



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

March 19, 1984

CONFIDENTIAL (FR)  
CLASS II - FOMC

TO: Federal Open Market Committee  
FROM: Normand Bernard

Attached is the report of the ad hoc Subcommittee on Security of FOMC Proceedings and Documents [Messrs. Solomon (Chairman), Black, and Partee]. This report will be considered at the upcoming meeting of the Committee.

Attachment

CONFIDENTIAL (FR)

CLASS II FOMC

March 19, 1984

To: Federal Open Market Committee

From: Subcommittee on Security of FOMC  
Proceedings and Documents  
[Messrs. Solomon (Chairman), Black, and Partee]

The Subcommittee has examined existing rules for confidentiality of FOMC proceedings and documents in light of experience over the past nine years and the findings and recommendations of the recent GAO report. Written procedures relating to the confidentiality of FOMC information were last issued by the Committee in January 1975.<sup>1/</sup> In its report the GAO commented that "although the FRS has reasonable security arrangements in place,...the FRS could provide...better security by placing renewed emphasis on complying with written procedures, giving attention to some weaknesses in existing procedures, and conducting periodic Systemwide reviews of FOMC and FRS Board security procedures to ensure continued compliance."

The Subcommittee believes that reasonable security precautions are and have been in place, but that some tightening of existing rules would be prudent. The attached program for increased FOMC security, which we unanimously recommend, is designed to accomplish that objective. A copy of the memorandum containing the procedures currently in effect (covering note dated January 17, 1975) is also attached, as well as a copy of the Committee's published "Rules Regarding Availability of Information."

The proposed program is essentially based on the 1975 document and covers five areas: (1) attendance at FOMC meetings, (2) confidentiality

---

<sup>1/</sup> Section 271.6(f) of the Committee's published "Rules Regarding Availability of Information," a document that is reviewed annually in conjunction with the March organization meeting, prohibits the unauthorized disclosure of confidential FOMC information but that document does not spell out procedures for maintaining the confidentiality of such information.

of FOMC documents, (3) access to FOMC documents, (4) handling of FOMC documents, and (5) ongoing responsibility for confidentiality.

Explanatory material shown in brackets provides background information and identifies suggested changes; it would, of course, be deleted from the final version of the program as adopted by the Committee.

As part of the proposed program, we recommend replacing the two existing FOMC security classifications (Classes I and II) with three (Classes I, II, and III), and making certain adjustments, as indicated in the proposal, in the classification of specific documents. Access to the first two classes proposed would be somewhat more restrictive than at present for those classes. The number of staff with access under the current and proposed rules is shown in the table below.

	<u>Current</u>	<u>Proposed</u>
Class I	86	67 <sup>1/</sup>
Class II (including Class I)	348	183
Class III		"need-to-know"

---

<sup>1/</sup> The reduction from 86 to 67 is in a sense even greater because of the proposed reclassification of the 11:15 a.m. open market call report from Class II to Class I; access to that call would be reduced from the present 138 to 67.

PROGRAM FOR SECURITY OF FOMC INFORMATION

(1) Attendance at FOMC Meetings

[This section is not changed from its counterpart in the 1975 document apart from a new introductory sentence and an updating of titles.]

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.<sup>1/</sup>
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.<sup>1/</sup>

---

<sup>1/</sup> 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.

-2-

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.

(2) Confidentiality of FOMC Documents

[Three security classifications are proposed to replace the two classifications currently in use, and provision is made for lowering the classification of Class I and Class II documents after some period has elapsed for the purpose of permitting wider staff access to information to aid in research and policy analysis. The Subcommittee proposes limiting the access to most Class I documents to 4 persons at each Reserve Bank other than New York and to 7 persons for Class II documents. No numerical limits are proposed for Class III documents. As proposed in sub-item A(3), there would be a very restrictive distribution and access to newly adopted directives at each meeting.]

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>
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>2/</sup> Questions about such security classifications should be referred to the Secretariat.

---

<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.

<sup>2/</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.

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.

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

[The new rules for access to FOMC documents call for some tightening in three respects. (1) Access to Class I documents at Reserve Banks other than New York is reduced to 4 persons. (2) Access to Class II material, i.e. Part I of the Greenbook (and the Bluebook after the intermeeting period), is limited to 7 persons. For Board and New York Bank staff the rule now calls for a careful review of access lists at least once each year; this is not a change but it is expected that those lists will again be reviewed in the spirit of the proposal. (3) Instructions for transmitting and maintaining access lists (Section (4) below) have also been tightened and, among other changes, now include a requirement for maintaining lists of support staff at each location.]

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 officers. A more restrictive exception applies 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.<sup>2/</sup> (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 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.

---

<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.

<sup>2/</sup> It is tentatively estimated that access to Class I documents would be reduced by about 5 staff members at the New York Bank and at the Board. Access to Class II documents such as Part I of the Greenbook would be reduced by about 6 staff members at the New York Bank and at the Board.

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. In addition, a staff member not on the access list for a particular document may be authorized by a Bank President, a Board Member (for personal assistants), or the Chairman for Board staff to consult that document in connection with an ad hoc assignment. Such an exception should be communicated promptly to the Secretariat.

D. Access outside the Federal Reserve

[This section is new but it recognizes existing practices. Greenbooks have been made available to the three specified government officials since at least the 1960s. The Managers' reports have also been furnished to certain Treasury officials for a long time. The weekly reports of the Manager for Domestic Operations currently do not contain any staff projections of the monetary and credit aggregates; they are sent to the Secretary of the Treasury, the Under Secretary, the Assistant Secretary for Domestic Finance, the Fiscal Assistant Secretary, and the Deputy Assistant Secretary for Debt Management.]

The Committee's policy of making most classified FOMC documents available to the public after a lag of about 5 years was initially associated with the policy of releasing the former memorandum of discussion after such a lag. The reports of the Manager for Foreign Operations have not been included to date in the materials that may be released after 5 years, but this exception no longer appears necessary. It is understood that prior to their release all documents containing information about the activities of foreign governments will be reviewed by appropriate staff and may be deleted after any necessary coordination with foreign officials.]

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 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.

(4) Handling FOMC Materials

[Guidelines 1 through 6 listed below are essentially unchanged from those adopted earlier; guidelines 7 through 10 are new additions intended to strengthen current procedures.]

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.

-10-

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.
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.

(5) Ongoing Responsibility for Maintaining Confidentiality

[This section tightens the earlier rules by the addition of "C" below and that part of "B" relating to the yearly circulation of the Committee's rules for staff review and acknowledgement.]

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 acknowledgement 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.