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**MONEY, CREDIT, AND BANKING
IN A NATIONAL SECURITY EMERGENCY**

State and Local Guidance

Prepared for

Federal Emergency Management Agency
Washington, D.C. 20472

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MONEY, CREDIT, AND BANKING
IN A NATIONAL SECURITY EMERGENCY

I. INTRODUCTION

A. Purpose

This guidance document, Money, Credit, and Banking in a National Security Emergency, is intended to provide State and local leaders and, through them, the general public and financial institutions and private sector industries with information on relevant portions of plans for economic stabilization and measures to maintain basic elements of the money, credit, and financial system and provide for its restoration following a major emergency. It discusses general assumptions, objectives, and policies applicable to various emergency conditions and indicates the roles of State and local officials and financial institutions in planning for and operating under such conditions. Earlier guidance has primarily been addressed to an emergency initiated by a major attack on the United States. Revisions of emergency guidance documents have been undertaken to extend coverage to include evacuation of population in the threat of nuclear attack. It also reviews emergency economic actions in other conditions of lesser impact, such as those arising from increasing international tension or mobilization for conventional war. During such conditions Federal nationwide intervention may be required in the U.S. economy through emergency actions to manage resources in furtherance of national goals. At this time, additional economic stabilization measures may become necessary to support emergency resource management. These may include direct as well as indirect controls to combat inflation, panic buying, hoarding, speculation, or other adverse actions; support efficient resource management; and maintain confidence in the monetary and financial system. (S) L

B. Objectives of the Stabilization Program

Under the conditions of severe economic dislocation attendant to a national emergency that results in an attack on our nation, the primary objective of economic stabilization would be to maintain and protect the surviving economy as part of the overall effort directed toward national survival and recovery. Stabilization strategies would be applied to: financial and monetary systems; wages, salaries, and benefits; prices; rents; and rationing of essential goods. These measures are designed to maintain

public confidence in our market and financial systems and their institutions so that general inflation can be controlled, scarce resources conserved, and the recovery effort supported so that the most efficient use is made of human material and capital resources to bring about national recovery as rapidly as possible. The stabilization program is also meant to encourage the equitable sharing of the available supply of goods and services for consumption purposes.

Both direct and indirect stabilization strategies may be necessary in a severe emergency in order to provide for efficient use of essential resources, equity to the extent consistent with national welfare, and restoration of the economy upon termination of the crisis period. Indirect stabilization measures include regular Federal Reserve operations to stabilize interest rates and the growth of the money supply and Federal fiscal policies tending to limit aggregate purchasing power outstanding. Direct stabilization measures include limitations on cash withdrawals from deposits and restrictions of such withdrawals and any extensions of credit to essential purposes. Other emergency measures can also include arrangements to maintain operational continuity of the banking system by record duplication, alternative sites, expedient check clearing procedures, arrangements to honor checks or drafts on inoperative financial institutions and to guarantee depositors against losses resulting from emergency-induced insolvency of particular banks.

C. Responsibilities

At the Federal level, the Secretary of the Treasury has primary responsibility for monetary and fiscal policy and for maintaining the effective operation of the financial system. In a national emergency specific responsibilities will be delegated by the Secretary to the Federal Reserve Board (FRB), the National Home Loan Bank Board (NHLBB), and, via the Department of Health and Human Services, the National Credit Union Administration (NCUA), relevant to operations of the banks, the savings and loan associations, and the Federal credit unions, respectively. Emergency regulations governing this extended banking system may be coordinated with other stabilization policies, through a proposed Economic Stabilization Agency to be established at the Federal level in a post-attack or severe national security emergency.

II. PLANNING ASSUMPTIONS

A. Operational Conditions

Economic stabilization programs operative during peacetime and non-war emergencies must be modified and extended for implementation in any of the operational conditions that might arise as a result of a national security emergency. While price stabilization and, more importantly, consumer rationing would be required on a local basis following nuclear attack on the United States, such stabilization measures might have to be instituted by the Federal Government prior to an attack. The present guidance focuses on the stabilization programs for intense strategic crisis or post-nuclear attack in the event that no Federal emergency economic stabilization program has been implemented.

