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**FEDERAL RESERVE BANK OF DALLAS**

Station K, Dallas, Texas 75222

Circular No. 84-58  
April 26, 1984

**TO:** All member banks, bank holding companies, edge and agreement corporations, and others concerned in the Eleventh Federal Reserve District

**ATTENTION:** Chief Executive Officer

**SUBJECT:** **Federal Open Market Committee announcement concerning repurchase agreements on bankers' acceptances**

**SUMMARY:** The Federal Open Market Committee has announced that it will discontinue the use of repurchase agreements on bankers' acceptances in open market operations to manage reserves. This action will become effective July 2, 1984.

**ATTACHMENTS:** Board's press release

**MORE INFORMATION:** Legal Department, Extension 6171

**ADDITIONAL COPIES:** Public Affairs Department, Extension 6289

# FEDERAL RESERVE press release



For immediate release

April 9, 1984

The Federal Open Market Committee today announced that as of July 2, 1984, it will discontinue use of repurchase agreements on bankers' acceptances in open market operations to manage reserves. The Federal Reserve Bank of New York will continue to serve as agent in buying and selling acceptances for the accounts of foreign central banks.

In taking the action, the Committee noted that the use of repurchase agreements on acceptances for reserve management has declined in relative importance in recent years. In 1983, about 7 percent of System repurchase agreements was arranged against bankers' acceptances compared with an average of about 16 percent in the previous three years.

The Committee's action also recognizes that the market for bankers' acceptances has reached a scale of activity that does not require or justify continuing Federal Reserve support. It continues the disengagement from the market begun in 1977, when the Federal Reserve ceased buying these private instruments on an outright basis. Since then, the System's involvement has been limited to the use of repurchase agreements on acceptances for managing bank reserves as a modest supplement to operations in Treasury and Federal agency securities.

Repurchase agreements are used by the Federal Reserve to meet short-term reserve needs. In these transactions, the System purchases Government securities, Federal agency issues, or bankers' acceptances from dealers under an agreement that requires the dealer to buy back the securities after a fixed period, usually one to seven

days. Interest rates in these transactions are determined by competitive bidding.

The market for bankers' acceptances has continued to grow since 1977. The outstanding volume of acceptances at the end of 1983 was \$78 billion compared to \$23 billion at the end of 1976 and \$642 million at the end of 1955 when the Federal Reserve resumed operations in acceptances after a lapse of more than 20 years.

Bankers' acceptances are negotiable instruments generally drawn to finance the export, import, shipment or storage of goods. They are termed 'accepted' when a bank agrees to pay the draft at maturity.