considerable that during November and December the bill holdings of the Reserve System showed nothing like the usual seasonal increase, nor would it have been possible to acquire any considerable volume of bills during the period without driving rates to very low levels.

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Near the end of the year, however, funds began to be distributed more normally, and a considerable volume of bills was thrown into the market, with the consequence that dealers portfolios became congested and bill rates were increased by $1/8$ of one per cent. This situation is gradually being corrected as the volume of bills outstanding is slightly reduced and distribution is gradually taking place. Under these circumstances it seems possible, however, that the spring liquidation of the System's portfolio may be somewhat slower than usual, dependent somewhat upon the System's buying rate for bills.

Foreign Exchanges and Gold Movement

During November and December when considerable amounts of foreign funds were being withdrawn from New York the foreign exchanges were very strong and more than 100 million dollars of gold was exported. In January this situation has become adjusted, interest rates have declined in Europe, foreign exchanges have weakened, and gold exports have ceased. Most of the exchanges are so far below the export points that considerable recovery would be necessary before gold moved. In the next two weeks more than \$15,000,000 of gold is expected to arrive from Japan and South America.

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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:

"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.

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Authority EO 10961

X-6484

- 2 -

Although the necessity of giving to open market operations a System status was recognized in 1923, it was not then foreseen how much use would be made of the open market operation as an instrument of Federal reserve credit policy. As a matter of fact, frequent resort has been taken to open market operations - either by purchase or sale of United States Government securities - as a mode of policy in the five years following the 1923 arrangements.

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.

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Authority EO 10561

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.

(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.

(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."

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.

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Authority EO 10561

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."

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Authority E.O. 10561

Form No. 131.

Office Correspondence

Mr. Van Fossen

To _____

Mr. Smead

From _____

FEDERAL RESERVE
BOARD

332-44
Date January 9, 1930

Subject: 333.34

2-9895
R.F.D.

The Governors, at their conference held in Washington in December 1929, agreed that after January 1, 1930 profits and losses on all operations in the open market investment account, whether between the participating banks or with the market, should be carried with the suspense account in New York and distributed at the end of the year. (Page 4 of report of Governor's conference)

Division of Bank Operations
J.O.-130
File No. 1-9-30

DECLASSIFIED

Authority EO 10561

332.41

REC'D-BK. OF JUN 14 1929

FEDERAL RESERVE BANK OF NEW YORK

June 12, 1929.

333.34

Dear Governor Young:

7. I have your letter of June 10 acknowledging receipt of my communication of June 5 on the subject of the status of the Open Market Investment Account.

You inquire as to whether Federal Reserve Banks in making temporary sales of securities to other reserve banks should not report them as a contingent liability. These transactions have ordinarily been handled in two different ways, viz:

- (a) By outright purchase, as in the case of the \$5,000,000 Treasury 4s recently acquired from the Federal Reserve Bank of Kansas City, and
- (b) By the temporary acquisition (on the part of the Committee for System account) of securities from the Federal Reserve Banks, with a view of permitting the selling bank to re-acquire the securities at a later date.

When purchased outright there is, of course, no contingent liability whatever and no intention on the part of the selling bank to repurchase. In the case of temporary purchases it has generally, if not always, been the practice of the Committee to give the selling bank the right to reacquire the securities at a later date provided the securities had not in the meantime been otherwise disposed of. In some cases the selling banks have had in mind a definite date when they would repurchase the securities. In other instances it has been quite indefinite as to just when they would be able to take the securities back, and it has generally not been the practice to have an understanding as to any specific date when repurchase would be made.

It is our view that the Committee should not acquire securities for System Account with an obligation to hold them for any definite time to suit the convenience of another bank; in other words, that the Committee should not be placed in a position of having an obligation to hold securities which it might think it would be in the interests of the System as a whole to dispose of. Contrariwise, there have been very few, if any, instances where the selling bank has had a definite obligation to take back the securities sold. It seems to us, therefore, that the obligation, if any, of the selling bank is so indefinite as to make it unnecessary for that bank to show a contingent liability in respect to these transactions.

As a matter of fact, we doubt somewhat whether, even though the liability were more definite than it is, it would still be necessary or desirable for the selling bank to show a contingent liability in such cases for the reason that it is a matter of inter-bank relationship. There could in no case be any obligation to other than another reserve bank, and for this reason the contingent liability if shown would have to be eliminated in the consolidated statement of the twelve banks.

We have discussed this matter at our Officers Council and the foregoing represents the unanimous viewpoint of the members of the Council.

Very truly yours,

Honorable R. A. Young,
Governor, Federal Reserve Board,
Washington, D. C.

(S) J. H. Case,

Deputy Governor.

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Authority EO 10561

Mr. Lusk:
For your files

34

June 10, 1929

Dear Mr. Case:

I acknowledge receipt of and have brought to the attention of the Board your letter of June 5th, regarding the status of the Open Market Investment Account and conditions in the bill and Government securities markets.

The Board noted particularly that the Committee has taken over from the Federal Reserve Bank of St. Louis Liberty Loan and Treasury bonds in the amount of \$7,125,000. and from the Federal Reserve Bank of Kansas City Treasury bonds amounting to \$5,000,000. The question has been raised as to whether Federal reserve banks in making such temporary sales of securities to other Federal reserve banks should not report them as a contingent liability. We here are not familiar with the exact terms of the transactions and do not know whether there is a definite obligation to repurchase, or merely an understanding that the selling bank may take back the securities if and when it desires.

I would appreciate it if you would furnish me with a copy of whatever agreement may be entered into in cases of this kind and let me know what you think of the idea of reporting securities temporarily sold to the Account as a contingent liability.

Very truly yours,

R. A. Young,
Governor

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

See letter June 12/29

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Authority EO 10561

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARDDate January 5, 1925 33334To Dr. Miller

Subject: _____

From Mr. Hamilton

... 2-8495

Dear Doctor Miller:

I find in my records of the Open Market Committee meeting of Friday, December 19, 1924, the following:

"Meeting of Open Market Committee.

"The Committee filed a very interesting report of operations covering the period through December 15th, showing that, as a whole, they had taken some money out of the market. Governor Strong said they would put up the acceptance rate to 3% on Monday, and then would await eventualities.

