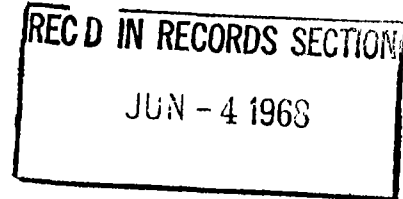




BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551



June 3, 1968.

STRICTLY CONFIDENTIAL (FR)

TO: Federal Open Market Committee

FROM: Mr. Holland

Attached for your confidential reference is a staff memorandum dated June 3, 1968, summarizing Treasury views concerning "backstopping" of Federal Reserve swap arrangements.

A handwritten signature in cursive script, appearing to read "Robert C. Holland".

Robert C. Holland, Secretary,
Federal Open Market Committee.

Attachment

- 2 -

Issues

1. As the Treasury sees it, we should keep in our hands all present "settlement" options, and give no commitment to settle in gold. The present ad hoc arrangements for settlement of non-reversed flows of funds have worked out fairly well, and it would be unwise to give even an implied commitment to settle in gold.

2. While the Treasury must naturally continue its long-standing commitment to "take out" a matured Federal Reserve swap by use of the basic reserve resources of the United States (gold, IMF drawings, foreign currency-denominated securities, and--in the future--Special Drawing Rights), the evolution of swap drawings into an interim financing device that is likely to require more "funding" than in the past means that closer policy and operational consultation on swap usage probably needs to be worked out between the Treasury and the Federal Reserve for the future.

3. Consideration should also be given to somewhat longer terms for swap drawings, although they should still be repaid within a year.