

Meeting of Federal Open Market Committee

March 14, 1968

MINUTES OF ACTIONS

A meeting of the Federal Open Market Committee was held on Thursday, March 14, 1968, at 5:30 p.m., at the call of Chairman Martin. This was a telephone conference meeting, and each individual was in Washington except as otherwise indicated in parentheses in the following list of those participating.

PARTICIPATING: Mr. Martin, Chairman
Mr. Brimmer
Mr. Daane
Mr. Ellis (Boston)
Mr. Hickman (Cleveland)
Mr. Maisel
Mr. Mitchell
Mr. Robertson
Mr. Sherrill
Mr. Clay, Alternate for
Mr. Galusha (Kansas City)
Mr. Coldwell, Alternate for
Mr. Kimbrel (Dallas)
Mr. Treiber, Alternate for
Mr. Hayes (New York)

Mr. Holland, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Molony, Assistant Secretary
Mr. Hackley, General Counsel
Mr. Hexter, Assistant General Counsel
Mr. Brill, Economist
Messrs. Axilrod, Hersey, Partee, Reynolds,
and Solomon, Associate Economists
Mr. Holmes, Manager, System Open
Market Account (New York)
Mr. Coombs, Special Manager,
System Open Market Account

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Mr. Cardon, Assistant to the Board
Mr. Sammons, Associate Director,
Division of International Finance,
Board of Governors
Mr. Kiley, Associate Director, Division
of Bank Operations, Board of Governors
Mr. Ring, Assistant Director, Division of
Bank Operations, Board of Governors
Mr. Gramley, Adviser, Division of Research
and Statistics, Board of Governors
Mr. Bernard, Special Assistant, Office of
the Secretary, Board of Governors
Mrs. Semia, Technical Assistant, Office of
the Secretary, Board of Governors
Miss McWhirter, Analyst, Office of the
Secretary, Board of Governors

Messrs. Bilby and MacLaury, Vice Presidents
of the Federal Reserve Bank of New York
(New York)
Mr. Geng, Assistant Vice President of the
Federal Reserve Bank of New York
(New York)

With Messrs. Maisel, Mitchell, and Robertson dissenting, the Committee authorized the Special Manager to undertake negotiations looking toward increases in a number of the System swap lines, on the understanding that any such increases and corresponding amendments to paragraph 2 of the authorization for System foreign currency operations would become effective upon a determination by Chairman Martin that they were in the national interest. Negotiations were authorized for increases in the swap lines with the following foreign banks to new levels not exceeding the amounts indicated (millions of dollars equivalent):

National Bank of Belgium	400
Bank of Canada	1,000
Bank of Italy	1,000

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Bank of Japan	1,000
Netherlands Bank	400
Bank of Sweden	300
Swiss National Bank	600
Bank for International Settlements:	
System drawings in Swiss francs	600
System drawings in other authorized European currencies	1,000

It was agreed that the Committee would take a more liberal view for the time being of the time period appropriate to swap drawings.

Secretary's note: On March 17, Chairman Martin determined that negotiations had been satisfactorily completed with respect to increases, to the levels indicated above, in the swap lines with (1) the Bank of Canada, (2) the Bank of Japan, (3) the Netherlands Bank, (4) the Swiss National Bank, and (5) the Bank for International Settlements. On March 17 Chairman Martin made the same determination with respect to an increase in the swap line with the Bank of Sweden to \$250 million equivalent.

Also, members of the Committee authorized the Special Manager to undertake negotiations looking toward increases in the reciprocal currency arrangements with (1) the German Federal Bank, from \$750 to \$1,000 million equivalent, on March 16, 1968; and (2) with the Bank of England, from \$1,500 to \$2,000 million equivalent, on March 17, 1968. It was understood that such increases and the corresponding amendments to paragraph 2 of the authorization for System foreign currency operations would become effective upon a determination by Chairman Martin that they were in the national interest. Chairman Martin so determined on March 17, 1968. Messrs. Robertson and Maisel, in voting to approve the negotiation of a

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swap line increase with the German Federal Bank, noted that they continued to hold the general reservations concerning swap line increases at this juncture that they had expressed at the telephone conference meeting of the Committee held on March 14, but that since the majority of the Committee had approved such increases they felt it was appropriate that Germany also be included.

As a result of these actions, the table contained in paragraph 2 of the authorization for System foreign currency operations was amended, effective March 17, 1968, to read as follows:

Foreign bank	Amount of arrangement (millions of dollars equivalent)
Austrian National Bank	100
National Bank of Belgium	225
Bank of Canada	1,000
National Bank of Denmark	100
Bank of England	2,000
Bank of France	100
German Federal Bank	1,000
Bank of Italy	750
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	400
Bank of Norway	100
Bank of Sweden	250
Swiss National Bank	600
Bank for International Settlements:	
System drawings in Swiss francs	600
System drawings in authorized European currencies other than Swiss francs	1,000

By unanimous vote, the Federal Reserve Bank of New York was authorized and directed, until otherwise directed by the Committee, to

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execute transactions in the System Account in accordance with the following current economic policy directive:

In light of recent international financial developments, System open market operations until the next meeting of the Committee shall be conducted with a view to maintaining firm but orderly conditions in the money market, taking into account the effects of increases in Federal Reserve discount rates.

By unanimous vote, procedures with respect to allocation of securities in the System Open Market Account were revised to read as follows:

1. The Board's Division of Bank Operations shall assemble, in the morning of each business day, data on the Federal Reserve note liability of each Bank and total gold reserves of each Bank for the preceding day.

2. The Division of Bank Operations shall determine from these data the amount of adjustment needed in each Bank's gold reserves to equalize, to five places to the right of the decimal with the last digit rounded, the reserve ratios of the 12 Federal Reserve Banks at the close of business on the preceding day. The amount of adjustment, rounded to the nearest dollar, will be furnished to the Federal Reserve Bank of New York.

3. The Federal Reserve Bank of New York shall then reallocate the securities in the System Open Market Account as of the preceding day in such a way as to provide each Bank with a net settlement as close as possible to the amount of adjustment in paragraph 2.

4. The Board's staff and each Federal Reserve Bank shall then be notified of the amounts involved and the Interdistrict Settlement Fund may be closed after giving effect to the adjustments.

5. Profits and losses on the sale of securities from the Account shall be allocated on the day of

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delivery of the securities sold on the basis of each Bank's current holdings at the opening of business on that day.

It was agreed that the next meeting of the Committee would be held on Tuesday, April 2, 1968, at 9:30 a.m.

The meeting adjourned.


Secretary