

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 16, 1990

To Federal Open Market Committee

Subject: Committee Approval of Liberalized

From Normand Bernard N.B.

Terms for Lending Securities to Dealers

STRICTLY CONFIDENTIAL (FR)
CLASS I - FOMC

Available members of the Committee were canvassed in person and by telephone today and approved a recommendation from Mr. Sternlight to broaden temporarily the terms and conditions for access by U. S. government securities dealers to the System's lending facility. The nine members contacted gave their approval. Governors LaWare and Seger were absent and could not be reached on a timely basis for this action.

As has been done on several occasions in the past, most recently in October 1987, the Manager recommended that the Committee temporarily suspend the size limits imposed on securities lending operations and the requirement that such lending not be related to short sales. This action was taken to facilitate the orderly liquidation of the government securities position of Drexel Burnham Lambert Government Securities Inc. It is understood that such securities loans will be collateralized by government securities of greater value and that the Committee will be advised when market circumstances no longer appear to require the added flexibility.