



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

March 1, 1956.

TO: Federal Open Market Committee

FROM: Mr. Riefler, Secretary.

Enclosed is a copy of the agenda for the meeting of the Federal Open Market Committee to be held at 10:00 a.m. on Tuesday, March 6, 1956.

There is also enclosed a memorandum from Mr. Rouse and Mr. Leonard, Director, Division of Bank Operations, Board of Governors, containing a pro forma allocation of securities held in the System Open Market Account as of February 15, 1956. This memorandum relates to Topic 6(b) of the enclosed agenda.

A handwritten signature in cursive script, which appears to read "Winchell P. Riefler". The signature is written over a horizontal line.

Enclosures

February 23, 1956.

REC'D IN RECORDS SECTION

FEB 24 1956

TO: Federal Open Market Committee  
FROM: R. G. Rouse and R. F. Leonard

The procedure for allocation of securities in the Open Market Account which became effective September 1, 1953 (Mr. Riefler's letter of August 25, 1953), provides that:

"Securities in the Account shall be reallocated April 1 of each year on the basis of daily averages of total assets for the 12 months ending with the last day of February."

In anticipation of the forthcoming meeting of the Federal Open Market Committee, a pro forma allocation of securities held in the System Open Market Account has been made as of February 15, 1956, based on the ratios of each Bank's average total assets for the period March 1, 1955--February 15, 1956 (352 days).

The pro forma reallocation as of February 15 shows relatively small shifts in participations, and it is expected that only minute changes in percentage participations will occur during the remaining 14 days of the prescribed base period.

On the pro forma basis Richmond's participation shows a gain of .26 percentage points; San Francisco's a gain of .23. New York's participation shows a loss of .23; Minneapolis' a loss of .16. All other changes in participation percentages are less than one-tenth of one per cent.

The pro forma reallocation would have increased the dollar amount of participations of five Banks and decreased those of seven Banks, as follows:

	<u>Increases in participation</u>		<u>Decreases in participation</u>
Cleveland	\$ 11,813,000	Boston	\$ 6,093,000
Richmond	60,862,000	New York	54,652,000
Chicago	210,000	Philadelphia	17,883,000
St. Louis	5,510,000	Atlanta	5,579,000
San Francisco	54,278,000	Minneapolis	37,400,000
		Kansas City	3,362,000
		Dallas	7,704,000
	<u>\$132,673,000</u>		<u>\$132,673,000</u>

Since April 1, 1955, date of the last reallocation, it has not been necessary to invoke paragraphs 5 or 6 of the statement of Procedures with Respect to Allocations of the System Open Market Account, which provide for adjustments of participations in the case of unusually low reserve ratios (below 30 per cent).

The high and low reserve ratios during the period April 1, 1955--February 15, 1956, and on February 15, 1956, are shown below.

<u>Period 4-1-55 to 2-15-56</u>	<u>High</u>		<u>Low</u>	
San Francisco	50.5	2-15-56		
Minneapolis			31.9	10-1-55
System	46.5	6-27-55 6-30-55	42.4	12-29-55
<u>February 15, 1956</u>				
San Francisco	50.5			
Minneapolis			37.8	
Range (Other 10 Banks)	47.5 (St. Louis)		40.6 (Atlanta)	
System	45.6			

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The largest changes in reserve ratios under the pro forma reallocation would be an increase of 3.9 per cent to 41.7 at Minneapolis and a decrease of 2.1 per cent to 44.9 at Richmond, and the ratios would range from 49.5 at San Francisco to 40.9 at Atlanta.

It is noted that Minneapolis reported the lowest reserve ratio on February 15, 1956, and had the greatest loss in reserve ratio since April 1, 1955. The pro forma reallocation would result in a substantial improvement in Minneapolis' reserve ratio.

On the basis of the year's experience reflected in the pro forma reallocation as of February 15 there appears to be no occasion for not making the forthcoming reallocation under existing procedure. Since April 1 falls on a Sunday this year, it is suggested that the reallocation be of the April 2 holdings.

