



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

March 13, 1986

TO: Federal Open Market Committee  
FROM: Normand Bernard *N.B.*

In accordance with past practice, the attached routine continuing authorizations and instructions are being called to the Committee's attention before the April 1 organization meeting to give members an opportunity to raise any questions they may have concerning them. The attached do not include the Committee's authorizations and directives for domestic and foreign exchange operations. The latter, along with the Procedural Instructions for Foreign Currency Operations, will be circulated separately and will be on the agenda for the April 1 meeting.

As in the past it is understood that the attached policy instruments will continue in their present form, unless a request is received for agenda consideration and a change is made at the upcoming organization meeting.

Please let me know by March 20, 1986, whether you would like to have any of the attached documents placed on the agenda for consideration by the Committee at its organization meeting on April 1, 1986.

Attachments

**Attachments:**

1. Procedures for allocation of securities in the System Open Market Account
2. Authority for the Chairman to appoint a Federal Reserve Bank as agent to operate the System Account in case the New York Bank is unable to function
3. Resolution of FOMC to provide for the continued operation of the Committee during an emergency and Resolution of FOMC authorizing certain actions by Federal Reserve Banks during an emergency
4. Resolution relating to examinations of the System Open Market Account
5. Guidelines for the conduct of System operations in Federal agency issues
6. Regulation relating to Open Market Operations of Federal Reserve Banks
7. Rules of Organization, Rules Regarding Availability of Information, and Rules of Procedure
8. Memorandum on Agreement with the U.S. Treasury to Warehouse Foreign Currencies
9. Program for Security of FOMC Information

**PROCEDURES FOR ALLOCATION OF SECURITIES  
IN THE SYSTEM OPEN MARKET ACCOUNT**  
**(As last amended April 17, 1975,  
effective May 1, 1975)**

1. Securities in the System Open Market Account shall be reallocated at least once each year as determined by the Board's Division of Federal Reserve Bank Operations and the Manager of the System Open Market Account for the purpose of settling Interdistrict clearings and approximately equalizing for each Federal Reserve Bank the ratio of gold certificate holdings to Federal Reserve notes outstanding.

2. Until the next reallocation, the Account shall be apportioned on the basis of the ratios determined in Paragraph 1.

3. Profits and losses on the sale of securities from the account shall be allocated on the day of delivery of the securities sold on the basis of each Bank's current holdings at the opening of business on that day.

(cont.)

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Authority for Chairman to appoint a Federal Reserve Bank as agent to operate the System Account temporarily in case the Federal Reserve Bank of New York is unable to function. (Note: This authorization was first given on March 1, 1951, and has subsequently been reaffirmed periodically.)

**RESOLUTION OF FEDERAL OPEN MARKET COMMITTEE  
TO PROVIDE FOR THE CONTINUED OPERATION OF  
THE COMMITTEE DURING AN EMERGENCY  
(Reaffirmed March 10, 1970)**

In the event of war or defense emergency, if the Secretary or Assistant Secretary of the Federal Open Market Committee (or in the event of the unavailability of both of them, the Secretary or Acting Secretary of the Board of Governors of the Federal Reserve System) certifies that as a result of the emergency the available number of regular members and regular alternates of the Federal Open Market Committee is less than seven, all powers and functions of the said Committee shall be performed and exercised by, and authority to exercise such powers and functions is hereby delegated to, an Interim Committee, subject to the following terms and conditions:

Such Interim Committee shall consist of seven members, comprising each regular member and regular alternate of the Federal Open Market Committee then available, together with an additional number, sufficient to make a total of seven, which shall be made up in the following order or priority from those available: (1) each alternate at large (as defined below); (2) each President of a Federal Reserve Bank not then either a regular member or an alternate; (3) each First Vice President of a Federal Reserve Bank; provided that (a) within each of the groups referred to in clauses (1), (2), and (3) priority of selection shall be in numerical order according to the numbers of the Federal Reserve Districts, (b) the President and the First Vice President of the same Federal Reserve Bank shall not serve at the same time as members of the Interim Committee, and (c) whenever a regular member or regular alternate of the Federal Open Market Committee or a person having a higher priority as indicated in clauses (1), (2), and (3) becomes available he shall become a member of the Interim Committee in the place of the person then on the Interim Committee having the lowest priority. The Interim Committee is hereby authorized to take action by majority vote of those present whenever one or more members thereof are present, provided that an affirmative vote for the action taken is cast by at least one regular member, regular alternate, or President of a Federal Reserve Bank. The delegation of authority and other procedures set forth above shall be effective only during such period or periods as there are available less than a total of seven regular members and regular alternates of the Federal Open Market Committee.

As used herein the term "regular member" refers to a member of the Federal Open Market Committee duly appointed or elected in accordance with existing law; the term "regular alternate" refers to an alternate of the Committee duly elected in accordance with existing law and serving in the absence of the regular member for whom he was elected; and the term "alternate at large" refers to any other duly elected alternate of the Committee at a time when the member in whose absence he was elected to serve is available.

RESOLUTION OF FEDERAL OPEN MARKET COMMITTEE AUTHORIZING  
CERTAIN ACTIONS BY FEDERAL RESERVE BANKS DURING AN EMERGENCY

Amended March 28, 1983

The Federal Open Market Committee hereby authorizes each Federal Reserve Bank to take any or all of the actions set forth below during war or defense emergency when such Federal Reserve Bank finds itself unable after reasonable efforts to be in communication with the Federal Open Market Committee (or with the Interim Committee acting in lieu of the Federal Open Market Committee) or when the Federal Open Market Committee (or such Interim Committee) is unable to function.