"Dr. Miller suggested that they should put up the acceptance rate above the discount rate of 3%. Governor Strong said this would be ridiculous.

"Dr. Miller said that acceptance rates should be increased so as to drive acceptances out of the Federal Reserve banks. Dr. Stewart said the System ought to sell some Government securities, and Governor Strong said very likely they would do this."

Perhaps the above does not quote you correctly. I did not see, at the time, why your suggestion would be ridiculous. I appreciate fully that in the open market a banker's acceptance should take a better rate than a promissory note, but when the Federal Reserve bank has taken a promissory note, it bears the endorsement of a member bank and makes the paper not very different, I should think, in point of worth, from the banker's acceptance. If, for example, we desire to

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Authority EO 10501

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encourage the growth of promissory notes as against acceptances, I see no reason why it would be ridiculous to put a discriminating rate on acceptances.

Very sincerely yours,

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Authority EO 10661

Form No. 131

Office Correspondence

FEDERAL RESERVE
BOARD

332.91
Date December 28, 1928

To Mr. Cunningham

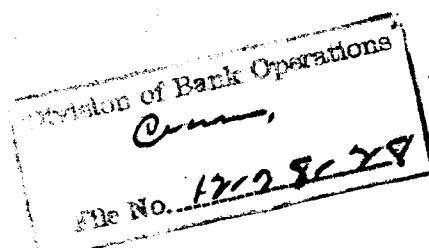
Subject: 333.34

From Mr. Smead

2-8495

In accordance with your request I am handing you herewith a statement showing changes in the Special Investment Account by months from January 1927 to December 26, 1928, together with Gold Exports and Imports during the same period.

As soon as figures for the full year 1928 become available we will have the statement brought up to date and will at that time show the principal countries to which gold was exported and from which gold was imported.



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Authority EO 10961GOLD EXPORTS AND IMPORTS AND HOLDINGS OF U. S. SECURITIES IN
SPECIAL INVESTMENT ACCOUNT

(In millions of dollars)

Date	U. S. Securities - Special Investment Account		Gold Imports and Exports during Month		
	Amount at end of month	Change from pre- ceding month end	Exports	Imports	Net - Imports (+) Exports (-)
<u>1927</u>					
January	201	- 11	15	59	+ 44
February	200	- 1	2	22	+ 20
March	206	+ 6	6	16	+ 11
April	201	- 5	3	15	+ 12
May	221	+ 20	3	34	+ 32
June	250	+ 29	2	15	+ 13
July	269	+ 18	2	11	+ 9
August	353	+ 85	2	8	+ 6
September	367	+ 14	24	13	- 11
October	399	+ 31	11	2	- 9
November	420	+ 21	55	2	- 53
December	423	+ 3	78	10	- 67
Total		+ 211	201	208	+ 6
<u>1928</u>					
January	300	- 123	52	38	- 14
February	273	- 27	26	15	+ 11
March	265	- 8	98	3	- 95
April	160	- 105	96	5	- 91
May	82	- 78	84	2	- 82
June	84	+ 2	100	20	- 80
July	85	+ 1	74	10	- 64
August	*75	- 10	2	2	+ 1
September	**75	-	4	4	†
October	75	-	1	14	+ 13
November	83	+ 8	23	30	+ 7
December (to Dec. 26)	76	- 7	1	22	+ 21
Total to Dec. 26		- 347	560	166	- 394

† Less than \$500,000

* Exclusive of \$16,500,000 of U. S. securities taken over temporarily from the F.R. Bank of St. Louis.

** Exclusive of \$5,000,000 of U. S. securities taken over temporarily from the F. R. Bank of St. Louis.

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Authority EO 10561

m No. 131

REC'D BK DEC 8 1928

33241

Office Correspondence

FEDERAL RESERVE
BOARDDate November 19, 1928.To Members of the Board (Individually)

Subject:

333.34

From Mr. Eddy.

070

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.

"(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.

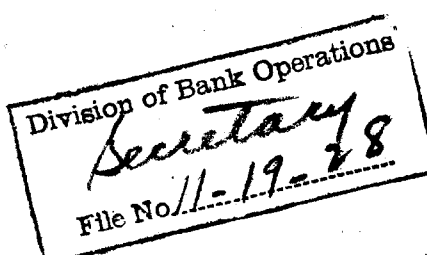
"(2) That the Committee of twelve shall select from its membership an Executive Committee to consist of five members, which shall carry into effect the policies from time to time determined by the full Committee and approved by the Federal Reserve Board.

"(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 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."



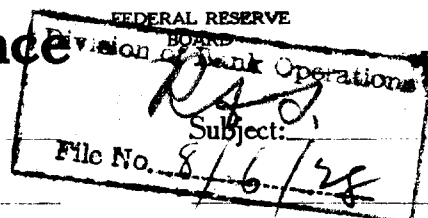
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Authority EO 10561

Form No. 181.

Office Correspondence

To Mr. Goldenweiser

From Mr. Smead



Date August 6, 1928.

2-5485
970

I am attaching hereto reports covering purchases and sales of securities by the Federal Reserve Bank of New York for the System Special Investment Account, covering the month of July, as requested in your memorandum of July 19. Similar reports will be furnished each week in future.

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Authority EO 10561

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARDDate July 16, 1928.

To _____

Subject: Beginning of the System's Special Investment Account.From Mr. Van Fossen2-5725
GPO

In December 1923 the Federal Reserve Bank of New York began to accumulate United States securities for transfer to the System's Special Investment account. Purchases during December 1923 were as follows:

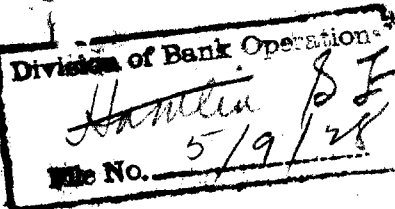
December 15	-	\$2,500,000	Certificates of indebtedness
18	-	1,000,000	do
24	-	2,200,000	do
24	-	1,100,000	Treasury notes
27	-	3,933,000	Certificates of indebtedness
28	-	73,500	do
28	-	1,557,000	Treasury notes
29	-	80,000	Certificates of indebtedness
31	-	115,000	do
31	-	100,000	Treasury notes
Total		9,058,500	

On January 2, 1924, the Federal Reserve Bank of New York forwarded a sales schedule No. 4332 transferring the above certificates of indebtedness, totaling \$6,301,500, to "Special Investment Account - Federal Reserve System as of January 1, 1924." On the same date the sales schedule No. 4333 made a similar transfer of Treasury notes, totaling \$2,757,000. On January 5 schedule No. 4341 was submitted showing purchases of certificates of indebtedness for the special investment account - Federal reserve system up to and including January 5. On this schedule were listed the \$6,301,500 of certificates of indebtedness covered by sales schedule No. 4332 under the caption "Transfer from Federal Reserve Bank of New York Special Investment Account." On the same date schedule No. 4342 listed Treasury notes purchased for the special investment account of the Federal Reserve System to January 5, listing thereon the \$2,757,000 of Treasury notes covered by sales schedule No. 4333.

