A meeting of the executive committee of the Federal Open Market Committee was held in the offices of the Board of Governors of the Federal Reserve System in Washington on Tuesday, February 8, 1955, at 10:45 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Sproul, Vice Chairman
Mr. Robertson
Mr. Szymczak
Mr. Williams

Messrs. Balderston and Vardaman, Members of the Federal Open Market Committee

Mr. Riefler, Secretary
Mr. Thurston, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thomas, Economist
Mr. Rouse, Manager, System Open Market Account
Mr. Carpenter, Secretary, Board of Governors
Mr. Sherman, Assistant Secretary, Board of Governors
Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics, Board of Governors
Mr. Koch, Assistant Director, Division of Research and Statistics, Board of Governors
Mr. Miller, Chief, Government Finance Section, Division of Research and Statistics, Board of Governors
Mr. Gaines, Securities Department, Federal Reserve Bank of New York

Upon motion duly made and seconded, and by unanimous vote, the minutes of the meetings of the executive committee held on January 11 and 25, 1955, were approved.

Upon motion duly made and seconded, and by unanimous vote, the action taken by the individual members of the executive committee on February 1, 1955, to instruct the Manager of the System Open Market Account to enter a subscription for exchange

> of the System account holdings of 1-5/8 per cent certificates maturing February 15, 1955 and 1-1/2 per cent notes maturing March 15, 1955 into the new 13-month 1-5/8 per cent notes offered by the Treasury in its current refinancing, was approved, ratified, and confirmed.

Before this meeting there had been sent to the members of the committee a report of open market operations covering the period January 25 to February 3, 1955, inclusive, and at this meeting there was distributed a supplementary report covering commitments executed February 4-7, 1955. In this connection, there was also distributed a special supplementary report prepared at the Federal Reserve Bank of New York under date of February 7, 1955 on innovations in trading and distributing techniques in the long-term market. Copies of these reports have been placed in the files of the Federal Open Market Committee.

Mr. Rouse reported the results of the Treasury's financing, presenting figures showing that 94.4 per cent of the maturing securities had been exchanged into the new securities offered by the Treasury. Approximately 92.4 per cent of maturing issues held outside the Federal Reserve System were exchanged.

Mr. Robertson referred to the statement in the report of open market operations that dealers had been informed after the announcement of the refunding terms that repurchase agreements would be made available for the purpose of enabling them to carry "rights" up to February 15, and he noted that "rights" had been acquired by the New York Bank under repurchase agreements. He said that he assumed these were "rights" on the called

2-7/8 per cent bonds which could be exchanged into the new 3 per cent 40-year bonds.

Mr. Rouse stated that the repurchase contracts on the "rights" referred to did not include 2-7/8 per cent bonds, but that instead they referred to the 1-5/8 per cent certificates maturing February 15, 1955, and the 1-1/2 per cent notes maturing March 15, 1955, which could be exchanged for either the new 13-month 1-5/8 per cent notes or the new 2-1/2-year 2 per cent notes. He added, however, that the Bank had been prepared to make repurchase agreements on the 2-7/8 per cent bonds.

Mr. Robertson then referred to the action of the Federal Open Market Committee in 1953, reaffirmed at its meeting on March 3, 1954, in approving as a continuing operating policy of the Committee a decision that "operations for the System account in the open market be confined to short-term securities (except in the correction of disorderly markets), and that during a period of Treasury financing there be no purchase of (1) maturing issues for which an exchange is being offered, (2) when-issued securities, or (3) outstanding issues of comparable maturity to those being offered for exchange; and that these policies be followed until such time as they may be superseded or modified by further action of the Federal Open Market Committee." This action, Mr. Robertson said, set a policy, still in effect, against purchases of any maturing issues of Treasury securities for which an exchange was being offered. He inquired whether in terms of the objective of this policy, there was any real difference between purchasing maturing issues during a period of Treasury financing and executing repurchase agreements covering such securities.

Mr. Rouse stated that he felt there was a substantial difference between outright purchases of securities and repurchase agreements. Both were for the purpose of putting reserves into the market, but in the case of repurchase agreements there was no thought of influencing any phase of the market except to facilitate dealer operations. Funds put into the market through repurchase agreements were like a "loan" and would automatically come out of the market within a short time.