Figure 1 depicts the range of conditions for which preparations should be made. The figure shows an "intensity of emergency" profile developing over time for a possible scenario. Increases in intensity could occur if an international event is clearly recognized as an overt and immediate threat. The intensity could continue to increase through various stages of U.S. defense mobilization, possibly leading to a national security emergency and possibly a nuclear attack on the United States. On the other hand, the confrontation might be resolved at any level of intensity short of attack. To meet these conditions, economic stabilization measures and other emergency actions must be responsive to the increased levels of readiness and the nation's capability to respond as the situation changes, while minimizing the disruption to normal economic activities.

B. Islands of Survival

Following a nuclear attack, the nation could consist of "islands of survival" interspersed among areas of widespread damage. These islands could include part or all of a State or portions of several States located in relatively low population areas. However, it is also possible that such "islands of survival" could include significant portions of urban areas. In the absence of a Federal stabilization program in an "island of survival", States and localities should be prepared to implement and administer a stabilization program in accordance with State plans for price and rent stabilization as well as consumer rationing.

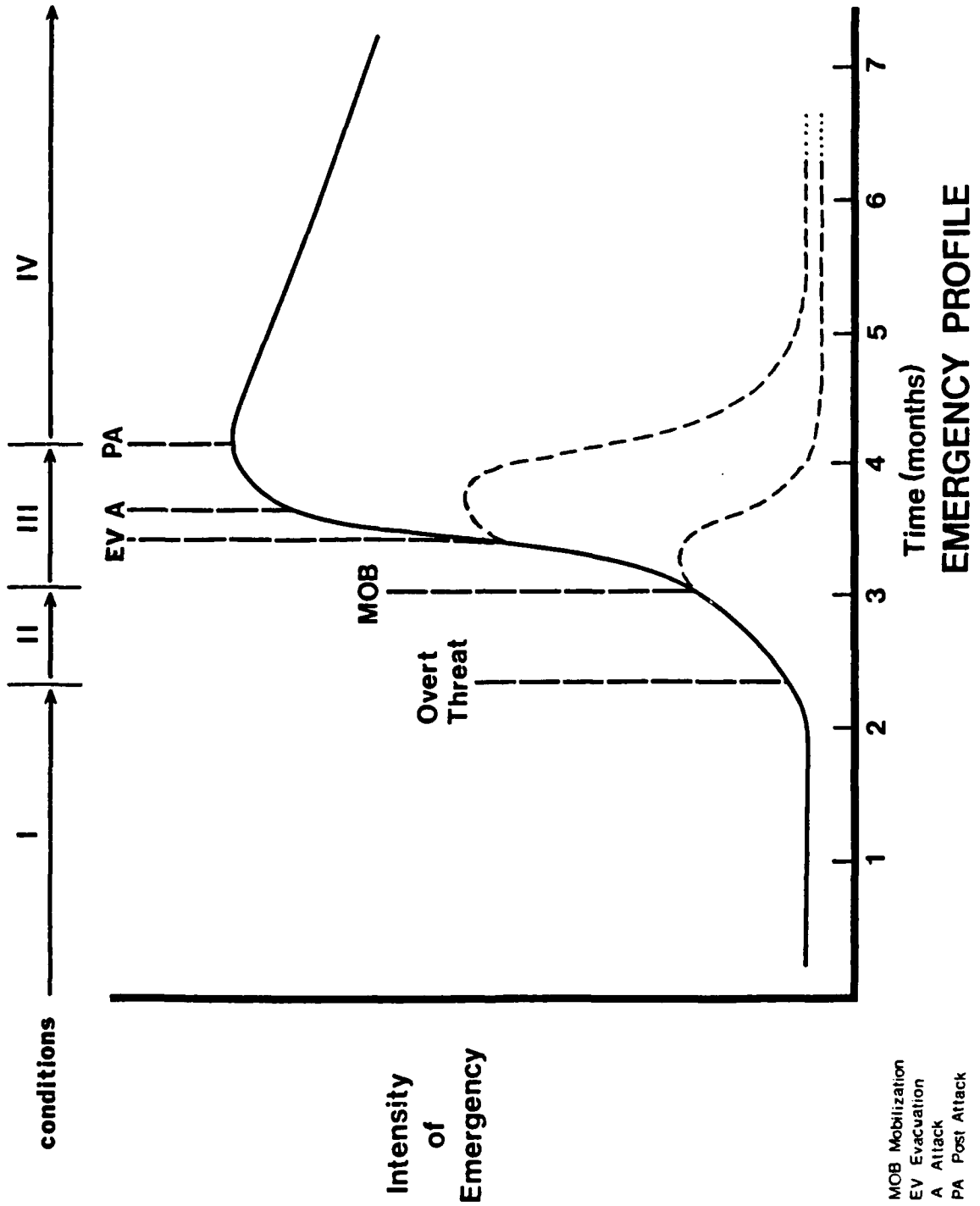


Figure 1

C. Economic Stabilization Measures for Various Conditions

Because of the possibility of a buildup of tension over time, types of economic stabilization actions to be taken can be considered in terms of a number of conditions. They are:

