

DECLASSIFIED  
Authority E.O. 10501

Form F. R. 567

END SHEET

KIND OF MATERIAL OR NUMBER 333.343

NAME OR SUBJECT Allocation of Participations in  
System Open Market Account  
Federal Open Market Committee

DATES (Inclusive) ~~Apr~~ 1945 - ~~Oct~~ 1947<sup>6</sup>

PART NUMBER Part 4

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
Board of Governors  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JAN 2 1947  
388,343

1946 DEC 31 PM 5 34

WA48G52WASH M157 DLS 31-429

VAN FOSSEN

DID NOT RECEIVE YOUR USUAL REQUEST FOR OUR EARNINGS ON  
TREASURY BILLS OUTSIDE SYSTEM ACCOUNT FOR YOUR INFORMATION  
OUR EARNINGS ON TREASURY BILLS THRU DEC 31 WAS \$94,350

GILBERT.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
 Authority E.O. 10501

EO 31816

**TELEGRAM**  
**BOARD OF GOVERNORS**  
 OF THE  
**FEDERAL RESERVE SYSTEM**  
 LEASED WIRE SERVICE  
 WASHINGTON

December 2, 1946

Rouse - New York

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | +80,240                            | -89,118               | -8,878       |
| New York      | +16,842                            | -50,489               | -33,647      |
| Philadelphia  | -36,616                            | +61,019               | +24,403      |
| Cleveland     | -6,792                             | -11,628               | -18,420      |
| Richmond      | -5,887                             | -73,212               | -79,099      |
| Atlanta       | -20,806                            | -23,835               | -44,641      |
| Chicago       | -22,571                            | +129,648              | +107,077     |
| St. Louis     | -11,839                            | +10,361               | -1,478       |
| Minneapolis   | +2,003                             | +2,604                | +4,607       |
| Kansas City   | -4,789                             | +1,213                | -3,576       |
| Dallas        | +17,537                            | -8,854                | +8,683       |
| San Francisco | -7,322                             | +52,291               | +44,969      |

  
 Smead

FILE COPY



DECLASSIFIED  
Authority E.O. 10501

*Mr. Smead*  
REC'D IN RECORDS SECTION  
APR 24 1968  
*335313*

FEDERAL RESERVE BANK  
OF NEW YORK

December 3, 1946.

Dear Mr. Smead:

We received your letter of December 2, 1946 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made in participations in System Open Market Account on December 2, 1946 as of December 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copy of telegram which was sent to each of the Federal Reserve Banks on December 2, 1946.

Very truly yours,

*S. A. Miller*  
S. A. Miller,  
Assistant Vice President.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

(Enclosures 5)



*Director*

DECLASSIFIED  
Authority E.O. 10501

MISC. 140A 100M-2-43

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

December 3, 1946.

Dear Mr. Whittemore:

In accordance with our telegram of December 2, 1946, I enclose herewith computation of the readjustments made on December 2, 1946 as of December 1, 1946 in the participations of the Federal Reserve Banks in the System Open Market portfolio.

*Handwritten signature of S. A. Miller*

Very truly yours,

S. A. Miller,  
Assistant Vice President.

Mr. L. F. Whittemore, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

(enc.)

RECEIVED

DECLASSIFIED  
 Authority E.O. 10501

MISC. 140A 100M-7-45

SECURITIES DEPARTMENT  
 RHB:FD

FEDERAL RESERVE BANK OF NEW YORK

COPIED IN RECORDS SECTION  
 APR 24 1968

DECEMBER 2, 1946.

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today as of December 1 under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Federal Reserve Banks will be mailed to all Reserve Banks on December 3. These computations indicate an **INCREASE** of \$ \_\_\_\_\_ in your participation in interest-bearing obligations, an **INCREASE** of \$ \_\_\_\_\_ in your participation in Treasury bills, making a net **INCREASE** of \$ \_\_\_\_\_ in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|                        | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>           |
|------------------------|--|---------------------------|------------------------|
| WHITTEMORE, BOSTON     | INCREASE \$ 30,240,000                 | DECREASE \$ 39,113,000    | DECREASE \$ 8,873,000  |
| WILLIAMS, PHILADELPHIA | DECREASE \$ 36,616,000                 | INCREASE \$ 61,019,000    | INCREASE \$ 24,403,000 |
| GIDNEY, CLEVELAND      | DECREASE 6,792,000                     | DECREASE 11,628,000       | DECREASE 18,420,000    |
| LEACH, RICHMOND        | DECREASE 5,837,000                     | DECREASE 73,212,000       | DECREASE 79,099,000    |
| McLARIE, ATLANTA       | DECREASE 20,806,000                    | DECREASE 23,835,000       | DECREASE 44,641,000    |
| YOUNG, CHICAGO         | DECREASE 22,571,000                    | INCREASE 129,648,000      | INCREASE 107,077,000   |
| DAVIS, ST. LOUIS       | DECREASE 11,839,000                    | INCREASE 10,361,000       | DECREASE 1,478,000     |
| PETTON, MINNEAPOLIS    | INCREASE 2,003,000                     | INCREASE 2,604,000        | INCREASE 4,607,000     |
| LE DY, KANSAS CITY     | DECREASE 4,789,000                     | INCREASE 1,215,000        | DECREASE 3,576,000     |
| GILBERT, DALLAS        | INCREASE 17,537,000                    | DECREASE 8,854,000        | INCREASE 8,683,000     |
| BARHART, SAN FRANCISCO | DECREASE 7,322,000                     | INCREASE 52,291,000       | INCREASE 44,969,000    |

ROUSE

REC'D IN RECORDS SECTION

APR 4 1968

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisc |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|-----------------|
| <b>I. Allocation of Interest-Bearing Securities</b>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                 |
| D. Estimated current expenses, 1946   | 56,117    | 3,777   | 13,582    | 4,203             | 4,909          | 3,583         | 2,953   | 7,582     | 3,196        | 1,689            | 2,974          | 2,146   | 5,223           |
| E. Estimated dividends, 1946  | 10,960    | 649     | 3,864     | 815               | 1,094          | 458           | 411     | 1,312     | 353          | 238              | 361            | 394     | 1,011           |
| F. Estimated expenses and dividends   | 67,077    | 4,426   | 17,446    | 5,018             | 6,003          | 4,041         | 3,364   | 8,894     | 3,549        | 1,927            | 3,335          | 2,840   | 6,234           |
| G. Current earnings:*   |           |         |           |                   |                |               |         |           |              |                  |                |         |                 |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 3,090     | 136     | 950       | 177               | 324            | 139           | 103     | 534       | 185          | 87               | 204            | 42      | 143             |
| 2. On interest-bearing securities<br>in System Account to Nov. 30   | 86,202    | 5,834   | 21,746    | 6,566             | 7,950          | 5,342         | 4,451   | 11,235    | 4,403        | 2,451            | 4,143          | 3,712   | 8,369           |
| 3. Total*   | 89,292    | 5,970   | 22,702    | 6,743             | 8,274          | 5,481         | 4,554   | 11,769    | 4,588        | 2,538            | 4,407          | 3,754   | 8,512           |
| H. Excess of "D3" over "C"  | 22,215    | 1,544   | 5,256     | 1,725             | 2,271          | 1,440         | 1,190   | 2,875     | 1,039        | 611              | 1,072          | 914     | 2,278           |
| I. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since November 30, 1941  | 100.0     | 7.0615  | 24.0479   | 7.6233            | 9.7779         | 6.3558        | 5.2883  | 12.8804   | 4.8841       | 2.8249           | 4.8608         | 4.3348  | 10.0603         |
| J. Estimated earnings for year above<br>expense and dividend requirements<br>(\$22,215,000 plus estimated earn-<br>ings December on interest-bearing<br>securities in System Account at<br>1.013073% earnings rate, \$7,675,000)<br>allocated on basis of "F" | 29,890    | 2,111   | 7,188     | 2,278             | 2,922          | 1,900         | 1,581   | 3,850     | 1,460        | 844              | 1,453          | 1,296   | 3,007           |
| K. "G" minus "E"  | 7,675     | 567     | 1,932     | 553               | 651            | 460           | 391     | 975       | 421          | 233              | 381            | 382     | 729             |
| L. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 8,919,502 | 658,939 | 2,245,274 | 642,669           | 756,560        | 534,589       | 454,401 | 1,133,096 | 489,265      | 270,781          | 442,779        | 443,941 | 847,208         |
| M. Present allocations  | 8,919,502 | 578,699 | 2,228,432 | 679,285           | 763,352        | 540,476       | 475,207 | 1,155,607 | 501,104      | 268,778          | 447,568        | 426,404 | 854,530         |
| N. Change in allocations  | --        | +80,240 | +16,842   | -30,616           | -6,792         | -5,887        | -20,806 | -22,571   | -11,839      | +2,003           | -4,789         | +17,537 | -7,322          |

\* Exclusive of earnings on Treasury bills.

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas    | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|-----------|------------------|
| <u>II. Allocation of Treasury Bills</u>   |            |           |           |                   |                |               |           |           |              |                  |                |           |                  |
| L. Distribution of estimated earnings on bills for year on basis of "P"                     | 53,409     | 3,771     | 10,844    | 4,072             | 5,222          | 3,395         | 2,824     | 6,879     | 2,609        | 1,509            | 2,596          | 2,315     | 5,373            |
| M. Earnings to November 30 on bills in System Account                                       | 30,664     | 2,591     | 617       | 2,523             | 4,170          | 2,861         | 2,462     | 4,086     | 1,785        | 1,155            | 2,027          | 1,664     | 4,723            |
| N. Earnings to December 31 on bills in option accounts (est.)                               | 19,582     | 281       | 12,155    | 681               | 314            | 212           | 84        | 3,880     | 347          | 134              | 238            | 98        | 1,158            |
| O. Pro rata share of earnings from bills in System Account December ("L" minus "M" and "N") | 3,163      | 899       | 72        | 868               | 738            | 322           | 278       | -1,087    | 477          | 220              | 331            | 553       | -508             |
| P. Adjustment due to excesses of "M" plus "N" over "L"                                      | --         | -301      | -24       | -291              | -248           | -108          | -93       | +1,087    | -160         | -74              | -111           | -185      | +508             |
| Q. Adjusted pro rata share of earnings from bills in System Account, December               | 3,163      | 598       | 48        | 577               | 490            | 214           | 185       | --        | 317          | 146              | 220            | 368       | --               |
| R. Allocation of System Account bills in proportion to "Q"                                  | 9,796,586  | 1,852,153 | 148,668   | 1,787,110         | 1,517,650      | 662,810       | 572,990   | --        | 981,827      | 452,198          | 681,394        | 1,139,786 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                 | 3,497,054  | 1,109,618 | --        | 911,939           | 163,024        | --            | --        | --        | 459,443      | 72,343           | 86,371         | 694,316   | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                 | 3,497,054  | --        | 71,768    | --                | --             | 80,827        | 100,912   | 1,608,257 | --           | --               | --             | --        | 1,575,290        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")            | 9,796,586  | 742,535   | 220,436   | 875,171           | 1,354,626      | 743,637       | 673,902   | 1,668,257 | 522,384      | 379,855          | 595,023        | 445,470   | 1,575,290        |
| V. Present allocations  | 9,796,586  | 831,653   | 270,925   | 814,152           | 1,366,254      | 816,849       | 697,737   | 1,538,609 | 512,023      | 377,251          | 592,810        | 454,324   | 1,522,999        |
| W. Change in allocations  | --         | -89,118   | -50,489   | +61,019           | -11,628        | -73,212       | -23,835   | +129,648  | +10,361      | +2,604           | +1,213         | -8,854    | +52,291          |
| <u>III. Total allocation of System Account Securities</u>                                   |            |           |           |                   |                |               |           |           |              |                  |                |           |                  |
| X. Participation in System Account ("I" plus "U")   | 18,716,088 | 1,401,474 | 2,465,710 | 1,517,840         | 2,111,186      | 1,278,226     | 1,128,303 | 2,801,353 | 1,011,649    | 650,636          | 1,037,802      | 889,411   | 2,422,498        |
| Y. Change in participation  | --         | -8,878    | -33,647   | +24,403           | -18,420        | -79,099       | -44,641   | +107,077  | -1,478       | +4,607           | -3,576         | +8,683    | +44,969          |

\* Based on note and deposit liability and reserve figures November 30, 1946.



DECLASSIFIED  
Authority E.O. 10501

DEC 3 1946

December 2, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of December 1, 1946, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

FILE COPY

FOR FILE  
J. R. Smith

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 56,117    | 3,777   | 13,582    | 4,203             | 4,909          | 3,583         | 2,953   | 7,582     | 3,196        | 1,689            | 2,974          | 2,446   | 5,223            |
| B. Estimated dividends, 1946  | 10,960    | 649     | 3,864     | 815               | 1,094          | 458           | 411     | 1,312     | 353          | 238              | 361            | 394     | 1,011            |
| C. Estimated expenses and dividends   | 67,077    | 4,426   | 17,446    | 5,018             | 6,003          | 4,041         | 3,364   | 8,894     | 3,549        | 1,927            | 3,335          | 2,840   | 6,234            |
| D. Current earnings:*   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 3,090     | 136     | 956       | 177               | 324            | 139           | 103     | 534       | 185          | 87               | 264            | 42      | 143              |
| 2. On interest-bearing securities<br>in System Account to Nov. 30   | 86,202    | 5,834   | 21,746    | 6,566             | 7,950          | 5,342         | 4,451   | 11,235    | 4,403        | 2,451            | 4,143          | 3,712   | 8,369            |
| 3. Total*   | 89,292    | 5,970   | 22,702    | 6,743             | 8,274          | 5,481         | 4,554   | 11,769    | 4,588        | 2,538            | 4,407          | 3,754   | 8,512            |
| E. Excess of "D3" over "C"  | 22,215    | 1,544   | 5,256     | 1,725             | 2,271          | 1,440         | 1,190   | 2,875     | 1,039        | 611              | 1,072          | 914     | 2,278            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since November 30, 1941  | 100.0     | 7.0615  | 24.0479   | 7.6233            | 9.7779         | 6.3558        | 5.2883  | 12.8804   | 4.8841       | 2.8249           | 4.8608         | 4.3348  | 10.0603          |
| G. Estimated earnings for year above<br>expense and dividend requirements<br>(\$22,215,000 plus estimated earn-<br>ings December on interest-bearing<br>securities in System Account at<br>1.013073% earnings rate, \$7,675,000)<br>allocated on basis of "F" | 29,890    | 2,111   | 7,188     | 2,278             | 2,922          | 1,900         | 1,581   | 3,850     | 1,460        | 844              | 1,453          | 1,296   | 3,007            |
| H. "G" minus "E"  | 7,675     | 567     | 1,932     | 553               | 651            | 460           | 391     | 975       | 421          | 233              | 381            | 382     | 729              |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 8,919,502 | 658,939 | 2,245,274 | 642,669           | 756,560        | 534,589       | 454,401 | 1,133,096 | 489,265      | 270,781          | 442,779        | 443,941 | 847,208          |
| J. Present allocations  | 8,919,502 | 578,699 | 2,228,432 | 679,285           | 763,352        | 540,476       | 475,207 | 1,155,667 | 501,104      | 268,778          | 447,568        | 426,404 | 854,530          |
| K. Change in allocations  | --        | +80,240 | +16,842   | -36,616           | -6,792         | -5,887        | -20,806 | -22,571   | -11,839      | +2,003           | -4,789         | +17,537 | -7,322           |

\* Exclusive of earnings on Treasury bills.

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas    | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|-----------|------------------|
| <b>II. Allocation of Treasury Bills</b>   |            |           |           |                   |                |               |           |           |              |                  |                |           |                  |
| I. Distribution of estimated earnings on bills for year on basis of "F"                     | 53,409     | 3,771     | 12,844    | 4,072             | 5,222          | 3,395         | 2,824     | 6,879     | 2,609        | 1,509            | 2,596          | 2,315     | 5,373            |
| M. Earnings to November 30 on bills in System Account                                       | 30,664     | 2,591     | 617       | 2,523             | 4,170          | 2,861         | 2,462     | 4,086     | 1,785        | 1,155            | 2,027          | 1,664     | 4,723            |
| N. Earnings to December 31 on bills in option accounts (est.)                               | 19,582     | 281       | 12,155    | 681               | 314            | 212           | 84        | 3,880     | 347          | 134              | 238            | 98        | 1,158            |
| O. Pro rata share of earnings from bills in System Account December ("L" minus "M" and "N") | 3,163      | 899       | 72        | 868               | 738            | 322           | 278       | -1,087    | 477          | 220              | 331            | 553       | -508             |
| P. Adjustment due to excesses of "M" plus "N" over "L"                                      | --         | -301      | -24       | -291              | -248           | -108          | -93       | +1,087    | -160         | -74              | -111           | -185      | +508             |
| Q. Adjusted pro rata share of earnings from bills in System Account, December               | 3,163      | 598       | 48        | 577               | 490            | 214           | 185       | --        | 317          | 146              | 220            | 368       | --               |
| R. Allocation of System Account bills in proportion to "Q"                                  | 9,796,586  | 1,852,153 | 148,668   | 1,787,110         | 1,517,650      | 662,810       | 572,990   | --        | 981,827      | 452,198          | 681,394        | 1,139,786 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                 | 3,497,054  | 1,109,618 | --        | 911,939           | 163,024        | --            | --        | --        | 459,443      | 72,343           | 86,371         | 694,316   | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                 | 3,497,054  | --        | 71,768    | --                | --             | 80,827        | 100,912   | 1,668,257 | --           | --               | --             | --        | 1,575,290        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")            | 9,796,586  | 742,535   | 220,436   | 875,171           | 1,354,626      | 743,637       | 673,902   | 1,668,257 | 522,384      | 379,855          | 595,023        | 445,470   | 1,575,290        |
| V. Present allocations  | 9,796,586  | 831,653   | 270,925   | 814,152           | 1,366,254      | 816,849       | 697,737   | 1,538,609 | 512,023      | 377,251          | 592,810        | 454,324   | 1,522,999        |
| W. Change in allocations  | --         | -89,118   | -50,489   | +61,019           | -11,628        | -73,212       | -23,835   | +129,648  | +10,361      | +2,604           | +1,213         | -8,854    | +52,291          |
| <b>III. Total allocation of System Account Securities</b>                                   |            |           |           |                   |                |               |           |           |              |                  |                |           |                  |
| X. Participation in System Account ("I" plus "U")   | 18,716,088 | 1,401,474 | 2,465,710 | 1,517,840         | 2,111,186      | 1,278,226     | 1,283,003 | 2,801,353 | 1,011,649    | 650,636          | 1,037,802      | 889,411   | 2,422,498        |
| Y. Change in participation  | --         | -8,878    | -33,647   | +24,403           | -18,420        | -79,099       | -44,641   | +107,077  | -1,478       | +4,607           | -3,576         | +8,683    | +44,969          |

\* Based on note and deposit liability and reserve figures November 30, 1946.

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

C'D IN FILES SECTION  
DEC 1 0 1946

1946 DEC 2 AM 9 45

WA17WASH C3 PHILA DEC 2-942A

VANFOSSEN

EARNINGS TO NOVEMBER 30 ON TREASURY BILLS HELD OUTSIDE SYSTEM

ACCOUNT ARE \$639,384.99

R R WILLIAMS.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 DEC 2 AM 9 31

ROUTED IN FILES SECTION  
DEC 1 0 1946

WA14G04WASH D2 CLEVE 2-923

VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT  
FOR PERIOD FROM JANUARY 1 TO NOVEMBER 30 1946 INCLUSIVE ARE  
\$292,679.29

SMITH.

FOR FILES  
M. A. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
Federal Reserve System  
Leased Wire Service  
Received at Washington

1946 DEC 2 AM 10 50

REC'D IN FILES SECTION  
DEC 10 1946  
23222

WA43WASH RH 25

RICH 2-1045

VAN FOSSEN

RETEL EARNINGS TO NOVEMBER 30 ON TREASURY BILLS HELD BY US

OUTSIDE OF SYSTEM ACCOUNT \$198,404.25

NOWLAN.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
DEC 10 1946  
333 248

1946 DEC 2 AM 9 23

WA09TASH F1 ATLANTA 2 837A

VANFOSSEN

REURTEL NOVEMBER 29. EARNINGS THROUGH NOVEMBER 30 ON TREASURY

BILLS OUTSIDE SYSTEM ACCOUNT \$74,122.41

MCCRABEY.

REC'D IN FILES SECTION  
DEC 10 1946

DECLASSIFIED  
Authority E.O. 10501

TELETYPE  
Federal Reserve System  
Lended Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
DEC 1 0 1946

1946 DEC 2 AM 10 13

WA24GC09WASH 15 MPLS 1-903 2ND

BOARD - VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD OUTSIDE OF SYSTEM ACCOUNT TO  
NOVEMBER 30 TOTALS \$123,913

PETERSON.

FOR FILES  
J. H. ...



DECLASSIFIED  
Authority E.O. 10501

REC'D IN FILES SECTION  
DEC 1 0 1946, HP  
22 2 22 E  
1946 NOV 30 PM 1 08

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

WA72WASH B184 BOS 30-1238

SMEAD BOARD

RETEL NOVEMBER 29, 1946 ESTIMATED EARNINGS THROUGH  
NOVEMBER 30, 1946 ON U S TREASURY BILLS HELD BY THIS BANK  
UNDER REPURCHASE OPTION \$261,048.26

PITMAN.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

FEDERAL RESERVE  
Board of Governors  
of the  
Federal Reserve System  
Lombard Street Building  
Received at Washington, D.C.

REC'D IN FILES SECTION  
DEC 10 1946, HP  
333,343

1946 NOV 30 PM 1 25

WA74WASH B191 NY 30-120P

VAN FOSSEN

BOARD

EARNINGS ON TREASURY BILLS HELD FEDERAL RESERVE BANK OF NEW YORK  
OPTION ACCOUNT TO NOVEMBER 30, \$11,027,000.

ROUSE.

FOR FILES  
M. A. [unclear]

DECLASSIFIED  
Authority E.O. 10501

1946 NOV 30 PM 1 25

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
DEC 1 0 1946  
337,343

WA75G28WASH GX105 CGO 30-1210

VAN FOSSEN

BOARD

EARNINGS THRU NOV 30 ON TREASURY BILLS HELD OUTSIDE SYSTEM

ACCOUNT 3,594,765.30

BLACK.

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
DEC 1 0 1946  
233 24 2

1946 NOV 30 PM 1 55

WA85G50WASH H69 STL 30-1236

VANFOSSEN

REURTEL 29 ~~EARNINGS~~ EARNINGS 1946 THRU NOVEMBER 30 ON TREASURY HELD  
BY US OUTSIDE SYSTEM ACCOUNT APPROXIMATELY \$310,844.04

BUB .

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, U. C.

1946 NOV 30 PM 1 18

REC'D IN FILES SECTION  
DEC 1 0 1946

WA73G08BDWASH J83 KC 30-1201

VAN FOSSEN

*11/24/46*  
REURTEL ESTIMATED EARNINGS TREASURY BILLS OPTION ACCOUNT TO  
NOVEMBER 30, 1946, \$209,000.

KOPPANG.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

REC'D IN FILES SECTION  
DEC 1 0 1946

1946 NOV 30 PM 2 50

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

WA03G81WASH M100 DLS 30-139

VANFOSSEN

THIS REFERS TO YOUR WIRE OF NOV 29 EARNINGS  
TO NOVEMBER 30 ON TREASURY BILLS HELD BY THIS BANK OUTSIDE  
SYSTEM ACCOUNT \$87,557.00

GILBERT.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

E L E G R A M  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

CO'D IN FILES SECTION  
DEC 1 0 1946

1946 NOV 30 PM 3 59

WA28G31WASH L63 SF ~~3-1250~~ 30-1250

BOARD

REURTEL NOV. 29. EARNINGS ON TREASURY BILLS TO NOVEMBER 30

\$1,074,493.51

SLADE.

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
WASHINGTON

REC'D IN FILES SECTION  
NOV 29 1946

November 29, 1946

Whittemore - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Earhart - San Francisco

Please wire to reach Board not later than 11 AM EST  
December 2 earnings to November 30 on Treasury bills  
held by your Bank outside System Account.

Van Fossen



FILE COPY



DECLASSIFIED  
Authority E.O. 10501

*Mr. Van Fossan*

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
*Mr. Smith*  
APR 24 1968  
333,343

November 4, 1946.

Dear Mr. Smead:

We received your letter of November 1, 1946 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on November 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copy of telegram which was sent to each of the Federal Reserve Banks on November 1, 1946.

Very truly yours,

*L. R. Rounds*  
L. R. Rounds,  
First Vice President.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

(Enclosures (5))



*Directive #1*

DECLASSIFIED  
Authority E.O. 10501

MISC. 140A 100M-7-45

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

November 4, 1946.

Dear Mr. Whittemore:

In accordance with our telegram of November 1, 1946, I enclose herewith computation of the readjustments made on November 1, 1946, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Very truly yours,

L. R. Rounds,  
First Vice President.

Mr. L. F. Whittemore, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

FD

Enclosure

DECLASSIFIED  
Authority E.O. 10501

MISC. 140A 100M-2-43

SECURITIES DEP'T.  
RHB:AMB

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

NOVEMBER 1, 1946

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Federal Reserve Banks will be mailed to all Reserve Banks on November 4. These computations indicate an INCREASE  
DECREASE of

\$ in your participation in interest-bearing obligations, an INCREASE  
DECREASE of

\$ in your participation in Treasury bills, making a net INCREASE  
DECREASE of

\$ in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|             |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>          |
|-------------|---------------|--|---------------------------|-----------------------|
| WHITTENORE, | BOSTON        | DECREASE \$17,050,000                  | INCREASE \$20,184,000     | INCREASE \$ 3,134,000 |
| WILLIAMS,   | PHILADELPHIA  | DECREASE 23,019,000                    | INCREASE 6,397,000        | DECREASE 16,622,000   |
| GIDNEY,     | CLEVELAND     | DECREASE 6,614,000                     | INCREASE 2,564,000        | DECREASE 4,050,000    |
| LEACH,      | RICHMOND      | DECREASE 11,993,000                    | DECREASE 55,216,000       | DECREASE 67,209,000   |
| McLAREN,    | ATLANTA       | INCREASE 1,797,000                     | DECREASE 51,373,000       | DECREASE 49,576,000   |
| YOUNG,      | CHICAGO       | DECREASE 13,422,000                    | INCREASE 338,543,000      | INCREASE 325,121,000  |
| DAVIS,      | ST. LOUIS     | INCREASE 22,013,000                    | DECREASE 21,122,000       | INCREASE 891,000      |
| PHYTON,     | MINNEAPOLIS   | INCREASE 2,597,000                     | INCREASE 10,648,000       | INCREASE 13,245,000   |
| LEEDY,      | KANSAS CITY   | INCREASE 24,613,000                    | DECREASE 18,848,000       | INCREASE 5,765,000    |
| GILBERT,    | DALLAS        | INCREASE 25,122,000                    | DECREASE 24,796,000       | INCREASE 326,000      |
| BARKHART,   | SAN FRANCISCO | INCREASE 17,613,000                    | INCREASE 64,965,000       | INCREASE 82,578,000   |

HOUSE

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| I. Allocation of Interest-Bearing Securities  |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 55,446    | 3,655   | 13,435    | 4,181             | 4,842          | 3,539         | 2,935   | 7,524     | 3,163        | 1,660            | 2,947          | 2,406   | 5,159            |
| B. Estimated dividends, 1946  | 10,958    | 649     | 3,864     | 815               | 1,094          | 458           | 411     | 1,311     | 353          | 238              | 361            | 394     | 1,010            |
| C. Estimated expenses and dividends   | 66,404    | 4,304   | 17,299    | 4,996             | 5,936          | 3,997         | 3,346   | 8,835     | 3,516        | 1,898            | 3,308          | 2,800   | 6,169            |
| D. Current earnings:*   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 3,054     | 133     | 973       | 172               | 323            | 133           | 98      | 539       | 167          | 78               | 261            | 39      | 138              |
| 2. On interest-bearing secu-<br>rities in System Account<br>to October 31   | 78,865    | 5,359   | 19,912    | 6,008             | 7,324          | 4,897         | 4,060   | 10,284    | 3,990        | 2,229            | 3,775          | 3,361   | 7,666            |
| 3. Total*   | 81,919    | 5,492   | 20,885    | 6,180             | 7,647          | 5,030         | 4,158   | 10,823    | 4,157        | 2,307            | 4,036          | 3,400   | 7,804            |
| E. Excess of "D3" over "C"  | 15,515    | 1,188   | 3,586     | 1,184             | 1,711          | 1,033         | 812     | 1,988     | 641          | 409              | 728            | 600     | 1,635            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since October 31, 1941   | 100.0     | 7.0798  | 24.0361   | 7.6251            | 9.8088         | 6.3621        | 5.2812  | 12.8832   | 4.8672       | 2.8211           | 4.8535         | 4.3187  | 10.0632          |
| G. Estimated earnings for year above<br>expense and dividend requirements<br>(\$15,515,000 plus estimated earnings<br>November-December on interest-bearing<br>securities in System Account at<br>1.017087% earnings rate, \$15,166,000)<br>allocated on basis of "F" | 30,681    | 2,172   | 7,375     | 2,339             | 3,009          | 1,952         | 1,620   | 3,953     | 1,493        | 866              | 1,489          | 1,325   | 3,088            |
| H. "G" minus "E"  | 15,166    | 984     | 3,789     | 1,155             | 1,298          | 919           | 808     | 1,965     | 852          | 457              | 761            | 725     | 1,453            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 8,922,391 | 578,902 | 2,229,127 | 679,504           | 763,633        | 540,662       | 475,359 | 1,156,040 | 501,245      | 268,860          | 447,708        | 426,529 | 854,822          |
| J. Present allocations  | 8,922,391 | 595,952 | 2,250,784 | 702,523           | 770,247        | 552,655       | 473,562 | 1,169,462 | 479,232      | 266,263          | 423,095        | 401,407 | 837,209          |
| K. Change in allocations  | --        | -17,050 | -21,657   | -23,019           | -6,614         | -11,993       | +1,797  | -13,422   | +22,013      | +2,597           | +24,613        | +25,122 | +17,613          |

\*Exclusive of earnings on Treasury bills.

REC'D IN RECORDS SECTION APR 24 1968

Reproduced from the Unclassified/Declassified Holdings of the National Archives

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                              | 53,176     | 3,765     | 12,781    | 4,055             | 5,216          | 3,383         | 2,808     | 6,851     | 2,588        | 1,500            | 2,581          | 2,297   | 5,351            |
| M. Earnings to October 31 on bills in System Account   | 27,617     | 2,334     | 551       | 2,268             | 3,749          | 2,606         | 2,245     | 3,598     | 1,620        | 1,036            | 1,843          | 1,522   | 4,245            |
| N. Earnings to December 31 on bills in option accounts (est.)  | 19,383     | 277       | 12,137    | 685               | 311            | 218           | 85        | 3,770     | 323          | 129              | 235            | 95      | 1,118            |
| O. Pro rata share of earnings from bills in System Account November-December ("L" minus "M" and "N") | 6,176      | 1,154     | 93        | 1,102             | 1,156          | 559           | 478       | -517      | 645          | 335              | 503            | 680     | -12              |
| P. Adjustments due to excesses of "M" plus "N" over "L"  | --         | -91       | -7        | -87               | -91            | -44           | -38       | +517      | -51          | -26              | -40            | -54     | +12              |
| Q. Adjusted pro rata share of earnings from bills in System Account November-December                | 6,176      | 1,063     | 86        | 1,015             | 1,065          | 515           | 440       | --        | 594          | 309              | 463            | 626     | --               |
| R. Allocation of System Account bills in proportion to "Q"   | 9,720,140  | 1,673,010 | 135,352   | 1,597,465         | 1,676,157      | 810,536       | 692,497   | --        | 931,871      | 486,322          | 728,696        | 985,234 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*  | 3,117,584  | 845,573   |           | 785,489           | 205,011        |               |           |           | 393,080      | 109,616          | 151,833        | 536,082 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios  | 3,117,584  |           |           |                   |                |               |           | 1,605,425 |              |                  |                |         | 1,512,159        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                     | 9,720,140  | 827,437   | 135,352   | 811,976           | 1,380,246      | 810,536       | 692,497   | 1,605,425 | 541,791      | 376,706          | 576,863        | 449,152 | 1,512,159        |
| V. Present allocations   | 9,720,140  | 807,253   | 407,298   | 805,579           | 1,377,682      | 865,752       | 743,870   | 1,266,882 | 562,913      | 366,058          | 595,711        | 473,948 | 1,447,194        |
| W. Change in allocations   | --         | +20,184   | -271,946  | +6,397            | +2,564         | -55,216       | -51,373   | +338,543  | -21,122      | +10,648          | -18,848        | -24,796 | +64,965          |
| <u>III. Total allocation of System Account Securities</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 18,642,531 | 1,406,339 | 2,364,479 | 1,491,480         | 2,143,879      | 1,351,198     | 1,167,856 | 2,761,465 | 1,043,036    | 645,566          | 1,024,571      | 875,681 | 2,366,981        |
| Y. Change in participation   | --         | +3,134    | -293,603  | -16,622           | -4,050         | -67,209       | -49,576   | +325,121  | +891         | +13,245          | +5,765         | +326    | +82,578          |

\* Based on note and deposit liability and reserve figures October 31, 1946.

Authority E.O. 10501

REC. IN FILES SECTION  
NOV 4 1946  
343

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

November 1, 1946

**House - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | -17,050                            | +20,184               | +3,134       |
| New York      | -21,657                            | -271,946              | -293,603     |
| Philadelphia  | -23,019                            | +6,397                | -16,622      |
| Cleveland     | -6,614                             | +2,564                | -4,050       |
| Richmond      | -11,993                            | -55,216               | -67,209      |
| Atlanta       | +1,797                             | -51,373               | -49,576      |
| Chicago       | -13,422                            | +338,543              | +325,121     |
| St. Louis     | +22,013                            | -21,122               | +891         |
| Minneapolis   | +2,597                             | +10,648               | +13,245      |
| Kansas City   | +24,613                            | -18,848               | +5,765       |
| Dallas        | +25,122                            | -24,796               | + 326        |
| San Francisco | +17,613                            | +64,965               | +82,578      |

Smead

*GR*

FILE COPY

FOR FILES  
M. E. Daniels

DECLASSIFIED  
Authority E.O. 10501

NOV 2 1946 AP  
333.343

November 1, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of November 1, 1946, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

FILE COPY

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| I. Allocation of Interest-Bearing Securities  |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 55,446    | 3,655   | 13,435    | 4,181             | 4,842          | 3,539         | 2,935   | 7,524     | 3,163        | 1,660            | 2,947          | 2,406   | 5,159            |
| B. Estimated dividends, 1946  | 10,958    | 649     | 3,864     | 815               | 1,094          | 458           | 411     | 1,311     | 353          | 238              | 361            | 394     | 1,010            |
| C. Estimated expenses and dividends   | 66,404    | 4,304   | 17,299    | 4,996             | 5,936          | 3,997         | 3,346   | 8,835     | 3,516        | 1,898            | 3,308          | 2,800   | 6,169            |
| D. Current earnings:*   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 3,054     | 133     | 973       | 172               | 323            | 133           | 98      | 539       | 167          | 78               | 261            | 39      | 138              |
| 2. On interest-bearing secu-<br>rities in System Account<br>to October 31   | 78,865    | 5,359   | 19,912    | 6,008             | 7,324          | 4,897         | 4,060   | 10,284    | 3,990        | 2,229            | 3,775          | 3,361   | 7,666            |
| 3. Total*   | 81,919    | 5,492   | 20,885    | 6,180             | 7,647          | 5,030         | 4,158   | 10,823    | 4,157        | 2,307            | 4,036          | 3,400   | 7,804            |
| E. Excess of "D3" over "C"  | 15,515    | 1,188   | 3,586     | 1,184             | 1,711          | 1,033         | 812     | 1,988     | 641          | 409              | 728            | 600     | 1,635            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since October 31, 1941   | 100.0     | 7.0798  | 24.0361   | 7.6251            | 9.8088         | 6.3621        | 5.2812  | 12.8832   | 4.8672       | 2.8211           | 4.8535         | 4.3187  | 10.0632          |
| G. Estimated earnings for year above<br>expense and dividend requirements<br>(\$15,515,000 plus estimated earnings<br>November-December on interest-bearing<br>securities in System Account at<br>1.017087% earnings rate, \$15,166,000)<br>allocated on basis of "F" | 30,681    | 2,172   | 7,375     | 2,339             | 3,009          | 1,952         | 1,620   | 3,953     | 1,493        | 866              | 1,489          | 1,325   | 3,088            |
| H. "G" minus "E"  | 15,166    | 984     | 3,789     | 1,155             | 1,298          | 919           | 808     | 1,965     | 852          | 457              | 761            | 725     | 1,453            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 8,922,391 | 578,902 | 2,229,127 | 679,504           | 763,633        | 540,662       | 475,359 | 1,156,040 | 501,245      | 268,860          | 447,708        | 426,529 | 854,822          |
| J. Present allocations  | 8,922,391 | 595,952 | 2,250,784 | 702,523           | 770,247        | 552,655       | 473,562 | 1,169,462 | 479,232      | 266,263          | 423,095        | 401,407 | 837,209          |
| K. Change in allocations  | —         | -17,050 | -21,657   | -23,019           | -6,614         | -11,993       | +1,797  | -13,422   | +22,013      | +2,597           | +24,613        | +25,122 | +17,613          |

\*Exclusive of earnings on Treasury bills.



|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury Bills</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "P"                             | 53,176     | 3,765     | 12,781    | 4,055             | 5,216          | 3,383         | 2,808     | 6,851     | 2,588        | 1,500            | 2,581          | 2,297   | 5,351            |
| M. Earnings to October 31 on bills in System Account  | 27,617     | 2,334     | 551       | 2,268             | 3,749          | 2,606         | 2,245     | 3,598     | 1,620        | 1,036            | 1,843          | 1,522   | 4,245            |
| N. Earnings to December 31 on bills in option accounts (est.)                                       | 19,383     | 277       | 12,137    | 685               | 311            | 218           | 85        | 3,770     | 323          | 129              | 235            | 95      | 1,118            |
| . Pro rata share of earnings from bills in System Account November-December ("L" minus "M" and "N") | 6,176      | 1,154     | 93        | 1,102             | 1,156          | 599           | 478       | -517      | 645          | 335              | 503            | 680     | -12              |
| F. Adjustments due to excesses of "M" plus "N" over "L"   | --         | -91       | -7        | -87               | -91            | -44           | -38       | +517      | -51          | -26              | -40            | -54     | +12              |
| Q. Adjusted pro rata share of earnings from bills in System Account November-December               | 6,176      | 1,063     | 86        | 1,015             | 1,065          | 515           | 440       | --        | 594          | 309              | 463            | 626     | --               |
| R. Allocation of System Account bills in proportion to "Q"  | 9,720,140  | 1,673,010 | 135,352   | 1,597,465         | 1,676,157      | 810,536       | 692,497   | --        | 934,871      | 486,322          | 728,696        | 985,234 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*   | 3,117,584  | 845,573   |           | 785,489           | 295,911        |               |           |           | 393,080      | 109,616          | 151,833        | 536,082 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios   | 3,117,584  |           |           |                   |                |               | 1,605,425 |           |              |                  |                |         | 1,512,159        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                    | 9,720,140  | 827,437   | 135,352   | 811,976           | 1,380,246      | 810,536       | 692,497   | 1,605,425 | 541,791      | 376,706          | 576,863        | 449,152 | 1,512,159        |
| V. Present allocations  | 9,720,140  | 807,253   | 407,298   | 805,579           | 1,377,682      | 865,752       | 743,870   | 1,266,882 | 562,913      | 366,058          | 595,711        | 473,948 | 1,447,194        |
| W. Change in allocations  | --         | +20,184   | -271,946  | +6,397            | +2,564         | -55,216       | -51,373   | +338,543  | -21,122      | +10,648          | -18,848        | -24,796 | +64,965          |
| <b>III. Total allocation of System Account Securities</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")   | 18,642,531 | 1,406,339 | 2,364,479 | 1,491,480         | 2,143,579      | 1,351,198     | 1,167,856 | 2,761,465 | 1,043,036    | 645,566          | 1,024,571      | 875,681 | 2,366,981        |
| Y. Change in participation  | --         | +3,134    | -293,603  | -16,622           | -4,050         | -67,209       | -49,576   | +325,121  | +891         | +13,245          | +5,765         | +326    | +82,578          |

\* Based on note and deposit liability and reserve figures October 31, 1946.

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 NOV 1 AM 9 06

REC'D OF FEEDBACK SECTION  
NOV 6 1946 HP

WA10WASH F1 ATLA 1-834A  
VAN FOSSEN

REURTEL OCTOBER 30. EARNINGS THROUGH OCTOBER 31 ON TREASURY  
BILLS OUTSIDE SYSTEM ACCOUNT \$63,888.26.

MCCRAVEY.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 NOV 1 AM 11 07

WA37WASH RH 25 RICH 1-1105

VAN FOSSEN

RECEIVED IN REPLY SECTION  
NOV 6 1946  
233,343

<sup>10/30</sup>  
RETEL EARNINGS TO OCTOBER 31 ON TREASURY BILLS HELD BY US OUTSIDE  
OF SYSTEM ACCOUNT \$182,150.95

NOWLAN.

FOR FILES  
M. B. [unclear]

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
NOV 6 1946  
303,243

1946 NOV 1 AM 9 49

WA17G56WASH D 5 CLEV 1-924

VANFOSSEN

EARNINGS ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM

ACCOUNT FROM JANUARY 1 TO OCTOBER 31, 1946, INCLUSIVE

\$271,059

SMITH.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

**T E L E G R A M**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1945 NOV 1 AM 9 07

RECORDS SECTION  
NOV 01 1945  
322-342

WA11G02WASH L96 SF 31-342

BOARD

REURTEL OCTOBER 30

EARNINGS TO OCTOBER 31 ON TREASURY BILLS HELD OUTSIDE  
SYSTEM ACCOUNT \$998,230.68

BARRETT.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 NOV 1 AM 11 13

WB04GC59WASH H40 STL 1-951

VANFOSSEN

RECEIVED BY FIELD OFFICE  
NOV 07 1946 HP  
3331392

RETEL OCTOBER 30 EARNINGS TO OCTOBER 31 ON TREASURY BILLS HELD BY  
US OUTSIDE SYSTEM ACCOUNT 280,699.98

HOLLOCHER.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

**T E L E G R A M**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 PM 5 07

REC'D IN FIELD SECTION  
NOV 6 1946 HP  
233,342

WA34GC09WASH 188 MPLS 31-352

VAN FOSSEN

EARNING ON TREASURY BILLS HELD OUTSIDE SYSTEM ACCOUNT TO OCTOBER

~~XXXXXXXX~~ 31 \$115,296.15

PETERSON.

FOR INFO  
M. E. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 PM 4 22

RECORDED IN FILES SECTION  
NOV 6 1946  
333.342

WA12G89BDWASH J128 KC 31 317

VANFOSSEN - BOARD

REURTEL - <sup>10/20/46</sup> ESTIMATED EARNINGS TO OCTOBER 31 ~~TREASURY~~ TREASURY BILLS

OPCTIONX ACCT ~~\$21,000~~ \$182,800

KOPPANG

FOR FILES  
M. B. Daniels



DECLASSIFIED  
Authority 1.0.10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

46 OCT 31 PM 4 02

RECEIVED IN FIELD OFFICE  
NOV 01 1946  
333 243

WA06GC49WASH M111 DLS 32-252P

VANFOSSEN

THIS REFERS TO YOUR WIRE OF OCT. 30, EARNINGS TO  
OCT. 31 ON TREASURY BILLS HELD BY THIS BANK OUTSIDE SYSTEM  
ACCOUNT \$77,780.00

GILBERT.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 AM 11 23

REC'D IN FILES SECTION  
NOV 4 1946 HP  
333.343

WB12WASH B67 BOS 31-1055A

SMEAD

RETEL OCTOBER 30, 1946 ESTIMATED EARNINGS THROUGH OCTOBER 31, 1946  
ON U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE OPTION  
\$239,233.32

PITMAN.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 PM 5 21

REC'D IN FILES SECTION  
NOV 6 1946 HP  
333,343

WB35WASH B428 NY 31-505

VAN FOSSEN

BOARD

EARNINGS ON TREASURY BILLS HELD FEDERAL RESERVE BANK OF NEW YORK  
OPTION ACCOUNT TO OCTOBER 31, \$9,964,000

ROUSE.

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

C 229A 20M 11 44

TELEGRAM

FEDERAL RESERVE BANK OF PHILADELPHIA

PRIVATE WIRE SYSTEM

OUTGOING VIA

CONFIRMATION

SECTION ON FILES SECTION  
NOV 6 1946  
333.343

October 31, 1946

Van Fossen  
Washington

Earnings to October 31 on Treasury Bills held outside  
System Account are \$590,968.63

R. R. Williams

#41

FOR FILES  
M. B. Daniels

DECLASSIFIED  
Authority E.O. 10501

**E L E G R A M**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 PM 4 15

REC'D IN FILES SECTION  
NOV 6 1946  
333,343

WA09WASH. C85 PHILA OCT 31-405P  
VAN FOSSEN

EARNINGS TO OCTOBER 31 ON TREASURY BILLS HELD OUTSIDE  
SYSTEM ACCOUNT ARE \$590,968.63

R R WILLIAMS.

