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FEDERAL RESERVE BANK OF NEW YORK

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January 21, 1960.

Mr. Ralph A. Young, Secretary,
Federal Open Market Committee,
Board of Governors of the
Federal Reserve System,
Washington 25, D. C.

Dear Ralph:

For your information and records, I have sent to each member of the Federal Open Market Committee and to each Reserve Bank President not now serving on the Committee a copy of the attached memorandum entitled "A Proposed Program for the Collection of Statistics on the United States Government Securities Market". The memorandum was sent on January 13 pursuant to a suggestion made by Chairman Martin at the Federal Open Market Committee meeting of January 12. The memorandum was accompanied by a note indicating that it had been prepared as an aide memoire for the use of the Study Group headed by you.

Sincerely,



Robert G. Rouse,
Vice President.

Attachment.

FOR FILES
Ralph A. Young

CONFIDENTIAL--(F.R.)

NOV 19 1960

A PROPOSED PROGRAM FOR THE COLLECTION OF STATISTICS
ON THE UNITED STATES GOVERNMENT SECURITIES MARKET

FEDERAL RESERVE BANK OF NEW YORK, NOVEMBER 18, 1959

This memorandum presents a proposal for a program of collection of statistics concerning the Government securities market. Sections (A) through (G) below deal primarily with, and present recommendations concerning, the major issues involved in a reconstituted program of statistics collection. Section (H) deals with, and presents recommendations concerning, technical questions. Section (I) summarizes the recommendations developed in the preceding sections. Two attachments show sample forms that might be used by dealers in submitting reports.

It should be noted at the outset that there is likely to be resistance--much of it quite understandable--on the part of some, and perhaps most, dealers concerning some of the proposals outlined here. The memorandum, however, is based on the premise that this whole project involves a fresh approach to the problems of collecting statistics on the Government securities market. If we tried to anticipate and take into account at this stage every objection of dealers, the new program of statistics collection would be innocuous indeed. Consequently, the best way to proceed appears to be to decide what statistics we ought to have and then try to get them, leaving some room for negotiation when the dealers are actually contacted.

The outline of the memorandum is as follows:

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The paper entitled "Adequacy of Statistical Information on the Market", which appears in Part III of the Joint Treasury-Federal Reserve Study, identifies (pages A-1 and A-2) five kinds of statistical information in connection with the Government securities market. These five are (1) data on the outstanding supply of Government securities; (2) data on the ownership of the existing supply; (3) data on activity in the market, including prices, trading volume, and dealer positions; (4) data on dealer financing; and (5) data on the financial condition of dealers.

We can dispose of (1) and (2) immediately. With respect to the first, data on the outstanding supply of Treasury issues are, as noted by the Joint Study, complete and publicly available; furthermore, changes in the supply outstanding are published promptly. With respect to (2) above, the ownership of Government securities, the Joint Study made certain suggestions which are under review by the Treasury as part of a study of the possibility of initiating a revised debt ownership survey program. This leaves us with (3) and (4)--the heart of the matter--and with (5). The approach taken by this paper is to consider whether, and why, and to what extent, the data covered by (3) and (4)--prices, volume, positions and financing--are useful, or necessary, to (a) the Trading Desk, (b) the FOMC, (c) the Treasury, and (d) the general public. The item mentioned under (5) above, the financial condition of dealers, is a different kind of problem and is treated outside the framework in which (3) and (4) are treated. Other questions treated separately and as subsidiary to the main questions noted above are (1) who should collect and process the

statistics, and (2) what means, if any, are available to force the submission of data from any dealers who might not choose to submit the statistics voluntarily.