- CONDITION I: Peacetime
- CONDITION II: National emergency (Threat of war)
- CONDITION IIIA: Mobilization with limited controls
- CONDITION IIIB: Mobilization with full controls
- CONDITION IV: Post-attack recovery

Key objectives and economic stabilization measures for conditions of increasing intensity are shown in Table 1.

Condition I, Peacetime, usually uses only indirect controls, such as fiscal and monetary policies, to maintain a healthy economy. It may be considered the base case.

Key objectives of Condition II are limited to moderating private business expectations of shortages and inflation and supporting U.S. international (economic defense) measures that could improve the stability of the domestic economy.

With increasing tension accompanying Condition III, Mobilization, the principal objective would be to subdue inflation while increasing the defense share of the GNP. At the early stages of mobilization, this might be accomplished by indirect measures, such as emergency taxes and restrictive monetary and credit policies accompanied by a system of priorities and allocations for key resources. Continued movement toward full mobilization might bring with it the need for selective credit controls and direct controls, including a Federal freeze order on prices, wages, and rents. The occurrence of ordered evacuation or an attack would also require rationing of essential consumer goods and services. Some of these measures could be imposed earlier, however, depending on the state of the economy and Federal-level decisions.

Objectives under Condition IV, following a nuclear attack on the United States, would be designed to reconstitute as soon as possible a viable economic system to support the surviving populations. As previously noted, the post-attack period would

Table 1

ECONOMIC STABILIZATION OBJECTIVES AND MEASURES

Conditions	Key Objectives	Possible Economic Stabilization Measures
I Peacetime	o Normal economic climate	o Normal fiscal and monetary policies
II National Emergency (Threat of war)	o Reduce private and business expectations of shortages and inflation	o Fiscal policies, such as emergency taxes
	o Support U.S. international economic measures that could affect the domestic economy	o Other indirect controls, such as changes in Federal Reserve Board policies
IIIA Mobilization with limited controls	o Limit inflation while increasing defense share of GNP	o Fiscal policies, such as emergency taxes
		o Stronger indirect controls, such as credit tightening
		o Priorities and allocation system for key resources
		o Advanced notice of direct controls and rollback provisions
IIIB Mobilization with full controls	o Limit inflation while increasing defense share of GNP	o Freeze on prices, wages, and rents
		o Continued indirect controls, including credit controls
		o Continued priorities and allocation system for key resources
Evacuation	o Maintain basic economic system	o Rationing
	o Promote equity	o Selective moratoria on debts, contracts, etc.
IV Post-attack recovery	o Reconstitute viable economy	o Freeze on prices, wages, and rents
	o Restore a balanced recovery base	o Rationing
	o Promote equity	o Adjustment of direct controls
		o Continued indirect controls
		o Loss indemnification
		o Clarification of ownership
		o Selective moratoria on debts, contracts, etc.

require States and localities to implement and administer price stabilization and consumer rationing in the event that no such Federal programs were imposed prior to the attack. In the event that Federal programs had been made effective prior to the attack, States and localities should pattern provisions of their regulations after those of the Federal programs. Such action will facilitate the re-establishment of Federal programs for national recovery, indemnification, clarification of Federal programs for loss sharing and ownership, and other measures necessary to promote economic recovery.

D. Financial Problems During Evacuation and Post-attack Periods

Evacuation could create an unprecedented run on hazard-area financial institutions just prior to population relocation as attempts are made to obtain liquid resources (e.g., currency). Moreover, closing down any data processing activities and automated teller systems centered in hazard areas could delay or force deferment of check clearing and accounting. A policy of maintaining an operating financial system would require some major modifications of normal operating procedures. Among the actions which the banking authorities might take would be to provide additional reserves, including cash, to hazard-area financial institutions and to limit the cash withdrawals to those amounts needed by the public to support evacuation actions.

