BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

November 6, 1961

CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Young

There is enclosed a copy of a letter from the Federal Reserve Bank of New York containing suggestions with respect to the operating procedures and directive. Also enclosed is a copy of a letter from the Federal Reserve Bank of Cleveland on the same subject.

Ralph A. Young

Ralph A. Young, Secretary,
Federal Open Market Committee.

Enclosures

FEDERAL RESERVE BANK OF NEW YORK
NEW YORK 45, N.Y.
RECTOR 2-5700

November 3, 1961.

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

Dear Ralph:

I enclose, in the form of a letter to you, our suggestions with respect to the operating procedures and the directive. I should appreciate it if you would circulate this material to the members of the Board and the other Presidents.

Sincerely yours,

Alfred Hayes

Alfred Hayes,
President.

Enclosure.

CONFIDENTIAL--(F.R.)

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700

November 3, 1961

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

Dear Mr. Young:

We have reviewed the material on the operating procedures and the directive circulated with your memorandum of September 6, as well as the subsequent letters of Messrs. Allen, Ellis and Wayne. We have also studied the memoranda of Messrs. Knipe and Broida which were distributed at the meeting of the Committee on September 12.

Operating Procedures

We are much attracted by Mr. Allen's suggestion that there is no further need for a formal statement of operating procedures. We agree with him that since the Committee meets at three-week intervals there is no need for a formal published statement on operating rules. The absence of a public statement would not, of course, involve any relinquishment by the Committee of control over the general conduct of open market operations. The Committee would still be free to give the Federal Reserve Bank of New York any kind of instructions it wishes. The absence of a public statement of procedures would leave the Committee's hands untied and permit it to take whatever actions future circumstances might indicate as desirable without setting off the magnified and exaggerated reactions in the market and in the press that would ensue if its action were an exception to a published statement of formal rules. In view of the continuing problem posed by the imbalance in our international accounts, it seems to us especially important for the Committee to retain the high degree of freedom to act that would result from giving up a published statement of operating procedures.

If, however, the Committee should wish to retain such a statement, we would urge that the language of the statement be sufficiently broad to avoid giving an impression to the Congress and the public that the Committee has tied its hands in any way regarding the broad objectives of open market operations and the procedures used to implement those objectives.

In urging the adoption of Mr. Allen's suggestion that there be no formal statement of operating procedures, we are not attempting to evaluate the results of our operations outside the short-term area in recent months. Nor can we attempt to predict the extent to which, over the months and years ahead, the Committee will find it desirable to operate in intermediate- and longer term issues. Rather, we would emphasize that whether we like it or not, international considerations are going to be highly important for a long time to come, and they will require maximum flexibility on the part of the System. Thus it seems important to us to retain full freedom of action, preferably by having no published statement of formal rules, or at least by casting any statement of rules in terms broad enough to encompass whatever operations the Committee may wish to conduct, with whatever frequency the Committee may wish to conduct them.

The draft of operating procedures contained in Attachment I to your memorandum of September 6 seeks to introduce a greater degree of flexibility into our open market practices. But it seems to us that the draft does not go far enough in that direction to avoid the kind of Congressional and public misunderstanding and debate which, as the Chairman has pointed out, has often obscured a real understanding of the substance of System policies over the past few years. In fact it would still leave the System boxed in as it has been in the past.

Although we prefer that there be no formal statement of operating procedures, we have tried our hand at drafting alternative language to Attachment I of your memorandum. We enclose such a draft, marked Enclosure A, together with our reasons for some of the specific changes we suggest.

Directives to the New York Bank

We also believe that there is considerable merit in the various suggestions that have been made for improving the Committee's directive to the Federal Reserve Bank of New York. Clause (b) of the directive has been sandwiched in among clauses that shed no light on current System policy. We are in accord with the proposal for separating the directive into a continuing authority directive and a current policy directive. This separation, it seems to us, would be preferable from a procedural standpoint. As to the language of the continuing authority directive, we have some preference for Mr. Wayne's rewording of paragraph 1 of Attachment II to your memorandum (which would be the continuing authority directive), except that it should be made clear that transactions in bankers' acceptances are conducted for the account of the Federal Reserve Bank of New York. We would suggest that the words, "and of prime bankers acceptances in amounts as authorized," be substituted for the words "and, as authorized, prime bankers acceptances" in the first sentence of Attachment II. In paragraph 3 of your Attachment II, we would suggest that the limitation on repurchase agreements to securities maturing in 15 months be broadened by removing reference to maturity or at least by increasing the maturity limit to 24 months. While repurchase agreements under almost any set of circumstances would be limited to short-term securities, the 15-month dividing line is perhaps too narrow.