FOR FILES  
M. B. [unclear]

DECLASSIFIED  
Authority 1.0.10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 31 PM 5 22

REC'D IN FILES SECTION  
NOV 6 1946 HT  
322,543

WA43GC20WASH GX215 CGO 31-413 RUSH

VAN FOSSEN-- BOARD

EARNINGS THROUGH OCTOBER 31 ON TREASURY BILLS HELD BY US OUTSIDE

SYSTEM ACCOUNT            \$3,319,814.48

BLACK.

FOR FILES  
M. B. BENT

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

October 30, 1946

|                         |                         |
|-------------------------|-------------------------|
| Whittemore - Boston     | Young - Chicago         |
| Sproul - New York       | Davis - St. Louis       |
| Williams - Philadelphia | Peyton - Minneapolis    |
| Gidney - Cleveland      | Leedy - Kansas City     |
| Leach - Richmond        | Gilbert - Dallas        |
| McLarin - Atlanta       | Earhart - San Francisco |

Please wire to reach Board not later than 11 AM EST  
November 1 earnings to October 31 on Treasury bills held  
by your Bank outside System Account.

Van Fossen

5

FILE COPY

FOR FILE  
J. A. Smith

DECLASSIFIED  
Authority E.O. 10501

*Mr. Van Fossen*  
REC'D IN RECORDS SECTION  
APR 24 1968  
*J. S. Smead*  
333,343

FEDERAL RESERVE BANK  
OF NEW YORK

October 2, 1946.

Dear Mr. Smead:

We received your letter of October 1, 1946 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on October 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copy of telegram which was sent to each of the Federal Reserve Banks on October 1, 1946.

Yours faithfully,

*Robert G. Rouse*  
Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (5)



*Directive 71*



MISC. 140A 100M-2-43

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

DECLASSIFIED  
Authority E.O. 10501

October 2, 1946.

Dear Mr. Whittmore:

In accordance with our telegram of October 1, 1946, I enclose herewith computation of the readjustments made on October 1, 1946, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

*[Handwritten signature]*  
Yours faithfully,

Robert G. House, Manager,  
System Open Market Account.

Mr. L. F. Whittmore, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Enclosure

DECLASSIFIED  
Authority E.O. 10501

MISC. 140A 100M-7-45

SECURITIES DEPARTMENT  
REB:fd

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

OCTOBER 1, 1946

PLEASE SEND THE FOLLOWING TELEGRAPH TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Federal Reserve Banks will be mailed to all Reserve Banks on October 2. These computations indicate an **INCREASE** of **DECREASE** of

- § in your participation in interest-bearing obligations, an **INCREASE** of **DECREASE**
- § in your participation in Treasury bills, making a net **INCREASE** of **DECREASE**
- § in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|             |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>          |
|-------------|---------------|--|---------------------------|-----------------------|
| WHITTEMORE, | BOSTON        | DECREASE \$23,959,000                  | INCREASE \$ 9,400,000     | DECREASE \$14,557,000 |
| WILLIAMS,   | PHILADELPHIA  | INCREASE 19,021,000                    | DECREASE 18,245,000       | DECREASE 9,224,000    |
| GILKEY,     | CLEVELAND     | DECREASE 24,771,000                    | INCREASE 18,742,000       | DECREASE 6,029,000    |
| LEACH,      | RICHMOND      | INCREASE 9,027,000                     | DECREASE 18,027,000       | DECREASE 19,000,000   |
| McLAREN,    | ATLANTA       | INCREASE 9,782,000                     | DECREASE 16,817,000       | DECREASE 27,035,000   |
| YOUNG,      | CHICAGO       | DECREASE 24,853,000                    | INCREASE 221,716,000      | INCREASE 196,863,000  |
| DAVIS,      | ST. LOUIS     | INCREASE 19,889,000                    | DECREASE 12,208,000       | DECREASE 2,319,000    |
| PIETRO,     | MINNEAPOLIS   | INCREASE 10,150,000                    | DECREASE 15,038,000       | DECREASE 4,888,000    |
| KNEDE,      | KANSAS CITY   | INCREASE 718,000                       | DECREASE 5,704,000        | DECREASE 4,986,000    |
| GILBERT,    | DALLAS        | INCREASE 37,927,000                    | DECREASE 18,461,000       | DECREASE 534,000      |
| KANLACE,    | SAN FRANCISCO | DECREASE 13,428,000                    | DECREASE 91,065,000       | DECREASE 104,493,000  |

HOUSE

REC'D IN RECORDS SECTION  
EAPB 24 1968

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>I. Allocation of Interest-Bearing Securities</u>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| B. Estimated current expenses, 1946   | 55,131    | 3,659   | 13,414    | 4,201             | 4,812          | 3,528         | 2,913   | 7,511     | 3,116        | 1,639            | 2,891          | 2,351   | 5,096            |
| C. Estimated dividends, 1946  | 10,953    | 649     | 3,862     | 811               | 1,098          | 457           | 411     | 1,311     | 352          | 238              | 361            | 393     | 1,010            |
| D. Estimated expenses and dividends   | 66,084    | 4,308   | 17,276    | 5,012             | 5,910          | 3,985         | 3,324   | 8,822     | 3,468        | 1,877            | 3,252          | 2,744   | 6,106            |
| . Current earnings:*  |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 2,997     | 131     | 972       | 169               | 320            | 117           | 91      | 537       | 167          | 67               | 259            | 35      | 132              |
| 2. On interest-bearing securities<br>in System Account to Sept. 30  | 71,166    | 4,845   | 17,970    | 5,401             | 6,659          | 4,421         | 3,651   | 9,275     | 3,576        | 2,000            | 3,410          | 3,014   | 6,944            |
| 3. Total*   | 74,163    | 4,976   | 18,942    | 5,570             | 6,979          | 4,538         | 3,742   | 9,812     | 3,743        | 2,067            | 3,669          | 3,049   | 7,076            |
| E. Excess of "D3" over "C"  | 8,079     | 668     | 1,666     | 558               | 1,069          | 553           | 418     | 990       | 275          | 190              | 417            | 305     | 970              |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since September 30, 1941   | 100.0     | 7.0946  | 24.0172   | 7.6202            | 9.8399         | 6.3653        | 5.2740  | 12.8823   | 4.8555       | 2.8178           | 4.8529         | 4.3088  | 10.0715          |
| G. Estimated earnings for year above<br>expense and dividend requirements<br>(\$8,079,000 plus estimated earn-<br>ings October-December on interest-<br>bearing securities in System Account<br>at 1.01047% earnings rate, \$23,784,000)<br>allocated on basis of "F" | 31,863    | 2,261   | 7,653     | 2,428             | 3,135          | 2,028         | 1,680   | 4,105     | 1,547        | 898              | 1,546          | 1,373   | 3,209            |
| H. "G" minus "E"  | 23,784    | 1,593   | 5,987     | 1,870             | 2,066          | 1,475         | 1,262   | 3,115     | 1,272        | 708              | 1,129          | 1,068   | 2,239            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 9,338,299 | 625,459 | 2,350,673 | 734,217           | 811,172        | 579,128       | 495,498 | 1,223,041 | 499,425      | 277,982          | 443,279        | 419,328 | 879,097          |
| J. Present allocations  | 9,338,299 | 649,418 | 2,370,176 | 715,196           | 835,943        | 570,101       | 485,716 | 1,247,894 | 479,536      | 267,832          | 442,561        | 381,401 | 892,525          |
| K. Change in allocations  | --        | -23,959 | -19,503   | +19,021           | -24,771        | +9,027        | +9,782  | -24,853   | +19,889      | +10,150          | +718           | +37,927 | -13,428          |

\* Exclusive of earnings on Treasury bills.

Reproduced from the Unclassified / Declassified Holdings of the National Archives

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury Bills</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                             | 53,306     | 3,782     | 12,803    | 4,062             | 5,245          | 3,393         | 2,811     | 6,867     | 2,588        | 1,502            | 2,537          | 2,297   | 5,369            |
| M. Earnings to September 30 on bills in System Account  | 24,498     | 2,078     | 425       | 2,018             | 3,313          | 2,328         | 2,006     | 3,149     | 1,451        | 924              | 1,651          | 1,369   | 3,706            |
| N. Earnings to December 31 on bills in option accounts (est.)                                       | 19,557     | 285       | 12,045    | 682               | 290            | 221           | 80        | 3,929     | 355          | 127              | 216            | 91      | 1,236            |
| O. Pro rata share of earnings from bills in System Account October-December ("L" minus "M" and "N") | 9,251      | 1,419     | 333       | 1,362             | 1,642          | 844           | 725       | -211      | 782          | 451              | 720            | 637     | 347              |
| P. Adjustments due to excesses of "M" plus "N" over "L"   | --         | -32       | -7        | -30               | -37            | -19           | -16       | +211      | -17          | -10              | -16            | -19     | -2               |
| Q. Adjusted pro rata share of earnings from bills in System Account October-December                | 9,251      | 1,387     | 326       | 1,332             | 1,605          | 825           | 709       | --        | 765          | 441              | 704            | 618     | 339              |
| R. Allocation of System Account bills in proportion to "Q"  | 9,652,760  | 1,447,236 | 340,158   | 1,389,847         | 1,674,703      | 860,829       | 739,791   | --        | 798,223      | 460,152          | 734,574        | 853,525 | 353,722          |
| S. Portion that Banks cannot take due to low reserve ratio*   | 2,538,083  | 658,800   |           | 618,113           | 315,332        |               |           |           | 304,416      | 113,998          | 137,265        | 390,159 |                  |
| T. Distribution of "S" to Banks with highest reserve ratios   | 2,538,083  |           | 48,563    |                   |                |               |           | 1,457,128 |              |                  |                |         | 1,032,392        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                    | 9,652,760  | 788,436   | 388,721   | 771,734           | 1,359,371      | 860,829       | 739,791   | 1,457,128 | 493,807      | 346,154          | 597,309        | 463,366 | 1,386,114        |
| V. Present allocations  | 9,652,760  | 779,034   | 373,016   | 799,979           | 1,340,629      | 888,856       | 776,608   | 1,235,412 | 516,015      | 361,192          | 603,013        | 501,827 | 1,477,179        |
| W. Change in allocations  | --         | +9,402    | +15,705   | -28,245           | +18,742        | -28,027       | -36,817   | +221,716  | -22,208      | -15,038          | -5,704         | -38,461 | -91,065          |
| <b>III. Total allocation of System Account Securities</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")   | 18,991,059 | 1,413,895 | 2,739,394 | 1,505,951         | 2,170,543      | 1,439,957     | 1,235,289 | 2,680,169 | 993,232      | 624,136          | 1,040,588      | 882,694 | 2,265,211        |
| Y. Change in participation  | --         | -14,557   | -3,798    | -9,224            | -6,029         | -19,000       | -27,035   | +196,863  | -2,319       | -4,388           | -4,936         | -534    | -104,493         |

\* Based on note and deposit liability and reserve figures as of close of business September 30, 1946.

RECORD IN FILES SECTION  
OCT 2 - 1946

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
WASHINGTON

DECLASSIFIED  
Authority E.O. 10501

October 1, 1946

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | -23,959                            | +9,402                | -14,557      |
| New York      | -19,503                            | +15,705               | -3,798       |
| Philadelphia  | +19,021                            | -28,245               | -9,224       |
| Cleveland     | -24,771                            | +18,742               | -6,029       |
| Richmond      | +9,027                             | -28,027               | -19,000      |
| Atlanta       | +9,782                             | -36,817               | -27,035      |
| Chicago       | -24,853                            | +221,716              | +196,863     |
| St. Louis     | +19,889                            | -22,208               | -2,319       |
| Minneapolis   | +10,150                            | -15,038               | -4,888       |
| Kansas City   | +718                               | -5,704                | -4,986       |
| Dallas        | +37,927                            | -38,461               | -534         |
| San Francisco | -13,428                            | -91,065               | -104,493     |

Smead

*[Handwritten signatures]*  
Digitized by FRASER  
http://fraser.stlouisfed.org/  
Federal Reserve Bank of St. Louis

FILE COPY

FOR FILE  
F. B. Smead

DECLASSIFIED  
Authority E.O. 10501

REC'D IN FILES SECTION  
OCT 2 - 1946

October 1, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of October 1, 1946, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

*Handwritten initials*

*Handwritten initials*

FILE COPY

FOR FILE  
E. L. Smead

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, OCTOBER 1, 1946  
(In thousands of dollars)

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 55,131    | 3,659   | 13,414    | 4,201             | 4,812          | 3,528         | 2,913   | 7,511     | 3,116        | 1,639            | 2,891          | 2,351   | 5,096            |
| B. Estimated dividends, 1946  | 10,953    | 649     | 3,862     | 811               | 1,098          | 457           | 411     | 1,311     | 352          | 238              | 361            | 393     | 1,010            |
| C. Estimated expenses and dividends   | 66,084    | 4,308   | 17,276    | 5,012             | 5,910          | 3,985         | 3,324   | 8,822     | 3,468        | 1,877            | 3,252          | 2,744   | 6,106            |
| D. Current earnings:*   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 2,997     | 131     | 972       | 169               | 320            | 117           | 91      | 537       | 167          | 67               | 259            | 35      | 132              |
| 2. On interest-bearing securities<br>in System Account to Sept. 30  | 71,166    | 4,845   | 17,970    | 5,401             | 6,659          | 4,421         | 3,651   | 9,275     | 3,576        | 2,000            | 3,410          | 3,014   | 6,944            |
| 3. Total*   | 74,163    | 4,976   | 18,942    | 5,570             | 6,979          | 4,538         | 3,742   | 9,812     | 3,743        | 2,067            | 3,669          | 3,049   | 7,076            |
| E. Excess of "D3" over "C"  | 8,079     | 668     | 1,666     | 558               | 1,069          | 553           | 418     | 990       | 275          | 190              | 417            | 305     | 970              |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since September 30, 1941   | 100.0     | 7.0946  | 24.0172   | 7.6202            | 9.8399         | 6.3653        | 5.2740  | 12.8823   | 4.8555       | 2.8178           | 4.8529         | 4.3088  | 10.0715          |
| G. Estimated earnings for year above<br>expense and dividend requirements<br>(\$8,079,000 plus estimated earn-<br>ings October-December on interest-<br>bearing securities in System Account<br>at 1.01047% earnings rate, \$23,784,000)<br>allocated on basis of "F" | 31,863    | 2,261   | 7,653     | 2,428             | 3,135          | 2,028         | 1,680   | 4,105     | 1,547        | 898              | 1,546          | 1,373   | 3,209            |
| H. "G" minus "E"  | 23,784    | 1,593   | 5,987     | 1,870             | 2,066          | 1,475         | 1,262   | 3,115     | 1,272        | 708              | 1,129          | 1,068   | 2,239            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 9,338,299 | 625,459 | 2,350,673 | 734,217           | 811,172        | 579,128       | 495,498 | 1,223,041 | 499,425      | 277,982          | 443,279        | 419,328 | 879,097          |
| J. Present allocations  | 9,338,299 | 649,418 | 2,370,176 | 715,196           | 835,943        | 570,101       | 485,716 | 1,247,894 | 479,536      | 267,832          | 442,561        | 381,401 | 892,525          |
| K. Change in allocations  | --        | -23,959 | -19,503   | +19,021           | -24,771        | +9,027        | +9,782  | -24,853   | +19,889      | +10,150          | +718           | +37,927 | -13,428          |

\* Exclusive of earnings on Treasury bills.

REC'D IN FILES SECTION  
OCT - 1946

| System | Boston | New York | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas | San<br>Francisco |
|--------|--------|----------|-------------------|----------------|---------------|---------|---------|--------------|------------------|----------------|--------|------------------|
|--------|--------|----------|-------------------|----------------|---------------|---------|---------|--------------|------------------|----------------|--------|------------------|

II. Allocation of Treasury Bills

|   |           |           |         |           |           |         |         |           |         |         |         |         |           |
|---|-----------|-----------|---------|-----------|-----------|---------|---------|-----------|---------|---------|---------|---------|-----------|
| L. Distribution of estimated earnings on bills for year on basis of "P"                             | 53,306    | 3,782     | 12,803  | 4,062     | 5,245     | 3,393   | 2,811   | 6,867     | 2,588   | 1,502   | 2,587   | 2,297   | 5,369     |
| M. Earnings to September 30 on bills in System Account  | 24,498    | 2,078     | 425     | 2,018     | 3,313     | 2,328   | 2,006   | 3,149     | 1,451   | 924     | 1,651   | 1,369   | 3,786     |
| N. Earnings to December 31 on bills in option accounts (est.)                                       | 19,557    | 285       | 12,045  | 682       | 290       | 221     | 80      | 3,929     | 355     | 127     | 216     | 91      | 1,236     |
| O. Pro rata share of earnings from bills in System Account October-December ("L" minus "M" and "N") | 9,251     | 1,419     | 333     | 1,362     | 1,642     | 844     | 725     | -211      | 782     | 451     | 720     | 837     | 347       |
| P. Adjustments due to excesses of "M" plus "N" over "L"   | --        | -32       | -7      | -30       | -37       | -19     | -16     | +211      | -17     | -10     | -16     | -19     | -8        |
| Q. Adjusted pro rata share of earnings from bills in System Account October-December                | 9,251     | 1,387     | 326     | 1,332     | 1,605     | 825     | 709     | --        | 765     | 441     | 704     | 818     | 339       |
| R. Allocation of System Account bills in proportion to "Q"  | 9,652,760 | 1,447,236 | 340,158 | 1,389,847 | 1,674,703 | 860,829 | 739,791 | --        | 798,223 | 460,152 | 734,574 | 853,525 | 353,722   |
| S. Portion that Banks cannot take due to low reserve ratio*   | 2,538,083 | 658,800   |         | 618,113   | 315,332   |         |         |           | 304,416 | 113,998 | 137,265 | 390,159 |           |
| T. Distribution of "S" to Banks with highest reserve ratios   | 2,538,083 |           | 48,563  |           |           |         |         | 1,457,128 |         |         |         |         | 1,032,392 |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                    | 9,652,760 | 788,436   | 388,721 | 771,734   | 1,359,371 | 860,829 | 739,791 | 1,457,128 | 493,807 | 346,154 | 597,309 | 463,366 | 1,386,114 |
| V. Present allocations  | 9,652,760 | 779,034   | 373,016 | 799,979   | 1,340,629 | 888,856 | 776,608 | 1,235,412 | 516,015 | 361,192 | 603,013 | 501,827 | 1,477,179 |
| W. Change in allocations  | --        | +9,402    | +15,705 | -28,245   | +18,742   | -28,027 | -36,817 | +221,716  | -22,208 | -15,038 | -5,704  | -38,461 | -91,065   |

III. Total allocation of System Account Securities

|   |            |           |           |           |           |           |           |           |         |         |           |         |           |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|-----------|---------|-----------|
| X. Participation in System Account ("I" plus "U") | 18,991,059 | 1,413,895 | 2,739,394 | 1,505,951 | 2,170,543 | 1,439,957 | 1,235,289 | 2,680,169 | 993,232 | 624,136 | 1,040,588 | 882,694 | 2,265,211 |
| Y. Change in participation                        | --         | -14,557   | -3,798    | -9,224    | -6,029    | -19,000   | -27,035   | +196,863  | -2,319  | -4,888  | -4,986    | -534    | -104,493  |

\* Based on note and deposit liability and reserve figures as of close of business September 30, 1946.

DECLASSIFIED  
Authority E.O. 10501

Reproduced from the Declassified Holdings of the National Archives



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 OCT 1 AM 9 10  
REC'D IN FILES SECTION  
OCT 3 - 1946  
333,348

WA15G06WASH L135 SF 30-404

BOARD

REURTEL DATE. EARNINGS ON TREASURY BILLS TO SEPTEMBER 30

\$914,259.42

SLADE.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
333,342

1946 OCT 1 AM 11 16

WA47G15WASH H24 STL 1-946

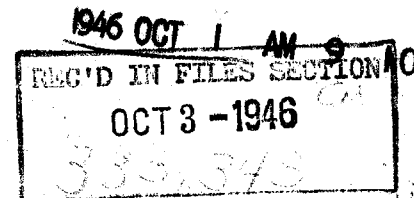
VANFOSSEN

EARNINGS TREASURY ~~BILLS~~ ~~XX~~ BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT  
FOR NINE MONTHS ENDING SEPTEMBER 30 APPROXIMATELY \$254,800.

HITT.

FOR FILES  
M. B. Daniels

**T E L E G R A M**  
Boa. of Governors  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D. C.



WA16WASH F1 ATLA 1-838A

VANFOSSEN

REURTEL SEPTEMBER 30. EARNINGS THROUGH SEPTEMBER 30 ON TREASURY

BILLS OUTSIDE SYSTEM ACCOUNT \$53,835.56.

MCCRAVEY.

FOR FILES  
M. B. Deuleis

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
333,545

1946 OCT 1 AM 10 19

WA31WASH RH 19

RICH 1-1003

VAN FOSSEN

RETEL RE EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS HELD BY US  
OUTSIDE OF SYSTEM ACCOUNT \$163,746.44

NOWLAN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION

OCT 3 - 1946

333,543

1946 SEP 30 PM 2 13

WA22WASH B322 BOS 30-205

SMEAD

RETEL SEP 30 1946 ESTIMATED EARNINGS THROUGH SEP  
30, 1946 ON US TREAS BILLS HELD BY THIS BANK  
UNDER REPURCHASE OPTION \$217,295.68

PITMAN.

FOR FILES  
M. B. Daniels

REC'D IN FILES SECTION  
OCT 3 - 1948  
338,343

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 SEP 30 PM 5 04

WA72WASH B527 NY 30-452

VAN FOSSEN BANK

BOARD

EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS HELD BY FEDERAL  
RESERVE BANK OF NEW YORK OPTION ACCOUNT \$8,946,000

ALLEN.

FOR FILES  
M. Z. Daniels

C 225A 20M 11 44

TELEGRAM

*N.* FEDERAL RESERVE BANK OF PHILADELPHIA

PRIVATE WIRE SYSTEM

OCT 5 - 1946

OUTGOING VIA

CONFIRMATION

---

September 30, 1946

Van Fossen  
Washington

Earnings to September 30 on Treasury Bills held outside  
System Account are \$543,150.61

R. R. Williams

#41

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
333,543

1946 SEP 30 PM 4 05

WB21WASH C99 PHILA SEP 30-358P

VAN FOSSEN

EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS HELD OUTSIDE

SYSTEM ACCOUNT ARE \$543,150.61

R R WILLIAMS.

FOR FILES  
M. B. Daniels



**TELEGRAM**  
Board of Governors  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
353,573  
CIA  
JMP

1946 SEP 30 PM 5 10

WA76G28WASH D216 CLEVE 30-449

VAN FOSSEN

REPLY WIRE EARNINGS ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM  
ACCOUNT FROM JAN 1, 1946 TO SEPT 30 1946 INCLUSIVE ARE \$250,181.29

SMITH.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
33075

1946 SEP 30 PM 4 30

WA58GC38WASH GX228 CGO 30-322

BOARD

VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT CLOSE  
OF BUSSINESS SEPTEMBER 30 ..... \$3,039,172.38

BLACK.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
335.343  
1946 SEP 30 PM 4 27

WB26GC34WASH 166 MPLS 30-318

VAN FOSSEN

EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS HELD OUTSIDE OF  
SYSTEM ACCOUNT \$107,049.

PETERSON.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
30343  
1946 SEP 30 PM 4 27

WA57G82BDWASH J172 KC 30-317

VANFOSSEN

REPLYING WIRE EARNINGS TO SEPTEMBER 30 TREASURY BILLS HELD BY THIS

BANK \$153,553.77

PARK

FOR FILES  
M. E. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
OCT 3 - 1946  
333843  
1946 SEP 30 PM 3 53

*Dallas*

WA42G40WASH M97 30-246P

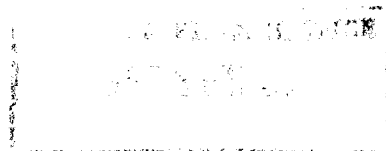
VANFOSSEN

THIS REFERS TO YOUR WIRE OF SEP. ~~29~~ 30, EARNINGS TO  
~~SEP~~ SEP. 30 ON TREASURY BILLS HELD BY THIS BANK OUTSIDE SYSTEM  
ACCOUNT \$66,871.00

GILBERT.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**



September 30, 1946

Whittemore - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Earhart - San Francisco

Please wire to reach Board not later than 10 AM EST October 1  
earnings to September 30 on Treasury bills held by your Bank  
outside System Account.

Van Fossen

FILE COPY

SECTION  
 1946  
 July 3, 1946.

Board of Governors

E. L. Smead

As an indication of the size of the operations handled by the Federal Reserve Banks, the Board may be interested in knowing that on Monday, July 1, the Federal Reserve Bank of New York paid \$1,000,000,000 to other Federal Reserve Banks through the Interdistrict Settlement Fund. New York received \$700,000,000 from other Federal Reserve Banks through the Fund on the same date with the result that the net loss to the New York Bank in the daily Settlement was \$300,000,000.

Mr. Moore, in charge of our Interdistrict Settlement Fund, tells me that this \$1,000,000,000 payment through the Interdistrict Settlement Fund is the largest ever recorded for a single Federal Reserve Bank on any one day. This large payment was due to several factors, among which were the fact the New York Bank was closed on Saturday; the Government had a Treasury Note maturity of \$4,910,000,000, of which \$1,994,000,000 was paid off; and there was a quarterly reallocation of the System's Open Market Account, which involved payments of \$147,000,000 by the New York Bank and of \$351,000,000 by other Reserve Banks to New York.

FILE COPY

ELS:es

*Mr. Van Zandt  
Files*

*AV*

**FEDERAL RESERVE BANK  
OF NEW YORK**

REC'D IN FILES SECTION  
JUL 11 1946  
333,245

July 2, 1946.

Dear Mr. Smead:

We received your letter of July 1, 1946 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on July 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copy of telegram which was sent to each of the Federal Reserve Banks on July 1, 1946.

Yours faithfully,

*Robert G. House*  
Robert G. House, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

(Enclosures 5)



REC'D IN FILES SECTION  
JUL 11 1946



MISC. 140A 100M-2-43

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN FILES SECTION  
JUL 11 1946

July 2, 1946.

Dear Mr. Williams:

In accordance with our telegram of July 1, 1946, I enclose herewith computation of the readjustments made on July 1, 1946, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

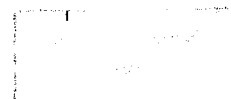
Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Alfred H. Williams, President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Enclosure

RES:AMB



MISC. 140-B 50M-2-45

SECURITIES DEPARTMENT  
 MEM: fd

RECEIVED  
 JUL 12 1946

July 1, 1946.

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on July 2. These computations indicate an INCREASE of \$ in your participation in interest-bearing obligations, an INCREASE of \$ in your participation in Treasury bills, making a net INCREASE of \$ in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|             |               |          | INTEREST-BEARING<br>SECURITIES | TREASURY<br>BILLS     | TOTAL                 |
|-------------|---------------|----------|--------------------------------|-----------------------|-----------------------|
| WHITTEMORE, | BOSTON        | INCREASE | \$27,856,000                   | DECREASE \$52,247,000 | DECREASE \$34,391,000 |
| WILLIAMS,   | PHILADELPHIA  | INCREASE | 9,213,000                      | DECREASE \$38,511,000 | DECREASE 29,299,000   |
| GIDNEY,     | CLEVELAND     | DECREASE | 65,466,000                     | INCREASE 58,577,000   | DECREASE 6,889,000    |
| LEACH,      | RICHMOND      | DECREASE | 16,205,000                     | INCREASE 2,271,000    | DECREASE 13,934,000   |
| McLAREN,    | ATLANTA       | INCREASE | 16,786,000                     | INCREASE 15,894,000   | INCREASE 32,680,000   |
| YOUNG,      | CHICAGO       | INCREASE | 44,615,000                     | INCREASE 238,444,000  | INCREASE 283,059,000  |
| DAVIS,      | ST. LOUIS     | INCREASE | 11,700,000                     | INCREASE 3,147,000    | INCREASE 19,847,000   |
| PEYTON,     | MINNEAPOLIS   | INCREASE | 1,568,000                      | DECREASE 16,567,000   | DECREASE 14,999,000   |
| LEEDY,      | KANSAS CITY   | DECREASE | 2,841,000                      | DECREASE 17,098,000   | DECREASE 19,939,000   |
| GILBERT,    | DALLAS        | DECREASE | 14,420,000                     | DECREASE 12,656,000   | DECREASE 27,076,000   |
| CLERK       | SAN FRANCISCO | DECREASE | 39,878,000                     | INCREASE 55,460,000   | INCREASE 15,582,000   |

HOUSE

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, JULY 1, 1946  
(In thousands of dollars)

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>I. Allocation of Interest-Bearing Securities</u>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 53,641    | 3,607   | 13,213    | 4,024             | 4,688          | 3,369         | 2,808   | 7,403     | 2,988        | 1,562            | 2,828          | 2,183   | 4,963            |
| B. Estimated dividends, 1946  | 10,913    | 648     | 3,857     | 807               | 1,093          | 454           | 406     | 1,305     | 350          | 237              | 359            | 390     | 1,007            |
| C. Estimated expenses and dividends   | 64,554    | 4,255   | 17,075    | 4,831             | 5,781          | 3,823         | 3,214   | 8,708     | 3,338        | 1,799            | 3,187          | 2,573   | 5,970            |
| D. Current earnings*:   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 2,863     | 121     | 1,046     | 143               | 294            | 69            | 75      | 521       | 147          | 53               | 267            | 24      | 103              |
| 2. On interest-bearing securities<br>in System Account to June 30   | 48,145    | 3,245   | 12,116    | 3,638             | 4,606          | 3,017         | 2,454   | 6,195     | 2,392        | 1,339            | 2,320          | 2,076   | 4,747            |
| 3. Total*   | 51,008    | 3,366   | 13,162    | 3,781             | 4,900          | 3,086         | 2,529   | 6,716     | 2,539        | 1,392            | 2,587          | 2,100   | 4,850            |
| E. Excess of "C" over "D 3"   | 13,546    | 889     | 3,913     | 1,050             | 881            | 737           | 685     | 1,992     | 799          | 407              | 600            | 473     | 1,120            |
| F. Allocation required (on basis<br>of 1.009245% earnings rate) to<br>produce earnings July-December<br>equal to "E"      | 2,662,499 | 174,735 | 769,110   | 206,380           | 173,163        | 144,859       | 134,638 | 391,533   | 157,045      | 79,997           | 117,931        | 92,969  | 220,139          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since June 30, 1941  | 100.0     | 7.1105  | 23.9831   | 7.6218            | 9.9281         | 6.3699        | 5.2589  | 12.8279   | 4.8308       | 2.8136           | 4.8628         | 4.3206  | 10.0720          |
| H. Allocation of remainder of<br>interest-bearing securities<br>(\$9,316,860,000 less<br>\$2,662,499,000) on basis of "G" | 6,654,361 | 473,159 | 1,595,922 | 507,182           | 660,652        | 423,876       | 349,946 | 853,615   | 321,459      | 187,227          | 323,588        | 287,508 | 670,227          |
| I. Total allocations  | 9,316,860 | 647,894 | 2,365,032 | 713,562           | 833,815        | 568,735       | 484,584 | 1,245,148 | 478,504      | 267,224          | 441,519        | 380,477 | 890,366          |
| J. Present allocations  | 9,316,860 | 620,038 | 2,337,959 | 704,350           | 899,281        | 584,940       | 467,798 | 1,200,533 | 466,804      | 265,656          | 444,360        | 394,897 | 930,244          |
| K. Change in allocations  | --        | +27,856 | +27,073   | +9,212            | -65,466        | -16,205       | +16,786 | +44,615   | +11,700      | +1,568           | -2,841         | -14,420 | +39,878          |

\* Exclusive of earnings on Treasury bills.

DECLASSIFIED  
Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "G"                          | 53,031     | 3,771     | 12,718    | 4,042             | 5,265          | 3,378         | 2,789     | 6,803     | 2,562        | 1,492            | 2,579          | 2,291   | 5,344            |
| M. Earnings to June 30 on bills in System Account  | 15,518     | 1,343     | 247       | 1,299             | 2,062          | 1,494         | 1,276     | 1,918     | 940          | 603              | 1,067          | 871     | 2,398            |
| N. Earnings to December 31 on bills in option accounts (est.)                                    | 20,105     | 294       | 12,336    | 698               | 353            | 250           | 82        | 4,057     | 295          | 154              | 261            | 119     | 1,200            |
| O. Pro rata share of earnings from bills in System Account July-December ("L" minus "M" and "N") | 17,408     | 2,134     | 135       | 2,045             | 2,850          | 1,634         | 1,431     | 828       | 1,327        | 735              | 1,251          | 1,301   | 1,731            |
| P. Allocation of System Account bills in proportion to "O"                                       | 9,082,635  | 1,113,416 | 70,436    | 1,066,980         | 1,486,989      | 852,541       | 746,625   | 432,009   | 692,363      | 383,487          | 652,710        | 678,798 | 906,281          |
| Q. Portion that Banks cannot take due to low reserve ratio*                                      | 1,385,470  | 355,022   | --        | 313,677           | 234,918        | --            | --        | --        | 144,623      | 48,268           | 96,402         | 192,560 | --               |
| R. Distribution of "Q" to Banks with highest reserve ratios                                      | 1,385,470  | --        | 7,213     | --                | --             | --            | --        | 864,782   | --           | --               | --             | --      | 513,475          |
| S. Final allocation of Treasury bills in System Account ("P" minus "Q" plus "R")                 | 9,082,635  | 758,394   | 77,649    | 753,303           | 1,252,071      | 852,541       | 746,625   | 1,296,791 | 547,740      | 335,219          | 556,308        | 486,238 | 1,419,756        |
| T. Present allocations   | 9,082,635  | 820,641   | 309,363   | 791,814           | 1,193,494      | 850,270       | 730,731   | 1,058,347 | 539,593      | 351,786          | 573,406        | 498,894 | 1,364,296        |
| U. Change in allocations   | --         | -62,247   | -231,714  | -38,511           | +58,577        | +2,271        | +15,894   | +238,444  | +8,147       | -16,567          | -17,098        | -12,656 | +55,460          |
| <u>III. Total allocation of System Account Securities</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| V. Participation in System Account ("I" plus "S")  | 18,399,495 | 1,406,288 | 2,442,681 | 1,466,865         | 2,085,886      | 1,421,276     | 1,231,209 | 2,541,939 | 1,026,244    | 602,443          | 997,827        | 866,715 | 2,310,122        |
| W. Change in participation   | --         | -34,391   | -204,641  | -29,299           | -6,889         | -13,934       | +32,680   | +283,059  | +19,847      | -14,999          | -19,939        | -27,076 | +15,582          |

\*Based on note and deposit liability and reserve figures as of close of business June 30, 1946.

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

FILED IN FILES SECTION  
**JUL 2 1946**

July 1, 1946

Rouse - New York

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | Interest-bearing securities | Treasury bills | Total    |
|---------------|-----------------------------|----------------|----------|
| Boston        | +27,856                     | -62,247        | -34,391  |
| New York      | +27,073                     | -231,714       | -204,641 |
| Philadelphia  | +9,212                      | -38,511        | -29,299  |
| Cleveland     | -65,466                     | +58,577        | -6,889   |
| Richmond      | -16,205                     | +2,271         | -13,934  |
| Atlanta       | +16,786                     | +15,894        | +32,680  |
| Chicago       | +144,615                    | +238,444       | +283,059 |
| St. Louis     | +11,700                     | +8,147         | +19,847  |
| Minneapolis   | +1,568                      | -16,567        | -14,999  |
| Kansas City   | -2,841                      | -17,098        | -19,939  |
| Dallas        | -14,420                     | -12,656        | -27,076  |
| San Francisco | -39,878                     | +55,460        | +15,582  |

Smead

FILE COPY

FOR FILES  
 M. B. Daniels

*File*

**R D IN FILES SECTION**  
**JUL 2 1946**  
*333,343*

*970*

July 1, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments  
to be made in allocations of Government securities in the  
System Open Market Account as of July 1, 1946, prepared in  
accordance with the formula adopted by the System Open Market  
Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

*[Handwritten signature]*

*[Handwritten initials]*  
MD/dlw

FILE COPY

FOR FILES  
E. Severud

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, JULY 1, 1946  
(In thousands of dollars)

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946   | 53,641    | 3,607   | 13,218    | 4,024             | 4,688          | 3,369         | 2,808   | 7,403     | 2,988        | 1,562            | 2,828          | 2,183   | 4,963            |
| B. Estimated dividends, 1946  | 10,913    | 648     | 3,857     | 807               | 1,093          | 454           | 406     | 1,305     | 350          | 237              | 359            | 390     | 1,007            |
| C. Estimated expenses and dividends   | 64,554    | 4,255   | 17,075    | 4,831             | 5,781          | 3,823         | 3,214   | 8,708     | 3,338        | 1,799            | 3,187          | 2,573   | 5,970            |
| D. Current earnings*:   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946,<br>other than on Government<br>securities  | 2,863     | 121     | 1,046     | 143               | 294            | 69            | 75      | 521       | 147          | 53               | 267            | 24      | 103              |
| 2. On interest-bearing securities<br>in System Account to June 30   | 48,145    | 3,245   | 12,116    | 3,638             | 4,606          | 3,017         | 2,454   | 6,195     | 2,392        | 1,339            | 2,320          | 2,076   | 4,747            |
| 3. Total*   | 51,008    | 3,366   | 13,162    | 3,781             | 4,900          | 3,086         | 2,529   | 6,716     | 2,539        | 1,392            | 2,587          | 2,100   | 4,850            |
| E. Excess of "C" over "D 3"   | 13,546    | 889     | 3,913     | 1,050             | 881            | 737           | 685     | 1,992     | 799          | 407              | 600            | 473     | 1,120            |
| F. Allocation required (on basis<br>of 1.009245% earnings rate) to<br>produce earnings July-December<br>equal to "E"      | 2,662,499 | 174,735 | 769,110   | 206,380           | 173,163        | 144,859       | 134,638 | 391,533   | 157,045      | 79,997           | 117,931        | 92,969  | 220,139          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since June 30, 1941  | 100.0     | 7.1105  | 23.9831   | 7.6218            | 9.9281         | 6.3699        | 5.2589  | 12.8279   | 4.8308       | 2.8136           | 4.8628         | 4.3206  | 10.0720          |
| H. Allocation of remainder of<br>interest-bearing securities<br>(\$9,316,860,000 less<br>\$2,662,499,000) on basis of "G" | 6,654,361 | 473,159 | 1,595,922 | 507,182           | 660,652        | 423,876       | 349,946 | 853,615   | 321,459      | 187,227          | 323,588        | 287,508 | 670,227          |
| I. Total allocations  | 9,316,860 | 647,894 | 2,365,032 | 713,562           | 833,815        | 568,735       | 484,584 | 1,245,148 | 478,504      | 267,224          | 441,519        | 380,477 | 890,366          |
| J. Present allocations  | 9,316,860 | 620,038 | 2,337,959 | 704,350           | 899,281        | 584,940       | 467,798 | 1,200,533 | 466,804      | 265,656          | 444,360        | 394,897 | 930,244          |
| K. Change in allocations  | --        | +27,856 | +27,073   | +9,212            | -65,466        | -16,205       | +16,786 | +44,615   | +11,700      | +1,568           | -2,841         | -14,420 | -39,878          |

\* Exclusive of earnings on Treasury bills.

DECLASSIFIED  
Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "G"                          | 53,031     | 3,771     | 12,718    | 4,042             | 5,265          | 3,378         | 2,789     | 6,803     | 2,562        | 1,492            | 2,579          | 2,291   | 5,341            |
| M. Earnings to June 30 on bills in System Account  | 15,518     | 1,343     | 247       | 1,299             | 2,062          | 1,494         | 1,276     | 1,918     | 940          | 603              | 1,067          | 871     | 2,398            |
| N. Earnings to December 31 on bills in option accounts (est.)                                    | 20,105     | 294       | 12,336    | 698               | 353            | 250           | 82        | 4,057     | 295          | 154              | 261            | 119     | 1,206            |
| O. Pro rata share of earnings from bills in System Account July-December ("L" minus "M" and "N") | 17,408     | 2,134     | 135       | 2,045             | 2,850          | 1,634         | 1,431     | 828       | 1,327        | 735              | 1,251          | 1,301   | 1,737            |
| P. Allocation of System Account bills in proportion to "O"                                       | 9,082,635  | 1,113,416 | 70,436    | 1,066,980         | 1,486,989      | 852,541       | 746,625   | 432,009   | 692,363      | 383,487          | 652,710        | 678,798 | 906,281          |
| Q. Portion that Banks cannot take due to low reserve ratio*                                      | 1,385,470  | 355,022   | --        | 313,677           | 234,918        | --            | --        | --        | 144,623      | 48,268           | 96,402         | 192,560 | --               |
| R. Distribution of "Q" to Banks with highest reserve ratios                                      | 1,385,470  | --        | 7,213     | --                | --             | --            | --        | 864,782   | --           | --               | --             | --      | 513,475          |
| S. Final allocation of Treasury bills in System Account ("P" minus "Q" plus "R")                 | 9,082,635  | 758,394   | 77,649    | 753,303           | 1,252,071      | 852,541       | 746,625   | 1,296,791 | 547,740      | 335,219          | 556,308        | 486,238 | 1,419,756        |
| T. Present allocations   | 9,082,635  | 820,641   | 309,363   | 791,814           | 1,193,494      | 850,270       | 730,731   | 1,058,347 | 539,593      | 351,786          | 573,406        | 498,894 | 1,364,296        |
| U. Change in allocations   | --         | -62,247   | -231,714  | -38,511           | +58,577        | +2,271        | +15,894   | +238,444  | +8,147       | -16,567          | -17,098        | -12,656 | +55,460          |
| <u>III. Total allocation of System Account Securities</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| V. Participation in System Account ("I" plus "S")  | 18,399,495 | 1,406,288 | 2,442,681 | 1,466,865         | 2,085,886      | 1,421,276     | 1,231,209 | 2,541,939 | 1,026,244    | 602,443          | 997,827        | 866,715 | 2,310,122        |
| W. Change in participation   | --         | -34,391   | -204,641  | -29,299           | -6,889         | -13,934       | +32,680   | +283,059  | +19,847      | -14,999          | -19,939        | -27,076 | +15,582          |

\*Based on note and deposit liability and reserve figures as of close of business June 30, 1946.

DECLASSIFIED  
Authority E.O. 10501



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JUL 2 1946  
AM 9 14 333343

1946 JUL

WA17WASH C8 PHILA JUL 1-958A

SMEAD

EARNINGS TO JUNE 30 ON TREASURY BILLS HELD OUTSIDE SYSTEM  
ACCOUNT ARE 368,069.78

R R WILLIAMS.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JUL 2 1946  
333 343

1946 JUL 1 AM 9 14

WA21GC03WASH H1 STL 1 904

SMEAD

RETEL JUNE 28 EARNINGS TO JUNE 30 ON TREASURY BILLS HELD OUTSIDE

SYSTEM ACCOUNT 176,578.11

GILMORE.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
JUL 2 1946  
333,343

1946 JUL 1 AM 9 45

WA32G41WASH ~~XXXX~~ 11 MPLS 1-838

SMEAD

EARNINGS ON TREASURY BILLS HELD OUTSIDE OF SYSTEM ACCOUNT TO JUNE 30  
TOTAL \$70,300.41.

PETERSON.

FOR FILES  
M. B. Daniels

**E L E G R A M**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

**REC'D IN FILES SECTION**  
**JUL 2 1948**  
333243

**1946 JUL 1 AM 10 02**

**WA 42G63BD WASH J9 KC 1-856**  
**SMEAD**

**REPLYING WIRE 28 EARNINGS TO JUN 30 ON TSRY BILLS HELD BY THIS BANK**  
**OUTSIDE SYSTEM ACCOUNT \$91,941.05**

**PARK.**

**FOR FILES**  
**M. B. Daniels**

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION

JUL 2 1946

333,343

1946 JUL 1 AM 9 14

WA12WASH F2 ATLANTA 1 858A

SMEAD

REURTEL JUNE 28 EARNINGS THROUGH JUNE 30 ON TREASURY BILLS OUTSIDE

SYSTEM ACCOUNT \$40,660.66

MCLARIN.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 JUL 1 AM 9 29  
1946 JUL 1 AM 9 29

REC'D IN FILES SECTION  
JUL 2 1946 HH  
333.343

WA26WASH RH 2-21 RICH 1-925

7/1/46

~~MARK~~ SMEAD  
6/28/46

RETEL EARNINGS TO JUNE 30 ON TREASURY BILLS HELD BY ~~MARK~~ US OUTSIDE OF  
SYSTEM ACCOUNT \$109,995.80.

NOWLAN.

FOR FILES  
M. B. Daniels

REC'D IN FILES SECTION  
JUL 2 1946  
53,343

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1946 JUL 1 AM 9 58

WA38G50WASH D21 CLEV 1-926

SNEAD

EARNINGS FROM JANUARY 1 TO JUNE 30, 1946, INCLUSIVE ON TREASURY BILLS  
HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT \$189,393.94

SMITH.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JUL 2 1946 10-4  
333,343  
1946 JUN 29 PM 3 46

WA14G22WASH L66 SF 29-1237

BOARD

REURTEL JUNE 28. EARNINGS ON TREASURY BILLS TO JUNE 30

\$591,780.03

SLADE.

