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MAY 5 1948

**FEDERAL OPEN MARKET COMMITTEE**

**RULES ON ORGANIZATION  
AND INFORMATION  
and  
RULES ON PROCEDURE**

Issued Pursuant to  
**ADMINISTRATIVE PROCEDURE ACT**  
and Federal Reserve Act

Effective September 11, 1946



FOR INFO  
RECORDS SECTION

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# RULES ON ORGANIZATION AND INFORMATION

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# RULES ON ORGANIZATION AND INFORMATION

Effective September 11, 1946

## BASIS AND SCOPE

SEC. 1.—These rules are issued by the Federal Open Market Committee (hereinafter sometimes called the Committee) pursuant to the Administrative Procedure Act and the Federal Reserve Act. Included therein are the rules specified by sections 3(a) (1), 3(b), and 3(c) of the Administrative Procedure Act.

## COMPOSITION AND MEETINGS OF COMMITTEE

SEC. 2(a) **Members.**—The Federal Open Market Committee consists of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve Banks who are Presidents or First Vice Presidents of such banks. The representatives of the Federal Reserve Banks, and an alternate for each representative, are elected in accordance with section 12A of the Federal Reserve Act for terms of one year commencing on March 1 of each year.

(b) **Chairman and Vice Chairman.**—At its first meeting on or after March 1 of each year, the Committee selects a Chairman and a Vice Chairman from among its membership.

(c) **Meetings.**—The Committee meets at Washington, D. C., on call by the Chairman of the Board of Governors of the Federal Reserve System or at the request of three members of the Committee, at least four times each year and oftener if deemed necessary.

## EXECUTIVE COMMITTEE

SEC. 3(a) **Members.**—At its first meeting on or after March 1 of each year, the Federal Open Market Committee selects from among its membership an Executive Committee consisting of three members of the Board of Governors of the Federal Reserve System and two of the representatives of the Federal Reserve Banks. Alternates to serve in the absence of members of each group represented on the Executive Committee are likewise selected. The Chairman of the Federal Open Market Committee is one of the members of the Executive Committee and serves as its Chairman.

(b) **Meetings.**—The Executive Committee meets periodically, on call of the Chairman or at the request of two members, as necessary in the performance of the duties assigned to it.

(c) **Duties.**—The duties of the Executive Committee are:

(1) To direct the execution of transactions in the open market in accordance with open-market policies adopted by the Federal Open Market Committee;

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(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.

#### OTHER PERSONNEL

**SEC. 4(a) Official Staff.**—The official staff of the Federal Open Market Committee includes its Secretary, Assistant Secretary, General Counsel, Assistant General Counsel, Economist, and Associate Economists, who perform the duties indicated by their titles. These staff members are selected from among the officers and employees of the Board of Governors of the Federal Reserve System and the Federal Reserve Banks.

**(b) System Open Market Account.**—One of the Federal Reserve Banks is selected by the Committee to execute transactions for the System Open Market Account. Such bank selects a Manager of the System Open Market Account, satisfactory to the Committee.

**(c) Others.**—The services of other officers and employees of the Board of Governors of the Federal Reserve System and Federal Reserve Banks are made available and are utilized by the Committee as required.

#### SUBMITTALS, PETITIONS, AND REQUESTS

**SEC. 5(a) Place.**—The mailing address of the Federal Open Market Committee is: Federal Reserve Building, 20th Street and Constitution Avenue, Washington 25, D. C. The Committee customarily meets at the offices of the Board of Governors of the Federal Reserve System at that address.

**(b) Method.**—All submittals, petitions, and requests, including requests for access to information, shall be made in writing and mailed to the Committee at the address stated in section 5(a) of these rules. Any petition or request shall be signed by the person making it, or his duly authorized agent, and shall, in so far as practicable, clearly, completely and concisely state his full name and address, the facts involved (including the purposes for which any unpublished information requested will be used if made available), the action desired, the

person's interest in the matter, and the reasons why the petition or request should be granted.

