

~~11~~

324-332.21

FEDERAL RESERVE BOARD FILE
333.

333.4(1)

October 13,
1919.

Mr. W. F. Ramsey,
Federal Reserve Agent,
Federal Reserve Bank,
Dallas, Texas.

My dear Mr. Ramsey:

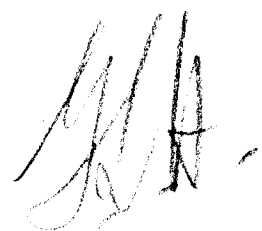
I have received your letter of October first,
asking certain questions with reference to the sale of
bankers' acceptances by the Federal Reserve Bank.

The present policy of the Federal Reserve Board in
this regard is defined in a recommendation made by the con-
ference of Governors at its last meeting held in Washing-
ton, March 20 to 22, 1919. That recommendation which was
approved by the Federal Reserve Board, reads as follows:

"It is recommended that it be the policy of
the System that no sales of bills be made by reserve
banks out of their portfolios, except to other re-
serve banks; but as a temporary matter, to aid in the
development of the market for bills among member banks,
certain reserve banks may find it necessary for the
time being to act as the agent of member banks in
making purchases of bills and to some extent to act
as dealers in bills for that purpose. That Federal
reserve banks may very properly buy bills for member
banks, assist them in their purchases by giving ad-
vice and taking deliveries for them."

Very truly yours,

Governor.



GLH-ead

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date Oct. 13, 1919.

2/10-4

To Mr. Emerson

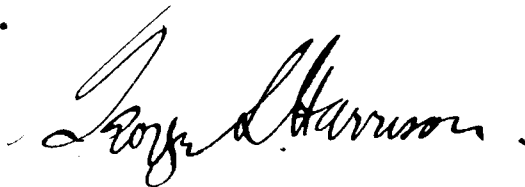
Subject: 333.4 (11)

From George L. Harrison, General Counsel

2-8495

Dear Mr. Emerson:

Wasn't the question presented in this letter ^{10/11/19} discussed at the last Conference of Governors, that is, the question whether Federal reserve banks should sell in the open market acceptances which they hold? I have a feeling that the Federal Reserve Board has made some statement in this regard, and I shall very much appreciate any help you may be able to give me.



George L. Harrison

2/10-4



FEDERAL RESERVE BANK
OF DALLAS

335,400

RECEIVED
1919
GOVERNOR'S OFFICE

October 1, 1919.

Honorable W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D. C.

Dear Governor Harding:-

We had a visitor today in the bank of one of our State member banks who was recently made a depository for one of our large counties, and whose bank thereby came into possession of a very considerable sum of money, who was anxious to purchase from us some of the acceptances taken by us from some of our larger banks, or if this could not be done, to buy from us some of the high grade commercial paper which we take in the ordinary course.

I discussed the matter with Governor Van Zandt, who was under the impression that before I came into the bank, it had been in substance decided by the Federal Reserve Board that it would not approve the sale by us of acceptances bought by the bank.

Now it is probable that we would not have been able to meet the views of this particular banker on the matter of interest rate, but I feel very strongly that in view of our present reserve condition, that it would be desirable in many ways for us to have permission to sell from time to time to member banks able and anxious to take them over such acceptances as we might from time to time buy and desire to sell. In the first place, I think it a good thing for the Federal Reserve Bank, under present conditions, and I think it might be desirable for us to do so as a sort of clearing house for items of this kind for our member banks situated throughout the district.

I would be very glad to have an expression from you as to whether the attitude of the Board in this matter has been changed, and what would be its policy under present conditions.

Very truly yours,

W. J. Davis
Federal Reserve Agent

WFR/MAN

~~XXXX~~

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3303

2755-4110

August 28, 1917.

Mr. W. F. Ramsey,
Federal Reserve Agent,
Dallas, Texas.

My dear Judge Ramsey:

Receipt is acknowledged of your letter of
August 24th, and in reply I telegraphed you as follows:

"Your letter twenty-fourth. Refer to letter X-345
August twenty-fourth which defines Board's policy.
As long as you maintain reserve as suggested therein
no objection to purchases of acceptances."

