FOMC DISCONTINUES USE OF REPURCHASE AGREEMENTS

As of July 2, the Federal Open Market Committee 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 making its decision, the Committee noted that the use of repurchase agreements on acceptances for reserve management has declined in importance in recent years. Furthermore, the Committee recognized that the market for bankers' acceptances has reached a scale of activity that no longer requires or justifies continuing Federal Reserve support. In recent years, the Fed has used repurchase agreements on acceptances for managing bank reserves only 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 Fed 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. 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.

NATIONWIDE HIGH-DOLLAR GROUP SORT PROGRAM

A nationwide program to accelerate the collection of checks, known as the High-Dollar Group Sort, has been approved by the Board of Governors of the Federal Reserve System. The program significantly improves deposit deadlines for checks drawn on certain institutions outside the Reserve Bank cities and will allow an estimated $1 billion daily average value of checks to be collected one day earlier.

The new program started on April 23, 1984. A list of presentment points initially included in the High-Dollar Group Sort program and the Reserve Bank deposit deadlines and fees for this service is available through Corporate Services at (415) 974-2752. For further information, please contact Financial Services in San Francisco at (415) 974-2127; Los Angeles at (213) 683-8318; Portland at (503) 221-5909; Salt Lake City at (801) 322-7927; and Seattle at (206) 442-2754.

ELECTION OF FRBSF DIRECTORS

The San Francisco Reserve Bank has changed the classification of member banks in the Twelfth District for the purpose of nominating and electing Class A and Class B directors of the Bank's Board of Directors.

Group Two banks will now have a combined capital and surplus of $4,000,000 (formerly $3,500,000) or more and less than $30,000,000. Group Three banks will have a combined capital and surplus of less than $4,000,000 (formerly less than $3,500,000). The definition of Group One banks is unchanged—a combined capital and surplus of $30,000,000 or more.

The change in classification is intended to result in a better distribution of member banks in the three groups.

NEW SERVICES

NEW ACH SERVICES

Starting March 29, 1984, the Federal Reserve began offering two new Automated Clearing House services: a presorted deposit option and telephone advice for night cycle transactions.

Presorted Deposit Service
Using the presorted deposit option involves putting transactions in presorted electronic files. A presorted file contains ACH transactions that have been sorted by routing number to a receiving Federal Reserve Office. All transactions that have routing numbers served by the receiving Federal Reserve Office may be included in a presorted file. ACH originators that take advantage of the presorted deposit option are assessed lower fees and/or allowed later deadlines.

Telephone Advice
For ACH night cycle transactions that cannot be delivered by ground transportation in time for settlement, a depository institution can use the telephone advice service to acquire enough information about transactions to allow the institution to post the transactions to its customers' accounts on the settlement date. The fees for this service follow:

<table>
<thead>
<tr>
<th>Telephone Advice Fees for Night Cycle Transactions</th>
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<tbody>
<tr>
<td>0 to 10 pieces of detailed information</td>
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<tr>
<td>Each additional piece of detailed information</td>
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</table>

The Automated Clearing House department of your local Federal Reserve Office has additional information about each of these new services.
FOR PUBLIC COMMENT

Regulations G, T & U — Margin Regulations: The Federal Reserve Board requested public comment by April 27, 1984 on a proposal that would automatically permit brokers and dealers to lend on over-the-counter securities designated for trading in the National Market System portion of NASDAQ (National Association of Securities Dealers Automated Quotation) in conformance with the Board’s margin requirements. The Board expects to continue publishing its List of OTC Margin Stocks to designate other over-the-counter securities that are subject to margin.

For further information, please contact David Vandre in Consumer Affairs at (415) 974-2762. The Board’s notice is available from Corporate Services at (415) 974-2752.

Regulation Q — Interest on Deposits: The Federal Reserve Board has issued a policy statement concerning advertisements for time deposits paying more than one fixed rate over the term of the account. It also has published for public comment a proposal to amend its Regulation Q to incorporate the substance of the policy statement. The statement provides that advertisements for such time deposits should set forth, in equal size type, each rate of interest to be paid, together with the length of time each rate will be paid plus the average effective annual yield for the entire term of the account. In addition, advertisements for deposits to be used in connection with Individual Retirement Accounts should not refer to such accounts as being tax-free or tax-exempt.

The Board requested comment by May 22, 1984. Copies of the proposals are available from Corporate Services at (415) 974-2752. For further information, please call Bill Cooper at (415) 974-2254 or Robert Mulford at (415) 974-2256.

REGULATIONS AND OPERATIONS UPDATE

Regulation J — Collection of Checks and Other Items: Effective April 2, a Reserve Bank may charge for checks that it delivers or makes available to an institution that is closed regularly on a weekday when its Reserve Bank is open. Such closings may result in Federal Reserve float—the value of checks for which the Fed has given credit to the institution that sends the checks to it for collection but for which the Fed has not yet collected from the institution on which the checks are drawn. In making this amendment to Regulation J, the Board gave paying institutions the alternative of being charged for the value of float created rather than being charged for the value of the checks on that day.

For further information, please contact the Check Officer at your local Federal Reserve Office: Douglas Knudsen (San Francisco) at (415) 974-2069; Ross Ashman (Los Angeles) at (213) 683-8351; William Pennington (Portland) at (503) 221-5903; Robert Richards (Salt Lake City) at (801) 322-7887; Kenneth Peterson (Seattle) at (206) 442-5105. The Board’s notice is available from Corporate Services at (415) 974-2752.

Responsibility for Differences Reported in Cash Shipments: The Federal Reserve Bank of San Francisco has clarified its policy on responsibility for differences reported in cash shipments in situations where depository institutions use third party arrangements for cash services, and has revised Circular 9 accordingly. For further information, please contact the Cash Services Department at your local Federal Reserve Office.

Cash Transportation Fee Ceilings: To complete the two-year transition to full cost recovery for cash transportation services, the Twelfth District removed all fee ceilings relating to cash transportation services on March 1, 1984. With this change, armored carrier per-stop rates will be established to ensure full recovery of the cost of such transportation to all locations. In addition, depository institutions will be required to pay the full cost of all registered mail shipments.

For further information, please contact: Charles Huffstetler in Los Angeles at (213) 683-8466; Dean Gonnerman in Portland at (503) 221-5907; Donald Sheets in Salt Lake City at (801) 322-7828; John Wong in San Francisco at (415) 974-2449; and E. Ronald Liggett in Seattle at (206) 442-4492.

DISCOUNT RATE RAISED

The Federal Reserve raised the discount rate to 9 percent effective April 13. This is the rate charged member banks and other depository institutions for advances and discounts from the Federal Reserve for short-term adjustments and to meet seasonal or more acute liquidity strains. The discount rate had been 8.5 percent since December 14, 1982.