



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

GEORGE W. MITCHELL
VICE CHAIRMAN

November 21, 1974

CONFIDENTIAL (FR)

TO: Federal Open Market Committee
FROM: Governor Mitchell

At an Open Market Committee meeting on October 14, 1974, Chairman Burns named a Subcommittee consisting of Messrs. Black, Coldwell, Hayes, and myself, to consider possible modifications of present procedures for the purpose of increasing the security of confidential FOMC documents and proceedings.

The Subcommittee requests the reactions of other Board members and Reserve Bank presidents to the program for this purpose outlined in the enclosure. It would be helpful if comments, which might be addressed to me, are received within the next two weeks.

A handwritten signature in black ink, appearing to be "G. W. Mitchell", written over a horizontal line.

Enclosure

CONFIDENTIAL (FR)

November 19, 1974

Proposed program for increased security of
Open Market Committee Documents and Proceedings

It is suggested that the following limitations be accepted for Open Market Committee meetings and documents, and that a program of increased emphasis on confidentiality be developed as recommended below:

1. Confidentiality of documents

A. A new classification, "Class I Open Market-Strictly Confidential (FR)," would be applied to the following:

- (1) blue book
- (2) draft directives
- (3) memorandum of discussion
- (4) special memoranda deemed particularly sensitive

Access to these documents at Reserve Banks other than New York would be limited to the President, First Vice President, designated adviser, and not more than two others (such as substitute adviser, other research officers, or Senior Financial Economists).

Access at the New York Bank and the Board of Governors would be limited on a strict "need to know for participation" basis as defined by the President of the New York Bank for his Bank and by the Chairman for the Board.

-2-

B. A second classification, "Class II Open Market-Confidential (FR)," would be applied to all other FOMC documents that currently bear confidential labels, as listed below. Access at the Board and the Reserve Banks to each type of document would be limited on a "need to know" basis as defined by each President for his Bank and by the Chairman for the Board. In general, fewer people would be given access to the more sensitive of these documents (those higher in the list) than to the documents near the bottom of the list.

- (1) weekly and monthly reports of Manager and Special Manager
- (2) part I of green book
- (3) tables and charts containing information on specifications adopted by Committee
- (4) drafts of policy records and (until 3 months after meeting) action minutes
- (5) special memoranda less sensitive than those in Class I
- (6) part II of green book
- (7) red book

C. Lists of those with access to Class I documents and to each type of Class II document at the Banks and the Board shall be maintained by the Secretary and confirmed at least once a year. The Secretary shall be notified promptly of any changes during the year.

-3-

2. Attendance at Open Market Meetings

Attendance at meetings would be limited to:

- A. Board Members and Reserve Bank Presidents. In the absence of a President, a substitute Bank Officer designated by the President (e.g., a First Vice President).
- B. Manager and Special Manager. In the absence of either, a substitute designated by them or by the President of the New York Bank (e.g., a Deputy Manager).
- C. Committee officers. In the absence of an associate economist from a Reserve Bank, the one substitute designated in advance (annually) by the President, with notice to the Secretary.
- D. One adviser designated in advance (annually), with notice to the Secretary, by each President who is not a voting member of the Committee. (Note: in the absence of this adviser no substitute would be permitted, unless the President is an alternate member who will be voting at the meeting because the corresponding President-member is absent.)
- E. One assistant to the Manager, two Secretariat assistants, and a limited number of additional

-4-

members of the Board's staff designated by the
Chairman.

3. General Guides to Confidentiality

- A. Each Reserve Bank President is responsible for the conduct and discretion of his designated advisor and substitute and for safeguarding FOMC materials at his Bank.
- B. The President will review the basic principles of confidentiality with designated advisers, substitutes, and other staff members who are authorized access to FOMC materials at least once each year, at about the time he makes such designations.
- C. In the event of a change during the year in designated advisers or substitutes, (e.g., as a result of changes in staff or in staff assignments) the President shall review the principles of confidentiality with the newly designated staff member at the time the new designation is made.
- D. Rules to safeguard FOMC materials are to be developed at each location which, at a minimum, require securing Class I and the more sensitive

-5-

Class II documents at night, limiting desk exposure of such documents, and providing locked records storage with limited handling and restricted access. Copies of such rules shall be supplied to the Secretary.