I presume that you have received, by this time,
the Board's letter of August 24th which I think is sufficiently
clear. The statements received from your bank today show that
the reserves are now above 75%, and as long as you maintain
reserves around that figure there can be no objection to your
purchasing short time bills to take the place of maturities
which are running off.

Very truly yours,

Governor.

Form 40

TELEGRAM

FEDERAL RESERVE BOARD
WASHINGTON

December 31, 1918.

332
FEDERAL RESERVE BOARD
333

333/4(1)

R. Young et al

Hall
Dallas

12/31/18

Replying your telegram reference regulation B page seven last paragraph B, Board has not prescribed any form of statement but copy of report of last examination made by State Examiner would be acceptable. The question of whether or not financial condition is satisfactory is of course subject to determination by your committee.

ADELSCH,

Assistant Secretary.

A-H

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

333.400

2-016

RECEIVED AT WASHINGTON, D. C.,

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Tallas 1127a dec 31

Adelson

ash

Please refer regulation B 1917 Page 7 last paragraph D regarding statements to be furnished by non-member banks where acceptances are offered for sale to federal Reserve banks. Has the board prescribed any form of statement for use in this connection. If so will you please refer me to same

Hall 216p

Form 40

~~#11~~ TELEGRAM
FEDERAL RESERVE BOARD
WASHINGTON

FEDERAL RESERVE BOARD FILE
333

August 27, 1917.

Ranscy,
Federal Reserve Agent,
Dallas, Texas.

Your letter twenty-fourth. Refer to letter X-345 August
twenty-fourth which defines Board's policy. So long as
you maintain reserve as suggested therein no objection to
purchases of acceptances.

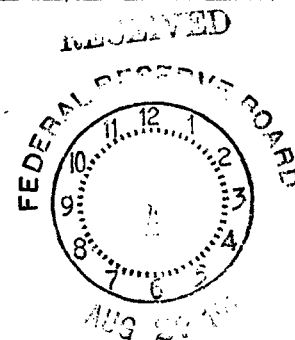
Harding,
Governor.

OFFICIAL BUSINESS
GOVERNMENT RATES
CHARGE FEDERAL RESERVE BOARD

2-7729



FEDERAL RESERVE BANK
OF DALLAS



W. F. RAMSEY,
FEDERAL RESERVE AGENT
W. B. NEWSOME,
DEPUTY FEDERAL RESERVE AGENT
CHARLES C. HALL,
ASSTY TO FEDERAL RESERVE AGENT

August 24, 1917.

333.4(1)

Hon. W. P. G. Harding, Governor,
Federal Reserve Board,
Washington, D.C.

Dear Governor:

Following a recent discussion between myself, Governor Van Zandt and our Cashier, Mr. Talley, with reference to the question of some additional investments of our funds, at my request Mr. Talley has written me the enclosed letter in which he gives in some detail his views. I beg your careful consideration of it. He dictated to a new stenographer, and did not have time to have it rewritten before leaving the bank at the close of business last night.

Our Executive Committee are inclined to make some further purchases of fairly short maturities, unless the Federal Reserve Board strongly advises to the contrary. Of course I would not consent to any such purchase at all unless such course were approved by the Board. I do not consider the matter in any sense urgent or particularly important, and I am inclined to believe we could well absorb from time to time a fairly round sum of acceptances, this in view of the fact that we have a considerable sum aggregating around \$2,700,000 maturing in the next thirty days, and an additional sum of more than \$4,000,000 maturing within the next sixty days.

You will recall, I know, because at our last conference in some discussion of mine as well as report to the conference of Federal Reserve Agents, you grasped the difficulties under which we were laboring, among other things, that the bank has nothing they can pledge with me for additional Federal Reserve notes.

Now, our shipments of money are just beginning to be pretty strong, running around \$5,700,000 a day, and within the next two weeks, will probably run into very large figures. I have, as you know, a very large amount in Federal Reserve notes printed and on hand at Washington and St. Louis, for my account, but at this time the bank has very little margin with

2.

8-24-17 W.P.G.H.

me, and if they are to make further withdrawals of Federal Reserve notes, they will have to deposit gold.