Mr. Robertson stated that he was questioning whether repurchase agreements covering maturing Treasury securities were contrary to the general position that the Federal Open Market Committee had taken. He recognized, he said, that Mr. Rouse had not thought this was the case and still did not think so. Furthermore, Mr. Robertson questioned whether the full Committee's understanding on this point was clear and, without implying any criticism of Mr. Rouse's operation in this respect, he felt it would be desirable to clarify the Committee's intent.

During the ensuing discussion, Chairman Martin stated that he agreed that it would be desirable to clarify the question Mr. Robertson had raised, adding the comment that he thought the executive committee could agree that the policy to which Mr. Robertson had referred did not carry over to repurchase agreements.

Mr. Szymczak stated that the point had never been discussed and that the full Committee had never taken a position on it. He felt that repurchase agreements were open market operations (he did not agree that they were "loans"), and in executing repurchase agreements he would follow the practices that were followed in other open market operations. He concurred in a comment by Mr. Thomas that one of the differences between outright purchases and repurchase agreements was in price: outright purchases may be made at definite prices, which influence market prices, whereas repurchase operations involve both purchase and sale at an agreed price which may have little relation to the market price and thus entail no price support.

Mr. Robertson reiterated his statement that his question was not intended as a criticism of the handling of the account. However, the discussion indicated to him that the intent of the policy to which he referred should be clarified.

Mr. Vardaman stated that he would not consider that repurchase agreements covering maturing Treasury securities would be inconsistent with the general policy of the Federal Open Market Committee to which Mr. Robertson had referred. That policy had been concerned with action that might be taken to influence price, and there was no support where price was not involved. He did not see how repurchase agreements could be construed as being for the purpose of supporting any pattern of prices. It was true that if the dealer failed to take up the repurchase agreement, the System account might acquire the securities although he noted they could be sold in the market. However, it was Mr. Vardaman's view that the possibility of acquiring securities in the System account through repurchases should not enter the picture since it was necessary to assume good faith on the part of the dealer as well as ability to take up the securities.

Mr. Szymczak said that he did not think the repurchase of securities as described represented any violation of the full Committee's policy. He repeated his earlier statement that the subject had never been discussed. He preferred to think of repurchase agreements as instruments of monetary and credit policy for use during short periods of time, and the spirit in using such agreements should be the same as that to be applied to outright purchases.

Chairman Martin suggested that the minutes of this meeting show that a question had been raised as to the intent of the full Committee in the policy statement referred to, that there was a discussion whether repurchase agreements were outside this general policy, and that the matter was left with the understanding that it would be raised at the next meeting of the full Committee with a view to clarification.

> Thereupon, upon motion made by Mr. Robertson and duly seconded, and by unanimous vote, the open market transactions during the period January 25-February 7, 1955, inclusive, were approved, ratified, and confirmed.

Mr. Robertson then stated that the authorization of the Federal Open Market Committee for repurchase agreements, as last modified at the meeting of the full Committee on June 23, 1954, contained a provision that "such agreements shall cover only short-term Government securities maturing within 15 months". He also read a paragraph from the minutes of the meeting of the full Committee held on March 4, 1953, at which time the quoted wording of this clause was adopted in lieu of the former wording that such agreements "cover all short-term Government securities selling at a yield of not more than the issuing rate for one-year Treasury obligations". The stated purpose of that change, Mr. Robertson noted, was that it would be preferable to have repurchase agreements related to short-term Government securities of a specified maximum maturity, rather than to those bearing a certain yield. He inquired whether this was intended to limit the execution of repurchase agreements to securities which were reagrded as "short-term" at the time of issuance, or whether it was intended to cover all Government securities which would mature within 15 months.

Mr. Sproul said that it was generally considered, on the basis of yields and other market factors, that when securities came within 15 months of maturity they were short-term securities. This was the way they got into the holdings of commercial banks. He agreed that the words "short-term" in the quoted clause were not necessary and that it would be sufficient to specify that such agreements cover securities maturing within 15 months.

Chairman Martin stated that it had never occurred to him that securities maturing within 15 months were anything but short-term securities. He felt, however, that it would be desirable to clarify the matter at the next meeting of the full Committee, and it was understood that this procedure would be followed.

