



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

July 27, 1972

STRICTLY CONFIDENTIAL (FR)

To: Federal Open Market Committee

From: Arthur L. Broida

Enclosed for your information is a copy of a memorandum for the record dated today and entitled "Sub-committee actions relating to German swap line."

A handwritten signature in cursive script that reads "Arthur L. Broida".

Arthur L. Broida
Deputy Secretary
Federal Open Market Committee

Enclosure

To: FOMC Records

-2-

July 27, 1972

"We agree to deletion of revaluation clause on the understanding that the Bundesbank would be prepared to reinstate the revaluation clause in the event that the mark should be revalued in isolation among the G-10 currencies."

The Special Manager advised the Subcommittee members that the U.S. Treasury had no objection to this language, and he recommended its acceptance. They concurred in his recommendation, and the Special Manager therupon advised the German Federal Bank that the language in question was agreeable to the Federal Reserve.

This action was taken under the terms of paragraph 6 of the Authorization for System foreign currency operations, which authorizes the Subcommittee to act on behalf of the Committee when it is necessary to enable the New York Bank to engage in foreign currency operations before the Committee can be consulted. Activation of the System's swap line with the German Federal Bank was deemed to be urgently required, so that the System would be in a position to draw marks on short notice should it appear desirable to engage in further open market operations in marks under the program initiated on July 19, 1972; and the scheduled timing of certain consultations contemplated by the German authorities required an immediate response by the System to their proposal.

Attachment

the System. Although I cannot regard the Bundesbank's proposal as a satisfactory resolution of this question, there is probably nothing to be gained from further discussion. In the interest of bringing the matter to a close, I recommend, therefore, that the Subcommittee authorize the Account Management to accept the Bundesbank's proposal on the express understanding that such acceptance in no way implies System's agreement with the Bundesbank's position, but instead represents a compromise solution.

For the convenience of the Subcommittee, I am attaching copies of the various documents referred to above.

Att.