I look for most of our rediscounts to be retired at their maturity. We shall undoubtedly have offered to us a good deal of short time paper in the near future, consisting, as I believe, largely of 15-day notes, but in the aggregate our receipts will be heavily reduced after and around September 1st.

It would be my idea, perhaps, not to make any large purchase of acceptances at any one time, but to maintain our earning assets in the way of discounts and acceptances around what they are now. Mr. Talley's letter on Page 3 gives clearly our reserve condition.

We will have a meeting of the Executive Committee next Tuesday, and I would be glad if you would wire me briefly your views by that time.

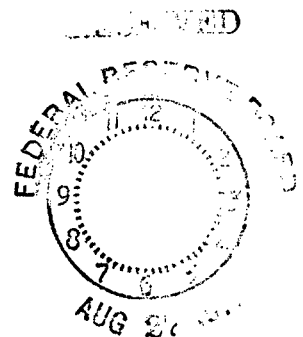
Very truly yours,

W. F. Row
Federal Reserve Agent.

WFR:F

Receipts

8/27





R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

[REDACTED]
FEDERAL RESERVE BANK

333.4(11)

August 23rd, 1917.

My Dear Judge Ramsey:-

Following our conversation today, with reference to purchase of Bankers Acceptances, the advantages at this time, disregarding the element of revenue to a great extent, are briefly, as follows:

When the crop movement sets in in our District, as it has already done in the southern part, we have a large demand for cash and in order to create credit against which to ship it, the member banks sell us daily, large amounts of Eastern exchange, particularly New York. This necessitates our issuing Federal Reserve Notes in an amount largely in excess of the paper we are able to pledge with you as collateral.

About the time this demand sets in, our bills discounted for members begin to mature, necessitating daily withdrawals from collateral pledged with you in order to effect collection. The remittance of the New York Exchange to the Federal Reserve Bank of New York creates credits there largely in excess of our requirements, as exchange becomes so plentiful, we are not able to sell very much and this brings annually a complaint from the Federal Reserve Bank of New York, that we are taking all of their gold, and we either have to ship back legal tender notes or silver certificates out of our balance there at our own expense, to take care of part of their accumulation and to avoid as far as possible, withdrawing gold from that center.

We realize, of course, that we can deposit gold with you to secure the Federal Reserve Notes which we take out under these conditions to ship to member banks, and this we have done heretofore, due to the fact that Bankers Acceptances and member banks 15 day collateral notes are not eligible pledged with you as collateral. When this action is taken, we merely transfer a large part of our accumulated credit balance in the gold settlement fund arising from the gold we have withdrawn from New York, principally thru the conversion of New York Exchange, and lies in Washington, idle to your credit until such a time as the currency shipping season is over and Federal Reserve notes begin to be returned for redemption.



FEDERAL RESERVE BANK
OF DALLAS

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

#2

Since Bankers Acceptances form an eligible pledge to secure Federal Reserve Notes, it would seem to me to be of striking advantage to ~~both~~ ourselves, the Federal Reserve Bank of New York, the New York money market and the system generally, for us to invest the proceeds of this New York exchange in Bankers Acceptances, purchased thru the Federal Reserve Bank of New York. These purchases can be made from time to time prior to gold settlement days out of balance lying to our credit in the Federal Reserve Bank of New York and automatically and immediately pledged with the Federal Reserve Agent of New York, for your account, not only avoiding the withdrawal of gold from New York, in excess of our requirements but avoiding our shipping back any funds at all from New York.

This procedure would seem to me to have the same effect as if we were actually rediscounting for the Federal Reserve Bank of New York, *As* in order to get sufficient short maturities, we could buy bills out of their own Port Folio; or in any event we would be absorbing offerings on the New York market.

The tendency in the effort of our member banks is to liquidate their rediscounts out of the profits of the crops and even under present uncertain conditions, as you know, our member banks seem to be fairly well supplied with funds and already in the southern part of the District have begun to anticipate maturities. Purchases of Bankers Acceptances, therefore, by restricting purchases to very short maturities, would keep us liquid and at the same time replace the lack of revenue from rediscounts offered by our member banks.