Mr. Garfield made a statement with respect to recent economic developments along the lines of a staff memorandum dated February 4, 1955, copies of which were distributed before this meeting. Mr. Garfield commented that the chief event since the memorandum was distributed was the change in administration of the Government in Russia, which appeared to be a move toward greater emphasis on heavy goods production. He also commented that there had been fluctuations in the copper market including an increase in the London price for copper and a decline in that in the United States. There also had been a reduction in the price at which Brazil offered to sell coffee in world markets. With respect to domestic business activity, Mr. Garfield stated that recovery in recent weeks had continued strong, industrial production was estimated to have risen further in January, unemployment increased slightly less than seasonally during that month, and retail trade on a seasonally adjusted basis appeared to have been maintained at advanced levels. Construction activity rose to new heights in January under the pressure of expanding residential building financed on easy terms, and prices of construction materials advanced further. Mr. Garfield noted that the recent rise in prices of sensitive industrial materials might reflect increased international tensions although Far Eastern developments do not seem to be stimulating "protective" buying on an important scale in markets generally.

During a brief discussion of Mr. Garfield's review, Mr. Sproul remarked that developments in production and employment seemed to him to point to a moderation in the upward movement rather than the continued strong recovery referred to by Mr. Garfield.

Mr. Thomas then made a statement with respect to the credit situation in which he said that developments since the first of the year had been dominated largely by seasonal factors and the Treasury's financing. There had been rather wide and perverse fluctuations in the volume of bank reserves, as is usual in this period, but they had been offset through open market operations somewhat more effectively than a year ago. Bank credit and deposits had shown a smaller decline in January than usual and, with fairly tight reserve positions, banks had sold Government securities to meet demands for other types of credit. There were rises in money rates, except on Treasury bills, for which there has been a strong demand from nonbank sources. Mr. Thomas referred to a tabulation containing an estimated pattern of reserve changes, by weeks, January 5-April 27, 1955, copies of which were distributed at the meeting. He noted that in the absence of further open market operations, free reserves during the current statement week might average around $200 million and that in the statement week ending February 16 they might be expected to average around $400 million. In general, Mr. Thomas said, it appeared that the principal factors affecting the free reserve position of the banks would be intra-monthly movements of float and other temporary influences, with the result that free reserves in the near future might be expected to fluctuate generally between $200-400 million. This level, Mr. Thomas thought, should be on the whole a restraining influence, although it might be reduced some; he felt that the lowest levels of free reserves projected could be well taken care of by temporary extensions of credit through repurchase facilities, or borrowings could be permitted to rise temporarily to around $500 million or more without exerting undue restraint.

Mr. Sproul stated that he had noted the omission in the staff memorandum of any reference to the decline in Treasury bill rates, an omission which Mr. Thomas had remedied in his oral remarks. He said that, in his opinion providing reserves solely through purchases of Treasury bills, when the market was becoming bare of bills, helped to bring about a distortion in the interest rate structure, and a decline in bill yields which was inconsistent with our general credit policy.

Mr. Robertson commented that the New York Bank had authority to purchase any short-term securities in the market and that it did not need to limit purchases to Treasury bills.

Mr. Sproul responded that, in view of previous discussions, he thought that the Manager of the System Account interpreted his authority as being limited to purchases of Treasury bills.

Mr. Thomas expressed the view that purchases of short-term securities other than bills would not have produced a different result, since all other short-term securities were also selling at very low yields and were difficult to purchase.

In response to a request from Chairman Martin for his comments on the Treasury financing, Mr. Rouse stated that it had been interesting to observe the reception of the new Treasury issues. The market as a whole had decided that the offering was a very good one and had tried to make it a success. It had proved to be very successful, Mr. Rouse said, in the face of a reduced reserve position. Actually, excess reserves as distinguished from free reserves, had been relatively high, Mr. Rouse noted, so that the reserve position was not as "less easy" as the free reserves might have indicated. Nevertheless, the picture did show free reserves noticeably lower than they had been, but the market appeared to have adjusted to the entire situation. The tone of the market was quite good, Mr. Rouse said, and there seem to have been no unusual pressures. There was a substantial amount of borrowing by dealers to carry securities which they have sold for future delivery--perhaps in the neighborhood of $200 million. By and large, Mr. Rouse felt that the entire period of the Treasury's offering had gone surprisingly well. The current market action, the dealers' position, the attitude of investors, all seemed good. One of the most surprising things during this period, he said, was the sale of new 3-1/8 per cent Chesapeake and Potomac Telephone Company bonds during the period when the Treasury's 3 per cent bonds were open. He felt it somewhat surprising that this issue had sold as successfully as it had at this rate, even though it was a small issue and a refunding. Mr. Rouse thought that during the next week or so the whole market mechanism should work very smoothly. However, if there should be a radical change in the money market picture during the next three weeks, he felt the market would feel that it had been let down.