On the other hand, a post-attack period would be characterized by massive loss of property and de facto insolvency of many businesses and financial institutions. Emergency regulations would be essential in undamaged areas for restoring a functioning national money and banking system. Moreover, relocation of both surviving depositors and financial institutions would require extensive reconstitution of financial channels and eventual reconstruction of accounts. While there might be no Federal general moratorium declared, it may be advisable to curtail some forms of payments and transactions where such activities are simply not feasible.

Because of the interdependence and interrelationships of the nation's economy, a nuclear attack would jeopardize the financial system's solvency and ability to function, even in undamaged areas. Therefore, measures would be needed for the equitable sharing of war losses and for the maintenance of some form of money, credit, and banking system. These measures could include such strategies as guaranteeing demand deposits (checkbook money) up to a certain amount as a supplement to available cash in

an undamaged area. As recovery areas grow in size, it may be necessary to invoke a major reform (modification) of the money system in order to ensure a medium of exchange large enough to support essential economic activity.

Military, survival, and reconstruction needs would require the fullest use of surviving resources--human and material. This would be possible only if there is a trustworthy money, credit, and banking system to support all other elements of the economic stabilization of the reconstituted market system.

III. GENERAL POLICIES AND AUTHORITIES

A. General Policies

The basic national policy would be to restrain inflationary pressures during mobilization or following an attack on the United States to support the efficient use of economic resources. Current economic stabilization planning applicable to a developing economic national security emergency provides as a Presidential option the possible imposition of an initial freeze with rollback on wages, salaries, benefits, prices, and rents to support essential economic activities and set the stage for a return to orderly markets. Such a freeze might be accompanied by consideration of a Federal program for the rationing of essential goods and services should the mobilization crisis require. Following nuclear attack, these stabilization programs would form a basis for State and local stabilization programs along with other Federal guidance.

Certain general post-attack financial policies provide the basis for preparedness measures needed at State and local levels to support the terms of emergency regulations, and the emergency actions which banking institutions and their customers would be asked to take. These post-attack financial policies to be taken by the Federal Government include:

1. Actions to protect the financial resources of the nation.
2. Support of the money, credit, and banking system in order to: (a) maximize the mobilization of all economic resources, (b) achieve the maximum utilization of surviving resources---both human and material, (c) provide the immediate military needs and requirements for human survival, and (d) be ready at the first opportunity to reactivate the economy in areas temporarily immobilized by fallout.
3. Encourage continued operations of financial institutions vital to the maintenance of the money, credit, and banking system in undamaged areas.

4. Establish plans for the equitable sharing of war losses throughout the economy to the extent possible--not to guarantee individuals against war losses, but to ensure the maintenance of a "going concern" economy, to ensure the viability of the financial system, and to assure those dealing with financial institutions that they may do so without risk of the insolvency of such institutions by reason of war losses.
5. Money (including new or modified forms) will be made available in accordance with the needs of post-attack economic activity in undamaged areas and in reconstitution areas as recovery gets underway.
6. Credit deposits will be made available in proportion to the needs of essential post-attack economic activity in all areas, subject to controls prescribed by national authority.
7. In order to encourage the continued use of checkbook money, provision will be made for the acceptance and clearance of checks, including those drawn on destroyed banks, subject to such limitations and controls as may be necessary.
8. The Federal Government will guarantee private financing for essential or high-priority purposes to the extent that it is not otherwise available on reasonable terms.
9. There will be no general moratorium on the payment of pre-attack debts, but limited moratoria may be permitted by authorities for hardship cases.

During evacuation periods, the initial regulations issued would be intended to prevail for the full period of 2-4 weeks, except for any clarifications or corrections found to be necessary. In the immediate post-attack period, standby emergency regulations would become effective on attack. If communications with national authority were interdicted, those regulations delegating authority to regional Federal Reserve Banks or to banking authorities in isolated states would be presumed to be in effect. As soon as Federal authority was reestablished, nationwide policies and procedures would be established, with management returned to the Treasury and the FRB, with the NHLBB and NCUA coordinating the operations of savings and loan association and credit unions, respectively, with Federal financial policy.

