



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

CONFIDENTIAL (FR)
CLASS III - FOMC

TO: Board of Governors

DATE: March 2, 1993

FROM: Normand Bernard *W.B.*

SUBJECT: Annual Review of
Access List and Security Program

For your information, attached is a copy of a memorandum to the Presidents of the Reserve Banks requesting that they update their lists of individuals who have access to FOMC materials and that they conduct the annual review of the basic principles and rules of confidentiality, as required by the Committee's Program for Security of FOMC Information (copy attached).

The FOMC Secretariat will undertake the required review for Board staff members who have access to FOMC materials. It is anticipated that this review will be conducted within the next few weeks.

Attachment



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CONFIDENTIAL (FR)
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TO: Presidents of the Federal
Reserve Banks

DATE: March 2, 1993

FROM: Normand Bernard *N.B.*

SUBJECT: Annual Review of Access
List and Security Program

The "Program for Security of FOMC Information" (copy attached) requires that the lists of persons having access to FOMC documents "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 organization meeting."

Accordingly, if you have not done so in recent months, you are requested to forward an updated list of staff members who have access to Class I, Class II, and Class III documents, or, in the alternative, an indication that a list submitted previously is still germane. If a Reserve Bank President has determined that, for "need-to-know" reasons, additional staff members (other than those already designated as having access to Class I and Class II materials) should have access to documents that have been downgraded to Class III six months after the meeting to which those documents pertain, a separate list containing the names of such individuals should be provided.

Please note that section (5) of the Security Program (see p. 10) requires an annual "review of the basic principles and rules of confidentiality" with all staff members who are authorized to have access to FOMC materials.

Attachment

PROGRAM FOR SECURITY OF FOMC INFORMATION
(Amended February 2, 1993)

(1) Attendance at FOMC Meetings

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 Manager of the System Open Market Account ("Manager") and the Deputy Managers for Domestic and Foreign Operations. In their absence, 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.¹
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.¹
5. One assistant to the Manager from the Domestic Desk, Secretariat assistance, and a limited number of additional members of the Board's staff designated by the Chairman.

1. Advisers and substitutes are designated annually prior to the 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) Confidentiality of FOMC Documents

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, staff officials involved with the daily morning "call" from the Domestic Desk, the Secretariat, and the Manager and Deputy 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").²
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, B.2.(a) below, containing information on sensitive foreign exchange operations).³ Questions about such security classifications should be referred to the Secretariat.

B. Strictly Confidential (FR) - Class II FOMC

1. Reports of the Manager on domestic open market operations.
2. (a) Reports of the Manager on foreign operations,
(b) Daily Board wire on foreign exchange market developments.
3. Greenbook -- Part I.

2. These documents, which are in the nature of advices on daily actions, should not be retained in files for more than 90 days.

3. 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.

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

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 Federal Reserve personnel. 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.⁴

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

4. 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.

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. (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.

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 Secretariat 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 annual organization meeting. Questions regarding the names on these lists should be directed to the Secretariat. 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 "E" 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. The President of a Federal Reserve Bank may give the First Vice President access to Class I and Class II materials without regard to the relevant numerical limitations on such access in situations where the President will be absent from the Bank.⁵ 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. The latter type of exception should be communicated promptly to the Secretariat.

E. Access outside the Federal Reserve

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, bi-weekly, and summary (pre-FOMC meeting) reports prepared by the Manager may be sent to appropriate officials of the U.S. Treasury and to the Chairman of the Council of Economic Advisers upon request for their confidential use.

5. The Federal Reserve Banks should maintain an internal record of the instances when such access has been authorized.

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

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.
 7. Double-sealed envelopes should be used for mailing all Class I and Class II FOMC materials from the Board and the Reserve Banks. The inside envelope for Class I material 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 Manager's reports, should be handled through the Secretariat which 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

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 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.