

SECRET

16



H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 5627

F. Cassell
Deputy Secretary

4 December 1986

D Norgrove Esq
10 Downing Street
LONDON
SW1A 2AA

Dear David,

OFF-MARKET TRANSACTIONS

at 11ap

Thank you for your letter of 1 December.

This is something we have been thinking about lately. I asked Chris Kelly to have a word with you about it, since the problem as we see it is not one of technique so much as one of will. The special arrangements that the Bank negotiated some while ago with one of the commercial banks have worked well; the problem is judging whether to use them at times when sterling is under pressure.

Perhaps we might best have a word about this later when our own deliberations have been carried further.

Yours sincerely,
FS

cc Mr A Allan

ECON POL Exchange Rate #12



POST OFFICE
NEW HAMPSHIRE
PORTSMOUTH
NEW HAMPSHIRE 02871