B. General Instruments of Control

Standby instructions have been issued by the individual Federal Reserve Banks in the form of circulars to be effective if and only if a national emergency has been declared. National emergency has been defined to be one in which the United States is involved in war or which may be declared by the President of the United States to be a national war emergency and in which the Federal Reserve Banks have put into effect their plans for emergency operations. These circulars vary among the individual Federal Reserve Banks but generally cover:

1. General information and designation of outside record centers and relocation offices.
2. Summary of the emergency planning by the individual Federal Reserve Bank, including designation of check agent banks and emergency clearing groups available to take over check clearing functions.
3. Information regarding collection of cash and non-cash items or instructions to check agent banks.
4. Procedures for cash operations and designating cash agent banks available to take over currency distribution functions.
5. Instructions to cash agent banks regarding procedures for receiving, shipping, or maintaining custody of currency.
6. Collection of non-cash items (e.g., bearer securities and other items of value).
7. Advances, discounts, and extensions of credit.

Except for financial transactions within or among non-financial companies, compliance with emergency banking regulations would be enforced by bank officers and the normal hierarchy of banking examiners and supervisory agencies. Transactions within or among non-financial companies or intermediaries would come under controls in the banking system regarding transfers of deposit balances and extensions of credit and otherwise under other Federal or state regulatory authorities, such as the SEC or ITC or state counterparts.

Normal sanctions available to regulatory authorities within the financial system ensure compliance by the banks, and "saving clauses" in emergency regulations would absolve them from claims of loss occasioned by compliance with or enforcement of emergency regulations.

C. Authorities

Authority in peacetime or a period of rising tension for emergency planning by banks covering duplication and safeguarding of essential records, alternative sites, and making alternative cash agent and other interbank arrangements rests with normal bank supervision. Authority for taking preparedness actions in any national security crisis not involving an attack on the United States would derive from the normal peacetime authority of the Secretary of the Treasury, the FRB, the NHLBB, and the NCUA over their respective portions of the financial system, or as these may be extended by emergency powers granted in executive orders of the President or emergency legislation. In the event of an attack, however, applicable emergency regulations already promulgated can take effect immediately even in the absence of a Federal capability for assuming full nationwide control. Such emergency powers would be necessary for imposing limits on cash withdrawals or transfers, for limiting or imposing special justification requirements on extensions of credit, and for delegation of FRB authority to regional Federal Reserve Banks or their alternates. Such regulations would be applicable to all financial institutions.

IV. THE EMERGENCY ORGANIZATION AND ITS RESPONSIBILITIES

In a national emergency in which the United States is involved in war or which may be declared by the President of the United States to be a national war emergency and in which the Federal Reserve Banks have put into effect their plans for emergency operations, appropriate announcements of cash agent and check agent banks will be made. These affiliated offices of the Federal Reserve Banks will then prepare to assume the relevant cash distribution and check handling functions of the Federal Reserve Bank, if necessary.

Only in the event of an attack in which the Federal Reserve Bank has been made inoperative and has transferred its operation to an alternate site will portions of these plans be operative. Portions of these plans relative to inoperative member or non-member banks will be implemented in areas of damage. In the event that the Federal Reserve Board is itself inoperative, the surviving regional Federal Reserve Banks will take over open market operations and other functions of the Board, buying or offering securities, adjusting reserve requirements and rediscount rates, and taking steps to control liquidity of the banking institutions within their respective regions.

The Federal Home Loan Bank Board and its regional offices will respond to attack in a similar fashion as provided for in standby regulations and delegations of authority from the Secretary of the Treasury. Moreover, Federal credit unions will operate under standby plans promulgated by the National Credit Union Administration.

V. CONCEPT OF OPERATIONS

Measures for post-attack operations contain the authorizations, techniques, and guidance for carrying out predetermined financial policies and for the conduct of banking operations following an attack. Even if communications with control authorities are not possible, it will be assumed that emergency regulations have been promulgated and that:

- o The financial policies, as set forth in Chapter III above, will be officially proclaimed.
- o The Secretary of the Treasury will be vested with statutory and executive emergency authority to permit or to require such actions as may be necessary to ensure the continuing functioning of the financial system.
- o The Secretary of the Treasury will assume full responsibility, in consultation with other officials as appropriate, for policies pertaining to financial institutions, money, and credit.
- o Provision will be made for the equitable sharing of war losses throughout the economy to the extent possible.
- o The Secretary of the Treasury will redelegate, effective immediately following an attack, full authority and power to the Board of Governors of the Federal Reserve System, the Federal Home Loan Bank Board, and the Secretary of Health Education and Welfare to take such action, consistent with regulations issued by the Secretary relating to the maintenance of operations and functions of banking institutions, savings and loan institutions, and credit unions as may be necessary to maintain, regulate, limit, or suspend the operation and functioning of any banking institution, savings and loan association, or credit union.
- o The Secretary of the Treasury will issue Emergency Banking Regulations relating to the maintenance of operations and functions of banking institutions.

