

FEDERAL RESERVE BANK  
OF NEW YORK

[Circular No. 6520]  
April 9, 1970]

Amendments to Regulation A Eliminating Negotiability Requirement  
For Discounts and Advances

To the Member Banks of the  
Second Federal Reserve District:

The Board of Governors of the Federal Reserve System today adopted amendments to Regulation A effective April 16, 1970, removing the requirement that paper offered for discount or as collateral for advances under Section 13 of the Federal Reserve Act be negotiable. Printed below is an excerpt from a *Federal Register* notice containing the amendments. As indicated in the notice, elimination of the negotiability requirement will not preclude Reserve Banks in individual cases from declining to accept nonnegotiable paper.

Copies of the amendments printed in the usual form will be furnished to you shortly. Additional copies of this circular will be furnished upon request.

ALFRED HAYES,  
*President.*

**PART 201 — ADVANCES AND DISCOUNTS BY  
FEDERAL RESERVE BANKS**

**Negotiability of Paper**

1. Effective April 16, 1970, Part 201 is amended by deleting the word "negotiable" where it occurs in sections 201.3(a)(1), 201.3(b), 201.3(d), and 201.3(e); by deleting subparagraph (2) of section 201.3(i); and by deleting "(1)" immediately after the catch line in section 201.3(i).

2.a. The purpose of these amendments is to eliminate the regulatory requirement that paper offered by member banks to the Federal Reserve Banks for discount or as collateral for advances under Section 13 of the Federal Reserve Act must in all cases be negotiable. The Act does not require that such paper be negotiable; and, under present regulations, non-negotiable paper may be used as collateral for advances under Section 10(b) of the Act, but such advances must bear a rate of interest higher than the

regular Reserve Bank discount rate. It appears unnecessary and undesirable to continue to require that paper otherwise eligible and of good quality shall in all instances meet technical requirements as to negotiability in order to be discounted or used as collateral for advances at the regular discount rate. Elimination of the regulatory requirement will not, however, preclude a Reserve Bank in individual cases from declining to accept nonnegotiable paper for discount or as collateral for advances. The amendments are essentially technical in nature and reflect no change in the Federal Reserve System's general credit and monetary policies.

b. These amendments were adopted by the Board without following the procedures prescribed in Section 553 of Title 5, United States Code, relating to notice, public participation, and deferred effective date, since notice and public participation would have been unnecessary and would have served no useful purpose and since the amendments relieve a restriction in present regulations of the Board.