Attached is a copy of a telegram being sent today to the President-Members of the FOMC. If you vote to approve the Chairman's recommendation, please indicate by initialing below and returning this memorandum to my office.

Date [illegible]
The Management of the System Account advises that outright purchases of Treasury and Federal Agency securities since September meeting of the Committee have reduced leeway available for further purchases under limit on changes in System holdings specified in paragraph 1(a) of authorization for domestic open market operations to about $335 million, even though Committee had voted at its meeting on September 19, 1978, to raise the limit from $3 billion to $4 billion. As had been anticipated, large-scale purchases were required in late September to counter the effect on member bank reserves of a sharp increase in Treasury balances at the Reserve Banks arising from corporate tax receipts. It now appears likely that additional purchases will be required, as currency in circulation and other factors are absorbing reserves while Treasury balances are being maintained at a high level, in part because of purchases of special
Treasury securities by foreign central banks in association with their recent intervention in the foreign exchange markets.

Accordingly, Account Management recommends that limit specified in paragraph 1(a) be raised an additional $1 billion to $5 billion, effective immediately, for the period ending with the close of business on October 17, 1978.

Chairman Miller concurs in the recommendation.

Please advise promptly whether you vote to approve Chairman's recommendation.

ALTMANN

[Signature]
Office Correspondence

To BOARD MEMBERS (individually addressed)

From Murray Altmann

CONFIDENTIAL (FR)
CLASS II - FOMC

All Committee members have voted to approve the recommendation, described in my message of October 6, for a temporary increase to $5 billion in the leeway for System open market operations.
October 10, 1978

CONFIDENTIAL (FR)
CLASS II - FOMC

VOLCKER - NEW YORK
EASTBURN - PHILADELPHIA
WINN - CLEVELAND
WILLES - MINNEAPOLIS
BAUGHMAN - DALLAS

All Committee members have voted to approve the recommendation described in my message of October 6, for a temporary increase to $5 billion in the leeway for System open market operations.
All Committee members have voted to approve the recommendation, described in my message of October 6, for a temporary increase to $5 billion in the leeway for System open market operations.
For your information, the following message was sent to FOMC members on October 6.

"The Management of the System Account advises that outright purchases of Treasury and Federal Agency securities since September meeting of the Committee have reduced leeway available for further purchases under limit on changes in System holdings specified in paragraph 1(a) of authorization for domestic open market operations to about $335 million, even though Committee had voted at its meeting on September 19, 1978, to raise the limit from $3 billion to $4 billion. As had been anticipated, large-scale purchases were required in late September to counter the effect on member bank reserves of a sharp increase in Treasury balances at the Reserve Banks arising from corporate tax receipts. It now appears likely that additional purchases will be required, as currency in circulation and other factors are absorbing reserves while Treasury balances are being maintained at a high level, in part because of purchases of special
Treasury securities by foreign central banks in association with their recent intervention in the foreign exchange markets."

"Accordingly, Account Management recommends that limit specified in paragraph 1(a) be raised an additional $1 billion to $5 billion, effective immediately, for the period ending with the close of business on October 17, 1978."

"Chairman Miller concurs in the recommendation."

"Please advise promptly whether you vote to approve Chairman's recommendation."

All Committee members have voted to approve the recommendation.

ALTMANN

[Signature]
For your information the following message was communicated to FOMC members on October 6, 1978:

"The Management of the System Account advises that outright purchases of Treasury and Federal Agency securities since September meeting of the Committee have reduced leeway available for further purchases under limit on changes in System holdings specified in paragraph 1(a) of authorization for domestic open market operations to about $335 million, even though Committee had voted at its meeting on September 19, 1978, to raise the limit from $3 billion to $4 billion. As had been anticipated, large-scale purchases were required in late September to counter the effect on member bank reserves of a sharp increase in Treasury balances at the Reserve Banks arising from corporate tax receipts. It now appears likely that additional purchases will be required, as currency in circulation and other factors are absorbing reserves while Treasury balances are being maintained at a high level, in part because of purchases of special
Treasury securities by foreign central banks in association with their recent intervention in the foreign exchange markets."

"Accordingly, Account Management recommends that limit specified in paragraph 1(a) be raised an additional $1 billion to $5 billion, effective immediately, for the period ending with the close of business on October 17, 1978."

"Chairman Miller concurs in the recommendation."

"Please advise promptly whether you vote to approve Chairman's recommendation."

All Committee members have voted to approve the recommendation, described in my message of October 6, for a temporary increase to $5 billion in the leeway for System open market operations.

Mr. Axilrod
Mr. Bernard
Mr. Coyne
Mr. Kichline
Mr. Ettin
Mr. Keir
Mr. O'Connell
Mr. Truman