A. What Data are Required by the Trading Desk?

The Trading Desk is that unit in the Federal Reserve Bank of New York which undertakes transactions in Government securities pursuant to the directive issued by the Federal Open Market Committee to the Federal Reserve Bank of New York. Since the Trading Desk is closer to the market than any other group within the System, it plays an important role in supplying information on and interpretations of market developments to the FOMC. The Trading Desk also has important responsibilities toward the Treasury in connection with the execution of transactions for Government trust accounts, and particularly in connection with keeping the Treasury informed concerning market developments--a responsibility that assumes especially large dimensions prior to and during Treasury financing operations and during special occurrences such as the events of the summer of 1958. Finally, the Trading Desk has significant responsibilities in connection with its handling of a heavy volume of transactions for foreign accounts and for the account of international organizations. The Trading Desk, therefore, has a direct and essential responsibility to keep continuously informed concerning, and to make continuous appraisals of, facts and information bearing on developments in the Government securities market. Market prices of Government securities obviously represent facts about which the Desk should have knowledge if it is properly to discharge its responsibilities. Aggregative data on the volume of transactions in the Government securities market, on dealer long and short positions and changes therein, and on the volume of dealer financing and changes therein, all for the preceding business day, also represent facts of which the Desk should have knowledge if, on any given business day, it is properly to discharge its responsibilities.

This proposition rests on the fact that activity in the market "yesterday" directly affects, and is one of the significant determinants of, activity in the market "today". Furthermore, it is clear that if the Desk is to make optimum use of these data--indeed if it is not at times to be misled in the use of them--it must have subsidiary information in terms of which it can interpret the aggregative data. Such subsidiary information, of course, consists of statistics on the volume, positions and financing of individual dealers. There are numerous occasions on which an aggregative change reflects in large part a change in the figures of one or two dealers, and there are other occasions in which an aggregative change reflects the net effect of sizable shifts in opposite directions by only a few dealers. The interpretation placed by the Desk upon the aggregative change in these cases is quite different than if the aggregative change were distributed widely among the dealers. And the only place at which the significance of these shifting differences in the composition of the aggregative data can be observed and appraised is at the Trading Desk itself, where all of the other visible evidences of market behavior are being brought together at the same time. Thus, the only way in which the execution of System policy can proceed on the basis of the fullest possible range of information--and the only way in which the best possible interpretations can be provided by the System's and the Treasury's "intelligence center" in the market to the senior policy officials in both agencies who do not have the time to triangulate among details--is to insure that the Trading Desk has at hand, promptly, all of these underlying data. That must include individual dealer data, which enable the Desk to interpret and appraise the aggregates.

Statements have been made, however, which, as we understand them, boil down to (1) the Desk does not need individual dealer figures although it should have the aggregates, and (2) the Desk should not have individual figures since there is an inherent "conflict of interest" in having such data, in the

sense that the possession of the figures in question puts the Desk in a position where it could "trade against a dealer", or where it is open to a charge of "distributing largesse" on the basis of an individual firm's position in the market.

The first assertion seems to us to be answered by recognition that it is only those representatives of official agencies who are actually "in the market", following detailed developments, who can provide the current analysis of what is meant by the aggregative data. That analysis, which the System and the Treasury need and which they have come to rely upon, must rest in good part upon a knowledge of the behavior traits or characteristics of the dealer firms which "make" the market, and such knowledge can be gained only through observation at close range over a long period of time. For this reason, it seems to us more important for the Desk than for any other unit to have all the data that underlay the aggregates.

The second assertion is difficult to grasp. The Desk has been collecting and using individual dealer figures for more than twenty years, and in that time has conducted many thousands of open market operations, with those individual figures constituting a part of the background with which each such operation was approached. In all this time, with all of these opportunities to "trade against" a dealer or to "distribute largesse", there has been to our definite knowledge (we do not know exactly what was said by dealers to the Ad Hoc Subcommittee) only one instance of a charge that an individual dealer's figures were "used against him", and that was a long time ago. This would seem to us to be a record in which the FOMC should take great satisfaction, for it reflects not only the observance of impartiality in open market operations, but the scrupulous observance of impartiality in the extreme. Yet, the singular fact is that what appears to have been only one instance of a charge has been taken to symbolize an alleged "conflict of interest".

As to the question of "distributing largesse" on the basis of a firm's position in the market, the point may be made that the Desk, by the very nature of its function, is in a position to "distribute largesse" on any number of bases if it were disposed to do so, and hence it is always open to a charge of this kind. Indeed the only foolproof way to ensure that the Desk is not open to charges of "distributing largesse" is to abolish open market operations. A preferable solution, however, would be to demonstrate confidence in the Desk by continuing to grant it access to the tools it needs.