FOR FILES  
M. B. Daniels



TELEGRAM  
Board of Governors  
or the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JUL 2 1946  
933-343

1946 JUN 29 PM 1 16

WA 78G94BD WASH GX104 CGO 29-112

SMEAD

EARNINGS ON TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT  
THROUGH JUNE 30, 1946 ARE ~~4,223,681.52~~ \$2,193,681.52

BLACK

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
1946 JUN 29 PM 3 21  
JUL 2 1946  
333.343

WA10GC04WASH M101 DLS 29-235P

SMEAD

THIS REFERS TO YOUR WIRE OF JUNE 28 EARNINGS TO JUNE 30 ON  
TREASURY BILLS HELD BY THIS BANK OUTSIDE SYSTEM ACCOUNT  
\$49,048.00

GILBERT.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

**REC'D IN FILES SECTION**  
**JUL' 2 1946**  
333,343  
1946 JUN 28 PM 4 16

WA09WASH B562 NY 28-510

SMEAD

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

EARNINGS TO JUNE 30 ON TREASURY BILLS HELD BY FEDERAL RESERVE BANK  
OF NEW YORK OPTION ACCOUNT \$5,755,207.52.

MILLER.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

REC'D IN FILES SECTION  
JUL 2 1946  
333,343

1946 JUN 28 PM 3 15

WA95BD WASH B491 BOS 28-350P

SMEAD

RETEL JUNE 28, 1946 ESTIMATED EARNINGS THROUGH JUNE 30, 1946 ON  
U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE OPTION  
\$148,850.73

PITMAN.

FOR FILES  
M. B. Daniels

TELEGRAM  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
LEASED WIRE SERVICE  
WASHINGTON

RECORDED IN FILES SECTION  
JUN 28 1946

June 28, 1946

Whittemore - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Clerk - San Francisco

Please wire, to reach Board not later than 10:00 AM EST July 1,  
earnings to June 30 on Treasury bills held by your Bank outside  
System Account. It will be appreciated <sup>also</sup> if items BULK, TRIM and  
TUBE of Form F. R. 34 as of June 29 are telegraphed so as to reach  
Board by 1:00 PM.

Smead

*MT*  
*GA*

FILE COPY

FOR FILE  
J. R. Smith

April 9, 1946

Mr. Smead

Messrs. Van Fossen and Daniels

Referring to Mr. Daniels's memorandum of March 21 proposing a revision of a portion of paragraph 2(b) of the Procedure for Allocation of Securities held in System and Option Accounts, we have concluded that the entire paragraph should be revised, and a proposed revision is attached.

The present paragraph states that upon request to the manager of the System account any Bank which does not have its pro rata share of Treasury bills held in the System account, based on the calculations in the most recent reallocation, may restore its participation on any Wednesday whenever its reserve ratio permits. As a matter of fact, such restorations of participations are made automatically in the weekly adjustment of Treasury bills. The proposed revised paragraph makes this clear and clarifies the paragraph in certain other respects, in addition to providing for omissions of the month-end adjustment, which was the subject of the March 21 memorandum referred to.

Attachment.

  
MD/dlw

ls

FILE COPY

**Suggested Revision of Paragraph 2(b) of Procedure for  
Allocation of Securities Held in System and Option Accounts**

Adjustments in participations in Treasury bills held in the System account will be made each Wednesday and on the last day of each month, unless the day is a reallocation date or within one business day of a reallocation date, for the purposes of raising the reserve ratio of any Bank to the agreed-upon percentage and of restoring to any Bank, to the extent that its reserve ratio permits, its pro rata share of Treasury bills held in the System account based on the calculations in the most recent reallocation. Such adjustments will be based on closing figures of the previous day with allowance for any repurchases to be made on the day of the adjustment. If at any other time a Bank's reserve ratio nears the legal minimum or falls below the agreed-upon percentage, the Bank may sell to the Bank or Banks having the highest reserve ratio or ratios a participation or participations in Treasury bills held in its option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, provided that the adjustment shall be made in the System account in the event that a Bank does not hold sufficient bills in its option account and provided also that, if necessary, the adjustment will be made in participations in interest-bearing securities. All such adjustments, including sales and repurchases of participations in Treasury bills held in option accounts, will be handled through the Manager of the System Open Market Account.

Mr. Van Fossen  
Mr. Daniels  
Mr. Smead  
Mrs. Smith

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968  
383,343

April 2, 1946

Dear Mr. Smead:

We received your letter of April 1, 1946, and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on April 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copy of telegram which was sent to each of the Federal Reserve Banks on April 1, 1946.

Yours faithfully,

*Robert G. Rouse*  
Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (5)



*Directive #1*



140-B 50M-2-45

REC'D IN RECORDS SECTION  
APR 24 1968

SECURITIES DEPARTMENT  
RHB: fd

APRIL 1, 1946

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 30, 1945. The computations showing the adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on April 2. These computations indicate

|  |   |
|--|---|
| INCREASE<br>an DECREASE of \$<br>INCREASE<br>an DECREASE of \$<br>INCREASE of \$<br>DECREASE | in your participation in interest-bearing obligations,<br>in your participation in Treasury bills, making a net<br>in your total participation in the System Account. Your<br>bank will receive this afternoon the usual coded wire showing the detailed entries to<br>be made today. |
|--|---|

|            |               | <u>INTEREST-BEARING<br/>SECURITIES</u> |          | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>          |
|------------|---------------|--|----------|---------------------------|-----------------------|
| WHITTEMORE | BOSTON        | DECREASE \$14,524,000                  | INCREASE | \$29,422,000              | INCREASE \$14,898,000 |
| WILLIAMS   | PHILADELPHIA  | INCREASE 995,000                       | INCREASE | 10,866,000                | INCREASE 11,861,000   |
| GIDNEY     | CLEVELAND     | INCREASE 17,605,000                    | INCREASE | 15,693,000                | INCREASE 33,298,000   |
| LEACH      | RICHMOND      | INCREASE 2,331,000                     | INCREASE | 6,852,000                 | INCREASE 9,183,000    |
| McLAREN    | ATLANTA       | DECREASE 14,037,000                    | INCREASE | 17,806,000                | INCREASE 3,769,000    |
| YONGE      | CHICAGO       | INCREASE 3,025,000                     | DECREASE | 99,405,000                | DECREASE 96,380,000   |
| DAVIS      | ST. LOUIS     | INCREASE 7,439,000                     | DECREASE | 25,233,000                | DECREASE 17,794,000   |
| PEYTON     | MINNEAPOLIS   | INCREASE 13,410,000                    | DECREASE | 11,060,000                | INCREASE 2,350,000    |
| LEEDY      | KANSAS CITY   | DECREASE 9,078,000                     | INCREASE | 8,565,000                 | DECREASE 513,000      |
| GILBERT    | DALLAS        | DECREASE 13,804,000                    | INCREASE | 7,742,000                 | DECREASE 6,062,000    |
| CLERK      | SAN FRANCISCO | INCREASE 23,746,000                    | INCREASE | 92,680,000                | INCREASE 116,426,000  |

ROUSE

J. 140A 100M-7-45

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

April 2, 1946.

Dear Mr. Whittemore:

In accordance with our telegram of April 1, 1946, I enclose herewith computation of the readjustments made on April 1, 1946, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Laurence F. Whittemore, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Enclosure  
RGR:ms

COPIED

REC - IN FILES SECTION  
APR 2 1946  
533,343

April 1, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of April 1, 1946, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

  
MD/dlw

FILE COPY

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, APRIL 1, 1946  
(In thousands of dollars)

|  | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>  |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946  | 51,341     | 3,289   | 12,552    | 3,792             | 4,717          | 3,307         | 2,665   | 6,798     | 2,830        | 1,492            | 2,729          | 2,164   | 5,006            |
| B. Estimated dividends, 1946   | 10,843     | 646     | 3,851     | 806               | 1,086          | 452           | 402     | 1,289     | 346          | 237              | 356            | 377     | 995              |
| C. Estimated expenses and dividends  | 62,184     | 3,935   | 16,403    | 4,598             | 5,803          | 3,759         | 3,067   | 8,087     | 3,176        | 1,729            | 3,085          | 2,541   | 6,001            |
| D. Current earnings*:  |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1946, other than on Government securities   | 2,909      | 133     | 1,085     | 146               | 234            | 73            | 142     | 424       | 153          | 59               | 272            | 24      | 164              |
| 2. On interest-bearing securities in System Account to March 31  | 25,359     | 1,734   | 6,385     | 1,916             | 2,410          | 1,588         | 1,313   | 3,258     | 1,248        | 689              | 1,234          | 1,111   | 2,473            |
| 3. Total*  | 28,268     | 1,867   | 7,470     | 2,062             | 2,644          | 1,661         | 1,455   | 3,682     | 1,401        | 748              | 1,506          | 1,135   | 2,637            |
| E. Excess of "C" over "D 3"  | 33,916     | 2,068   | 8,933     | 2,536             | 3,159          | 2,098         | 1,612   | 4,405     | 1,775        | 981              | 1,579          | 1,406   | 3,364            |
| F. Allocation required (on basis of 1.022809% earnings rate) to produce earnings April-December equal to "E"     | 44,401,194 | 268,359 | 1,159,213 | 329,090           | 409,936        | 272,252       | 209,185 | 571,626   | 230,337      | 127,302          | 204,903        | 182,453 | 436,538          |
| G. Average daily participations, per cent, in interest-bearing securities in System Account since March 31, 1941 | 100.0      | 7.1543  | 23.9794   | 7.6340            | 9.9548         | 6.3610        | 5.2610  | 12.7939   | 4.8105       | 2.8145           | 4.8713         | 4.3218  | 10.0435          |
| H. Allocation of remainder of interest-bearing securities (\$9,320,256,000 less \$4,401,194,000) on basis of "G" | 4,919,062  | 351,924 | 1,179,562 | 375,521           | 489,683        | 312,902       | 258,792 | 629,340   | 236,631      | 138,447          | 239,622        | 212,592 | 494,046          |
| I. Total allocations   | 9,320,256  | 620,283 | 2,338,775 | 704,611           | 899,619        | 585,154       | 467,977 | 1,200,966 | 466,968      | 265,749          | 444,525        | 395,045 | 930,584          |
| J. Present allocations   | 9,320,256  | 634,807 | 2,355,883 | 703,616           | 882,014        | 582,823       | 482,014 | 1,197,941 | 459,529      | 252,339          | 453,603        | 408,849 | 906,838          |
| K. Change in allocations   | --         | -14,524 | -17,108   | +995              | +17,605        | +2,331        | -14,037 | +3,025    | +7,439       | +13,410          | -9,078         | -13,804 | +23,746          |

\* Exclusive of earnings on Treasury bills.

DECLASSIFIED  
Authority E.O. 10501

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "G"                           | 50,252     | 3,595     | 12,050    | 3,836             | 5,003          | 3,197         | 2,644     | 6,429     | 2,417        | 1,414            | 2,448          | 2,172   | 5,047            |
| M. Earnings to March 31 on bills in System Account  | 7,283      | 621       | 44        | 584               | 979            | 711           | 603       | 958       | 442          | 284              | 508            | 407     | 1,142            |
| N. Earnings to December 31 on bills in option accounts (est.)                                     | 20,263     | 338       | 11,914    | 733               | 377            | 261           | 122       | 4,341     | 409          | 159              | 213            | 157     | 1,239            |
| O. Pro rata share of earnings from bills in System Account April-December ("L" minus "M" and "N") | 22,706     | 2,636     | 92        | 2,519             | 3,647          | 2,225         | 1,919     | 1,130     | 1,566        | 971              | 1,727          | 1,608   | 2,666            |
| P. Allocation of System Account bills in proportion to "O"  | 7,926,456  | 920,204   | 32,116    | 879,360           | 1,273,134      | 776,727       | 669,905   | 394,473   | 546,676      | 338,967          | 602,880        | 561,338 | 930,676          |
| Q. Portion that Banks cannot take due to low reserve ratio*                                       | 694,365    | 172,086   |           | 149,776           | 127,306        |               |           |           | 91,790       | 30,368           | 24,735         | 98,304  |                  |
| R. Distribution of "Q" to Banks with highest reserve ratios                                       | 694,365    |           |           |                   |                |               |           | 367,449   |              |                  |                |         | 326,916          |
| S. Final allocation of Treasury bills in System Account ("P" minus "Q" plus "R")                  | 7,926,456  | 748,118   | 32,116    | 729,584           | 1,145,828      | 776,727       | 669,905   | 761,922   | 454,886      | 308,599          | 578,145        | 463,034 | 1,257,592        |
| T. Present allocations  | 7,926,456  | 718,696   | 86,044    | 718,718           | 1,130,135      | 769,875       | 652,099   | 861,327   | 480,119      | 319,659          | 569,580        | 455,292 | 1,164,912        |
| U. Change in allocations  |            | +29,422   | -53,928   | +10,866           | +15,693        | +6,852        | +17,806   | -99,405   | -25,233      | -11,060          | +8,565         | +7,742  | +92,680          |
| <u>III. Total Allocation of System Account Securities</u>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| V. Participation in System Account ("I" plus "S")   | 17,246,712 | 1,368,401 | 2,370,891 | 1,434,195         | 2,045,447      | 1,361,881     | 1,137,882 | 1,962,888 | 921,854      | 574,348          | 1,022,670      | 858,079 | 2,188,176        |
| W. Change in participation  |            | +14,898   | -71,036   | +11,861           | +33,298        | +9,183        | +3,769    | -96,380   | -17,794      | +2,350           | -513           | -6,062  | +116,426         |

\* Based on note and deposit liability and reserve figures as of close of business March 31, 1946.

*added*

DECLASSIFIED  
Authority E.O. 10501

Reproduced from the Unclassified / Declassified Holdings of the National Archives

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

April 1, 1946.

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | -14,524                            | +29,422               | +14,898      |
| New York      | -17,108                            | -53,928               | -71,036      |
| Philadelphia  | +995                               | +10,866               | +11,861      |
| Cleveland     | +17,605                            | +15,693               | +33,298      |
| Richmond      | +2,331                             | +6,852                | +9,183       |
| Atlanta       | -14,037                            | +17,806               | +3,769       |
| Chicago       | +3,025                             | -99,405               | -96,380      |
| St. Louis     | +7,439                             | -25,233               | -17,794      |
| Minneapolis   | +13,410                            | -11,060               | +2,350       |
| Kansas City   | -9,078                             | +8,565                | -513         |
| Dallas        | -13,804                            | +7,742                | -6,062       |
| San Francisco | +23,746                            | +92,680               | +116,426     |

*added*

Smead.

*MD:es*

FILE COPY

C 229A 20M 11 44

TELEGRAM

FEDERAL RESERVL BANK OF PHILADELPHIA

PRIVATE WIRE SYSTEM

OUTGOING VIA

REC'D IN FILES SECTION  
HP  
333.343

CONFIRMATION

April 1, 1946

VanFossen  
Washington

REURTEL March 29 ) Earnings to March 31 on Treasury

Bills held outside System Account are \$205,006.32

R. R. WILLIAMS

#41

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1946 APR 1 AM 10 34

REC'D TELETYPE SECTION  
APR 2 1946  
333,343

WA19WASH RH 11-20 RICH 1-103 ~~EX~~ 1020

VAN FOSSEN

EARNINGS TO MARCH 31 ON TREASURY BILLS HELD BY OUR BANK OUTSIDE  
SUSTEM ACCOUNT \$47,264.54

NOWLAN.

FOR FILES  
M. B. Daniels



RECORDS IN FILES SECTION  
HP APR 2 1946  
333,343

*my* 4/1/46

TELEGRAM  
Board of Governors  
Federal Reserve System  
Lensed Wire Service  
Centered at Washington, D.C.

WB06GC04WASH 11 MPLS 1-847

BOARD - VAN FOSSEN

*3/29/46*

EARNINGS ON TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT \$36,523.6

PETERSON .

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
HP APR 2 1946  
333.343

my  
1946 APR 1 AM 9 22

WA12WASH F1 ATLA 1-906A

VANFOSSEN

REURTEL MARCH 29 EARNINGS THROUGH MARCH 31 ON TREASURY BILLS OUTSIDE  
SYSTEM ACCOUNT \$21,306.39.

MCLARIN.

FOR FILES  
M. B. Daniels

RECORDED IN FILES SECTION  
17 APR 2 1946  
333.343

1946 APR 1 AM 9 36

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

WA17G09WASH D 5 CLEV 1-918

VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM  
ACCOUNT FOR PERIOD FROM JANUARY 1, 1946 TO MARCH 31, 1946  
INCLUSIVE IS \$101,117.37

SMITH.

FOR FILES  
M. B. Daniels

1946 APR AM 9 35

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
APR 2 1946  
333.343

WA15WASH C2 PHILA APR 1-924A

E

VANFOSSEN

REURTEL MARCH 29 EARNINGS TO MARCH 31 ON TREASURY BILLS HELD  
OUTSIDE SYSTEM ACCOUNT ARE \$205,006.32.

R R WILLIAMS.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
HP APR 2 1946  
333.343

1946 APR 1 AM 9 22

WA10WASH B2 NY 1-911A

VANFOSSEN

REURTEL MARCH 29, EARNINGS ON TREASURY BILLS FRB OF NY OPTION

ACCOUNT TO MARCH 31 \$2,639,000

MILLER.

FOR FILES  
M. B. Daniels

Files

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
APR 2 1946  
333.342

1946 MAR 30 PM 1 '19

WA70WASH B238 BOS 30-1248

SMEAD

BOARD

RETEL MARCH 29, 1946 ESTIMATED EARNINGS THROUGH MARCH 31, 1946

ON U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE

OPTION \$72,547.48

LATHAM.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

RECORDS IN FILES SECTION  
HP APR 2 1946  
332.2143

1946 MAR 30 PM 2 30

WA90G36WASH GX132 CGO 30-115

VAN FOSSEN, BOARD

REURTEL MARCH 29. EARNINGS TO MARCH 31 INCLUSIVE ON TREASURY  
BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT ARE \$1,365,700.

BLACK.

FOR FILES  
M. B. Daniels

ELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
HP APR 2 1946  
333,343  
1946 MAR 30 PM 1 40

WA74GC78WASH H90 STL 30-1227

VANFOSSEN

EARNINGS ON TREASURY BILLS HELD BY ~~THE~~ ~~XXX~~ THIS BANK OUTSIDE SYSTEM  
ACCOUNT FOR YEAR 1946 THROUGH MARCH 31 \$94,114.36

BUB.

FOR FILES  
M. B. Daniels

FOR FILES  
M. B. Daniels



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1946 MAR 30 PM 2 52

REC'D IN FILES SECTION  
HP APR 2 1946 10  
333,343

WA00G52BDWASH J117 KC 30-143

VANFOSSEN

ESTIMATED EARNINGS TO MARCH 31 TREASURY BILLS HELD BY

THIS BANK \$39,700

KOPPANG

FOR FILES  
M. B. Daniels

FEDERAL RESERVE BANK  
Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
HP APR 2 1946  
333,542

WA07GC27WASH M106 DLS 30-207P

VAN FOSSEN

1946 MAR 30 PM 3 24

THIS ~~REFERS~~ REFERS TO YOUR TELEGRAM OF MARCH 29, ESTIMATED EARNINGS TO  
MARCH 31 ON TREASURY BILLS BELD BY THIS BANK OUTSIDE SYSTEM  
ACCOUNT \$24,645.

GILBERT.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
HP APR 2, 1946  
333,343

*may*

1946 MAR 30 PM 3 56

WA20GC44WASH L58 SF 30-1240

BOARD

REURTEL 29TH EARNINGS ON TREASURY BILLS TO MAR.31 \$277,674.37

SLADE.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

March 29, 1946

Whittemore - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Payton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Clerk - San Francisco

Please wire to reach Board not later than 10 AM EST April 1  
earnings to March 31 on Treasury bills held by your Bank  
outside System Account.

Van Fossen

5

FILE COPY

March 21, 1946

Mr. Smead

Mr. Daniels

The formula for Allocation of Securities Held in System and Option Accounts provides that "Adjustments when necessary to restore any Bank's reserve ratio to the agreed upon percentage will be made in participations in Treasury bills each Wednesday and on the last day of each month, unless such day is a reallocation date, based on closing figures of the previous day . . ." When the last day of the month or Wednesday immediately precedes a reallocation date, an adjustment of Treasury bills is called for although a similar adjustment is involved in the reallocation. The only need for such an adjustment would seem to be to preclude the possibility of any Bank's issuing a condition statement showing a reserve ratio less than the agreed upon minimum.

When the last day of the month falls on a Sunday or holiday and the following day is a reallocation date, to follow the allocation formula strictly would mean delaying the reallocation in order to put through an adjustment of Treasury bills on the last day of the month. Thus, because of Board or Bank holidays, or both, we have found it desirable to omit the month-end adjustment just preceding the last two reallocations.

Heretofore, when the month-end adjustment has been omitted the presidents have been advised and given an opportunity to object. To avoid the necessity of going through this procedure, it is suggested that the allocation procedure be amended by inserting a sentence authorizing the Manager of the System Open Market Account in his discretion to omit the month-end adjustment. For this purpose it is suggested that the first three sentences of paragraph 2(b) of the allocation procedure might be revised to read as shown below. The second sentence is the proposed insert, and the clause "unless such day is a reallocation date" in the first sentence has been moved to clarify its meaning.

Adjustments when necessary to restore any Bank's reserve ratio to the agreed upon percentage will be made in participations in Treasury bills each Wednesday, unless such day is a reallocation date, and on the last day of each month, based on closing figures of the previous day, with allowance for any repurchases. When such weekly or month-end adjustment would delay or conflict with a reallocation, the adjustment may be omitted in the discretion of the Manager of the System Open Market Account, with the understanding that an adjustment to restore any Bank's reserve ratio to the agreed upon percentage will be made on telephoned request to the Manager. If, between the weekly and month-end adjustments a Bank's reserve ratio

FILE COPY

Mr. Smead

- 2 -

approaches the legal minimum, the Bank may sell to the Bank or Banks having the highest reserve ratio or ratios, a participation or participations in Treasury bills held in its option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, except that such adjustments will be made in the System account in the event that a Bank does not hold sufficient bills in its option account.

MD  
MD/41w

FILE COPY

Mr. Daniels ✓  
Mr. Van Fossen ✓  
Mrs. Smith

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968  
393,343

January 3, 1946.

Dear Mr. Smead:

We received your letter of January 2, 1946 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on January 2 as of January 1, 1946, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal, together with three copies of the computation, also copies of telegrams which were sent to each of the Federal Reserve Banks on December 21, 1945 and January 2, 1946.

Yours faithfully,

*Robert G. Rouse*  
Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (6)



*Executive*

MISC. 140A 40M-12-44

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

January 3, 1946.

Dear Mr. Williams:

In accordance with our telegram of January 2, 1946, I enclose herewith computation of the readjustments made on January 2 as of January 1, 1946 in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Alfred H. Williams, President  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania

Enclosure

RHB:fd

COPY



MISC. 140A 40M-12-44

SAC, DEPT.  
MEMPHIS

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

JANUARY 2, 1946

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today as of January 1, 1946, under the plan of reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on January 3. These computations indicate an INCREASE of \$ in your participation in interest-bearing obligations, an INCREASE of \$ in your participation in Treasury bills, making a net INCREASE of \$ in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today as of January 1.

|           |               | INTEREST-BEARING<br>SECURITIES | TREASURY<br>BILLS | TOTAL              |
|-----------|---------------|--------------------------------|-------------------|--------------------|
| FLANDERS  | BOSTON        | DEC. \$ 10,639,000             | DEC. \$ 3,933,000 | DEC. \$ 14,592,000 |
| WILLIAMS  | PHILADELPHIA  | INC. 15,431,000                | INC. 31,899,000   | INC. 47,337,000    |
| GLIMBY    | CLEVELAND     | DEC. 3,450,000                 | DEC. 42,100,000   | DEC. 45,550,000    |
| LEACH     | RICHMOND      | INC. 14,582,000                | INC. 139,121,000  | INC. 153,703,000   |
| McLACHLIN | ATLANTA       | INC. 17,638,000                | INC. 38,639,000   | INC. 56,277,000    |
| YOUNG     | CHICAGO       | DEC. 39,239,000                | DEC. 130,618,000  | DEC. 169,857,000   |
| DAVIS     | ST. LOUIS     | DEC. 23,622,000                | INC. 47,870,000   | INC. 71,492,000    |
| PEYTON    | MINNEAPOLIS   | DEC. 5,125,000                 | INC. 11,924,000   | INC. 17,049,000    |
| LEIGH     | KANSAS CITY   | DEC. 14,153,000                | INC. 8,726,000    | DEC. 22,879,000    |
| GILBERT   | DALLAS        | INC. 1,118,000                 | DEC. 12,104,000   | DEC. 10,986,000    |
| DAY       | SAN FRANCISCO | INC. 44,472,000                | DEC. 112,485,000  | DEC. 156,957,000   |

HOUSE

MISC. 140A 40M-12-44

SEC. DEPT.  
RMB:ms

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

December 21, 1945.

THE FOLLOWING TELEGRAM IS TO BE SENT TO THE PRESIDENT OF EACH FEDERAL RESERVE BANK:

It has been proposed that due to the difficulty of obtaining reserve positions of the Federal Reserve Banks as of December 29, 1945, on Monday, December 31, 1945, the adjustments of participations in Treasury bills called for on the last day of each month be omitted on December 31, 1945, with the provision that any necessary adjustments will be made upon telephone request of any Reserve Bank to me at the Federal Reserve Bank of New York.

Will you kindly let me know if this procedure meets with your approval.

COPY  
HOUSE

Replies were received from all of the banks agreeing to the above procedure.

|  | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>  |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946  | 50,071     | 3,285   | 12,315    | 3,659             | 4,435          | 3,236         | 2,722   | 6,764     | 2,708        | 1,337            | 2,711          | 2,222   | 4,677            |
| B. Estimated dividends, 1946   | 10,549     | 638     | 3,764     | 783               | 1,060          | 430           | 381     | 1,245     | 335          | 231              | 344            | 360     | 978              |
| C. Estimated expenses and dividends  | 60,620     | 3,923   | 16,079    | 4,442             | 5,495          | 3,666         | 3,103   | 8,009     | 3,043        | 1,568            | 3,055          | 2,582   | 5,655            |
| D. Limited current earnings, 1946,<br>other than on Government securities  | 2,680      | 108     | 979       | 103               | 198            | 77            | 132     | 527       | 140          | 42               | 238            | 13      | 123              |
| E. Excess of "C" over "D"  | 57,940     | 3,815   | 15,100    | 4,339             | 5,297          | 3,589         | 2,971   | 7,482     | 2,903        | 1,526            | 2,817          | 2,569   | 5,532            |
| F. Allocation required (on basis of<br>.993877% earnings rate) to produce<br>earnings equal to "E"                           | 5,829,693  | 383,850 | 1,519,303 | 436,573           | 532,963        | 361,111       | 298,930 | 752,809   | 292,088      | 153,540          | 283,435        | 258,483 | 556,608          |
| G. Average daily participations, per<br>cent, in interest-bearing securities<br>in System Account since December<br>31, 1940 | 100.0      | 7.1896  | 23.9669   | 7.6505            | 9.9999         | 6.3518        | 5.2451  | 12.7525   | 4.7969       | 2.8304           | 4.8751         | 4.3078  | 10.0335          |
| H. Allocation of remainder of interest-<br>bearing securities (\$11,431,003,000<br>less \$5,829,693,000) on basis of         | 5,601,310  | 402,712 | 1,342,460 | 428,528           | 560,125        | 355,784       | 293,794 | 714,307   | 268,689      | 158,540          | 273,070        | 241,293 | 562,008          |
| I. Total allocations   | 11,431,003 | 786,562 | 2,861,763 | 865,101           | 1,093,088      | 716,895       | 592,724 | 1,467,116 | 560,777      | 312,080          | 556,505        | 499,776 | 1,118,616        |
| J. Present allocations   | 11,431,003 | 797,221 | 2,867,763 | 849,663           | 1,096,538      | 702,313       | 575,086 | 1,497,355 | 584,399      | 317,205          | 570,658        | 498,658 | 1,074,144        |
| K. Change in allocations   | --         | -10,659 | -6,000    | +15,438           | -3,450         | +14,582       | +17,638 | -30,239   | -23,622      | -5,125           | -14,153        | +1,118  | +44,472          |

RECD IN RECORDS SECTION  
 APR 24 1968

Reproduced from the Unclassified / Declassified Holdings of the National Archives

DECLASSIFIED  
 Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleveland | Richmond  | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|-----------|-----------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |           |           |           |           |              |                  |                |         |                  |
| L. Allocation of Treasury bills on basis of "G"                                  | 12,831,245 | 922,515   | 3,075,252 | 981,654           | 1,283,112 | 815,015   | 673,012   | 1,636,304 | 615,502      | 363,176          | 625,536        | 552,744 | 1,287,423        |
| M. Holdings of Treasury bills in option accounts                                 | 4,851,923  | 111,987   | 3,017,186 | 218,922           | 147,690   | 41,781    | 18,140    | 808,885   | 103,201      | 33,923           | 46,089         | 27,669  | 276,450          |
| N. Allocation of System Account bills ("L" minus "M")                            | 7,979,322  | 810,528   | 58,066    | 762,732           | 1,135,422 | 773,234   | 654,872   | 827,419   | 512,301      | 329,253          | 579,447        | 525,075 | 1,010,973        |
| O. Portion that Banks can not take due to low reserve ratio*                     | 911,055    | 207,672   | --        | 188,950           | 196,017   | --        | --        | --        | 74,122       | 38,898           | 85,313         | 120,083 | --               |
| P. Distribution of "O" to Banks with highest reserve ratios                      | 911,055    | --        | --        | --                | --        | --        | --        | 532,502   | --           | --               | --             | --      | 378,553          |
| Q. Final allocation of Treasury bills in System account ("N" minus "O" plus "P") | 7,979,322  | 602,856   | 58,066    | 573,782           | 939,405   | 773,234   | 654,872   | 1,359,921 | 438,179      | 290,355          | 494,134        | 404,992 | 1,389,526        |
| R. Present allocations   | 7,979,322  | 606,789   | 35,005    | 541,883           | 981,505   | 634,113   | 616,233   | 1,490,539 | 390,309      | 278,431          | 485,408        | 417,096 | 1,502,011        |
| S. Change in allocations   | --         | -3,933    | +23,061   | +31,899           | -42,100   | +139,121  | +38,639   | -130,618  | +47,870      | +11,924          | +8,726         | -12,104 | -112,485         |
| <u>III. Total Allocation of System Account Securities</u>                        |            |           |           |                   |           |           |           |           |              |                  |                |         |                  |
| T. Participation in System Account ("I" plus "Q")                                | 19,410,325 | 1,389,418 | 2,919,829 | 1,438,883         | 2,032,493 | 1,490,129 | 1,247,596 | 2,827,037 | 998,956      | 602,435          | 1,050,639      | 904,768 | 2,508,142        |
| U. Change in participation   | --         | -14,592   | +17,061   | +47,337           | -45,550   | +153,703  | +56,277   | -160,857  | +24,248      | +6,799           | -5,427         | -10,986 | -68,013          |

\* Based on note and deposit liability and reserve figures on December 29, 1945.

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

January 2, 1946

Reuse - New York

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing<br/>securities</u> | <u>Treasury<br/>bills</u> | <u>Total</u> |
|---------------|--|---------------------------|--------------|
| Boston        | -10,659                                | -3,933                    | -14,592      |
| New York      | -6,000                                 | +23,061                   | +17,061      |
| Philadelphia  | +15,438                                | +31,899                   | +47,337      |
| Cleveland     | -3,450                                 | -42,100                   | -45,550      |
| Richmond      | +14,582                                | +139,121                  | +153,703     |
| Atlanta       | +17,638                                | +38,639                   | +56,277      |
| Chicago       | -30,239                                | -130,618                  | -160,857     |
| St. Louis     | -23,622                                | +47,870                   | +24,248      |
| Minneapolis   | -5,125                                 | +11,924                   | +6,799       |
| Kansas City   | -14,153                                | +8,726                    | -5,427       |
| Dallas        | +1,118                                 | -12,104                   | -10,986      |
| San Francisco | +44,472                                | -112,485                  | -68,013      |

Encad

FILE COPY

REC'D IN FILES SECTION  
JAN 3 1946  
833,343

January 2, 1946

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of January 1, 1946, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

FILE COPY

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, JANUARY 1, 1946  
(In thousands of dollars)

|  | System       | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|--------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>  |              |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1946  | 50,071 /     | 3,285   | 12,315    | 3,659             | 4,435          | 3,236         | 2,722   | 6,764     | 2,708        | 1,337            | 2,711          | 2,222   | 4,677            |
| B. Estimated dividends, 1946   | 10,549 /     | 638     | 3,764     | 783               | 1,060          | 430           | 381     | 1,245     | 335          | 231              | 344            | 360     | 978              |
| C. Estimated expenses and dividends  | 60,620 X     | 3,923   | 16,079    | 4,442             | 5,495          | 3,666         | 3,103   | 8,009     | 3,043        | 1,568            | 3,055          | 2,582   | 5,655            |
| D. Estimated current earnings, 1946,<br>other than on Government securities  | 2,680 /      | 108     | 979       | 103               | 198            | 77            | 132     | 527       | 140          | 42               | 238            | 13      | 123              |
| E. Excess of "C" over "D"  | 57,940 X     | 3,815   | 15,100    | 4,339             | 5,297          | 3,589         | 2,971   | 7,482     | 2,903        | 1,526            | 2,817          | 2,569   | 5,532            |
| F. Allocation required (on basis of<br>.993877% earnings rate) to produce<br>earnings equal to "E"                           | 5,829,693 /  | 383,850 | 1,519,303 | 436,573           | 532,963        | 361,111       | 298,930 | 752,809   | 292,088      | 153,540          | 283,435        | 258,483 | 556,608          |
| G. Average daily participations, per<br>cent, in interest-bearing securities<br>in System Account since December<br>31, 1940 | 100.0 /      | 7.1896  | 23.9669   | 7.6505            | 9.9999         | 6.3518        | 5.2451  | 12.7525   | 4.7969       | 2.8304           | 4.8751         | 4.3078  | 10.0335          |
| H. Allocation of remainder of interest-<br>bearing securities (\$11,431,003,000<br>less \$5,829,693,000) on basis of<br>"G"  | 5,601,310 /  | 402,712 | 1,342,460 | 428,528           | 560,125        | 355,784       | 293,794 | 714,307   | 268,689      | 158,540          | 273,070        | 241,293 | 562,008          |
| I. Total allocations   | 11,431,003 / | 786,562 | 2,861,763 | 865,101           | 1,093,088      | 716,895       | 592,724 | 1,467,116 | 560,777      | 312,080          | 556,505        | 499,776 | 1,118,616        |
| J. Present allocations   | 11,431,003 / | 797,221 | 2,867,763 | 849,663           | 1,096,538      | 702,313       | 575,086 | 1,497,355 | 584,399      | 317,205          | 570,658        | 498,658 | 1,074,144        |
| K. Change in allocations   | -- /         | -10,659 | -6,000    | +15,438           | -3,450         | +14,582       | +17,638 | -30,239   | -23,622      | -5,125           | -14,153        | +1,118  | +44,472          |

DECLASSIFIED

Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleveland | Richmond  | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|-----------|-----------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |           |           |           |           |              |                  |                |         |                  |
| L. Allocation of Treasury bills on basis of "G"                                  | 12,831,245 | 922,515   | 3,075,252 | 981,654           | 1,283,112 | 815,015   | 673,012   | 1,636,304 | 615,502      | 363,176          | 625,536        | 552,744 | 1,287,423        |
| M. Holdings of Treasury bills in option accounts                                 | 4,851,923  | 111,987   | 3,017,186 | 218,922           | 147,690   | 41,781    | 18,140    | 808,885   | 103,201      | 33,923           | 46,089         | 27,669  | 276,450          |
| N. Allocation of System Account bills ("L" minus "M")                            | 7,979,322  | 810,528   | 58,066    | 762,732           | 1,135,422 | 773,234   | 654,872   | 827,419   | 512,301      | 329,253          | 579,447        | 525,075 | 1,010,973        |
| O. Portion that Banks can not take due to low reserve ratio*                     | 911,055    | 207,672   | --        | 188,950           | 196,017   | --        | --        | --        | 74,122       | 38,898           | 85,313         | 120,083 | --               |
| P. Distribution of "O" to Banks with highest reserve ratios                      | 911,055    | --        | --        | --                | --        | --        | --        | 532,502   | --           | --               | --             | --      | 378,553          |
| Q. Final allocation of Treasury bills in System account ("N" minus "O" plus "P") | 7,979,322  | 602,856   | 58,066    | 573,782           | 939,405   | 773,234   | 654,872   | 1,359,921 | 438,179      | 290,355          | 494,134        | 404,992 | 1,389,526        |
| R. Present allocations   | 7,979,322  | 606,789   | 35,005    | 541,883           | 981,505   | 634,113   | 616,233   | 1,490,539 | 390,309      | 278,431          | 485,408        | 417,096 | 1,502,011        |
| S. Change in allocations   | --         | -3,933    | +23,061   | +31,899           | -42,100   | +139,121  | +38,639   | -130,618  | +47,870      | +11,924          | +8,726         | -12,104 | -112,485         |
| <u>III. Total Allocation of System Account Securities</u>                        |            |           |           |                   |           |           |           |           |              |                  |                |         |                  |
| T. Participation in System Account ("I" plus "Q")                                | 19,410,325 | 1,389,418 | 2,919,829 | 1,438,883         | 2,032,493 | 1,490,129 | 1,247,596 | 2,827,037 | 998,956      | 602,435          | 1,050,639      | 904,768 | 2,508,112        |
| U. Change in participation   | --         | -14,592   | +17,061   | +47,337           | -45,550   | +153,703  | +56,277   | -160,857  | +24,248      | +6,799           | -5,427         | -10,986 | -68,013          |

\* Based on note and deposit liability and reserve figures on December 29, 1945.

DECLASSIFIED  
Authority E.O. 10501



*Mr. Van Fossen ✓*  
*Mr. Daniels ✓*  
*Mrs. Smith*

REC'D IN RECORDS SECTION  
APR 24 1968  
333,343

FEDERAL RESERVE BANK  
OF NEW YORK

December 3, 1945.

Dear Mr. Smead:

We received Mr. Van Fossen's letter of November 30, 1945 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on December 1, 1945, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal together with three copies of the computation, also copy of the telegram which was sent to each of the Federal Reserve Banks on November 30, 1945.

Yours faithfully,

*Robert G. Rouse*  
Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (5)



*Directive #1*

REC'D IN RECORDS SECTION  
APR 24 1968

December 3, 1945.

Dear Mr. Flanders:

In accordance with our telegram of November 30, 1945, I enclose herewith computation of the readjustments made on December 1, 1945 in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Ralph E. Flanders, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Enclosure

FD

FEDERAL RESERVE BANK OF NEW YORK

MISC. 140A-100M-6-44

SECURITIES DEPT.  
RHB:FO'N

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

NOVEMBER 30, 1945

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account will be made on December 1 under the plan for reallocation of Government securities adopted by the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on December 3. These computations indicate an **INCREASE** OF \$ \_\_\_\_\_ in your participation in interest-bearing obligations, and an **DECREASE** OF \$ \_\_\_\_\_ in your participation in Treasury bills, making a net **INCREASE** OF \$ \_\_\_\_\_ in your total participation in the System Account. Your bank will receive the usual coded wire showing the detailed entries to be made on December 1.

|          |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>       |
|----------|---------------|--|---------------------------|--------------------|
| FLANDERS | BOSTON        | INC. \$ 21,210,000                     | INC. \$ 16,605,000        | INC. \$ 37,815,000 |
| WILLIAMS | PHILADELPHIA  | DEC. 3,736,000                         | INC. 6,595,000            | INC. 2,859,000     |
| GIDNEY   | CLEVELAND     | DEC. 7,009,000                         | DEC. 17,537,000           | DEC. 24,546,000    |
| LEACH    | RICHMOND      | DEC. 2,290,000                         | DEC. 8,857,000            | DEC. 11,147,000    |
| McLAREN  | ATLANTA       | DEC. 58,702,000                        | INC. 7,333,000            | DEC. 51,369,000    |
| YOUNG    | CHICAGO       | INC. 10,329,000                        | INC. 113,745,000          | INC. 124,074,000   |
| DAVIS    | ST. LOUIS     | INC. 851,000                           | DEC. 2,652,000            | DEC. 1,801,000     |
| PEYTON   | MINNEAPOLIS   | INC. 9,429,000                         | DEC. 9,682,000            | DEC. 253,000       |
| LEEDY    | KANSAS CITY   | DEC. 659,000                           | INC. 12,459,000           | INC. 11,800,000    |
| GILBERT  | DALLAS        | DEC. 6,829,000                         | INC. 5,319,000            | DEC. 1,510,000     |
| DAY      | SAN FRANCISCO | DEC. 36,740,000                        | INC. 107,690,000          | INC. 70,950,000    |

ROUSE

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, DECEMBER 1, 1945  
(In thousands of dollars)

|   | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>polis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|-----------------|----------------|---------|------------------|
| <b>L. Allocation of Interest-Bearing Securities</b>   |            |         |           |                   |                |               |         |           |              |                 |                |         |                  |
| A. Estimated current expenses, 1945   | 48,230     | 3,232   | 11,565    | 3,529             | 4,329          | 3,190         | 2,631   | 6,482     | 2,660        | 1,292           | 2,614          | 2,095   | 4,611            |
| B. Estimated dividends, 1945  | 10,176     | 618     | 3,625     | 765               | 1,025          | 410           | 367     | 1,215     | 326          | 221             | 330            | 344     | 930              |
| C. Estimated expenses and dividends   | 58,406     | 3,850   | 15,190    | 4,294             | 5,354          | 3,600         | 2,998   | 7,697     | 2,986        | 1,513           | 2,944          | 2,439   | 5,541            |
| D. Current earnings*:<br>1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities  | 2,418      | 86      | 1,034     | 96                | 172            | 75            | 56      | 361       | 157          | 63              | 232            | 11      | 75               |
| 2. On interest-bearing securities<br>in System Account to Nov. 30   | 82,345     | 5,683   | 20,364    | 6,241             | 7,863          | 5,219         | 4,344   | 10,655    | 4,057        | 2,202           | 3,984          | 3,556   | 8,177            |
| 3. Total  | 84,763     | 5,769   | 21,398    | 6,337             | 8,035          | 5,294         | 4,400   | 11,016    | 4,214        | 2,265           | 4,216          | 3,567   | 8,252            |
| E. Excess of "D" over "C"   | 26,357     | 1,919   | 6,208     | 2,043             | 2,681          | 1,694         | 1,402   | 3,319     | 1,228        | 752             | 1,272          | 1,128   | 2,711            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since November 30, 1940  | 100.0      | 7.1987  | 23.9644   | 7.6657            | 10.0173        | 6.3522        | 5.2428  | 12.7269   | 4.7796       | 2.8329          | 4.8703         | 4.3021  | 10.0471          |
| G. Estimated earnings* for year above<br>expense and dividend requirements--<br>\$26,357,000 plus estimated earnings<br>December on interest-bearing securities<br>in System Account at .99175% earnings<br>rate, \$9,163,000--allocated on<br>basis of "F" | 35,520     | 2,557   | 8,512     | 2,723             | 3,558          | 2,256         | 1,862   | 4,521     | 1,698        | 1,006           | 1,730          | 1,528   | 3,569            |
| H. "G" minus "E"  | 9,163      | 638     | 2,304     | 680               | 877            | 562           | 460     | 1,202     | 470          | 254             | 458            | 400     | 858              |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 10,878,703 | 757,461 | 2,735,407 | 807,325           | 1,041,212      | 667,230       | 546,131 | 1,427,065 | 558,004      | 301,560         | 543,757        | 474,897 | 1,018,654        |
| J. Present allocations  | 10,878,703 | 736,251 | 2,661,261 | 811,061           | 1,048,221      | 669,520       | 604,833 | 1,416,736 | 557,153      | 292,131         | 544,416        | 481,726 | 1,055,394        |
| K. Change in allocations  | --         | +21,210 | +74,146   | -3,736            | -7,009         | -2,290        | -58,702 | +10,329   | +851         | +9,429          | -659           | -6,869  | -36,740          |

\* Exclusive of earnings on Treasury bills.