As far as the current policy directive is concerned, we believe that it should contain the instruction that is most useful to the New York Bank in the day-to-day conduct of operations--the instruction as to the relative degree of ease or tightness that the Committee wishes to have maintained in the market during the period until the next meeting. We note that Mr. Allen's suggested directive consists of this kind of instruction. At the same time, we believe that the Committee should not seek to include in the directive a statement as broad and as tightly compressed as clause (b) of the existing directive. Clause (b) has typically consisted of a statement so general in scope and so abbreviated in form that, as Messrs. Broida and Knipe have demonstrated, the Committee has had difficulty in making the statement an effective vehicle for conveying to the public a record of changes in policy over time. This difficulty was also pointed up recently by the criticism of the Record of Policy Actions for 1960 made by the Joint Economic Committee and its staff.

While we thus favor the elimination of clause (b) as used in the existing directive, we believe that it would be desirable for the Committee to formulate and to vote upon a statement of policy broader and more general in scope than the instruction to the New York Bank as to the relative degree of ease or tightness which we believe should constitute the directive. We thus suggest that the Committee experiment with a procedure similar to that suggested by Mr. Irons in his letter to you of February 28, 1961. Under our proposal, the Secretary of the Committee and the Manager of the Account would draft, immediately after each meeting, a statement of the general economic policy position of the Committee as it developed out of the discussion. This statement, which would be as brief as is consistent with accuracy and clarity, would be reviewed by the Chairman (or by whoever may have presided in his absence) and then distributed that same day to each member of the Committee (by wire in the case of the Reserve Bank Presidents). The Committee members could then, within a day or two, indicate their approval of the statement, offer suggested changes, or register dissents. A statement of the Committee's policy position would appear, along with the current policy directive, in the policy record for each meeting. We envision that a draft of the policy record would be prepared and circulated at the same time as the draft of the minutes. The Committee would thus have before it a few days after each meeting a draft of the minutes and a draft of the policy record entry, with the latter containing not only the current policy directive but also the general statement of policy position revised in accordance with suggestions made by members on the initial draft of the statement which would have been dispatched (by wire in the case of the Presidents) on the afternoon of the meeting. At the following meeting the Committee, having reviewed and commented upon the above material, would formally vote on the general statement of policy position and would approve the minutes. Any dissents or supplemental statements a member may wish to record with respect to the statement of policy position could readily be presented in the subsequent text of the policy record. The entire procedure outlined above, it should be added, could be explained in the general introduction to the policy record for each year.

The general policy statement we have in mind might at times be as short as a single sentence. More often it would take three or four sentences to express the main points integral to current policy. We believe that a statement of this kind would provide a much more flexible format than clause (b) has been for communicating to the Congress and the public a summary statement of what policy is and how it has developed. As an example of what we have in mind, we include as Enclosure B a re-write of how the first part of the policy record entries for the meetings of June 6 and June 20 might have looked had our proposal then been in effect.

Additional copies of this letter and its enclosures are forwarded herewith for distribution to members of the Committee and Presidents not currently serving on the Committee.

Sincerely yours,

Alfred Hayes

Alfred Hayes,
President.

Enclosures

ENCLOSURE A

SUGGESTED STATEMENT OF OPERATING PROCEDURES*

As provided in section 12A of the Federal Reserve Act and in the Regulations of the Federal Open Market Committee, open market operations of the Federal Reserve Banks are conducted "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country." To implement this governing principle as well as to help achieve and maintain a high level of economic activity and employment, sustainable growth, stability of the price level, and a strong position in the world economy, the Committee adopts the following standing rules regarding open market practice, subject to change by the Committee at any time:

1. Open market operations are conducted to promote appropriate monetary and credit policies in the light of both domestic and international developments.

