

SEP 19 1963

2-5773 (On office
copies only)



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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 18, 1963.

Dear Sir:

Attached for your information and files is a copy of the revised Procedures With Respect to Allocations of the System Open Market Account in form approved by the Federal Open Market Committee on September 10, 1963. The first reallocation under the revised procedures will be on September 25, 1963.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

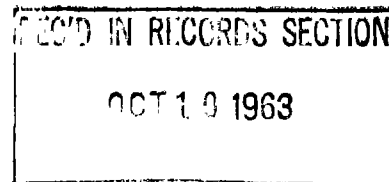
Merritt Sherman,
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

August 29, 1963
Revised September 10, 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 morning after each weekly and monthly statement date, the Board's staff shall calculate 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 then be notified of the amounts involved and the Interdistrict Settlement Fund shall be closed after giving effect to the adjustments as of the statement date.

FOR FILES
Lee S. Elliott

3. If a Bank anticipates that its reserve ratio will fall below 25 per cent on any other day (because of purchases that day for the System Open Market Account or for other reasons), it may arrange with the Manager of the System Open Market Account for an adjustment on that day in an amount sufficient to raise its combined reserve ratio to the average reserve ratio of the 12 Banks combined on the preceding day, or to such point as the Manager of the System Account and the Bank concerned consider feasible. Such securities shall be allocated to other Banks in order of their ability to absorb the largest additional amount without reducing their reserve ratios below the ratio of the 12 Banks combined.

4. 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 paragraphs 2 and 3.

5. 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.