(1) Whenever it deems it necessary in the light of economic conditions and the general credit situation then prevailing (after taking into account the possibility of providing necessary credit through advances secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act), such Federal Reserve Bank may purchase and sell obligations of the United States for its own account, either outright or under repurchase agreement, from and to banks, dealers or other holders of such obligations.

(2) Such Federal Reserve Bank may engage in operations of the types specified in the Committee's authorization for System foreign currency operations when requested to do so by an authorized official of the U.S. Treasury Department; provided, however, that such Bank shall take all steps practicable at the time to insure as far as possible that, in light of the information available on other System foreign currency operations, its own operations do not result in the aggregate in breaching any of the several dollar limits specified in the authorization.

Authority to take the actions set forth shall be effective only until such time as the Federal Reserve Bank is able again to establish communications with the Federal Open Market Committee (or the Interim Committee), and such Committee is then functioning.

Resolution requesting a report of each examination of the System Open Market Account by the Board's examining force. (Note: By resolution on June 21, 1939, the Board of Governors was requested to cause its examining force in the future to furnish to the Secretary of the Open Market Committee a report of each examination of the System Open Market Account. The procedure then established has subsequently been reaffirmed periodically.)

**GUIDELINES FOR THE CONDUCT OF SYSTEM OPEN  
MARKET OPERATIONS IN FEDERAL AGENCY ISSUES**

**(As last revised February 15, 1977)**

- 1. System open market operations in Federal agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.**
- 2. System open market operations in Federal agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.**
- 3. System holdings of agency issues shall be modest relative to holdings of U.S. Government securities, and the amount and timing of System transactions in agency issues shall be determined with due regard for the desirability of avoiding undue market effects.**
- 4. Purchases will be limited to fully taxable issues, not eligible for purchase by the Federal Financing Bank, for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of \$300 million or over in cases where the obligations have a maturity of five years or less at the time of issuance, and to issues outstanding in amounts of \$200 million or over in cases where the securities have a maturity of more than five years at the time of issuance.**
- 5. System holdings of any one issue at any one time will not exceed 30 per cent of the amount of the issue outstanding. Aggregate holdings of the issues of any one agency will not exceed 15 per cent of the amount of outstanding issues of that agency.**
- 6. All outright purchases, sales and holdings of agency issues will be for the System Open Market Account.**



**REGULATION RELATING TO  
OPEN MARKET OPERATIONS OF  
FEDERAL RESERVE BANKS**  
Amended March 28, 1983

**SECTION 270.1--AUTHORITY**

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to authority conferred upon it by sections 12A and 14 of the Federal Reserve Act (12 U.S.C. Sections 263, 355).

**SECTION 270.2--DEFINITIONS**

(a) The term "obligations" means Government securities, U.S. agency securities, bankers' acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations that Federal Reserve Banks are authorized by law to purchase and sell.

(b) The term "Government securities" means direct obligations of the United States (i.e., U.S. bonds, notes, certificates of indebtedness, and Treasury bills) and obligations fully guaranteed as to principal and interest by the United States.

(c) The term "U.S. agency securities" means obligations that are direct obligations of, or are fully guaranteed as to principal and interest by, any agency of the United States.

(d) The term "System Open Market Account" means the obligation acquired pursuant to authorizations and directives issued by the Committee and held on behalf of all Federal Reserve Banks.

**SECTION 270.3--GOVERNING PRINCIPLES**

As required by section 12A of the Federal Reserve Act, the time, character, and volume of all purchases and sales of obligations in the open market by Federal Reserve Banks are governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

SECTION 270.4--TRANSACTIONS IN OBLIGATIONS

(a) Each Federal Reserve Bank shall engage in open market operations under section 14 of the Federal Reserve Act only in accordance with this Part and with the authorizations and directives issued by the Committee from time to time, and no Reserve Bank shall decline to engage in open market operations as directed by the Committee.

(b) Transactions for the System Open Market Account shall be executed by a Federal Reserve Bank selected by the Committee. The participations of the several Federal Reserve Banks in such Account and in the profits and losses on transactions for the Account shall be allocated in accordance with principles determined by the Committee from time to time.

(c) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee is authorized and directed--

(1) To buy and sell Government securities and U.S. agency securities in the open market for the System Open Market Account, and to exchange maturing securities with the issuer;

(2) To buy and sell bankers' acceptances in the open market for its own account;

(3) To buy Government securities, U.S. agency securities, and bankers' acceptances of the kinds described above, under agreements for repurchase of such obligations, in the open market for its own account; and

(4) To buy and sell foreign currencies in the form of cable transfers in the open market for the System Open Market Account and to maintain for such Account reciprocal currency arrangements with foreign banks among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of this chapter [Regulation N].

(d) The Federal Reserve Banks are authorized and directed to engage in such other operations as the Committee may from time to time determine to be reasonably necessary to the effective conduct of open market operations and the effectuation of open market policies.

**FEDERAL OPEN MARKET COMMITTEE**

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**RULES REGARDING  
AVAILABILITY OF INFORMATION**

**(12 CFR 271)**

**As amended effective March 24, 1975**

**FEDERAL OPEN MARKET COMMITTEE**  
**RULES REGARDING**  
**AVAILABILITY OF INFORMATION**

**AMENDMENT †**

Effective March 12, 1977, Section 271.6 is revised to read as follows:

**SECTION 271.6—**  
**INFORMATION NOT DISCLOSED**

Except as may be authorized by the Committee, information of the Committee that is not available to the public through other sources will not be published or made available for inspection, examination, or copying by any person if such information

(a) is specifically exempted from disclosure by statute (other than section 552b of Title 5 United States Code), provided that such statute (A) requires that the matters be withheld from the public in such a manner as to leave no discretion on the issue, or (B) establishes particular criteria for withholding or refers to particular types of matters to be withheld; or is specifically authorized under criteria established by an executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to such executive order.