- o Provision will be made for granting relief to the owners of destroyed of inaccessible U.S. bearer securities.
- o The Board of Governors of the Federal Reserve System and the Federal Open Market Committee will delegate to each Federal Reserve Bank, immediately following an attack, full authority and power, consistent with the emergency regulations and guides issued by the Board and the Committee, to exercise the regular and emergency functions of the Board and the Committee in the event such Federal Reserve Bank is unable to establish communications with the Board or the Committee.
- o The Emergency Circulars, Letters, and Instructions issued by the several Federal Reserve Banks to commercial banks, emergency cash agents and emergency check agents in their respective Federal Reserve districts will be in full force and effect immediately following an attack or as otherwise provided in such circulars, letters, or instructions.
- o The examination staffs of all bank supervisory agencies will be available to assist banks as necessary.

Based on the emergency regulations of Federal supervisory agencies and instructions of the Federal Reserve Banks presently existing or as hereafter modified or supplemented, all banking institutions should be prepared:

- o To remain open and continue their operations and functions and permit the transaction of business insofar as is physically possible.
- o To make credit available for essential purposes on reasonable terms.
- o To temporarily curtail, limit, suspend, or delegate any or all operations and functions to such extent and for such period as the effects of an attack may require.
- o To establish temporary substitute quarters for the continuance of banking operations if regular quarters are uninhabitable as a result of an attack.

- o To act as agent and perform temporarily operations and functions for any other banking institution when so authorized.
- o To make loans to, borrow from, and discount assets with any other banking institution without regard to the restrictions of Federal or State law.
- o To restrict cash withdrawals to those amounts and for those essential purposes for which cash customarily is withdrawn.
- o To restrict transfers of credit in any case where there is reason to believe that such transfer is sought for any unauthorized purpose.
- o To restrict lending and credit operations to costs vital to the war effort, essential living, taxes, payroll, or reconstruction.

Federal Reserve Banks will be prepared for the following measures, in addition to those pertaining to banking institutions generally.

- o Emergency distribution of currency, including the use of emergency cash agents for such purpose.
- o Collection of checks, other cash items and non-cash items, including those drawn on destroyed or inoperable banks, and including the use of emergency check agents.
- o Make credit available to both member and non-member banks as needed to support essential economic activities, and to non-bank customers for essential purposes when credit for such purposes is not otherwise available at reasonable terms.
- o Buy and sell United States Government securities for their own account.
- o Raise and lower reserve requirements for member banks as necessary, and extend such requirements to non-member banks when conditions warrant.

- o Perform fiscal agency functions in accordance with emergency authorizations by the Secretary of the Treasury and other agencies for whom Federal Reserve Banks perform such functions.

Pursuant to the delegation of authority from the Secretary of the Treasury, the Federal Home Loan Bank Board has issued a series of emergency regulations. Based on such regulations, the Federal Home Loan Banks and all savings and loan institutions will be prepared:

- o To remain open and continue their operations insofar as is physically possible.
- o To curtail operations temporarily insofar as is necessary and to establish substitute quarters.
- o To act temporarily as paying and receiving agent for another savings and loan institution.
- o To borrow from Federal Home Loan Banks without regard to restrictions of Federal or State law.
- o To suspend certain limitations on the terms for advances from Federal Home Loan Banks to savings and loan institutions.
- o To suspend certain limitations on the sale of loans and suspend other charter limitations on lending and borrowing.
- o To restrict withdrawals and loans on shares or accounts to essential purposes.
- o To grant debt deferments in war-caused hardship cases.
- o To conduct institutional examinations and audits as necessary.
- o Pursuant to the delegation of authority from the Secretary of the Treasury, the Administrator of the National Credit Union Administration has requested the compliance of all credit unions with the emergency banking regulations issued by the Secretary of the Treasury.

Measures required in the absence of an attack have not been promulgated. In the event of an evacuation, the necessary Presidential proclamations of a national emergency would presumably be accompanied by modifications of the post-attack measures. These might include regulations placing limits on cash withdrawals and post-movement closure of hazard-area banks, but requiring continuity of banking services in the reception areas at least insofar as may be practical and needed to support other economic stabilization actions.