From the above it will be noted that the Federal Reserve Bank of New York accumulated \$9,058,500 of U. S. securities for the special investment prior to the beginning of 1924, but that these securities were not apportioned among the 12 Federal reserve banks until January 1, 1924. Since the first of January 1924 the Federal Reserve Bank of New York has on several occasions purchased U. S. securities for transfer to the System's special investment account which were held in the New York bank's portfolio for a number of days and has also frequently held such purchases over night in its own portfolio. Such holdings have been disregarded in the table on securities held in special investment account in the 1927 annual report, although it is intended to include securities held by the New York bank in December 1923 which were transferred to the special investment account on January 1, 1924.

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Authority EO 10561



332.41
333.34
May 9, 1928

Miss Rice
Mr. Hamlin

Mr. Smead

Reserve bank credit in use

With regard to your request for a statement bearing on changes in the credit situation by yearly periods since the System's credit policy has been reflected in part in the purchase and sale of securities through the Open Market Investment Committee, I may say that, as I told you, to prepare a comprehensive memorandum covering the factors responsible for such changes and the effect of the changes would require a great deal of research and would take several weeks time. However, I am stating briefly below the more important phases of the situation in which I understand you are particularly interested.

The Open Market Investment Committee began to function at the beginning of 1924, but the credit situation is so affected by the holiday trade around the end of the year that it is thought better to use October 31, 1923, as the most satisfactory starting point. At that time the System's total holdings of U. S. securities (there was then no special investment account) were \$92,000,000, having declined almost steadily from the end of May 1922.

Year ended October 1924. Between October 31, 1923, and October 31, 1924, the System acquired \$500,000,000 of securities for the special investment account and during the same period the monetary gold stock of the country increased by \$342,000,000, thereby making an addition of \$842,000,000 to the amount of reserve bank credit available to member banks. This brought about a decided easing in the credit situation and the open-market acceptance rates dropped from 4-1/8 to 2-1/4 per cent, while the discount rate of the Federal Reserve Bank of New York declined from 4-1/2 to 3 per cent. The decline in wholesale prices, which had begun in the spring of 1923, was checked in the summer of 1924, after which and until the early part of 1925 prices increased. Member banks expanded their operations very rapidly (their deposits increased \$3,000,000,000) and in doing so used \$243,000,000 of the above-mentioned \$842,000,000 to build up their reserve balances with the Federal reserve banks. Notwithstanding this large increase in reserve balances, the member banks were also able to reduce their borrowings at the Federal reserve banks by \$600,000,000 to \$245,000,000, the lowest level since the beginning of the World War being reached about this time. Of the above-mentioned increase in deposits, \$1,860,000,000 was in demand deposits and \$1,150,000,000 in time deposits, the percentage gain in demand deposits being about the same as in time deposits.

Year ended October 1925. In the five months following October 1924, the System liquidated about one-half of its open market investment account to around \$250,000,000, and it remained within \$50,000,000 of that amount until the summer of 1927. In the early fall months of 1925, however, there

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Authority EO 10561

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was a very marked expansion in discounts and considerable purchases of acceptances in the open market, with the result that total reserve bank credit went up rapidly and at the end of October 1925 stood at \$1,296,000,000, or \$250,000,000 in excess of the amount a year earlier. Of this \$250,000,000, \$76,000,000 was used to further increase the reserve balances of member banks to take care of their increased reserve requirements, \$102,000,000 (net) to purchase gold for export purposes, and \$27,000,000 to obtain additional money for circulation purposes. During this year the rate on acceptances increased from about 2-1/4 per cent to 3-1/2 per cent while the New York bank discount rate increased from 3 to 3-1/2 per cent. Wholesale prices, which began to increase in the fall of 1924 continued to increase until March 1925, reacted rather sharply for a month or two, and then increased to the previous level. As already noted, additional reserve bank credit during this period was obtained through borrowings on the initiative of member banks, rather than through gold imports or additional security purchases by the Federal reserve banks as was the case the year before. The increase in deposits during this period was \$670,000,000 in net demand deposits and \$950,000,000 in time deposits, the increase in time deposits being relatively much more marked in this year than in the previous year, thereby enabling member banks to get along with lower reserve balances than would have been required had the increase in deposits been more evenly divided between demand and time deposits.

Year ended October 1926. The System's open-market account during this year showed a temporary increase around the end of 1925, an increase of about \$75,000,000 from March to May, and a decline of approximately the same amount from May to October, the holdings at the end of October 1926 being \$10,000,000 less than a year earlier. The member bank reserve deposits remained fairly stable, and were approximately the same at the end of October 1926 as at the end of October 1925. This was apparently due to the fact that there was a decline of \$150,000,000 in net demand deposits of member banks during the year, although time deposits, on which a reserve of only 3 per cent is required, increased by \$770,000,000. Total bill and security holdings at the end of October 1926 were only \$20,000,000 in excess of the amount held at the end of the previous October, an increase in the gold stock of \$66,000,000 during this year being approximately offset by an increase in money in circulation of about \$52,000,000. Open-market acceptance rates declined during the early summer of 1926 to around 3-1/8 per cent, and then increased during the fall months to around 3-7/8 per cent, while the New York Federal reserve bank discount rate was increased from 3-1/2 to 4 per cent in January 1926, was reduced to 3-1/2 per cent in April, and again increased to 4 per cent in August. Wholesale prices declined throughout the whole period, the decline being from an index of 104 in October 1925 to 99 in October 1926. (based on 1926 = 100)

