

REC'D IN RECORDS SECTION

JAN 8 1960

January 7, 1960

TO: Federal Open Market Committee SUBJECT: Information Program for
the Government Securities
Market

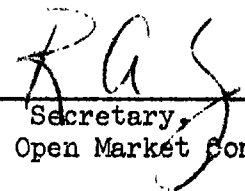
FROM: Ralph A. Young

At its meeting of October 13, the Committee requested the staff to bring forward a specific program, under Treasury-Federal Reserve auspices, for the collection and publication of information about the Government securities market. In carrying out this assignment, it has seemed appropriate to work through the steering group and associated staff of the Government Securities Market Study. The report of this group is attached.

The program which this group proposes would continue responsibility for surveys of ownership of Government securities in the Treasury and responsibility for statistics relating to market operations in the Federal Reserve. Accordingly, the Treasury participants in the report have not shared in the administrative recommendations pertaining to the System's responsibility, except insofar as it impinges upon Treasury debt management responsibilities.

In putting the statistical program into effect, various unforeseeable problems will develop, for example, with regard to schedule content and the like. It is suggested that the Committee delegate to the staff authority for resolving these technical problems without referring them back for Committee consideration.

The staff that has been associated in the preparation of the attached report has included, in addition to myself: Albert Koch and Peter Keir of the Board's staff, John Larkin and Robert Roosa of the New York Bank's staff, and Robert Mayo and Duane Saunders of the Treasury's staff.


Secretary,
Federal Open Market Committee

Attachment

1-5-60

Implementation of Treasury-Federal Reserve Program of
Information about the Government Securities Market
Report of Steering Group

ELEMENTS OF AN ADEQUATE INFORMATIONAL PROGRAM FOR THE GOVERNMENT
SECURITIES MARKET

1. Broadened and more reliable substantive reporting by Government securities dealers.
2. Regular publication of information on market volume, dealer positions, and dealer borrowing.
3. Development of composite financial statements for Government securities dealers for such public information use as experience shows to be appropriate.
4. Strengthened and more promptly available data on ownership of Federal debt.
5. Broadened reporting and dissemination of price and yield information.
6. Preparation and publication of such historical data on dealer positions and borrowing and such other information as may be appropriately compiled and publicized.

DIVISION OF RESPONSIBILITY IN EFFECTUATING PROGRAM

1. The Federal Reserve System should continue to have operational responsibility for assembly of information collected from or through Government security dealers.
2. The Treasury should continue to have operational responsibility for the collection and dissemination of information on the ownership of Government securities.
3. The informational plans of each agency should have the advisory review and suggestions of the other.

RECOMMENDED DATA COLLECTION PROGRAM FOR GOVERNMENT SECURITY DEALERS

1. The following data on market operations should be obtained daily from all Government securities dealers with whom the Securities Department of the Federal Reserve Bank of New York engages in transactions pursuant to the directions of the Federal Open Market Committee.
(Sample reporting schedules are attached as Appendix A)
 - a. Transaction volume data -- gross purchases and sales reported by type and maturity of issue and by major investor groups, excluding commitments involving repurchase agreements.

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- b. Position data -- gross long and short positions reported on a maturity basis by type and maturity of issue, including commitments to buy under repurchase agreements.
 - c. Sources of funds -- loans and repurchase agreements reported separately and classified:
 - (1) by supplier of funds (New York banks, other banks, nonfinancial corporations, and others),
 - (2) whether in federal funds or clearing house funds, and
 - (3) for repurchase agreements, by term (one day and over one day).
2. In addition to these broadened daily reports, it is recommended that dealers be asked to make the following additional reports on a less frequent basis.
- a. Repurchase contracts
 - (1) Weekly reports showing due dates of repurchase contracts outstanding--designed to point up key dates on which maturities concentrate and to quantify the volume of long-term repurchase contracts.
 - (2) Special reports, to be called for at irregular intervals, showing the specific security issues involved in fixed date repurchase contracts of longer maturity.
 - b. Statement of financial condition -- reports to be submitted quarterly, but one each year to be certified by an independent firm of accountants in the case of nonbank dealers.

