



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

October 13, 1977

CONFIDENTIAL (FR)

CLASS II FOMC

TO: Federal Open Market Committee      SUBJECT: Limit on direct  
FROM: Arthur L. Broida *ALB*                      lending to Treasury

On September 30, 1977, Committee members voted to increase from \$2 billion to \$3 billion the limit, specified in paragraph 2 of the authorization for domestic open market operations, on Federal Reserve holdings of special short-term certificates of indebtedness purchased directly from the Treasury.

This action was taken on the recommendation of Chairman Burns. The Chairman had advised the Committee that the current temporary debt ceiling of \$700 billion would expire at midnight on September 30, 1977; that unless Congressional action to extend the temporary ceiling was completed before that time, the ceiling would revert to its permanent level of \$400 billion; and that under the temporary ceiling, the Treasury had leeway to borrow an additional amount between \$2 billion and \$3 billion and had requested that the System stand ready to purchase that day directly from the Treasury such amounts of special short-term certificates of indebtedness as the Treasury might be able to issue under the temporary ceiling.