Year ended October 1927. There was only a slight change in the System's open market security holdings from the end of October 1926 to the end of May 1927, but from that time on to the end of the year there was quite a rapid increase in security holdings in keeping with the easy credit policy followed by the Board during that period. During the fall months of 1927 there was also a substantial increase in acceptance holdings, while discounts fluctuated within comparatively narrow limits, from the middle of January to the end of October 1927. The increase in credit required from July to

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Authority EO 10561

- 3 -

2324
Keeping.

October was therefore supplied entirely by purchases of U. S. securities by the Open Market Investment Committee and by purchases of bankers' acceptances. During this year there was an increase of \$68,000,000 in the monetary stock of gold and a decline of \$75,000,000 in the amount of money in circulation. These factors taken together with security purchases and reductions in discount rates, created a decided easing of the credit situation and member banks again began to expand their operations quite materially, the reserve balances of the member banks increasing from \$2,223,000,000 at the end of October 1926 to \$2,324,000,000 at the end of October 1927. During this period the demand deposits of the member banks expanded by \$680,000,000, while time deposits increased \$1,125,000,000, the expansion in time deposits again much more than keeping pace with the expansion in demand deposits. During this year it was the relatively large growth in time deposits, purchases of securities by the Federal reserve banks, net gold imports, and a reduction in the amount of money in circulation which gave member banks substantial additional reserve funds and encouraged an expansion policy. Acceptance rates declined from 3-7/8 to 3-1/4 per cent and the New York bank discount rate was reduced from 4 to 3-1/2 per cent, while wholesale prices continued to decline until mid-summer, when there was a gradual increase until around the end of October.

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6-months ending April 30. The System continued to purchase securities during November and December 1927, but beginning with 1928 began to sell them rather heavily and the amount held in the special investment account on April 30, \$160,000,000, was \$239,000,000 less than held at the end of October 1927. During the same time the monetary stock of gold declined \$275,000,000 and the reserve deposits of member banks increased \$118,000,000, making a total of \$632,000,000 to be provided by member banks during the six-month period. Of this total, \$197,000,000 was obtained through a reduction in the amount of money in circulation, \$422,000,000 through an increase in borrowings from the Federal reserve banks, \$14,000,000 through the purchase of acceptances by Federal reserve banks and \$12,000,000 through purchases of securities by the reserve banks other than through the special investment account. It is clear, therefore, that during this period the member banks continued to expand their operations despite the substantial liquidation in the open-market portfolio, substantial gold exports, and an increase in discount and open market rates. The increase in time deposits of member banks as in the two previous years was much more pronounced than the increase in demand deposits, the increase in time deposits between October 1927 and April 1928, being \$728,000,000 as compared with \$428,000,000 in net demand deposits. Open-market acceptance rates went up from 3-1/4 per cent in October 1927 to 3-7/8 per cent in April 1928 and the New York bank discount rate was increased from 3-1/2 to 4 per cent in February 1928, while wholesale prices went down slightly.

The pamphlet of "Charts on Bank Credit, Money Rates, and Business Activity," which the Board recently had printed for distribution, covers most of the items mentioned in this memorandum, and you may find the charts helpful, particularly Nos. 1 and 3, in reviewing the various factors involved.

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**INDEX OF SECURITY PRICES - MONTHLY AVERAGES FOR OCTOBER, 1923 TO
1927 AND FOR APRIL 1928.**

October 1923	92.7	Price level fairly steady from July to October following a pronounced drop from March to July.
October 1924	105.4	Rapid rise during final months of 1923, a decline from February 1924 until mid-summer and a recovery thereafter
October 1925	137.2	Very rapid rise from October 1924 with temporary recession in spring of 1925
October 1926	147.9	Sharp drop in March 1926 followed by resumption of increase
October 1927	186.2	Pronounced and practically continuous rise throughout year.
April 1928	215.3	Extremely rapid rise in April 1928 accompanied by largest turnover in history of market

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TOTAL BILLS AND SECURITIES, BY CLASSES, MEMBERS RESERVE DEPOSITS, MONETARY GOLD STOCK, AND AMOUNT OF MONEY IN CIRCULATION, OCTOBER 31, 1923 TO APRIL 30, 1928

(In millions of dollars)

	Oct. 31 1923	Oct. 31 1924	Oct. 31 1925	Oct. 31 1926	Oct. 31 1927	April 30 1928
Bills discounted	884	264	616	690	412	834
Bills bought in open market	205	200	347	323	342	357
U. S. Government securities	92	584	327	301	522	296
Total bills and securities	1,181	1,052	1,296	1,316	1,276	1,488

Member bank-reserve account	1,895	2,138	2,214	2,223	2,324	2,442
Monetary gold stock	4,167	4,509	4,407	4,473	4,541	4,266
Money in circulation	4,925	4,942	4,969	5,021	4,946	4,750

INCREASE OR DECREASE

Bills discounted	-620 ✓	+352 ✓	+74 ✓	-278 ✓	+422 ✓
Bills bought in open market	- 5 ✓	+147 ✓	-24 ✓	+ 19 ✓	+ 15 ✓
U. S. Government securities	+492 ✓	-257 ✓	-26 ✓	+221 ✓	-226 ✓
Total bills and securities	-129 ✓	+244 ✓	+20 ✓	- 40 ✓	+212 ✓

Member bank-reserve account	+243 ✓	+ 76 ✓	+ 9 ✓	+101 ✓	+118 ✓
Monetary gold stock	+342 ✓	-102 ✓	+66 ✓	+ 68 ✓	-275 ✓
Money in circulation	+ 17 ✓	+ 27 ✓	+52 ✓	- 75 ✓	-196 ✓

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FEDERAL RESERVE BANK
OF NEW YORK

July 19, 1927

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Dear Mr. Smead:

With reference to your letter of July 18 and telephone conversation with your office last week, I note that it will be entirely agreeable to you for us to furnish you each month with a statement showing purchases of Government securities for the System Account and their apportionment to Federal Reserve banks (including exchanges) (a) in the open market, (b) from other Federal Reserve banks, and (c) from the United States Treasury, and for the other Federal Reserve banks as well as ourselves to omit all reference to such transactions in the monthly reports to the Board on Form A.

