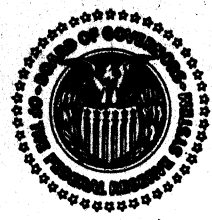


BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 25, 1937.

SUBJECT: Rulings by the Board of
Governors on abstract or
hypothetical questions.

Dear Sir:

From time to time in the past the Board of Governors has declined to issue rulings or pass upon questions submitted upon the basis of abstract inquiries or hypothetical cases, but it has not followed a uniform practice in this regard.

The issuance of rulings upon the basis of abstract or hypothetical questions is in the Board's opinion an undesirable practice which is fraught with the possibility of misunderstanding or confusion. When an abstract question is considered it is not possible to visualize all of the different concrete situations which may arise within the scope of any answer which may be given. Consequently, it is difficult to limit the answer in such a way that it may not appear to apply to situations which were not in mind in the preparation of the answer and with respect to which the answer given might be inapplicable. Moreover, in order that any question may have thorough consideration it is, of course, necessary that all of the material facts which affect it should be known.

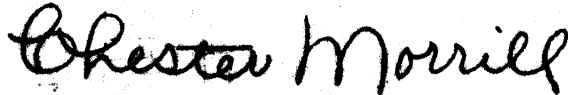
With these considerations in mind, the Board has decided that it will not issue rulings on abstract or hypothetical questions but only when a full and definite statement of the facts of an actual case is before the Board. An exception to this policy may be made in individual cases, however, when the question presented is one which is almost certain to arise in an actual transaction and a full explanation of the matter is presented to the Board, including the reasons why it is contemplated that such a question will arise.

When a Federal Reserve bank finds it desirable to submit to the Board a question which has arisen in its operations or has been submitted to it either by a member bank or some other person, counsel for the Reserve bank should either prepare or review the statement of the question and the facts to be submitted to the Board with a view to a full and adequate presentation of the case, and he should include an expression of his views with regard to the question presented.

It is expected, however, that Federal Reserve banks will continue the practice now followed of disposing of questions presented to them in so far as possible on the basis of previous rulings of the Board, and that they will submit questions to the Board for consideration only when they have specific requests to do so or when after full consideration they feel that the questions are of such a nature or of such importance that it is advisable that the Board be asked to pass upon them.

It is believed that the policy above described will be more satisfactory than the practice which has prevailed heretofore and will entail less possibility of misunderstanding or confusion as to the scope or meaning of rulings made by the Board. The cooperation of the Federal Reserve banks in carrying out this policy will be appreciated by the Board.

Very truly yours,



Chester Morrill,
Secretary.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS

JKS