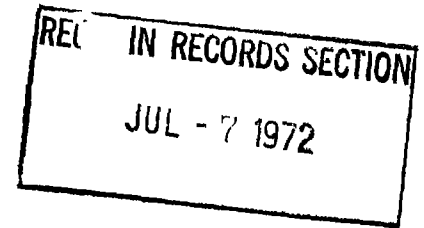




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



July 7, 1972

CONFIDENTIAL (FR)

To: Federal Open Market Committee

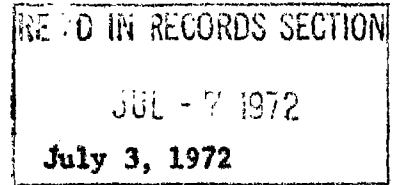
From: Arthur L. Broida

Enclosed for your information is a copy of a memorandum for the record dated July 3, 1972, and entitled "Disposition of Committee action of June 29, 1972."

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

Arthur L. Broida
Deputy Secretary
Federal Open Market Committee

Enclosure



FOMC Records

Disposition of Committee

Arthur L. Broida

action of June 29, 1972.

CONFIDENTIAL (FR)

On June 29, 1972, all members of the Federal Open Market Committee except Chairman Burns (who was absent from the country and did not vote) voted favorably on the proposed special FOMC authorization relating to direct Treasury borrowings from the Federal Reserve and the proposed amendment to procedures for allocation of securities in the System Open Market Account, as described in my telegram of that date, on the understandings that the special authorization would become effective if and when the Vice Chairman of the Board of Governors determined that it was in the national interest in light of delay in the enactment of new debt ceiling legislation, and that the amendment to allocations procedures would become effective if the Federal Reserve Bank of New York acquired any U.S. savings bonds for System Open Market Account from the Treasury on June 30, 1972. Before casting their votes, members of the Committee were informed of the circumstances leading to the proposed actions by staff members who had been involved in contingency planning discussions with the Treasury. (See minutes for meeting of the Board on June 29, 1972.)

Following the favorable vote, Governor Robertson advised me that he expected to make the determination that the special authorization was in the national interest if advice was received from the Treasury

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that in light of delay in the enactment of new debt ceiling legislation it was necessary for the Federal Reserve to act under the authorization, or that it was necessary to issue a public statement regarding sales of securities to the Federal Reserve under the authorization.

New debt ceiling legislation was enacted by the Congress late in the day on June 30, 1972. (The legislation was signed into law by the President early in the afternoon of July 1, 1972.) At approximately 9:40 p.m. (EDT) on June 30, 1972, I was informed by telephone by Mr. Richard Adams, Special Assistant to the Secretary of the Treasury, that in the Treasury's judgment neither action under the authorization nor issuance of a statement regarding sales of securities to the Federal Reserve was necessary. Accordingly, Governor Robertson did not make the determination that the special authorization was in the national interest, and that authorization did not become effective.

Since the System did not acquire any U.S. savings bonds from the Treasury on June 30, 1972, the amendment to Account allocations procedures did not become effective.

ALB:nlr

CRS