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- † For this regulation to be complete retain:  
1) Regulation pamphlet dated March 24, 1975.  
2) Amendment slip sheet dated May 1976.  
3) This slip sheet

**APRIL 1977**

**FEDERAL OPEN MARKET COMMITTEE**  
**RULES REGARDING AVAILABILITY OF INFORMATION**  
**AMENDMENT†**

Effective May 18, 1976, § 271.5(a) is amended by deleting the second sentence. As amended § 271.5(a) reads as follows:

**SECTION 271.5—DEFERMENT OF  
AVAILABILITY OF CERTAIN  
INFORMATION**

(a) **Deferred availability of information.**—In some instances, certain types of information of the Committee are not published in the Federal Register or made available for public inspection or copying until after such period of time as the Committee may determine to be reasonably necessary to avoid the effects described in paragraph (b) of this section or as may otherwise be necessary to prevent impairment of the effective discharge of the Committee's statutory responsibilities.

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† For this Regulation to be complete as amended May 18, 1976, retain:  
1) Printed Regulation pamphlet as amended effective March 24, 1975.  
2) This slip sheet.

**MAY 1976**

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## RULES REGARDING AVAILABILITY OF INFORMATION\*

(12 CFR 271)

As amended effective March 24, 1975

### SECTION 271.1—AUTHORITY

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register for the guidance of the public descriptions of the established places at which, the officers from whom, and the methods whereby, the public may obtain information, make submittals or requests, or obtain decisions.

### SECTION 271.2—DEFINITIONS

(a) **"Information of the Committee"**.—For purposes of this Part, the term "information of the Committee" means all information coming into the possession of the Committee or of any member thereof or of any officer, employee, or agent of the Committee, the Board of Governors of the Federal Reserve System (the "Board"), or any Federal Reserve Bank, in the performance of duties for, or pursuant to the direction of, the Committee.

(b) **"Records of the Committee"**.—For purposes of this Part, the term "records of the Committee" means rules, statements, opinions, orders, memoranda, letters, reports, accounts, and other papers containing information of the Committee that constitute a part of the Committee's official files.

### SECTION 271.3—PUBLISHED INFORMATION

(a) **Federal Register**.—To the extent required by sections 552 and 553 of Title 5 of the United States Code, and subject to the provisions of §§ 271.5 and 271.6, the Committee publishes in the Federal Register, in addition to this Part—

- (1) a description of its organization;
- (2) statements of the general course and method by which its functions are channeled and determined;
- (3) rules of procedure;
- (4) substantive rules of general applicability, and statements of general policy and interpretations of general applicability formulated and adopted by the Committee;
- (5) every amendment, revision, or repeal of the foregoing; and
- (6) general notices of proposed rule making.

(b) **Policy record**.—In accordance with section 10 of the Federal Reserve Act (12 U.S.C. 247a), each annual report made to Congress by the Board includes 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 such actions.

(c) **Other published information**.—From time to time, other information relating to open market operations of the Federal Reserve Banks is published in the Federal Reserve BULLETIN, issued monthly by the Board, in such Board's annual report to Congress, and in announcements and statements released to the press. Copies of issues of the BULLETIN and of annual reports of the Board may be obtained upon request.

### SECTION 271.4—RECORDS AVAILABLE TO THE PUBLIC ON REQUEST

(a) **Records available**.—Records of the Committee are made available to any person, upon request, for inspection or copying in accordance

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\* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 271; cited as 12 CFR 271. The words "this Part", as used herein, mean these rules.

## RULES REGARDING INFORMATION

## §§ 271.4–271.5

with the provisions of this section and subject to the limitations stated in §§ 271.5 and 271.6. Records falling within the exemptions from disclosure set forth in section 552(b) of Title 5 of the United States Code and in § 271.6 may nevertheless be made available in accordance with this section to the fullest extent consistent, in the Committee's judgment, with the effective performance of the Committee's statutory responsibilities and with the avoidance of injury to a public or private interest intended to be protected by such exemptions.

(b) **Place and time.**—In general, the records of the Committee are held in the custody of the Board, but certain of such records, or copies thereof, are held in the custody of one or more of the Federal Reserve Banks. Any such records subject to this section will be made available for inspection or copying during regular business hours at the offices of the Board in the Federal Reserve Building, 20th and Constitution Avenue, Washington, D. C. 20551, or, in certain instances as provided in paragraph (c) of this section, at the offices of one or more designated Federal Reserve Banks.

(c) **Obtaining access to records.**—Any person requesting access to records of the Committee shall submit such request in writing to the Secretary of the Committee. In any case in which the records requested, or copies thereof, are available at a Federal Reserve Bank, the Secretary of the Committee may so advise the person requesting access to the records. Every request for access to records of the Committee shall state the full name and address of the person requesting them and shall describe such records in a manner reasonably sufficient to permit their identification without undue difficulty. The Secretary of the Committee shall determine within ten working days after receipt of a request for access to records of the Committee whether to comply with such request; and he shall immediately notify the requesting party of his decision, of the reasons therefor, and of the right of the requesting party to appeal to the Committee any refusal to make available the requested records of the Committee.

(d) **Appeal of denial of access to records of the Committee.**—Any person who is denied access to records of the Committee, properly requested in accordance with paragraph (c) of this section, may file, with the Secretary of the Committee, within ten days of notification of such denial, a written request for review of such denial.

The Committee, or such member or members as the Committee may designate (pursuant to section 272.4(c) of its Rules of Procedure) shall make a determination with respect to any such appeal within 20 working days of its receipt, and shall immediately notify the appealing party of the decision on the appeal and of the right to seek court review of any decision which upholds, in whole or in part, the refusal of the Secretary of the Committee to make available the requested records.

