

SECRET



Prime Minister
To note the Treasury's
change of tactics on
intervention

AT
2/7

6

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

2 July 1985

Andrew Turnbull Esq
10 Downing Street
LONDON
SW1

Dear Andrew,

EXCHANGE MARKET INTERVENTION

The Prime Minister may have noticed the reference in Mr Neilson's note of 28 June ("Money Supply in Banking June: First Guess") to the expansionary effect on £M3 in banking June of the Bank's exchange market intervention.

Until relatively recently the Bank were creaming off foreign currency in the market so as to recoup the reserve losses of last winter. But the Prime Minister may like to know that this operation was successfully completed during May, and since 1 June we have re-established the previous guideline, so that over a period there should be no significant cumulative intervention in either direction.

We are still awaiting the right moment for launching the large own name foreign currency borrowing about which the Chancellor minuted the Prime Minister on 8 May.

Yours ever,

Rachel.

RACHEL LOMAX
Principal Private Secretary

SECRET