



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

April 3, 1978

STRICTLY CONFIDENTIAL (FR)  
CLASS I FOMC

TO: Federal Open Market Committee

FROM: Arthur L. Broida *ALB*

Attached for your information is a copy of certain recent correspondence between Governor Wallich and Under Secretary Solomon of the Treasury.

Attachment



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HENRY C. WALLICH  
MEMBER OF THE BOARD

March 21, 1978

The Honorable Anthony M. Solomon  
Under Secretary of the Treasury  
for Monetary Affairs  
Washington, D.C. 20220

Dear Tony:

Chairman Miller acting on behalf of the FOMC asked me to confirm in writing the oral arrangements he had reached with Secretary Blumenthal with respect to the continuation of our joint operations in German marks.

It is our understanding that once the ESF swap line with the Bundesbank is exhausted the Treasury will sell SDR to the Bundesbank to obtain Deutschemarks to finance forty per cent of our joint sales of marks. (I understand that technical agreement has been reached with the Bundesbank to effect such sales under the present IMF Articles of Agreement.) It was the sense of the FOMC that, if you should wish, prior to the amendment of the IMF Articles of Agreement, to delay sales of SDR, the Federal Reserve should be prepared to finance on its own account any required intervention if the Treasury agrees to reimburse the Federal Reserve within one week of any intervention for forty per cent of the sales of Deutschemarks at the average exchange rate associated with the intervention.

I would appreciate it if you would note your confirmation of this understanding on the bottom of this letter and return a copy to me.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Henry C. Wallich".

Henry C. Wallich