Standardized content and form*

For nonbank dealers specializing in Government securities -- balance sheet and summary income statement.

For nonbank dealers engaged in other securities business as well -- balance sheet and summary income statement with notations as to portion thereof attributable to Government securities function.

For bank dealers -- bank capital and income data attributable to Government securities function.

* Copy of financial statement reports of nonbank dealers to be available to Trading Desk of Federal Reserve Bank of New York for the purpose of appraising creditworthiness and financial standing.

- c. Ownership of Government securities -- end-of-month data to be collected for Treasury survey of ownership.

Reconciliation report designed to adjust end-of-month dealer position data from a commitment to an actual ownership basis, making it consistent with ownership reports from other investors. For this purpose dealer repurchase data would be reported by major investor group.

RECOMMENDED CHANGES IN OTHER DATA COLLECTION PROGRAMS

1. Treasury Survey of Ownership

- a. More rapid collection and processing of data already being obtained from commercial banks, insurance companies, and savings banks.
- b. Expansion of Survey coverage to include ownership data from non-financial corporations, State and local government agencies, and savings and loan associations.

2. Price and Yield Data

- a. Gathering, computing, and reporting on prices and yields by the Federal Reserve Bank of New York should be reviewed with a view to:
 - (1) Broadened reports for public dissemination,
 - (2) Formalized reporting and derivation of price and yield series to meet Treasury needs for complying with legislative directives, and
 - (3) Extension of data to cover price fluctuations within trading day.

RECOMMENDED ADMINISTRATIVE ACTIONS TO IMPLEMENT SYSTEM PROGRAM OF DEALER INFORMATION

1. The Federal Open Market Committee should request the Federal Reserve Bank of New York to establish a Department of Statistics on Market Operations, assigned to the Research and Statistics function and headed by an officer of that Bank, to have day-to-day responsibility for compiling and making available such statistics.
2. On establishment, the new Department should proceed with plans for collecting, processing, tabulating, and distributing, within the System and the Treasury--and eventually for publishing--data obtained from all Government securities dealers with whom the Securities Department of the Federal Reserve Bank of New York transacts business.

- a. The officer in charge of the new Department, assisted by other officers or staff of the Federal Reserve Bank of New York and perhaps of the Federal Open Market Committee, should proceed forthwith to discuss with all potential respondents the aims of the new program and the details of the reports desired.
 - b. In preparation for these discussions, a letter signed by the Secretary of the Treasury and the Chairman of the Federal Open Market Committee should be sent to all potential respondents outlining the new program and indicating that full collaboration is anticipated. A draft of the proposed letter is attached as Appendix B.
3. Once arrangements have been completed for regular reporting of all requested data by the dealers to the new Department of Statistics on Market Operations, present reporting of data to the Trading Desk of the Federal Reserve Bank of New York should be terminated and the custody of all dealer reports, current and historical, should become the confidential responsibility of the new Department of the New York Bank, as representative of the Federal Open Market Committee and the Treasury. Transfer of the historical record will require approval of the dealers.
- a. The new Department should promptly process all daily reports in order to make aggregate tabulations available to the Manager of the System Open Market Account and his staff by the opening of the market each day, covering the volume, dealer positions, and dealer borrowing of the preceding day.
 - b. The Department should concurrently transmit tabulations of such data by wire to appropriate officials of the Board and the Treasury and to any other System officers designated by the Federal Open Market Committee.