DECLASSIFIED  
Authority E.O. 10501

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury Bills</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                       | 47,811     | 3,442     | 11,458    | 3,665             | 4,789          | 3,037         | 2,507     | 6,085     | 2,285        | 1,354            | 2,328          | 2,057   | 4,804            |
| M. Earnings to November 30 on bills in System Account   | 26,984     | 2,214     | 1,352     | 2,016             | 3,644          | 2,494         | 2,102     | 3,925     | 1,275        | 841              | 1,704          | 1,324   | 4,093            |
| N. Earnings to December 31 on bills in option accounts (est.)                                 | 18,226     | 381       | 10,821    | 784               | 345            | 183           | 83        | 3,450     | 483          | 201              | 179            | 111     | 1,205            |
| O. Pro rata share of earnings from bills in System Account, December, ("L" minus "M" and "N") | 2,601      | 847       | -715      | 865               | 800            | 360           | 322       | -1,290    | 527          | 312              | 445            | 622     | -494             |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                       | --         | -415      | +715      | -424              | -392           | -176          | -158      | +1,290    | -258         | -153             | -218           | -305    | +494             |
| Q. Adjusted pro rata share of earnings from bills in System Account, December                 | 2,601      | 432       | --        | 441               | 408            | 184           | 164       | --        | 269          | 159              | 227            | 317     | --               |
| R. Allocation of System Account bills in proportion to "Q"                                    | 8,054,196  | 1,337,721 | --        | 1,365,590         | 1,263,403      | 569,770       | 507,839   | --        | 832,979      | 492,356          | 702,923        | 981,615 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                   | 3,089,011  | 716,273   | --        | 753,927           | 222,133        | --            | --        | --        | 411,541      | 205,902          | 195,875        | 583,060 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                   | 3,089,011  | --        | 35,005    | --                | --             | 73,273        | 106,862   | 1,413,871 | --           | --               | --             | --      | 1,460,000        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")              | 8,054,196  | 621,448   | 35,005    | 611,663           | 1,041,270      | 643,043       | 614,701   | 1,413,871 | 421,138      | 286,454          | 507,048        | 398,555 | 1,460,000        |
| V. Present allocation   | 8,054,196  | 604,843   | 266,023   | 605,068           | 1,058,807      | 651,900       | 607,368   | 1,300,126 | 423,790      | 296,136          | 494,589        | 393,236 | 1,352,310        |
| W. Change in allocation   | --         | +16,605   | -231,018  | +6,595            | -17,537        | -8,857        | +7,333    | +113,745  | -2,652       | -9,682           | +12,459        | +5,319  | +107,690         |
| <b>III. Total Allocation of System Account Securities</b>                                     |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")   | 18,932,899 | 1,378,909 | 2,770,412 | 1,418,988         | 2,082,482      | 1,310,273     | 1,160,832 | 2,840,936 | 979,142      | 588,014          | 1,050,805      | 873,452 | 2,478,654        |
| Y. Change in participation  | --         | +37,815   | -156,872  | +2,859            | -24,546        | -11,147       | -51,369   | +124,074  | -1,801       | -253             | +11,800        | -1,510  | +70,000          |

\* Based on note and deposit liability and reserve figures  
November 29, 1945.

DECLASSIFIED  
Authority E.O. 10501

RECORDS SECTION  
DEC 3 1945

November 30, 1945

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, N. Y.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of December 1, 1945, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

*JRF*

J. R. Van Fossen,  
Assistant Director,  
Division of Bank Operations.

Enclosure

N<sup>4</sup>/dlw

FILE COPY

FOR FILE  
M. 2 1/2 1/4

|  | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>L Allocation of Interest-Bearing Securities</b>   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1945  | 48,230     | 3,232   | 11,565    | 3,529             | 4,329          | 3,190         | 2,631   | 6,482     | 2,660        | 1,292            | 2,614          | 2,095   | 4,611            |
| B. Estimated dividends, 1945   | 10,176     | 618     | 3,625     | 765               | 1,025          | 410           | 367     | 1,215     | 326          | 221              | 330            | 344     | 930              |
| C. Estimated expenses and dividends  | 58,406     | 3,850   | 15,190    | 4,294             | 5,354          | 3,600         | 2,998   | 7,697     | 2,986        | 1,513            | 2,944          | 2,439   | 5,541            |
| Current earnings*:   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945, exclusive of earnings on Government securities  | 2,418      | 86      | 1,034     | 96                | 172            | 75            | 56      | 361       | 157          | 63               | 232            | 11      | 75               |
| 2. On interest-bearing securities in System Account to Nov. 30   | 82,345     | 5,683   | 20,364    | 6,241             | 7,863          | 5,219         | 4,344   | 10,655    | 4,057        | 2,202            | 3,984          | 3,556   | 8,177            |
| 3. Total   | 84,763     | 5,769   | 21,398    | 6,337             | 8,035          | 5,294         | 4,400   | 11,016    | 4,214        | 2,265            | 4,216          | 3,567   | 8,252            |
| E. Excess of "D" over "C"  | 26,357     | 1,919   | 6,208     | 2,043             | 2,681          | 1,694         | 1,402   | 3,319     | 1,228        | 752              | 1,272          | 1,128   | 2,711            |
| F. Average daily participations, per cent, in interest-bearing securities in System Account since November 30, 1940  | 100.0      | 7.1987  | 23.9644   | 7.6657            | 10.0173        | 6.3522        | 5.2428  | 12.7269   | 4.7796       | 2.8329           | 4.8703         | 4.3021  | 10.0471          |
| G. Estimated earnings* for year above expense and dividend requirements--\$26,357,000 plus estimated earnings December on interest-bearing securities in System Account at .99175% earnings rate, \$9,163,000--allocated on basis of "F" | 35,520     | 2,557   | 8,512     | 2,723             | 3,558          | 2,256         | 1,862   | 4,521     | 1,698        | 1,006            | 1,730          | 1,528   | 3,569            |
| H. "G" minus "E"   | 9,163      | 638     | 2,304     | 680               | 877            | 562           | 460     | 1,202     | 470          | 254              | 458            | 400     | 858              |
| I. Allocation of interest-bearing securities in System Account on basis of "H"   | 10,878,703 | 757,461 | 2,735,407 | 807,325           | 1,041,212      | 667,230       | 546,131 | 1,427,065 | 558,004      | 301,560          | 543,757        | 474,897 | 1,018,654        |
| J. Present allocations   | 10,878,703 | 736,251 | 2,661,261 | 811,061           | 1,048,221      | 669,520       | 604,833 | 1,416,736 | 557,153      | 292,131          | 544,416        | 481,726 | 1,055,394        |
| K. Change in allocations   | --         | +21,210 | +74,146   | -3,736            | -7,009         | -2,290        | -58,702 | +10,329   | 6,851        | 10,429           | -659           | -6,829  | -36,740          |

RECORDED IN FILES SECTION  
 DEC 3 1945

100-100  
 1951  
 40 100  
 DECLASSIFIED  
 Authority E.O. 10501

FOR FILE  
 M. S. [unclear]

\* Exclusive of earnings on Treasury bills.

|   | System    | Boston    | New York | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|-----------|----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury Bills</b>   |           |           |          |                   |                |               |         |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                       | 47,811    | 3,442     | 11,458   | 3,665             | 4,789          | 3,037         | 2,507   | 6,085     | 2,285        | 1,354            | 2,328          | 2,057   | 4,804            |
| M. Earnings to November 30 on bills in System Account   | 26,984    | 2,214     | 1,352    | 2,016             | 3,644          | 2,494         | 2,102   | 3,925     | 1,275        | 841              | 1,704          | 1,324   | 4,093            |
| N. Earnings to December 31 on bills in option accounts (est.)                                 | 18,226    | 381       | 10,821   | 784               | 315            | 183           | 83      | 3,450     | 483          | 201              | 179            | 111     | 1,205            |
| O. Pro rata share of earnings from bills in System Account, November, ("L" minus "M" and "N") | 2,601     | 847       | -715     | 865               | 800            | 360           | 322     | -1,290    | 527          | 312              | 445            | 622     | -494             |
| P. Adjustments due to excesses "M" plus "N" over "L"  | --        | -415      | +715     | -424              | -392           | -176          | -158    | +1,290    | -258         | -153             | -218           | -305    | +494             |
| Q. Adjusted pro rata share of earnings from bills in System Account, December                 | 2,601     | 432       | --       | 441               | 408            | 184           | 164     | --        | 269          | 159              | 227            | 317     | --               |
| R. Allocation of System Account bills in proportion to "Q"                                    | 8,054,196 | 1,337,721 | --       | 1,365,590         | 1,263,403      | 569,770       | 507,839 | --        | 832,979      | 492,356          | 702,923        | 981,615 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                   | 3,089,011 | 716,273   | --       | 753,927           | 222,133        | --            | --      | --        | 411,841      | 205,902          | 195,875        | 583,060 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                   | 3,089,011 | --        | 35,005   | --                | --             | 73,273        | 106,862 | 1,413,871 | --           | --               | --             | --      | 1,460,000        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")              | 8,054,196 | 621,448   | 35,005   | 611,663           | 1,041,270      | 643,043       | 614,701 | 1,413,871 | 421,138      | 286,454          | 507,048        | 398,555 | 1,460,000        |
| V. Present allocation   | 8,054,196 | 604,843   | 266,023  | 605,068           | 1,058,807      | 651,900       | 607,368 | 1,300,126 | 423,790      | 296,136          | 494,589        | 393,236 | 1,352,310        |
| W. Change in allocation   | --        | +16,605   | -231,018 | +6,595            | -17,537        | -8,857        | +7,333  | +113,745  | -2,652       | -9,682           | +12,459        | +5,319  | +107,690         |

**III. Total Allocation of System Account Securities**

|   |            |           |           |           |           |           |           |           |         |         |           |         |           |
|---|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|---------|---------|-----------|---------|-----------|
| X. Participation in System Account ("I" plus "U") | 18,932,899 | 1,378,909 | 2,770,412 | 1,418,988 | 2,082,482 | 1,310,273 | 1,160,832 | 2,840,936 | 979,142 | 588,014 | 1,050,805 | 873,452 | 2,478,654 |
| Y. Change in participation                        | --         | +37,815   | -156,872  | +2,859    | -24,546   | -11,147   | -51,369   | +124,074  | -1,801  | -253    | +11,800   | -1,510  | +70,950   |

\* Based on note and deposit liability and reserve figures November 29, 1945.

DECLASSIFIED  
Authority E.O. 10501



**TELEGRAM**  
**BOARD OF GOVERNORS**  
 OF THE  
**FEDERAL RESERVE SYSTEM**  
 LEASED WIRE SERVICE  
 WASHINGTON

REC'D IN FILES SECTION  
 DEC 3 1945

November 30, 1945

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|                      | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|----------------------|------------------------------------|-----------------------|--------------|
| <b>Boston</b>        | +21,210                            | +16,605               | +37,815      |
| <b>New York</b>      | +74,146                            | -231,018              | -156,872     |
| <b>Philadelphia</b>  | -3,736                             | +6,595                | +2,859       |
| <b>Cleveland</b>     | -7,009                             | -17,537               | -24,546      |
| <b>Richmond</b>      | -2,290                             | -8,857                | -11,147      |
| <b>Atlanta</b>       | -58,702                            | +7,333                | -51,369      |
| <b>Chicago</b>       | +10,329                            | +113,745              | +124,074     |
| <b>St. Louis</b>     | +851                               | -2,652                | -1,801       |
| <b>Minneapolis</b>   | +9,429                             | -9,682                | -253         |
| <b>Kansas City</b>   | -659                               | +12,459               | +11,800      |
| <b>Dallas</b>        | -6,829                             | +5,319                | -1,510       |
| <b>San Francisco</b> | -36,740                            | +107,690              | +70,950      |

*26*

Van Fossan

FILE COPY

FOR FILES  
 H. E. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 NOV 30 AM 9 35

REC'D IN FILES SECTION  
DEC 3 1946

WA16GC04WASH D 1 CLEV 30-856

VANFOSSEN

ESTIMATED EARNINGS FROM JANUARY 1 TO NOVEMBER 30, 1945

INCLUSIVE ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM

ACCOUNT IS \$321,200

SMITH.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
C 8 1945  
*332-3117*

1945 NOV 30 AM 9 35

WA17WASH F6 ATLA 30-929A

VANFOSSEN

*11/29/45 to 30/45*

REURTEL NOVEMBER 30 EARNINGS FOR 1945 THROUGH NOVEMBER 30 ON TREASURY  
BILLS OUTSIDE SYSTEM ACCOUNT \$78,206.78.

MCLARIN.

FOR FILES  
M. B. Daniels

REC'D IN FILES SECTION

DEC 3 1945

FEDERAL  
Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 NOV 30 AM 9 58

WA22WASHN RH 10 RICHD 30 945A

VANFOSSEN

ESTIMATED EARNINGS TO NOVEMBER THIRTIETH ON TREASURY BILLS  
HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT \$173,475.54

NOWLAN

FOR FILES

M. B. Daniels

**TELEGRAM**  
**Board of Governors**  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D.O.

1945 NOV 29 PM 3 53

**REC'D IN FILES SECTION**  
DEC 3 1945  
353,342

WA97BD WASH B378 BOS 29-340

SMEAD

*29 to 4/28/45*  
RETEL NOVEMBER 28, 1945 ESTIMATED EARNINGS THROUGH NOVEMBER  
30, 1945 ON U. S. TREASURY BILLS HELD BY THIS BANK UNDER  
REPURCHASE OPTION \$346,372.84

PITMAN.

**FOR FILES**  
**M. B. Daniels**

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
DEC 3 1946  
335.343

1945 NOV 29 PM 5 42

WA44WASH B455 NY 29-533P

VAN FOSSEN

BOARD

ESTIMATED EARNINGS ON TREASURY BILLS FEDERAL RESERVE BANK OF  
NEW YORK OPTION ACCOUNT TO NOVEMBER 30 \$9,876,000

ROUSE.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 NOV 29 PM 4-01

REC'D IN FILES SECTION  
DEC 3 1945  
333-47  
11/1/45

WB20WASH C96 PHILA NOV 29-356P

VAN FOSSEN

*to get back*  
REURTEL NOV. 29 ESTIMATED EARNINGS TO NOVEMBER 30 ON TREASURY

BILLS HELD OUTSIDE SYSTEM ACCOUNT ARE \$714,833.23

W J DAVIS.

• FOR FILES  
M. B. Daniels

**TELEGRAM**  
**Board of Governors**  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D.O.

1945 NOV 29 PM 5 10

**REC'D IN FILES SECTION**  
DEC 3 1945  
33024

*11/29/45*

WB27GC87BD WASH GX219 CGO 29-354

VAN FOSSEN

*11/29/45 to GRBks*

REURTEL ESTIMATED EARNINGS FOR 1945 TO ~~NOVEMBER 30~~ NOVEMBER 30  
INCLUSIVE ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT.  
ARE \$3,184,058.

BLACK.

**FOR FILES**  
**M. B. Daniels**



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 NOV 29 PM 5 11  
REC'D IN FILES SECTION  
DEC 3 1945  
11/29/45

WA32G05WASH ██████████ H122 STL 29-359

VANFOSSEN

*11/29/45 to M. B. Daniels*

RETEL TODAY ESTIMATED EARNINGS TO NOVEMBER 30 ON TREASURY BILLS  
HELD BY THIS BANK OUTSIDE SYSTEM ACCOUNT APPROXIMATELY \$457,800.

BUB •

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

WA18GC65WASH 8XXX 183 MPLS 29-336

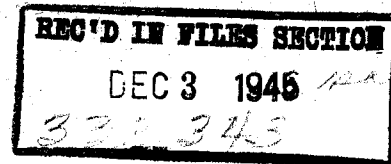
VAN FOSSEN

BOARD

ESTIMATED EARNINGS TO NOVEMBER 30 ON TREASURY BILLS <sup>E</sup>HOLD BY US  
OUTSIDE SYSTEM ACCOUNT \$190,810.

PETERSON

MK 9TH WD 1ST LN HELD.



1945 NOV 29 PM 4 48

FOR FILES  
M. E. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
DEC 3 1945  
337-43

1945 NOV 29 PM 4 59

WA28GC79BDWASH J183 KC 29 347

VAN FOSSEN

ESTIMATED EARNINGS TO NOVEMBER 30 TREASURY BILLS, OPTION ACCOUNT

<sup>H</sup>  
THIS BANK \$158,020.

KOPPANG

THIS BANK.

FOR FILES  
M. E. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 NOV 29 PM 5 34

REC'D IN FILES SECTION  
DEC 3 1945 *na*  
*333 245*

WA40GC13WASH M129 DLS 29-410P

VANFOSSEN

*29 to 30*  
THIS REFERS TO YOUR TELEGRAM OF NOVEMBER 19, ESTIMATED EARNINGS  
FOR 1945 TO NOVEMBER 30 ON TREASURY BILLS HELD BY THIS BANK  
OUTSIDE SYSTEM ACCOUTN \$100,673.00.

GILBERT.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the

Federal Reserve System  
Leased Wire Service

Received at Washington, D.O.

WA69G94WASH L88 SF 29-353

VAN FOSSEN BOARD

REC'D IN FILES SECTION  
1945 NOV 24 7 11  
DEC 3 1945  
333,243

*to Mr. Blue*

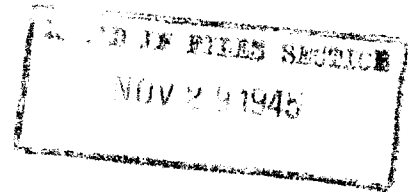
REURTEL 29TH. ESTIMATED EARNINGS ON TREASURY BILLS TO NOV. 30

\$1,103,100

SLADE.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**



November 29, 1945

Flanders - Boston  
Sproul - New York  
Williams - Philadelphia  
Godney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Day - San Francisco

Please wire to reach Board not later than 10 AM EST November 30 estimated earnings to November 30 on Treasury bills held by your Bank outside System Account.

Van Fossen

FILE COPY

REC'D IN FILES SECTION  
NOV 19 1945  
343,343

November 19, 1945

Mr. E. R. Millard,  
Federal Reserve Bank Examiner,  
c/o Federal Reserve Bank of New York,  
New York 7, New York.

Dear Russ:

Mrs. Porter asked me to let you know about any changes which had been made in the procedure for allocation of securities in the System Open Market Account since the previous examination of the New York Bank. There is attached a copy of the procedure adopted September 21, 1944, and amended June 20, 1945. The agreed upon minimum reserve ratio percentage referred to in paragraphs (a) and (b) on page 2 was set at 35 per cent effective July 1, 1945, by action of the Federal Open Market Committee on June 20, 1945.

*Mimeographed -  
Attached B letter  
7-12-45 from  
Comptroller &  
all presidents.  
D.H.T.*

If this is not all you need, please let me know.

Sincerely yours,

M. B. Daniels,  
Technical Assistant,  
Division of Bank Operations.

Enclosure

FILE COPY

FOR FILES  
M. B. Daniels

*Handwritten initials and scribbles*

REC'D IN FILES SECTION  
NOV 8 1945  
333,343

FEDERAL RESERVE BANK  
OF NEW YORK

November 2, 1945.

Dear Mr. Smead:

We received your letter of November 1, 1945 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on November 1, 1945, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal together with three copies of the computation, also copy of the telegram which was sent to each of the Federal Reserve Banks on November 1, 1945.

Yours faithfully,

*Robert G. Rouse*  
Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (5)





MISC. 140A-100M-6-44

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN FILES SECTION  
NOV 8 1945

November 2, 1945.

Dear Mr. Williams:

In accordance with our telegram of November 1, 1945, I enclose herewith computation of the readjustments made on November 1, 1945 in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Alfred H. Williams, President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania.

Enclosure

FD

*COPY*

MISC. 140A-100M-6-44

REC'D IN FILES SECTION

FEDERAL RESERVE BANK OF NEW YORK

NOV 8 1945

SECURITIES DEPARTMENT  
RHB:FD

November 1, 1945

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on November 2. These computations indicate an <sup>INCREASE</sup> ~~DECREASE~~ <sup>INCREASE</sup> ~~DECREASE~~ OF \$ in your participation in interest-bearing obligations, and an <sup>INCREASE</sup> ~~DECREASE~~ OF \$ in your participation in Treasury bills, making a net <sup>INCREASE</sup> ~~DECREASE~~ OF \$ in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|          |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>  |
|----------|---------------|--|---------------------------|---------------|
| FLANDERS | BOSTON        | - \$ 9,007,000                         | + \$15,933,000            | +\$ 6,926,000 |
| WILLIAMS | PHILADELPHIA  | + 4,341,000                            | - 15,949,000              | - 11,408,000  |
| GIDNEY   | CLEVELAND     | + 13,166,000                           | - 27,887,000              | - 14,721,000  |
| LEACH    | RICHMOND      | - 19,960,000                           | - 59,014,000              | - 78,974,000  |
| MCLARIN  | ATLANTA       | + 6,548,000                            | - 8,988,000               | - 2,440,000   |
| YOUNG    | CHICAGO       | - 34,750,000                           | + 183,488,000             | + 148,738,000 |
| DAVIS    | ST. LOUIS     | + 21,634,000                           | - 32,726,000              | - 11,092,000  |
| FRYTON   | MINNEAPOLIS   | + 9,608,000                            | - 9,514,000               | + 94,000      |
| LEEDY    | KANSAS CITY   | + 6,520,000                            | - 7,255,000               | - 735,000     |
| GILBERT  | DALLAS        | - 12,884,000                           | + 5,266,000               | - 7,618,000   |
| DAY      | SAN FRANCISCO | - 11,128,000                           | + 70,812,000              | + 59,684,000  |

NOV 1 1945

REC'D IN FILES SECTION

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, NOVEMBER 1, 1945  
(In thousands of dollars)

|   | System     | Boston  | New York  | Phila-<br>delphia | Clove-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>I. Allocation of Interest-Bearing Securities</u>   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1945   | 48,026     | 3,188   | 11,476    | 3,512             | 4,310          | 3,177         | 2,666   | 6,445     | 2,658        | 1,275            | 2,603          | 2,098   | 4,618            |
| B. Estimated dividends, 1945  | 10,171     | 618     | 3,622     | 765               | 1,024          | 409           | 367     | 1,215     | 326          | 221              | 330            | 344     | 930              |
| C. Estimated expenses and dividends   | 58,197     | 3,806   | 15,098    | 4,277             | 5,334          | 3,586         | 3,033   | 7,660     | 2,984        | 1,496            | 2,933          | 2,442   | 5,548            |
| D. Current earnings*:   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities   | 2,385      | 81      | 1,055     | 95                | 170            | 71            | 41      | 345       | 157          | 62               | 227            | 12      | 69               |
| 2. On interest-bearing securities<br>in System Account to Oct. 31   | 73,756     | 5,103   | 18,261    | 5,602             | 7,038          | 4,691         | 3,865   | 9,535     | 3,615        | 1,972            | 3,553          | 3,175   | 7,346            |
| 3. Total  | 76,141     | 5,184   | 19,316    | 5,697             | 7,208          | 4,762         | 3,906   | 9,880     | 3,772        | 2,034            | 3,780          | 3,187   | 7,415            |
| E. Excess of "D3" over "C"  | 17,944     | 1,378   | 4,218     | 1,420             | 1,874          | 1,176         | 873     | 2,220     | 788          | 538              | 847            | 745     | 1,867            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since October 31, 1940   | 100.0      | 7.2158  | 23.9932   | 7.6802            | 10.0327        | 6.3510        | 5.2182  | 12.7037   | 4.7616       | 2.8388           | 4.8646         | 4.2933  | 10.0469          |
| G. Estimated earnings* for year above<br>expense and dividend requirements--<br>\$17,944,000 plus estimated earnings<br>November-December on interest-bearing<br>securities in System Account at<br>1.01669% earnings rate, \$17,168,000--<br>allocated on basis of "F" | 35,112     | 2,534   | 8,424     | 2,697             | 3,523          | 2,230         | 1,832   | 4,460     | 1,672        | 997              | 1,708          | 1,507   | 3,528            |
| H. "G" minus "E"  | 17,168     | 1,156   | 4,206     | 1,277             | 1,649          | 1,054         | 959     | 2,240     | 884          | 459              | 861            | 762     | 1,661            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 10,103,703 | 680,329 | 2,475,313 | 751,539           | 970,469        | 620,300       | 564,390 | 1,318,284 | 520,251      | 270,130          | 506,715        | 448,452 | 977,531          |
| J. Present allocations  | 10,103,703 | 689,336 | 2,449,601 | 746,998           | 957,303        | 640,260       | 557,842 | 1,353,034 | 498,617      | 260,522          | 500,195        | 461,336 | 988,659          |
| K. Change in allocations  | -          | -9,007  | +25,712   | +4,541            | +13,166        | -19,960       | +6,548  | -34,750   | +21,634      | +9,608           | +6,520         | -12,884 | -11,128          |

DECLASSIFIED  
Authority E.O. 10501

\* Exclusive of earnings on Treasury bills.

|  | System     | Boston    | New York  | Phila-<br>dolphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minno-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury Bills</b>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "P"                      | 48,000     | 3,464     | 11,517    | 3,686             | 4,816          | 3,048         | 2,505     | 6,098     | 2,285        | 1,363            | 2,335          | 2,061   | 4,822            |
| M. Earnings to October 31 on bills in System Account   | 24,429     | 2,021     | 1,268     | 1,823             | 3,312          | 2,286         | 1,908     | 3,516     | 1,139        | 748              | 1,546          | 1,198   | 3,664            |
| N. Earnings to December 31 on bills in option accounts (est.)                                | 18,279     | 382       | 10,785    | 791               | 350            | 206           | 82        | 3,464     | 499          | 209              | 184            | 118     | 1,209            |
| O. Pre rata share of earnings from bills in System Account Nov.-Dec. ("L" minus "M" and "N") | 5,292      | 1,061     | -536      | 1,072             | 1,154          | 556           | 515       | -882      | 647          | 406              | 605            | 745     | -51              |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                      | --         | -230      | +536      | -233              | -251           | -121          | -112      | +882      | -141         | -88              | -131           | -162    | +51              |
| Q. Adjusted pro rata share of earnings from bills in System Account November-December        | 5,292      | 831       | --        | 839               | 903            | 435           | 403       | --        | 506          | 318              | 474            | 583     | --               |
| R. Allocation of System Account bills in proportion to "Q"                                   | 8,328,149  | 1,307,765 | --        | 1,320,355         | 1,421,073      | 684,570       | 634,211   | --        | 796,305      | 500,444          | 745,945        | 917,481 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                  | 3,002,658  | 671,752   | --        | 688,358           | 302,577        | --            | --        | --        | 363,750      | 210,893          | 237,434        | 527,894 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                  | 3,002,658  | --        | 266,023   | --                | --             | --            | --        | 1,320,407 | --           | --               | --             | --      | 1,416,228        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")             | 8,328,149  | 636,013   | 266,023   | 631,997           | 1,118,496      | 684,570       | 634,211   | 1,320,407 | 432,555      | 289,551          | 508,511        | 389,587 | 1,416,228        |
| V. Present allocation  | 8,328,149  | 620,080   | 380,189   | 647,946           | 1,146,383      | 743,584       | 643,199   | 1,136,919 | 465,281      | 299,065          | 515,766        | 384,321 | 1,345,416        |
| W. Change in allocation  | --         | +15,933   | -114,166  | -15,949           | -27,887        | -59,014       | -8,988    | +183,488  | -32,726      | +9,514           | +7,255         | +5,266  | +70,812          |
| <b>III. Total Allocation of System Account Securities</b>                                    |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 18,431,852 | 1,316,342 | 2,741,336 | 1,383,536         | 2,088,965      | 1,304,870     | 1,198,601 | 2,638,691 | 952,806      | 559,681          | 1,015,226      | 838,039 | 2,393,759        |
| Y. Change in participation   | --         | +6,926    | -88,454   | -11,408           | -14,721        | -78,974       | -2,440    | +148,738  | -11,092      | +94              | -735           | -7,618  | +59,684          |

\* Based on note and deposit liability and reserve figures as of close of business October 31, 1945.

DECLASSIFIED  
Authority E.O. 10501

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

RECORDED IN FILES SECTION  
 NOV 2 1945

November 1, 1945

**House - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury Bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | -9,007                             | +15,933               | +6,926       |
| New York      | +25,712                            | -114,166              | -88,454      |
| Philadelphia  | +4,541                             | -15,949               | -11,408      |
| Cleveland     | +13,166                            | -27,887               | -14,721      |
| Richmond      | -19,960                            | -59,014               | -78,974      |
| Atlanta       | +6,548                             | -8,988                | -2,440       |
| Chicago       | -34,750                            | +183,488              | +148,738     |
| St. Louis     | +21,634                            | -32,726               | -11,092      |
| Minneapolis   | +9,608                             | -9,514                | +94          |
| Kansas City   | +6,520                             | -7,255                | -735         |
| Dallas        | -12,884                            | +5,266                | -7,618       |
| San Francisco | -11,128                            | +70,812               | +59,684      |

Smead

FILE COPY

FOR FILES  
 M. E. Daniels

REC'D IN FILES SECTION  
NOV 2 1945

November 1, 1945

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of November 1, 1945, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

*E. L. S.*  
E. L. Smead, Director,  
Division of Bank Operations. *MD*

Enclosure

*MD*

FILE COPY

FOR FILES  
M. B. Daniels

|   | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>I. Allocation of Interest-Bearing Securities</u>   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1945   | 48,026     | 3,188   | 11,476    | 3,512             | 4,310          | 3,177         | 2,666   | 6,445     | 2,658        | 1,275            | 2,603          | 2,098   | 4,618            |
| B. Estimated dividends, 1945  | 10,171     | 618     | 3,622     | 765               | 1,024          | 409           | 367     | 1,215     | 326          | 221              | 330            | 344     | 930              |
| C. Estimated expenses and dividends   | 58,197     | 3,806   | 15,098    | 4,277             | 5,334          | 3,586         | 3,033   | 7,660     | 2,984        | 1,496            | 2,933          | 2,442   | 5,548            |
| D. Current earnings*:   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities   | 2,385      | 81      | 1,055     | 95                | 170            | 71            | 41      | 345       | 157          | 62               | 227            | 12      | 69               |
| 2. On interest-bearing securities<br>in System Account to Oct. 31   | 73,756     | 5,103   | 18,261    | 5,602             | 7,038          | 4,691         | 3,865   | 9,535     | 3,615        | 1,972            | 3,553          | 3,175   | 7,346            |
| 3. Total  | 76,141     | 5,184   | 19,316    | 5,697             | 7,208          | 4,762         | 3,906   | 9,880     | 3,772        | 2,034            | 3,780          | 3,187   | 7,415            |
| E. Excess of "D3" over "C"  | 17,944     | 1,378   | 4,218     | 1,420             | 1,874          | 1,176         | 873     | 2,220     | 788          | 538              | 847            | 745     | 1,867            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since October 31, 1940   | 100.0      | 7.2158  | 23.9932   | 7.6802            | 10.0327        | 6.3510        | 5.2182  | 12.7037   | 4.7616       | 2.8388           | 4.8646         | 4.8933  | 10.0469          |
| G. Estimated earnings* for year above<br>expense and dividend requirements--<br>\$17,944,000 plus estimated earnings<br>November-December on interest-bearing<br>securities in System Account at<br>1.01669% earnings rate, \$17,168,000--<br>allocated on basis of "F" | 35,112     | 2,534   | 8,424     | 2,697             | 3,523          | 2,230         | 1,832   | 4,460     | 1,672        | 997              | 1,708          | 1,507   | 3,528            |
| H. "G" minus "E"  | 17,168     | 1,156   | 4,206     | 1,277             | 1,649          | 1,054         | 959     | 2,240     | 884          | 459              | 861            | 762     | 1,661            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"  | 10,103,703 | 680,329 | 2,475,313 | 751,539           | 970,469        | 620,300       | 564,390 | 1,318,284 | 520,251      | 270,130          | 506,715        | 448,452 | 977,531          |
| J. Present allocations  | 10,103,703 | 689,336 | 2,449,601 | 746,998           | 957,303        | 640,260       | 557,842 | 1,353,034 | 498,617      | 260,522          | 500,195        | 461,336 | 988,659          |
| K. Change in allocations  | -          | -9,007  | +25,712   | +4,541            | +13,166        | -19,960       | +6,548  | -34,750   | +21,634      | +9,608           | +6,520         | -12,884 | -11,128          |

DECLASSIFIED  
Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "P"                      | 48,000     | 3,464     | 11,517    | 3,686             | 4,816          | 3,048         | 2,505     | 6,098     | 2,285        | 1,363            | 2,335          | 2,061   | 4,822            |
| M. Earnings to October 31 on bills in System Account   | 24,429     | 2,021     | 1,268     | 1,823             | 3,312          | 2,286         | 1,908     | 3,516     | 1,139        | 748              | 1,546          | 1,198   | 3,664            |
| N. Earnings to December 31 on bills in option accounts (est.)                                | 18,279     | 382       | 10,785    | 791               | 350            | 206           | 82        | 3,464     | 499          | 209              | 184            | 118     | 1,209            |
| O. Pro rata share of earnings from bills in System Account Nov.-Dec. ("L" minus "M" and "N") | 5,292      | 1,061     | -536      | 1,072             | 1,154          | 556           | 515       | -882      | 647          | 406              | 605            | 745     | -51              |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                      | --         | -230      | +536      | -233              | -251           | -121          | -112      | +882      | -141         | -88              | -131           | -162    | +51              |
| Q. Adjusted pro rata share of earnings from bills in System Account November-December        | 5,292      | 831       | --        | 839               | 903            | 435           | 403       | --        | 506          | 318              | 474            | 583     | --               |
| R. Allocation of System Account bills in proportion to "Q"                                   | 8,328,149  | 1,307,765 | --        | 1,320,355         | 1,421,073      | 684,570       | 634,211   | --        | 796,305      | 500,444          | 745,945        | 917,481 | --               |
| S. Portion that Banks cannot take due to low reserve ratio*                                  | 3,002,658  | 671,752   | --        | 688,358           | 302,577        | --            | --        | --        | 363,750      | 210,893          | 237,434        | 527,894 | --               |
| T. Distribution of "S" to Banks with highest reserve ratios                                  | 3,002,658  | --        | 266,023   | --                | --             | --            | --        | 1,320,407 | --           | --               | --             | --      | 1,416,228        |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")             | 8,328,149  | 636,013   | 266,023   | 631,997           | 1,118,496      | 684,570       | 634,211   | 1,320,407 | 432,555      | 289,551          | 508,511        | 389,587 | 1,416,228        |
| V. Present allocation  | 8,328,149  | 620,080   | 380,189   | 647,946           | 1,146,383      | 743,584       | 643,199   | 1,136,919 | 465,281      | 299,065          | 515,766        | 384,321 | 1,345,416        |
| W. Change in allocation  | --         | +15,933   | -114,166  | -15,949           | -27,887        | -59,014       | -8,988    | +183,488  | -32,726      | -9,514           | -7,255         | +5,266  | +70,812          |
| <u>III. Total Allocation of System Account Securities</u>                                    |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 18,431,852 | 1,316,342 | 2,741,336 | 1,383,536         | 2,088,965      | 1,304,870     | 1,198,601 | 2,638,691 | 952,806      | 559,681          | 1,015,226      | 838,039 | 2,393,759        |
| Y. Change in participation   | --         | +6,926    | -88,454   | -11,408           | -14,721        | -78,974       | -2,440    | +148,738  | -11,092      | +94              | -735           | -7,618  | +59,684          |

\* Based on note and deposit liability and reserve figures as of close of business October 31, 1945.



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
• Received at Washington, D.O.

1945 OCT 31 AM 9  
REC'D IN FILES SECTION  
MLL NOV 2 1945  
333.543

WA16WASH B1 BOS 31-910A

SMEAD

*to Mr. C. S.*

RETEL OCT 30, 1945 EARNINGS THROUGH OCT 31, 1945 ON

U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE OPTION

\$310,336.32

PITMAN

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
114 NOV 2 1945  
333,843

1945 OCT 31 PM 4 57

WATOWASH B316 NY 31-444

VAN FOSSEN

BOARD OF GOVERNORS

EARNINGS TO OCTOBER 31 ON BILLS HELD IN OPTION ACCOUNT BY FEDERAL  
RESERVE BANK OF NEW YORK - \$8,942,366.16

ROUSE

FOR FILES  
M. B. Daniels

1ST WD EARNINGS.

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
NOV 2 1945  
333,343  
1945 OCT 31 AM 10 00

WA23WASHC7 PHILA OCT 31-954A

VAN FOSSEN

*to all chs*  
REURTEL OCT 30, ESTIMATED EARNINGS TO OCTOBER 31  
ON TREASURY BILLS HELD OUTSIDE SYSTEM ACCOUNT ARE  
\$648,738.38

W J DAVIS.

FOR FILES  
M. E. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 31 AM

REC'D IN FILES SECTION  
HAL NOV 2 1945  
9 35 333.343

10/31/45

WA19G36WASH DT CLEVE 31-918

VAN FOSSEN

ESTIMATED EARNINGS FROM JANUARY 1 1945 TO OCTOBER 31, INCLUSIVE ON  
TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT IS \$295,779.15

SMITH.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
11K NOV 2 1945  
333.343

1945 OCT 31 AM 11 51  
New

WA55WASH RH 41

RICH 31-1145

VAN FOSEEN

ESTIMATED EARNING TO OCTOBER 31 ON TREASURY BILLS HELD BY  
OUR BANK OUTSIDE SYSTEM ACCOUNT \$156,060.25

NOWLAN.

FOR FILES  
M. B. Daniels

REC'D IN FILES SECTION  
NOV 2 1945  
333,343

1945 OCT 31 AM 10 26

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

WA25WASH F9 ATLA 31-1009A

VANFOSSEN

*to all Bks*

REURTEL OCTOBER 30 EARNINGS FOR 1945 THROUGH OCTOBER 31 ON TREASURY

BILLS OUTSIDE SYSTEM ACCOUNT \$72,192.73.

MCLARIN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
NOV 2 1945  
933.343  
1945 OCT 31 AM 10 39

WA30GC31WASH GX6 CGO 31-933  
VAN FOSSEN - BOARD

*10/30/45 to FR*

REURTEL ESTIMATED EARNINGS FOR 1945 TO OCTOBER 31 INCLUSIVE ON  
TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT ARE  
\$2,922,450.

BLACK.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
1945 OCT 31 PM 4:53 30  
333.343

*MB*  
*145*

WA86GC77WASH H129 STL 31-219

VANFOSSEN

ESTIMATED EARNINGS TO OCTOBER 31 ON TREASURY BILLS HELD BY  
US OUTSIDE SYSTEM ACCOUNT APPROXIMATELY \$434,055.00

BUB .

FOR FILES  
M. B. Daniels



TELEGRAM  
Board of Governors  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 31 PM 4 22

REC'D IN FILES SECTION  
NOV 2 1946  
333,343

10/31/45

WA00GC24WASH 159 MPLS 31-316

VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD BY US <sup>T</sup>OURSIDE SYSTEM ACCOUNT TO  
OCTOBER 31 ARE \$179,983.53

PETERSON.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
NOV 2 1945  
953,343  
1945 OCT 31 AM 10 54

WB040000 WASH J18 KC 31-942

VANFOSSEN

ESTIMATED EARNINGS TO OCT 31 BILLS OPTION ACCT \$137,593

KOPPANG.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
NOV 2 1945  
333.343

1945 OCT 31 AM 10 57

WA32GC46WASH M22 DLS 31-947A

VAN FOSSEN

*to all other*

RETEL OCTOBER 30 ESTIMATED EARNINGS FOR 1945 TO OCTOBER 31 ON  
TREASURY BILLS HELD BY THIS BANK OUTSIDE SYSTEM ACCOUNT ARE  
\$89,914.00

GILBERT.

FOR FILES  
M. B. Daniels

*M Daniels*

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 31

REC'D IN FILES SECTION  
AM 11 NOV 2 1945  
333.343

10/31/45

WA38G28WASH L3 SF 31\*800

BOARD

*to all Bks*

REURTEL 30TH. ESTIMATED EARNINGS ON TREASURY BILLS TO OCT. 31

\$1,012,100.

SLADE.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

RECORD IN FILES SECTION  
OCT 30 1945

October 30, 1945

Flanders - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Day - San Francisco

Please wire Wednesday estimated earnings to October 31 on Treasury  
bills held by your Bank outside System Account.

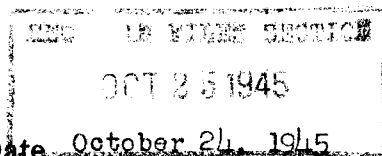
Van Fossen

54

  
MD/dlw

FILE COPY

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM



# Office Correspondence

To Mr. Shead

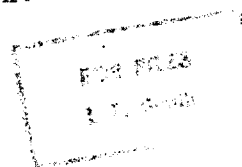
Subject: \_\_\_\_\_

From Mr. Daniels

Our files do not show much about why (1) reallocations of System Account securities have been made as of the first day of each quarter and (2) a month-end adjustment of Treasury bills in the System Account is made just prior to a quarterly reallocation.

On June 30, 1936, Government securities held by the individual Reserve Banks were transferred to the System Account. The telegram sent to the Reserve Banks on June 29 by the New York Bank stated "outright holdings of Government securities of individual Reserve Banks will be transferred to System Account tomorrow, June 30, at market prices as of eleven A. M. and reallocation of participations in System Account will be effected tomorrow . . ." Since then quarterly reallocations have been made as of the first day of the quarter. As an example of the procedure, take the January 1, 1937, reallocation. On December 28, 1936, the Banks were advised by New York of the change in their participations which would be made as of January 1 (a holiday). On January 2 they were advised of the adjustment through the Interdistrict Settlement Fund necessary to effect the change in their participations as of January 1. On January 4 (Monday) they were advised of the amount of earnings to accrue for January 1, 2, and 3. The accounting procedure adopted by the Open Market Committee on November 19, 1936, provided for accruals of earnings each day and stated, "In order to facilitate handling the System Account, this information will be furnished one day late except on the last day of the month when two days' earnings will be accrued." Probably the method of making quarterly reallocations as of the first day of the quarter was adopted to avoid confusion in accruing earnings at the end of the month.

With reference to the second question, the plan for allocation of securities held in System and Option accounts adopted September 21, 1944, provides, in addition to the quarterly and monthly (during the last quarter) reallocations, that "adjustments when necessary to restore any Bank's reserve ratio to the agreed upon percentage will be made in participations in Treasury bills each Wednesday and on the last day of each month, unless such day is a reallocation date, based on closing figures of the previous day, with allowance for any repurchases." While there is nothing specific in the file on this point, it seems safe to say that such an adjustment is made on the last day of the month just prior to a reallocation to preclude the possibility of any Bank's issuing a condition statement at the end of the month showing a reserve ratio less than the agreed upon minimum. The Board does not publish month-end figures for each Federal Reserve Bank.



*Mr. Smead ✓*  
*Mr. Van Fossen ✓*  
*Mr. Daniels ✓*  
*Mrs. Smith*

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968  
333,343

October 3, 1945.

Dear Mr. Smead:

We received your letter of October 1, 1945 and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on October 1, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal together with three copies of the computation, also copy of the telegram which was sent to each of the Federal Reserve Banks on October 1, 1945.