It seems to me that this method of reporting the purchases referred to would eliminate the difficulty you have experienced from time to time in reconciling figures obtained from the Committee and the Federal Reserve banks, and would simplify matters on this end if we were to furnish you with this information direct instead of relaying it to the various reserve banks and having them in turn pass it on to you.

We shall, therefore, furnish you with the desired information commencing with purchases made during the current month and will omit making any further reference to these transactions on our reports on Form A. I also understand you will advise the other reserve banks that you will obtain this information direct from us in the future.

Very truly yours,

Handwritten signature: W. B. Matteson

W. B. Matteson
Secretary, Open Market
Investment Committee

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

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July 18, 1927

Dear Mr. Matteson:

As you know, we have experienced difficulty from time to time in reconciling figures representing purchases of securities through the Open Market Investment Committee, as reported by the Committee and by the individual Federal reserve banks, and it has occurred to me that our present method of determining the volume of these transactions may possibly be too cumbersome and that a simpler way could be devised. It has been our practice to include in our figures all purchases of securities (including exchanges) (a) in the open market, (b) from other Federal reserve banks, and (c) from the U. S. Treasurer, and we would of course need enough data to continue this practice in the future.

I shall appreciate it if you will give this matter your consideration and advise us whether or not you have any suggestions to offer to simplify the present method of obtaining the data needed to compile our figures. If you find that it will be more convenient to you and the other Federal reserve banks, it will be entirely agreeable to this office for you to furnish us with all the necessary data regarding the Committee's operations, and for the other Federal reserve banks to omit all reference to such transactions in their monthly reports to the Board on form A. If this can be satisfactorily worked out, it might be possible to reduce somewhat the telegraphic advices which you send to the other Federal reserve banks in connection with their participations in the Committee's transactions.

Very truly yours,

(Signed) E. L. Smead

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

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

See letter July 19/27 Jym

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Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date July 12, 1927.

To Mr. Smead

Division of Bank Operations

Subject:

From Mr. Horbett

File No. 7-12-27

The report of the Open Market Investment Committee for June has a note to the effect that the figures do not include \$20,000,000 of 3-3/8 per cent Treasury bonds received in exchange for a like amount of second Liberty loan bonds. Inasmuch as it has been our practice to consider such exchange transactions as new purchases, we telephoned to Mr. Miller of the Securities Department on July 8 and in response received a supplementary statement giving the participation of each bank in this exchange.

We found out today, in going into the matter, that none of the reserve banks included the participation in this exchange transaction with the figures reported on form A, and upon taking the matter up further with Mr. Miller of the New York Bank, it seems that their failure to do this is due to the fact that the Open Market Investment Committee did not advise the individual reserve banks of the amount of their participation in this transaction. Failure to give this advice was based on the theory that the transaction was a mere exchange and does not constitute a purchase. After talking the matter over with Mr. Van Fossen, I explained to Mr. Miller what our policy has been in compiling the statistics on the volume of operations, and suggested that it would simplify the adjustment of the matter if he would advise the other reserve banks by letter or telegram of their participation in the transaction, telling them at the same time that the information was being given them so that they could correct the reports rendered to the Board on form A. After considerable discussion, Mr. Miller agreed to do this, but this afternoon Mr. Matteson called you up and being advised that you would not be in, he asked to speak to me and again explained their position. He states that the Open Market Investment Committee transactions are all handled as a pool account and that he would prefer if possible not to advise the participating banks of these exchange transactions, ~~where~~ there is no change involved in the total amount of the investment account. He stated that even at best he has considerable difficulty in handling the account and thought that it would complicate matters to try to explain these transactions to them. He is perfectly willing, however, to give the Board all details that it may desire on such transactions so that we can handle the matter any way we see fit and advise the Federal reserve banks. I explained to him that it had always been our policy to consider these transactions as additional purchases and that we apparently had to follow the same policy in this case in order that our figures might be comparable with those published heretofore, but that I would refer the matter to you tomorrow.

in view of
It seems to me, ~~from~~ the difficulty that we have been having in these transactions, it probably would be best to have the Federal reserve banks report on form A hereafter only such U. S. securities as were purchased by them in their own market for their own account, i. e., exclusive of all participations in the special investment account, with the understanding that the special investment committee transactions will be reported to us by the committee. If desired, we could furnish a copy of the committee's report to each of the reserve banks, after we had reconciled the matter with the committee and were satisfied that the report contained all the data necessary.

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REPORT OF THE OPEN MARKET INVESTMENT COMMITTEE TO THE
GOVERNORS' CONFERENCE, NOVEMBER 8, 1926

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

Purchases in March and April

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

Sales in August and September

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

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

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

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

The Present Credit Situation

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

Turn of the Year

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

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

Temporary Sales of Securities

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

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

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Exhibit "A"

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

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

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Exhibit "B"

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

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

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

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Exhibit "C"

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

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

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

		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Fran.	Total
Bills Discounted	- Oct. 27	\$32,405	\$132,347	\$40,916	\$74,122	\$41,866	\$53,350	\$106,081	\$42,171	\$12,099	\$13,962	\$20,070	\$62,534	\$ 631,923
"	- Nov. 3	23,975	172,403	38,705	69,260	35,364	50,461	130,644	44,538	10,500	16,553	19,594	63,901	675,898
Net Change		8,430-	40,056+	2,211-	4,862-	6,502-	2,889-	24,563+	2,367+	1,599-	2,591+	476-	1,367+	43,975+
Bills Purchased	- Oct. 27	34,296	48,231	26,015	28,148	13,701	34,829	44,428	5,716	13,449	17,648	14,151	26,869	307,541
"	- Nov. 3	31,254	71,290	26,194	30,024	14,349	33,858	44,912	7,322	13,387	17,710	14,313	27,425	332,098
Net Change		3,042-	23,059+	179+	1,876+	648+	971-	424+	1,666+	62-	62+	162+	556+	24,557+
Government Securities	- Oct. 27	9,609	54,084	19,928	34,690	7,060	1,866	47,802	19,610	17,486	27,999	21,172	38,868	300,174
"	- Nov. 3	9,958	54,084	19,928	35,542	7,059	1,887	48,136	19,610	17,486	28,349	21,439	38,868	302,346
Net Change		349+	-0-	-0-	852+	1-	21+	334+	-0-	-0-	350+	267+	-0-	2,172+
Total Earning Assets	- Oct. 27	76,310	234,662	88,859	136,960	62,627	90,045	198,371	67,497	43,534	59,609	55,393	128,271	1,242,138
"	- Nov. 3	65,187	297,777	86,827	134,826	56,772	86,206	223,692	71,530	41,873	62,612	55,346	130,194	1,312,842
Net Change		11,123-	63,115+	2,032-	2,134-	5,855-	3,839-	25,321+	4,033+	1,661-	3,003+	47-	1,923+	70,704+

