



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

CONFIDENTIAL (FR)

October 23, 1973

To: Federal Open Market Committee Subject: FOMC member
From: Chairman Burns contacts with Trading Desk

This memorandum has been prompted by the thought that it is useful to review from time to time the ground rules relating to FOMC member contacts with the System Account Manager regarding the execution of open market policy.

It is, of course, appropriate and desirable for members to take an active interest in the manner in which the Committee's operating instructions are carried out from day to day by the Desk. It is essential that the members keep in mind, however, that (a) the Manager's responsibility is to the full Committee, rather than to any individual member; (b) if the Manager has any doubts about his appropriate course of action, the proper procedure is for him to communicate with the Chairman; and (c) the Manager simply could not function if he were exposed to day-to-day comments and criticisms from 12 or 19 sources.

What, then, should a member do if he has questions as to whether the Desk's actual or prospective operations are consistent with the Committee's instructions? In the case of a President

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serving his turn on the daily conference call, his views on the program of operations planned for each day are routinely solicited in the course of the call. However, he should not expect that the Manager will necessarily follow his advice. Apart from the call, members with questions regarding Desk operations might appropriately telephone the Manager to get the background of his thinking. If they remain dissatisfied, however, they should not pursue the matter with the Manager; the orderly procedure is for them to communicate their views to the Chairman, who is in continual contact with the Manager directly or through the staff. The Chairman would assess the situation and, if necessary, consult with the full Committee by telegram or telephone conference. And, of course, the regular meetings themselves offer an opportunity for the members to express any views they might have regarding the thrust of operations and changes that they would propose for the future.