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November 6, 1987

To: Members of the Executive Board
From: The Secretary
Subject: Federal Republic of Germany - Monetary Measures

The Secretary has received the following memorandum dated November 5, 1987 from Mr. Grosche:

I received the following press release from the Deutsche Bundesbank, which I would like to ask you to kindly circulate to the members of the Executive Board for information.

At its meeting on November 5, which was attended by Dr. Gerhard Stoltenberg, the Federal Minister of Finance, the Central Bank Council of the Deutsche Bundesbank decided that the next securities repurchase deal should be in the form of a volume tender with a fixed interest rate of 3.5 % (compared with 3.8 % for the last transaction of this kind). In addition, the lombard rate (the rate for advances against securities) will be lowered from 5.0 % to 4.5 % with effect from November 6. By taking these measures the Bundesbank wishes to help stabilize the exchange rate of the deutsche mark, not only against the US dollar but also against the currencies in the EMS, and to reduce the tensions in the financial markets. The measures are being taken in coordination with the French monetary authorities, who for their part have decided to increase their key money market rates. Together with the interest rate changes in other EEC countries, these moves underline the intention of strengthening the pattern of exchange rates in the EMS and continuing to act in accordance with the Louvre Accord.

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