No one can more fully appreciate, *than I,* the abnormal situation which exists at the present time with reference to high prices of commodities produced in this district, congested transportation facilities, the absence of bottoms and the extremely probability that our member banks will be called upon to carry a good deal of cotton either for their exporting customers and oil mill customers or for their farmer customers in view of the inability of exporters to absorb the crop rapidly on account of the lack of ~~getting~~ *shipping* facilities.



FEDERAL RESERVE BANK
OF DALLAS

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

#3

To cover this condition, however, we have a margin of gold already lodged with you of approximately 30% over the 40% reserve and should we begin to have a strong demand from our member banks, the paper taken from them could be exchanged with you for our surplus gold reserve with you against Federal Reserve Notes, while the short time Bankers Acceptances purchased would be running off and need not be repurchased in that event.

When the conditions were reversed and the balance of trade turns against this section instead of in favor of it, our Bankers Acceptances purchased could be allowed to mature and automatically settle the trade balance of New York against us and whatever the surplus amount might be, could be withdrawn in gold from New York at a time when it was more convenient for them to part with it.

On the other hand, were we to attempt to invest heavily in United States Certificates of Indebtedness, they might not be readily salable in view of the aggregate amount of them that it is going to be necessary to issue, and furthermore, they would not be as liquid as Bankers Acceptances and would not be eligible to pledge with you as collateral to secure the ~~issu~~ ^{issue} of Federal Reserve Notes.

Summing up, therefore, the demands made on us for crop ~~moving~~ moving purposes ~~which~~ are very largely cash demands instead of credit demands and though this season may be an exception, we feel we would be sufficiently hedged against ~~the demands~~ ^{the demands} we feel warranted to undertake the procedure outlined above. The gold would remain in the system as a credit factor and would not be practically withdrawn from use as it would be were we to follow our previous practices in exchanging gold for Federal Reserve Notes.

Our percentage of gold reserve against net deposit liability at close of business today is 80%. Our gold reserve against Federal Reserve Notes in actual circulation, is 69%. Our cash reserve against net liability is % 90. Our maturity ^y bills are as follows:

Within 15 days	\$1,677,095.28	Within 30 days	\$1,053,306.97
Within 60 days	4,189,309.59	Within 90 days	1,527,514.02
		After 90 days	\$795,667.56.



FEDERAL RESERVE BANK
OF DALLAS

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

#4

The above figures include holdings of Bankers' acceptances
and bills discounted to members at close of business this day.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Lynn P. Talley".

Cashier.

LPT/SIC



FEDERAL RESERVE BANK
OF DALLAS

FEDERAL RESERVE BOARD FILE
333

R. L. VAN ZANDT, GOVERNOR
J. W. HOOPES, DEPUTY GOVERNOR
LYNN P. TALLEY, CASHIER
SAM R. LAWDER, ASST. CASHIER
R. R. GILBERT, ASST. CASHIER

GOVERNOR'S OFFICE

August 13, 1917.

333.400

Hon. W. P. G. Harding,
Governor, Federal Reserve Board,
Washington, D. C.

Dear Governor Harding:

I have your letter of the 10th instant, upon receipt of which I wired you as per enclosed confirmation. I am just in receipt of your reply to my telegram, as follows:

"In deference to opinion of your Executive Committee and Directors Board does not disapprove proposed purchase of one million additional acceptances but wishes to call your attention to very heavy demand that will be made on Federal Reserve Banks later on and importance of their keeping strong. Board will issue circular letter tomorrow urging banks to keep out of acceptance market. Except in extreme cases would suggest you buy nothing longer than sixty days."

The advisability of making open market purchases has been considered very carefully by us for some time, and, anticipating a fairly heavy demand, we got out of the market entirely about the first of May. The demand did not materialize; therefore, in order to help out our earnings, we had the Federal Reserve Bank of New York purchase for us during the first two weeks of July approximately \$2,500,000 in acceptances, nearly all of which were to mature before the last of August. At our last directors' meeting I reported this to our Board, and the action of our Executive Committee in making these purchases was approved and we were authorized to use our discretion about making further purchases of this character of paper.

