

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6247]
November 19, 1968]

COLLATERAL FOR ADVANCES TO MEMBER BANKS

—Interpretation of Regulation A

—Amendment to Regulation A

To the Member Banks of the
Second Federal Reserve District:

The Board of Governors of the Federal Reserve System has issued an interpretation regarding the eligibility of Federal agency securities as collateral for advances and has adopted a related amendment, effective November 13, to Regulation A. Printed below is a copy of the Board's interpretation, and enclosed is a copy of the related amendment to Regulation A.

Additional copies of this circular and its enclosure will be furnished upon request.

ALFRED HAYES,
President.

Interpretation of Regulation A

§ 201.108 *Obligations eligible as collateral for advances.*

(a) Section 3(a) of Public Law 90-505, approved September 21, 1968, amended the eighth paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 347) to authorize advances thereunder to member banks "secured by such obligations as are eligible for purchase under section 14(b) of this Act." The relevant part of such paragraph had previously referred only to "notes . . . eligible . . . for purchase", which the Board had construed as not including obligations generally regarded as securities. (See 1962 *Federal Reserve Bulletin* 690, 12 CFR 201.103(d).)

(b) Under section 14(b) direct obligations of, and obligations fully guaranteed as to principal and interest by, the United States or any agency thereof are eligible for purchase by Reserve Banks. Following are the principal agency obligations now eligible as collateral for advances:

- (1) Federal Intermediate Credit Bank debentures,
- (2) Federal Home Loan Bank notes and bonds,
- (3) Federal Land Bank bonds,
- (4) Bank for Cooperatives debentures,
- (5) Federal National Mortgage Association notes, debentures and guaranteed certificates of participation,

- (6) Obligations of or fully guaranteed by the Government National Mortgage Association,
- (7) Merchant Marine bonds,
- (8) Export-Import Bank notes and guaranteed participation certificates,
- (9) Farmers Home Administration insured notes,
- (10) Notes fully guaranteed as to principal and interest by the Small Business Administration,
- (11) Federal Housing Administration debentures,
- (12) District of Columbia Armory Board bonds,
- (13) Tennessee Valley Authority bonds and notes,
- (14) Bonds and notes of local urban renewal or public housing agencies fully supported as to principal and interest by the full faith and credit of the United States pursuant to section 302 of the Housing Act of 1961 (42 U.S.C. 1421a(c), 1452(c)).

(c) Nothing less than a *full* guarantee of principal and interest by a Federal agency will make an obligation eligible. For example, mortgage loans insured by the Federal Housing Administration are not eligible since the insurance contract is not equivalent to an unconditional guarantee and does not fully cover

(OVER)

interest payable on the loan. Obligations of international institutions, such as the Inter-American Development Bank and the International Bank for Reconstruction and Development, are also not eligible, since such institutions are not agencies of the United States.

(d) Also eligible for purchase under section 14(b) are "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts". To the extent such obligations would be eligible for purchase under Part 205 of this chapter (Reg. E), they are now eligible as collateral for advances to member banks. Such obligations should by their terms mature within six months after the date of the advance and be payable out of specific tax or similar types of revenue and should be otherwise eligible for purchase under Part 205.

(e) The following interpretations are hereby revoked: *Interpretations** ¶ 925, 1916 *Federal Reserve Bulletin* 609 (county warrants ineligible); *Interpretations* ¶ 930, 1918 *Bulletin* 33 (Federal Land Bank bonds ineligible); *Interpretations* ¶ 950, 1960 *Bulletin* 151, 12 CFR 201.101 (Merchant Marine bonds ineligible); *Interpretations* ¶ 955, 1960 *Bulletin* 858, 12 CFR 201.102 (mortgage notes guaranteed under military housing program in Title VIII of National Housing Act ineligible); *Interpretations* ¶ 956, 1962 *Bulletin* 690, 12 CFR 201.103 (Farmers Home Administration insured notes eligible); *Interpretations* ¶ 960, 1966 *Bulletin* 188, 12 CFR 201.105 (Export-Import Bank guaranteed participation certificates eligible); *Interpretations* ¶ 961, 1966 *Bulletin* 340; 12 CFR 201.106 (Small Business Administration fully guaranteed notes eligible).

* *Published Interpretations of the Board of Governors of the Federal Reserve System.*

**ADVANCES AND DISCOUNTS BY
FEDERAL RESERVE BANKS**

**AMENDMENT TO REGULATION A
(12 CFR PART 201)**

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective November 13, 1968, §§ 201.1 and 201.2(*a*) are amended to read as shown below. Paragraph (*b*) of § 201.2 is revoked.

SECTION 201.1—INTRODUCTION

This part is issued under section 13 and other provisions of the Federal Reserve Act and relates to extensions of credit by Federal Reserve Banks.

SECTION 201.2—ADVANCES TO MEMBER BANKS

(*a*) **Advances on obligations or eligible paper.**—Reserve Banks may make advances to member banks for not more than 90 days if secured by (1) obligations or other paper eligible under the Federal Reserve Act for discount or purchase by Reserve Banks or (2) certificates of interest issued by the Commodity Credit Corporation in a pool of notes with maturities of not more than nine months evidencing loans made by the Corporation pursuant to a commodity loan program.