- c. The Department should also prepare and distribute weekly average computations and other tabulations as well as originate graphic presentations of data for the use of designated personnel.
- d. To control confidentiality of respondent reports, the Department should provide data to all qualified recipients only in such form as to preclude identification of individual dealer information. This procedure should be followed for a trial period of several (say six to nine) months. After that period, reports concerning experience with the new arrangements should be submitted to the Federal Open Market Committee and the Treasury by all parties concerned and decision as to continuance or modification of the program should be made in the light of these reports.
 - (1) During this experimental period the following exceptions would apply for release of individual dealer data outside the new Department:
 - (a) In making repurchase agreements the Manager and his staff will need some detailed information on individual dealers, to provide a basis for evaluating each dealer's current situation. On request of the Manager, the Department shall make available to him the total position, total securities eligible for repurchase agreement with the New York Reserve Bank, and total borrowings (by sources) for individual dealers.
 - (b) In the event of any market developments judged to be verging on or actually to constitute a disorderly situation, all details of individual dealer holdings, volume, and borrowings would be made available to the Manager of the Open Market Account.

- (c) In other circumstances of an exceptional nature, the Department might be directed by the President of the Federal Reserve Bank of New York to make selected or all details of individual dealer data available to the desk or other qualified officials of the System for their examination and study.
 - (d) In connection with any Treasury financing, the Treasury might, on occasion, request the Department to supply special data as to dealer holdings of issues specifically involved in, or closely related to, the financing in question.
4. After an initial experimental period the new Department should propose a detailed program for current release to the press, and official publication, of selected composite market data on an aggregative basis, which it would administer, subject to review at appropriate intervals by the Federal Open Market Committee and the Treasury.
5. After this informational program for the Government securities market is well established, the New York Federal Reserve Bank, in consultation with the Federal Open Market Committee, where appropriate, should consider what other data gathering and informational functions might be combined with those covering the Government securities market per se under the new Department.
- a. These may include the assembling of wire reports on bank reserve positions, of data on Federal funds transactions and rates, of data on the other borrowings of New York City banks, and the preparation of projections of the various factors affecting bank reserve positions.

6. The new Department should be expected to develop an analysis staff, and continually to explore possibilities for broadening, or reducing, or otherwise improving all data concerning the operations of Government securities and money markets that may be helpful to the Federal Open Market Committee, to the Manager of its Account, or to the Treasury.
 - a. As a corollary, the Department should undertake the preparation of historical time series covering any aspects within its sphere of interest for which data may be obtainable.
 - b. The Department should also conduct studies of dealer operations, insofar as these may be based on group aggregates that preserve essential safeguards against disclosure of individual dealer operations.
 - c. The Department may prepare materials to be included in, or to accompany, the reports regularly submitted to the Federal Open Market Committee by the Manager of the System Open Market Account. Preparation of such materials would be expected to develop after the Department had been well established and all initial problems of operations had been resolved.

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APPENDIX A

SCHEDULE A

**DAILY REPORT: VOLUME OF DEALERS' TRANSACTIONS IN U. S. GOVERNMENT
AND FEDERAL AGENCY SECURITIES BY TYPE OF CUSTOMER AS OF CLOSE OF BUSINESS OF TRADING DAY _____**
(In hundreds of thousands of dollars)-

	Volume of transactions with 1/											
	Other dealers in Government securities		Other dealers and brokers		Commercial banks		Savings institutions		Nonfinancial business corporations		State gov ag	
	Pur- chases	Sales	Pur- chases	Sales	Pur- chases	Sales	Pur- chases	Sales	Pur- chases	Sales	Pur chas	
<u>U. S. Government securities</u>												
<u>Treasury bills</u>												
92 days or less												
Over 92 days												
<u>Certificates</u>												
<u>Notes</u>												
Due within 1 year												
Due within 1-5 years												
<u>Treasury bonds</u>												
Due within 1 year												
Due within 1-5 years												
Due within 5-10 years												
Due within 10-20 years												
Due in over 20 years												
<u>When-issued securities</u>												
(By issue)												
Totals												
<u>Securities of Federal agencies</u>												
Due within 1 year												
Due in over 1 year												

1/ Do not include securities sold under repurchase agreement.

Memorandum Item:
Give transactions by type of customer for certificates, notes, and bonds due within 30 days and for other outstanding securities not due within 30 days but involved in Treasury refundings.

