

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-264
September 30, 1974

AMENDMENT TO REGULATION A

To All Member Banks
in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System amended section 201.2(e) of Regulation A, which relates to extensions of credit by Federal Reserve Banks. The amendment is effective September 25, 1974.

The purpose of the amendment is to permit application of a special rate on credit to member banks in exceptional circumstances involving only a particular member bank, as distinguished from emergencies arising from national, regional, or local difficulties outside the control of the member bank. This special rate would not apply to member banks which utilize seasonal or short-term adjustment credit.

As indicated in the notice published in the Federal Register on August 23, 1974 (39 F.R. 30508), the purpose of this amendment to Regulation A is to limit preferential treatment on long-term assistance to an individual bank where a wide gap exists between the basic discount rate and money market rates. The special rate may be waived by the Federal Reserve Bank in cases of banks in particular difficulty where there is a remedial program under way leading to repayment of the loan over a reasonable period.

A copy of the amendment is enclosed for insertion in the ring binder containing the regulations of the Board of Governors and bulletins of the Federal Reserve Bank of Dallas.

Yours very truly,

P. E. Coldwell

President

Enclosure

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

EXTENSIONS OF CREDIT BY FEDERAL RESERVE BANKS

AMENDMENT TO REGULATION A

Effective September 25, 1974, section 201.2(e) is amended in the following respects:

SECTION 201.2—GENERAL
PRINCIPLES

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(e) Other credit to member banks.

(1) In the event of unusual or emergency circumstances resulting from national, regional or local difficulties, Federal Reserve credit beyond that contemplated under section 201.2(c) is available.

(2) Federal Reserve credit is also available for protracted assistance where there are exceptional circumstances or practices involving only a par-

ticular member bank. A special rate apart from rates charged for lending to member banks under other provisions of this Part may be established by Federal Reserve Banks subject to review and determination by the Board of Governors and applied to such credit. The special rate may apply to member banks borrowing for prolonged periods (such as for more than eight weeks) and in significant amounts (such as when the loan has exceeded on average the amount of the borrowing bank's required reserves) because of financial strains arising from particular circumstances or practices affecting the individual bank — including sustained deposit drains, impaired access to money market funds, or sudden deterioration in loan repayment performance. In no case should the special loan rate to member banks exceed the rate established for loans to nonmembers under 12 U.S.C. 347(c).

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