With a very slight demand, for this season of the year, and the great increase in our expenses, which will be the result of our having to ship in money to supply the needs of our members for crop moving purposes, we realized that, if we could conservatively do so, we should increase our earnings in some manner; I therefore, on August 7th, wired Mr. Kenzel, of the Federal Reserve Bank of New York, as follows:

"Please telegraph at once what is market price of prime bankers acceptances due in sixty and ninety days.

FEDERAL RESERVE BANK OF DALLAS

LETTER NO. 2, W. P. G. H.

Can you buy for us \$1,500,000 or \$2,000,000 at present price? What is your opinion of market considering present issue of certificates?"

To which we received reply as follows:

"Replying wire today outside market three to three and one-quarter per cent. Our minimum rates for ninety days bills three and one-eighth to three and three-eighths. Prefer not to enter market below our rates but will gladly sell you from our portfolio up to two million at market without commissions. Look for generally easy money for balance month subject to temporary checks from large movements."

At that time Judge Ramsey was away on his vacation and the third member of our Executive Committee was not in Dallas, and I, therefore, held the matter in abeyance. Having received advice from both Judge Ramsey and Mr. McKinney (the other two members of the Executive Committee) that they would be here on today, I wired Mr. Kenzel on Saturday last as follows:

"Your letter confirming telegram seventh received. Will you wire me early Monday quoting rate and advising whether your offer seventh still holds?"

Our Committee had just discussed the matter fully and all unanimously decided to purchase \$1,000,000 of these acceptances from the Federal Reserve Bank of New York when your letter was received, and we decided to defer action until after receiving your reply. We realized that there may be some hardening tendency in money conditions in view of the near approach of the active crop moving season, but, as you understand, at that season of the year our demand in this district is not for credit but for cash, and it was our opinion that we could buy these bankers acceptances from the Federal Reserve Bank of New York, thereby relieving them to that extent, and have the bankers acceptances delivered to the Federal Reserve Agent of the Federal Reserve Bank of New York in trust for our Federal Reserve Agent, to be held as security for Federal Reserve notes which we could issue in response to the demands of our member banks.

Just as soon as the real movement of our cotton begins our discounts begin to fall off very rapidly; for instance, the high water mark last year of our loans to member banks was on September 6th, and over one-half of our outstanding loans to members were retired within a little over thirty days thereafter.

FEDERAL RESERVE BANK OF DISTRICT OF ST. LOUIS

SHEET NO. 3, W. P. G. H.

Our reserves have been running fairly strong, and the August Federal Reserve Bulletin shows the earning assets of this institution to be very small as compared with those held by the other Federal Reserve Banks. The Bulletin also mentions, on page 607, that our net earnings for the first six months of 1917 were at the rate of only 6.8%, as compared with Minneapolis 12.4%, the highest, and Cleveland 8.4%, the next lowest, and an average of all of the banks of 9.8%. This, of course, was due to the fact that we were anticipating an active demand from our member banks and were holding ourselves in readiness to be able to care for them.

We fully realize the wisdom of the last paragraph of your letter, relative to throwing aside considerations for profit in anticipation of heavy demands that may be made later on, and, with cotton and cotton-seed products at such unprecedented high prices, we feel that we will be in a condition to do our part toward relieving the strain on other Federal Reserve Banks should we be called upon to do so.

I do not feel that there will be any material strain on the banks of this district in connection with the placing of the next Liberty Loan, unless the issue is made very late in this year or after the first of next, because our people, as a rule, will not take on new liabilities or make investments until after the first of the year. If the issue should be in September or October we will undoubtedly be ashamed of the showing which will be made in this district, and other sections of the country will be ashamed of us also.

I believe that, taking all these things into consideration, you will see that we have no desire to depart from conservative lines of operation.

With kind personal regards, I am,

Yours very truly,


Governor.

Enc.
VZ-RS

FOR INFO

TELEGRAM
FEDERAL RESERVE BOARD
WASHINGTON

FEDERAL RESERVE BOARD FILE

August 13, 1917.

333.4(11)

Van Zandt,
Governor Federal Reserve Bank,
Dallas, Texas.

