

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6648]
[December 1, 1970]

ADVANCES AND DISCOUNTS

Amendments to Regulation A

*To the Member Banks of the
Second Federal Reserve District:*

The following statement was issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System announced today its approval of several changes in procedures under which member banks borrow funds from the System.

These changes, to be put into effect early next year, are of a technical and procedural nature and are designed to simplify and update present practices. They reflect no change in the Federal Reserve's general credit and monetary policies and are not related to the fundamental reappraisal of the discount mechanism which the System still has under consideration. The changes will:

1. Eliminate regulatory language that implies that a formal written application must be submitted and a promissory note must be executed in connection with each borrowing by a member bank from a Federal Reserve Bank. Attached is a copy of an amendment to Regulation A (Advances and Discounts by Federal Reserve Banks) to effect this change.
2. Permit the use of "continuing lending agreements" as a substitute for the formal application and promissory note. A member bank would be obliged unconditionally to repay all advances made pursuant to the agreement without the necessity of filing the written application and promissory note in each case.
3. Permit the Reserve Banks to collect interest on borrowings by member banks at the time of repayment—the accrual method—instead of deducting interest at the time the borrowing is made.
4. Make any change in the discount rate applicable to all outstanding borrowings.

Enclosed is a copy of the amendments to Regulation A. Our Operating Circular No. 12, on advances and discounts, is being revised to implement the changes in procedure described above and to reflect other recent amendments to Regulation A not now reflected in the operating circular. Copies of the form of the revised operating circular and of the "continuing lending agreement" as well as any other documentation necessary to effect the foregoing changes will be sent to you in the near future.

ALFRED HAYES,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

ADVANCES AND DISCOUNTS BY
FEDERAL RESERVE BANKS

AMENDMENTS TO REGULATION A

Elimination of References to Notes and Applications

Effective November 23, 1970, Part 201 is amended in the following respects:

Paragraph (c) of § 201.2 is amended to read as follows:

“(c) