



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

STRICTLY CONFIDENTIAL (FR)
CLASS II - FOMC

TO: Federal Open Market Committee

DATE: November 17, 1987

FROM: Normand Bernard

N.B.

SUBJECT: Termination of Liberalized
Terms for Lending Securities to
Dealers.

For your information the following message is being communicated from Mr. Sternlight regarding System loans of securities:

"The Manager of the System Open Market Account advises that market circumstances no longer appear to require the added flexibility granted on the lending of securities from the System Open Market Account. Accordingly, the Manager plans to terminate the temporarily broadened access to the System's lending facility effective November 19, 1987. Dealers made moderate use of the liberalized program during the period October 22 to November 16, 1987. While outstanding balances rose about 75 percent above the 1987 norm on a few occasions, they averaged about 20 percent above that norm for the full period. By November 16, the amount of securities on loan was slightly under the average for the year thus far. While System holdings of issues in tightest supply were limited, the Manager believes that the suspension of normal limits was helpful to the Treasury market during a trying period."