(e) **Extension of time requirements in unusual circumstances.**—In unusual circumstances as provided in 5 U.S.C. § 552 (a)(6)(b), the time limitations imposed upon the Secretary of the Committee or the Committee or its designated representative[s] in paragraphs (c) and (d) of this section may be extended by written notice to the requesting party for a period of time not to exceed a total of ten working days.

(f) **Fee schedule.**—A person requesting access to or copies of particular records shall pay the costs of searching and copying such records at the rate of \$10 per hour for searching and 10 cents per standard page for copying. With respect to information obtainable only by processing through a computer or other information systems program, a person requesting such information shall pay a fee not to exceed the direct and reasonable cost of retrieval and production of the information requested. Detailed schedules of such charges are available upon request from the Secretary of the Committee. Documents may be furnished without charge or at a reduced charge where the Secretary of the Committee or such person as he may designate determines that waiver or reduction of the fee is in the public interest because furnishing the information can be considered as primarily benefiting the general public, or where total charges are less than \$2.

SECTION 271.5—DEFERMENT OF  
AVAILABILITY OF CERTAIN  
INFORMATION

(a) **Deferred availability of information.**—In some instances, certain types of information of the Committee are not published in the Federal Register or made available for public inspection or copying until after such period of time as the Committee may determine to be reasonably necessary to avoid the effects described in paragraph (b) of this section or as may otherwise be neces-



sary to prevent impairment of the effective discharge of the Committee's statutory responsibilities. For example, the Committee's domestic policy directive adopted at each meeting of the Committee is published in the Federal Register approximately 45 days after the date of its adoption; and no information in the records of the Committee relating to the adoption of any such directive is made available for public inspection or copying before it is published in the Federal Register or is otherwise released to the public by the Committee.

**(b) Reasons for deferment of availability.**—Publication of, or access to, certain information of the Committee may be deferred because earlier disclosure of such information would—

- (1) interfere with the orderly execution of policies adopted by the Committee in the performance of its statutory functions;
- (2) permit speculators and others to gain unfair profits or to obtain unfair advantages by speculative trading in securities, foreign exchange, or otherwise;
- (3) result in unnecessary or unwarranted disturbances in the securities market;
- (4) make open market operations more costly;
- (5) interfere with the orderly execution of the objectives or policies of other Government agencies concerned with domestic or foreign economic or fiscal matters; or
- (6) interfere with, or impair the effectiveness of, financial transactions with foreign banks, bankers, or countries that may influence the flow of gold and of dollar balances to or from foreign countries.

**SECTION 271.6—INFORMATION  
NOT DISCLOSED**

Except as may be authorized by the Committee, information of the Committee that is not available to the public through other sources will not be published or made available for inspection, examination, or copying by any person if such information

(a) is exempted from disclosure by statute or is specifically authorized under criteria established by an executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to such executive order;

(b) relates solely to internal personnel rules or

practices or other internal practices of the Committee;

(c) relates to trade secrets or commercial or financial information obtained from any person and privileged or confidential;

(d) is contained in inter-agency or intra-agency memoranda or letters, including records of deliberations and discussions at meetings of the Committee and reports and documents filed by members or staff of the Committee that would not be routinely available to a private party in litigation with the Committee;

(e) is contained in personnel, medical, or similar files (including financial files) the disclosure of which would constitute a clearly unwarranted invasion of personal privacy; or

(f) is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of any agency responsible for the regulation or supervision of financial institutions.

Except as provided by or pursuant to this Part, no person shall disclose, or permit the disclosure of, any information of the Committee to any person, whether by giving out or furnishing such information or copy thereof, by allowing any person to inspect, examine, or reproduce such information or copy thereof, or by any other means, whether the information is located at the offices of the Board, any Federal Reserve Bank, or elsewhere, unless such disclosure is required in the performance of duties for, or pursuant to the direction of, the Committee.

**SECTION 271.7—SUBPOENAS**

**(a) Advice by person served.**—If any person, whether or not an officer or employee of the Committee, of the Board, or of a Federal Reserve Bank, has information of the Committee that may not be disclosed by reason of § 271.5 or § 271.6 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 should promptly inform the Secretary of the Committee of such service and of all relevant facts, including the documents and information requested and any facts that may be of assistance in determining whether such documents or information should be made available; and he should take action at the appropriate time to inform the court or tribunal that issued the process, and the attorney for the party at whose

**RULES REGARDING INFORMATION**

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instance the process was issued, if known, of the substance of this Part.

**(b) Appearance by person served.**—Except as disclosure of the relevant information is authorized pursuant to this Part, any person who has 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 decline to disclose such information or give

any testimony with respect thereto, basing his refusal upon this Part. If, notwithstanding, the court or other body orders the disclosure of such information, or the giving of such testimony, the person having such information of the Committee shall continue to decline to disclose such information and shall promptly report the facts to the Committee for such action as the Committee may deem appropriate.

**FEDERAL OPEN MARKET COMMITTEE**

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**RULES OF ORGANIZATION**

**As amended effective August 14, 1979**



## **RULES OF ORGANIZATION\***

**As amended effective August 14, 1979**

### **SECTION 1—AUTHORITY**

The rules are issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register a description of its central and field organization.

### **SECTION 2—COMPOSITION OF COMMITTEE**

(a) **Members.**—The Committee consists of the seven members of the Board of Governors of the Federal Reserve System (the "Board") and five representatives of the Federal Reserve Banks, each of whom is a President or a First Vice President of a Reserve Bank.