2. Open market operations are conducted in United States Government securities and in prime bankers' acceptances; ordinarily the bulk of operations is conducted in short-term Government securities.

3. Open market operations are not for the purpose of fixing or pegging the price of any issue of Government securities. If conditions in the market for Government securities should become disorderly, the Committee will take such action as it deems appropriate.

4. During Treasury financings, open market operations are conducted in such manner as to change as little as possible prevailing market conditions. Generally, open market operations, except those involving repurchase agreements, are not conducted in (a) maturing issues, (b) when-issued securities, and (c) comparable issues available in the market.

5. Repurchase agreements in Government securities and prime bankers' acceptances may be entered into with nonbank dealers from time to time to supply reserves to the market on a temporary basis.

SUPPORTING REASONS FOR CHANGES

1. It will be noted first of all that we suggest that the objectives of open market operations be phrased in broader terms than "to supply or absorb reserves" as proposed in paragraph 1 of Attachment I to Mr. Young's memorandum. The proposed statement in that attachment implies a considerably more narrow approach to operations than the Committee has actually been following, for the cost as well as the availability of credit has always been a matter of Committee concern; over the past year the Committee has been paying particular attention to short-term interest rates because of the balance of payments situation. We note that Mr. Ellis makes essentially this same point in his letter on these matters.

* It should be emphasized that we prefer that there be no formal statement of operating procedures. The following reflects our preference as to the language of a statement if the Committee should wish to retain one.

2. For reasons well stated by Messrs. Ellis and Wayne we suggest a recasting of the second paragraph of Attachment I dealing with the maturities in which operations are to be conducted. The wording of paragraph 2 suggested by Mr. Ellis would also be acceptable to us.

3. The declaration against "pegging" in paragraph 3 of Attachment I is an essential operating policy. We consider it important for the Committee to reiterate this policy in its minutes if the Committee is not to continue a published statement of operating procedures. If the Committee is to have a published statement, we believe it should not contain a fixed commitment to "correct" disorderly conditions (which the market might interpret to mean that the System would necessarily buy heavily, possibly to an extent equivalent to pegging), since the best course might conceivably be to let the market correct itself with little or no help from the System. The language we suggest leaves the door open for any kind of role--major or minor or none at all--that the System may wish to play in the case of disorderly conditions.

4. We believe that the insertion of the word "generally" in the second sentence of paragraph 4 of Attachment I, as suggested by Mr. Ellis, would provide a desirable degree of flexibility in the Committee's approach to Treasury financing operations without weakening the principle that such operations must stand the full test of the market. The limitation contained in paragraph (b) of the operating procedures adopted in the past, regarding transactions in issues involved in a Treasury financing operation, has consistently been construed as not applicable to repurchase agreements with respect to such issues. We think that this exception should be explicit in the second sentence of paragraph 4.

5. We note that the limitation of paragraph 5 of Attachment I would not apply to transactions which are <u>not</u> for the primary purpose of altering the maturity composition of the System's portfolio. Thus the paragraph would not apply to transactions for the purpose of influencing short-term interest rates (such as those under the special authorization). This distinction, however, may be too sophisticated to convey clear meaning to the general public; we would prefer to see this paragraph deleted from the standing rules. This would not in any way reduce the Committee's control over swap transactions; yet it would avoid tying the Committee's hands. For example, in view of the opinions expressed by several members of the Committee, and by the Manager, that an increase in the proportion of Treasury bills in the System portfolio would be desirable, it would be useful for the Committee to have complete freedom to act if there should be future opportunities to switch some part of the System's large holdings of short-dated coupon securities into Treasury bills.

6. Regarding paragraph 6 of Attachment I we would prefer to see the details on repurchase agreements omitted from the standing rules and left to the proposed continuing authority directive.

7. We agree with Mr. Ellis that paragraph 7 and 8 of Attachment I seem out of context in the standing rules, and should be provided for elsewhere. Paragraph 7, for example, might be combined with the continuing authority directive. The subject matter of paragraph 8 is covered by section 2(c) of the Committee's Rules on Organization and Information, and by Section 5 of Article I of the By-Laws.

