

T E L E G R A M

FEDERAL RESERVE COMMUNICATIONS SYSTEM

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

December 9, 1985

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

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The Manager for Domestic Operations, System Open Market Account has requested a \$1 billion increase in the usual \$6 billion leeway for changes in holdings of securities in the System Account between meetings of the Committee under paragraph 1(a) of the Authorization for Domestic Open Market Operations.

Since the November 4-5 meeting, outright purchases of nearly \$4.8 billion of Treasury securities have reduced the remaining leeway to slightly over \$1.2 billion. Projected reserve needs in the current and upcoming maintenance periods suggest the desirability of making additional outright purchases on the order of \$2 billion before the next regularly scheduled meeting on December 17. The recent and current reserve needs are mainly a result of seasonal increases of currency in circulation. Accordingly, the Manager requests a temporary increase of \$1 billion, to \$7 billion, in the intermeeting leeway, effective immediately. Chairman Volcker concurs in this recommendation.

Please advise Mr. Bernard whether you vote to approve the Manager's recommendation.

BERNARD