(b) **Reserve Bank representatives.**—The representatives of the Federal Reserve Banks, and an alternate for each representative, are elected by the boards of directors of the Reserve Banks in accordance with section 12A of the Federal Reserve Act (12 U.S.C. § 263) for terms of one year commencing on March 1 of each year. Prior to the first meeting of the Committee on or after March 1 of each year, each member of the Committee representing the Federal Reserve Banks shall cause a record of his election and of the election of his alternate to be forwarded to the Secretary of the Committee. If any question is raised as to the election or eligibility of a member or alternate, the Committee determines such question before such member or alternate participates in a meeting of the Committee. In the event a member is absent from a meeting of the Committee, his alternate, in attending the meeting, shall have the same status as the member for whom he is serving. If a member or alternate ceases to be a President or First Vice President of a Reserve Bank, a successor may be chosen in a special election by the boards of directors of the appropriate Reserve Bank or Banks and such successor serves until the next annual election.

(c) **Oath of office.**—Each member of the Committee and each alternate take the same oath of office as that prescribed by statute to be taken by officers of the United States.

### **SECTION 3—CHAIRMAN AND VICE CHAIRMAN**

At its first meeting on or after March 1 of each year, the Committee elects a Chairman and a Vice Chairman from among its membership. The Chairman presides at all meetings of the Committee and performs such other duties as the Committee may require. The Vice Chairman performs the duties of the Chairman in the absence of the Chairman. In the absence of both the Chairman and the Vice Chairman of the Committee, the Vice Chairman of the Board acts as Chairman of the Committee; and, in the absence of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board, the member of the Board present with the longest service as a member of the Board acts as Chairman of the Committee.

### **SECTION 4—STAFF**

(a) **Selection of staff officers.**—At its first meeting on or after March 1 of each year, the Committee selects, from among the officers and employees of the Board and the Federal Reserve Banks, the following staff officers to serve until the first meeting on or after March 1 of the next following year: Secretary, Deputy Secretary, and one or more Assistant Secretaries; General Counsel, Deputy General Counsel, and one or more Assistant General Counsels; Economists, one or more of whom may be designated as Senior or Associate Economists or given titles reflecting their areas of particular specialization; and such other officers as the Committee might wish from time to time.

(b) **Secretary and Deputy and Assistant Secretaries.**—The Secretary keeps minutes of actions and records of discussions at all meetings of the Committee; he maintains a complete record of the actions taken by the Committee upon all questions of policy relating to open market operations; and he records the votes taken in

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\* The text is not included in the Code of Federal Regulations and therefore may not be cited with a code reference.

connection with the determination of open market policies and the reasons underlying each such action. He has custody of such minutes and records, and he performs such other duties as the Committee may require. In the absence of the Secretary of the Committee, the Deputy Secretary or an Assistant Secretary acts as Secretary pro tem.

(c) **Economists.**—The Economists prepare for the use of the Committee and present to it such information regarding business and credit conditions and domestic and international economic and financial developments as will assist the Committee in the determination of open market policies, and they perform such other duties as the Committee may require.

(d) **General Counsel and Deputy and Assistant General Counsel.**—The General Counsel furnishes such legal advice as the Committee may require. In the absence of the General Counsel, the Deputy General Counsel or an Assistant General Counsel acts as General Counsel pro tem.

(e) **Filling of vacancies.**—At any meeting the Committee may fill any vacancy in the offices described in this section.

(f) **Other staff assistance.**—The services of any officers and employees of the Board and the Federal Reserve Banks are made available and are utilized by the Committee as required.

#### SECTION 5—MANAGERS

The Committee selects a Manager for Domestic Operations, System Open Market Account; and a Manager for Foreign Operations, System Open Market Account. The foregoing shall be satisfactory to the Federal Reserve Bank selected by the Committee to execute open market transactions for such Account and shall serve at the pleasure of the Committee. The Managers keep the Committee informed on market conditions and on transactions they have made and render such reports as the Committee may specify.

**FEDERAL OPEN MARKET COMMITTEE**

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**RULES OF PROCEDURE**

**(12 CFR 272)**

**As amended effective August 14, 1979**



## RULES OF PROCEDURE\*

(12 CFR 272)

As amended effective August 14, 1979

### SECTION 272.1—AUTHORITY

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register its rules of procedure.

### SECTION 272.2—FUNCTIONS OF THE COMMITTEE

The procedures followed by the Committee are designed to facilitate the effective performance of the Committee's statutory functions with respect to the regulation and direction of open market operations conducted by the Federal Reserve Banks and with respect to certain direct transactions between the Reserve Banks and the United States. In determining the policies to be followed in such operations, the Committee considers information regarding business and credit conditions and domestic and international economic and financial developments, and other pertinent information gathered and submitted by its staff and the staffs of the Board of Governors of the Federal Reserve System (the "Board") and the Federal Reserve Banks. Against the background of such information, the Committee takes actions from time to time to regulate and direct the open market operations of the Reserve Banks. Such policy actions ordinarily are taken through the adoption and transmission to the Federal Reserve Banks of regulations, authorizations, and directives.

### SECTION 272.3—MEETINGS

(a) **Place and frequency.**—The Committee meets in Washington, D.C., at least four times each year and oftener if deemed necessary. Meetings are held upon the call of the Chairman of the Board or at the request of any three members of the Committee. Notices of calls by the Chairman of the Board to other members are given by the Secretary of the Committee in writing or by telegram. Requests of any three members for the calling of a meeting shall state the time therefor and shall be filed in

writing or by telegram with the Secretary who shall forthwith notify all members of the Committee in writing or by telegram. When the Secretary has sent notices to all members of the Committee that a meeting has been requested by three members and of the time therefor, a meeting is deemed to have been called. If, in the judgment of the Chairman, circumstances require that a meeting be called at such short notice that one or more members cannot be present in Washington, such members may participate in the meeting by telephone conference arrangements.