Very truly yours,



L. R. Rounds,  
First Vice President.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (5)

FOR VICTORY



BUY  
UNITED  
STATES  
WAR  
BONDS  
AND  
STAMPS

*Directive #1*

MISC. 140A-100M-6-44

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

October 3, 1945

Dear Mr. Flanders:

In accordance with our telegram of October 1, 1945, I enclose herewith computation of the readjustments made on October 1, 1945 in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Very truly yours,

L. R. Rounds,  
First Vice President.

Mr. Ralph A. Flanders, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Enclosure  
ms

COPY



MISC. 140A-100M-6-44

SEC. DEPT.  
RKB:mas

FEDERAL RESERVE BANK OF NEW YORK

OCTOBER 1, 1945

REC'D IN RECORDS SECTION  
APR 24 1968

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on October 2. These computations indicate an **INCREASE** of \$ **DECREASE** in your participation in interest-bearing obligations, an **INCREASE** of \$ **DECREASE** in your participation in Treasury bills, making a net **INCREASE** of \$ **DECREASE** in your total participation in the System Account. Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today.

|          |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u> |
|----------|---------------|--|---------------------------|--------------|
| FLANDERS | BOSTON        | - 21,395,000                           | + 32,057,000              | + 8,662,000  |
| WILLIAMS | PHILADELPHIA  | - 19,120,000                           | + 31,750,000              | + 12,630,000 |
| GISNEY   | CLEVELAND     | - 13,958,000                           | - 8,799,000               | - 22,757,000 |
| LEACH    | RICHMOND      | + 5,195,000                            | - 86,923,000              | - 81,728,000 |
| McLORIN  | ATLANTA       | + 29,052,000                           | + 1,020,000               | + 21,072,000 |
| YOUNG    | CHICAGO       | + 44,142,000                           | - 92,772,000              | - 48,630,000 |
| DAVIS    | ST. LOUIS     | - 7,763,000                            | + 15,623,000              | + 7,860,000  |
| PEYTON   | MINNEAPOLIS   | - 10,968,000                           | + 14,231,000              | + 3,263,000  |
| LEEDY    | KANSAS CITY   | + 30,409,000                           | - 21,835,000              | + 8,574,000  |
| GILBERT  | DALLAS        | + 27,141,000                           | - 26,753,000              | + 388,000    |
| DAY      | SAE FRANCISCO | + 107,000                              | - 9,988,000               | - 9,881,000  |

MILLER

REC'D IN RECORDS SECTION  
APR 24 1968

|  | System     | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>I. Allocation of Interest-Bearing Securities</u>  |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| C. Estimated current expenses, 1945  | 47,894     | 3,191   | 11,408    | 3,491             | 4,262          | 3,205         | 2,653   | 6,468     | 2,624        | 1,255            | 2,586          | 2,119   | 4,632            |
| Estimated dividends, 1945  | 10,159     | 616     | 3,618     | 764               | 1,024          | 408           | 367     | 1,214     | 326          | 221              | 330            | 344     | 927              |
| C. Estimated expenses and dividends  | 58,053     | 3,807   | 15,026    | 4,255             | 5,286          | 3,613         | 3,020   | 7,682     | 2,950        | 1,476            | 2,916          | 2,463   | 5,559            |
| D. Current earnings:   |            |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities  | 2,356      | 79      | 1,072     | 96                | 163            | 68            | 37      | 309       | 160          | 64               | 226            | 11      | 71               |
| 2. On interest-bearing securities<br>in System Account to Sept. 30   | 65,011     | 4,507   | 16,140    | 4,955             | 6,209          | 4,137         | 3,382   | 8,364     | 3,184        | 1,747            | 3,120          | 2,776   | 6,490            |
| 3. Total   | 67,367     | 4,586   | 17,212    | 5,051             | 6,372          | 4,205         | 3,419   | 8,673     | 3,344        | 1,811            | 3,346          | 2,787   | 6,561            |
| E. Excess of "D" over "C"  | 9,314      | 779     | 2,186     | 796               | 1,086          | 592           | 399     | 991       | 394          | 335              | 430            | 324     | 1,002            |
| F. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since September 30, 1940  | 100.0      | 7.2312  | 24.0394   | 7.6986            | 10.0560        | 6.3408        | 5.1926  | 12.6625   | 4.7490       | 2.8491           | 4.8608         | 4.2779  | 10.0421          |
| Estimated earnings for year above<br>expense and dividend requirements<br>(\$9,314,000 plus estimated earn-<br>ings October-December on interest-<br>bearing securities in System<br>Account at 1.012173% earnings<br>rate, \$25,754,000) allocated<br>on basis of "F" | 35,068     | 2,536   | 8,430     | 2,700             | 3,526          | 2,224         | 1,821   | 4,440     | 1,665        | 999              | 1,705          | 1,500   | 3,522            |
| H. "G" minus "E"   | 25,754     | 1,757   | 6,244     | 1,904             | 2,440          | 1,632         | 1,422   | 3,449     | 1,271        | 604              | 1,275          | 1,176   | 2,520            |
| I. Allocation of interest-bearing<br>securities in System Account<br>on basis of "H"   | 10,094,703 | 683,685 | 2,447,438 | 746,304           | 956,398        | 639,689       | 557,376 | 1,351,892 | 498,189      | 260,266          | 499,757        | 460,953 | 987,756          |
| J. Present allocations   | 10,094,703 | 712,080 | 2,499,280 | 765,424           | 970,356        | 634,494       | 537,324 | 1,307,750 | 505,952      | 271,234          | 469,348        | 433,812 | 987,649          |
| K. Change in allocations   | -          | -23,395 | -51,842   | -19,120           | -13,958        | +5,195        | +20,052 | +44,142   | -7,763       | -10,968          | +30,409        | +27,141 | +107             |

DECLASSIFIED  
Authority E.O. 10501

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                      | 48,117     | 3,479     | 11,567    | 3,704             | 4,839          | 3,051         | 2,499     | 6,093     | 2,285        | 1,371            | 2,339          | 2,058   | 4,832            |
| M. Earnings to September 30 on bills in System Account                                       | 21,736     | 1,810     | 1,147     | 1,613             | 2,952          | 2,045         | 1,700     | 3,145     | 991          | 654              | 1,378          | 1,070   | 3,231            |
| N. Earnings to December 31 on bills in option accounts (est.)                                | 18,356     | 368       | 10,798    | 773               | 359            | 202           | 104       | 3,546     | 513          | 218              | 164            | 111     | 1,200            |
| O. Pro rata share of earnings from bills in System Account Oct.-Dec. ("L" minus "M" and "N") | 8,025      | 1,301     | -378      | 1,318             | 1,528          | 804           | 695       | -598      | 781          | 499              | 797            | 877     | 401              |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                      | --         | -141      | +378      | -143              | -166           | -87           | -75       | +598      | -85          | -54              | -86            | -95     | -44              |
| Q. Adjusted pro rata share of earnings from bills in System Account October-December         | 8,025      | 1,160     | --        | 1,175             | 1,362          | 717           | 620       | --        | 696          | 445              | 711            | 782     | 357              |
| R. Allocation of System Account bills in proportion to "Q"                                   | 8,374,430  | 1,210,510 | --        | 1,226,163         | 1,421,305      | 748,220       | 646,996   | --        | 726,306      | 464,376          | 741,959        | 816,050 | 372,545          |
| S. Portion that Banks cannot take due to low reserve ratio*                                  | 2,465,823  | 525,766   |           | 556,073           | 291,771        |               |           |           | 283,749      | 180,846          | 202,798        | 424,820 |                  |
| T. Distribution of "S" to Banks with highest reserve ratios                                  | 2,465,823  |           | 329,454   |                   |                |               |           | 1,165,319 |              |                  |                |         | 971,050          |
| Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                | 8,374,430  | 684,744   | 329,454   | 670,090           | 1,129,534      | 748,220       | 646,996   | 1,165,319 | 442,557      | 283,530          | 539,161        | 391,230 | 1,343,595        |
| V. Present allocation  | 8,374,430  | 652,687   | 177,065   | 638,340           | 1,138,333      | 835,143       | 645,976   | 1,258,091 | 426,934      | 269,299          | 560,996        | 417,983 | 1,353,583        |
| W. Change in allocation  | --         | +32,057   | +152,389  | +31,750           | -8,799         | -86,923       | +1,020    | -92,772   | +15,623      | +14,231          | -21,835        | -26,753 | -9,988           |
| <u>III. Total Allocation of System Account Securities</u>                                    |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 18,469,133 | 1,373,429 | 2,776,892 | 1,416,394         | 2,085,932      | 1,387,909     | 1,204,372 | 2,517,211 | 940,746      | 543,796          | 1,039,918      | 852,183 | 2,331,351        |
| Y. Change in participation   | --         | +8,662    | +100,547  | +12,630           | -22,757        | -81,728       | +21,072   | -48,630   | +7,860       | +3,263           | +8,574         | +388    | -9,881           |

\*Based on note and deposit liability and reserve figures as of close of business September 30, 1945.

DECLASSIFIED  
Authority E.O. 10501

October 1, 1945

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of October 1, 1945, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

*[Handwritten signature]*  
MD/dlw

*ls*

FILE COPY

FOR FILES  
M. S. Burdick

|  | System     | Boston  | New York  | Philadelphia | Cleveland | Richmond | Atlanta | Chicago   | St. Louis | Minneapolis | Kansas City | Dallas  | San Francisco |
|--|------------|---------|-----------|--------------|-----------|----------|---------|-----------|-----------|-------------|-------------|---------|---------------|
| <b>I. Allocation of Interest-Bearing Securities</b>  |            |         |           |              |           |          |         |           |           |             |             |         |               |
| A. Estimated current expenses, 1945  | 47,894     | 3,191   | 11,408    | 3,491        | 4,262     | 3,205    | 2,653   | 6,468     | 2,624     | 1,255       | 2,586       | 2,119   | 4,632         |
| B. Estimated dividends, 1945   | 10,159     | 616     | 3,618     | 764          | 1,024     | 408      | 367     | 1,214     | 326       | 221         | 330         | 344     | 927           |
| C. Estimated expenses and dividends  | 58,053     | 3,807   | 15,026    | 4,255        | 5,286     | 3,613    | 3,020   | 7,682     | 2,950     | 1,476       | 2,916       | 2,463   | 5,559         |
| D. Current earnings:   |            |         |           |              |           |          |         |           |           |             |             |         |               |
| 1. Estimated earnings, 1945, exclusive of earnings on Government securities  | 2,356      | 79      | 1,072     | 96           | 163       | 68       | 37      | 309       | 160       | 64          | 226         | 11      | 71            |
| 2. On interest-bearing securities in System Account to Sept. 30  | 65,011     | 4,507   | 16,140    | 4,955        | 6,209     | 4,137    | 3,382   | 8,364     | 3,184     | 1,747       | 3,120       | 2,776   | 6,490         |
| 3. Total   | 67,367     | 4,586   | 17,212    | 5,051        | 6,372     | 4,205    | 3,419   | 8,673     | 3,344     | 1,811       | 3,346       | 2,787   | 6,561         |
| E. Excess of "D" over "C"  | 9,314      | 779     | 2,186     | 796          | 1,086     | 592      | 399     | 991       | 394       | 335         | 430         | 324     | 1,002         |
| F. Average daily participations, per cent, in interest-bearing securities in System Account since September 30, 1940   | 100.0      | 7.2312  | 24.0394   | 7.6986       | 10.0560   | 6.3408   | 5.1926  | 12.6625   | 4.7490    | 2.8491      | 4.8608      | 4.2779  | 10.0421       |
| Estimated earnings for year above expense and dividend requirements (\$9,314,000 plus estimated earnings October-December on interest-bearing securities in System Account at 1.012173% earnings rate, \$25,754,000) allocated on basis of "F" | 35,068     | 2,536   | 8,430     | 2,700        | 3,526     | 2,224    | 1,821   | 4,440     | 1,665     | 999         | 1,705       | 1,500   | 3,522         |
| H. "G" minus "E"   | 25,754     | 1,757   | 6,244     | 1,904        | 2,440     | 1,632    | 1,422   | 3,449     | 1,271     | 664         | 1,275       | 1,176   | 2,520         |
| I. Allocation of interest-bearing securities in System Account on basis of "H"   | 10,094,703 | 688,685 | 2,447,438 | 746,304      | 956,398   | 639,689  | 557,376 | 1,351,892 | 498,189   | 260,266     | 499,757     | 460,953 | 987,756       |
| J. Present allocations   | 10,094,703 | 712,080 | 2,499,280 | 765,424      | 970,356   | 634,494  | 537,324 | 1,307,750 | 505,952   | 271,234     | 469,348     | 433,812 | 987,649       |
| K. Change in allocations   | -          | -23,395 | -51,842   | -19,120      | -13,958   | +5,195   | +20,052 | +44,142   | -7,763    | -10,968     | +30,409     | +27,111 | -107          |

DECLASSIFIED  
Authority E.O. 10501

FOR FILE  
M. E. DUNN

Reproduced from the Unclassified / Declassified Holdings of the National Archives

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "F"                      | 48,117     | 3,479     | 11,567    | 3,704             | 4,839          | 3,051         | 2,499     | 6,093     | 2,285        | 1,371            | 2,339          | 2,058   | 4,832            |
| M. Earnings to September 30 on bills in System Account                                       | 21,736     | 1,810     | 1,147     | 1,613             | 2,952          | 2,045         | 1,700     | 3,145     | 991          | 654              | 1,378          | 1,070   | 3,231            |
| N. Earnings to December 31 on bills in option accounts (est.)                                | 18,356     | 368       | 10,798    | 773               | 359            | 202           | 104       | 3,546     | 513          | 218              | 164            | 111     | 1,200            |
| O. Pro rata share of earnings from bills in System Account Oct.-Dec. ("L" minus "M" and "N") | 8,025      | 1,301     | -378      | 1,318             | 1,528          | 804           | 695       | -598      | 781          | 499              | 797            | 877     | 401              |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                      | --         | -141      | +378      | -143              | -166           | -87           | -75       | +598      | -85          | -54              | -86            | -95     | -144             |
| Q. Adjusted pro rata share of earnings from bills in System Account October-December         | 8,025      | 1,160     | --        | 1,175             | 1,362          | 717           | 620       | --        | 696          | 445              | 711            | 782     | 357              |
| R. Allocation of System Account bills in proportion to "Q"                                   | 8,374,430  | 1,210,510 | --        | 1,226,163         | 1,421,305      | 748,220       | 646,996   | --        | 726,306      | 464,376          | 741,959        | 816,050 | 372,545          |
| S. Portion that Banks cannot take due to low reserve ratio*                                  | 2,465,823  | 525,766   |           | 556,073           | 291,771        |               |           |           | 283,749      | 180,846          | 202,798        | 424,820 |                  |
| T. Distribution of "S" to Banks with highest reserve ratios                                  | 2,465,823  |           | 329,454   |                   |                |               | 1,165,319 |           |              |                  |                |         | 971,050          |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")             | 8,374,430  | 684,744   | 329,454   | 670,090           | 1,129,534      | 748,220       | 646,996   | 1,165,319 | 442,557      | 283,530          | 539,161        | 391,230 | 1,343,595        |
| V. Present allocation  | 8,374,430  | 652,687   | 177,065   | 638,340           | 1,138,333      | 835,143       | 645,976   | 1,258,091 | 426,934      | 269,299          | 560,996        | 427,983 | 1,353,583        |
| W. Change in allocation  | --         | +32,057   | +152,389  | +31,750           | -8,799         | -86,923       | +1,020    | -92,772   | +15,623      | +14,231          | -21,835        | -26,753 | -9,988           |
| <u>III. Total Allocation of System Account Securities</u>                                    |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 18,469,133 | 1,373,429 | 2,776,892 | 1,416,394         | 2,085,932      | 1,387,909     | 1,204,372 | 2,517,211 | 940,746      | 543,796          | 1,038,918      | 852,183 | 2,331,351        |
| Y. Change in participation   | --         | +8,662    | +100,547  | +12,630           | -22,757        | -81,728       | +21,072   | -48,630   | +7,860       | +3,263           | +8,574         | +388    | -9,881           |

\*Based on note and deposit liability and reserve figures as of close of business September 30, 1945.

DECLASSIFIED  
Authority E.O. 10501

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
 OF THE  
**FEDERAL RESERVE SYSTEM**  
 LEASED WIRE SERVICE  
 WASHINGTON

RECEIVED BY FILED SECTION  
 OCT 2 1945

October 1, 1945

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|                      | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|----------------------|------------------------------------|-----------------------|--------------|
| <b>Boston</b>        | -23,395                            | +32,057               | +8,662       |
| <b>New York</b>      | -51,842                            | +152,389              | +100,547     |
| <b>Philadelphia</b>  | -19,120                            | +31,750               | +12,630      |
| <b>Cleveland</b>     | -13,958                            | -8,799                | -22,757      |
| <b>Richmond</b>      | +5,195                             | -86,923               | -81,728      |
| <b>Atlanta</b>       | +20,052                            | +1,020                | +21,072      |
| <b>Chicago</b>       | +44,142                            | -92,772               | -48,630      |
| <b>St. Louis</b>     | -7,763                             | +15,623               | +7,860       |
| <b>Minneapolis</b>   | -10,968                            | +14,231               | +3,263       |
| <b>Kansas City</b>   | +30,409                            | -21,835               | +8,574       |
| <b>Dallas</b>        | +27,141                            | -26,753               | +388         |
| <b>San Francisco</b> | +107                               | -9,988                | -9,881       |

Smead

*MD*  
 MD/diw

FILE COPY

FOR FILES  
 L. E. FRANK

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 1 AM 9 35

WA25WASH C2 PHILA OCT 1-933A

VANFOSSEN

REC'D IN FILES SECTION

OCT 2 1945

*to J.P. [unclear]*  
REURTEL SEPT. 28, EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS

HELD OUTSIDE SYSTEM ACCOUNT ARE \$580,841.89

DAVIS.

FOR FILES  
M. B. Daniels



**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 1 AM 9 22

REC'D IN FILES SECTION  
*CH*  
OCT 2 1945  
33

WA15G03WASH D2 CLEV 1-857  
VANFOSSEN

EARNINGS ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT  
FROM JANUARY 1, TO SEPTEMBER 30, 1945, INCLUSIVE \$265,247.45

SMITH.

FOR FILE  
M. B. Daniels

1945 SEP 29 PM 12 46

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

REC'D IN FILES SECTION  
OCT 2 1945

*9/29/45*

WA55WASH B169 BOS 29-1214

SMEAD

*9/29/45 to 9/30/45*

RETEL SEP 29 1945 EARNINGS THROUGH SEP 30 1945

ON U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE

OPTION \$279,497.52

PITMAN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
OCT 2 1945  
4-37543

1945 SEP 29 PM 1 14

WA70WASH B195 NY 29-109P

VAN FOSSEN

BOARD

EARNINGS TO SEPTEMBER 30 ON TREASURY BILLS HELD BY FEDERAL RESERVE  
BANK OF NEWYORK OPTION ACCOUNT \$8,025,627.63.

HARRIS.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 SEP 29 PM 2 37

REC'D IN FILES SECTION  
OCT 2 1945  
333,343

9/29/45

WB13WASH F113 ATLANTA 29 128P

VAN FOSSEN

*to [unclear]*

REURTEL SEPTEMBER 28 EARNINGS FOR 1945 THROUGH SEPTEMBER 29 ON  
TREASURY BILLS OUTSIDE SYSTEM ACCOUNT \$66,717.72 - THRU SEPTEMBER  
30 \$67,117.71.

MCLARIN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
OCT 2 1945

WA84G60WASH GX142 CGO 29-1246

VAN FOSSEN - BOARD

1945 SEP 29 PM 2 02

*to - rick*  
REURTEL SEPTEMBER 28 EARNINGS TO SEPTEMBER 30 INCLUSIVE ON  
TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT ARE  
\$2,657,814.

BLACK.

FOR FILES  
M. B. Daniels

1945 SEP 29 PM 2 19

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
OCT 2 1945

*9/29/45*

WA90G85WASH H106 STL 29-103

VANFOSSEN

*9/29/45*

REURTEL TODAY EARNINGS FOR 1945 THROUGH SEPTEMBER 30 ON TREASURY

BILLS HELD BY US OUTSIDE ~~SYSTEM~~ SYSTEM ACCOUNT \$406,687.77

BUB.

FOR FILES  
M. S. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 OCT 29 PM 2 08

REC'D IN FILES SECTION

OCT 2 1945  
2-2-43

WA87GC27WASH 135 MPLS 29-1239

VAN FOSSEN

EARNINGS ON TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT ARE

\$166,131.37 AS OF SEPTEMBER 30

PETERSON.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION  
OCT 2 1945

1945 SEP 29 AM 11 36

WA28GC41BDWASH J39 KC 29-1020

VANFOSSEN

ESTIMATED EARNINGS TREASURY BILLS THIS BANK OPTION ACCOUNT TO

SEPTEMBER 30, \$118,329

KOPPANG

FOR FILES  
M. B. Daniels



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 SEP 29 PM 3 35

REC'D IN FILES SECTION  
OCT 2 1945  
S. F. 13

9/29/45

WA25G38WASH M85 DLS 29-216P

VANFOSSEN

*to Mpls.*  
RETEL SEPT 28 ESTIMATED EARNINGS FOR 1945 TO SEP 30 ON TREAS

BILLS OUTSIDE SYSTEM ACCOUNT ARE \$81,402.00

GILBERT.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

REC'D IN FILES SECTION

CA

OCT 2 1945

1945 SEP 29 PM 3 50

WA35GC83WASH L54 SF 29-1234

BOARD

VAN FOSSEN

*To Gold*  
REURTEL 28. EARNINGS ON TREASURY BILLS TO SEPT. 30, \$918,191.80

SLADE.

FOR FILES  
M. B. Daniels

[Stamp: SEP 28 1945]

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

September 28, 1945

Flanders - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
McLarin - Atlanta

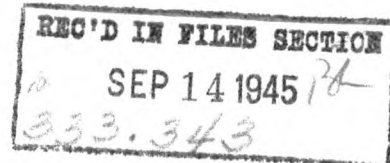
Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Day - San Francisco

Please wire to reach Board not later than 10 AM EST October 1  
earnings to September 30 on Treasury bills held by your Bank  
outside System Account.

Van Fossen

LJ

FILE COPY



September 12, 1945.

Board of Governors

Mr. Smead

On the most recent reallocation of the System Open Market Account which was effective July 2, 1945, the Federal Reserve Bank of Boston received an additional allocation of \$150,395,000 of Government securities and, of course, had a corresponding reduction in its reserves. Presumably because of the recent reduction in required reserves to 25 per cent, it did not occur to the Federal Reserve Bank of Boston that this might result in a deficiency in its reserves against deposits, the only reserves which can be counted as reserves against deposits being gold certificates, if any, held by the Federal Reserve Bank and the Bank's balance in the Interdistrict Settlement Fund.

As a matter of fact, the above allocation of additional securities to the Federal Reserve Bank of Boston and the payment therefor resulted in a deficiency of \$91,865,000 in reserves against deposits. This could have been avoided by transferring a similar amount from the Agent's Gold Certificate Fund to the Interdistrict Settlement Fund and pledging additional Government securities with the Federal Reserve Agent as collateral for Federal Reserve notes. The deficiency in reserves against deposits thus created was continuous thereafter until September 9,\* when it was discovered by employees of this Division.

The Federal Reserve Banks are required (Federal Reserve Loose-Leaf Service #5881) to furnish a certified statement at the end of each calendar year with respect to deficiencies, if any, in their deposit reserves, except that if a deficiency occurs a report thereof is to be made in duplicate promptly after the end of the month in which the deficiency existed and the appropriate tax paid to the Treasury. At the request of the Treasury the Board certifies to the accuracy of all reports from the Federal Reserve Banks regarding deficiencies, if any, in reserves against deposits. Although normally the Federal Reserve Banks submit a report on deficiencies only at the close of a calendar year, it has been our practice to inspect the daily balance sheets of the Federal Reserve Banks periodically in connection with the annual certification. This inspection of the daily balance sheets has been done, as a rule, during slack periods so that there has commonly been an interval of a month, more or less, before the check has been made in this Division on reserves as of any given time. In the present case, the absence of certain employees on leave has resulted in this interval being considerably greater than normal. In the future, it is intended to have the amount of reserves available against deposits calculated

\*The deficiency during the period from July 2 to September 9 fluctuated between a minimum of \$40,942,000 and a maximum of \$130,825,000.

FOR FILES  
 L. A. Smith

FILE COPY

Copy filed  
 330.34  
 330.23

To: Board of Governors

- 2 -

daily for each Federal Reserve Bank as of the preceding day from the data wired by the Federal Reserve Banks for use in compiling the condensed daily statement of condition of the Federal Reserve Banks. By so doing, any oversight by a Reserve Bank in this respect should be discovered by us in time to have appropriate transfers from the Agent's Gold Certificate Fund to the Interdistrict Settlement Fund effected as of the preceding day thus avoiding a deficiency.

The above described situation was brought to the attention of the Federal Reserve Bank of Boston by telephone this morning and the Bank has made the necessary transfers of reserves as of yesterday so as to avoid a deficiency in reserves against deposits as of that date.

The amendment to Section 16 of the Federal Reserve Act reducing required reserves against Federal Reserve notes and deposits to 25 per cent per annum became effective June 12, 1945, and the Board sent to the Federal Reserve Banks a letter dated July 30, 1945, fixing, effective July 30, 1945, the penalty tax on deficiencies below 25 per cent in reserves against Federal Reserve notes and against deposits. The rates previously in effect applied to deficiencies below 40 per cent on reserves against Federal Reserve notes and 35 per cent on reserves against deposits. Since the former rates were inapplicable after June 12, it is proposed to suggest to Boston that the rates applicable to reserve deficiencies from July 30 on be applied to all deficiencies during the month of July.

*J. 865  
filed  
330.34*

*See.....*  
MINUTES ON *lfr*

NOV 16 1945

VF:jbs

*54*

**FILE COPY**

~~Mr. Vetter~~ ✓  
Mr. Panger  
files

---

FOUND IN FILES SECTION  
JUL 13 1945  
333,343

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 12, 1945.

Dear Sir:

At the meeting of the Federal Open Market Committee on June 20, 1945, the second sentence of paragraph 2(b) of the allocation procedure was changed to read as follows:

"If, between the weekly and month-end adjustments a Bank's reserve ratio approaches the legal minimum, the Bank may sell to the Bank or Banks having the highest reserve ratio or ratios, a participation or participations in Treasury bills held in its Option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, except that such adjustments will be made in the System account in the event that a Bank does not hold sufficient bills in its Option account."

In order that your Bank may have the statement of procedure readily available in the changed form, a copy of the statement containing the revised sentence is enclosed.

Very truly yours,

*S. R. Carpenter*  
S. R. Carpenter,  
Secretary.

Enclosure.



TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

*Orig filed  
FOMC - General*

For FOMC FILES  
Gladys Glover

REC'D IN FILES SECTION

JUL 13 1957

ALLOCATION OF SECURITIES HELD IN SYSTEM AND OPTION ACCOUNTS

Reallocations Quarterly in Each Year Until October 1, and  
Monthly for the Remainder of the Year, and Adjustments  
of Participations in Treasury Bills in System Account  
and Option Accounts Weekly or More Often When  
Necessary to Adjust Reserve Ratios

1. Interest-Bearing Securities

- (a) Allocate a sufficient amount of interest-bearing securities held in System account to each Federal Reserve Bank to cover expenses not already covered by accrued earnings from interest-bearing securities and by estimated earnings from other sources, excluding all Treasury bills.
- (b) Allocate a sufficient amount of additional interest-bearing securities to each Federal Reserve Bank to cover dividend requirements.
- (c) Allocate any remaining interest-bearing securities to each Federal Reserve Bank on the basis of average daily holdings of interest-bearing securities in System account for the five years ending on the last day of the preceding month.

2. Treasury Bills

- (a) Allocate Treasury bills held in the System account in a manner which will give to each Bank its pro rata share (based on the percentages used for the allocation of interest-bearing securities in Paragraph 1. sub-caption (c)) of estimated earnings on holdings of Treasury bills in both the System account and Option accounts provided that, if the earnings on interest-bearing securities are not sufficient to cover expenses and dividends, the allocation of Treasury bills will first be made in accordance with the formula in Paragraph 1. sub-captions (a) and (b). Treasury bills will not



be allocated to any Bank in an amount that would reduce its reserve ratio below the percentage agreed upon from time to time by the Federal Open Market Committee and the Banks. The portion of Treasury bills that any Bank or Banks are unable to take, owing to a low reserve ratio, will be allocated to the Bank or Banks having the highest reserve ratio\*.

- (b) Adjustments when necessary to restore any Bank's reserve ratio to the agreed upon percentage will be made in participations in Treasury bills each Wednesday and on the last day of each month, unless such day is a reallocation date, based on closing figures of the previous day, with allowance for any repurchases. If, between the weekly and month-end adjustments a Bank's reserve ratio approaches the legal minimum, the Bank may sell to the Bank or Banks having the highest reserve ratio or ratios, a participation or participations in Treasury bills held in its Option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, except that such adjustments will be made in the System account in the event that a Bank does not hold sufficient bills in its Option account. Banks will utilize Treasury bills for adjusting reserve positions before selling a participation in interest-bearing securities held in the System account. All adjustments in participations will be handled through the Manager of the System Open Market Account and Banks will advise

---

\*Allocations to be made in such amounts as approximately to equalize the reserve ratios of the Banks to which bills are thus allocated.

June 20  
(1947)

him promptly of any participations in Treasury bills held in Option accounts they repurchase on days other than Wednesdays and month ends. Whenever a Bank does not have its pro rata share of the Treasury bills in the System account, its participation will be restored on the succeeding Wednesday or month end to the extent that its reserve ratio permits.

3. Profits and Losses on Sales of Securities

Allocate profits and losses on sales of securities to each Federal Reserve Bank on the basis of average daily holdings of interest-bearing securities in System account for the five years ending on the last day of the preceding month.

*Mr. Smead*

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968  
333,343

July 3, 1945.

Dear Mr. Smead:

We received your letter of July 2, 1945 and are sending to the Reserve Banks, under today's date a copy of the computation showing the adjustments made on July 2, 1945, as of July 1, 1945, in participations in the System Open Market Account, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended June 20, 1945.

Enclosed herewith is a copy of the letter of transmittal together with three copies of the computation, also copy of the telegram which was sent to each of the Federal Reserve Banks on July 2, 1945.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (4)



*Director #1*

MISC. 140A-100M-5-44

SEC. DEPT.  
RHB:FO'N

FEDERAL RESERVE BANK OF NEW YORK

**REC'D IN RECORDS SECTION**  
**APR 24 1968**  
**JULY 2, 1945**

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

Readjustment of participations in Government securities held in System Account is being made today as of July 1 under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended June 20, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on July 3. These computations indicate

|                   |   |          |
|-------------------|---|----------|
| INCREASE          |   |          |
| an DECREASE of \$ | in your participation in interest-bearing obligations, an         |          |
| INCREASE of \$    | in your participation in Treasury bills, making a net             | INCREASE |
| DECREASE of \$    |   | DECREASE |
| of \$             | in your total participation in the System Account. Your bank will |          |

receive this afternoon the usual coded wire showing the detailed entries to be made today as of July 1. Although these entries are to be made on the records as of July 1 the transfer of funds will be handled in the clearings of July 2.

|          |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u>  |
|----------|---------------|--|---------------------------|---------------|
| FLANDERS | BOSTON        | + 9,891,000                            | + 141,004,000             | + 150,395,000 |
| WILLIAMS | PHILADELPHIA  | + 15,048,000                           | + 194,102,000             | + 179,054,000 |
| GIDNEY   | CLEVELAND     | - 9,941,000                            | + 290,645,000             | + 280,704,000 |
| LEACH    | RICHMOND      | - 9,819,000                            | + 165,374,000             | + 155,555,000 |
| McLAREN  | ATLANTA       | + 15,552,000                           | - 9,677,000               | + 5,875,000   |
| YOUNG    | CHICAGO       | + 45,697,000                           | - 455,985,000             | - 410,288,000 |
| DAVIS    | ST. LOUIS     | + 13,893,000                           | + 125,368,000             | + 139,261,000 |
| PEYTON   | MINNEAPOLIS   | - 4,732,000                            | + 44,321,000              | + 39,589,000  |
| LEEDY    | KANSAS CITY   | - 23,801,000                           | + 136,897,000             | + 113,096,000 |
| GILBERT  | DALLAS        | - 2,319,000                            | + 94,434,000              | + 92,115,000  |
| DAY      | SAN FRANCISCO | - 28,744,000                           | - 229,105,000             | - 257,849,000 |

ROUSE

MISC. 140-B-24M-11-44

REC'D IN RECORDS SECTION  
APR 24 1968

July 3, 1945

Dear Mr. Flanders:

In accordance with my telegram of July 2, 1945, I enclose herewith computation of the readjustments made on July 2, 1945 as of July 1, 1945, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Ralph E. Flanders, President,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

Enclosure

FD

COPY

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, JULY 1, 1945  
(In thousands of dollars)

|  | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| I. Allocation of interest-bearing securities   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1945  | 46,990    | 3,185   | 11,186    | 3,467             | 4,212          | 3,156         | 2,580   | 6,243     | 2,641        | 1,262            | 2,481          | 2,028   | 4,549            |
| B. Estimated dividends, 1945   | 10,096    | 613     | 3,599     | 760               | 1,010          | 405           | 365     | 1,210     | 325          | 220              | 324            | 338     | 927              |
| C. Estimated expenses and dividends  | 57,086    | 3,798   | 14,785    | 4,227             | 5,222          | 3,561         | 2,945   | 7,453     | 2,966        | 1,482            | 2,805          | 2,366   | 5,476            |
| F. Current earnings:   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities  | 2,208     | 80      | 931       | 91                | 173            | 69            | 31      | 257       | 180          | 76               | 242            | 13      | 65               |
| 2. On interest-bearing securities<br>in System Account to June 30  | 41,225    | 2,834   | 10,237    | 3,155             | 3,935          | 2,642         | 2,111   | 5,273     | 1,984        | 1,112            | 2,020          | 1,753   | 4,169            |
| 3. Total   | 43,433    | 2,914   | 11,168    | 3,246             | 4,108          | 2,711         | 2,142   | 5,530     | 2,164        | 1,188            | 2,262          | 1,766   | 4,234            |
| E. Excess of "C" over "D3"   | 13,653    | 884     | 3,617     | 981               | 1,114          | 850           | 803     | 1,923     | 802          | 294              | 543            | 600     | 1,242            |
| F. Allocation required (on basis<br>of 1.039118% earnings rate) to<br>produce earnings July-December<br>equal to "E"       | 2,606,385 | 163,757 | 690,493   | 187,275           | 212,665        | 162,267       | 153,294 | 367,105   | 153,103      | 56,125           | 103,660        | 114,541 | 237,100          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since June 30, 1940   | 100.0     | 7.2556  | 24.1548   | 7.7207            | 10.1183        | 6.3062        | 5.1284  | 12.5615   | 4.7120       | 2.8726           | 4.8834         | 4.2636  | 10.0229          |
| H. Allocation of remainder of interest-<br>bearing securities (\$8,829,603,000<br>less \$2,606,385,000) on basis of<br>"G" | 6,223,218 | 451,532 | 1,503,206 | 480,476           | 629,684        | 392,449       | 319,151 | 781,729   | 293,238      | 178,768          | 303,905        | 265,333 | 623,747          |
| I. Total allocations   | 8,829,603 | 620,289 | 2,193,699 | 667,751           | 812,349        | 564,716       | 472,445 | 1,148,834 | 446,341      | 234,893          | 407,565        | 379,874 | 860,847          |
| J. Present allocations   | 8,829,603 | 610,898 | 2,183,828 | 682,799           | 852,290        | 564,535       | 456,893 | 1,103,137 | 432,448      | 239,025          | 431,366        | 382,193 | 889,591          |
| K. Change in allocations   | -         | +9,391  | +9,871    | -15,048           | -9,941         | -9,819        | +15,552 | +45,697   | +13,893      | -4,732           | -23,801        | -2,319  | -28,744          |

DECLASSIFIED  
Authority E.O. 10501

|   | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>II. Allocation of Treasury bills</b>   |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "G"                       | 47,773     | 3,466     | 11,540    | 3,688             | 4,834          | 3,013         | 2,450     | 6,001     | 2,251        | 1,372            | 2,333          | 2,037   | 4,788            |
| M. Earnings to June 30 on bills in System Account   | 13,963     | 1,128     | 1,126     | 972               | 1,810          | 1,248         | 1,098     | 2,097     | 553          | 377              | 811            | 651     | 2,092            |
| N. Earnings to December 31 on bills in option accounts (est.)                                 | 18,308     | 276       | 11,205    | 773               | 294            | 90            | 90        | 3,533     | 448          | 174              | 122            | 108     | 1,195            |
| Pro rata share of earnings from bills in System Account July-December ("L" minus "M" and "N") | 15,502     | 2,062     | -791      | 1,943             | 2,730          | 1,675         | 1,262     | 371       | 1,250        | 821              | 1,400          | 1,278   | 1,501            |
| P. Adjustments due to excesses of "M" plus "N" over "L"                                       | --         | -100      | +791      | -94               | -133           | -81           | -61       | -18       | -61          | -40              | -68            | -62     | -73              |
| Q. Adjusted pro rata share of earnings from bills in System Account July-Dec. ("O" minus "P") | 15,502     | 1,962     | --        | 1,849             | 2,597          | 1,594         | 1,201     | 353       | 1,189        | 781              | 1,332          | 1,216   | 1,428            |
| R. Allocation of System Account bills in proportion to "Q"                                    | 8,087,965  | 1,023,645 | --        | 964,692           | 1,354,953      | 831,645       | 626,607   | 184,171   | 620,347      | 407,480          | 694,950        | 634,436 | 745,039          |
| S. Portion that Banks can not take due to low reserve ratio*                                  | 1,163,962  | 216,118   |           | 279,512           | 123,680        |               |           |           | 141,710      | 103,282          | 92,773         | 206,887 |                  |
| T. Distribution of "S" to Banks with highest reserve ratios                                   | 1,163,962  |           |           |                   |                |               |           | 861,150   |              |                  |                |         | 302,812          |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")              | 8,087,965  | 807,527   |           | 685,180           | 1,231,273      | 831,645       | 626,607   | 1,045,321 | 478,637      | 304,198          | 602,177        | 427,549 | 1,047,851        |
| V. Present allocation   | 8,087,965  | 666,523   | 497,378   | 491,078           | 940,628        | 666,271       | 636,284   | 1,501,306 | 353,269      | 259,877          | 465,280        | 333,115 | 1,276,956        |
| W. Change in allocation   | --         | +141,004  | -497,378  | +194,102          | +290,645       | +165,374      | -9,677    | -455,985  | +125,368     | +44,321          | +136,897       | +94,434 | -229,105         |
| <b>III. Total allocation of System Account securities</b>                                     |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")   | 16,917,568 | 1,427,816 | 2,193,699 | 1,352,931         | 2,073,622      | 1,386,361     | 1,099,052 | 2,194,155 | 924,978      | 539,091          | 1,009,742      | 807,423 | 1,908,698        |
| Y. Change in participation  | --         | +150,395  | -487,507  | +179,054          | +280,704       | +155,555      | +5,375    | -410,288  | +139,261     | +39,589          | +113,096       | +92,115 | -257,849         |

\* Based on note and deposit liability and reserve figures as of close of business June 29, 1945.

DECLASSIFIED  
Authority E.O. 10501

U.S. FEDERAL RESERVE SYSTEM  
JUL 4 1945  
332,343

Q

76

July 2, 1945

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing adjustments to be made in allocations of Government securities in the System Open Market Account as of July 1, 1945, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944, as amended June 20, 1945.

Very truly yours,

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

Enclosure

ERH

MD/dlw

FILE COPY

FOR FILES  
M. B. Daniels



|  | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|-----------|---------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of interest-bearing securities</b>  |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| A. Estimated current expenses, 1945  | 46,990    | 5,185   | 11,186    | 3,467             | 4,212          | 3,156         | 2,580   | 6,245     | 2,641        | 1,262            | 2,481          | 2,028   | 4,549            |
| B. Estimated dividends, 1945   | 10,096    | 613     | 3,599     | 760               | 1,010          | 405           | 365     | 1,210     | 325          | 220              | 324            | 338     | 927              |
| C. Estimated expenses and dividends  | 57,086    | 3,798   | 14,785    | 4,227             | 5,222          | 3,561         | 2,945   | 7,455     | 2,966        | 1,482            | 2,805          | 2,366   | 5,476            |
| D. Current earnings:   |           |         |           |                   |                |               |         |           |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities  | 2,208     | 80      | 951       | 91                | 173            | 69            | 31      | 257       | 180          | 76               | 242            | 15      | 65               |
| 2. On interest-bearing securities<br>in System Account to June 30  | 41,225    | 2,834   | 10,237    | 3,155             | 3,935          | 2,642         | 2,111   | 5,273     | 1,984        | 1,112            | 2,020          | 1,753   | 4,169            |
| 3. Total   | 43,433    | 2,914   | 11,188    | 3,246             | 4,108          | 2,711         | 2,142   | 5,530     | 2,164        | 1,188            | 2,262          | 1,768   | 4,234            |
| E. Excess of "C" over "D"  | 13,653    | 884     | 3,617     | 981               | 1,114          | 850           | 803     | 1,923     | 802          | 294              | 543            | 600     | 1,242            |
| F. Allocation required (on basis<br>of 1.039118% earnings rate) to<br>produce earnings July-December<br>equal to "E"       | 2,606,385 | 168,757 | 690,493   | 187,275           | 212,665        | 162,267       | 153,294 | 367,105   | 153,103      | 56,125           | 103,660        | 114,541 | 237,100          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since June 30, 1940   | 100.0     | 7.2556  | 24.1548   | 7.7207            | 10.1183        | 6.3062        | 5.1284  | 12.5615   | 4.7120       | 2.8726           | 4.8834         | 4.2636  | 10.0229          |
| H. Allocation of remainder of interest-<br>bearing securities (\$8,829,603,000<br>less \$2,606,385,000) on basis of<br>"G" | 6,223,218 | 451,532 | 1,503,206 | 480,476           | 629,684        | 392,449       | 319,151 | 781,729   | 293,238      | 178,768          | 303,905        | 265,333 | 623,747          |
| I. Total allocations   | 8,829,603 | 620,289 | 2,193,699 | 667,751           | 842,349        | 554,716       | 472,445 | 1,148,834 | 446,341      | 234,893          | 407,565        | 379,874 | 860,847          |
| J. Present allocations   | 8,829,603 | 610,898 | 2,183,828 | 682,799           | 852,290        | 564,535       | 456,893 | 1,103,137 | 432,448      | 239,625          | 431,366        | 382,193 | 889,591          |
| K. Change in allocations   | -         | +9,391  | +9,871    | -15,048           | -9,941         | -9,819        | +15,552 | +45,697   | +13,893      | -4,732           | -23,801        | -2,319  | -28,744          |

DECLASSIFIED  
Authority E.O. 10501

FOR FILES  
M. B. Daniels

*added*

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta   | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|-----------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury bills</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "O"                          | 47,773     | 3,466     | 11,540    | 3,688             | 4,834          | 3,013         | 2,450     | 6,001     | 2,251        | 1,372            | 2,333          | 2,037   | 4,788            |
| M. Earnings to June 30 on bills in System Account  | 13,963     | 1,128     | 1,126     | 972               | 1,810          | 1,248         | 1,098     | 2,097     | 553          | 377              | 811            | 651     | 2,092            |
| N. Earnings to December 31 on bills in option accounts (ost.)                                    | 18,308     | 276       | 11,205    | 773               | 294            | 90            | 90        | 3,533     | 448          | 174              | 122            | 108     | 1,195            |
| U. Pro rata share of earnings from bills in System Account July-December ("L" minus "M" and "N") | 15,502     | 2,062     | -791      | 1,943             | 2,730          | 1,675         | 1,262     | 371       | 1,250        | 821              | 1,400          | 1,278   | 1,501            |
| P. Adjustments due to excesses of "M" plus "N" over "L"  | --         | 100       | 791       | 94                | 133            | 81            | 61        | 18        | 61           | 40               | 68             | 62      | 73               |
| Q. Adjusted pro rata share of earnings from bills in System Account July-Dec. ("Q" minus "P")    | 15,502     | 1,962     | --        | 1,849             | 2,597          | 1,594         | 1,201     | 353       | 1,189        | 781              | 1,332          | 1,216   | 1,428            |
| R. Allocation of System Account bills in proportion to "Q"                                       | 8,087,965  | 1,023,645 | --        | 964,692           | 1,354,953      | 831,645       | 626,607   | 184,171   | 620,347      | 407,480          | 694,950        | 634,436 | 745,039          |
| S. Portion that Banks can not take due to low reserve ratio*                                     | 1,163,962  | 216,118   |           | 279,512           | 123,680        |               |           |           | 141,710      | 103,282          | 92,773         | 206,887 |                  |
| T. Distribution of "S" to Banks with highest reserve ratios                                      | 1,163,962  |           |           |                   |                |               |           | 861,150   |              |                  |                |         | 302,812          |
| U. Final allocation of Treasury bills in System Account ("R" minus "S" plus "T")                 | 8,087,965  | 807,527   |           | 685,180           | 1,231,273      | 831,645       | 626,607   | 1,045,321 | 478,637      | 304,198          | 602,177        | 427,549 | 1,047,851        |
| V. Present allocation  | 8,087,965  | 666,523   | 497,378   | 491,078           | 940,628        | 666,271       | 636,284   | 1,501,306 | 353,269      | 259,877          | 465,280        | 333,115 | 1,276,956        |
| W. Change in allocation  | --         | +141,004  | -497,378  | +194,102          | +290,645       | +165,374      | -9,677    | -455,985  | +125,368     | +44,321          | +136,897       | +94,434 | -229,105         |
| <u>III. Total allocation of System Account securities</u>  |            |           |           |                   |                |               |           |           |              |                  |                |         |                  |
| X. Participation in System Account ("I" plus "U")  | 16,917,568 | 1,427,816 | 2,193,699 | 1,352,931         | 2,073,622      | 1,386,361     | 1,099,052 | 2,194,155 | 924,978      | 539,091          | 1,009,742      | 807,423 | 1,908,698        |
| Y. Change in participation   | --         | +150,395  | -487,507  | +179,054          | +280,704       | +155,555      | +5,875    | -410,288  | +139,261     | +39,589          | +113,096       | +92,115 | -257,849         |

\* Based on note and deposit liability and reserve figures as of close of business June 29, 1945.

DECLASSIFIED  
Authority E.O. 10501

FOR FILE  
H. E. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

July 2, 1945

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | + 9,391                            | + 141,004             | + 150,395    |
| New York      | + 9,871                            | - 497,378             | - 487,507    |
| Philadelphia  | - 15,048                           | + 194,102             | + 179,054    |
| Cleveland     | - 9,941                            | + 290,645             | + 280,704    |
| Richmond      | - 9,819                            | + 165,374             | + 155,555    |
| Atlanta       | + 15,552                           | - 9,677               | + 5,875      |
| Chicago       | + 45,697                           | - 455,985             | - 410,288    |
| St. Louis     | + 13,893                           | + 125,368             | + 139,261    |
| Minneapolis   | - 4,732                            | + 44,321              | + 39,589     |
| Kansas City   | - 23,801                           | + 136,897             | + 113,096    |
| Dallas        | - 2,519                            | + 94,434              | + 92,115     |
| San Francisco | - 28,744                           | - 229,105             | - 257,849    |

Smead

*ERL*

FILE COPY

00-1-17  
 7-2-45

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

RECEIVED  
JUL 3 1945  
333 243  
1945 JUN 30 AM 10 35

WA29 BD WASH B7 BOS 30-952A

SMEAD

*to [unclear]*  
RETEL JUNE 29 1945 ESTIMATED 1945 EARNINGS THROUGH JUNE  
30 ON U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE  
OPTION \$177,056.44

PITMAN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D. C.

1945 JUL 8 AM 10 34  
JUL 8 1945  
53 2, 2 1/3

6/30/45

WA32WASH B9 NY 30-955A

VAN FOSSEN

BOARD

ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON TREASURY BILLS HELD FRB  
OF NEWYORK OPTION ACCOUNT \$5,124,000.

ROUSE.

FOR FILES  
M. B. Daniels

FEDERAL RESERVE BANK  
Board of Governors  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

RECEIVED  
JUL 8 1945

1945 JUN 30 AM 10 36

WA33WASH C13 PHILA JUN 30-1032A

VAN FOSSEN

REURTEL JUNE 29, <sup>to J. H. ...</sup> ESTIMATED EARNINGS YEAR TO JUNE 30 ON  
TREASURY BILLS HELD OUTSIDE SYSTEM ACCOUNT ARE \$379,579.66

MCILHENNY .

FOR FILES  
M. B. Daniels

*R*

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 JUN 30 AM 10 06  
JUL 8 1945

WA21G41WASH D 17 CLEV 30-942

VANFOSSEN

*6/29/45 to 6/30/45*

REPLY WIRE ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON TREASURY

BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT IS \$169,380.

SMITH.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 JUN 30 AM 11 15

JUL 8 1945

WA43WASH RH 28

RICH

~~2~~ 30-1110

VAN FOSSEN

*6/29/45 to 6/30/45*

RETEL ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON TREASURY BILLS

HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT \$82,512

GUTHRIE.

