

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 70-287

December 1, 1970

To the Chief Executive Officer, Each Member Bank
in the Eleventh Federal Reserve District:

The following statement was made public today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today its approval of several changes in procedures under which member banks borrow funds from the System.

These changes, to be put into effect early next year, are of a technical and procedural nature and are designed to simplify and update present practices. They reflect no change in the Federal Reserve's general credit and monetary policies and are not related to the fundamental reappraisal of the Discount mechanism which the System still has under consideration. The changes will:

1. Eliminate regulatory language that implies that a formal written application must be submitted and a promissory note must be executed in connection with each borrowing by a member bank from a Federal Reserve Bank.
2. Permit the use of "continuing lending agreements" as a substitute for the formal application and promissory note. A member bank would be obliged unconditionally to repay all advances made pursuant to the agreement without the necessity of filing the written application and promissory note in each case.
3. Permit the Reserve Banks to collect interest on borrowings by member banks at the time of repayment--the accrual method--instead of deducting interest at the time the borrowing is made.
4. Make any change in the discount rate applicable to all outstanding borrowings.

In order to facilitate adoption of the new procedures, the Board has amended Regulation A "Advances and Discounts by Federal Reserve Banks" so that references to applications and promissory notes are eliminated. A copy of the amendments will be forwarded to you in the near future. In addition our Bulletin covering the procedures under which a member bank may receive credit from this Reserve Bank is being revised; a copy will be supplied you shortly.

The probable effective date for these changes is February 4, 1971, and a copy of the above mentioned continuing lending agreement will be provided well in advance of that date for execution by an officer authorized to borrow.

If you have any questions concerning the above, please contact an officer at our head office or appropriate branch who is shown by our Directory to have responsibility for the loan function.

Yours very truly,

P. E. Coldwell

President