

-2-

At the time the guidelines were issued and made public, the Committee made it clear that the guidelines would be subject to review and revision as operating experience was gained. A broad review of the Desk's experience with operations in Agency issues will be submitted to the Committee prior to the annual meeting of the FOMC in March. In the meantime, however, I recommend that the guidelines be amended to apply the minimum size of issue limitation to issues at the time of issue, rather than at the time of purchase. The guideline would then read:

"Purchases will be limited to issues outstanding in amounts of \$300 million or over in cases where the obligations have a maturity of five years or less at the time of issuance, and to issues outstanding in amounts of \$200 million or over in cases where the securities have a maturity of more than five years at the time of issuance."