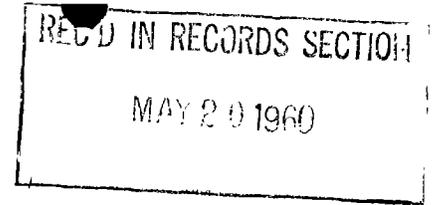




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



May 19, 1960

CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Young

There is enclosed for your information and files a copy of the letter sent by Mr. Hayes under date of May 17, 1960, to Mr. Leonard M. Horton, President of Aubrey G. Lanston & Co., concerning that firm's participation in the Treasury-Federal Reserve program of Government security market statistics. The sending of the letter was approved by the members of the Open Market Committee following distribution of the draft enclosed with my letter of May 13.

Advice has been received from the Federal Reserve Bank of New York that, in the light of Mr. Hayes' letter, representatives of the Lanston firm subsequently informed the Bank that the firm would cooperate in the statistical program.

There is also enclosed a copy of a letter sent by Mr. Hayes under date of May 17, 1960, to all Government securities dealers.

Very truly yours,


Ralph A. Young, Secretary,
Federal Open Market Committee.

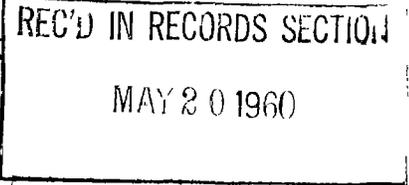
Enclosures

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FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, N.Y.

RECTOR 2-5700



May 17, 1960

Mr. Leonard M. Horton, President
Aubrey G. Lanston and Company, Inc.
20 Broad Street
New York 5, New York

Dear Mr. Horton:

This is in reply to your letter of May 10 addressed to Miss Madeline McWhinney and relating to the Treasury-Federal Reserve program of Government security market statistics. Your letter raised two points of procedure regarding the handling of reports of dealers to this Bank.

Concerning the first point, the major objective of the new Treasury-Federal Reserve program has been to develop data on the Government securities market appropriate for public information. We recognize, however, that prior to launching a continuing release of such statistics, some experience in the processing and interpretation of such data is necessary. Therefore, as explained in earlier meetings between our staff and members of your firm, we have planned an experimental period of data collection of several months duration, during which no statistics would be made public. Following this period of familiarization, we further plan to contact the dealers again regarding problems of publication. At that time we will solicit suggestions from each dealer on the content and form of series to be released as well as seek dealer views on the time lag between collection and release date. We have never proposed, however, to make our publication program in this area dependent on the individual approval of specific dealers as to the details of the aggregate data to be released.

Concerning your second procedural point relating to the exceptional conditions under which individual firm data will be available to persons outside the Market Statistics Department, I understand that Mr. Ralph A. Young of the Board's staff has already talked to Mr. Youngdahl at some length about the explicit procedures that the Treasury and Federal Open Market Committee have adopted in order to limit access to individual firm data to specially authorized occasions and persons. As Mr. Young indicated, with the exception of the few summary figures that may be requested by the Manager of the System Open Market Account for individual dealers seeking repurchase accommodations at this Bank, availability of individual firm data outside the Market Statistics Department under special conditions is expected to be rare.

To illustrate specifically the type of conditions under which such exceptional release of data could occur, I can perhaps be most helpful by listing the situations presented for the consideration of the Federal Open Market Committee at the time it authorized the new market statistics program:

1. The Manager of the Open Market Account may have full access to individual dealer reports in a market situation determined to be disorderly.

2. In other circumstances of an exceptional nature, the Market Statistics Department might be directed by the President of the New York Federal Reserve Bank to make selected or full detail of individual dealer reports available to qualified System officials designated for examination and study.

3. In connection with any Treasury financing, the Treasury might, on occasion, request the President of the Federal Reserve Bank of New York to direct that special data be supplied as to individual dealer holdings of issues specifically involved in, or closely related to, the financing in question.

It is impossible for us to foresee at this time how many special occasions for access to individual dealer reports might arise. If any respondent in the program would wish to raise the question after several months of experience, we foresee no reason at this time why an answer might not then be supplied. All instances of access to individual dealer figures will be reported to the Federal Open Market Committee and to the Treasury so that an official record will be maintained.

I am, naturally, pleased to be informed of your preparations to cooperate in our program. The expectation of the Treasury and the Federal Open Market Committee is, of course, that all of the dealers will respond cooperatively to our joint request for the statistical material needed to fulfill the program that both agencies are undertaking jointly, through the Federal Reserve Bank of New York, in the public interest. In closing, may I assure you that the handling, the processing, and any exceptional official access to individual dealer figures will be protected at all times by the strictest standards of confidentiality. The program will receive careful staff review from time to time and substantive or procedural changes believed to be desirable may be recommended in the light of such reviews.

Since these matters are of interest to all reporting dealers, we are passing the substance of this letter along to other dealers without mentioning your firm or referring specifically to the questions which you raised.

Sincerely yours,

/s/

Alfred Hayes
President