



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

March 6, 1985

TO: Federal Open Market Committee

FROM: FOMC Secretariat

At its March organization meeting in recent years, the Committee has approved the renewal of its agreement with the U.S. Treasury to warehouse foreign currencies -- that is, to make spot purchases of foreign currencies from the Exchange Stabilization Fund (ESF) or the Treasury and simultaneously to make forward sales of the same currencies to the same party. That agreement provides that the Federal Reserve will be prepared, if requested by the U.S. Treasury, to warehouse up to \$5 billion of eligible foreign currencies for the U.S. Treasury or the ESF in order to enable the ESF to deal with potential liquidity strains.

The Treasury has indicated that it would find it useful to continue the warehousing agreement; Messrs. Truman and Cross concur in this view. Accordingly, the staff recommends that the agreement be renewed.

For your information, given below is a chronology of the amendments to this agreement since its initial approval on January 17, 1977.

January 17, 1977

The Committee agreed to a suggestion by Treasury Secretary Simon in a letter to Federal Reserve Board Chairman Burns dated January 14, 1977, that the Federal Reserve would provide warehousing arrangements for the Exchange Stabilization Fund of the U.S. Treasury (ESF) of \$1-1/2 billion of eligible foreign currencies, \$750 million of which would be available for periods of twelve months and the remainder for periods of six months.

December 14, 1978

The Committee agreed to provide for the warehousing of foreign currencies held directly by the Treasury as well as by the ESF.

December 19, 1978

The Committee agreed to raise the amount of eligible foreign currencies that the Federal Reserve would be prepared to warehouse for the U.S. Treasury or for the ESF to \$5 billion and to be prepared to warehouse such currencies for periods of up to 12 months.

March 18, 1980

The Committee reaffirmed, subject to annual review, its agreement that the Federal Reserve would be prepared to warehouse up to \$5 billion of eligible foreign currencies for the U.S. Treasury or the ESF and agreed to eliminate the 12-month limitation previously imposed on the period such currencies could be warehoused.