B. What Data are Required by the Federal Open Market Committee?

The Federal Open Market Committee issues instructions which involve operations in the Government securities market, and those instructions are sometimes subject to qualification in terms of conditions in that market. It is, therefore, clear that the Committee needs the same kind of information on market activity which is required by the Trading Desk, although not in such detail nor on such a continuous basis. Much of the data collected by the Desk is now provided the FOMC through the regular reports made by the Manager of the System Open Market Account to the Committee, and also through the daily wire summaries of the 11 o'clock call. Also, aggregative data are submitted daily to the Board, both by telephone and in written form. Furthermore, the Manager of the Account discusses major market developments at each meeting of the FOMC.

We suggest certain changes, however, which are designed to formalize and expand somewhat the present arrangements of reporting to the FOMC on dealer activity in the market while at the same time achieving somewhat greater control over the distribution of the data. Specifically, the weekly report to the FOMC now contains a table showing dealer net positions for the statement week concerned and for several preceding Wednesday dates. We suggest that this table be deleted, and that there be prepared each week a separate table which

would be expanded to show, for each day of the period, gross long and short positions, as well as net positions, and would also show data on the volume of transactions and on dealer financing. Such a table would be sent weekly only to members of the Committee, to Reserve Bank Presidents not currently serving on the Committee, and to senior members of the Committee staff. At the time that such a change is made, a letter could be prepared and sent from the Manager of the Account to the members of the Committee calling their attention to the new procedure. The data contained in this table would represent aggregates for all dealers. Presumably, not all those who have access to the reports would have a need for data of individual dealers and, since the individual figures are highly confidential, it would appear desirable to limit their regular distribution to the individuals who may be assigned special responsibility for analyzing the data.

C. What Data are Required by the Treasury?

The needs of the Treasury for data on activity in the Government securities market in connection with its debt operations, its administration of trust accounts, and in numerous other respects, are obvious and vital. Such data not only serve the Treasury's needs directly, but also are important supplements to the informed judgments which the Treasury obtains from the Trading Desk and from the market itself. The Treasury is, of course, already fully and currently informed concerning prices and yields of Government securities through frequent contacts with the Trading Desk and through other sources. Furthermore, the Treasury obtains from the Securities Department, by telephone each morning, figures on dealer net positions (both in total for all dealers and for dealer banks as a group) and also figures on borrowings against Government securities. Also, the Treasury receives the weekly report on open market operations in which, as noted earlier, there now appear data on dealer net positions. There seems to be ample reason why the Treasury should have

the more complete information which it is proposed to provide the FOMC. This more complete information, to repeat, would consist of tables (prepared independently of the weekly report) showing for each day of the period concerned gross long and short (as well as net) positions, volume of trading and data on borrowing against Government securities, all in aggregative form. These data could be sent directly to the Treasury each week, under a covering letter. This procedure would have the advantage of giving explicit recognition to the Treasury's entitlement to such data.

D. What Data are Required by the Public?

Data on the supply of Government securities, together with data on their ownership, are already publicly available. Prices and yields of Government securities are also publicly available, mainly through the press, although many dealers publish daily quotation sheets. The Trading Desk compiles at the end of each business day the "composite" quotations which appear on the board in the trading room, i.e., quotations which represent a rough "average" of the prices posted by the group of five larger dealers whose names appear on the board. This compilation is publicly available, although at the present time only one newspaper, the "New York Herald Tribune", uses those quotations.

Neither the Trading Desk's composite quotations nor the quotation sheets of dealers show the range of prices that were quoted on a given trading day. This may well be a defect in the present arrangements, since a close student of the market would be interested in intra-daily price fluctuations. These data could best be made publicly available by the New York Bank as a public service. It is, therefore, suggested (1) that the Trading Desk's final compilation of composite quotes be expanded to show, in addition to what is now shown, the high and low composite bid and the high and low

composite offer for each issue during the day concerned; and (2) that the New York Reserve Bank's Public Information Department formally advise the press of the availability of these expanded quotations in the hope that greater use will be made of them.^{1/}