FOR FILES  
M. B. Daniels



1945 JUN 30 PM 12 08  
3 23 31/3  
7-11-45

TELETYPE  
Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
- Received at Washington, D.C.

WA06WASH F126 ATLA 30-1245P

VAN FOSSEN

*to FRB*

REURTEL JUNE 29. ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON  
TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT \$48,247.

MCLARIN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 JUN 30 AM 11 17  
JUL 8 1945

*Handwritten initials*

WA46G17WASH GX27 CGO 30-945

VANFOSSEN.

BOARD

*6/29/45 to FRB*

REURTEL ESTIMATED EARNINGS FOR 1945 TO JUNE 30 INCLUSIVE ON  
TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ~~XXXXXXXXXX~~ ACCOUNT  
ARE \$X \$1,836,896

BLACK.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 JUL 30 AM 10 33 5  
RECEIVED  
6/30/45

WA27GC49WASH H8 STL 30-907

VANFOSSEN

ESTIMATED EARNINGS ~~SPINX~~ FOR SIX MONTHS OF 1945 TO JUNE 30 ON  
TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT APPROXIMATELY  
\$302,000

HITT.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

JUL 3 1945  
5 31 30  
1945 JUN 30 PM 1 59

WA04GC91WASH 145 MPLS 30-1248

VANFOSSEN

ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON TREASURY BILLS ~~XXXX~~  
OUTSIDE SYSTEM ACCOUNT \$115,486.96

PETERSON.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 JUN 30 AM 11 18

JUL 3 1945

WA47GC96BDWASH J36 KC 30-954

VANFOSSEN

ESTIMATED EARNINGS FOR 1945 TO JUNE 30 ON TREASURY BILLS, OPTION  
ACCOUNT \$76,996

KOPPANGE.

FOR FILES  
M. B. Daniels

*Handwritten mark*

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 JUN 30 AM 11 44

JUL 8 1945  
*Handwritten initials*

*Handwritten initials*

WA56GC15WASH M11 DLS 30-958A

VANFOSSEN

*to Mr. Baker*

RETEL JUNE 29 ESTIMATED EARNINGS FOR 1945 TO JUNE 30

ON TREASURY BILLS HELD OUR ACCOUNT ARE \$50,734

GILBERT.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 JUN 30 AM 11 15

JUL 8 1945  
R.R. 2/3

6/30/45

WA45GCIOWASH L3 SF 30-803

VAN FOSSEN BOARD

*to FRB St. Louis*

REURTEL 29TH. ESTIMATED EARNINGS ON TREASURY BILLS

TO JUNE 30 \$654,000

EARHART.

FOR FILES  
M. E. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

June 29, 1945

Flanders - Boston  
Sproul - New York  
Williams - Philadelphia  
Gidney - Cleveland  
Leach - Richmond  
Molarin - Atlanta

Young - Chicago  
Davis - St. Louis  
Peyton - Minneapolis  
Leedy - Kansas City  
Gilbert - Dallas  
Day - San Francisco

Please wire Saturday estimated earnings for 1945 to June 30  
on Treasury bills held by your Bank outside System Account.

Van Fossen



FILE COPY



**TELEGRAM**  
**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**  
LEASED WIRE SERVICE  
**WASHINGTON**

June 21, 1945.

|                 |                |                |                 |
|-----------------|----------------|----------------|-----------------|
| <b>Flanders</b> | - Boston       | <b>Young</b>   | - Chicago       |
| <b>Spreul</b>   | - New York     | <b>Davis</b>   | - St. Louis     |
| <b>Williams</b> | - Philadelphia | <b>Peyton</b>  | - Minneapolis   |
| <b>Gidney</b>   | - Cleveland    | <b>Leedy</b>   | - Kansas City   |
| <b>Leach</b>    | - Richmond     | <b>Gilbert</b> | - Dallas        |
| <b>McLarin</b>  | - Atlanta      | <b>Day</b>     | - San Francisco |

At the meeting of the Federal Open Market Committee yesterday at which the Presidents of all Federal Reserve Banks were present, it was agreed unanimously, pursuant to the provision of paragraph 2(a) of the procedure now in effect for the allocation of securities in the System open market account and pending further action by the Federal Open Market Committee, that beginning July 1, 1945, Treasury bills would not be allocated to any Federal Reserve Bank in an amount that would reduce its reserve ratio below 35 per cent.

By unanimous vote the second sentence of paragraph 2(b) of the allocation procedure was changed to read as follows: "If, between the weekly and month-end adjustments a Bank's reserve ratio approaches the legal minimum, the Bank may sell to the Bank or Banks having the highest reserve ratio or ratios, a participation or participations in Treasury bills held in its option account for a period of days to expire on the following Wednesday or month end, whichever is earlier, except that such adjustments will be made in the System account in the event that a Bank does not hold sufficient bills in its option account."

SEC:mes

FILE COPY

*original*

HP  
FEB 14 1945  
333.343  
6/18/45

1. Reallocation of securities

Mr. Leedy, Chairman of a Special Committee, presented a report of its Subcommittee on Reallocation of Securities in the Open Market Account. In submitting this report, which recommends no change in the allocation formula at the present time, Mr. Leedy stated that the Committee had no other suggestions except that the matter should not be considered as closed and that its consideration can be renewed when conditions warrant.

This report was accepted and approved.

2. Contingency reserves

Mr. Leedy also presented a report of the same Subcommittee, which agreed that as a matter of principle it is desirable that funds be allocated to contingency reserves only to provide for genuine contingencies to which the allocation bears a reasonable relationship. The Subcommittee also agreed that on the average the present contingency reserves are excessive by this standard. The Subcommittee suggests:

- (1) That the normal maximum for contingency reserves shall be \$3 million or 25% of combined surplus (Section 7) and contingency reserves, whichever is greater;
- (2) That no additions be made to contingency reserves except when they are below this standard; and
- (3) That no bank which has reserves above the standard shall be asked to reduce them by transfer to surplus.

Mr. Leedy stated that the report of the Subcommittee was presented solely for the information of the Conference and that the Special Committee itself recommended no action. He commented, however, that the members of the Special Committee concurred in the view expressed by the Subcommittee that the purpose of contingent reserves is to provide for genuine contingencies to which the account should bear a reasonable relationship.

Thereupon, the report of the Special Committee was accepted for further consideration, and the Committee discharged with appreciation.

*Excerpt from minutes of Pres Conf 6/18/45 - 333.343*

*copy 6/18/45  
filed 334. 6/18/45*

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

**May 29, 1945.**

**Hardy**

**Kansas City**

**I have no corrections or changes to suggest  
in the May 26 draft of the "Minutes of Meeting of Sub-  
committee on Reallocation of Securities in the Open Market  
Account."**

**Smead**



**ELS: mm**

**FILE COPY**

May 20, 1945

Attached is rough draft of the minutes of the  
May 19th meeting.

Please send any corrections or suggestions as  
promptly as possible.

Charles O. Hardy

May 26, 1945

332-243

5/26/45

MINUTES OF MEETING OF SUBCOMMITTEE ON REALLOCATION OF SECURITIES IN THE OPEN MARKET ACCOUNT

The Committee met in Room 2019, office of the Board of Governors, Washington, D. C., May 19, 1945, at 10 a.m.

Present: Messrs. C. O. Hardy, Federal Reserve Bank, Kansas City, Chairman  
Karl Bopp, Federal Reserve Bank, Philadelphia  
V. K. Bowman, Federal Reserve Bank, Atlanta  
W. D. Gentry, Federal Reserve Bank, Dallas  
and Robert G. Rouse, Federal Reserve Bank, New York,

members of the Committee, and E. L. Smead, Board of Governors, associate member. Also present by invitation: Messrs. M. A. Harris, Federal Reserve Bank of New York, and J. R. Van Fossen of the staff of the Board of Governors.

The agenda consisted of consideration of two topics: (1) the formula for allocation of securities in the Open Market Account, and (2) the policy of the several Reserve banks with reference to accumulation of contingency reserves.

1. Allocation. The Committee considered certain criticisms which had been offered concerning the present plan of allocation, and reviewed suggested plans prepared by Mr. Dolley of the Federal Reserve Bank of Dallas and by Mr. Hardy.

VOTED, on motion of Mr. Rouse, seconded by Mr. Bopp, to recommend no change in the allocation formula at the present time.

2. Contingency reserves. It was agreed that as a matter of principle it is desirable that funds be allocated to contingency reserves only to provide for genuine contingencies to which the allocation bears a reasonable relationship. It was also agreed that on the average the present contingency reserves are excessive by this standard.

VOTED, on motion of Mr. Rouse, seconded by Mr. Bopp, that the Committee suggest (1) the normal maximum for contingency reserves shall be 3 million dollars, or 25 per cent of combined surplus (Section 7) and contingency reserves, whichever is greater, (2) that no additions be made to contingency reserves except when they are below this standard, and (3) that no bank which has reserves above the standard shall be asked to reduce them by transfer to surplus.

FOR FILE  
J. A. Smith

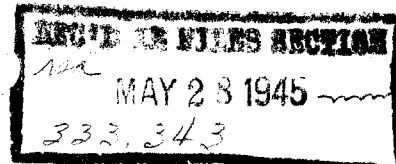
JUN 6 1945

Don Arp

Is the report  
satisfactory  
to you?

See  
OK

FOR FILE  
J. B. Smith



MEMORANDUM FOR COMMITTEE ON ALLOCATION  
OF U. S. GOVERNMENT SECURITIES

file 5/19/45 mb  
From: C. C. Hardy

The following ideas are submitted for consideration at our meeting of May 19. It is suggested that if members of the Committee find time to submit written comments prior to the meeting, copies be sent to each member of the Committee to expedite consideration.

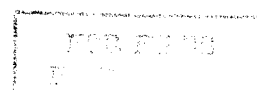
Mr. Dolley's memorandum suggests two alternative bases of allocation: namely, total assets and total net worth. Total assets is a rough measure of ability to carry securities, and total net worth is a rough measure of ability to carry the risk of capital losses. It is suggested that instead of treating these as alternative methods of allocating the entire portfolio, a formula similar in effect to total net worth be used for allocating interest-bearing securities, which involve some risk of capital loss, and a formula similar to total assets be used in allocating bills. Gains and losses from sales of securities would then be allocated as at present, in accordance with the amount of Government securities held over the past five years (or other appropriate period).

Instead of total net worth as a basis of allocation of interest-bearing securities, I suggest Section 7 surplus plus "other capital accounts" (primarily reserves for contingencies). Precedent for use of this base is found in the present plan of sharing excessive losses from theft or loss of registered mail. The omission of paid-in capital from our base may be justified on the theory that capital losses great enough to impair capital are beyond the range of reasonable probability, and if they did occur would presumably be taken care of by calling in the unpaid capital or by other drastic measures. Incidentally, use of this item instead of net worth would slightly reduce the extent to which the reallocation would transfer income from the smaller to the larger banks.

Instead of total assets, I suggest total reserves plus bill holdings. The principal item thus omitted is "interest-bearing securities," which obviously does not represent buying power available for the purchase of bills. Total assets also include a number of items, such as bank promises and uncollected items, which do not constitute buying power for bills.

It is suggested that the allocation ratios be calculated for each calendar month by averaging the Wednesday closing items for the 4 to 5 Wednesdays from the 28th of the second preceding month to the 27th of the preceding month, inclusive. The formula would run as follows:

First, allocate interest-bearing securities according to the ratio of the individual bank's Section 7 surplus plus "other capital accounts," to the sum of the corresponding items for the System.



Second, allocate bills, both System account and option accounts, according to total reserves plus bill holdings. 1/ Bill holdings shall be adjusted to the ratios daily. If it is necessary for this purpose to reallocate bills in the option accounts, this would be effected by sale of participations by banks with excess holdings to banks with deficiencies. This would involve a one-day lag in the adjustment of holdings to the formula.

Third, allocate profits and losses on Government securities according to the average amount of interest-bearing securities held over the preceding five years.

An immediate effect of this procedure would be to increase substantially the incomes of the large banks at the expense of the smaller ones. However, as is noted in Dolley's memorandum, the present and prospective earnings are so much larger than expenses that this is a matter of comparatively little importance. 2/ In the event of a postwar shift of deposits from the interior banks to banks in industrial and financial centers, bills rather than securities would follow the shift of deposits. Hence the disturbance of the income pattern would be relatively small. Moreover, since the plan would increase the reserve ratios of the interior banks and decrease those of the big city banks, the anticipated postwar reversal of the movement of funds would find the interior banks in a better position to lose reserves.

The following tabulations show the approximate effects of the proposed formula if it had been applied April 1, 1944 or April 1, 1945.

---

1/ In the initial allocation but not thereafter, the bill holding ratios should be adjusted as follows: First compute the allocations of interest-bearing securities, and list the increases and decreases. To the reserve plus bills of each bank add the decrease (or deduct the increase) of holdings of interest-bearing securities (from their 4- or 5-week average), attributable to the reallocation. Use the resulting sums and remainders as numerators in computing the bill ratios. The denominator (the sum of reserves and bills for the System) would not be adjusted.

This adjustment is necessary because otherwise the sharp change in holdings of interest-bearing securities would destroy the relationship between the surplus-other capital ratio, and the true buying power of the respective banks.

2/ No account is taken of expenses in the formula. If it is deemed necessary, provision can be made for underwriting expenses by temporary supplemental allocations to banks which are incurring actual deficits. However, in view of the remoteness of the issue and the size of the contingency reserves, I would prefer to ignore expense ratios entirely.



PROPOSED ALLOCATION RATIOS  
(Per cent)

|               | <u>April 1, 1944</u>                      |                 | <u>April 1, 1945</u>                      |                 |
|---------------|---|-----------------|---|-----------------|
|               | <u>Interest-bearing<br/>Securities a/</u> | <u>Bills b/</u> | <u>Interest-bearing<br/>Securities a/</u> | <u>Bills b/</u> |
| Boston        | 6.5                                       | 5.9             | 6.5                                       | 5.4             |
| New York      | 33.3                                      | 25.2            | 32.6                                      | 25.4            |
| Philadelphia  | 8.6                                       | 5.6             | 8.3                                       | 5.6             |
| Cleveland     | 9.5                                       | 8.5             | 9.3                                       | 8.1             |
| Richmond      | 4.0                                       | 6.1             | 4.2                                       | 6.1             |
| Atlanta       | 3.9                                       | 5.5             | 4.1                                       | 5.5             |
| Chicago       | 14.6                                      | 16.7            | 14.6                                      | 17.1            |
| St. Louis     | 3.6                                       | 4.0             | 3.7                                       | 4.1             |
| Minneapolis   | 2.8                                       | 2.2             | 2.8                                       | 2.0             |
| Kansas City   | 3.1                                       | 4.4             | 3.3                                       | 4.1             |
| Dallas        | 3.1                                       | 3.4             | 3.1                                       | 3.4             |
| San Francisco | <u>7.0</u>                                | <u>12.5</u>     | <u>7.5</u>                                | <u>13.2</u>     |
| System        | <u>100</u>                                | <u>100</u>      | <u>100</u>                                | <u>100</u>      |

a/ Proportion of average surplus (Sec. 7) plus other capital accounts (chiefly reserve for contingencies).

b/ Proportion of average total reserves plus bills, adjusted. For nature of adjustment, see footnote 1, page 2.

GOVERNMENT SECURITIES HELD BY FEDERAL RESERVE BANKS  
ON APRIL 5, 1944, COMPARED WITH PROPOSED ALLOCATION  
(In thousands of dollars)

|               | <u>Actual</u>                          |                  | <u>Allocation</u>                      |                  |
|---------------|--|------------------|--|------------------|
|               | <u>Interest-bearing<br/>Securities</u> | <u>Bills</u>     | <u>Interest-bearing<br/>Securities</u> | <u>Bills</u>     |
| Boston        | 430,854                                | 360,807          | 365,025                                | 396,253          |
| New York      | 1,194,890                              | 2,041,527        | 1,870,052                              | 1,692,470        |
| Philadelphia  | 455,879                                | 391,844          | 482,956                                | 376,104          |
| Cleveland     | 642,539                                | 495,829          | 533,498                                | 570,873          |
| Richmond      | 375,592                                | 297,141          | 224,631                                | 409,685          |
| Atlanta       | 335,626                                | 229,010          | 219,015                                | 369,388          |
| Chicago       | 591,594                                | 1,257,498        | 819,902                                | 1,121,597        |
| St. Louis     | 261,741                                | 390,639          | 202,168                                | 268,646          |
| Minneapolis   | 170,847                                | 185,964          | 157,242                                | 147,755          |
| Kansas City   | 300,705                                | 242,025          | 174,089                                | 293,511          |
| Dallas        | 273,660                                | 189,863          | 174,089                                | 228,349          |
| San Francisco | <u>581,824</u>                         | <u>634,003</u>   | <u>393,104</u>                         | <u>839,519</u>   |
| Total         | <u>5,615,771</u>                       | <u>6,716,150</u> | <u>5,615,771</u>                       | <u>6,716,150</u> |

GOVERNMENT SECURITIES HELD BY FEDERAL RESERVE BANKS  
ON APRIL 4, 1945, COMPARED WITH PROPOSED ALLOCATION  
(In thousands of dollars)

|               | Actual                         |                   | Allocation                     |                   |
|---------------|--------------------------------|-------------------|--------------------------------|-------------------|
|               | Interest-bearing<br>Securities | Bills             | Interest-bearing<br>Securities | Bills             |
| Boston        | 518,034                        | 717,467           | 491,206                        | 649,265           |
| New York      | 1,874,824                      | 2,800,980         | 2,463,586                      | 3,053,950         |
| Philadelphia  | 584,453                        | 718,119           | 627,232                        | 673,312           |
| Cleveland     | 722,768                        | 1,082,640         | 702,802                        | 973,898           |
| Richmond      | 484,932                        | 750,728           | 317,395                        | 733,429           |
| Atlanta       | 392,091                        | 622,683           | 309,838                        | 661,288           |
| Chicago       | 943,865                        | 2,266,125         | 1,103,324                      | 2,056,006         |
| St. Louis     | 372,822                        | 423,917           | 279,610                        | 492,961           |
| Minneapolis   | 202,765                        | 268,108           | 211,596                        | 240,469           |
| Kansas City   | 369,340                        | 491,861           | 249,381                        | 492,961           |
| Dallas        | 328,211                        | 371,802           | 234,267                        | 408,796           |
| San Francisco | 762,908                        | 1,508,997         | 566,776                        | 1,587,092         |
| <b>Total</b>  | <b>7,557,013</b>               | <b>12,023,427</b> | <b>7,557,013</b>               | <b>12,023,427</b> |

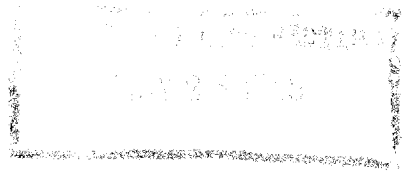
RESERVE RATIOS OF FEDERAL RESERVE BANKS, APRIL 5, 1944 AND  
APRIL 4, 1945 COMPARED WITH RATIOS RESULTING FROM PROPOSED  
ALLOCATION OF INTEREST-BEARING SECURITIES AND BILLS

(Per cent)

|               | April 5, 1944 |                                | April 4, 1945 |                                |
|---------------|---------------|--------------------------------|---------------|--------------------------------|
|               | Actual        | Resulting from<br>Reallocation | Actual        | Resulting from<br>Reallocation |
| Boston        | 56.1          | 57.7                           | 43.8          | 48.1                           |
| New York      | 64.3          | 60.7                           | 53.8          | 45.7                           |
| Philadelphia  | 56.3          | 55.7                           | 44.1          | 44.2                           |
| Cleveland     | 57.1          | 58.4                           | 42.9          | 46.9                           |
| Richmond      | 60.8          | 63.0                           | 42.5          | 51.0                           |
| Atlanta       | 63.6          | 62.2                           | 49.0          | 51.1                           |
| Chicago       | 64.6          | 62.8                           | 48.4          | 49.2                           |
| St. Louis     | 47.5          | 62.0                           | 44.6          | 46.2                           |
| Minneapolis   | 51.5          | 58.6                           | 43.2          | 45.4                           |
| Kansas City   | 56.8          | 62.5                           | 42.7          | 50.5                           |
| Dallas        | 53.9          | 60.0                           | 43.0          | 47.6                           |
| San Francisco | 65.8          | 65.3                           | 50.8          | 53.3                           |
| <b>System</b> | <b>61.2</b>   | <b>61.2</b>                    | <b>48.2</b>   | <b>48.2</b>                    |

**EFFECT OF SUGGESTED ALLOCATION FORMULA ON ANNUAL RATE OF EARNINGS  
OF FEDERAL RESERVE BANKS FROM INTEREST-BEARING SECURITIES AND BILLS  
(In thousands of dollars)**

|               | <u>April 5, 1944</u> |                 | <u>April 4, 1945</u> |                 |
|---------------|----------------------|-----------------|----------------------|-----------------|
|               | <u>Actual</u>        | <u>Proposed</u> | <u>Actual</u>        | <u>Proposed</u> |
| Boston        | 7,869                | 7,007           | 8,264                | 7,720           |
| New York      | 25,728               | 34,631          | 30,675               | 37,957          |
| Philadelphia  | 8,364                | 8,716           | 8,981                | 9,273           |
| Cleveland     | 11,577               | 10,210          | 11,836               | 11,213          |
| Richmond      | 6,795                | 4,933           | 8,032                | 6,165           |
| Atlanta       | 5,935                | 4,698           | 6,553                | 5,813           |
| Chicago       | 13,664               | 16,607          | 18,653               | 19,580          |
| St. Louis     | 5,424                | 4,066           | 5,601                | 4,857           |
| Minneapolis   | 3,281                | 2,932           | 3,186                | 3,179           |
| Kansas City   | 5,456                | 3,741           | 5,818                | 4,532           |
| Dallas        | 4,851                | 3,489           | 4,925                | 4,053           |
| San Francisco | <u>11,178</u>        | <u>9,092</u>    | <u>13,867</u>        | <u>12,049</u>   |
| <b>Total</b>  | <u>110,122</u>       | <u>110,122</u>  | <u>126,391</u>       | <u>126,391</u>  |



#### APPENDIX

If a further refinement of the allocation formula is deemed to be worth while, account could logically be taken of the respective loan and discount holdings of the Reserve banks, by the following modification of the formula:

Instead of computing the ratio of reserves plus bills of the individual bank to reserves plus bills in the System, compute the ratio of reserves plus bills plus loans and discounts to the corresponding System total. Then use this ratio to determine the bank's proportion of loans and discounts plus bills to the loans and discounts plus bills of the System, and allocate bills so as to bring about this distribution of loans and discounts plus bills.

With the present volume of member bank borrowing it does not seem to me worth while to refine the ratio in this way, although loans and discounts do constitute an asset comparable in yield, and probably in risk, to the bills. However, if in the future there should be a material expansion of loans and discounts, with wide variations in proportionate volume between Reserve banks, it might become necessary to revise the allocation formula.

PROPOSED FORMULAS FOR ALLOCATING SYSTEM OPEN MARKET ACCOUNT

780  
5/17/45

Proposals by Dr. Dolley and President Gilbert - 4/26/45

(a) Allocation in proportion to total assets. - President Gilbert and Dr. Hardy refer to this proposal as being one based on ability to carry securities. Dr. Dolley does not make this claim but states that total assets are a rough measure of size and operating expenses theoretically should be proportionate to size, accordingly that this formula should allocate earnings roughly in proportion to operating expenses.

Comments

1. Total assets are not a very accurate measure of ability to carry securities inasmuch as their composition may vary greatly. In one case, total assets may consist largely of reserves while in another case they may consist largely of bills discounted for member banks and option account bills.

2. The real measure of ability to carry securities is the relationship of reserves to Federal Reserve note and deposit liabilities. In other words, an allocation of the System Account in accordance with ability to carry securities would be a simple matter of so allocating the securities as to equalize reserve ratios.

3. An allocation based on total assets would give a Federal Reserve Bank an increased share in the System Open Market Account as a result of an increase in holdings of bills discounted, whereas precisely the reverse would normally be desired, not only from the standpoint of a satisfactory distribution of earnings but also because of the effect on the Bank's reserve ratio.

4. Neither are total assets a sufficiently accurate indicator of size as to serve as a satisfactory indicator of what might be termed normal operating expenses. Certainly, an increase in total assets due to Government transfers or other transfers of funds from one district to another or due to borrowings of member banks does not result in an increase in the expenses that is even remotely proportionate to the increase in total assets.

(b) Allocation in proportion to net worth. - This type of formula is designed to result in an allocation of the System Open Market Account or of total security holdings in proportion to the Bank's ability to absorb losses.

Comments

1. Any proposal to allocate the entire System Account or perhaps even total security holdings, including option account bills, in

FILE COPY

-2-

proportion to the Bank's ability to absorb losses very much overemphasizes the likelihood and importance of losses that may be sustained on the System Open Market Account. If heavy losses on the System Open Market Account were imminent, a proposal of this type might be worthy of consideration but at the present time there is no such prospect and an allocation based on the likelihood of such losses seems to be inappropriate under the circumstances.

2. The tendency of such a formula would be to accentuate existing differences in net worth of the Federal Reserve Banks in relation to size instead of tending to eliminate them as would be desirable.

3. This formula, as proposed by Dr. Dolley, as well as the preceding one, would distribute profits and losses from the sale of System Account securities in proportion to current holdings, thereby discarding the presently established theory that such profits and losses should be distributed in proportion to average holdings over some rather extended period, i.e., at the present five years.

Note: President Gilbert in his April 26 letter suggests that a formula be adopted which is a combination of (a) and (b) under which perhaps 20 per cent, 25 per cent, or one-third of the securities would be allocated in proportion to total assets and the remainder in proportion to net worth.

#### Proposals by Dr. Hardy

Dr. Hardy's proposal is that interest-bearing securities be allocated under a formula similar in effect to total net worth, i.e., based on total surplus (Section 7) and other capital accounts (the difference being that paid-in capital is omitted) and that total bill holdings be allocated in proportion to total reserves plus bill holdings.

#### Comments

1. The use of a formula based on Section 7 surplus plus other capital accounts for the allocation of interest-bearing securities would tend to accentuate existing differences among the Banks in the relation of these items to size. The tendency in this direction would be more pronounced after the lapse of a few years because profits from the sale of securities from the System Account which would be distributed on the basis of average holdings over a period of five years would eventually be distributed in approximately the same ratio as current holdings of interest-bearing securities.

2. The use of total reserves plus bills as a base for the distribution of total bill holdings is, as Dr. Hardy states, a modification of the idea of distributing securities in proportion to total assets. Incidentally, if bills discounted became important, Dr. Hardy suggests

FILE COPY

-3-

that they also should be included in the base. Such a formula is subject in lesser degree to the same objections that apply to a formula based on total assets. It would not distribute holdings of bills in proportion to ability to carry securities anywhere nearly as effectively as would a formula designed to equalize reserve ratios and it would tend to give a Bank a higher percentage of total bill holdings as a result of an increase in reserves arising from Government transfers or other interdistrict movement of funds or in bill holdings arising from an increase in bills held under option. In the former case, since reserves have increased, the increase would be in accordance with the theory of allocating bills in proportion to ability to carry securities. This would not be true, however, in the second case. In any event, it is not believed that an increase in allocation of bills due to such causes would contribute to a more satisfactory distribution of System earnings.

May 17, 1945.

VP:MM

FILE COPY

-2-

AD IN RECORDS SECTION

APR 29 1968

proportion to the Bank's ability to absorb losses very much overemphasizes the likelihood and importance of losses that may be sustained on the System Open Market Account. If heavy losses on the System Open Market Account were imminent, a proposal of this type might be worthy of consideration but at the present time there is no such prospect and an allocation based on the likelihood of such losses seems to be inappropriate under the circumstances.

2. The tendency of such a formula would be to accentuate existing differences in net worth of the Federal Reserve Banks in relation to size instead of tending to eliminate them as would be desirable.

3. This formula, as proposed by Dr. Dolley, as well as the preceding one, would distribute profits and losses from the sale of System Account securities in proportion to current holdings, thereby discarding the presently established theory that such profits and losses should be distributed in proportion to average holdings over some rather extended period, i.e., at the present five years.

Note: President Gilbert in his April 26 letter suggests that a formula be adopted which is a combination of (a) and (b) under which perhaps 20 per cent, 25 per cent, or one-third of the securities would be allocated in proportion to total assets and the remainder in proportion to net worth.

#### Proposals by Dr. Hardy

Dr. Hardy's proposal is that interest-bearing securities be allocated under a formula similar in effect to total net worth, i.e., based on total surplus (Section 7) and other capital accounts (the difference being that paid-in capital is omitted) and that total bill holdings be allocated in proportion to total reserves plus bill holdings.

#### Comments

1. The use of a formula based on Section 7 surplus plus other capital accounts for the allocation of interest-bearing securities would tend to accentuate existing differences among the Banks in the relation of these items to size. The tendency in this direction would be more pronounced after the lapse of a few years because profits from the sale of securities from the System Account which would be distributed on the basis of average holdings over a period of five years would eventually be distributed in approximately the same ratio as current holdings of interest-bearing securities.

2. The use of total reserves plus bills as a base for the distribution of total bill holdings is, as Dr. Hardy states, a modification of the idea of distributing securities in proportion to total assets. Incidentally, if bills discounted became important, Dr. Hardy suggests

*also can*

Directive #1



-3-

that they also should be included in the base. Such a formula is subject in lesser degree to the same objections that apply to a formula based on total assets. It would not distribute holdings of bills in proportion to ability to carry securities anywhere nearly as effectively as would a formula designed to equalize reserve ratios and it would tend to give a Bank a higher percentage of total bill holdings as a result of an increase in reserves arising from Government transfers or other interdistrict movement of funds or in bill holdings arising from an increase in bills held under option. In the former case, since reserves have increased, the increase would be in accordance with the theory of allocating bills in proportion to ability to carry securities. This would not be true, however, in the second case. In any event, it is not believed that an increase in allocation of bills due to such causes would contribute to a more satisfactory distribution of System earnings.

May 17, 1945.

May 17, 1945

**SUGGESTED FORMULA FOR ALLOCATING SYSTEM HOLDINGS OF UNITED STATES GOVERNMENT SECURITIES**

REC'D BY FILES SECTION  
MAY 25 1945  
333.343

It is suggested that, as a first step, interest-bearing securities be allocated to the various Federal Reserve Banks in proportion to average holdings of such securities during the five years ended June 30, 1945. The reasons for this suggestion are, first, that these ratios correspond very closely to the ratio of total current expenses plus dividends of each Federal Reserve Bank to total current expenses plus dividends for the System as a whole during the five year period 1940 - 1944, and, second, it would make the distribution of interest-bearing securities conform with the percentage now used in distributing profits and losses on sales of System Account securities. Following is a comparison of the ratio of average daily participations in interest-bearing securities of each Federal Reserve Bank to total interest-bearing securities during the five years ended March 31, 1945, and the ratio of total current expenses plus dividends of each Federal Reserve Bank to the same total for the System for the five year period 1940 - 1944.

5/17/45

|               | Ratio of average daily participations in interest bearing securities of each F R Bank to total interest bearing securities during the 5 years ended March 31, 1945. | Ratio of total current expenses plus dividends of each F R Bank to the same total for the System for the five year period 1940-1944. |
|---------------|---|--|
| Boston        | 7.2972  | 7.07   |
| New York      | 24.2815   | 26.05  |
| Philadelphia  | 7.7281  | 7.68   |
| Cleveland     | 10.1778   | 9.76   |
| Richmond      | 6.2552  | 6.01   |
| Atlanta       | 5.0924  | 4.72   |
| Chicago       | 12.5153   | 12.76  |
| St. Louis     | 4.6854  | 4.67   |
| Minneapolis   | 2.8962  | 2.84   |
| Kansas City   | 4.8741  | 4.97   |
| Dallas        | 4.2420  | 4.02   |
| San Francisco | 9.9548  | 9.45   |
| <b>System</b> | <b>100.0</b>  | <b>100.0</b>   |

As a second, and final step, in the allocation of total securities held by the Federal Reserve Banks, it is suggested that total bill holdings, including bills held in option account, be allocated to the various Federal Reserve Banks in proportion to total deposits of member banks during the last semi-monthly period for which figures are available.

FILE COPY

-2-

The first step of this formula would provide each Federal Reserve Bank with earnings sufficient to cover expenses and dividends with an ample margin under present circumstances, and the second step would tend to equalise the distribution of excess earnings in proportion to member bank deposits and therefore in proportion to estimated potential demands upon the Federal Reserve Banks for discount accommodation.

The ratios under which interest-bearing securities are distributed would be fixed so long as this plan was in operation or at least until they were changed by agreement and, accordingly, the distribution of interest-bearing securities in accordance with the formula would be current, that is to say, any increase or decrease in interest-bearing security holdings would be participated in by the Federal Reserve Banks in accordance with the fixed ratios and their holdings, after the adjustment, would continue to be in accordance with these ratios. In the case of Treasury bills it would, of course, be necessary to allocate additional bills purchased for the System Open Market Account and to similarly adjust holdings for bills sold from the System Open Market Account currently. Since the original distribution of Treasury bills would be based upon total bill holdings, i.e., including option account bills, such current adjustments of bills held in System Account might be opposite to those that would be made if option account bills were also taken into account. It is recommended that any change in total bill holdings, whether due to System Open Market Account operations or to option account operations, be reflected currently in adjustments in bill holdings of each Federal Reserve Bank. In other words, it is recommended that whenever a change occurs in total bill holdings there be a correspondingly proportionate change in the participation of each Federal Reserve Bank. If this suggestion is adopted, the allocation both of interest-bearing securities and of Treasury bills will be kept currently in accordance with the formula and accordingly there will be no occasion for a monthly or quarterly reallocation of the System Open Market Account.

Attached are some tables showing as of April 4, 1945, the latest date used in Dr. Hardy's tabulations, the effect on holdings of interest-bearing securities and of Treasury bills, on the earning position and on reserve ratios if this formula had been in effect as of that date. In this connection, in view of the fact that it is anticipated that reserve requirements both on Federal Reserve notes and on deposit liabilities will be reduced to 25 per cent, the present adjustments in holdings to maintain a minimum combined reserve ratio of approximately 43 per cent would be unnecessary. Accordingly, in the above comparisons the allocation of bills as of April 4, 1945, under the present arrangement was assumed to be as they would have been if no adjustments had been made because of reserve requirements. The comparison, therefore, is between the present formula as it presumably would operate with a 25 per cent reserve ratio and the proposed new formula. It would appear that in the comparisons made in Dr. Hardy's table, participations as of April 4, 1945, were taken as they actually existed. This tends to minimize the changes in earning position and in reserve ratios as shown in his tables that would result from the adoption of the formula proposed by him.

May 17, 1945.

~~VP:xxx~~ FILE COPY

Reserves and Reserve Ratios April 4, 1945 Under Present Plan\*  
Compared with Results Under Proposed Plan of Reallocation of Securities

| Federal Reserve Bank | Present Plan*           |               | Net change in securities due to proposed allocation | Reallocation Under Proposed Plan |               | Total note and deposit liabilities |
|----------------------|-------------------------|---------------|---|----------------------------------|---------------|------------------------------------|
|                      | Reserves*               | Reserve Ratio |   | Reserves*                        | Reserve Ratio |                                    |
| Boston               | \$710,026,000           | 33.7          | - \$280,973,000                                     | \$1,020,999,000                  | 46.5          | \$2,196,716,000                    |
| New York             | 5,719,661,000           | 55.8          | + 1,010,992,000                                     | 4,708,669,000                    | 45.7          | 10,304,651,000                     |
| Philadelphia         | 778,870,000             | 33.3          | - 356,174,000                                       | 1,135,044,000                    | 48.6          | 2,336,138,000                      |
| Cleveland            | 1,186,083,000           | 36.9          | - 292,354,000                                       | 1,478,437,000                    | 46.0          | 3,215,178,000                      |
| Richmond             | 901,372,000             | 41.1          | - 211,021,000                                       | 1,112,393,000                    | 52.1          | 2,192,756,000                      |
| Atlanta              | 990,338,000             | 49.0          | - 100,910,000                                       | 1,091,248,000                    | 54.0          | 2,022,576,000                      |
| Chicago              | 3,780,966,000           | 59.4          | + 279,186,000                                       | 3,501,780,000                    | 55.1          | 6,360,761,000                      |
| St. Louis            | 535,665,000             | 35.0          | - 144,596,000                                       | 680,261,000                      | 44.5          | 1,529,125,000                      |
| Minneapolis          | 263,122,000             | 31.0          | - 54,399,000  | 317,521,000                      | 37.4          | 818,114,000                        |
| Kansas City          | 528,773,000             | 34.3          | - 106,293,000                                       | 635,066,000                      | 41.2          | 1,542,121,000                      |
| Dallas               | 319,240,000             | 28.2          | - 70,425,000  | 419,665,000                      | 33.8          | 1,239,996,000                      |
| San Francisco        | 2,712,225,000           | 58.4          | + 326,967,000                                       | 2,385,258,000                    | 51.4          | 4,610,331,000                      |
| <b>Total</b>         | <b>\$18,516,341,000</b> | <b>48.2</b>   | <b>—</b>  | <b>\$18,516,341,000</b>          | <b>48.2</b>   | <b>\$38,428,463,000</b>            |

\* Eliminating effect of adjustments April 1 and April 4 of Treasury bills in System Account to prevent reserve ratios falling below 43 per cent.

| Federal Reserve Bank | Proposed allocation ratios                |                              | Government Securities Held on April 4, 1945<br>(In thousands of dollars) |                 |                             |                | Effect of Proposed Allocation Formula on Annual Rate of Earnings<br>(In thousands of dollars)<br>Based on April 4, 1945, holdings |                  |
|----------------------|---|------------------------------|--|-----------------|-----------------------------|----------------|---|------------------|
|                      |   |                              | Present formula*   |                 | Proposed formula            |                | Present formula*  | Proposed formula |
|                      | Interest-bearing securities <sup>1/</sup> | Treasury bills <sup>2/</sup> | Interest-bearing securities  | Treasury bills* | Interest-bearing securities | Treasury bills |   |                  |
| Boston               | 7.2972                                    | 5.2                          | 518,034  | 937,607         | 551,450                     | 625,218        | 9,097   | 8,277            |
| New York             | 24.2815                                   | 30.6                         | 1,874,824  | 2,598,309       | 1,334,956                   | 3,679,169      | 29,914  | 33,539           |
| Philadelphia         | 7.7281                                    | 5.1                          | 584,453  | 968,930         | 584,014                     | 613,195        | 9,922   | 8,583            |
| Cleveland            | 10.1778                                   | 7.8                          | 722,768  | 1,276,551       | 769,138                     | 937,827        | 12,563  | 11,792           |
| Richmond             | 6.2552                                    | 4.6                          | 484,932  | 731,873         | 472,706                     | 553,078        | 8,119   | 7,160            |
| Atlanta              | 5.0924                                    | 4.4                          | 392,091  | 622,683         | 384,333                     | 529,031        | 6,553   | 6,124            |
| Chicago              | 12.5153                                   | 15.3                         | 943,865  | 1,562,316       | 945,783                     | 1,839,584      | 16,013  | 17,074           |
| St. Louis            | 4.6854                                    | 3.7                          | 372,822  | 570,717         | 354,076                     | 444,867        | 6,151   | 5,477            |
| Minneapolis          | 2.8962                                    | 2.5                          | 202,765  | 371,056         | 218,866                     | 300,586        | 3,573   | 3,402            |
| Kansas City          | 4.8741                                    | 4.3                          | 369,340  | 622,296         | 368,336                     | 517,007        | 6,308   | 5,902            |
| Dallas               | 4.2420                                    | 4.1                          | 328,211  | 555,743         | 320,569                     | 492,960        | 5,615   | 5,297            |
| San Francisco        | 9.9548                                    | 12.4                         | 762,908  | 1,153,316       | 752,286                     | 1,400,905      | 12,533  | 13,684           |
|                      | 100.0                                     | 100.0                        | 7,557,013  | 12,023,427      | 7,557,013                   | 12,023,427     | 126,391   | 126,391          |

<sup>1/</sup> Average daily participations, per cent, in interest-bearing securities in System Account March 31, 1940-March 31, 1945.

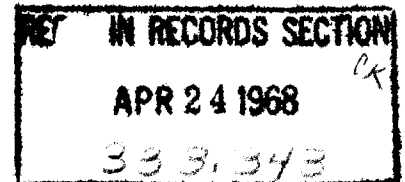
<sup>2/</sup> Percentages to System total, of total bank deposits of member banks of each Federal Reserve Bank, December 30, 1944.

\* Eliminating adjustments April 1 and April 4, 1945, of Treasury bills in System Account to prevent reserve ratios falling below 13 per cent.

**D IN RECORDS SECTION**  
**Federal Reserve Bank**  
**APR 29 1968**

|               | Reserves and reserve ratios April 4, 1945 under present plan* compared with results under proposed plan of reallocation of securities (Amounts in thousands of dollars) |               |               |               | Annual earnings on basis April 4, 1945 holdings of Government securities if distributed in proportion to average 5-year holding ratios of interest-bearing securities (Thousands of dollars) | Ratio of total assets of each Bank to System total April 4, 1945 |
|---------------|---|---------------|---------------|---------------|--|--|
|               | Present Plan*   |               | Proposed Plan |               |  |  |
|               | Reserves  | Reserve Ratio | Reserves      | Reserve Ratio |  |  |
| Boston        | 802,259   | 36.5          | 1,020,999     | 46.5          | 9,223  | 5.8  |
| New York      | 5,428,502   | 52.7          | 4,708,669     | 45.7          | 30,690   | 26.6   |
| Philadelphia  | 818,617   | 35.0          | 1,135,044     | 48.6          | 9,768  | 6.1  |
| Cleveland     | 1,238,914   | 38.5          | 1,478,437     | 46.0          | 12,864   | 8.4  |
| Richmond      | 931,156   | 42.5          | 1,142,393     | 52.1          | 7,906  | 5.8  |
| Atlanta       | 1,000,740   | 49.5          | 1,091,248     | 54.0          | 6,436  | 5.3  |
| Chicago       | 3,838,514   | 60.3          | 3,501,780     | 55.1          | 15,818   | 16.5   |
| St. Louis     | 543,036   | 35.5          | 680,261       | 44.5          | 5,922  | 4.0  |
| Minneapolis   | 285,986   | 33.7          | 317,521       | 37.4          | 3,661  | 2.2  |
| Kansas City   | 565,035   | 36.6          | 635,066       | 41.2          | 6,160  | 4.1  |
| Dallas        | 394,949   | 31.9          | 419,665       | 33.8          | 5,361  | 3.2  |
| San Francisco | 2,668,633   | 57.5          | 2,385,258     | 51.4          | 12,582   | 12.0   |
| System        | 18,516,341  | 48.2          | 18,516,341    | 48.2          | 126,391  | 100.0  |

\* Computed as if April 4 were a reallocation date, but without adjustment to prevent reserve ratios from falling below 43 per cent.



MEMORANDUM FOR COMMITTEE ON ALLOCATION  
OF U. S. GOVERNMENT SECURITIES

File 5/16/45  
From: C. O. Hardy

The following ideas are submitted for consideration at our meeting of May 19. It is suggested that if members of the Committee find time to submit written comments prior to the meeting, copies be sent to each member of the Committee to expedite consideration.

Mr. Dolley's memorandum suggests two alternative bases of allocation: namely, total assets and total net worth. Total assets is a rough measure of ability to carry securities, and total net worth is a rough measure of ability to carry the risk of capital losses. It is suggested that instead of treating these as alternative methods of allocating the entire portfolio, a formula similar in effect to total net worth be used for allocating interest-bearing securities, which involve some risk of capital loss, and a formula similar to total assets be used in allocating bills. Gains and losses from sales of securities would then be allocated as at present, in accordance with the amount of Government securities held over the past five years (or other appropriate period).

Instead of total net worth as a basis of allocation of interest-bearing securities, I suggest Section 7 surplus plus "other capital accounts" (primarily reserves for contingencies). Precedent for use of this base is found in the present plan of sharing excessive losses from theft or loss of registered mail. The omission of paid-in capital from our base may be justified on the theory that capital losses great enough to impair capital are beyond the range of reasonable probability, and if they did occur would presumably be taken care of by calling in the unpaid capital or by other drastic measures. Incidentally, use of this item instead of net worth would slightly reduce the extent to which the reallocation would transfer income from the smaller to the larger banks.

Instead of total assets, I suggest total reserves plus bill holdings. The principal item thus omitted is "interest-bearing securities," which obviously does not represent buying power available for the purpose of bills. Total assets also include a number of items, such as bank premises and uncollected items, which do not constitute buying power for bills.

It is suggested that the allocation ratios be calculated for each calendar month by averaging the Wednesday closing items for the 4 to 5 Wednesdays from the 23rd of the second preceding month to the 27th of the preceding month, inclusive. The formula would run as follows:

First, allocate interest-bearing securities according to the ratio of the individual bank's Section 7 surplus plus "other capital accounts," to the sum of the corresponding items for the System.

Directive #1

Second, allocate bills, both System account and option accounts, according to total reserves plus bill holdings. 1/ Bill holdings shall be adjusted to the ratios daily. If it is necessary for this purpose to reallocate bills in the option accounts, this would be effected by sale of participations by banks with excess holdings to banks with deficiencies. This would involve a one-day lag in the adjustment of holdings to the formula.

Third, allocate profits and losses on Government securities according to the average amount of interest-bearing securities held over the preceding five years.

