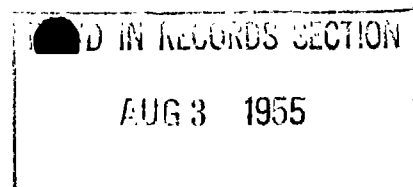




BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

August 3, 1955

CONFIDENTIAL (FR)

Dear Sir:

At the meeting of the Federal Open Market Committee on July 12, 1955, the Secretary of the Committee was requested to report on the question whether the authorization to enter into repurchase agreements with nonbank dealers in United States Government securities should be to all Federal Reserve Banks or only to the Federal Reserve Bank of New York.

At the meeting of the Committee on August 2, it was agreed that there was little likelihood that this authority would be used by any of the Federal Reserve Banks except New York. Accordingly, approval was given to a recommendation that hereafter authorization be given only to the Federal Reserve Bank of New York. To carry this decision into effect the authority given to all Federal Reserve Banks on July 12, 1955 was terminated and effective August 2, 1955, the attached authority was given to the Federal Reserve Bank of New York with the understanding (a) that the authority would be used sparingly in entering into agreements at rates below the discount rate and (b) that the Federal Open Market Committee will determine at each meeting the extent to which repurchase agreements covering Government securities are to be authorized and the rate or rates at which such agreements are to be undertaken.

Very truly yours,

  
Winfield W. Riefler, Secretary,  
Federal Open Market Committee.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

CONDITIONS FOR REPURCHASE AGREEMENTS  
PRESCRIBED BY THE FEDERAL OPEN MARKET COMMITTEE

As Amended, August 2, 1955

The Federal Reserve Bank of New York is hereby authorized to enter into repurchase agreements with nonbank dealers in United States Government securities subject to the following conditions:

1. Such agreements
  - (a) In no event shall be at a rate below whichever is the lower of (1) the discount rate of the Federal Reserve Bank on eligible commercial paper, or (2) the average issuing rate on the most recent issue of three-month Treasury bills;
  - (b) Shall be for periods of not to exceed 15 calendar days;
  - (c) Shall cover only Government securities maturing within 15 months; and
  - (d) Shall be used as a means of providing the money market with sufficient Federal Reserve funds to avoid undue strain on a day-to-day basis.
2. Reports of such transactions shall be included in the weekly report of open market operations which is sent to the members of the Federal Open Market Committee.
3. In the event Government securities covered by any such agreement are not repurchased by the dealer pursuant to the agreement or a renewal thereof, the securities thus acquired by the Federal Reserve Bank of New York shall be sold in the market or transferred to the System Open Market Account.