AVAILABILITY OF INFORMATION

**SEC. 6(a) Federal Register.**—Rules describing the Committee's organization and procedure and any substantive rules or statements of policy which are formulated and adopted by the Committee for the guidance of the public will be published in the Federal Register.

**(b) Policy Record.**—A complete record of the actions taken by the Committee during the preceding year upon all matters of policy relating to open market operations, showing the votes taken and the reasons underlying the actions, is included in each annual report made to Congress by the Board of Governors of the Federal Reserve System in accordance with Section 10 of the Federal Reserve Act.

**(c) Unpublished Information.**—Except as may be specifically authorized by the Committee or its Executive Committee, or as may be required in the performance of duties for, or pursuant to the direction of, the Committee, no person shall disclose, or permit the disclosure of, any unpublished information of the Committee to anyone, whether by giving out or furnishing such information or copy thereof, by allowing any person to inspect, examine or copy such information or copy thereof, or by any other means. Unpublished information of the Committee shall include all information concerning the proceedings, deliberations, discussions, and actions of the Committee and all information or advice coming to the Committee or to any member of the Committee or any officer, employee or agent of the Committee, the Board of Governors of the Federal Reserve System, or any Federal Reserve Bank, in the performance of duties for, or pursuant to the direction of, the Committee, whether contained in files, memoranda, documents, reports, books, accounts, records, or papers or otherwise acquired and whether located at the offices of the Board of Governors of the Federal Reserve System, the Federal Reserve Banks, or elsewhere: *Provided*, That it shall not include information which has been published in accordance with sections 6(a) and 6(b) of these rules or information which is available to the public through other sources.

**(d) Reasons for Non-disclosure.**—The non-disclosure of unpublished information of the Committee generally is required in the public interest for one or more of the following reasons:

- (1) Disclosure of unpublished information concerning policies with respect to future open market operations which are under consideration or have been adopted by the Committee, and of

unpublished information which might aid in anticipating action by the Committee, would:

(i) Interfere with the accomplishment of the objectives of the Committee's actions taken with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country;

(ii) Permit speculators and others to reap unfair profits or other unfair advantages by speculative trading in securities and otherwise;

(iii) Interfere with the orderly execution of policies adopted by the Committee;

(iv) Result in unnecessary and unwarranted disturbances in the securities markets;

(v) Make open market operations more costly to the Federal Reserve Banks;

(vi) Interfere with the orderly execution and accomplishment of the objectives of policies adopted by other Government agencies concerned with economic and fiscal matters; and

(vii) Cause misinterpretations and misunderstandings, with possible resultant impairment of public confidence in the nation's financial structure.

(2) The Committee's unpublished information includes much that is furnished to it on a secret or confidential basis and its disclosure would:

(i) Have the effects described in section 6(d) (1) of these rules;

(ii) Impede the necessary collection of information and advice, much of which cannot be obtained except on a confidential and voluntary basis; and

(iii) Unreasonably and unnecessarily disturb and interfere with individual privacy and confidential business relationships.

(e) **Requests for Unpublished Information.**—Requests for access to unpublished information will be granted only if it clearly appears that disclosure of the information will not be contrary to the public interest for any of the reasons set forth in section 6(d) of these rules.

#### SUBPOENAS

**SEC. 7(a) Advice by Person Served.**—If any person, whether or not an officer or employee of the Committee, of the Board of Governors of the Federal Reserve System, or of a Federal Reserve Bank,

has unpublished information of the Committee and in connection therewith is served with a subpoena, order, or other process requiring his personal attendance as a witness or the production of documents or information upon any proceeding, he shall promptly advise the Committee of such service and of all relevant facts, including the documents and information requested and any facts which may be of assistance in determining whether such documents or information should be made available; and he shall take action at the appropriate time to advise the court or tribunal which issued the process, and the attorney for the party at whose instance the process was issued, if known, of the substance of these rules.