Chairman Martin said that he agreed with this last comment. He went on to say that the reason he had asked Mr. Rouse for a background statement on the market was that it seemed to him that we had come through the Treasury financing surprisingly well. He hoped that there would be no need for another meeting of the executive committee until March 2, when the next meeting of the full Federal Open Market Committee also was to be held. While this would cover a three-week period, Chairman Martin thought there were indications that things would remain on a fairly even keel during the period. He then suggested that there be a discussion of operations for the System account in the wake of the Treasury financing and asked that Mr. Sproul open this discussion.

Mr. Sproul stated that, as Chairman Martin and Mr. Rouse had indicated, he thought the committee had been quite effective, so far, in taking up the slack in the credit situation, including the present period of Treasury financing, during which a successful exchange had taken place with less provision of reserves than might have been thought necessary. Mr. Sproul continued with a statement substantially as follows:

> Looking ahead, I still see an economy which is generally able to supply all the goods and services demanded, in which competitive pressures are generally quite strong, in which price movements are not such as to cause serious concern, in which speculative accumulation of inventories is not presently a problem, and in which the prospects of some continuing unemployment in excess of minimum figures are real enough to warrant consideration. This is not to ignore those aspects of the general situation, such as the rapid rise of mortgage credit, which trouble us. But at this stage of economic recovery, and in the light of our powers with respect to these

special areas, I would not wish to try to reach through to them by a generally restrictive credit policy. We should continue to foster economic recovery, and not be turned off by the rapid runup in economic activity during the last quarter of 1954, which cannot be projected into the future. The pace has already slackened, and this in the face of some increase in international tensions; we can hope for a slower recovery on a broader front during the next few months.

This does not mean that we cannot make some further progress in terms of credit policy without adopting a restrictive policy which I would not want to do. I would like to see us feel our way down further toward zero free reserves, letting member bank borrowing play more of a role in meeting seasonal swings in reserve needs, and relying more largely on the repurchase technique, to redress intramonthly swings in reserves due to float and other factors if such temporary swings become disturbing. During the next three weeks, in addition to liquidation of present repurchase holdings of $114 million, this might mean letting some of our bill holdings run off on February 17 and 24; we hold about $200 million of these maturities.

Such a policy, as I see it, would mean that bank credit would continue readily available to meet creditworthy demands, sensitive money market rates would cluster around the discount rate, and individual banks would borrow with more frequency in initial response to whatever expansion there may be in the demand for credit. On the other hand, if such borrowing in the aggregate were sustained and growing and seemed to be exerting too much pressure, in the circumstances then existing, we could relieve it by resuming open market operations. I would like to get back to a situation where the market is ordinarily coming to us for reserves, rather than our going to the market with reserves on the basis of unreliable projections of free reserves. The only break in this relatively passive role would come with the Treasury's probable need to borrow about $3 billion in March or early April, and the probable need of $400 or $500 million of reserves to support this financing.

In response to a question from Chairman Martin as to whether his thought would be to "keep things on an even keel" Mr. Sproul stated that this would be his idea.

Messrs. Szymczak and Williams agreed generally with a program such as Mr. Sproul had suggested.

Mr. Robertson stated that he agreed with everything Mr. Sproul had said as to the economic situation and as to the objectives of credit policy in the period immediately ahead. He disagreed, however, with the use of repurchase facilities as fully as Mr. Sproul had suggested in making adjustments in the market. He was not objecting to the use of repurchase agreements, but he did feel that it would be preferable to use open market operations more broadly and repurchase facilities in a more minor way.

Mr. Sproul said that he had referred particularly to offsetting regularly recurring intramonthly swings through use of repurchase facilities. He felt that some of those swings could be permitted without attempting to offset them, but if there did seem to be a need for offsetting action, his view was that in this period at least repurchase agreements were better than in-and-out purchases and sales of securities in the market. He also commented that if it were a matter of taking reserves out of the market, it might be desirable to allow some of the System's holdings of bills to run off, but that would depend on timing.

