

DEUTSCHE BUNDESBANK.

76a

DER PRÄSIDENT

FRANKFURT AM MAIN, March 30, 1967

Mr. Wm. McC. M a r t i n , Jr.
Chairman of the Board of Governors
of the Federal Reserve System
W a s h i n g t o n , D.C. 20551

Dear Mr. Martin,

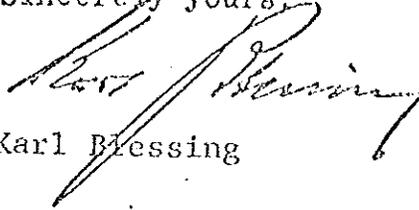
There occasionally has been some concern expressed in the United States that DM expenditures resulting from the presence of American troops in Germany lead to United States losses of gold.

In this connection we would like to point out three things. (1) Changes in Bundesbank reserves reflect a combination of developments in all parts of the German balance of payments; (2) DM expenditures for American troops in Germany and compensating German military purchases in the United States are only two factors in that balance; (3) German foreign exchange reserves have shown very little net change over the past several years.

Furthermore, the situation should be viewed within the context of the general reserve policy of the Bundesbank. You are, of course, well aware of the fact that the Bundesbank over the past few years has not converted any of the dollars accruing out of German foreign exchange surpluses into gold from the United ^{States} Treasury. The increases in our gold reserves over these years came about mostly through gold sales of the IMF in connection with the DM purchases for the British drawings in the IMF and through our participation in the Central Banks' Gold Pool.

By refraining from dollar conversions into gold from the United States Treasury the Bundesbank has intended to contribute to international monetary cooperation and to avoid any disturbing effects on the foreign exchange and gold markets. You may be assured that also in the future the Bundesbank intends to continue this policy and to play its full part in contributing to international monetary cooperation.

Sincerely yours,

A handwritten signature in cursive script, appearing to read 'Karl Blessing', written over the typed name.

Karl Blessing