Comparison of Weekly Averages of Earning Assets

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

Comparison of Actual Earning Assets

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

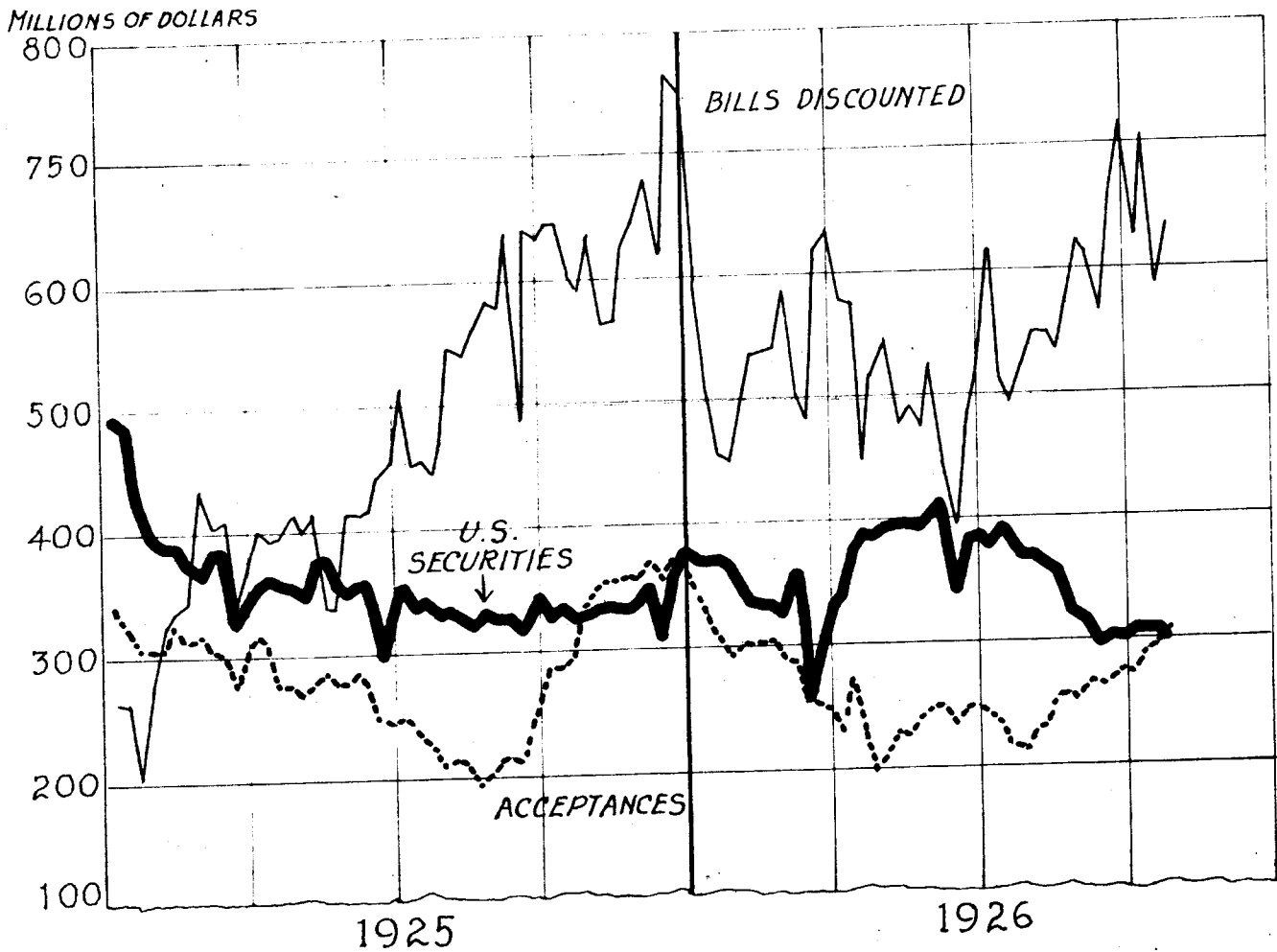
SUMMARY OF CHANGES FOR SYSTEM

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

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Bills and Securities All Federal Reserve Banks

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Report of the Chairman to the Open Market Investment Committee

September 10, 1926.

Division of Bank Regulation

File No. Comm. #6

9-10-26

Changes Since Last MeetingOpen Market Account:

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

Federal Reserve Credit:

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

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

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

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

Money Rates:

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

MONEY RATES AT NEW YORK

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

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

Member Bank Credit:

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

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Business and Financial Situation:

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

OPEN MARKET POLICY

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

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

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

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

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

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

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

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

Sales to foreign correspondents consisting of

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

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

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

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

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

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

Attached are the following exhibits:

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

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Exhibit "A"

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

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

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Exhibit "B"

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

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

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

EXHIBIT "C"