8. Finally, it might be mentioned that we have no further change to suggest in the proposed preamble to the standing rules contained in Attachment I.

Federal Reserve Bank of New York
November 3, 1961

ENCLOSURE B (1)

RECORD OF POLICY ACTION

June 6, 1961

Directive to Federal Reserve Bank of New York to Conduct Operations for System Account

Until the Committee otherwise directs, operations should be designed to maintain approximately the same degree of ease as has prevailed recently, resolving any doubts on the side of further ease and clearly avoiding any lessening of the availability of reserves.

Votes for this action: Messrs.

Votes against this action: Messrs.

Statement of General Policy Position

It is the policy of the Committee to encourage further expansion in bank credit and the money supply as a means of giving additional stimulus to the economic recovery which is clearly underway but which is not fully assured. This policy recognizes that despite the gains in activity that already have been achieved since the recession low, there remains a large volume of unused labor and other resources and there is no evidence of upward pressure on prices. At the same time, the Committee recognizes that in view of the persisting problem of the balance of payments, it is necessary to continue to pay close attention to international financial developments.

Votes approving this statement: Messrs.

Messrs. and dissented from this statement.

(To be followed by the usual summary review of economic and financial developments.)

Federal Reserve Bank of New York
November 3, 1961

ENCLOSURE B (2)

RECORD OF POLICY ACTION

June 20, 1961

Directive to the Federal Reserve Bank of New York to Conduct Operations for System Account.

Until the Committee otherwise directs, operations should be designed to maintain substantially the same degree of ease in the market as has prevailed recently, with the understanding that any doubts arising in the operation of the System Open Market Account would continue to be resolved on the side of ease.

Votes for this action: Messrs.

Votes against this action: Messrs.

Statement of General Policy Position

It is the policy of the Committee to stimulate the developing, but incomplete, business recovery through the encouragement of further expansion in bank credit and the money supply. The Committee believes that further expansion in current levels of liquidity is desirable in view of the persistence of a large volume of unemployment and excess capacity, and that in view of these unused resources and the related absence of upward pressure on prices, such expansion poses no present inflationary danger. At the same time, the Committee recognizes the importance of giving continued attention to the balance of payments problem of the United States.

Votes approving this statement: Messrs.

Messrs. and dissented from this statement.

(To be followed by the usual summary review of economic and financial developments.)

Federal Reserve Bank of New York
November 3, 1961

 Mr. Young

FEDERAL RESERVE BANK
OF CLEVELAND
CLEVELAND 1, OHIO

November 3, 1961

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

Dear Mr. Young:

This is in response to your letter of September 6, 1961, relating to "Discussion of changes in the Committee's procedures." The attached drafts of the Standing Rules Governing Open Market Practices of the Federal Open Market Committee, and the Federal Open Market Committee's Continuing Authority Directive to the Federal Reserve Bank of New York are submitted for the Committee's consideration.

In preparing these drafts I have taken as a starting point your Attachments I and II. The principal points at which these drafts differ from the earlier drafts are as follows:

I. Standing Rules Governing Open Market Practices of the Federal Open Market Committee

(a) In the preamble, the phrase "subject to change by the Committee at any time" has been deleted, and restated as a separate item (item 9) to give this point added emphasis.

(b) In item 1, the word "primarily" has been inserted before "to supply or absorb bank reserves", since we are now concerned, in part, with the effect of our operations on the bill rate. The end of the sentence has been rephrased to refer back to the broad objectives of monetary policy described in the preamble, in order to avoid re-emphasizing our concern with international developments. It might appear to some readers that we are giving the international situation too much weight, in the event that the Standing Rules are published.

(c) In item 2, the reference to short-term securities has been removed, since it may be misunderstood by the public as a carryover from our earlier "bills only" philosophy. If this change is made, however, the Committee would presumably wish to direct the account manager at each meeting as to the Committee's broad preferences with respect to maturities.