In deference to opinion of your executive committee and directors, Board does not disapprove proposed purchase of one million additional acceptances but wishes to call your attention to very heavy demand that will be made on Federal reserve banks later on and importance of their keeping strong. Board will issue circular letter tomorrow urging banks to keep out of acceptance market except in extreme cases. Would suggest you buy nothing longer than sixty days.

Harding.

Tuesley's docket

OFFICIAL BUSINESS
GOVERNMENT RATES
IN CHARGE FEDERAL RESERVE BOARD

Treasury Department

TELEGRAM

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Dallas Tex 1118a Aug 13 1917

333.4 (11)
GOVERNOR'S OFFICE

AUG 13 1917

FRASER

Farding

Governor Federal Reserve Bank WASHINGTON

Your letter tenth our executive committee unanimous opinion we should purchase one million additional acceptances maturing sixty days having more than million same class maturing in fifteen days stop demand very light and money conditions unusually easy for this season proportion earning assets this bank considerable below average and percentage earnings three percent below average stop our board at last meeting approved outside purchase and authorized executive committee to exercise its discretion relative to additional purchases

VanZandt - XGovernor

1256pm

8/13

*Per
J. P. Morgan
Purchases*

11

FEDERAL RESERVE BOARD FILE
333.

August 10, 1917. 333. 4(11)

Mr. R. L. Van Zandt,
Governor Federal Reserve Bank,
Dallas, Texas.

Dear Governor Van Zandt:-

I notice in the daily report of operations which we receive from the Federal Reserve Bank of New York, that your bank seems to be considering the purchase of \$2,000,000 of acceptances. From this I judge that money conditions must be unusually easy with you, although in view of the near approach of the active crop-moving season it would be fair to assume that there was a hardening tendency. I would appreciate it if you would write me concerning the financial outlook in your district, giving at the same time an outline of your board's policy in reference to outside investments.

The Federal Reserve Board is of the opinion that the Federal reserve banks generally should throw aside for the time being, considerations of profit and should build up very strong reserves in anticipation of heavy demands that may be made later on. Experience justifies the belief that when the next installment of the Liberty Loan is placed the money strain will exceed that of last June, and the banks ought to be well prepared to meet it. With fair crops in your state your bank should have more money this fall than ever before, and as this money will come from the east and other sections of the country it is entirely possible that you may be called upon to rediscount for other Federal reserve banks.

Very truly yours,

Governor.

11

FEDERAL RESERVE BOARD
~~333~~

March 31st, 1917.

333. H (11)
Op. Folder

Hon. Treasurer of the United States,

Washington, D. C.

Sir:

In accordance with telegraphic instructions received from the Federal Reserve Board on the 29th instant, and our telegram to you on the same date, we are today crediting your General Account in the sum of two million dollars (\$2,000,000.), covering payment for our allotment against our subscription to United States loan, fifty million dollars (\$50,000,000.) 2½% Ninety-day Treasury Certificates.

It is our understanding that these certificates will be issued in denominations of \$250,000. and forwarded to us by mail.

As we have, in the meantime, charged "Subscription for \$2,000,000. Ninety-day Treasury 2½% Certificates" as a sort of a suspense entry, under the conditions we shall appreciate it if you will wire us promptly when these certificates are issued and forwarded to us, as we anticipate their receipt before Friday of next week.

Respectfully,

LPT-JWF

C a s h i e r .

cc Federal Reserve Board ✓
cc Div. Loans & Currency, office of Sec. of Treas.

RECEIVED
FEDERAL RESERVE BOARD
APR 3 1917

#11

FEDERAL RESERVE BOARD
3-3-3
262-13-9

3-3-3 (11)

October 30, 1958

S I R :

Copy

This is to to advise you that the Board's letter of October 8 ^{X376} relating to open market operations, has been slightly modified by the insertion of the words " With respect to bills of exchange " on the last page of the letter after the words "Free to exercise the authority granted under Section 14. " This addition does not alter the sense of the letter but has been introduced for the sake of clearness. The letter as thus modified will be officially published in the Federal Reserve Bulletin for November.

Respectfully,

Secretary.

Mr. E. O. Tenison,
Chairman, Board of Directors,
Federal Reserve Bank of Dallas.