



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551-0001

TO: Federal Open Market Committee DATE: November 28, 1995

FROM: Normand Bernard

NB

Attached are a note from Peter Fisher to the Committee on the new method of conducting open market operations and a related press statement to be released after a 4:00 p.m., meeting with the primary dealers in New York.

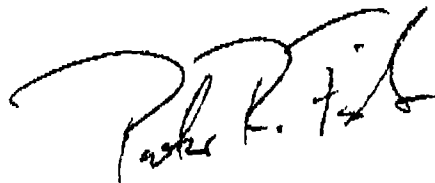
Attachments

MEMORANDUM

TO: Members of the Federal Open Market Committee
FROM: Peter R. Fisher
SUBJECT: Announcement of Change in Outright Operation
Methodology
DATE: November 28, 1995

As I discussed at the November 15 meeting of the Committee, we are preparing to adjust the method of conducting outright operations in the market in order to reduce the time it takes us to evaluate propositions. We will be meeting with the primary dealers at 4 p.m. today to announce the change to smaller outright operations focused on subsets of the yield curve, rather than the entire curve. Following the meeting, our public information area will release the attached statement that reviews the points addressed at the meeting.

Attachment

A handwritten signature in black ink, appearing to read "Peter R. Fisher". The signature is stylized and written in a cursive-like font.

DOMESTIC DESK MANAGEMENT OF OUTRIGHT OPERATIONS

STATEMENT FOR DISCUSSION

November 28, 1995

The open market desk is adjusting its method of making outright purchases or sales of securities in the secondary market, focusing on segments of the yield curve instead of asking for proposals from the entire range, the senior management of the Markets Group announced on November 28. The change will result in smaller market "go-arounds" being carried out over the course of several days or weeks, instead of the current method of a single operation that might result in a much larger purchase at one time.

The change is designed to speed the turn-around time on propositions. The timing and sequence of outright operations will continue to be at the discretion of the manager of the system open market account. The amount bought or sold by the open market desk in any one pass will depend on the offerings shown as well as the size of the need that the desk faces. As with current operations, the desk reserves the right to accept or refuse any and all propositions.

This operational change has no policy significance and will be instituted immediately. It will not have any enduring effect on the maturity structure of the Fed's portfolio of U.S. government securities, as purchases that would have occurred on a single day will instead be carried out over a number of days. Thus, this change in the desk's operations also should not have an enduring impact on the relative prices of securities of different maturities.