

THIRTY-THIRD

ANNUAL REPORT

of the

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM



COVERING OPERATIONS FOR
THE YEAR

1946

cent for one-year certificates and $2\frac{1}{2}$ per cent for 27-year bonds restricted as to ownership.

The limitation in the first paragraph of the new direction was reduced from 3 billion to 2 billion dollars for the reason that, while operations in the System account before another meeting of the Committee, particularly the redemption of securities being retired, would be substantial, it was believed that the lower limitation on the authority to change the amount of securities in the account would be adequate to meet the situation.

October 3, 1946

Members present: Mr. Eccles, Chairman; Mr. Sproul, Vice Chairman; Mr. Ransom; Mr. Draper; Mr. Evans; Mr. Vardaman; Mr. Leach; Mr. McLarin; Mr. Young; Mr. Peyton.

1. Authority to Effect Transactions in System Account.

Upon motion duly made and seconded, the following direction to the executive committee was approved by unanimous vote:

The executive committee be directed, until otherwise directed by the Federal Open Market Committee, to arrange for such transactions for the System open market account, either in the open market or directly with the Treasury (including purchases, sales, exchanges, replacement of maturing securities, and letting maturities run off without replacement), as may be necessary in the practical administration of the account or for the purpose of maintaining an orderly market in Treasury securities and a general level of prices and yields of Government securities which will support the Treasury issuing rates of $\frac{7}{8}$ per cent for one-year certificates and $2\frac{1}{2}$ per cent for 27-year bonds restricted as to ownership; provided that the aggregate amount of securities held in the account at the close of this date [other than (1) bills purchased outright in the market on a discount basis at the rate of $\frac{3}{8}$ per cent per annum and bills redeemed at maturity and (2) special short-term certificates of indebtedness purchased from time to time for the temporary accommodation of the Treasury] shall not be increased or decreased by more than 2 billion dollars.

That the executive committee be further directed, until otherwise directed by the Federal Open Market Committee, to arrange for the purchase for the System open market account direct from the Treasury of 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 amount of such certificates held in the account at any one time shall not exceed 1.5 billion dollars.

When this meeting was held, there had been no new developments which presented reasons for a change in the policies adopted by the Federal Open Market Committee. The Treasury had continued its program of debt retirement and had redeemed for cash 17.5 billion dollars of Government securities. Further retirements were expected during the remainder of the calendar year and, therefore, the Committee was of the opinion that there was no need at this time for the elimination of the direction to the Federal Reserve Banks to purchase Treasury bills offered to them at a discount rate of $\frac{3}{8}$ per cent per annum. Accordingly, for the reasons previously stated, the above direction was issued to continue the existing policies in effect.