Apart from the price quotations already available, the general public has virtually no information concerning activity in the Government securities market. There are, it seems to us, two major reasons for making data on positions, volume and financing publicly available. The most compelling reason is that there has recently been a good deal of Congressional interest in the Government securities market, as evidenced by the recent hearings of the Joint Economic Committee and by the problems which have arisen out of Senator Douglas' request for data covering prior years. With interest rates nowadays free to move in response to shifting demand and supply pressures, it is likely that there will occur over time a succession of episodes which will draw the close attention of Congress and the public to the operations of the Government securities market. If, as seems likely, Congressional scrutiny of this market will increase, rather than decrease, it seems to us that it would be useful from several points of view for a body of factual information on the functioning of the market to be readily available. For if Congress really wants the facts,

^{1/} Suggestions have been made that Government security prices be published over the ticker two or three times during the day as a means of meeting the public's need for information. We would reject this proposal in favor of the one noted in the text. In the first place, when important price changes occur, they already appear on the ticker. Secondly, we believe that the public's need for intra-daily price data could better be served by the publication in the press of highs and lows than by the publication of actual prices at two or three arbitrarily selected points of time each day. While the Government securities market is a national market, relatively few people participate in it, and those who do so obtain information on current prices by checking with dealers. Those doing business in Government securities could not rely upon the prices appearing on the ticker in any event, because of the lag involved between the time to which the prices pertain and the time at which the prices appear on the ticker. In short, the public's need for intra-daily price data is not current, but rather it is after the fact. For this reason, the fact that the published highs and lows would be composites, and not necessarily actuals, becomes largely irrelevant.

it can get them, and we think it preferable for the market to be in such a position that the Congress does not have to become aggressive about getting the facts. Furthermore, the simple fact of the availability of such data might help to reduce the aura of distrust and suspicion which, in the minds of some Congressmen, surrounds the Government securities market.

The second purpose to be served by the publication of such figures is that the data might be useful to students of the market and to market participants themselves. The availability of such data to students and others might in time contribute to their understanding of a market that is now little understood except by those who participate in it, and it is possible that out of such better understanding there might grow improvements in the organization and functioning of the market and the financial structure generally.

We therefore suggest (a) that there be published each week figures on volume of transactions and on the amount of financing used by dealers, and (b) that there be published monthly, in the Federal Reserve Bulletin or the Treasury Bulletin, data on dealer positions, volume and financing (the latter two series would be more detailed than the volume and financing data published weekly). With respect to (a), we propose that each Thursday, the press in Washington be handed figures showing the daily average volume of transactions, and the daily average borrowings, for the week ending on the second Wednesday preceding the Thursday concerned, i.e., that the press be handed the data after a lag of eight days, and that the same data be released at the weekly press conference held in New York on the same Thursday. There is no possibility that the publication of such data would tend to reveal the activity of any individual dealer. Indeed, these data could be helpful to individual dealers by enabling them to measure their performance against that of all other dealers as a group, and the information on the use of credit by dealers would be helpful to the market generally.

With respect to (b), the publication of data in the Federal Reserve Bulletin or the Treasury Bulletin, we suggest that position and volume data be published by maturity category, and that financing data be published showing at least a breakdown as to bank and nonbank source. Such data, in the form of aggregates for all dealers, would be shown as daily averages for each week ending on a Wednesday within a given calendar month, and would be published with a lag of approximately two to three months. Both the Federal Reserve Bulletin and the Treasury Bulletin appear early in the month following the "month of issue"; thus the October issues appeared early in November. Under our suggestion the October issue, for example, would have contained daily average figures for the weeks ending August 5, 12, 19 and 26; the November issue, available early in December, would contain figures for the weeks ending September 2, 9, 16, 23 and 30. Since the position figures in particular are subject to misinterpretation by inexperienced users, some carefully prepared footnotes, drawing attention to limitations of the data, would have to accompany the published figures.

It would be advisable to inform dealers in specific terms of the proposal to publish the figures and it would also be advisable to proceed with publication as soon as possible within the limits imposed by the time lag agreed upon.