An immediate effect of this procedure would be to increase substantially the incomes of the large banks at the expense of the smaller ones. However, as is noted in Dolley's memorandum, the present and prospective earnings are so much larger than expenses that this is a matter of comparatively little importance. 2/ In the event of a postwar shift of deposits from the interior banks to banks in industrial and financial centers, bills rather than securities would follow the shift of deposits. Hence the disturbance of the income pattern would be relatively small. Moreover, since the plan would increase the reserve ratios of the interior banks and decrease those of the big city banks, the anticipated postwar reversal of the movement of funds would find the interior banks in a better position to lose reserves.

The following tabulations show the approximate effects of the proposed formula if it had been applied April 1, 1944 or April 1, 1945.

---

1/ In the initial allocation but not thereafter, the bill holding ratios should be adjusted as follows: First compute the allocations of interest-bearing securities, and list the increases and decreases. To the reserve plus bills of each bank add the decrease (or deduct the increase) of holdings of interest-bearing securities (from their 4- or 5-week average), attributable to the reallocation. Use the resulting sums and remainders as numerators in computing the bill ratios. The denominator (the sum of reserves and bills for the System) would not be adjusted.

This adjustment is necessary because otherwise the sharp change in holdings of interest-bearing securities would destroy the relationship between the surplus-other capital ratio, and the true buying power of the respective banks.

2/ No account is taken of expenses in the formula. If it is deemed necessary, provision can be made for underwriting expenses by temporary supplemental allocations to banks which are incurring actual deficits. However, in view of the remoteness of the issue and the size of the contingency reserves, I would prefer to ignore expense ratios entirely.



PROPOSED ALLOCATION RATIOS  
(Per cent)

|               | April 1, 1944                            |                 | April 1, 1945                            |                 |
|---------------|--|-----------------|--|-----------------|
|               | Interest-bearing<br>Securities <u>a/</u> | Bills <u>b/</u> | Interest-bearing<br>securities <u>a/</u> | Bills <u>b/</u> |
| Boston        | 6.5                                      | 5.9             | 6.5                                      | 5.4             |
| New York      | 33.3                                     | 25.2            | 32.6                                     | 25.4            |
| Philadelphia  | 8.6                                      | 5.6             | 8.3                                      | 5.6             |
| Cleveland     | 9.5                                      | 8.5             | 9.3                                      | 8.1             |
| Richmond      | 4.0                                      | 6.1             | 4.2                                      | 6.1             |
| Atlanta       | 3.9                                      | 5.5             | 4.1                                      | 5.5             |
| Chicago       | 14.6                                     | 16.7            | 14.6                                     | 17.1            |
| St. Louis     | 3.6                                      | 4.0             | 3.7                                      | 4.1             |
| Minneapolis   | 2.8                                      | 2.2             | 2.8                                      | 2.0             |
| Kansas City   | 3.1                                      | 4.4             | 3.3                                      | 4.1             |
| Dallas        | 3.1                                      | 3.4             | 3.1                                      | 3.4             |
| San Francisco | 7.0                                      | 12.5            | 7.5                                      | 13.2            |
| System        | <u>100.0</u>                             | <u>100.0</u>    | <u>100.0</u>                             | <u>100.0</u>    |

a/ Proportion of average surplus (Sec. 7) plus other capital accounts (chiefly reserve for contingencies).

b/ Proportion of average total reserves plus bills, adjusted. For nature of adjustment, see footnote 1, page 2.

GOVERNMENT SECURITIES HELD BY FEDERAL RESERVE BANKS  
ON APRIL 5, 1944, COMPARED WITH PROPOSED ALLOCATION  
(In thousands of dollars)

|               | Actual                         |                  | Allocation                     |                  |
|---------------|--------------------------------|------------------|--------------------------------|------------------|
|               | Interest-bearing<br>Securities | Bills            | Interest-bearing<br>Securities | Bills            |
| Boston        | 430,854                        | 360,807          | 365,025                        | 396,253          |
| New York      | 1,194,890                      | 2,041,527        | 1,870,052                      | 1,692,470        |
| Philadelphia  | 455,879                        | 391,844          | 482,956                        | 376,104          |
| Cleveland     | 642,559                        | 495,829          | 533,498                        | 570,873          |
| Richmond      | 375,592                        | 297,141          | 224,631                        | 409,685          |
| Atlanta       | 335,626                        | 229,010          | 219,015                        | 369,388          |
| Chicago       | 591,594                        | 1,257,498        | 819,902                        | 1,121,597        |
| St. Louis     | 261,741                        | 390,639          | 202,168                        | 268,646          |
| Minneapolis   | 170,847                        | 185,964          | 157,242                        | 147,755          |
| Kansas City   | 300,705                        | 242,025          | 174,089                        | 295,511          |
| Dallas        | 273,660                        | 189,863          | 174,089                        | 228,349          |
| San Francisco | 581,824                        | 634,003          | 393,104                        | 839,519          |
| Total         | <u>5,615,771</u>               | <u>6,716,150</u> | <u>5,615,771</u>               | <u>6,716,150</u> |

**GOVERNMENT SECURITIES HELD BY FEDERAL RESERVE BANKS  
ON APRIL 4, 1945, COMPARED WITH PROPOSED ALLOCATION  
(In thousands of dollars)**

|               | <u>Actual</u>                          |                   | <u>Allocation</u>                      |                   |
|---------------|--|-------------------|--|-------------------|
|               | <u>Interest-bearing<br/>Securities</u> | <u>Bills</u>      | <u>Interest-bearing<br/>Securities</u> | <u>Bills</u>      |
| Boston        | 518,034                                | 717,467           | 491,206                                | 619,265           |
| New York      | 1,874,824                              | 2,800,980         | 2,463,586                              | 3,053,950         |
| Philadelphia  | 584,453                                | 718,119           | 627,232                                | 673,312           |
| Cleveland     | 722,768                                | 1,082,640         | 702,302                                | 973,898           |
| Richmond      | 484,932                                | 750,728           | 317,395                                | 733,429           |
| Atlanta       | 392,091                                | 622,683           | 309,338                                | 661,288           |
| Chicago       | 943,865                                | 2,266,125         | 1,103,324                              | 2,056,006         |
| St. Louis     | 372,822                                | 423,917           | 279,610                                | 492,961           |
| Minneapolis   | 202,765                                | 268,108           | 211,596                                | 240,469           |
| Kansas City   | 369,340                                | 491,361           | 249,381                                | 492,961           |
| Dallas        | 328,211                                | 371,802           | 234,267                                | 408,796           |
| San Francisco | 762,908                                | 1,508,997         | 564,776                                | 1,587,092         |
| <b>Total</b>  | <b>7,557,013</b>                       | <b>12,023,427</b> | <b>7,557,013</b>                       | <b>12,023,427</b> |

**RESERVE RATIOS OF FEDERAL RESERVE BANKS, APRIL 5, 1944 AND  
APRIL 4, 1945 COMPARED WITH RATIOS RESULTING FROM PROPOSED  
ALLOCATION OF INTEREST-BEARING SECURITIES AND BILLS  
(Per cent)**

|               | <u>April 5, 1944</u> |  | <u>April 4, 1945</u> |  |
|---------------|----------------------|--|----------------------|--|
|               | <u>Actual</u>        | <u>Resulting from<br/>Reallocation</u> | <u>Actual</u>        | <u>Resulting from<br/>Reallocation</u> |
| Boston        | 56.1                 | 57.7                                   | 43.8                 | 48.1                                   |
| New York      | 64.3                 | 60.7                                   | 53.8                 | 45.7                                   |
| Philadelphia  | 56.3                 | 55.7                                   | 44.1                 | 44.2                                   |
| Cleveland     | 57.1                 | 58.4                                   | 42.9                 | 46.9                                   |
| Richmond      | 60.8                 | 63.0                                   | 42.5                 | 51.0                                   |
| Atlanta       | 63.6                 | 62.2                                   | 49.0                 | 51.1                                   |
| Chicago       | 64.6                 | 62.8                                   | 48.4                 | 49.2                                   |
| St. Louis     | 47.5                 | 62.0                                   | 44.6                 | 46.2                                   |
| Minneapolis   | 51.5                 | 58.6                                   | 43.2                 | 45.4                                   |
| Kansas City   | 56.8                 | 62.5                                   | 42.7                 | 50.5                                   |
| Dallas        | 53.9                 | 60.0                                   | 43.0                 | 47.6                                   |
| San Francisco | 65.8                 | 65.3                                   | 50.8                 | 53.3                                   |
| <b>System</b> | <b>61.2</b>          | <b>61.2</b>                            | <b>48.2</b>          | <b>48.2</b>                            |

**EFFECT OF SUGGESTED ALLOCATION FORMULA ON ANNUAL RATE OF EARNINGS  
OF FEDERAL RESERVE BANKS FROM INTEREST-BEARING SECURITIES AND BILLS  
(In thousands of dollars)**

|               | <u>April 5, 1944</u> |                 | <u>April 4, 1945</u> |                 |                 |
|---------------|----------------------|-----------------|----------------------|-----------------|-----------------|
|               | <u>Actual</u>        | <u>Proposed</u> | <u>Actual</u>        | <u>Proposed</u> |                 |
| Boston        | 7,869                | 7,007 ✓         | 8,264                | 7,720 ✓         |                 |
| New York      | 25,728               | 34,631          | 30,675               | 37,957          |                 |
| Philadelphia  | 8,364                | 8,716 ✓         | 8,981                | 9,273 ✓         |                 |
| Cleveland     | 11,577               | 10,210 ✓        | 11,836               | 11,213 ✓        |                 |
| Richmond      | 6,795                | 4,933 ✓         | 8,032                | 6,165 ✓         | 1867            |
| Atlanta       | 5,935                | 4,698 ✓         | 6,553                | 5,813 ✓         |                 |
| Chicago       | 13,664               | 16,607 ✓        | 18,653               | 19,580 ✓        |                 |
| St. Louis     | 5,424                | 4,066 ✓         | 5,601                | 4,857 ✓         | <del>1286</del> |
| Minneapolis   | 3,281                | 2,932 ✓         | 3,186                | 3,179 ✓         |                 |
| Kansas City   | 5,456                | 3,741 ✓         | 5,818                | 4,532 ✓         | 1286            |
| Dallas        | 4,851                | 3,489 ✓         | 4,925                | 4,053 ✓         | 872             |
| San Francisco | 11,178               | 9,092 ✓         | 13,867               | 12,049 ✓        |                 |
| <b>Total</b>  | <u>110,122</u>       | <u>110,122</u>  | <u>126,391</u>       | <u>126,391</u>  |                 |

## APPENDIX

If a further refinement of the allocation formula is deemed to be worth while, account could logically be taken of the respective loan and discount holdings of the Reserve banks, by the following modification of the formula:

Instead of computing the ratio of reserves plus bills of the individual bank to reserves plus bills in the System, compute the ratio of reserves plus bills plus loans and discounts to the corresponding System total. Then use this ratio to determine the bank's proportion of loans and discounts plus bills to the loans and discounts plus bills of the System, and allocate bills so as to bring about this distribution of loans and discounts plus bills.

With the present volume of member bank borrowing it does not seem to me worth while to refine the ratio in this way, although loans and discounts do constitute an asset comparable in yield, and probably in risk, to the bills. However, if in the future there should be a material expansion of loans and discounts, with wide variations in proportionate volume between Reserve banks, it might become necessary to revise the allocation formula.

RECORDS SECTION  
MAY 16 1945  
33,243

May 16, 1945.

Mr. Morrill

Proposed allocation of

Mr. Carpenter

Government Securities.

I see little to recommend the bases of allocation proposed by Messrs. Dolley and Hardy. It seems to me that the System's holdings of securities under the present law can logically, and from a practical standpoint should, be regarded as a pool of securities to be allocated in accordance with the System's needs. There is no reason why New York and Chicago should be given a greater proportion of the large earnings that will accrue in the foreseeable future because they happen to have relatively more surplus and reserves than the other banks. If at any time there is a return to a situation similar to the one existing a few years ago when it was more or less touch and go whether the Federal Reserve Banks would make expenses and dividends we could not logically continue one of the proposed allocation procedures if nine or ten of the Federal Reserve Banks had deficits and the two largest banks in the System had substantial earnings in excess of expenses and dividends. That seems to me to be the possible result of the proposals, whereas, the procedure now in effect would keep all of the Banks in somewhat the same relative position regardless of the level of earnings.

According to Mr. Hardy's figures, his suggestion would result in substantially increased earnings for the Federal Reserve Banks of New York, Chicago, and, (to a smaller extent) Philadelphia, at the expense of the other nine banks. In some cases, such as Richmond, Kansas City, and Dallas, the reduction in earnings would be proportionately very large. I believe it would be helpful if the proposed procedures could be applied to such years as 1938 and 1941 to show what would happen in a period of low earnings in relation to expenses and dividends.

It is difficult to explain when one or more of the twelve Federal Reserve Banks fail in any one year to cover expenses and dividends and it is embarrassing to a bank to be in that position. It is not true that the present arrangement "puts a premium on inefficiency" by basing the allocation primarily on expenses and dividends. It is expected that effective checks on Federal Reserve Bank expenditures will be maintained independently of the allocation procedure and that the expenses on which the procedure is based can be justified for each Federal Reserve Bank.

See

FILE COPY

*Shaw*

To: Mr. Morrill -2-

Furthermore, it is recognized by Mr. Hardy in the second footnote on page 2 of his memorandum that, if a Bank has a deficit, temporary supplemental allocations of securities could be made to correct the situation. It is easy to see how these supplemental allocations could become more or less permanent. When that occurs the theory back of the suggested bases of allocation is abandoned in order to meet the problem of expenses. Therefore, it would be my suggestion that we retain the present basis which I believe would satisfactorily meet all conditions and would enable all of the Banks to continue desirable services as long as the earnings of the System would permit rather than require some of the Banks to discontinue such services because of lack of earnings or continue them only by showing operating deficits.

The present procedure calls for the allocation on the basis of expenses and dividends and then on the basis of average holdings in the System Account for the preceding five years. If it is believed to be necessary to recognize such things as total assets, net worth, capital accounts, surplus or reserves, consideration might be given to a procedure which would (1) allocate sufficient securities to cover expenses and dividends and (2) allocate the remaining securities on an agreeable basis that would take these several items into account. If that would only result in giving New York and Chicago larger earnings there would seem to be no point in the change.

  
S.H.C. mes

FILE COPY

*Gov. Szymanski*  
*Mr. Board*

**FEDERAL RESERVE BANK  
OF  
KANSAS CITY**

**REC'D IN FILES SECTION**  
MAY 26 1945  
233.343

May 8, 1945

Mr. Edward L. Smead  
Board of Governors of the Federal  
Reserve System  
Washington, D. C.

Dear Mr. Smead:

*5/8/45*

Confirming my telegram of even date, the meeting of the Subcommittee on Allocation of Securities in the Open Market Account is called for May 19, 9:30 a.m., at the offices of the Board in Washington.

Sincerely,

*Hardy*

Charles O. Hardy  
Vice President

P.S. I mailed you yesterday photostats of a letter from Mr. Gilbert and a memorandum prepared by Mr. Dolley, suggesting a plan of allocation. To reduce the bulk of exhibits I omitted from the photostat copies all but the first quarter of 1941, 1942 and 1943. I shall mail out within a day or two a memorandum suggesting another approach.

**FOR FILE**  
**H. B. Smith**



**BUY  
UNITED  
STATES  
SAVINGS  
BONDS  
AND STAMPS**

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

1945 MAY 8 PM 3 10

REC'D IN FILES SECTION  
MAY 13 1945  
333.343

WA95G005BD WASH J87 KC 8-158

EDWARD L SMEAD

MEETING SUBCOMMITTEE ALLOCATION OF SECURITIES CALLED FOR WASHINGTON

MORNING MAY 19

C O HARDY.

FOR FILES  
L. B. Smith



TELEGRAM  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
LEASED WIRE SERVICE  
WASHINGTON

RECEIVED  
MAY 8 1945  
333,343

May 7, 1945.

Hardy

Kansas City

Retel today. Any day May 15 to 19 inclusive satisfactory  
to me.

Smead

RLS:mm

FILE COPY

FOR FILES  
F. B. Smith

**TELEGRAM**  
**Board of Governors**  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D.O.

RECEIVED  
1945 MAY 7 11 54 36  
333.343

*al*

*cb*

*5/7/4*

WA11GC18BD WASH J153 KC 7-323

EDWARD L SMEAD , BOARD

SUGGESTED WEEK IMPOSSIBLE FOR TWO MEMBERS. HOW ABOUT ANY DAY  
MAY 15 TO 19 INCLUSIVE?

HARDY.

FOR FILE  
E. L. Smith

TELEGRAM  
BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
LEASED WIRE SERVICE  
WASHINGTON

REC'D - FEDERAL RESERVE  
MAY 26 1945  
333,843  
716

May 5, 1945.

Hardy - Kansas City

Week of May 21-26 satisfactory to me for meeting of  
Subcommittee on Reallocation of Open Market Securities.

SMOED

FILE COPY

FOR FILE  
U. S. BANK

ELS:jbs

FEDERAL RESERVE BANK  
OF  
KANSAS CITY

RECORDED IN FILES SECTION  
EM  
MAY 26 1945  
333.343

May 5, 1945

Mr. E. L. Smead  
Board of Governors of the  
Federal Reserve System  
Washington 25, D. C.

Dear Mr. Smead:

In my letter to you of May 3 in listing the names of the members of the Presidents' Conference Committee on Allocation of Open Market Securities, I regret that through inadvertence Mr. Sproul was not shown as a member of the committee. It will be appreciated if you will add Mr. Sproul's name to the list of those I furnished you as comprising this committee.

Very truly yours,



H. G. Leedy  
President

HGL:SMF

FOR FILE  
E. E. Smith



FEDERAL RESERVE BANK  
OF  
KANSAS CITY

RECEIVED BY STENOGRAPHER  
62  
MAY 26 1945  
323.243  
nko

May 3, 1945

AIR MAIL

Mr. Edward L. Smead  
Board of Governors of the Federal Reserve  
System  
Washington, D. C.

Dear Mr. Smead:

Mr. Leedy, who is chairman of the Presidents' Conference Committee on Reallocation of Open Market Securities, advises me of the appointment of a subcommittee consisting of Messrs. Bopp, Bowman, Gentry, Rouse, and myself, with Mr. Smead as associate member, and has asked me to serve as chairman.

It seems desirable that the subcommittee have a meeting well in advance of the next meeting of the Presidents' Conference. This is to suggest that we meet in Washington some time during the week of May 21-26. Any day that week would be satisfactory to me; I am suggesting the 23rd merely to make it specific. Will you please wire me whether this arrangement will be satisfactory, and if not, suggest an alternative date.

The week following that would be rather inconvenient for me, but a date from June 6-13 would be possible.

We have received an extended discussion of the problem from President Gilbert, which I will have photostated and distribute within a few days. I shall also try to prepare a memorandum embodying my own suggestions for distribution well in advance and hope that other members of the subcommittee will find time to do likewise. If convenient, I would suggest that copies of suggestions submitted by any member be sent direct to the other members, to save time in distribution.

Sincerely,

*Charles O. Hardy*  
Charles O. Hardy  
Vice President

FOR FILE  
L. A. 3000



*Gov Smead*  
*Mr Smead*

FEDERAL RESERVE BANK  
OF  
KANSAS CITY

REC'D IN FILES SECTION  
MAY 26 1945  
333.343

TMB

May 3, 1945

Mr. E. L. Smead  
Board of Governors of the  
Federal Reserve System  
Washington 25, D. C.

Dear Mr. Smead:

As you know, a special committee was appointed at the last meeting of the Presidents' Conference to explore the possibilities of devising a different type of formula for allocating securities in the Open Market Account and also to make recommendations for bringing about greater uniformity between the Federal Reserve banks with respect to additions to surplus accounts and reserves for contingencies.

*spread (Leedy letter 5/10/45)*

The committee which was appointed consists of Messrs. Williams, McLarin, Gilbert, and myself as chairman.

After conferring with the other members of the committee, a subcommittee consisting of the following has been appointed:

- Karl R. Bopp, Director of Research, Philadelphia
- V. K. Bowman, Vice President, Atlanta
- W. D. Gentry, First Vice President, Dallas
- Robert G. Rouse, Vice President, New York
- C. O. Hardy, Vice President, Kansas City,  
Chairman

Edward L. Smead, Board of Governors,  
Associate

Your appointment, as well as that of Mr. Rouse, is in accordance with the understanding had at the time the Presidents' Conference committee was appointed. Quite aside from that understanding, however, I am sure that none of us would want to have embarked on the work involved, particularly that involving the allocation of securities in the Open Market Account, without the assistance of both you and Mr. Rouse on account of your long experience in that field.

Mr. Hardy, as vice chairman of the subcommittee, expects to call a meeting of the subcommittee within the near future and in the course of the next few days will communicate with you in that connection.

Very truly yours,

*H. G. Leedy*

H. G. Leedy, Chairman  
Presidents' Conference Committee on  
Allocation Open Market Securities

FOR FILE  
L. R. Smead

*copy filed 324.03*



HGL:SMF

*See letter 5/5/45*

C O P Y

FEDERAL RESERVE BANK  
OF DALLAS

April 26, 1945

Mr. H. G. Leedy, Chairman  
Special Committee on Allocation of Securities  
in the System Open Market Account  
Federal Reserve Bank of Kansas City  
Kansas City, Missouri

Dear Gavin:

Last summer I discussed with Dr. J. C. Dolley, our Director of Research, the existing method of allocating securities in the open market account, as well as some of the changes which were being considered at that time, and requested him to study the matter with the view of determining whether it would be feasible to revise the formula so that allocations could be made on the basis of the ability of each bank to carry its pro rata share of the securities in the account instead of on the basis of its need for earnings with which to cover estimated expenses and dividends. Dr. Dolley submitted the attached memorandum to me, and although it was prepared primarily to show how certain proposed changes, if adopted would affect the earnings and the reserve position of this bank, I believe that the memorandum may be of some interest to you as well as to the members of the subcommittee you appoint to study the allocation procedure in all of its aspects.

When the holdings of Government securities being carried by each of the Federal Reserve banks were transferred to the open market account in 1936, the total earnings of the twelve banks were only slightly in excess of their estimated expenses and dividends. Since that time Government securities held in the open market account have increased from about \$2,400,000,000 to slightly more than \$20,000,000,000, and on the basis of estimates submitted by Mr. Rouse at the last meeting of the Open Market Committee, earnings for the System will exceed expenses and dividends in 1945 by about \$70,000,000. Since it is no longer necessary to allocate participations in the open market account solely on the basis of providing each bank with sufficient earnings to cover its estimated expenses and dividends, and as it is quite obvious that earnings for the System will be very high for several years, it seems to me that the chief factor to be considered in making allocations hereafter should be the ability of each bank to carry its proportionate share of the load. If pending legislation fixing minimum gold reserve requirements against note and deposit liabilities is finally passed, each bank will probably

-2-

be able to carry its share of the securities in the open market account without difficulty, even on the basis on which the allocations are now made. However, as total holdings of securities in the open market account continue to increase, which is likely for another year or two at least, some of the banks will be confronted with the same problem which now confronts them with respect to their ability to accept in full their regular participations in the account.

The present method of allocating securities in the open market account, except during periods such as the present when System earnings are exceptionally high, penalizes a bank which reduces its expenses through economical operation, because it automatically reduces the bank's participation in the account and thus its share of the earnings. On the other hand, there is no restraining influence on a bank to keep it from increasing expenses substantially because of the knowledge that its participation in the open market account would be increased sufficiently to provide it with enough earnings to cover any increase in expenses. The present method of making allocations and distributing earnings, as well as profits and losses, is unsatisfactory from another standpoint, that is, because of the way in which the very substantial earnings of the New York and Chicago banks from bills held in their option accounts are treated at this time. Allocations made on the basis of a bank's ability to carry the securities instead of on its need for earnings would overcome this difficulty partially, if not entirely. I think that our committee, as well as the subcommittee, should carefully consider whether the bank should continue to carry bills in their option accounts as at present, or whether they should transfer the bills to the open market account on the date purchased or on the following day.

In trying to formulate some plan which would at least partially overcome some of the weaknesses in the present plan, as referred to in this letter, it occurred to me that it might be feasible to adopt a formula which would give consideration to a bank's ability to carry securities and also to its estimated need for earnings. In other words, instead of continuing the present formula or adopting one based solely on a bank's ability to carry the securities, it seems to me that a combination of those two ideas might be practicable. For instance 25 percent of the securities in the open market account could be allocated on the basis of the ratio of each bank's estimated expenses and dividends to total estimated expenses and dividends for the System, and the remaining 75 percent could be allocated on the basis of the ratio of the total resources of each bank to the total resources of the System. These percentages could be fixed at 20-80,  $33 \frac{1}{3}$ -66  $\frac{2}{3}$ , or on whatever basis a careful study indicated would be proper. The percentages finally agreed upon could then be applied either to the total amount of securities held in the open market account, or separately to the amount of interest-bearing securities in the account and to the amount of bills in the account. The



-3-

formula I have suggested for consideration is applicable whether bills acquired under repurchase options are carried by each bank separately as at present, or whether they are transferred to the open market account.

If it should become necessary again to give paramount consideration to the equitable distribution of earnings among the twelve banks, the present method of allocating securities in the open market account, or some modification thereof, could be readopted.

Please advise me as soon as possible the date selected for the first meeting of the subcommittee so Mr. Gentry will have ample time in which to make transportation reservations.

With kindest personal regards, I am,

Sincerely yours,

/s/ R. R. Gilbert

R. R. Gilbert  
President

ritten in August, 1944)

## ALLOCATION FORMULA FOR THE OPEN MARKET ACCOUNT

The formula used at present to allocate the income and trading profit or loss on the Open Market Account is based upon the operating expense and dividend requirements of the individual Federal Reserve Banks. The principle of this formula was adopted in 1936 at a time when the net profit margin over dividend requirements of the banks was narrow, the object being to assure that the available income would be shared in accordance with actual needs. Had another basis of distribution been adopted, it was probable that some banks might have received insufficient income to cover dividend requirements while other banks might have received a substantial surplus. To the extent that income from the Open Market Account was adequate to cover the operating expense and dividend requirements of the entire System, this formula guaranteed that each bank would be protected against a possible shortage.

The situation which led to the adoption of this formula no longer obtains; further, it is not likely to exist for many years to come. From a level of some 2.4 billion dollars, the Account has grown to approximately 11.3 billion dollars and, despite a sharp reduction in the average rate of return, it now yields income (exclusive of trading profit) about 50 per cent in excess of the aggregate operating expense and dividend requirements of the entire System. This margin of excess earnings seems certain to grow, at least for the duration of the war as the Account is expanded to provide member bank reserves. After the war ends, there is good reason to believe that the Open Market Account will grow further in order to provide member banks with reserves to purchase additional Government securities and quite possibly to expand customer loans. Even if the Account does not grow, there is little reason to expect a shrinkage in the immediate post-war period as that would involve either a substantial retirement of the Government debt or a program of Open Market selling, either of which now appears to be unlikely.

It is reasonable to believe, therefore, that for many years the income from the Open Market Account will far exceed the operating expense and dividend requirements of the System. If this is true the justification for using the present allocation formula no longer exists. The basic weakness of that formula is quite obvious. It not only provides no incentive for the individual banks to economize, but it places a premium on incurring excessive operating expenses. The more a bank spends, the more income it is entitled to get. It is similar to the cost-plus-profit formula which has given rise to so much criticism in the case of certain war contracts.

If the principle of the present allocation formula is unsound and if there is no present need for allocating on this basis, would it not be desirable to explore the possibility of adopting a more defensible formula? Two possible formula bases are suggested: total assets and total net worth. Both reflect size, but of the two, the former would seem to be much the better measure as the ratio of liabilities to net worth varies rather widely from bank to bank. Theoretically, at least, the operating expenses of a bank should vary directly with its size. To the extent that this is true, a formula based on total assets would allocate income roughly in accordance with operating expense requirements.

Table 1 (at the end of this memorandum) indicates approximately the distribution of the income and trading profit realized from the Open Market Account which would have resulted during the period January 1, 1941 - June 30, 1944, if a formula based on the total assets of the individual banks had been used in arriving at these figures. The average total assets of the individual bank was computed quarterly by adding the total assets for the last reported week in each month and dividing the aggregate by three. (This procedure yields only an approximate average of the total assets during the quarter, but it was used in order to

save time.) A 100 per cent distribution of the resulting averages for the 12 banks was then calculated and this percentage distribution was applied to the income and trading profit realized on the Open Market Account for the following quarter.

Table 2 (at the end of this memorandum) indicates the approximate distribution of the income and trading profit realized from the Open Market Account for the same period on the basis of the average net worth of the individual Federal Reserve Banks. Net worth of the individual banks was averaged in the same way as was total assets in the preceding table, and the percentage distribution found for one quarter was then applied to the income and trading profit realized from the Account during the following quarter.

Table 3 compares the experience of the Federal Reserve Bank of Dallas under each of the three formulas. The first two columns of the table present the actual receipts realized under the formula in use; the next two columns show the results which would have been realized with a formula based on total assets; and the last two columns indicate the results using a formula based on net worth.

From this tabulation two facts are clearly evident. First, use of either of the proposed formulas would have produced much less income for the Bank during the period surveyed than the formula actually used. Total receipts (income and trading profit) actually realized were \$9,801,102.70 as compared with \$6,013,114.62 which would have been realized under the total asset formula, and \$7,150,896.61 under the net worth formula. The latter two formulas, therefore, would have produced 39 per cent and 27 per cent less return, respectively, than the formula which was actually used. For the second quarter of 1944 the return realized from either the total asset or the net worth formula would have been approximately 34 per cent less than the actual experience.

Table 3. Share of the Federal Reserve Bank of Dallas  
in the Income and Trading Profit Realized from  
the System Open Market Account on the Basis of  
Three Different Allocation Formulas for the Period  
January 1, 1941, to June 30, 1944

| Period      | Present Formula |                   | Formula Based on<br>Total Assets |                   | Formula Based on<br>Net Worth |                   |
|-------------|-----------------|-------------------|----------------------------------|-------------------|-------------------------------|-------------------|
|             | Income          | Trading<br>Profit | Income                           | Trading<br>Profit | Income                        | Trading<br>Profit |
| <b>1941</b> |                 |                   |                                  |                   |                               |                   |
| 1st quar.   | \$ 384,706.24   | \$ 13,710.23      | \$ 169,536.65                    | \$ 6,249.31       | \$ 305,177.59                 | \$ 11,249.19      |
| 2nd quar.   | 401,857.28      | 5,681.16          | 183,299.46                       | 2,712.75          | 300,459.38                    | 4,535.46          |
| 3rd quar.   | 397,658.92      | 0.00              | 189,651.69                       | 0.00              | 311,121.05                    | 0.00              |
| 4th quar.   | 363,825.54      | 31,685.19         | 200,952.02                       | 15,920.30         | 319,674.21                    | 25,325.98         |
| year        | 1,548,047.98    | 51,076.58         | 743,439.82                       | 24,882.36         | 1,242,432.23                  | 41,110.63         |
| <b>1942</b> |                 |                   |                                  |                   |                               |                   |
| 1st quar.   | 413,937.73      | 53,672.07         | 230,544.14                       | 30,286.28         | 327,512.49                    | 43,024.89         |
| 2nd quar.   | 427,015.43      | 16,455.02         | 241,062.82                       | 9,383.09          | 338,553.48                    | 13,178.64         |
| 3rd quar.   | 475,347.12      | 58,702.19         | 273,114.71                       | 33,919.96         | 377,993.50                    | 48,945.56         |
| 4th quar.   | 693,471.69      | 11.73             | 432,375.45                       | 7.59              | 534,389.79                    | 9.37              |
| year        | 2,009,771.97    | 128,841.01        | 1,177,097.12                     | 73,597.52         | 1,578,449.26                  | 103,158.46        |
| <b>1943</b> |                 |                   |                                  |                   |                               |                   |
| 1st quar.   | 691,041.32      | 946,405.11        | 489,184.45                       | 680,916.22        | 542,053.55                    | 754,506.33        |
| 2nd quar.   | 553,694.49      | 372,591.23        | 405,283.18                       | 281,010.47        | 431,848.20                    | 239,429.80        |
| 3rd quar.   | 613,033.30      | 55,664.10         | 362,280.99                       | 42,782.67         | 380,086.72                    | 44,885.63         |
| 4th quar.   | 300,139.86      | 13,119.68         | 436,363.16                       | 27,385.56         | 448,396.71                    | 10,232.89         |
| year        | 2,757,908.97    | 1,387,780.12      | 1,693,111.78                     | 1,032,095.22      | 1,802,387.18                  | 1,109,055.25      |
| <b>1944</b> |                 |                   |                                  |                   |                               |                   |
| 1st quar.   | 862,131.47      | 29,802.57         | 572,202.97                       | 22,614.24         | 573,451.00                    | 22,863.57         |
| 2nd quar.   | 1,018,365.89    | 7,376.14          | 668,515.25                       | 5,558.34          | 672,596.75                    | 5,592.28          |
| half year   | 1,880,497.36    | 37,178.71         | 1,240,718.22                     | 28,172.58         | 1,246,047.75                  | 28,455.85         |

*Supplies 6025  
Revised (1944-v. 3788)  
7/11/44  
2237*

Second, the formula based on the net worth would have yielded a larger return in every quarter than the total asset formula. However, the margin of advantage of the net worth formula narrowed rapidly after January 1, 1943, and during the first half of 1944 almost disappeared. This, of course, reflected the relatively more rapid growth of total assets as compared with net worth. Should either of the above formulas be adopted, the total asset formula could be expected to yield a larger return to the Bank than the net worth formula. This would follow because the amount carried to surplus each year would be substantially less than in the recent past. ✓

The 34 per cent prospective drop in return from the Open Market Account under the total asset or net worth formula, of course, argues very strongly against the adoption of either. On the other hand, this reduction in income could probably be absorbed without difficulty. For the year 1943, \$1,549,846 was carried to surplus; under the total asset formula this figure would have dropped to \$129,366 and under the net worth formula to \$315,601. The year 1943, however, is not a good year for comparison because of the relatively large and non-recurrent trading profit realized on the Open Market Account during that period. A much better comparison would be had from the experience of the first half of 1944. The operating expense and dividend requirements of the Bank during this period totaled \$1,165,541. Income from the Open Market Account (excluding trading profit) during this half year would have aggregated \$1,240,718 under the total asset formula and \$1,246,048 under the net worth formula, which would have provided a slight margin of coverage. As the income from the Open Market Account grows, this margin could be expected to widen.

In this connection one other observation might be made. There is probably little advantage to a reserve bank in building up a huge surplus account. As of July 26, 1944, the combined surplus of the Federal Reserve Bank of Dallas was 195 per cent of the paid-in capital account. This surplus of \$9,800,000 would appear to be

adequate to care for possible operating contingencies. To build the surplus to substantially higher levels invites legislation to confiscate a portion of the accumulation. The requirement to purchase FDIC stock in 1934 is a case in point. This would suggest that the desirability of adopting an allocation formula which would leave a large amount of net income to be carried to surplus each year, is more apparent than real.

If either of the suggested formulas is adopted, Open Market Account income would be transferred from some banks to others, generally from the smaller to the larger institutions. The surplus accounts of these latter banks would grow much more rapidly than in the case of the former. However, if legislative confiscation should be ordered subsequently, it would be applied pro rata to all banks with the result that the large surplus accounts would be levied upon more heavily than the smaller. If this should occur, much of the apparent advantage in building the larger surplus accounts would be lost.

*Dollar amount Percentage*

One further point should be considered. If either of the suggested formulas should be adopted, the reserve ratios of the individual reserve banks would be materially affected. In general, the banks whose shares in the Open Market Account decreased would improve their reserve positions, while the banks whose shares increased would weaken their reserve ratios. It will be interesting to check the actual changes in the reserve ratios of the individual banks if one of the suggested formulas should be put into effect. For this purpose the formula based on total assets is used and the effective date of change is assumed to be March 29, 1944. (This date is used to avoid computations which would have been necessary if a more recent date had been used.) The results of the change in the allocation formula on reserve positions are indicated in table 4.

**Table 4. Reserve Position of the Individual Federal Reserve Banks if Allocation Formula for Open Market Account Based on Total Assets were Adopted as of March 29, 1944**

| Bank          | Actual Reserve Ratio | Actual Share in Open Mkt. Acct. (thousands) | Share in Open Mkt. Acct. under New Formula (thousands) | Increase in Reserves (thousands) | Decrease in Reserves (thousands) | New Reserve Ratio |
|---------------|----------------------|---|--|----------------------------------|----------------------------------|-------------------|
| Boston        | 58%                  | \$ 665,311                                  | \$ 526,041   | \$ 139,270                       |                                  | 65%               |
| New York      | 60                   | 1,938,044                                   | 2,399,392  |                                  | \$ 461,348                       | 55                |
| Philadelphia  | 59                   | 678,554                                     | 538,684  | 139,870                          |                                  | 66                |
| Cleveland     | 63                   | 952,454                                     | 744,340  | 208,114                          |                                  | 70                |
| Richmond      | 61                   | 572,938                                     | 479,925  | 93,013                           |                                  | 67                |
| Atlanta       | 67                   | 482,672                                     | 429,700  | 52,972                           |                                  | 70                |
| Chicago       | 67                   | 935,281                                     | 1,432,164  |                                  | 496,883                          | 58                |
| St. Louis     | 44                   | 425,988                                     | 342,561  | 83,427                           |                                  | 51                |
| Minneapolis   | 53                   | 275,200                                     | 201,885  | 73,315                           |                                  | 62                |
| Kansas City   | 59                   | 452,519                                     | 350,764  | 101,755                          |                                  | 66                |
| Dallas        | 55                   | 406,434                                     | 273,270  | 133,164                          |                                  | 68                |
| San Francisco | 66                   | 897,183                                     | 970,852  |                                  | 73,669                           | 64                |

The new formula would narrow slightly the spread in the individual bank ratios. Whereas, the former range was from 44 per cent to 67 per cent, the new range would be from 51 per cent to 70 per cent. The ratio of the Federal Reserve Bank of Dallas would be improved very substantially rising from 55 per cent to 68 per cent. Against this advance, however, must be balanced a prospective loss of about one third of the return from the Open Market Account.



Table 1. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Total Assets of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

First Quarter of 1941

|               | Ave. Total Assets<br>in Preceding<br>Quarter | Per Cent of<br>Aggregate<br>Assets | Share of<br>Net Income | Share of<br>Trading<br>Profit |
|---------------|--|------------------------------------|------------------------|-------------------------------|
|               | (in thousands)                               |                                    |                        |                               |
|               | \$   |                                    | \$                     | \$                            |
| Boston        | 1,427,347                                    | 6.1973                             | 599,662.98             | 22,104.26                     |
| New York      | 10,570,441                                   | 45.8947                            | 4,440,861.75           | 163,695.22                    |
| Philadelphia  | 1,297,019                                    | 5.6314                             | 544,905.38             | 20,085.83                     |
| Cleveland     | 1,672,108                                    | 7.2600                             | 702,491.93             | 25,894.65                     |
| Richmond      | 751,995                                      | 3.2650                             | 315,927.84             | 11,645.46                     |
| Atlanta       | 515,855                                      | 2.2397                             | 216,717.79             | 7,988.46                      |
| Chicago       | 3,367,687                                    | 14.6213                            | 1,414,834.23           | 52,152.40                     |
| St. Louis     | 655,637                                      | 2.8467                             | 275,452.31             | 10,153.49                     |
| Minneapolis   | 393,222                                      | 1.7073                             | 165,201.72             | 6,089.52                      |
| Kansas City   | 569,862                                      | 2.4742                             | 239,408.47             | 8,824.37                      |
| Dallas        | 403,554                                      | 1.7521                             | 169,536.65             | 6,249.31                      |
| San Francisco | 1,407,211                                    | 6.1098                             | 591,196.31             | 21,792.17                     |
| <b>Total</b>  | <b>23,031,939</b>                            |                                    | <b>9,676,137.36</b>    | <b>356,675.64</b>             |

Table 1. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Total Assets of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

First Quarter of 1942

|               | Ave. Total Assets<br>in Preceding<br>Quarter | Per Cent of<br>Aggregate<br>Assets | Share of<br>Net Income | Share of<br>Trading<br>Profit |
|---------------|--|------------------------------------|------------------------|-------------------------------|
|               | (in thousands)                               |                                    |                        |                               |
|               | \$   |                                    | \$                     | \$                            |
| Boston        | 1,490,248                                    | 6.1502                             | 653,346.51             | 85,829.28                     |
| New York      | 9,152,558                                    | 37.7720                            | 4,012,585.66           | 527,128.16                    |
| Philadelphia  | 1,552,676                                    | 6.4078                             | 680,711.81             | 89,424.22                     |
| Cleveland     | 2,037,133                                    | 8.4071                             | 893,100.95             | 117,325.51                    |
| Richmond      | 1,041,751                                    | 4.2992                             | 456,711.54             | 59,997.60                     |
| Atlanta       | 692,050                                      | 2.8561                             | 303,408.50             | 39,858.38                     |
| Chicago       | 3,951,976                                    | 16.3096                            | 1,732,597.35           | 227,609.06                    |
| St. Louis     | 803,574                                      | 3.3163                             | 352,296.35             | 46,280.71                     |
| Minneapolis   | 477,273                                      | 1.9697                             | 209,244.68             | 27,488.20                     |
| Kansas City   | 696,264                                      | 2.8763                             | 305,554.38             | 40,140.28                     |
| Dallas        | 525,864                                      | 2.1702                             | 230,544.14             | 30,286.28                     |
| San Francisco | 1,808,979                                    | 7.4655                             | 793,073.13             | 104,184.99                    |
| Total         | 24,231,045                                   |                                    | 10,623,175.00          | 1,395,552.67                  |

Table 1. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Total Assets of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

First Quarter of 1943

|               | Ave. Total Assets<br>in Preceding<br>Quarter | Per Cent of<br>Aggregate<br>Assets | Share of<br>Net Income | Share of<br>Trading<br>Profit |
|---------------|--|------------------------------------|------------------------|-------------------------------|
|               | (in thousands)                               |                                    |                        |                               |
|               | \$   |                                    | \$                     | \$                            |
| Boston        | 1,711,313                                    | 6.2187                             | 1,094,828.80           | 1,523,937.85                  |
| New York      | 8,667,336                                    | 31.4961                            | 5,545,023.48           | 7,718,349.30                  |
| Philadelphia  | 1,660,421                                    | 6.0338                             | 1,062,276.37           | 1,478,626.75                  |
| Cleveland     | 2,409,137                                    | 8.7545                             | 1,541,267.27           | 2,145,354.15                  |
| Richmond      | 1,433,285                                    | 5.2084                             | 916,961.16             | 1,276,356.45                  |
| Atlanta       | 1,048,203                                    | 3.8090                             | 670,590.79             | 933,423.26                    |
| Chicago       | 4,500,247                                    | 16.3534                            | 2,879,086.20           | 4,007,520.09                  |
| St. Louis     | 1,039,015                                    | 3.7757                             | 664,728.18             | 925,262.86                    |
| Minneapolis   | 624,592                                      | 2.2697                             | 399,590.42             | 556,206.56                    |
| Kansas City   | 989,867                                      | 3.5971                             | 633,284.88             | 881,495.62                    |
| Dallas        | 764,651                                      | 2.7786                             | 489,184.45             | 680,916.22                    |
| San Francisco | 2,670,713                                    | 9.7050                             | 1,708,606.87           | 2,378,281.12                  |
| <b>Total</b>  | <b>27,518,779</b>                            |                                    | <b>17,605,428.87</b>   | <b>24,505,730.23</b>          |

**Table 1. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Total Assets of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944**

|               | First Quarter of 1944                        |                                    |                        |                               |
|---------------|--|------------------------------------|------------------------|-------------------------------|
|               | Ave. Total Assets<br>in Preceding<br>Quarter | Per Cent of<br>Aggregate<br>Assets | Share of<br>Net Income | Share of<br>Trading<br>Profit |
|               | (in thousands)                               |                                    |                        |                               |
|               | \$   |                                    | \$                     | \$                            |
| Boston        | 1,908,205                                    | 5.8302                             | 1,070,038.08           | 42,289.37                     |
| New York      | 9,191,794                                    | 28.0842                            | 5,154,396.69           | 203,708.79                    |
| Philadelphia  | 1,996,470                                    | 6.0999                             | 1,119,537.12           | 44,245.63                     |
| Cleveland     | 2,823,687                                    | 8.6273                             | 1,583,400.15           | 62,578.13                     |
| Richmond      | 1,818,688                                    | 5.5567                             | 1,019,841.62           | 40,305.53                     |
| Atlanta       | 1,574,454                                    | 4.8105                             | 882,888.79             | 34,892.97                     |
| Chicago       | 5,423,091                                    | 16.5694                            | 3,041,043.02           | 120,186.17                    |
| St. Louis     | 1,290,192                                    | 3.9420                             | 723,489.78             | 28,593.30                     |
| Minneapolis   | 766,254                                      | 2.3412                             | 429,689.06             | 16,981.90                     |
| Kansas City   | 1,308,188                                    | 3.9970                             | 733,584.13             | 28,992.25                     |
| Dallas        | 1,020,392                                    | 3.1177                             | 572,202.97             | 22,614.24                     |
| San Francisco | 3,608,050                                    | 11.0239                            | 2,023,256.98           | 79,961.88                     |
| <b>Total</b>  | <b>32,729,464</b>                            |                                    | <b>18,353,368.39</b>   | <b>725,350.16</b>             |

Table 1. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Total Assets of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