(b) **Appearance by Person Served.**—Except as disclosure of the relevant information has been authorized pursuant to these rules, any such person who has unpublished information of the Committee and is required to respond to a subpoena or other legal process shall attend at the time and place therein mentioned and respectfully decline to produce any documents or disclose any information or give any testimony with respect thereto, basing his refusal upon these rules. If, notwithstanding, the court or other body orders the production of any documents, disclosure of any information, or giving of any testimony, the person having such unpublished information of the Committee shall promptly report the facts to the Committee.

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## RULES ON PROCEDURE

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**DECLASSIFIED**  
 Authority E.O. 10501

## RULES ON PROCEDURE

Effective September 11, 1946

### BASIS AND SCOPE

SEC. 1.—These rules are issued by the Federal Open Market Committee (hereinafter sometimes called the Committee) pursuant to the Administrative Procedure Act and the Federal Reserve Act. They include the rules specified by section 3(a)(2) of the Administrative Procedure Act.

### COMMITTEE ACTION

SEC. 2.—The function of the Committee is the direction and regulation of open market operations which are conducted by the Federal Reserve Banks. This involves the determination of the policies which are to be pursued with respect to the purchase and sale of securities by the Federal Reserve Banks with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country, together with consideration and action upon incidental matters relating to the manner in which such operations are to be conducted. The discharge of the Committee's responsibilities requires the continuous gathering of information and study of changing financial, economic, and credit conditions and other pertinent considerations by the members of the Committee and its personnel. These activities are closely interrelated with other activities of the Board of Governors of the Federal Reserve System and the Federal Reserve Banks and all relevant information and views developed by these organizations are available to the Committee. With this background, action is taken by the Committee upon its own initiative at periodic meetings held at least four times each year and oftener if deemed necessary. Attendance at Committee meetings is restricted to members of the Committee and its official staff, the Manager of the System Open Market Account, the Presidents of Federal Reserve Banks who are not at the time members of the Committee, and such other advisers as the Committee may invite from time to time. The Committee acts through the adoption and transmittal of directives and regulations to its Executive Committee or to the Federal Reserve Banks. Operations in the System Open Market Account are conducted under the direction of the Executive Committee pursuant to directives issued by the Committee.

## NOTICE AND PUBLIC PROCEDURE

SEC. 3.—There ordinarily will be no published notice of proposed action by the Committee or public procedure thereon, as described in section 4 of the Administrative Procedure Act, because such notice and procedure is impracticable, unnecessary, or contrary to the public interest for one or both of the following reasons:

(a) Non-disclosure of information is required in the public interest for reasons stated in section 6(d) of the Committee's Rules on Organization and Information; and

(b) Expeditious and timely action, without the delay incident to such notice and procedure, is required in the public interest.

## EFFECTIVE DATE

SEC. 4.—Committee action ordinarily will be made effective on the date the action is taken because the nature of the subject matter and the action taken is such that the public interest and the proper discharge of the Committee's responsibilities so require.

## SUBMITTALS, PETITIONS, AND REQUESTS

SEC. 5.—Submittals, petitions, and requests may be made to the Committee at any time in the manner stated in section 5 of the Committee's Rules on Organization and Information. They will be considered by members of the Committee's official staff and, where appropriate, will be brought to the attention of the members of the Committee or its Executive Committee for consideration and any necessary action.

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FEDERAL OPEN MARKET COMMITTEE

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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.



FEDERAL OPEN MARKET COMMITTEE

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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.

FEDERAL OPEN MARKET

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COMMITTEE

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REGULATION RELATING TO  
OPEN MARKET OPERATIONS OF  
FEDERAL RESERVE BANKS

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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.

**FEDERAL OPEN MARKET COMMITTEE**

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**REGULATION RELATING TO  
OPEN MARKET OPERATIONS OF  
FEDERAL RESERVE BANKS**

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**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.