

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, April 28, 1936

To the Member Bank Addressed:

There is enclosed for your information a copy of Regulation relating to Open Market Operations of the Federal Reserve Banks adopted by the Federal Open Market Committee March 19, 1936.

Yours very truly,

B. A. McKINNEY,

President

FEDERAL OPEN MARKET COMMITTEE

REGULATION RELATING TO
OPEN MARKET OPERATIONS OF
FEDERAL RESERVE BANKS



ADOPTED MARCH 19, 1936

REGULATION
FEDERAL OPEN MARKET COMMITTEE

Adopted March 19, 1936

OPEN MARKET OPERATIONS

SECTION 1

Pursuant to the authority conferred upon it by section 12A of the Federal Reserve Act, as amended, the Federal Open Market Committee prescribes the following regulations relating to the open-market transactions of the Federal Reserve banks.

The Federal Open Market Committee expressly reserves the right to alter, amend, or repeal this regulation in whole or in part at any time.

SECTION 2. DEFINITIONS

(a) **Government securities.**—The term “Government securities” shall include bonds, notes, certificates of indebtedness, Treasury bills, and other obligations of the United States, including obligations fully guaranteed as to principal and interest by the United States.

(b) **Obligations.**—The term “obligations” shall include all bankers’ acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations, including Government securities, which Federal Reserve banks are authorized by law to purchase in the open market.

(c) **System open market account.**—The term “system open market account” applies to Government securities and other obligations heretofore or hereafter purchased in accordance with open-market policies adopted by the Committee and held for the account of the Federal Reserve banks.

(d) **Committee.**—The term “Committee” shall mean the Federal Open Market Committee.

(e) **Executive Committee.**—The term “Executive Committee” shall mean the Executive Committee of the Federal Open Market Committee.

SECTION 3. GOVERNING PRINCIPLES

By the terms of section 12A of the Federal Reserve Act, as amended, the time, character, and volume of all purchases and sales in the open market by Federal Reserve banks shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

SECTION 4. FEDERAL OPEN MARKET COMMITTEE

(a) **Functions.**—The Committee shall consider the needs of commerce, industry and agriculture, the general credit situation of the country, and other matters having a bearing thereon and consider, adopt, and transmit to the several Federal Reserve banks, regulations and directions with respect to the open-market operations of such banks under section 14 of the Federal Reserve Act.

(b) **Participation in System Open Market Account.**—The Committee from time to time shall determine the principles which shall govern the allocation among the several Federal Reserve banks of Government securities and other obligations held in the System Open Market Account, with a view to meeting the changing needs of the Federal Reserve banks.

SECTION 5. EXECUTIVE COMMITTEE

(a) **Organization.**—The Committee, at its first meeting after March 1 in each calendar year, shall select from its own members an executive committee consisting of five members.

(b) **Functions.**—It shall be the duty of the Executive Committee:

1. To direct the execution of transactions in the open market in accordance with the open-market policies adopted by the Federal Open Market Committee;
2. To allocate the Government securities and other obligations held in the System Open Market Account among the several Federal Reserve banks in accordance with the principles determined by the Federal Open Market Committee;
3. To keep the members of the Federal Open Market Committee informed of all transactions executed under the direction of the Federal Open Market Committee and of all allocations and reallocations of Government securities and other obligations held in the System Open Market Account; and

4. To perform such other functions and duties in connection with open-market operations as may be assigned to it from time to time by the Federal Open Market Committee.

SECTION 6. CONDUCT OF OPEN MARKET OPERATIONS

Each Federal Reserve bank shall engage in open-market operations under section 14 of the Federal Reserve Act only in accordance with this regulation and the directions issued by the Committee from time to time, and no Federal Reserve bank shall decline to engage in open-market operations as directed by the Committee.

Transactions for the System Open Market Account shall be executed by a Federal Reserve bank selected by the Committee. Each Federal Reserve bank shall make available to the Federal Reserve bank selected by the Committee such funds as may be necessary to conduct and effectuate such transactions.

SECTION 7. PURCHASES AND SALES OF GOVERNMENT SECURITIES

No Federal Reserve bank shall purchase or sell Government securities except pursuant to authority granted by the Committee or in accordance with an open-market policy adopted by the Committee and in effect at the time.

The Committee reserves the right, in its discretion, to require the sale of any Government securities now held or hereafter purchased by an individual Federal Reserve bank or to require that such securities be transferred into the System Open Market Account in accordance with such directions as the Committee may make.

SECTION 8. OTHER OPEN MARKET OPERATIONS

Subject to directions of the Committee and the following conditions, each Federal Reserve bank may engage in open-market operations other than the purchase or sale of Government securities:

(1) All such transactions shall be reported daily to the Secretary of the Committee on the day they take place.

(2) Only acceptances and bills of exchange which are of the kinds made eligible for purchase under the provisions of Regulation B of the Board of Governors of the Federal Reserve System may be purchased and the rates of discount shall be established in accordance with the provisions of sec-

tion 14(d) of the Federal Reserve Act: *Provided, further,* That no obligations payable in foreign currency shall be purchased except in accordance with directions of the Committee.

(3) Only bills, notes, revenue bonds and warrants of States, counties, districts, political subdivisions or municipalities which are of the kinds made eligible for purchase under the provisions of Regulation E of the Board of Governors of the Federal Reserve System may be purchased.

(4) No Federal Reserve bank shall engage in the purchase or sale of cable transfers for its own account except in accordance with the directions of the Committee: *Provided,* That Federal Reserve banks may purchase and sell cable transfers through the Habana agency in accordance with the resolutions or regulations of the Board of Governors of the Federal Reserve System governing the operations of such agency.