

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

January 21, 1981

STRICTLY CONFIDENTIAL (FR) CLASS I - FOMC

TO: Federal Open Market Committee

SUBJECT: Swedish drawing on swap line.

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FROM: Murray Altmann \mathbb{W} . \mathbb{W} .

On January 19, 1981, the Foreign Currency Subcommittee, acting pursuant to paragraph 1D of the Procedural Instructions with respect to Foreign Currency Operations, approved in principle drawings of up to \$200 million by the Bank of Sweden under the reciprocal currency arrangement with that Bank. The arrangement currently stands at \$500 million, having been increased from \$300 million effective May 23, 1980, for a period of one year in order to expand the short-term financing facilities available to the Bank of Sweden.

Prior to the Subcommittee's action, the Manager for Foreign Operations had advised that the krona had been under heavy selling pressure in recent weeks, that the Swedish authorities planned monetary and credit policy actions with a view to staunching the immediate outflow of funds, and that they were also negotiating a loan to finance the sizable current account deficit expected this year. In requesting the drawing, the Swedish authorities expressed the opinion that the drawing might be outstanding for up to three months, and also that they might

request additional drawings under the line. Under the procedural instructions, the Manager would clear with the Committee any drawings in excess of \$200 million.