(d) Item 3 in the attached draft grows out of an earlier suggestion by Mr. Wayne. In effect, it rules out "off-the-market swaps", and restricts transactions to purchases and sales in the open market at going market rates. There remains the problem of how to handle exchanges for maturing Treasury obligations and transactions with foreign central banks. Perhaps you can suggest how these exceptions should be phrased.

(e) The first sentence of your item 3, which states that open market operations are not for the purpose of fixing or pegging the price of any issue of government securities has been deleted; we are now in effect substantially influencing the rate on Treasury bills. The second sentence referring to disorderly markets has been retained, and is now item 4 in the attached draft.

(f) Section 5 refers to the "even keel" policy. I have inserted the word "usually" before listing the things we will not do, since it may be necessary under certain circumstances, now that we are dealing in other than bills, to operate in maturity ranges comparable to those designated in the new Treasury financing.

(g) Item 6 referring to repurchase agreements is placed in the present tense to conform with the other Standing Rules, and the phrase "from time to time" in your draft is eliminated to avoid the implication that we engage in repurchase agreements only occasionally.

The reference to the discount rate at the Federal Reserve Bank of New York as "normally" the repurchase rate seems to me to be false and misleading, at least over considerable periods of time. I have tinkered with the idea of using the discount rate at New York as the upper limit for the repurchase rate and the bill rate as the lower limit, but that, too, is misleading since the repurchase rate has seldom, if ever, been set above the discount rate. That is, if the Desk tries to set a repurchase rate above the discount rate, the dealers' clearing bank would presumably carry the dealers and obtain the needed reserves at the discount window. I conclude that the best we can do is state that the rate is determined on the basis of conditions prevailing in the market, but that in no case is it below the rate prevailing at the last auction of three-month Treasury bills.

II. Federal Open Market Committee's Continuing Authority Directive to the Federal Reserve Bank of New York

(a) The preamble states that the Federal Reserve Bank of New York is to conduct open market operations with a view to implementing the

Committee's "Current Economic Policy Directive." It, therefore, seems unnecessary to repeat this proviso in subsequent sections of the directive, and accordingly this has been omitted.

(b) The attached draft of Section 1 of the Continuing Authority Directive attempts to simplify the phraseology by referring back to the appropriate Standing Rules. If we can agree upon those, there seems to be no good reason to repeat them here.

(c) In your version of Section 3, Attachment II, certain restrictions are placed on the determination of the repurchase rate that differ from Rule 6 of the Standing Rules as stated in Attachment I. The revised draft simply refers back to the appropriate section of the Standing Rules.

III. Comments on Current Economic Policy Directive of the Federal Open Market Committee, and Publication of Rules and Policy Record

Your Attachment III contains four alternative suggestions for the Current Economic Directive. Of the four, I rather like Alternative C, since it is short, flexible, and easily understood, without going into quantitative detail. I would, however, add a sentence about bill rates or the maturity preferences of the Committee, although somewhat more general in nature than that contained in Alternative D. For example, at the last meeting, the Committee might have expressed a preference for a bill rate somewhat higher than the average level prevailing since the last meeting of the Committee. Since we are providing reserves on balance during the current period, this would imply a maturity preference, namely, that open market operations be conducted in other than bills, to the extent possible.

I am hesitant about stating precise targets for free reserves, the level of bill rates, etc., in the Economic Policy Directive. We talk about these targets freely among ourselves, which is all to the good, since we know the limitations of these figures and mentally attach ranges of error to them. On the other hand, we might be leaving ourselves open to criticism by those who may not understand the fragile nature of our targets and estimating procedures if quantitative goals were compared, upon publication, with the results actually achieved. For this reason, among others, I prefer Alternative C to Alternative D, since the former states the directive in general qualitative terms ("about the same degree of ease as obtained since the last meeting," "slightly easier," and so on). The same would apply to statements about the bill rate ("about the same," "slightly higher," etc.).

FEDERAL RESERVE BANK OF CLEVELAND

Also, this form of directive gives the Account Manager more room to maneuver on a day-to-day basis towards the common objective.

In general, I like Mr. Wayne's suggestion that the staff submit draft copies of several versions of the current directive along with its economic report for consideration by the Committee. If the Committee is to give more complete directions to the Federal Reserve Bank of New York, which I favor, the Board staff will necessarily play a more important role.