Mr. Vardaman stated that he had not gathered from the minutes of the meeting of the full Committee held on January 11 that there was agreement on the concept of zero free reserves suggested by Mr. Sproul. He was worried, he said, that the executive committee by following such a course might be violating the spirit of the full Committee's understanding of what the executive committee was to do. Mr. Vardaman also said that he would hesitate to initiate an unduly restrictive policy until the committee could see more clearly where it would be two or three weeks from now. He would dislike very much to see anything going out to the banking system indicating that the committee was going to do anything other than to carry on as it had been carrying on for the last 30 to 60 days.

Chairman Martin said that this problem was discussed at the meeting on January 11. He did not think the committee's operations had been unduly restrictive and there was nothing to indicate that it intended to be.

Mr. Sproul stated that nothing he had suggested was in terms of being unduly restrictive.

Mr. Vardaman said that cracks seemed to be appearing in the solid advance that had been taking place up to now, and it seemed to him that Mr. Sproul's remarks indicated this to be the case. He suggested that the committee might be well advised to proceed cautiously, at least until it got more information on such matters as inventories. He could see nothing to sustain an advance during the next six months.

Chairman Martin said that a word of caution might be well taken but that the cracks Mr. Vardaman was talking about were not cracks that would be obviated by permitting people to borrow through an unsound monetary policy. His personal view, he said, was that the committee had gone overboard on the concept of free reserves, that in the past it had forced free reserves too hard. This was one of the reasons these cracks to which Mr. Vardaman referred had appeared. The sooner the committee got to a zero limit of free reserves, the better it would be, the Chairman said; in fact, he would lean on the other side. His desire was to use monetary and credit policy to sustain the economy.

Mr. Robertson said that as he saw the situation and from the standpoint of timing, the objective should be to maintain an even keel for the next three weeks.

Mr. Sproul stated that he thought maintaining an even keel would not inhibit the committee from doing anything in the open market that seemed to be called for within the limits of the general credit policy being pursued.

Mr. Vardaman said that that was all he was intending to suggest, that a great deal could happen during the next three weeks, and that he wanted to be sure that the program was not primarily aimed at a reduction in free reserves during this period.

Mr. Williams said he was thinking of the problem in terms of the next three weeks also. He felt the committee ought to move toward neutrality, perhaps, and be in a position to go in either direction from there. It was unlikely, Mr. Williams said, that much action would be required during the next three weeks.

Mr. Robertson said that he felt there should be as little emphasis on use of repurchase agreements as possible during this period. So long as the objective of such agreements was to help the dealers maintain a broad market, he would not object to their use; but he would object to an excessive use of repurchase agreements where there was an opportunity to make direct purchases or sales of securities.

Mr. Balderston stated that he subscribed heartily to the point of view advanced by Mr. Sproul, who had put the emphasis on the word that ought to be adopted, "passive". His view was the same today as it had been on January 11 at which time he had observed that he favored a zero target of free reserves and bill rates approximating the discount rate.

Chairman Martin inquired of Mr. Rouse whether any change in the directive to be issued to the New York Bank was needed in order to carry out a program along the lines discussed, to which Mr. Rouse responded that none was needed at the time.

Thereupon, upon motion duly made and seconded, the executive committee voted unanimously to direct the Federal Reserve Bank of New York until otherwise directed by the executive committee:

(1) To make such purchases, sales, or exchanges (including replacement of maturing securities and allowing maturities to run off without replacement) for the System account in the open market or, in the case of maturing securities, by direct exchange with the Treasury, as may be necessary in the light of current and prospective economic conditions and the general credit situation of the country, with a view (a) to relating the supply of funds in the market to the needs of commerce and business, (b) to fostering growth and stability in the economy by maintaining conditions in the money market that would encourage recovery and avoid the development of unsustainable expansion, and (c) to the practical administration of the account; provided that the total amount of securities in the System account (including commitments for the purchase or sale of securities for the account) at the close of this date shall not be increased or decreased by more than $750 million;

(2) To purchase direct from the Treasury for the account of the Federal Reserve Bank of New York (with discretion, in cases where it seems desirable, to issue participations to one or more Federal Reserve Banks) such amounts of special short-term certificates of indebtedness as may be necessary from time to time for the temporary accommodation of the Treasury; provided that the total amount of such certificates held at any one time by the Federal Reserve Banks shall not exceed in the aggregate $500 million.

