

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 3460]  
June 17, 1949]

ADVANCES AND DISCOUNTS

Amendment to Regulation A of the Board of Governors of  
the Federal Reserve System  
and  
Revision of Operating Circular No. 12

To all Member Banks in the  
Second Federal Reserve District:

We transmit herewith a copy of the amendment to Regulation A, "Discounts for and Advances to Member Banks by Federal Reserve Banks", adopted by the Board of Governors of the Federal Reserve System, effective February 17, 1949, and a copy of our Operating Circular No. 12, Revised June 17, 1949, which supersedes Operating Circular No. 12, dated December 8, 1947. The amendment permits Federal Reserve Banks to accept from member banks for discount notes evidencing loans by member banks made pursuant to the commodity loan programs of the Commodity Credit Corporation, and to accept such notes, and certain certificates of interest issued by Commodity Credit Corporation, as security for advances to member banks. This bank has concluded arrangements with the Commodity Credit Corporation to perform this service for member banks in this district.

Section 1(h) of Regulation A has been amended to provide, in effect, that the requirement that a note be negotiable in order to be eligible for discount with a Federal Reserve Bank, and for acceptance as security for an advance pursuant to section 2(a) of the Regulation, shall not be applicable to any note which evidences a loan made pursuant to a commodity loan program of the Commodity Credit Corporation and which is subject to the Corporation's commitment to purchase. The Regulation also has been amended to provide that a certificate of interest issued by the Commodity Credit Corporation may be accepted as security for an advance made to a member bank under section 2(a) of the Regulation when such certificate evidences the deposit, in a pool of notes operated by the Corporation, of notes which comply with the maturity requirements of section 1(a) of the Regulation and evidence loans made pursuant to a commodity loan program of the Corporation.

We have revised our Operating Circular No. 12 to conform to the amendment to Regulation A. The conforming changes of substance are contained in two new paragraphs (14 and 20), with subsequent paragraphs renumbered. A form of application for rediscount or advance has been prepared for use in connection with the rediscount of the above described notes, or the pledge of such notes or of such certificates as collateral to notes evidencing advances to member banks (our Form L. & D. 129D). Inasmuch as the form of note prescribed by the Commodity Credit Corporation provides for endorsement without recourse, the form of application provides, as to each such note discounted with us, that the discounting member bank shall be liable as fully as though it had endorsed the note with recourse, and shall guarantee its payment, waiving demand, notice and protest.

The provision of section 1(h) of Regulation A, effective September 11, 1944, waiving the negotiability requirement in the case of any note evidencing a loan which is the subject of a guarantee or commitment made pursuant to Executive Order No. 9112 or the Contract Settlement Act of 1944, has been eliminated because it is now obsolete.

Additional copies of this circular, of the amendment to Regulation A and of our revised operating circular may be obtained upon request. The form of application for rediscount or advance referred to above also will be furnished upon request.

ALLAN SPROUL,  
President.

**DISCOUNTS FOR AND ADVANCES TO MEMBER BANKS  
BY FEDERAL RESERVE BANKS**

**AMENDMENT TO REGULATION A**

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective February 17, 1949, Regulation A is amended in the following respects:

1. The last sentence\* of subsection (*h*) of section 1 is amended to read as follows:

The requirement of this section that a note be negotiable shall not be applicable with respect to any note evidencing a loan which is made pursuant to a commodity loan program of the Commodity Credit Corporation and which is subject to a commitment to purchase by the Commodity Credit Corporation.

2. Subsection (*a*) of section 2 is amended by adding thereto a new sentence reading as follows:

In the event notes which evidence loans made pursuant to a commodity loan program of the Commodity Credit Corporation and which comply with the maturity requirements of subsection (*a*) of section 1 of this regulation have been deposited in a pool of notes operated by the Commodity Credit Corporation, the certificate of interest issued by the Commodity Credit Corporation which evidences the deposit of such notes may be accepted as security for an advance made to a member bank under this subsection.

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\* This sentence was added to the Regulation in 1942 and constitutes the third sentence of subsection (*h*) of section 1.