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APPENDIX A

SCHEDULE B
DAILY REPORT: DEALERS' POSITIONS IN U. S. GOVERNMENT AND FEDERAL AGENCY
SECURITIES AS OF CLOSE OF BUSINESS OF TRADING DAY
(In hundreds of thousands of dollars--00,000 omitted)

U. S. Government Securities	Gross Long Position		Gross Short Position	Net Position Trading and Invest. A/C's
	Trading Account 1/	Investment Account 1/		
<u>Treasury bills:</u>				
92 days or shorter	_____	_____	_____	_____
Over 92 days	_____	_____	_____	_____
<u>Certificates of indebtedness</u>	_____	_____	_____	_____*
<u>Treasury notes:</u>				
Due within 1 year	_____	_____	_____	_____*
Due within 1-5 years	_____	_____	_____	_____
<u>Treasury bonds:</u>				
Due within 1 year	_____	_____	_____	_____*
Due within 1-5 years	_____	_____	_____	_____
Due within 5-10 years	_____	_____	_____	_____
Due within 10-20 years	_____	_____	_____	_____
Due in over 20 years	_____	_____	_____	_____
<u>"When issued" securities:</u> (Name issues)				
.....	_____	_____	_____	_____
.....	_____	_____	_____	_____
.....	_____	_____	_____	_____
.....	_____	_____	_____	_____
Totals	_____ 2/	_____ 3/	_____	_____

*--Includes a total of \$ _____ securities due within thirty days and other securities not due within 30 days but involved in a Treasury financing operation.

1/ Securities sold under repurchase agreement should be included above in long position.

2/ Please enter here that part of total securities held in trading account which have been sold under fixed date repurchase contracts which terminate in more than 15 days \$ _____.

3/ Please enter here that part of total securities held in investment account which have been sold under fixed date repurchase contracts which terminate in more than 15 days \$ _____.

SECURITIES OF FEDERAL AGENCIES (not directly guaranteed by the U. S. Government)

	Gross Long Position		Gross Short Position	Net Position
	Trading A/C	Invest. A/C		
	_____	_____	_____	_____

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Appendix B

Draft of proposed Anderson-Martin letter advising dealers
of inauguration of a program of more adequate statistical
information about the Government securities market

In our July 24, 1959 statement on the findings of the Treasury-Federal Reserve Study of the Government securities market, we made it clear that the range of objective information about the market available to serve effectively the interests of the public as well as market participants was found to be inadequate. We also indicated our belief that an adequate information program could be put into operation, without the necessity of legislation, in the not-too-distant future. We are now requesting your collaboration in initiating and carrying out such a program.

We have agreed that the Federal Reserve System should assume active and primary responsibility for the conduct of this informational program. Accordingly, the Federal Reserve Bank of New York will establish a new Division of Statistics on Market Operations, to collect, process, and make the needed information available to the System and Treasury, and also for publication with appropriate safeguards to assure the confidentiality of individual dealer information. The officer of the Bank designated to head this new Division will be contacting you shortly regarding the specific information that will be requested.

Our joint Treasury-Federal Reserve study group has projected an informational program designed to satisfy the needs of the Government as well as growing public interest. The program will provide for

Appendix B (Cont'd) -- 2

collection of data covering transactions volume, dealer positions and borrowing, including financing under repurchase arrangements, and balance sheet and income statement information. Volume, position and borrowing data will be collected daily, but other information will be reported periodically.

The plan contemplates that the data collected systematically will be used only by our two agencies for a trial period. After the trial period, it would be expected that selected, aggregative data, would be published regularly on a current basis with appropriate time lag. At the earliest time feasible after this current informational program has been instituted, the historical data that have been collected for many years will be prepared for publication. The details of the publication plans will be discussed with you before they are put into effect.

We are fully appreciative of the fact that this program inevitably will require additional effort on the part of your organization. We believe you will agree, however, that the clear interest which the public has in the market for the securities of the United States Government requires that all principals do everything possible toward providing current information designed to encourage and help a better understanding of the functioning of the market.

Our staffs will be available to work with you in implementing this new program. We are grateful for your continuing cooperation.

Sincerely yours,

(Anderson-Martin)