(b) **Alternates.**—Whenever any member of the Committee representing Federal Reserve Banks shall find that he will be unable to attend a meeting of the Committee, he shall promptly notify his alternate and the Secretary of the Committee in writing or by telegram, and upon receipt of such notice the alternate shall advise the Secretary whether he will attend such meeting.

(c) **Quorum.**—Seven members (including alternates present and acting in the absence of members) constitute a quorum for the transaction of business; but less than a quorum may adjourn from time to time until a quorum is in attendance.

(d) **Attendance at meetings.**—Attendance at Committee meetings is restricted to members and alternate members of the Committee, the Presidents of Federal Reserve Banks who are not at the time members or alternates, staff officers of the Committee, the Managers, and such other advisers as the Committee may invite from time to time.

(e) **Meeting agendas.**—The Secretary, in consultation with the Chairman, prepares an agenda of matters to be discussed at each meeting and the Secretary transmits the agenda to the members of the Committee within a reasonable time in advance of such meeting. In general, the agendas include approval of minutes of actions; reports by the Managers on open market operations since the previous meeting, and ratification by the Committee

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\* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 272; cited as 12 CFR 272.

of such operations; reports by Economists on, and Committee discussion of, the economic and financial situation and outlook; Committee discussion of monetary policy and action with respect thereto; and such other matters as may be considered necessary.

SECTION 272.4—COMMITTEE ACTIONS

(a) **Actions at meetings.**—Actions are taken at meetings of the Committee except as described below.

(b) **Actions between meetings.**—Special circumstances may make it desirable in the public interest for Committee members to consider an action to modify an outstanding Committee authorization or directive at a time when it is not feasible to call a meeting. Whenever, in the judgment of the Chairman, such circumstances have arisen, the relevant information and recommendations for action are transmitted to the members by the Secretary, and the members communicate their votes to the Secretary. If the action is approved by a majority of the members, advice to that effect is promptly given by the Secretary to the members of the Committee and to the Reserve Bank selected to execute transactions for the System Open Market Account. All communications of recommended actions and votes under this paragraph shall be in writing or by telegram; provided that, in exceptional cases when that is not feasible, such communications may be made orally, either in person or by telephone, and the Secretary shall cause a written record to be made without delay. An action taken between meetings has the force and effect of an action at a meeting; provided, however, that if a meeting is held before the execution of any operations pursuant to the

action, the action is null and void unless it is ratified and confirmed by the Committee at such meeting.

(c) **Delegations of authority.**—In special circumstances, the Committee may delegate authority to take an action, subject to such instructions or guidelines as the Committee deems proper. Such delegations of authority may be made to the Chairman; to a subcommittee consisting of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board (or in the absence of the Chairman or of the Vice Chairman of the Board the members of the Board designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee his alternate); or to any other member or members of the Committee. An action taken pursuant to such a delegation of authority has the force and effect of an action taken by the Committee.

(d) **Effective date.**—Committee action ordinarily is made effective as of the time it 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. Occasionally, however, the Committee may specify that an action is to be effective at some different time.

SECTION 272.5—NOTICE AND PUBLIC PROCEDURE

There ordinarily is no published notice of proposed action by the Committee or public procedure thereon, as described in section 553 of Title 5 of the United States Code, because such notice and procedure are impracticable, unnecessary, or contrary to the public interest.





BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

March 13, 1986

TO: Federal Open Market Committee

FROM: FOMC Secretariat *f.B. AMS*

At its March organization meeting in recent years, the Committee has approved the renewal of its agreement with the U.S. Treasury to warehouse foreign currencies -- that is, to make spot purchases of foreign currencies from the Exchange Stabilization Fund (ESF) or the Treasury and simultaneously to make forward sales of the same currencies to the same party. That agreement provides that the Federal Reserve will be prepared, if requested by the U.S. Treasury, to warehouse up to \$5 billion of eligible foreign currencies for the U.S. Treasury or the ESF in order to enable the ESF to deal with potential liquidity strains.

The System has not warehoused any foreign currencies under this authorization since the Treasury redeemed about \$1.1 billion equivalent of Deutschemarks in May and July 1983 to pay off the final two maturing Carter notes. However, the Treasury has indicated that it would find it useful to continue the warehousing agreement; Messrs. Truman and Cross concur in this view. Accordingly, the staff recommends that the agreement be renewed.

For your information, given below is a chronology of the amendments to this agreement since its initial approval on January 17, 1977.

January 17, 1977

The Committee agreed to a suggestion by Treasury Secretary Simon in a letter to Chairman Burns dated January 14, 1977, that the Federal Reserve provide warehousing arrangements for the Exchange Stabilization Fund of the U.S. Treasury (ESF) of \$1-1/2 billion of eligible foreign currencies, \$750 million of which would be available for periods of twelve months and the remainder for periods of six months.

December 14, 1978

The Committee agreed to provide for the warehousing of foreign currencies held directly by the Treasury as well as by the ESF.

December 19, 1978

The Committee agreed to raise the amount of eligible foreign currencies that the Federal Reserve would be prepared to warehouse for the U.S. Treasury or for the ESF to \$5 billion and to be prepared to warehouse such currencies for periods of up to 12 months.

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March 18, 1980

The Committee reaffirmed, subject to annual review, its agreement that the Federal Reserve would be prepared to warehouse up to \$5 billion of eligible foreign currencies for the U.S. Treasury or the ESF and agreed to eliminate the 12-month limitation previously imposed on the period such currencies could be warehoused.

