

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6280]
[January 24, 1969]

Revised Interpretation of Regulation A

To the Member Banks of the
Second Federal Reserve District:

In September 1968, section 13 of the Federal Reserve Act was amended so as to expand the classes of paper eligible as collateral to advances. Thereafter, the Board of Governors of the Federal Reserve System amended Regulation A and, in paragraph (d) of an accompanying interpretation (12 CFR 201.108) of the amendment, provided that municipal "warrants" (i.e., municipal bills, notes, revenue bonds, and warrants) would be eligible as collateral to the extent that such warrants would be eligible for purchase by Federal Reserve Banks under Regulation E. Such interpretation appeared in our Circular No. 6247, dated November 19, 1968.

On January 15, the Board issued a revision of paragraph (d) of that interpretation relaxing the eligibility requirements for the use of municipal warrants as collateral. Under the amended paragraph (d) municipal warrants will not be required to comply with the provisions of Regulation E in order to be eligible as collateral for advances under Regulation A.

Under the revised interpretation and the amendment to Regulation A referred to above, direct obligations of, and obligations fully guaranteed as to principal and interest by, any Federal agency, and municipal warrants meeting the requirements of the interpretation, may now, in addition to U. S. Government securities and paper eligible for discount, be used as collateral to secure advances from Federal Reserve Banks at the basic discount rate.

Printed below is a copy of the revised text of paragraph (d). Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

Obligations Eligible as Collateral for Advances

Section 201.108(d) is hereby revised to read as follows:

(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."¹ In determining the eligibility of such obligations as collateral for advances, compliance with the requirements of Regulation E is not necessary; but

¹ Paragraph 3 of section 1 of the Federal Reserve Act (12 U.S.C. 221) defines "the continental United States" to mean "the States of the United States and the District of Columbia", thus including Alaska and Hawaii.

the Reserve Bank will satisfy itself that sufficient tax or other assured revenues earmarked for payment of such obligations will be available for that purpose at maturity, or within six months from the date of the advance if no maturity is stated. Payments due from Federal, State or other governmental units may, in the Reserve Bank's discretion, be regarded as "other assured revenues"; but neither the proceeds of a prospective issue of securities nor future tolls, rents or similar collections for the voluntary use of government property for non-governmental purposes will normally be so regarded. Obligations with original maturities exceeding one year would not ordinarily be self-liquidating as contemplated by the statute, unless at the time of issue provision is made for a redemption or sinking fund that will be sufficient to pay such obligations at maturity.