As for publication, I favor the suggestions of Messrs. Wayne and Allen that a description of the policy record be written by a staff member promptly after each meeting, and that this be submitted to the Committee for amendment and approval, and then entered into the policy record. These statements could then be brought together at the end of each quarter, reviewed by the Committee, and published in the Federal Reserve Bulletin with a lag of one quarter.

I am not clear about the desirability of publishing the Standing Rules of the Committee at this time. We should try to reach agreement on the Rules as soon as possible, and then test to see if we can live with them for a period of six months or so before they are published. It would be unfortunate to rush into print with a set of rules that might be violated soon after publication.

Sincerely yours,

W D Fulton

Wilbur D. Fulton
President

Attachments

Draft

November 3, 1961

Standing Rules Governing Open Market Practices of the Federal Open Market Committee

As provided in section 12A of the Federal Reserve Act and in the Regulations of the Federal Open Market Committee, open market operations of the Federal Reserve banks are conducted "with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country." To implement this governing principle, and to help achieve a high level of economic activity and employment, sustainable growth, stability of the price level, and a strong position in the world economy, the Committee adopts the following standing rules regarding open market operations:

1. Open market operations are conducted primarily to supply or absorb bank reserves consistent with the monetary and credit needs of the United States, in order to foster the broad objectives of monetary policy as described above.

2. Open market operations are transacted in United States government securities and, as authorized, in prime bankers' acceptances.

3. All transactions in United States government securities, except certain exempt transactions indicated below, are conducted in the open market and at prices and yields prevailing in the market at the time purchases and sales are made. Exempt transactions include exchanges of maturing United States Treasury securities with the United States Treasury incident upon exchange offerings, and transactions with or for the account of foreign central

banks. The Committee avoids "swap" transactions with others undertaken off the open market.

4. If conditions in the market for government securities should become disorderly, the Committee will take appropriate corrective action.

5. During Treasury financings, open market operations are conducted in such manner as to change as little as possible the conditions prevailing in the money markets. Consequently, open market operations are usually not conducted in (a) maturing issues, (b) when-issued securities, or (c) issues of comparable maturity outstanding in the market.

6. Repurchase agreements are entered into with nonbank dealers to supply temporary reserve funds to the market. To this end, government securities having remaining maturities of 15 months or less and prime bankers' acceptances are purchased from nonbank dealers subject to agreement for their resale within 15 calendar days. The repurchase rate is determined on the basis of conditions prevailing in the money markets, but is not less than the average auction rate on the most recent issue of three-month Treasury bills.

7. The Federal Reserve Bank of New York is selected as the Federal Reserve Bank to execute transactions in the open market pursuant to directions issued by the Committee from time to time.

8. The Committee will meet at least once a month, but other meetings may be held at the call of the Chairman.

9. These rules may be changed or revoked at any regular or called meeting of the Federal Open Market Committee.

November 3, 1961

Federal Open Market Committee's Continuing Authority Directive
to the Federal Reserve Bank of New York

During periods between meetings of the Committee, the Federal Open Market Committee, with a view to implementing its current economic policy directive, instructs the Federal Reserve Bank of New York:

1. To engage in open market operations in United States government securities and, as authorized, in prime bankers' acceptances, as provided in Sections 2 and 3 of the Standing Rules Governing Open Market Practices of the Federal Open Market Committee. The authority of the Bank to increase or decrease the aggregate amount of United States government securities held in the System Open Market Account (including forward commitments), other than special short-term United States government certificates of indebtedness identified in Section 2 below, is limited to $1 billion during any period between meetings of the Committee, except as otherwise authorized.

2. To acquire directly from the United States 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 in the aggregate shall not exceed $500 million, except as otherwise authorized.

3. To supply reserves to the money market on a temporary basis, when consistent with the Committee's current economic policy directive, by purchasing

for the account of the Federal Reserve Bank of New York from nonbank dealers United States government securities having a remaining maturity of 15 months or less or prime bankers' acceptances, under resale agreements maturing in up to 15 days, subject to the restrictions set forth in Section 6 of the Standing Rules Governing Open Market Practices of the Federal Open Market Committee.