

JIM BUNNING  
KENTUCKY

COMMITTEES  
ARMED SERVICES  
BANKING, HOUSING, AND  
URBAN AFFAIRS  
CHAIRMAN  
SUBCOMMITTEE ON ECONOMIC  
POLICY  
DEPUTY WHIP

## United States Senate

WASHINGTON, DC 20510

July 12, 2001

WASHINGTON OFFICE  
316 HART SENATE OFFICE BLDG.  
WASHINGTON, DC 20510  
(202) 224-4347

MAIN KENTUCKY OFFICE  
1717 DIXIE HIGHWAY, STE. 220  
FT. WRIGHT, KY 41011  
(502) 341-2602

Mr. and Mrs. Rupert C. Raymond  
3852 Grassy Creek Drive  
Lexington, KY 40514-1059

Dear Mr. and Mrs. Raymond:

I recently received a response from the Board of Governors of the Federal Reserve to your questions about gold.

I have enclosed a copy of the Federal Reserve's response. I hope this information is helpful to you.

Best personal regards,

  
JIM BUNNING  
United States Senator

JB/ljh

HAZARD OFFICE  
801 MAIN STREET  
SUITE 2  
HAZARD, KY 41701  
(606) 439-2990

HOPKINSVILLE OFFICE  
1100 SOUTH MAIN STREET  
SUITE 12  
HOPKINSVILLE, KY 42240  
(270) 865-1212

LEXINGTON OFFICE  
771 CORPORATE DRIVE  
SUITE 105  
LEXINGTON, KY 40503  
(606) 719-2239

LOUISVILLE OFFICE  
500 DR. MARTIN LUTHER KING JR. PLACE  
ROOM 1072B  
LOUISVILLE, KY 40202  
(502) 582-6341

OWENSBORO OFFICE  
423 FREDERICK STREET  
ROOM 305  
OWENSBORO, KY 42301  
(270) 568-8065

Toll-Free 1-800-283-8983  
E-Mail: jim\_bunning@bunning.senate.gov



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, D. C. 20551

June 25, 2001

ALAN GREENSPAN  
CHAIRMAN

The Honorable Jim Bunning  
United States Senate  
Washington, D.C. 20510

Dear Senator:

Thank you for your recent letter requesting information related to an inquiry you received from two of your constituents, Mr. and Mrs. Rupert Raymond. The Raymonds' letter principally concerns remarks made at a January 1995 meeting of the Federal Open Market Committee (FOMC) by J. Virgil Mattingly, in his capacity as general counsel to the FOMC. A memorandum addressed to me from Mr. Mattingly on this matter is enclosed for your information. The memorandum responds to the matters raised by the Raymonds in their letter.

I would like to take this opportunity to confirm the statements I made last year regarding the Federal Reserve and gold in a letter to one of your colleagues, Senator Joseph Lieberman. In that letter I said:

"The Federal Reserve owns no gold and therefore could not sell or lease gold to influence its price. Likewise the Federal Reserve does not engage in financial transactions related to gold, such as trading in gold options or other derivatives. Most importantly, the Federal Reserve is in complete agreement with the proposition that any such transactions on our part, aimed at manipulating the price of gold or otherwise interfering with the free trade of gold, would be wholly inappropriate."

These statements accurately reflect the facts and long standing Federal Reserve policy with respect to gold.

I hope this information is helpful. Please let me know if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Alan Greenspan", with a long horizontal flourish extending to the right.

Enclosure

June 8, 2001

TO: Chairman Greenspan

SUBJECT: Inquiries regarding "gold swaps"

FROM: J. Virgil Mattingly

This memorandum responds to your request for information related to recent inquiries the Federal Reserve has received regarding remarks I made at a January 1995 meeting of the Federal Open Market Committee ("FOMC") in my capacity as general counsel.

These inquiries focus primarily on a statement attributed to me that appears on page 69 of the published transcript of the January 31-February 1, 1995, FOMC meeting to the effect that the Exchange Stabilization Fund ("ESF") has engaged in "gold swaps." Given the passage of time, some six years, I have no clear recollection of exactly what I said that day but I can confirm that I have no knowledge of any "gold swaps" by either the Federal Reserve or the ESF. I believe that my remarks, which were intended as a general description of the authority possessed by the Secretary of the Treasury to utilize the ESF, were transcribed inaccurately or otherwise became garbled. The Federal Reserve's lack of involvement with gold and gold-related financial transactions is set forth accurately in your January 19, 2000, letter to Senator Lieberman, a copy of which is attached. My remarks should not be interpreted as modifying in any respect what is set forth in that letter.

With respect to activities of the ESF, I note that the Treasury Department stated in a recent federal court filing that the ESF has not held any gold since 1978.

Attachment