**PROGRAM FOR SECURITY OF FOMC INFORMATION**  
(As Amended May 21, 1985)

**(1) Attendance at FOMC Meetings**

The attendance indicated below is intended to cover only those meetings, or portions of meetings, that do not give rise to unusual sensitivity problems. Normally, attendance would be limited as follows:

1. Committee members, alternate members, and other Reserve Bank Presidents. In the absence of a President, a substitute Bank officer designated by the President (e.g., a First Vice President).
2. The Managers for Domestic and Foreign Operations. In the absence of either, a substitute designated by them or by the President of the New York Bank.
3. Committee officers. In the absence of an associate economist from a Reserve Bank, the one substitute designated in advance by the President, with notice to the Secretariat 1/
4. One adviser or one substitute designated in advance, with notice to the Secretariat, by each President who is not currently a member of the Committee 1/
5. One assistant to the Manager for Domestic Operations, Secretariat assistance, and a limited number of additional members of the Board's staff designated by the Chairman.

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1/ Advisers and substitutes are designated annually prior to the March organization meeting. Changes in designations may be made during the course of the year as a result of changes in staff or in their assignments. The Secretariat should be informed of all these designations.

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(2) Confidentiality of FOMC Documents

Three security classifications will be employed. The first two classifications--"Strictly Confidential (FR) - Class I FOMC" and "Strictly Confidential (FR) - Class II FOMC" apply to very sensitive FOMC documents; access to Class II documents is somewhat less restrictive than access to Class I. The classification "Confidential (FR) - Class III FOMC" relates to less sensitive documents that still require confidential treatment.

A. Strictly Confidential (FR) - Class I FOMC

1. Bluebook and related staff projections of the monetary and credit aggregates or interest rates.
2. Draft directives.
3. Final directive (until public release of record of policy actions for meeting at which final directive was issued).  
Upon adoption, distribution of and access to the directives will be limited to Committee members, nonvoting Presidents, the Staff Director and Secretariat, and the two Managers (and their substitutes).
4. Drafts of record of policy actions and action minutes (until public release of record of policy actions of meeting for which the drafts were prepared).
5. Tables and charts containing information on FOMC directive specifications (until public release of such information).
6. Daily wire on financial market and reserve developments and System operations (11:15 a.m. "call").<sup>1/</sup>

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<sup>1/</sup> These documents, which are in the nature of advices on daily actions, should not be retained in files for more than 90 days.

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7. Secondary materials containing Class I type information that are produced and circulated within the Board of Governors or the individual Reserve Banks. The Secretariat should be informed of the existence of such documents if they are prepared and circulated on a regular basis.
8. Special memoranda or reports deemed particularly sensitive, including materials that might otherwise carry a Class II designation (e.g. a report from the Manager for Foreign Operations, 2.(a) below, containing information on sensitive foreign exchange operations).<sup>1/</sup> Questions about such security classifications should be referred to the Secretariat.

**B. Strictly Confidential (FR) - Class II FOMC**

1. Reports of the Manager for Domestic Operations.
2. (a) Reports of the Manager for Foreign Operations.  
(b) Daily Board wire on foreign exchange market developments.
3. Greenbook -- Part I.
4. Other supplementary materials on economic and financial developments (including foreign), special memoranda, tables, and charts less sensitive than those in Class I.
5. Secondary materials containing Class II type information that are produced and circulated within the Board of Governors or the individual Reserve Banks.

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<sup>1/</sup> Congressional testimony and reports (e.g. Humphrey Hawkins) containing information on FOMC decisions are prepared at the Board of Governors and will continue to be safeguarded on a basis consistent with Class I FOMC security and handled in accordance with internal security procedures of the Board of Governors for "restricted controlled" information.

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**C. Confidential (FR) - Class III FOMC**

1. Greenbook -- Part II.
2. Special "theme" reports prepared by the Reserve Banks for the FOMC.
3. Special memoranda, tables, and charts less sensitive than those in Class I or Class II.
4. Secondary materials containing Class III type information that are produced and circulated within the Board of Governors or the individual Reserve Banks.

**D. Downgrading of FOMC Security Classifications**

FOMC documents lose their security classification when the Committee releases them to the public. Additionally, documents in Class I will be downgraded to Class II when the relevant policy record is published and to Class III six months after the FOMC meeting to which they pertain; documents in Class II will also be downgraded to Class III six months after the relevant FOMC meeting. While the purpose of the reduced classification is to facilitate research that would contribute to more effective policy analysis, access to these documents should still be relatively limited on a "need-to-know" basis to cases where ongoing work requires such access.

**(3) Access to FOMC Documents**

No staff member should see any currently confidential FOMC document unless that person's name appears on the list of individuals authorized to have access to that type of document.

A. Access to "Strictly Confidential (FR) - Class I FOMC" documents at Reserve Banks other than New York is limited to the President and 3 other Federal Reserve personnel. A more restrictive exception applies

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to copies of the final directive, access to which is limited as indicated under (2) A,3. above. At the President's discretion, access need not be identical for every category of Class I documents: for example, an international economist might be designated as having access to all special memoranda relating to foreign currency operations, in place of a domestic economist who may be listed as having access to other Class I memoranda. Access at the New York Bank and the Board of Governors is limited on a strict "need-to-know for participation" basis as defined by the President of the New York Bank for his staff, by the Chairman for Board staff, and by Board members for their personal assistants.<sup>1/</sup>

Access to Class I documents should be reviewed carefully at the Board and the New York Bank at least once each year.