Second Quarter of 1944

|               | Ave. Total Assets<br>in Preceding<br>Quarter | Per Cent of<br>Aggregate<br>Assets | Share of<br>Net Income | Share of<br>Trading<br>Profit |
|---------------|--|------------------------------------|------------------------|-------------------------------|
|               | (in thousands)<br>\$                         |                                    | \$                     | \$                            |
| Boston        | 2,053,427                                    | 6.0537                             | 1,286,883.35           | 10,699.74                     |
| New York      | 9,366,192                                    | 27.6123                            | 5,869,767.10           | 48,803.06                     |
| Philadelphia  | 2,102,794                                    | 6.1992                             | 1,317,813.44           | 10,956.81                     |
| Cleveland     | 2,905,578                                    | 8.5659                             | 1,820,921.76           | 15,139.98                     |
| Richmond      | 1,873,429                                    | 5.5230                             | 1,174,068.21           | 9,761.74                      |
| Atlanta       | 1,677,362                                    | 4.9450                             | 1,051,198.14           | 8,740.15                      |
| Chicago       | 5,590,550                                    | 16.4814                            | 3,503,582.61           | 29,130.41                     |
| St. Louis     | 1,337,196                                    | 3.9422                             | 838,024.93             | 6,967.73                      |
| Minneapolis   | 788,063                                      | 2.3233                             | 493,882.43             | 4,106.37                      |
| Kansas City   | 1,369,218                                    | 4.0366                             | 858,092.30             | 7,134.58                      |
| Dallas        | 1,066,721                                    | 3.1448                             | 668,515.25             | 5,558.34                      |
| San Francisco | 3,789,780                                    | 11.1726                            | 2,374,048.80           | 19,747.25                     |
| Total         | 33,920,310                                   |                                    | 21,257,738.52          | 176,747.16                    |

**Table 2. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Net Worth of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944**

| First Quarter of 1941 |   |                                   |                           |                               |
|-----------------------|---|-----------------------------------|---------------------------|-------------------------------|
|                       | Ave. Net Worth<br>in Preceding<br>quarter | Per Cent of<br>Total Net<br>Worth | Share of<br>Net<br>Income | Share of<br>Trading<br>Profit |
|                       | (in thousands)                            |                                   |                           |                               |
|                       | \$  |                                   | \$                        | \$                            |
| Boston                | 25,370                                    | 6.9073                            | 668,363.98                | 24,636.66                     |
| New York              | 126,650                                   | 34.4823                           | 3,336,575.40              | 122,989.96                    |
| Philadelphia          | 34,003                                    | 9.2578                            | 895,803.00                | 33,020.32                     |
| Cleveland             | 34,330                                    | 9.3468                            | 304,414.81                | 33,337.76                     |
| Richmond              | 15,868                                    | 4.3203                            | 418,040.75                | 15,403.46                     |
| Atlanta               | 13,342                                    | 3.6326                            | 351,497.55                | 12,956.60                     |
| Chicago               | 46,743                                    | 12.7265                           | 1,231,441.26              | 45,392.32                     |
| St. Louis             | 11,547                                    | 3.1438                            | 304,200.29                | 11,213.17                     |
| Minneapolis           | 9,537                                     | 2.5966                            | 251,252.14                | 9,261.44                      |
| Kansas City           | 11,009                                    | 2.9974                            | 290,034.34                | 10,691.00                     |
| Dallas                | 11,584                                    | 3.1539                            | 305,177.59                | 11,249.19                     |
| San Francisco         | 27,307                                    | 7.4347                            | 719,396.25                | 26,517.76                     |
| <b>Total</b>          | <b>387,200</b>                            |                                   | <b>9,676,197.36</b>       | <b>356,675.64</b>             |

**Table 2. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Net Worth of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944**

**First Quarter of 1942**

|               | Ave. Net Worth<br>in Preceding<br>Quarter | Per Cent of<br>Total Net<br>Worth | Share of<br>Net<br>Income | Share of<br>Trading<br>Profit |
|---------------|---|-----------------------------------|---------------------------|-------------------------------|
|               | (in thousands)                            |                                   |                           |                               |
|               | \$  |                                   | \$                        | \$                            |
| Boston        | 25,644                                    | 6.8713                            | 729,950.22                | 95,892.61                     |
| New York      | 128,676                                   | 34.4789                           | 3,662,753.89              | 481,171.21                    |
| Philadelphia  | 34,483                                    | 9.2398                            | 981,560.12                | 128,946.28                    |
| Cleveland     | 34,530                                    | 9.2524                            | 982,898.64                | 129,122.12                    |
| Richmond      | 16,124                                    | 4.3204                            | 458,963.65                | 60,293.46                     |
| Atlanta       | 13,673                                    | 3.6637                            | 389,201.26                | 51,128.86                     |
| Chicago       | 47,989                                    | 12.8587                           | 1,366,002.20              | 179,449.93                    |
| St. Louis     | 11,867                                    | 3.1798                            | 337,795.72                | 44,375.78                     |
| Minneapolis   | 9,677                                     | 2.5930                            | 275,450.93                | 36,186.68                     |
| Kansas City   | 11,340                                    | 3.0386                            | 322,795.80                | 42,405.26                     |
| Dallas        | 11,506                                    | 3.0830                            | 327,512.49                | 43,024.89                     |
| San Francisco | 27,693                                    | 7.4204                            | 788,282.08                | 103,555.59                    |
| <b>Total</b>  | <b>373,202</b>                            |                                   | <b>10,623,175.00</b>      | <b>1,395,552.67</b>           |

**Table 2. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Net Worth of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944**

First Quarter of 1943

|               | Ave. Net Worth<br>in Preceding<br>Quarter | Per Cent of<br>Total Net<br>Worth | Share of<br>Net<br>Income | Share of<br>Trading<br>Profit |
|---------------|---|-----------------------------------|---------------------------|-------------------------------|
|               | (in thousands)                            |                                   |                           |                               |
|               | \$  |                                   | \$                        | \$                            |
| Boston        | 26,174                                    | 6.8230                            | 1,201,218.41              | 1,672,025.37                  |
| New York      | 132,539                                   | 34.5503                           | 6,082,728.49              | 8,466,803.31                  |
| Philadelphia  | 35,003                                    | 9.1246                            | 1,606,424.96              | 2,236,049.36                  |
| Cleveland     | 35,406                                    | 9.2296                            | 1,624,910.67              | 2,261,780.88                  |
| Richmond      | 16,611                                    | 4.3301                            | 762,332.68                | 1,061,122.63                  |
| Atlanta       | 14,206                                    | 3.7032                            | 651,964.24                | 907,496.20                    |
| Chicago       | 49,567                                    | 12.9211                           | 2,274,815.07              | 3,166,409.91                  |
| St. Louis     | 12,249                                    | 3.1931                            | 562,153.95                | 782,492.47                    |
| Minneapolis   | 9,930                                     | 2.5886                            | 455,734.13                | 634,355.33                    |
| Kansas City   | 11,720                                    | 3.0552                            | 537,881.06                | 748,699.07                    |
| Dallas        | 11,811                                    | 3.0789                            | 542,053.55                | 754,506.93                    |
| San Francisco | 28,396                                    | 7.4023                            | 1,303,206.66              | 1,813,987.67                  |
| Total         | 333,612                                   |                                   | 17,605,428.37             | 24,505,730.23                 |



Table 2. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Net Worth of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

First Quarter of 1944

|               | Ave. Net Worth<br>in Preceding<br>Quarter | Per Cent of<br>Total Net<br>Worth | Share of<br>Net<br>Income | Share of<br>Trading<br>Profit |
|---------------|---|-----------------------------------|---------------------------|-------------------------------|
|               | (in thousands)<br>\$                      |                                   | \$                        | \$                            |
| Boston        | 29,569                                    | 6.8773                            | 1,262,216.20              | 49,834.51                     |
| New York      | 147,113                                   | 34.2161                           | 6,279,806.88              | 248,186.54                    |
| Philadelphia  | 38,470                                    | 8.9475                            | 1,642,167.64              | 64,900.70                     |
| Cleveland     | 40,094                                    | 9.3252                            | 1,711,488.31              | 67,640.35                     |
| Richmond      | 19,048                                    | 4.4303                            | 813,109.28                | 32,135.19                     |
| Atlanta       | 15,900                                    | 3.6981                            | 678,725.92                | 26,324.17                     |
| Chicago       | 54,995                                    | 12.7909                           | 2,347,561.00              | 92,778.81                     |
| St. Louis     | 14,109                                    | 3.2815                            | 602,265.78                | 23,302.37                     |
| Minneapolis   | 11,228                                    | 2.6114                            | 479,279.86                | 18,941.79                     |
| Kansas City   | 13,758                                    | 3.1999                            | 587,289.43                | 23,210.48                     |
| Dallas        | 13,434                                    | 3.1245                            | 573,451.00                | 22,663.57                     |
| San Francisco | 32,235                                    | 7.4973                            | 1,376,007.09              | 54,381.68                     |
| <b>Total</b>  | <b>429,953</b>                            |                                   | <b>13,353,368.39</b>      | <b>725,350.16</b>             |

Table 2. Distribution of the Income and Trading Profit  
Realized from the System Open Market Account on the  
Basis of Average Net Worth of the Individual Banks  
by Quarters from January 1, 1941, to June 30, 1944

|               | Second Quarter of 1944                    |                                   |                           |                               |
|---------------|---|-----------------------------------|---------------------------|-------------------------------|
|               | Ave. Net Worth<br>in Preceding<br>Quarter | Per Cent of<br>Total Net<br>Worth | Share of<br>Net<br>Income | Share of<br>Trading<br>Profit |
|               | (in thousands)                            |                                   |                           |                               |
|               | \$  |                                   | \$                        | \$                            |
| Boston        | 29,210                                    | 6.6980                            | 1,423,847.34              | 11,838.52                     |
| New York      | 149,014                                   | 34.1697                           | 7,263,725.98              | 60,393.98                     |
| Philadelphia  | 33,080                                    | 8.7320                            | 1,856,230.97              | 15,433.56                     |
| Cleveland     | 40,935                                    | 9.3866                            | 1,995,384.52              | 16,590.55                     |
| Richmond      | 19,541                                    | 4.4809                            | 952,540.69                | 7,919.86                      |
| Atlanta       | 16,223                                    | 3.7200                            | 790,790.11                | 6,574.99                      |
| Chicago       | 56,357                                    | 12.9230                           | 2,747,145.30              | 22,841.04                     |
| St. Louis     | 14,409                                    | 3.3041                            | 702,378.92                | 5,839.90                      |
| Minneapolis   | 11,373                                    | 2.6767                            | 569,007.49                | 4,730.99                      |
| Kansas City   | 14,111                                    | 3.2357                            | 687,838.59                | 5,719.01                      |
| Dallas        | 13,798                                    | 3.1640                            | 672,596.75                | 5,592.28                      |
| San Francisco | 32,748                                    | 7.5093                            | 1,596,311.86              | 13,272.48                     |
| Total         | 436,099                                   |                                   | 21,257,798.52             | 176,747.16                    |

April 16, 1945.

Chairman Eccles

Mr. Carpenter.

The minutes of the last Presidents' Conference, held on February 26 and 27, 1945, were received a day or two ago and a copy was sent to you. However, it is thought that you might like to have your particular attention called to the action which has been taken by the Conference with reference to the appointment of a special committee on Allocation of Securities in the System open market account.

At the meeting of the Presidents in December, 1944, Mr. Koppang raised the question as to what steps, if any, should be taken to devise a more scientific and equitable formula for allocation of securities in the open market account, pointing out that the present formula, based on expenses and requirements for dividends, is inadequate and in some ways inequitable because the effect is to put a penalty on efficiency.

After discussion it was agreed that a special committee should be appointed to study the whole question of allocation and that the committee should consult with Messrs. Smead, Rouse and other operating men, with a view to recommending a new formula, if one could be found that would be more suitable than the present one.

At the Conference of Presidents on February 26 and 27, 1945, it was decided that that committee should consist of representatives of the Federal Reserve Banks of Kansas City, New York, Philadelphia, Atlanta and Dallas, with Mr. Leedy as Chairman.

cc: Mr. Goldenweiser,  
Mr. Vest.

SRC:mes

*copy filed*

*324. - 2/26/45*

*324.03*

FILE COPY

*Leedy*

*Mr. Daniels ✓*  
*Mr. Van Fossen ✓*  
*Mrs. Smith*

FEDERAL RESERVE BANK  
OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968  
333,343

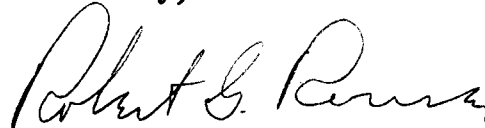
April 3, 1945.

Dear Mr. Smead:

We received your letter of April 2, 1945, and have today sent to the Reserve Banks a copy of the computation showing the adjustments made on April 2, 1945, as of April 1, 1945, in participations in the System Open Market Account, pursuant to the plan adopted at the meeting of the Federal Open Market Committee on September 21, 1944, as amended March 7, 1945.

Enclosed herewith is a copy of the letter of transmittal together with three copies of the computation, also copy of the telegram which was sent to each of the Federal Reserve Banks on April 2, 1945.

Yours faithfully,



Robert G. Rouse, Manager,  
System Open Market Account.

Mr. E. L. Smead, Director,  
Division of Bank Operations,  
Board of Governors of the  
Federal Reserve System,  
Washington 25, D. C.

Enclosures (4)



*Directive #1*

MISC. 140A-100M-6-44

FEDERAL RESERVE BANK OF NEW YORK

REC'D IN RECORDS SECTION  
APR 24 1968

April 3, 1945.

Dear Mr. Williams:

In accordance with my telegram of April 2, 1945, I enclose herewith computation of the readjustments made on April 2, 1945, as of April 1, 1945, in the participations of the Federal Reserve Banks in the System Open Market portfolio.

Yours faithfully,

Robert G. Rouse, Manager,  
System Open Market Account.

Mr. Alfred H. Williams, President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania

Encl.

COPY

MISC. 140-B-24M-11-44

SEC. DEPT.  
RHB:ms

REC'D IN RECORDS SECTION  
APR 24 1968

PLEASE SEND THE FOLLOWING TELEGRAM TO EACH FEDERAL RESERVE BANK AS INDICATED BELOW:

As advised in my wire March 29, 1945, readjustment of participations in Government securities held in System Account is being made today as of April 1 under the plan for reallocation of Government securities adopted by the Federal Open Market Committee September 21, 1944, as amended March 7, 1945. The computations showing adjustments made in participations of the several Reserve Banks will be mailed to all Reserve Banks on April 3.

These computations indicate an <sup>INCREASE</sup> ~~DECREASE~~ of \$ \_\_\_\_\_ in your participation in interest-bearing obligations, an <sup>INCREASE</sup> ~~DECREASE~~ of \$ \_\_\_\_\_ in your participation in Treasury bills, making a net <sup>INCREASE</sup> ~~DECREASE~~ of \$ \_\_\_\_\_ in your total participation in the System Account.

Your bank will receive this afternoon the usual coded wire showing the detailed entries to be made today as of April 1.

|          |               | <u>INTEREST-BEARING<br/>SECURITIES</u> | <u>TREASURY<br/>BILLS</u> | <u>TOTAL</u> |
|----------|---------------|--|---------------------------|--------------|
| FLANDERS | BOSTON        | - 1,294,000                            | - 7,899,000               | - 9,193,000  |
| WILLIAMS | PHILADELPHIA  | + 12,416,000                           | - 8,450,000               | + 3,966,000  |
| GIDNEY   | CLEVELAND     | + 5,289,000                            | - 2,938,000               | + 2,351,000  |
| LEACH    | RICHMOND      | + 535,000                              | + 61,794,000              | + 62,329,000 |
| McLARIN  | ATLANTA       | + 10,093,000                           | + 25,103,000              | + 35,196,000 |
| YOUNG    | CHICAGO       | - 46,567,000                           | +286,335,000              | +239,768,000 |
| DAVIS    | ST. LOUIS     | + 17,714,000                           | - 32,226,000              | - 14,512,000 |
| PEYTON   | MINNEAPOLIS   | - 1,433,000                            | - 619,000                 | - 2,052,000  |
| LEEDY    | KANSAS CITY   | - 2,016,000                            | - 5,679,000               | - 7,695,000  |
| GILBERT  | DALLAS        | + 13,693,000                           | - 16,787,000              | - 3,094,000  |
| DAY      | SAN FRANCISCO | - 3,057,000                            | - 17,565,000              | - 20,622,000 |

ROUSE

REALLOCATION OF GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, APRIL 1, 1945  
(In thousands of dollars)

REC'D IN RECORDS SEC. 896 F2 APR 21 1945

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|---------|--------------|------------------|----------------|---------|------------------|
| <b>I. Allocation of Interest-Bearing Securities</b>   |           |         |           |                   |                |               |         |         |              |                  |                |         |                  |
| Estimated current expenses, 1945  | 47,650    | 3,160   | 11,272    | 3,607             | 4,273          | 3,250         | 2,557   | 6,113   | 2,585        | 1,267            | 2,624          | 2,113   | 4,829            |
| Estimated dividends, 1945   | 10,010    | 610     | 3,588     | 756               | 1,003          | 403           | 363     | 1,190   | 322          | 219              | 321            | 335     | 900              |
| Estimated expenses and dividends  | 57,660    | 3,770   | 14,860    | 4,363             | 5,276          | 3,653         | 2,920   | 7,303   | 2,907        | 1,486            | 2,945          | 2,448   | 5,729            |
| <b>.. Current earnings</b>  |           |         |           |                   |                |               |         |         |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities   | 1,906     | 58      | 878       | 83                | 115            | 35            | 30      | 222     | 140          | 41               | 211            | 37      | 56               |
| 2. On interest-bearing securities<br>in System Account to March 31  | 20,345    | 1,399   | 5,061     | 1,540             | 1,933          | 1,304         | 1,028   | 2,665   | 956          | 550              | 1,000          | 847     | 2,062            |
| 3. Total  | 22,251    | 1,457   | 5,939     | 1,623             | 2,048          | 1,339         | 1,058   | 2,887   | 1,096        | 591              | 1,211          | 884     | 2,118            |
| E. Excess of "C" over "D 3"   | 35,409    | 2,313   | 8,921     | 2,740             | 3,228          | 2,314         | 1,862   | 4,416   | 1,811        | 895              | 1,734          | 1,564   | 3,611            |
| F. Allocation required (on basis of<br>1.075868% earnings rate) to<br>produce earnings April-December<br>equal to "E"     | 4,368,353 | 285,351 | 1,100,570 | 338,030           | 398,233        | 285,475       | 229,712 | 544,795 | 223,420      | 110,415          | 213,921        | 192,948 | 445,483          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since March 31, 1940 | 100.0     | 7.2972  | 24.2815   | 7.7281            | 10.1778        | 6.2552        | 5.0924  | 12.5153 | 4.6854       | 2.8962           | 4.8741         | 4.2420  | 9.9548           |
| H. Allocation of remainder of<br>interest-bearing securities<br>(\$7,590,013,000 less<br>\$4,368,353,000) on basis of "G" | 3,221,660 | 235,091 | 782,267   | 248,973           | 327,894        | 201,521       | 164,060 | 403,200 | 150,948      | 93,306           | 157,027        | 136,663 | 320,710          |
| I. Total allocations  | 7,590,013 | 520,442 | 1,882,837 | 587,003           | 726,127        | 486,996       | 393,772 | 947,995 | 374,368      | 203,721          | 370,948        | 329,611 | 766,193          |
| J. Present allocations  | 7,590,013 | 521,736 | 1,888,210 | 574,587           | 720,838        | 486,461       | 383,679 | 994,562 | 356,654      | 205,154          | 372,964        | 315,918 | 769,250          |
| K. Change in allocations  | --        | -1,294  | -5,373    | +12,416           | +5,289         | +535          | +10,093 | -46,567 | +17,714      | -1,433           | -2,016         | +13,693 | -3,057           |

DECLASSIFIED  
Authority E.O. 10501

Reproduced from the Unclassified / Declassified Holdings of the National Archives

|  | System     | Boston    | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago   | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|--|------------|-----------|-----------|-------------------|----------------|---------------|---------|-----------|--------------|------------------|----------------|---------|------------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |                   |                |               |         |           |              |                  |                |         |                  |
| L. Distribution of estimated earnings on bills for year on basis of "G"                          | 45,373     | 3,311     | 11,017    | 3,506             | 4,618          | 2,838         | 2,311   | 5,679     | 2,126        | 1,314            | 2,211          | 1,925   | 4,517            |
| M. Earnings to March 31 on bills in System Account   | 6,431      | 524       | 584       | 452               | 857            | 573           | 502     | 827       | 305          | 168              | 362            | 308     | 969              |
| N. Earnings to December 31 on bills in option accounts (est.)                                    | 18,654     | 369       | 9,900     | 878               | 372            | 174           | 133     | 3,739     | 944          | 345              | 194            | 127     | 1,479            |
| . Pro rata share of earnings from bills in System Account April-December ("L" minus "M" and "N") | 20,288     | 2,418     | 533       | 2,176             | 3,389          | 2,091         | 1,676   | 1,113     | 877          | 801              | 1,655          | 1,490   | 2,069            |
| P. Allocation of System Account bills in proportion to "O"                                       | 7,082,325  | 844,098   | 186,065   | 759,618           | 1,183,064      | 729,946       | 585,074 | 388,536   | 306,151      | 279,621          | 577,743        | 520,143 | 722,266          |
| Q. Portion that Banks can not take due to low reserve ratio*                                     | 1,270,545  | 223,428   |           | 243,654           | 160,059        | 40,754        |         |           | 159,141      | 104,181          | 146,543        | 192,785 |                  |
| R. Distribution of "Q" to Banks with highest reserve ratios                                      | 1,270,545  |           | 161,662   |                   |                |               |         | 753,202   |              |                  |                |         | 355,681          |
| S. Final allocation of Treasury bills in System Account ("P" minus "Q" plus "R")                 | 7,082,325  | 620,670   | 347,727   | 515,964           | 1,023,005      | 689,192       | 585,074 | 1,141,738 | 147,010      | 175,440          | 431,200        | 327,358 | 1,077,947        |
| T. Present allocations   | 7,082,325  | 628,569   | 628,796   | 524,414           | 1,025,943      | 627,398       | 559,971 | 855,403   | 179,236      | 176,059          | 436,879        | 344,145 | 1,095,512        |
| . Change in allocations  | --         | -7,899    | -281,069  | -8,450            | -2,938         | +61,794       | +25,103 | +286,335  | -32,226      | -619             | -5,679         | -16,787 | -17,565          |
| <u>III. Total Allocation of System Account Securities</u>  |            |           |           |                   |                |               |         |           |              |                  |                |         |                  |
| V. Participation in System Account ("I" plus "S")  | 14,672,338 | 1,141,112 | 2,230,564 | 1,102,967         | 1,749,132      | 1,176,188     | 978,846 | 2,089,733 | 521,378      | 379,161          | 802,148        | 656,969 | 1,844,140        |
| W. Change in participation   | --         | -9,193    | -286,442  | +3,966            | +2,351         | +62,329       | +35,196 | +239,768  | -14,512      | -2,052           | -7,695         | -3,094  | -20,622          |

\* Based on note and deposit liability and reserve figures as of close of business March 31, 1945.

DECLASSIFIED  
Authority E.O. 10501



**TELEGRAM**  
**BOARD OF GOVERNORS**  
 OF THE  
**FEDERAL RESERVE SYSTEM**  
 LEASED WIRE SERVICE  
 WASHINGTON

April 2, 1945

**Rouse - New York**

This will confirm understanding in telephone conversation that adjustments of participations in System Account will be as follows, in thousands of dollars:

|               | <u>Interest-bearing securities</u> | <u>Treasury bills</u> | <u>Total</u> |
|---------------|------------------------------------|-----------------------|--------------|
| Boston        | -1,294                             | -7,899                | -9,193       |
| New York      | -5,373                             | -281,069              | -286,442     |
| Philadelphia  | +12,416                            | -8,450                | +3,966       |
| Cleveland     | +5,289                             | -2,938                | +2,351       |
| Richmond      | +535                               | +61,794               | +62,329      |
| Atlanta       | +10,093                            | +25,103               | +35,196      |
| Chicago       | -46,567                            | +286,335              | +239,768     |
| St. Louis     | +17,714                            | -32,226               | -14,512      |
| Minneapolis   | -1,433                             | -619                  | -2,052       |
| Kansas City   | -2,016                             | -5,679                | -7,695       |
| Dallas        | +13,693                            | -16,787               | -3,094       |
| San Francisco | -3,057                             | -17,565               | -20,622      |

Smead

*Handwritten initials and signatures:*  
 [Signature] [Signature] [Signature]  
 MD/dlw

FILE COPY

11/2  
333,343

April 2, 1945

Mr. Robert G. Rouse, Vice President,  
Federal Reserve Bank of New York,  
New York 7, New York.

Dear Mr. Rouse:

There is enclosed a statement showing the changes in participations of Government securities in the System Open Market Account on April 1, 1945, prepared in accordance with the formula adopted by the System Open Market Committee on September 21, 1944.

Very truly yours,

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

Enclosure

*ERH*  
*MD*  
MB/dlw

FILE COPY

FOR FILES  
M. B. Daniels

|   | System    | Boston  | New York  | Phila-<br>delphia | Cleve-<br>land | Rich-<br>mond | Atlanta | Chicago | St.<br>Louis | Minne-<br>apolis | Kansas<br>City | Dallas  | San<br>Francisco |
|---|-----------|---------|-----------|-------------------|----------------|---------------|---------|---------|--------------|------------------|----------------|---------|------------------|
| I. Allocation of Interest-Bearing Securities  |           |         |           |                   |                |               |         |         |              |                  |                |         |                  |
| A. Estimated current expenses, 1945   | 47,650    | 3,160   | 11,272    | 3,607             | 4,273          | 3,250         | 2,557   | 6,113   | 2,585        | 1,267            | 2,624          | 2,113   | 4,829            |
| B. Estimated dividends, 1945  | 10,010    | 610     | 3,588     | 756               | 1,033          | 403           | 363     | 1,190   | 322          | 219              | 321            | 335     | 900              |
| C. Estimated expenses and dividends   | 57,660    | 3,770   | 14,860    | 4,363             | 5,276          | 3,653         | 2,920   | 7,303   | 2,907        | 1,486            | 2,945          | 2,448   | 5,729            |
| Current earnings  |           |         |           |                   |                |               |         |         |              |                  |                |         |                  |
| 1. Estimated earnings, 1945,<br>exclusive of earnings on<br>Government securities   | 1,906     | 58      | 878       | 83                | 115            | 35            | 30      | 222     | 140          | 41               | 211            | 37      | 56               |
| 2. On interest-bearing securities<br>in System Account to March 31  | 20,345    | 1,339   | 5,061     | 1,540             | 1,933          | 1,304         | 1,028   | 2,665   | 956          | 550              | 1,000          | 847     | 2,062            |
| 3. Total  | 22,251    | 1,457   | 5,939     | 1,623             | 2,048          | 1,339         | 1,058   | 2,887   | 1,096        | 591              | 1,211          | 884     | 2,118            |
| E. Excess of "C" over "D 3"   | 35,409    | 2,313   | 8,921     | 2,740             | 3,228          | 2,314         | 1,862   | 4,416   | 1,811        | 895              | 1,734          | 1,564   | 3,611            |
| F. Allocation required (on basis of<br>1.075863% earnings rate) to<br>produce earnings April-December<br>equal to "E"     | 4,368,353 | 285,351 | 1,100,570 | 338,030           | 398,233        | 285,475       | 229,712 | 544,795 | 223,420      | 110,415          | 213,921        | 192,948 | 445,483          |
| G. Average daily participations,<br>per cent, in interest-bearing<br>securities in System Account<br>since March 31, 1940 | 100.0     | 7.2972  | 24.2815   | 7.7281            | 10.1778        | 6.2552        | 5.0924  | 12.5153 | 4.6854       | 2.8962           | 4.8741         | 4.2420  | 9.9548           |
| H. Allocation of remainder of<br>interest-bearing securities<br>(\$7,590,013,000 less<br>\$4,368,353,000) on basis of "G" | 3,221,660 | 235,091 | 782,267   | 248,973           | 327,894        | 201,521       | 164,060 | 403,200 | 150,943      | 93,306           | 157,027        | 136,663 | 320,710          |
| I. Total allocations  | 7,590,013 | 520,442 | 1,882,837 | 587,003           | 726,127        | 486,996       | 393,772 | 947,925 | 374,368      | 203,721          | 370,948        | 329,611 | 766,193          |
| J. Present allocations  | 7,590,013 | 521,736 | 1,888,210 | 574,587           | 720,238        | 486,461       | 393,679 | 994,562 | 356,654      | 205,154          | 372,964        | 315,918 | 769,250          |
| K. Change in allocations  | --        | -1,294  | -5,373    | +12,416           | +5,289         | +535          | +10,093 | -46,567 | +17,714      | -1,433           | -2,016         | +13,693 | -3,057           |

DECLASSIFIED  
Authority: 10501

FOR FILES  
M. B. Daniels

Reproduced from the Unclassified / Declassified Holdings of the National Archives

|  | System     | Boston    | New York  | Philadelphia | Cleveland | Richmond  | Atlanta | Chicago   | St. Louis | Minneapolis | Kansas City | Dallas  | San Francisco |
|--|------------|-----------|-----------|--------------|-----------|-----------|---------|-----------|-----------|-------------|-------------|---------|---------------|
| <u>II. Allocation of Treasury Bills</u>  |            |           |           |              |           |           |         |           |           |             |             |         |               |
| L. Distribution of estimated earnings on bills for year on basis of "G"                        | 45,373     | 3,311     | 11,017    | 3,506        | 4,618     | 2,838     | 2,311   | 5,679     | 2,126     | 1,314       | 2,211       | 1,925   | 4,517         |
| M. Earnings to March 31 on bills in System Account   | 6,431      | 524       | 584       | 452          | 857       | 573       | 502     | 827       | 305       | 168         | 362         | 308     | 969           |
| N. Earnings to December 31 on bills in option accounts (est.)                                  | 18,654     | 369       | 9,900     | 878          | 372       | 174       | 133     | 3,739     | 944       | 345         | 194         | 127     | 1,479         |
| Pro rata share of earnings from bills in System Account April-December ("L" minus "M" and "N") | 20,288     | 2,418     | 533       | 2,176        | 3,389     | 2,091     | 1,676   | 1,113     | 877       | 801         | 1,655       | 1,490   | 2,069         |
| P. Allocation of System Account bills in proportion to "O"                                     | 7,082,325  | 844,098   | 186,065   | 759,618      | 1,183,064 | 729,946   | 585,074 | 388,536   | 306,151   | 279,621     | 577,743     | 520,143 | 722,266       |
| Q. Portion that Banks can not take due to low reserve ratio*                                   | 1,270,545  | 223,428   |           | 243,654      | 160,059   | 40,754    |         |           | 159,141   | 104,181     | 146,543     | 192,785 |               |
| R. Distribution of "Q" to Banks with highest reserve ratios                                    | 1,270,545  |           | 161,662   |              |           |           |         | 753,202   |           |             |             |         | 355,681       |
| S. Final allocation of Treasury bills in System Account ("P" minus "Q" plus "R")               | 7,082,325  | 620,670   | 347,727   | 515,964      | 1,023,005 | 689,192   | 585,074 | 1,141,738 | 147,010   | 175,440     | 431,200     | 327,358 | 1,077,947     |
| T. Present allocations   | 7,082,325  | 628,569   | 628,796   | 524,414      | 1,025,943 | 627,398   | 559,971 | 855,403   | 179,236   | 176,059     | 436,879     | 344,145 | 1,095,512     |
| Change in allocations  | --         | -7,899    | -281,069  | -8,450       | -2,938    | +61,794   | +25,103 | +286,335  | -32,226   | -619        | -5,679      | -16,787 | -17,565       |
| <u>III. Total Allocation of System Account Securities</u>                                      |            |           |           |              |           |           |         |           |           |             |             |         |               |
| V. Participation in System Account ("I" plus "S")  | 14,672,338 | 1,141,112 | 2,230,564 | 1,102,967    | 1,719,132 | 1,176,188 | 978,846 | 2,089,733 | 521,378   | 379,161     | 802,148     | 656,969 | 1,844,140     |
| W. Change in participation   | --         | -9,193    | -286,442  | +3,966       | +2,351    | +62,329   | +35,196 | +239,768  | -14,512   | -2,052      | -7,695      | -3,094  | -20,622       |

\* Based on note and deposit liability and reserve figures as of close of business March 31, 1945.

DECLASSIFIED  
Authority E.O. 10501

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

APR 2 1945  
933,343  
1945 MAR 31 AM 11 53

WA45GC41WASH 117 MPLS 31-1044

VAN FOSSEN

ESTIMATED EARNINGS FOR 1945 TO MARCH 31 ON TREASURY BILLS ~~ON~~ ~~THE~~

~~XXX~~ OUTSIDE SYSTEM ACCOUNT \$71,588.

BAKER.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 MAR 31 AM 11 21  
833.943  
APR 2 1945  
12

WA32GC28WASH GX62 CGO 31-1007

VAN FOSSEN - BD

*3/30/45*

REURTEL ESTIMATED EARNINGS FOR 1945 TO MARCH 31, INCLUSIVE ON  
TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM ACCOUNT ARE  
\$1,102,841.00

BLACK.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

APR 2 1945  
333,343

1945 MAR 31 AM 11 34

WA36WASH B93 NY 31-1129

VANFOSSEN BOARD

ESTIMATED EARNINGS FOR 1945 TO MARCH 31 ON TREASURY BILLS  
HELD BY FEDERAL RESERVE BANK OF NEWYORK OUTSIDE SYSTEM  
ACCOUNT \$2,226,236

ROUSE .

FOR FILES  
M. B. Daniels

REC'D IN FILES SECTION  
JUL 26 1945  
333,343

March 30, 1945

nb

To: Mr. Smead

From: Mr. Daniels

see letter 12/6/37

The memorandum "Proposed accounting procedure for handling transactions in System Open Market Account beginning January 1, 1938" provided for making quarterly reallocations as of January 1, April 1, July 1, and October 1. It also provided for accruals of earnings on holdings in the System Open Market Account each day, and stated "in order to facilitate handling the System Account, this information will be furnished by New York one day late, except on the last day of the month when two days' earnings will be accrued." It appears that the January 1 reallocation has always been made as of January 1, although the transfers of funds involved have been included in the clearings of the first business day following. Thus, the telegram sent out by New York on December 31, 1943, stated "We shall wire you on January 3, 1944, the detailed entries to be made on that date as of January 1." A telegram dated December 26, 1944, stated "The usual reallocation of participations in System Account will be made at the start of the new year and we will advise you late in the afternoon of January 2, 1945, of the entries to be made. Although these entries are to be made on the records as of January 1, the transfer of funds will be handled in the clearings of January 2."

see letter 11/3/44

see letter 12/26/44

J. T. Smith



12

TELEGRAM  
Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

114 APR 2 1945 PL  
333,343  
1945 MAR 30 PM 5 18

WB15WASH B193 BOS 30-513P

SMEAD

BOARD

RETEL MARCH 30, 1945 ESTIMATED 1945 EARNINGS THROUGH MARCH 31 ON  
U S TREASURY BILLS HELD BY THIS BANK UNDER REPURCHASE OPTION  
\$93,197.92

PITMAN.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

APR 2 1945  
333,343

1945 MAR 30 PM 2 34

WA77WASH C7 PHILA 30-228P

VAN FOSSEN

REURTEL MARCH 30. ESTIMATED EARNINGS YEAR TO MARCH 31 ON  
TREASURY BILLS HELD OUTSIDE SYSTEM ACCOUNT ARE \$190,389.40

DAVIS.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
or the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.C.

APR 2 1945  
333,343

1945 MAR 30 PM 3 04

WA83G42WASH D 63 CLEV 30-153

VANFOSSEN

3/30/45

REPLY WIRE .. ESTIMATED EARNINGS FOR 1945 TO MARCH 31

ON TREASURY BILLS HELD BY OUR BANK OUTSIDE SYSTEM IS \$80,800

SMITH .

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

APR 2 1945  
333,343

WA69WASH RH 47

RICH 30-145

1945 MAR 30 PM 1 50

VAN FOSSEN

*3/30/45*

RETEL ESTIMATED EARNINGS FOR 1945 TO MARCH 31 ON TREASURY

BILLS HELD BY THIS BANK OUTSIDE SYSTEM ACCOUNT \$44,548

GUTHRIE.

FOR FILES  
M. B. Daniels

TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

44 APR 2 1945  
333.343

1945 MAR 30 PM 2 33

WA76WASH F27 ATLA 30-127

VANFOSSEN

*3/30/45*

REURTEL ESTIMATED EARNINGS FOR 1945 TO MARCH 31 ON TREASURY BILLS HELD  
BY THIS BANK OUTSIDE SYSTEM ACCOUNT, INCLUDING OUR NEWORLEANS BRANCH  
\$21,010.00.

MCL'ARIN.

FOR FILES  
M. E. Daniels

**TELEGRAM**  
**Board of Governors**  
**of the**  
**Federal Reserve System**  
**Leased Wire Service**  
**Received at Washington, D.O.**

1945 MAR 30 PM 5 18  
APR 2 1945  
333,343

WASH H80 STL 30-345

VANFOSSEN

*3/30/45*

RETEL ESTIMATED EARNINGS FOR ~~1944~~ YEAR 1945 TO MARCH 31 ON  
TREASURY BILLS HELD BY US OUTSIDE SYSTEM ACCOUNT APPROXIMATELY  
\$121,000.

ATTEBERY.

FOR FILES  
M. B. Daniels

Board of Governors  
OF THE  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

APR 2 1945  
333.343

1945 MAR 30 PM 5 37

WA17G74BD WASH J108 KC 30-427

VAN FOSSEN BOARD

RETEL ESTIMATED EARNINGS 1945 TO MARCH 31 ON TREASURY BILLS,

OPTION ACCOUNT, \$43,600

KOPPANG.

FOR FILES  
M. E. Daniels

*12*

**TELEGRAM**  
**Board of Governors**  
of the  
**Federal Reserve System**  
Leased Wire Service  
Received at Washington, D.O.

*VAL APR 2 1945*  
*33,343*

1945 MAR 30 PM 1 32

**MM**

**WA67G78WASH M41 DLS 30-1226P**

**VAN FOSSEN**

*3/30/45*

**RETEL. ESTIMATED EARNINGS FOR 1945 TO MARCH 31 ON TREASURY BILLS HELD <sup>OUR</sup> ~~OF~~**  
**ACCOUNT ARE \$27,950**

**GENTRY.**

**FOR FILES**  
**M. B. Daniels**



TELEGRAM  
Board of Governors  
of the  
Federal Reserve System  
Leased Wire Service  
Received at Washington, D.O.

1945 MAR 30 PM 1 59 AM

253.343  
APR 2 1945

WA72G99WASH L28 SF 30-1048

VANFOSSEN BOARD

REURTEL/ DATE. ESTIMATED EARNINGS ON TREASURY BILLS TO

MAR. 31 \$317,000

SLADE.

FOR FILES  
M. B. Daniels

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

RECEIVED BY FILES SECTION  
MAR 30 1945  
333,344

**March 30, 1945.**

**Flanders - Boston**  
**Sproul - New York**  
**Williams - Philadelphia**  
**Gidney - Cleveland**

**Leach - Richmond**  
**McLarin - Atlanta**  
**Young - Chicago**  
**Davis - St. Louis**

**Peyton - Minneapolis**  
**Leedy - Kansas City**  
**Gilbert - Dallas**  
**Day - San Francisco**

**Please wire estimated earnings for 1945 to March 31 on  
Treasury bills held by your Bank outside System account.**

**Van Fossen**

51

*mf*

**FILE COPY**

FOR FILES  
M. Knudsen

*Del. - was Sunday*

**E L E G R A M**  
**Board of Governors**  
**of the**  
**Federal Reserve System**  
**Leased Wire Service**  
**Received at Washington, D.O.**

REC'D IN FILES SECTION  
*Al*  
JUL 26 1945  
*323.543*  
1945 MAR 29 PM 2 43

WASH B281 LONG NY 29-211P

SMEAD

BOARD

THE FOLLOWING TELEGRAM WAS SENT TODAY TO THE PRESIDENT OF  
EACH FEDERAL RESERVE BANK QUOTE

DUE TO THE LAST BUSINESS DAY OF THIS MONTH FALLING ON SATURDAY,  
THE MONTH-END ADJUSTMENTS IN PARTICIPATIONS IN TREASURY BILLS HELD IN  
SYSTEM ACCOUNT WILL BE EFFECTED ON FRIDAY, MARCH 30 BASED ON THE  
RESERVE RATIOS AT THE CLOSE OF BUSINESS THURSDAY. IF YOU FIND ON  
SATURDAY THAT YOU NEED TO FURTHER ADJUST THE RESERVE RATIO OF YOUR  
BANK, PLEASE TELEPHONE US AND WE WILL TAKE CARE OF THE MATTER. THE  
USUAL QUARTERLY REALLOCATION OF PARTICIPATIONS IN SYSTEM ACCOUNT  
WILL BE MADE ON APRIL 2, AS OF APRIL 1 AND WE WILL ADVISE YOU LATE  
IN THE AFTERNOON OF APRIL 2 OF THE ENTRIES TO BE MADE. ALTHOUGH THESE  
ENTRIES ARE TO BE MADE ON THE RECORDS AS OF APRIL 1, THE TRANSFER OF  
FUNDS WILL BE HANDLED IN THE CLEARINGS OF APRIL 2 UNQUOTE

ROUSE.

**FOR FILES**  
**L. E. Smith**

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date March 19, 1945.

To Mr. Smead

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

From Mr. Daniels and Mr. Van Fossen

Referring to your pencil memorandum regarding the appointment of a Presidents' committee on scientific revision of the System Open Market Account allocation formula, and requesting our suggestions, there are submitted herewith some preliminary comments.

The use of the word "scientific" in the title of the Committee suggests the idea that the Presidents have in mind the development of a formula which will achieve some objective other than, for example, equalization of reserve positions. This, together with the anticipated change in minimum legal reserve requirements would seem to indicate that no attention need be paid to the effect of the proposed formula on reserve positions on the expectation that reserve deficiencies will be avoided by some provision for interbank sales of Treasury bills, if and when necessary. It would be helpful in considering this problem if you can either confirm this assumption or indicate to what extent the Presidents may regard equalization of reserve ratios as entering into the problem.

It is assumed that the option accounts will be continued and also that the Presidents will want to continue in some form the arrangement whereby participations in interest-bearing securities are stabilized so as to stabilize the distribution of possible future losses that may be sustained.

In keeping with the above-mentioned assumptions, and in view of the fact that earnings of the Federal Reserve Banks at the present time and through any foreseeable future period will greatly exceed expenses and dividends, it is suggested that the first step in the allocation of the System Open Market Account be the continuous allocation of interest-bearing securities in proportion to average holdings of such securities during the preceding five years, disregarding entirely current expense and dividend requirements. By so doing, participations in interest-bearing securities would be stabilized on a percentage basis and current sales and purchases, being allocated on the same percentage basis, would not disrupt this situation. Accordingly, if and when losses are sustained, they would be participated

To: Mr. Smead

-2-

among the Federal Reserve Banks in the desired proportion irrespective of whether the amount of interest-bearing securities in the meantime had remained comparatively stable or had been subject to wide fluctuations.

Inasmuch as earnings from interest-bearing securities plus earnings from other sources than Government securities would normally exceed expense and dividend requirements and total earnings would greatly exceed expense and dividend requirements in any event, no estimates of expenses and dividends need be taken into account if the objective is to equalize surplus and reserves for contingencies, for example, in proportion to either paid-in capital or member bank deposits, or any other such basis. Without having some further information as to what the Presidents would regard as a scientific formula, i.e., what they think is the objective to be achieved, if possible, it is hardly worthwhile to explore very exhaustively the possibilities in respect to the allocation of the remaining securities in the System Open Market Account. It would seem to be sufficient to point out that if the objective is to equalize surplus and reserves for contingencies in proportion to member bank deposits, for example, the final step in the allocation would be to allocate the System Account holdings of bills so as to distribute earnings from total bill holdings, including option account bills, as to bring about such an equalization. A similar observation might be made in respect to any other objective that the Presidents might decide upon.

The foregoing comments are based on the assumption that the use of the word "scientific" has some real significance. There is one contingency, however, that casts considerable doubt upon the advisability of adopting a truly scientific formula at this time. This contingency is the possibility of an amendment to the Federal Reserve Act restoring the franchise tax in some form. If this should happen and the franchise tax should be all or some portion of net earnings after surplus (or surplus plus reserves for contingencies) reaches some specified absolute amount or some proportion of paid-in capital, it would obviously be preferable to have the formula tend to equalize surplus (or surplus and reserves for contingencies) in proportion to paid-in capital and to have this process begin now rather than after legislation reestablishing the franchise tax.

As indicated above, it would be helpful in any further exploration of this subject if some clarification can be had of what the Presidents had in mind.

RECORD IN FILES SECTION  
MAR 8 - 1945  
93.3.343

March 7, 1945.

Sproul - New York

Suggestion of Executive Committee of Federal Open Market Committee referred to my wire this date concurred in by all members of Federal Open Market Committee and other Presidents of Federal Reserve Banks. Accordingly members of Executive Committee have fixed 43% as percentage below which reserve ratio of no Federal Reserve Bank shall be reduced by allocation of Treasury bills in system account pursuant to provisions of Paragraph 2(a) of allocation procedure.

(Signed) Chester Morrill  
MORRILL

SRC:nlw