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

		(000 Omitted)												
		Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Fran.	Total
Bills Discounted	- Aug. 25	\$39,499	\$140,059	\$49,850	\$38,105	\$45,347	\$48,600	\$73,604	\$36,424	\$14,060	\$12,716	\$22,610	\$49,764	\$ 570,638
"	Sept 1	46,064	176,243	45,611	33,467	47,649	50,166	69,993	39,266	16,218	12,341	25,261	64,069	626,348
Net Change		6,565+	36,184+	4,239-	4,638-	2,302+	1,566+	3,611-	2,842+	2,158+	375-	2,651+	14,305+	55,710+
Bills Purchased	- Aug. 25	17,444	43,849	18,879	26,484	12,707	26,545	35,191	8,417	11,789	14,513	12,246	26,552	254,616
"	Sept 1	22,839	33,191	19,028	27,398	12,557	29,884	36,529	8,569	11,778	14,355	11,356	25,997	253,481
Net Change		5,395+	10,658-	149+	914+	150-	3,339+	1,338+	152+	11-	158-	890-	555-	1,135-
Government Securities	- Aug. 25	10,638	60,266	20,454	35,214	7,842	1,995	50,175	21,216	17,527	30,729	22,877	42,284	321,217
"	Sept 1	10,486	60,713	20,369	34,986	7,741	1,883	50,730	20,979	17,377	30,167	21,752	41,781	318,964
Net Change		152-	447+	85-	228-	101-	112-	555+	237-	150-	562-	1,125-	503-	2,253-
Total Earning Assets	- Aug. 25	67,581	244,174	91,183	99,803	65,896	77,840	158,970	66,057	44,376	57,958	57,733	118,600	1,150,171
"	Sept 1	79,389	270,147	87,008	95,851	67,947	82,533	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
Net Change		11,808+	25,973+	4,175-	3,952-	2,051+	4,793+	1,718-	2,757+	1,997+	1,095-	636+	13,247+	52,322+
<u>Weekly Average of Earning Assets</u>														
Dec. 31, 1925 to Sept. 1, 1926		81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Corresponding period 1925		83,167	279,904	81,307	109,969	53,330	41,424	130,218	50,290	35,377	50,299	42,249	101,198	1,059,232
Net Change		1,895-	10,848-	8,252+	5,223-	6,728+	31,998+	20,401+	12,456+	1,192+	14,986+	10,999+	11,691+	100,735+
Dec. 31, 1925 to Sept. 1, 1926		81,272	269,056	89,559	104,746	60,558	73,422	150,617	62,746	36,569	65,285	53,248	112,889	1,159,967
Entire year 1925		93,459	287,133	85,078	113,904	54,734	56,548	138,045	55,936	37,271	57,293	49,024	109,866	1,138,291
Net Change		12,187-	18,077-	4,481+	9,158-	5,324+	16,874+	12,572+	6,810+	702-	7,992+	4,224+	3,023+	21,676+
<u>Comparison of Earning Assets</u>														
September 1, 1926		79,389	270,147	87,008	95,851	67,947	82,633	157,252	68,814	46,373	56,863	58,369	131,847	1,202,493
September 2, 1925		67,961	279,403	86,794	104,672	65,678	63,482	117,394	68,737	43,808	59,593	48,692	119,375	1,126,089
Net Change		11,428+	9,256-	214+	8,821-	2,269+	19,151+	39,858+	77+	2,565+	2,730-	9,677+	11,972+	76,404+

SUMMARY FOR SYSTEM

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

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FEDERAL RESERVE BOARD

WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 29, 1925.

X St. 4413.

SUBJECT: Method of Accounting, Special Investment
Account, Federal Reserve System.

Dear Sir:

In order to comply with the new method of accounting in connection with the purchase and sale of United States securities by the Open Market Investment Committee, of which you have been advised by the Secretary of the Committee, Federal reserve banks should hereafter report only the total holdings of such securities on the face side of balance sheet form 34, instead of combining these investments with Liberty bonds, Treasury notes, and certificates of indebtedness, respectively, held in the regular investment account. On Wednesday, February 4, and on every Wednesday thereafter, the committee will telegraph you the classification of your participation in the special investment account so that the data may be used in the preparation of your weekly press statement, but it will not be necessary for you to telegraph this classification to the Board. It should, however, be shown on the reverse side of balance sheet form 34 against the captions provided therefor.

On the face side of form 34 your total participation in the special investment account should be reported against caption "Participation - special investment account" code word BAIT, immediately following "Treasury certificates of indebtedness." Code word LADD now shown in the maturity distribution of certificates of indebtedness on the reverse side of form 34 should be omitted from the form 34 telegrams hereafter, as the maturity distribution beginning Wednesday, February 4, will cover only certificates of indebtedness held in your regular investment account.

Very truly yours,

E. L. Smead, Chief,
Division of Bank Operations.*Copy filed 330.23*

LETTER TO GOVERNOR AT EACH FEDERAL RESERVE BANK.

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January 8, 1925.

Confidential

Dear Mr. Rounds:

Referring to your letter of January 7 requesting certain data regarding earnings, dividend payments and charge offs in 1924 for the use of the Special Investment Committee, I am pleased to furnish herewith the information requested.

<u>Federal Reserve Bank</u>	<u>Current net earnings</u>	<u>Charge offs and other extraordinary charges-net</u>	<u>Dividends paid</u>
Boston	\$585,515	115,093	\$477,799
New York	2,218,530	1,601,677	1,796,530
Philadelphia	762,010	14,918	615,135
Cleveland	1,105,839	1,578,992	756,152
Richmond	672,406	292,615	351,251
Atlanta	660,109	387,453	272,656
Chicago	1,244,036	334,913	909,123
St. Louis	246,794	42,658	304,976
Minneapolis	543,903	214,801	202,828
Kansas City	396,824	650,006	265,697
Dallas	826,302	561,278	249,789
San Francisco	634,547	384,030	480,562
Total	9,896,814	6,178,634	6,682,498

Very truly yours,

(Signed) E. L. Smead

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

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

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FEDERAL RESERVE BANK
OF NEW YORK

January 7, 1925

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

Dear Mr. Smead:

To assist us in calculating the proportions for the use of the Special Investment Committee, I am writing to ask if you could give me for our confidential use in this respect the following information for each of the reserve banks for the past year.

- a. Net earnings from operation
- b. Amount of dividends paid
- c. Amount of chargeoffs and other extraordinary charges against income.

I think the above information will enable us to calculate these percentages on the same basis as has heretofore been done. What I have in mind for item "a" is the net figure after payment of operating expenses and, of course, "a" minus "b" and "c" would represent the net debit carried to surplus or the credit balance remaining for payment of franchise taxes and for surplus.

With thanks for your kind attention, I am

Very truly yours,



L. R. Rounds
Controller of Accounts

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See letter following day

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Office Correspondence

Date July 23, 1924.

