

February 16, 1970

To: Mr. Hackley

Subject: Proposed changes in Board

From: A. L. Broida

procedures re FOMC policy record entries.

The purpose of this memorandum is to suggest revisions, including a delegation of certain authority, in the procedures now followed by the Board with respect to FOMC policy record entries. The objective is to limit the occasions on which the Board as a whole formally considers such entries to those on which one or more Board members, or the Secretary, believes Board consideration would be desirable.

At present, the Board members (as well as Reserve Bank Presidents and staff) individually have an opportunity to comment on the preliminary draft entry prepared for each meeting of the Committee. In addition, the Board as a whole considers the entry for each meeting on two subsequent occasions:

1. When a revised draft, prepared in light of comments received on the preliminary draft, is submitted for approval for inclusion in the Board's Annual Report. This is done pursuant to Section 10(10) of the Federal Reserve Act, which requires that the Board shall keep a complete record of the Committee's actions on all questions of policy relating to open market operations and that it shall include a full account of such actions in its Annual Report to the Congress.

2. When the text is submitted for "final review" by the Board shortly before public release. Under the Committee's Rules Regarding the Availability of Information, release usually is about 90 days after the date of the meeting. The final review was instituted in mid-1967, when the current procedure was adopted of publishing the records on a flow basis with a 90-day lag. (Earlier, the records had been published only for a full year at a time, in the Board's Annual Report.) The main purpose of this second review is to determine whether any material in the entry is likely to prove prejudicial to the conduct of open market operations following publication.^{1/}

It is proposed that both regular reviews of the records by the Board be discontinued in favor of a procedure of selective review, on occasions when either any Board member or the Secretary believes that such a review is desirable. The two sections below deal respectively with the two types of reviews. In each case the proposed new procedures are briefly described and contrasted with those used at present.

Approval for inclusion in Annual Report.

The staff would continue its present practices of distributing preliminary draft records for each meeting for comment to members of the Board, Reserve Bank Presidents, and staff; revising the preliminary drafts in light of comments received; and distributing the revised

^{1/} An example of the kind of risk this procedure is intended to guard against (cited in a staff memorandum of June 15, 1967) is a situation in which, in light of the market conditions existing around the scheduled release date, particular passages in the record for the meeting 90 days earlier might be read as foreshadowing some particular policy course.

drafts to members of the Board. At this stage, the present practice is to place the record on the Board's agenda for approval for inclusion in the Annual Report.

Under the proposed procedure, when the revised draft record was distributed the Board members would be asked, by some designated reply date, to transmit to the Secretary any comments they had on the draft and, if they wanted the entry to be considered by the Board as a whole, to so inform the Secretary. In the absence of any request for Board review, the Secretary would be authorized to approve the entry for inclusion in the Board's Annual Report, taking account of any suggestions for further changes that had been received from Board members (or staff). With respect to such changes, he would be authorized to incorporate any that he considered desirable if he thought they were noncontroversial and thus unlikely to be objected to by any other Board member.

The Secretary would be instructed to submit the entry for consideration by the Board if (a) a Board member so requested; (b) a Board member and the Secretary disagreed about the appropriateness of some particular revision proposed by the former; or (c) the Secretary believed that some change proposed by a Board or staff member was desirable, but also thought that it might be questioned by one or more Board members.

At present, after the entries are approved by the Board they are distributed to Reserve Bank Presidents and staff primarily for information, but with an indication of the date by which further comments, if any, should be received. In cases in which the Board has decided that some change should be made from the revised text submitted for approval, Board members are included in this distribution so that they will have at hand a copy of the approved text. Under the proposed procedure, the same practice would be followed after the entry had been approved, whether by the Secretary or the Board. In particular, if further revisions had been made from the "revised draft" distributed to the Board earlier, Board members would be included in the new distribution and their attention would be called to the changes. In addition to providing the Board members with a copy of the latest text, this step would provide an opportunity to verify any judgments by the Secretary to the effect that particular revisions were non-controversial.

Final review.

As indicated earlier, the Board's present "final review" of each entry just prior to publication is primarily for the purpose of determining whether its language is likely to be prejudicial to the conduct of future open market operations. However, it also serves a second purpose: to bring to the Board's attention any further