E. Data on Financial Condition of Dealers; Accounting Practices.

The paper on "Adequacy of Statistical Information on the Market", published in Part III of the Joint Treasury-Federal Reserve Study, identified statistics on the financial condition of dealers as one kind of data concerning the market that is not generally available to the public.^{1/} Such statements are available to the Trading Desk, which, pursuant to instructions of the FOMC,

^{1/} The statement of the Discount Corporation, which is chartered as an investment company under the New York State Banking Law, is published as, of course, are general statements of banks which have dealer departments. Also, the statement of The First Boston Corporation is available to the public.

frequently acts as a supplier of funds to the dealers. However, the statements submitted to the Trading Desk are not prepared on any consistent basis as among dealer firms. The subject of dealer financial statements raises two major questions: (1) Should the publication of such statements be required of dealers? (2) Should the statements be prepared on a uniform basis?

As to the first question, there are significant practical difficulties involved in the publication of dealer financial statements. For example, several of the firms which deal in Government securities also deal in other types of securities. In such cases it would be difficult, if not impossible, for the firms concerned to construct separate and meaningful statements covering only the Government securities side of their business. In addition, any argument that may be made in favor of publication of financial statements is to some extent diluted by the fact that any market participant can receive financial statements from a dealer merely by asking for them. If, despite these considerations, it is argued that dealer statements should be published on the general grounds that the Government securities business should be under public surveillance, some means of obtaining the acquiescence of dealers would have to be devised, possibly along the lines discussed in Section (G) below, "The Problem of Obtaining Data from Reluctant Dealers".

It was mentioned above that a second question which arises in connection with financial statements of dealers was whether there should be uniformity in the preparation of such statements. This raises the broader question of whether there should be some uniformity in dealer accounting practices generally, so that not only financial statements can be submitted on a consistent basis as among dealers, but also that statistics on positions, volume and financing could be submitted on a uniform basis. In this connection, the suggestion has been made that consideration be given to working out, in cooperation with the dealers, a standard accounting manual for use by the dealer community.

It can hardly be denied that uniformity in financial statements would be desirable and, in respect of the reporting of statistics, even necessary. However, we doubt that the achievement of uniformity requires so major an undertaking as the preparation of a standard accounting manual. Indeed, it seems to us that dealers might well regard any such project as an unwarranted invasion of their private business prerogatives. Should such a manual nevertheless be developed, some dealers may not choose to use it, while others may use it only because they feel obliged to do so even though they may not like it. Furthermore, the money and Government securities markets are changing, evolving institutions, and it is likely that there would be numerous occasions over time for making changes in the manual. Not all dealers, however, would find equally forceful reasons to adopt such changes, and some might find no reason at all to do so. Hence the manual might well become a source of frequent frictions and irritations. The Government securities business, as noted earlier, is characterized by different types of concerns, most of which also engage in activity in other types of securities or in general banking. Some of these firms are small, and others are large. Some have simple accounting systems, while others have more complex systems. It may not be reasonable to expect that all this diversity can be molded into the unified system implied in the "accounting manual approach". Our suggestion is that dealers first be approached with the proposed program to determine whether uniformity in reporting would involve serious accounting problems for some firms. If so, an approach could then be made to an accounting firm experienced in security accounting with a view to obtaining, if possible, the firm's estimate of the magnitude of the accounting problems presented. The development of any plans toward assisting the dealers (if necessary) with their accounting problems could await the outcome of discussions with the accounting firm concerned.

F. Who Should Collect the Data?

The data with which we are concerned here are statistics on positions, volume and financing, all of which are now collected by the Securities Department of the New York Bank and which are made immediately available, in detail, to the Trading Desk. The propriety of this arrangement, however, has been questioned on the grounds that there is an inherent conflict of interest in the accessibility to the Desk of detailed data on positions, volume and financing.

In Section (A) above it was shown that the Trading Desk requires data on individual dealers, as well as aggregative data. Therefore, the question of what unit should collect and process the data is reduced to one involving efficiency and convenience. In principle, we do not see that it matters very much who collects the data as long as the detailed statistics are available to the Desk, and--a very important matter--as expeditiously as they are now available, i.e., by the time each day's approach to operations is formulated. As to the matter of efficiency and convenience, there can hardly be any question that the job of collecting the data can be done most efficiently in New York, where the market is located. A staff already exists for this purpose in the Securities Department, and this staff has built up over the years a network of contacts which it uses in clarifying and correcting the frequent errors and inconsistencies which, it seems, inevitably creep into any statistical reporting system. It would, of course, be possible to transfer this staff to the Research Department, but there would be little point to this, or to training a new staff in the Research Department, if the detailed data are to be made available to the Desk in any event. Our suggestion is that the Securities Department staff which now collects the data continue to do so, but that that staff be expanded and headed by a more senior person, a statistician skilled in the handling of such data. The person concerned should be at such a level that he could take immediate responsibility for insuring the accuracy of the data and preparing