Mr. Rouse stated that, carrying forward the program he had mentioned at the meeting of the executive committee on February 17, 1954, the Treasury planned to issue a small number of large denomination ($100 million and $500 million) Treasury notes to the System account in exchanging $3,900 million of maturing certificates for an equivalent amount of the new 13-month 1-5/8 per cent notes to be dated February 15, 1955. Mr. Kilby, Commissioner of the Public Debt, had written him under date of February 2, 1955, stating that the production of engraved plates for the large denomination notes would require a little time and that the definitive notes could not be produced earlier than the first week in March. He had raised the question whether the System account could properly retain $3,900 million of the certificates to be exchanged until such time as the Treasury could deliver the new large denomination notes, probably some time early in March. Mr. Kilby also noted that there would be no problem of interest adjustment since the interest on the February 15 certificates now held by the System would be paid on February 15, and interest on the new 13-month notes to be issued in exchange therefor would not become due until September 15, 1955 and could be accrued on such notes from February 15.

Mr. Rouse went on to say that, after discussing the matter with Counsel for the New York Bank, who he understood had discussed it with Counsel for the Federal Open Market Committee and Mr. Leonard, Director of the Board's Division of Bank Operations, he had responded to Mr. Kilby on February 7 with a letter reading as follows:

> This is in reply to the letter dated February 2, 1955 that you sent to me in my capacity as Manager of the Federal Reserve System Open Market Account.
>
> In view of the difficulties that you describe regarding the production of engraved plates for the $100,000,000 and $500,000,000 denominations of the issue of 13-month 1 5/8% Treasury notes of Series A-1956, you propose, in effect, that the System Open Market Account retain $3,900,000,000 of its holdings of the certificates of indebtedness maturing February 15, 1955, which are to be exchanged for a like face amount of the notes, until such time as the large denomination notes can be delivered; and that interest on the notes be accrued from February 15, 1955 until their delivery.
>
> While I understand that there is every likelihood that delivery of the notes will take place during early March, I should like to have it definitely agreed that the delivery will take place on or before April 1, with the understanding that, should intervening delays in production make delivery impossible by that date, a reasonable extension of time for delivery could be arranged. In addition, I should like to have your agreement that, should the demands of the System's open market operations require it at any time before delivery, the System Open Market Account might surrender part of its holdings of matured certificates of indebtedness and receive notes of the new series in denominations then available in stock. In such case necessary adjustments would be made in the amount of large denomination notes to be received; and on the smaller denomination notes received interest would also accrue from Febraury 15.
>
> If you are in agreement with the modifications of your proposal that are suggested in the preceding paragraph, will you please let me know. In that event, the System Open Market Account will proceed accordingly; and will commence to accrue interest on the $3,900,000,000 of notes from February 15 onward.

Mr. Rouse also commented that in the case of the December refinancing, the use of large denomination securities had reduced the number of pieces that the New York Bank and the Treasury had to handle from approximately 7,000 to about 200, and had resulted in substantial savings.

Mr. Riefler raised a question as to how the holdings of securities would be shown on the published weekly statement of the Federal Reserve Banks, commenting that it would be undesirable and misleading if a statement to be published in March were to show a decrease of approximately $3,900 million in certificates held and an increase of an equivalent amount in notes.

Mr. Sproul suggested that this could be taken care of by showing figures based on the new securities in the statement for February 16, with a suitable footnote explaining that these figures reflected the exchange of maturing certificates into the new 13-month notes which had not yet been delivered.

Mr. Vest stated that there was no legal question involved, although he noted that the maturing certificates presumably would continue to be used as collateral for Federal Reserve notes. Since the certificates would have matured after February 15 and would thus be past due, they would not be considered to be negotiable. The law does not require that direct obligations of the United States used as collateral for Federal Reserve notes be negotiable although in the ordinary course they are, Mr. Vest said, and he expressed the opinion that the technicalities involved were not of any consequence.

Chairman Martin suggested that it be understood that there was no objection to the procedure requested by the Treasury, and that the question of the published statement be left to be worked out in the light of the discussion at this meeting.

> Secretary's Note: After further discussion, the Treasury agreed to issue an interim security covering the new notes, to be held until delivery of the definitive securities, on or before April 1, 1955.

Thereupon the meeting adjourned.

Winfield W. Riefler

Secretary