VI. IMPROVING READINESS PRIOR TO CRISIS

The effectiveness of emergency financial policies and operations will depend, largely, on the preparedness measures taken by government agencies and by banking institutions and their customers to minimize the effects of a crisis on their assets and their operational capabilities.

A. Responsibilities

Federal and State bank supervisory agencies are responsible for developing and executing measures to ensure insofar as possible a capability to continue their essential functions in emergency periods.

The Board of Governors of the Federal Reserve System is responsible for the taking of such measures by Federal Reserve Banks, and is responsible, in participation with the Federal Emergency Management Agency, the Department of the Treasury, and other financial agencies, for encouraging commercial banks, trust companies, private banks, savings banks, and mutual savings banks to take such measures.

The Federal Home Loan Bank Board is responsible for the taking of such measures by Federal Home Loan Banks and by savings and loan associations, building and loan associations, cooperative banks, and homestead associations. The Administrator of the National Credit Union Administration is responsible for the taking of such measures by any and all credit unions.

B. Measures

The Advisory Committee on Commercial Bank Preparedness and the Ranking Committee on Emergency Operations of the American Bankers Association have prepared and distributed to all banks seven booklets on the Preparedness Program for Emergency Operations in Banking, as follows:

- No. 1 Organization and Administration of the Program in Your Bank
- No. 2 Personnel Protection

- No. 3 Continuity of Management and Alternate Headquarters
- No. 4 Physical Properties
- No. 5 Duplicate or Alternate Records
- No. 6 Collection of Cash Items and Noncash Items
- No. 7 Emergency Currency Distribution

Similar guidance has been provided for savings and loan associations and for Federal credit unions by the National Home Loan Bank Board and the Department of Health and Human Services, respectively.

It should be emphasized that the measures set forth in these booklets are intended to serve as guidelines only. By necessity, defense planning will vary among banks. The size of the institution, its location, the number of banking offices, and the types of business predominating will influence the scope and emphasis of its plan. Many of the provisions described herein will be inappropriate and unnecessarily elaborate for the smaller banks. What would be feasible, even necessary, for a large metropolitan bank may not be suited at all to the needs of its distant correspondent or a credit union. It is not expected that small banks should plan for extensive internal organizations along the lines of those needed by larger institutions; nevertheless, the fundamental principles set forth in these booklets are applicable to all banks and can be beneficial to them, even the smallest. The important consideration is that each bank should have some sort of plan, tailored to suit its own particular needs, and that it should know how to operate in an emergency, whether it is located in a damaged or undamaged area.

In broad terms, defense planning in banks should give consideration to the following preparations for minimizing the effects of an attack:

- (1) Organization and administration of the program in the bank.
- (2) Personnel protection.
- (3) Continuity of management and alternate headquarters.

State and local authorities responsible for emergency information should be prepared to assist Federal authorities and the financial system in the dissemination of directives to the general public on money, credit, and banking in a national security emergency.

Appendix A

MAIN THEMES OF PUBLIC INFORMATION

A. Assurances to Banking Institutions

Based on the post-attack financial policies, the emergency regulations, and emergency instructions of the Federal Reserve Banks, all financial institutions, in the event of an attack, may be assured of the following:

1. In accordance with the Government's policy for the equitable sharing of war losses, any impairment of their assets by reason of war losses will not be permitted to affect their operational solvency.

2. Federal Reserve credit will be available to all banks, member and non-member. Emergency clearing accounts will be established for non-member banks at a surviving Federal Reserve office.

3. Banks may safely accept, and will receive Federal Reserve credit for, valid checks on any bank even though the drawee bank may have been destroyed by the attack.

4. There is an adequate supply of currency that may be drawn from cash agent banks, but it must be conserved and hoarding prevented--by rationing, if necessary.

5. Relief will be granted to the owners of destroyed or inaccessible U.S. bearer securities, provided said securities can be adequately identified by duplicate records or otherwise.

B. Assurances to Depositors and Others

Based on the post-attack financial policies, the emergency regulations, and the assumption that banking institutions will take timely action on the preparedness measures described herein, the public depositors, owners of shares or accounts, and all those dealing with banking institutions may be assured of the following:

1. No risk of insolvency of banking institutions by reason of war losses.
2. Adequate credit and liquidity for essential purposes.
3. Adequate supplies of currency, but prohibition of the withdrawal of currency in abnormal amounts or for the purpose of hoarding.
4. Transferability of credit for essential purposes, including checks drawn on inoperative banks, but prohibition of transfers for nonessential purposes.