

RECORDS SECTION

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

December 4, 1963.

TO: Federal Open Market Committee

FROM: Mr. Young

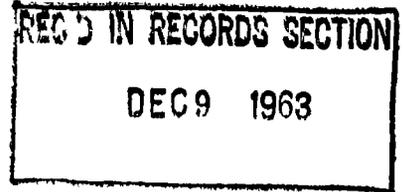
For your information, there is enclosed a copy of the "Procedures with Respect to Allocations of the System Open Market Account," as revised effective December 3, 1963.

Ralph A. Young
Ralph A. Young, Secretary,
Federal Open Market Committee.

Enclosure

December 3, 1963.

PROCEDURES WITH RESPECT TO ALLOCATIONS
OF THE SYSTEM OPEN MARKET ACCOUNT



1. Securities in the System Open Market Account shall be reallocated on the last business day of each statement week and of each month by means of adjustments proportionate to the adjustments that would have been required to equalize approximately the average combined reserve ratios of the 12 Federal Reserve Banks based on the most recent available five business days' reserve ratio figures.

2. The Board's staff shall calculate, in the morning of each business day, the reserve ratios of each Bank after allowing for the indicated effects of the settlement of the Interdistrict Settlement Fund for the preceding day. If these calculations should disclose a deficiency in the reserve ratio of any Bank, the Board's staff shall inform the Manager of the System Open Market Account, who shall make a special adjustment as of the previous day to restore the combined reserve ratio of that Bank to the average of all the Banks or to such higher level as may be necessary to eliminate the deficiency in note or deposit reserves. However, such adjustments shall not be made beyond the point where a deficiency would be created at any other Bank. Such adjustments shall be offset against the participation of the Bank or Banks best able to absorb the additional amount or, at the discretion of the Manager, against the participation of the Federal Reserve Bank of New York. The Board's staff and the Bank or Banks concerned shall

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then be notified of the amounts involved and the Interdistrict Settlement Fund shall be closed after giving effect to the adjustments as of the preceding business day.

3. Until the next reallocation the Account shall be apportioned on the basis of the ratios determined in paragraph 1, after allowing for any adjustments as provided for in paragraph 2.

4. 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.