the figures for publication. Moreover, he could be in close contact with trading operations and could thus be in a position to evaluate the data, both from a short-run and a long-run standpoint. It is further suggested, however, that it might prove quite useful to have independent analyses made of the data by selected economists not connected with the Desk. For this purpose, senior staff economists of the Treasury and the FOMC (including those of the Research Department of the New York Bank) could be made familiar with the data and trained in their use with a view to making such studies as seem appropriate from time to time. The data for individual dealers, as well as the aggregate figures, would be furnished to the members of the FOMC and the Secretary of the Treasury for the use of these economists under appropriate safeguards to insure the confidentiality of the individual figures.

G. The Problem of Obtaining Data from Reluctant Dealers

Ample experience is available to suggest that not all dealers will freely cooperate in the submission of statistics.^{1/} The prospective publication of the figures, even in aggregative form, may also cause some dealers to be reluctant to make their statistics available. It has been suggested that a letter signed jointly by the Secretary of the Treasury and the Chairman of the Board of Governors might be successful, and this is surely a good initial approach. The crux of the problem is what to do if some dealers are not persuaded by such a letter. We do not feel that it is necessary at this stage to grapple with this problem. Should such a difficulty arise, the situation can be evaluated in the light of the facts and circumstances at the time. Among the alternatives in such a case are (1) mention of the possibility that legislation

^{1/} It is appropriate to mention at the outset of this section on "reluctant" dealers, that we take as the dealer community the dealers with which the Trading Desk now does business, irrespective of whether a given dealer does or does not now report figures to us, Thus we have no immediate problem of dealer identification.

might be enacted, (2) a threat to seek such legislation, (3) the actual passage of such legislation, and (4) the discontinuance of trading relationships with the Desk.

H. Some Technical Matters.

It is envisaged that in most respects the statistics to be collected under the new program are the same as those now collected. Certain changes, however, are proposed with respect to position data and statistics on financing. As regards the latter, the proposal contained here is virtually identical to one on which Mr. Marsh has already held discussions with dealers. This section deals only with the proposed changes in the existing program, and does not detail the present program itself. However, the complete program, as amended by our suggestions, is summarized in Attachments A and B, which show sample forms on which the desired statistics could be reported.

Three major changes from the present system are proposed in connection with position figures: (a) that the figures be reported on a maturity date, rather than a call date, basis; (b) that dealers report the amount of securities in trading and investment accounts that have been sold under fixed date repurchase contracts which terminate (1) in more than 15 days, and (2) in more than 92 days; and (c) that Treasury bills maturing in 92 days or less, and those maturing in more than 92 days, be reported separately.

The major reason for our recommendation that position figures be reported on a maturity basis is that the contemplated program of statistics collection is designed in part to satisfy "future" needs, particularly the needs of Congress and the public, and insofar as one can guess in these matters, the better guess is that over the indefinite future maturity date will be more relevant than call date. If this is true, then, given that past data collected by the Desk are on a call date basis, the question at issue is what, if any, disadvantages are incurred by the discontinuity involved in collecting future data on a maturity basis.

We think the disadvantages would be minor. In preceding sections of this memorandum we spelled out the needs for data of the Trading Desk, the FOMC, the Treasury, and the general public. We doubt whether the Desk, the FOMC and the Treasury would incur serious disadvantages by future data being on a maturity basis, since the needs of those groups are largely "current", and in any event there is sufficient expertise available to make the rough adjustments (the only kind it would be appropriate to make in view of the errors to which past data are presumably subject) necessary to obtain a reasonable measure of continuity between past and future data. As regards the general public, it has already been indicated that its needs are largely "future", and there would be no problem of discontinuity unless past data (apart from that which already appears in the Treasury-Federal Reserve study) were to be published. The past data may or may not be published; but even if they should be published they would have to be qualified with a battery of footnotes dealing with such factors as changes in number of dealers, problems of "restricted" and "unrestricted" securities, etc. With the data already seriously deficient as a time series, there seems little point in trying to preserve continuity at the expense of failing to take advantage of an opportunity to make a fresh start with data that will probably be more relevant over time than data on a call date basis would be.

