



H M Treasury

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3 June 1981

Dear Tony,

REPORT ON MONEY MARKET OPERATIONS

We spoke earlier about the layout and content of the report. I suggested:

(i) that it would be helpful if the lines "Influences" and "Operations" in the table in this report were on the same basis as the table prepared for the Monthly Review of Monetary Developments.

(ii) that the change in market assistance given in the first page of the text does not equal maturing eligible bills (outright and repo) and repayments of lending less the sum of the LA bills purchased, eligible bill repos and the two kinds of lending.

(iii) that it would be helpful to have columns showing the cumulative total for market assistance in the month just ending and the stock position at the close of the previous month and at the last day reported.

You agreed to look into these points.

2. I have subsequently had further comments from elsewhere in the Treasury.

(i) We would find it helpful if the table including the cumulative changes and the stock figures for eligible bills outstanding and held by the Bank could be sent over at the end of each week. The commentary accompanying it could be restricted only to outstanding features.

(ii) Will it be possible to include in the report some summary statistics on the liquidity of the banking system? I am not sure how, under the new arrangements, this would be defined.

(iii) It would be helpful to have the size of bankers' voluntary balances reported.

Finally is it possible to give us some idea of the size of the margin overbase rate referred to in the footnote on page 2 at which hard arbitrage might be triggered?

Yours sincerely,

Andrew

A TURNBULL

cc Mr Middleton
Mr Britton
Mr Monck
Mrs Lomax
Mr Davies
Mr Shields