

## **Staff Summary of Review of Potential Breach of FOMC Policies** **Protecting Confidential FOMC Information**

This is regarding a potential breach in 2012 of the policies of the Federal Open Market Committee (FOMC) protecting confidential information of the Committee. In particular, the potential breach relates to two articles published between the time of the September 12-13, 2012, FOMC meeting and publication of the minutes of that meeting on October 4, 2012.

One article was published in the Wall Street Journal (WSJ) on September 28, 2012, and appeared to disclose information about discussions of Committee participants around the June, August and September, 2012, FOMC meetings in apparent violation of the FOMC's policies regarding security of FOMC information. In particular, this first article included:

- Descriptions of the non-public views of some participants that appeared to have been disclosed by other participants. (As described below, all participants are permitted to disclose their own views about monetary policy, but participants are not permitted under the FOMC's policies to describe the views of another participant unless that participant has already expressed those views publicly.)
- The number of policy alternatives considered by the Committee at its September meeting.
- The roles of various participants in the policy development.

Several days later, on October 3, 2012, an article was sent to clients of Medley Global Advisors. Nearly everything in this second article had previously been reported in the first article. However, the second article also made several predictions about what might be disclosed the next day in the FOMC minutes, and described a particular feature that it claimed was included in one of the communication options discussed at the FOMC meeting.

On September 28, 2012, Chairman Bernanke sent a note to the FOMC participants expressing his concern about the apparent leaks reflected in the first article, and reminding participants about the FOMC's policies on disclosure. On October 4, 2012, Chairman Bernanke informed the FOMC that he had asked the Secretary and

General Counsel of the FOMC to look closely into these matters and report back to him with their conclusions.

**Background on the FOMC’s program for information security and external communications policies.**

The FOMC has adopted a [Program for Security of FOMC Information](#) (Program) and [Policies on External Communications of FOMC participants](#) and staff (together with the Program, referred to as the [Policies](#)) that require confidential treatment of all FOMC information. FOMC participants (that is, all members of the Board of Governors and all Reserve Bank presidents, whether voting or non-voting) and all FOMC staff must annually agree to the Program, and must abide in their contacts with the public by the principles laid out in the Policies. ([The Program for Security of FOMC Information and Policies on External Communications](#) are available on the Board’s public website.)

The Policies aim to protect the confidentiality of the FOMC’s monetary policy deliberations, and to prevent the disclosure of information in a manner such that any individual, firm, or organization could profit from acquiring that information. To this end, the Policies contain a variety of self-imposed limitations on communications by FOMC participants and Federal Reserve staff with access to FOMC information. For example, the Policies state that:

- An FOMC participant may publicly discuss his/her own views about monetary policy. However, participants have agreed not to describe the views or statements of other participants if the other participant has not already made his/her views public.
- Participants have agreed not to describe discussions at FOMC meetings beyond what is disclosed in the public minutes.
- Participants have agreed to refrain from describing their personal views about monetary policy in any meeting or conversation with any individual, firm, or organization who could profit financially from acquiring that information unless those views have already been expressed in their public communications.
- Participants have agreed to avoid giving a “prestige advantage” to outsiders through meetings or discussions.

- Similar policies apply to staff with access to FOMC information.

To monitor and address breaches of the Policies, the Program requires that the FOMC's Secretary and General Counsel perform an initial review, in consultation with the Chairman of the FOMC, of any reported incident of a breach of the Program. Under the Program, the General Counsel determines, in light of the review, whether to request the Board's Inspector General to perform a full investigation of the incident.

### **Review by FOMC Secretary and General Counsel**

The two articles both contained information that appeared to indicate a breach of the Program. While the FOMC had already announced its monetary policy decision about two weeks before the first article appeared, both of the articles contained information about the views of various FOMC participants that appeared to have been revealed by a person other than the participant him or herself. (As noted earlier, under the FOMC Policies, participants are permitted--except during a designated black-out period--to publicly discuss their own views about monetary policy. However, participants have agreed not to discuss the views of another participant unless that second participant has made his or her views public.)

Both articles also mentioned the number of alternative policy options considered by the FOMC at its September meeting. The second article in addition referenced a particular feature of the communications options discussed at the FOMC meeting.

Beginning in early October, 2012, the Secretary and General Counsel and their staffs contacted more than 300 individuals who had attended the June, August or September 2012 FOMC meetings or who had access to the relevant Class I FOMC information during the period from June 1, 2012, through October 3, 2012. This period covered the time beginning before the preparation of the Tealbook for the June FOMC meeting mentioned in the first article through the date of publication of the second article.

This review included requesting and obtaining information about contacts, including personal contacts, e-mails, and phone conversations, each individual had with either of the two authors of the articles or any other person at their respective organizations during that period. The Secretary and General Counsel and their staffs also interviewed about 60 individuals. These included all FOMC participants, any staff with access to the relevant Class I FOMC information who

reported contact with either of the two authors (or any other person at their respective organizations) during the relevant period, and all heads of public affairs at the Board and the Reserve Banks.

The Secretary and General Counsel prepared a report of their review and presented the report and a summary memo to Chairman Bernanke in mid-March, 2013. The review found that, before publishing the first article, its author had talked, in some cases multiple times, with every Reserve Bank president and most members of the Board of Governors. He had also spoken to a number of staff members. He used a variety of interviewing methods to obtain information about the views of participants and some of the matters discussed at the FOMC meeting. These disclosures appeared to be unintentional or careless and none of the disclosures involved details of FOMC policy proposals or actions.

Only a few Federal Reserve personnel covered in the review reported having contact with the author of the second article. Moreover, nearly all of the information in the second article appeared previously in the first published article. The Secretary and General Counsel were not able to determine the source of the reference in the second article to the particular feature of the communications options.

The various interviewing methods used by the two authors to try to obtain information from Federal Reserve personnel led the Secretary and General Counsel to make a series of recommendations regarding interactions with the press and others seeking insight into FOMC matters.

In early March 2013, before the report was completed, the General Counsel was informed by the Board's Inspector General that the latter was investigating the apparent leaks reflected in the second article. The Inspector General also indicated, however, that this information could not be disclosed other than to Chairman Bernanke and the Secretary in order to ensure that the IG's investigation was not compromised.

The summary memo of the Secretary and General Counsel was provided to the FOMC at its March 19-20, 2013 meeting.