We also suggest, as noted above, that dealers be requested to report not only their total holdings of securities in trading and investment accounts, but also that part of their "holdings" which have been sold under fixed-date repurchase contracts which terminate in over 15 days and over 92 days. (The latter figure would of course be a part of the former, but would be reported separately.) This would give us at least a rough idea as to the amount of securities available for trading in the "short run". We recognize that such an idea would be inexact, and also that the 15-day and 92-day "breaking points" are arbitrary. We feel, however, that some information on this point is better

than none. We do not think it desirable that securities carried under fixed-date contracts terminating in 15 days or more, or 92 days or more, be broken out of other position data in the published statistics.

As regards the question of obtaining a breakdown of Treasury bill positions between bills maturing in 92 days or less and those maturing in more than 92 days, we believe that such a breakdown could prove to be of considerable value to the System and the Treasury. Furthermore, we frequently hear comments from the market to the effect that the bills maturing between 92 and 182 days are virtually "untradeable", and it may be useful on some occasion to study the 182-day bill series from the standpoint of whether there should be any such instrument and what amount should be outstanding in each issue. Should figures on positions in Treasury bills be broken down as indicated, figures on volume of transactions in bills should be similarly broken down. A proposed form for reporting position and volume figures is shown as Attachment A.

The information on dealer financing now received by the Trading Desk is quite limited, and we recommend a considerable broadening of the reporting system along the lines of the proposal which Mr. Marsh has already discussed with dealers, but with certain modifications. Thus it is suggested that dealers report separately their collateral loans and their repurchase agreements for one day term and for over one day term, and that financing with New York banks in Federal funds and clearing house funds be shown separately. It is also proposed that the financing data be shown separately by source as follows:

(a) New York banks, (b) out-of-town banks, (c) corporations, and (d) other sources. A proposed form for reporting financing figures is shown as Attachment B.

I. Summary of Recommendations.

The following is a general recapitulation of the proposals contained in the foregoing sections. The proposals as stated below have been consolidated and are not listed in the sequence in which they appear in the text. It is proposed:

- (1) That data on gross long and short positions, volume of transactions, and financing be collected from dealers now doing business with the Federal Reserve Bank of New York and that such data be collected, processed, and analyzed by an expanded staff in the Securities Department of the New York Bank.
- (2) That selected economists at the Board of Governors, the Treasury and the New York Bank be trained in the use of dealer figures on positions, volume and financing, for the purpose of making periodic analyses of the figures and such special studies and appraisals as circumstances may dictate from time to time.
- (3) That statements of financial condition be submitted by dealers to the Federal Reserve Bank of New York as at present, but that no efforts be made toward publication of dealer financial statements.
- (4) That data on positions, volume and financing now transmitted to the FOMC and the Treasury be expanded and formalized.
- (5) That data on total volume of transactions, for all maturity categories taken together, be published weekly, and that data on total volume of dealer financing be published weekly.
- (6) That more detailed data on positions, volume and financing be published, in aggregative form for all dealers taken together, in the Federal Reserve Bulletin or the Treasury Bulletin after a time lag of approximately two to three months.
- (7) That the Federal Reserve Bank of New York expand its closing quotation sheet to include its composite of high and low bid and offer prices for each day, that such sheet be publicly available, and that the press be formally notified of the availability of such data.
- (8) That dealers be approached with a concrete proposal as to what data are to be obtained and published, and that such proposal be viewed as subject to modification in the light of discussion with dealers.
- (9) That if the discussions with dealers disclose serious accounting problems, an accounting firm be approached in order to obtain further information as to the difficulties involved; on the basis of such contacts plans for possible assistance to the dealers could be discussed.
- (10) That a joint letter by the Secretary of the Treasury and the Chairman of the Board of Governors be sent dealers as the initial formal step toward enlisting their cooperation in any program of statistics collection agreed upon.