B. Access at the Reserve Banks and the Board to "Strictly Confidential (FR) - Class II FOMC" documents is limited on a "need-to-know" basis as defined by each President for his Bank, Board members for personal assistants, and by the Chairman for Board staff. For the Reserve Banks other than New York, such access is limited to a maximum of 7 persons. (As noted previously, the classification of Class I documents is lowered to Class II when the policy record of the meeting for which the documents were prepared is released to the public. Access at each Reserve Bank other than New York then rises from 4 to 7 persons.)

C. Access at the Reserve Banks and the Board to "Confidential (FR) - Class III FOMC" documents is limited on a "need-to-know" basis as

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<sup>1/</sup> Staff members not cleared for access to Class I or II documents who visit the Desk at the New York Bank or who participate in other System programs involving FOMC material should obtain prior ad hoc approval before they are given access to Class I or II information. Notices of such approvals should be communicated to the Secretariat.

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defined by each President for his Bank, Board members for personal assistants, and by the Chairman for Board staff. No specific limit is set on the number of individuals who may have access to such documents at each location.

D. The lists of persons authorized to have access (excluding support staff such as secretaries, messengers, and records and duplicating personnel) to each type of FOMC document are to be transmitted to the Secretary's office with a brief notation of the reason for such authorization for Class I and II documents. Changes resulting from new staff member assignments should also be transmitted and the lists should be reviewed in full at least once each year and confirmed with the Secretariat in conjunction with the general review of the Committee's policy instruments, rules, and regulations at the March organization meeting. Questions regarding the names on these lists should be directed to the Secretary's office. Lists of support staff who handle FOMC documents are to be maintained separately at the Board and at the individual Reserve Banks.

The only exceptions to the Committee's access rules (apart from those in "D" below) are the following: The Chairman may make ad hoc exceptions to the general rules that are either more or less restrictive for particular documents being circulated. The President of a Federal Reserve Bank may give the First Vice President access to Class I and Class II materials without regard to the relevant numerical limitations on such access in situations where the President will be absent from the Bank.<sup>1/</sup> In addition, a staff member not on the access list for a particular document may be authorized by a Bank

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<sup>1/</sup> The Federal Reserve Banks should maintain an internal record of the instances when such access has been authorized.



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President, a Board Member (for personal assistants), or the Chairman for Board staff to consult that document in connection with an ad hoc assignment. The latter type of exception should be communicated promptly to the Secretariat.

D. Access outside the Federal Reserve

Distribution of classified FOMC documents outside the Federal Reserve System is limited as follows:

1. Parts I and II of the Greenbook may be sent to the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Director of the Office of Management and Budget. The weekly and summary (pre-FOMC meeting) reports prepared by the Manager for Foreign Operations and the weekly reports of the Manager for Domestic Operations may be sent to appropriate officials of the U.S. Treasury and to the Chairman of the Council of Economic Advisers upon request for their confidential use.

2. Classified FOMC documents are released to the public after a lag of about 5 years. Such availability is subject to a staff review for the purpose of withholding any materials affecting foreign governments that are still deemed to be sensitive 5 years after the meeting.

In the interest of administrative efficiency, the Secretariat may continue the practice of releasing all FOMC documents for a given year at one time at the start of the sixth year following the year in question.

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**(4) Handling FOMC Materials**

To assure the necessary confidentiality, it is important that all staff members exercise special care in handling FOMC materials. The following guidelines should be observed:

1. In addition to ensuring that the documents themselves are made available only to staff members who have been authorized access to them, the information they contain should be discussed with such persons only.
2. FOMC documents should not be left unattended on desk or table tops.
3. All FOMC documents should be out of sight when outside visitors are in the office.
4. FOMC documents may be carried by hand from one office to another. If sent by messenger, they should be placed in envelopes with a gummed-label seal bearing the initials of the person sending them.
5. When no longer needed, FOMC documents should not be disposed of by dropping in wastebaskets but by shredding or incineration. Procedures for such destruction of documents should be developed at each Federal Reserve office.
6. All FOMC documents should be kept under lock and key at night and over weekends.
7. Double-sealed envelopes should be used for mailing all Class I FOMC materials from the Board and the Reserve Banks. The inside envelope should be marked "Personal and Confidential" and delivered unopened to addressees.

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8. No Class I or II documents should be reproduced by recipients.
9. The distribution of all FOMC documents, apart from the Managers' reports, should be handled through the Secretary who will attach the appropriate security classification before sending the documents to the Committee.
10. To facilitate the identification of FOMC documents that require safekeeping, distinctive covers should be placed on all such documents that are to be circulated System-wide. The Bluebook and the Greenbook are already distinctive in appearance and are excepted from this requirement. Documents of especially great sensitivity, e.g. copies of recently issued directives that are intended for the "eyes only" of specified recipients, should be so identified with appropriate further markings such as a special stamp or special cover sheet.

Officers at the Board and the Reserve Banks should be urged to maintain continuing oversight with respect to the handling of FOMC documents by staff members reporting to them, in order to ensure compliance with the guidelines.

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**(5) Ongoing Responsibility for Maintaining Confidentiality**

**A. The President of each Federal Reserve Bank is responsible for safeguarding FOMC materials at the Bank and for the conduct and discretion of the Bank's staff with regard to the use of such information.**

**B. The President will review at least once each year the basic principles and rules of confidentiality with designated advisers, substitutes, and other staff members who are authorized access to FOMC materials. Circulation of the rules to each staff member for review and signed acknowledgment would fulfill this requirement. The President may delegate to the adviser the responsibility for informing newly designated staff members about FOMC security procedures.**

**C. At the Board, the Secretary or a member of the Secretariat will review the basic principles and rules of confidentiality with new Board members and members of the staff newly designated by the Chairman to attend meetings or who are given access to FOMC documents. The Secretariat will circulate these rules annually for review and signature by all members of the Board staff designated to have access to confidential FOMC information.**