



# FEDERAL RESERVE

press release

For immediate release

June 12, 1968

The Board of Governors of the Federal Reserve System and the Federal Open Market Committee today released the attached record of policy actions taken by the Federal Open Market Committee at its meeting on March 14, 1968. Such records are made available approximately 90 days after the date of each meeting of the Committee and will be found in the Federal Reserve Bulletin and the Board's Annual Report.

Attachment

RECORD OF POLICY ACTIONS  
OF THE FEDERAL OPEN MARKET COMMITTEE

Meeting held on March 14, 1968

1. Authority to effect transactions in System Account.

In the period since the preceding meeting of the Committee speculative demands for gold in London and other foreign markets had swelled to massive proportions. On the day of this meeting, the British authorities had temporarily closed the London gold market and had declared a Bank Holiday for the following day; the Board of Governors had approved an increase in Federal Reserve Bank discount rates from 4-1/2 to 5 per cent, effective March 15; and arrangements were made for central bank governors of countries that had been actively participating in the London gold pool to meet in Washington on Saturday and Sunday, March 16 and 17, to consider their future policy with respect to gold. The purpose of this meeting of the Committee, which was held by telephone, was to review recent developments and make such changes in the Committee's policy instruments as appeared to be needed in light of those developments.

The Committee agreed that its current policy directive should be modified to permit adaptation of open market operations to the changed circumstances brought about by recent events, including the discount rate action. After discussion, the following current economic policy directive was issued to the Federal Reserve Bank of New York:

In light of recent international financial developments, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining firm but orderly conditions in the money market, taking into account the effects of increases in Federal Reserve discount rates.

Votes for this action: Messrs. Martin, Brimmer, Daane, Ellis, Hickman, Maisel, Mitchell, Robertson, Sherrill, Clay, Coldwell, and Treiber. Votes against this action: None.

Absent and not voting: Messrs. Hayes, Galusha, and Kimbrel. (Messrs. Treiber, Clay, and Coldwell, respectively, voted as their alternates.)

2. Amendment to authorization for System foreign currency operations.

At this meeting the Committee authorized the Special Manager to undertake negotiations looking toward increases, up to specified limits, in a number of the System's reciprocal currency arrangements, on the understanding that any such enlargements--and the corresponding amendments to paragraph 2 of the authorization for System foreign currency operations--would become effective upon a determination by Chairman Martin that they were in the national interest. Specifically, negotiations were authorized for increases up to varying maximum amounts, ranging from \$100 million to \$400 million equivalent, in the System's two swap arrangements with the Bank for International Settlements and in the arrangements with the central banks of Belgium, Canada, Italy, Japan, the Netherlands, Sweden, and Switzerland.

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Votes for this action: Messrs.  
Martin, Brimmer, Daane, Ellis, Hickman,  
Sherrill, Clay, Coldwell, and Treiber.

Votes against this action: Messrs.  
Maisel, Mitchell, and Robertson.

Absent and not voting: Messrs.  
Hayes, Galusha, and Kimbrel. (Messrs.  
Treiber, Clay, and Coldwell, respec-  
tively, voted as their alternates.)

This action was taken on the ground that enlargements of the swap arrangements should prove helpful in coping with flows of short-term funds in foreign exchange markets if such flows became heavy in the current highly uncertain environment. The Committee concurred in the view of the Special Manager that under existing conditions it would be desirable if negotiated enlargements were to become effective immediately upon a determination by the Chairman that they were in the national interest, thus obviating the need for further Committee action.

Messrs. Maisel, Mitchell, and Robertson dissented from this action because of reservations about the desirability, under current circumstances, of authorizing a substantial enlargement of the swap network before discussions were held with monetary authorities of other countries on means for coordinating international financial policies. They favored postponing consideration of increases in the swap arrangements until after the forthcoming week-end meeting of central bank governors.

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Subsequent to this meeting, on March 16, available members of the Committee (Messrs. Martin, Brimmer, Daane, Maisel, Mitchell, Robertson, and Treiber, the last voting as alternate for Mr. Hayes) voted unanimously to authorize the Special Manager to undertake negotiations looking toward an increase of \$250 million equivalent in the System's swap arrangement with the German Federal Bank, on the understanding that any such increase, and the corresponding amendment to the authorization for System foreign currency operations, would become effective upon a determination by Chairman Martin that it was in the national interest. Messrs. Maisel and Robertson indicated that they continued to hold the general reservations concerning swap line increases that they had expressed on March 14, but that they had voted favorably on this action because-- inasmuch as the Committee had taken the action it did on that date-- they thought it appropriate to include the swap line with the German Federal Bank in an enlargement of the swap network.

On March 17, available members of the Committee (Messrs. Martin, Brimmer, Daane, Ellis, Galusha, Maisel, Mitchell, Robertson, Sherrill, and Treiber, the last voting as alternate for Mr. Hayes) voted unanimously to authorize the Special Manager to undertake negotiations looking toward an increase of \$500 million equivalent in the System's swap arrangement with the Bank of England, subject to the same understanding as in the actions taken on March 14 and 16.

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On March 17 Chairman Martin determined that increases in the System's swap arrangements with the foreign banks listed below, in the indicated amounts (millions of dollars equivalent), were in the national interest:

Bank of Canada	250
Bank of England	500
German Federal Bank	250
Bank of Japan	250
Netherlands Bank	175
Bank of Sweden	50
Swiss National Bank	200
Bank for International Settlements:	
System drawings in Swiss francs	200
System drawings in other authorized European currencies	400

Accordingly, effective March 17, 1968, paragraph 2 of the authorization for System foreign currency operations was amended to read as follows:

2. The Federal Open Market Committee directs the Federal Reserve Bank of New York to maintain reciprocal currency arrangements ("swap" arrangements) for System Open Market Account for periods up to a maximum of 12 months with the following foreign banks, which are among those designated by the Board of Governors of the Federal Reserve System under Section 214.5 of Regulation N, Relations with Foreign Banks and Bankers, and with the approval of the Committee to renew such arrangements on maturity:

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Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	100
National Bank of Belgium	225
Bank of Canada	1,000
National Bank of Denmark	100
Bank of England	2,000
Bank of France	100
German Federal Bank	1,000
Bank of Italy	750
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	400
Bank of Norway	100
Bank of Sweden	250
Swiss National Bank	600
Bank for International Settlements:	
System drawings in Swiss francs	600
System drawings in authorized European currencies other than Swiss francs	1,000