

FEDERAL RESERVE BOARD.

Regulation 11  
Series of 1915.

Washington, November \_\_, 1915.

GENERAL OPEN MARKET OPERATIONS.

I.

Definition.

Open market operations as defined under the Federal Reserve Act, are all those operations permitted by the Act which do not require the endorsement of a member bank upon the paper growing out of them, which are not presented or brought to the attention of the Federal Reserve Board by a member bank, or which involve dealings with persons or institutions not members of the system.

II.

Operations Already Authorized.

In the accompanying circular description has been given of, and reference made to, preceding circulars and letters issued by the Board providing for open market transactions in bankers' acceptances, bonds and notes of the United States, warrants, and the exchange of Federal reserve notes for gold, gold certificates, etc. The present regulation has no reference to any of these dealings, but the circulars and regulations relating thereto are continued in force as heretofore.

I I I.

Operations Provided for in this Regulation.

This regulation deals with operations in cable transfers, and foreign and domestic bills of exchange. The statutory requirements pertaining thereto have already been set forth in the accompanying circular.

I V.

Character of Bills Eligible.

The Federal Reserve Board has determined that to be eligible for purchase under Section 14 by Federal Reserve Banks, at the rates to be established for open market operations :

- (a) Bills must comply with the provisions of Regulation "B", Series of 1915, relating to "notes, drafts and bills of exchange," in so far as applicable thereto, a bill of exchange being hereby defined as an unconditional order in writing, addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand, or at a fixed or determinable future time, a certain sum in money to, or to the order of, a specified person or to bearer.

- (b) Bills may have been made by domestic or foreign firms, corporations, or individuals.
- (c) Bills need not be endorsed by any member bank.
- (d) Bills need not be accepted by the drawee prior to purchase.

V.  
Method of Ascertaining Eligibility.

In ascertaining the eligibility of paper under this regulation, Federal reserve banks shall comply with the provisions of Section III, Regulation B, Series of 1915, except that the certification of eligibility to be furnished by a member bank, under the terms of that Section, may be supplied by a non-member bank, or by any other individual, firm or corporation able to afford such information in a trustworthy manner, provided that the name of such individual, firm or corporation shall be submitted to and approved by the Federal Reserve Board.

Statements of the financial condition of the maker the paper may be waived where bills offered for sale comply with the following requirements:

(1) If the bill bears the signature of the purchaser and seller of the goods, and presents prima facie evidence that it was issued for goods actually purchased or sold; or

(2) If the bill be specifically secured by approved warehouse receipts, bills of lading, or other documents covering readily marketable goods.

#### V I.

##### Credit Files.

The Federal Reserve Banks should establish credit files containing information on the following points :

(1) The nature of the business or occupation of the maker of the paper purchased by the Federal Reserve Banks :

(2) If an individual, information as to his indebtedness and his financial responsibility;

(3) If a firm or corporation, a balance sheet showing quick assets, slow assets, permanent or fixed assets, current liabilities and accounts, short-term loans, long-term loans, capital and surplus;

(4) All contingent liabilities, such as indorsements, guaranties, etc.

(5) Particulars respecting any mortgage debt and whether there is any lien on current assets.

(6) Such other information as may be necessary to determine whether the borrower is entitled to credit in the form of short-term loans.

V I I .

(a) Cable transfers are defined as immediate transfers of funds made on behalf of applying individuals, firms, or corporations in such manner as to place at the disposal of the applicant a specified sum of foreign currency in a designated foreign country, in exchange for payment made to the Federal Reserve Bank in United States standard money.

(b) Federal Reserve Banks are authorized to make such transfers up to a limit to be named on application by the Federal Reserve Board, for each Federal Reserve Bank.

(c) Every Federal Reserve Bank undertaking dealings in cable transfers shall inform the Federal Reserve Board by telegraph at the close of each day's business, the amount so transferred, the rate at which the purchase or sale of same has been made, and any other facts essential to the operation.

(d) The Federal Reserve Board reserves the right to alter the rate at which such transactions are entered into, by telegraph, and without notice.

CHARLES S. HANLIN  
Governor.

H. PARKER WILLIS  
Secretary.

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