To Mr. Eddy

From Mr. Smead

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

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

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

Division of Bank Operations

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FEDERAL RESERVE BANK
OF NEW YORK

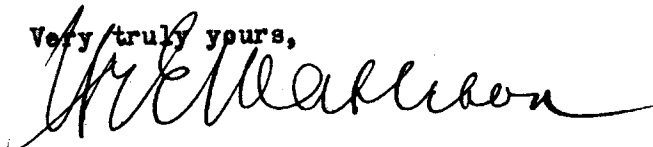
May 13, 1924

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

Dear Mr. Smead:

Referring to our recent telephone conversation, I have written to all the Federal reserve banks as per the attached letter stating that we would advise them definitely of any allotments of Government securities in the Special Investment Account made from portfolio of Federal reserve banks, as distinguished from allotments of purchases made in the market.

Very truly yours,



W. B. Matteson
Secretary, Open Market
Investment Committee

Enclosure

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Open Market Investment Committee
for the Federal Reserve System

CONFIDENTIAL

May 13, 1924

My dear Governor:

Enclosed is a report of transactions in Government securities and bankers acceptances as reported to the Open Market Investment Committee for the Federal Reserve System for the period from May 1 to May 7, 1924 inclusive, together with data received by the Committee from the Federal reserve banks.

In order to assist in making periodic reports to the Board several banks have asked to be advised whenever allotments of Government securities in the Special Investment Account are made of purchases from portfolio of Federal reserve banks. We shall, therefore, arrange in the future to send you a separate telegram in cases where purchases are made from reserve bank holdings, it being understood that our regular coded wire (NOTABLY) will cover only purchases made in the market.

Very truly yours,

W. B. Matteson
Secretary of the Committee

Enclosure

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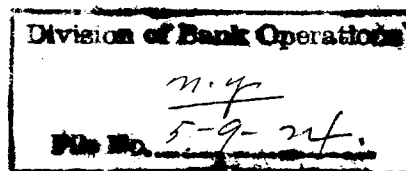
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Mr. Smend

Mr. Matteson writes to every participating F. R. bank every week in regard to the activities of the Open Market Investment Committee. In his next weekly letter he will advise each bank that hereafter, when Government securities are allotted from the portfolio of some reserve bank,, the telegraphic advice will state that fact. Where nothing is stated, which will be most of the time, it will be taken for granted that the purchase was made in the open market. A copy of his next letter will be mailed to you.

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5-9-24



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Copy

FEDERAL RESERVE BANK
OF NEW YORK.

January 3, 1924.

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

Division of Bank Operations

File No.

N. Y. Bank
1-3-24

Dear Mr. Smead:

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

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

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

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

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

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

Very truly yours,

(Signed) L. R. Rounds,

Acting General Auditor

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December 24, 1923.

My dear Governor

In accordance with my letter of December 12, 1923, we have considered the procedure to be followed in the handling of short-term investments in Government securities acquired for the System at the discretion of the Open Market Investment Committee, and have formulated a plan which will be simple and easy of operation and at the same time will provide for an equitable distribution of the investments and of the subsequent profits or losses, if any, resulting from these transactions.

The proposed plan, which has the approval of the Committee, is as follows:

1. As securities are purchased the New York Bank is to charge the cost of all purchases made to a special account to be carried on its books under the title "Special Investment U. S. Securities."

2. The par amount of all purchases made will be prorated to each reserve bank on the percentage basis already set forth in my letter of December 12, 1923, the New York bank crediting the total amount allotted to the other eleven banks to an account on its books entitled "Participation of Other Federal Reserve Banks in Special Investment U. S. Securities," at the same time advising each other reserve bank of the amount of its participation.

3. Upon receipt of these telegrams each other reserve bank will credit New York through the gold settlement fund, debiting an account on its books entitled "Participation in Special Investment U. S. Securities," the total of the participation by each bank to be carried on its balance sheet form 34 against this caption.

4. The figures reported on the weekly press statement will, of course, be against the usual captions "U. S. Certificates of Indebtedness" or "U. S. Bonds and Notes," as the case may be, and each bank will be advised each Wednesday night by the New York Bank as to the Division of its quota between these two accounts.

5. The New York Bank will handle all accruals of earnings by first accruing the earnings on the entire fund to a special account to be styled "Interest Earned on Special Investment U. S. Securities," after which it will each day distribute the accrual to each bank in the same proportion as the investment, crediting each bank daily with its proportion through the gold settlement fund, and debiting an account to be entitled "Participation of Other Federal Reserve Banks in Interest on Special Investment U. S. Securities."

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- 2 -

6. Each other reserve bank will credit its share of the earnings to its regular account "Interest Earned on U. S. Securities" or if it prefers, to an account "Interest Earned on Special Investment U. S. Securities."

7. As sales are made the operation will, of course, be reversed, New York crediting each bank with its proportion through the gold settlement fund, and each other reserve bank crediting its account "Special Investment U. S. Securities" upon receipt of the advice of sale.

8. In case of profits or losses resulting from sales, the distribution will be made in the same way, each bank being furnished with full information.

Under this plan the New York Bank will carry on its books the premium and discount accounts, if any, and also the "Accrued Interest Not Collected." The other eleven banks will have only the earning asset account representing the par amount of their participation in the total purchases and the earnings actually accrued. This will materially simplify the handling of these transactions so far as the accrual of earnings and the advising daily of entries over the wire is concerned.

In the event of changes in the ratios of distribution to the several reserve banks, the total account will be adjusted to the new percentages with appropriate wire advice to each bank concerning entries to be made or, when the adjustments are small, it will probably be absorbed in the first transaction thereafter, whether purchase or sale.

As and when other reserve banks are directed to make purchases for this account, such bank will receive payment in full from the New York bank, following which the New York Bank will make distribution in the same manner as though purchase had been made by it in the first instance. The securities purchased for this account will be retained by the New York Bank and will be lodged by it in a "Special Account" to be held for the System separate and apart from all other securities held by it.

The Committee has already invested \$3,500,000 in March 1924 certificates for this account and as soon as all of the banks have been heard from,

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Authority EO 10561

- 3 -

this purchase with any others made in the meantime will be prorated in accordance with the foregoing.

Will you please let me know promptly if there is anything about this procedure that is not clear to you, or with which you are not entirely in accord.

Very truly yours,

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

Note: For your information, we have received advises from the governors of all Federal reserve banks stating that the plan outlined in my previous letter has been presented to their respective boards and that it has their approval.