R. G. Rouse

R. F. Leonard

Attachments:

Tables I, II, and III

RECORDS SECTION  
FEB 15 1956

PRO FORMA REALLOCATION OF U. S. GOVERNMENT SECURITIES IN SYSTEM OPEN MARKET ACCOUNT, FEBRUARY 15, 1956  
(In thousands of dollars)

TABLE I

	System	Boston	New York	Phila- delphia	Cleve- land	Richmond	Atlanta	Chicago	St. Louis	Minne- apolis	Kansas City	Dallas	San Francisco
Daily average of total assets, March 1, 1955 - February 15, 1956	50,694,919	2,786,334	12,765,182	3,046,586	4,382,523	3,118,788	2,604,653	8,842,999	2,115,714	1,147,279	2,197,407	2,016,055	5,671,399
B. Ratio (per cent) based on "A"	100.0	5.4963	25.1804	6.0096	8.6449	6.1521	5.1379	17.4436	4.1734	2.2631	4.3346	3.9768	11.1873
C. Actual allocations February 15, 1956	23,345,562	1,289,235	5,933,158	1,420,858	2,006,388	1,375,380	1,205,051	4,072,096	968,794	565,733	1,015,299	936,110	2,557,460
D. Allocation on basis of "B"	23,345,562	1,283,142	5,878,506	1,402,975	2,018,201	1,436,242	1,199,472	4,072,306	974,304	528,333	1,011,937	928,406	2,611,738
E. Difference	± 132,673	- 6,093	- 54,652	- 17,883	+ 11,813	+ 60,862	- 5,579	+ 210	+ 5,510	- 37,400	- 3,362	- 7,704	+ 54,278
F. Actual reserve ratio (per cent) February 15, 1956	45.6	41.9	45.7	46.1	46.6	47.0	40.6	45.1	47.5	37.8	45.0	42.1	50.5
G. Reserve ratio (per cent) February 15, 1956 adjusted for allocation	45.6	42.1	46.1	46.7	46.3	44.9	40.9	45.1	47.2	41.7	45.1	42.5	49.5

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COMPARISON OF EACH FEDERAL RESERVE BANK'S PER CENT OF PARTICIPATIONS  
IN THE SYSTEM OPEN MARKET ACCOUNT

TABLE II

Federal Reserve Bank	Present (4-1/55)	Pro forma (2-15-56)	Potential change	
			Increase	Decrease
Boston	5.5224	5.4963		.0261
New York	25.4145	25.1804		.2341
Philadelphia	6.0862	6.0096		.0766
Cleveland	8.5943	8.6449	.0506	
Richmond	5.8914	6.1521	.2607	
Atlanta	5.1618	5.1379		.0239
Chicago	17.4427	17.4436	.0009	
St. Louis	4.1498	4.1734	.0236	
Minneapolis	2.4233	2.2631		.1602
Kansas City	4.3490	4.3346		.0144
Dallas	4.0098	3.9768		.0330
San Francisco	10.9548	11.1873	.2325	
Totals	100.0	100.0	.5683	.5683

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Memorandum

1% of Open Market Account 2-15-56 = \$233,500,000  
 .1% " " " " " = 23,350,000  
 .01% " " " " " = 2,335,000

COMPARISON OF RESERVE RATIOS APRIL 1, 1955 - FEBRUARY 15, 1956

TABLE III

Federal Reserve Bank	Ratios on April 1, 1955	Ratios on February 15, 1956	High ratios		Low ratios	
			Date	Per cent	Date	Per cent
Boston	44.7	41.9	7/18/55	46.6	12/29/55	39.0
New York	48.3	45.7	6/30/55	49.8	12/29/55	39.6
Philadelphia	47.9	46.1	4/25/55	48.8	12/29/55	41.0
Cleveland	46.4	46.6	10/10/55	48.9	12/29/55	43.5
Richmond	46.5	47.0	11/10/55	49.6	7/30/55	43.9
Atlanta	40.3	40.6	10/11/55	42.1	7/1/55	37.2
Chicago	43.2	45.1	8/31/55	48.0	4/4/55	41.9
St. Louis	45.5	47.5	1/20/56	48.9	7/29/55	42.5
Minneapolis	43.5	37.8	4/4/55	43.8	10/1/55	31.9
Kansas City	47.3	45.0	4/5/55	47.7	11/28/55	38.6
Dallas	47.4	42.1	4/5/55 4/7/55	47.7	1/25/56	40.2
San Francisco	48.1	50.5	2/15/56	50.5	11/4/55	45.1
System	46.2	45.6	6/27/55 6/30/55	46.5	12/29/55	42.4

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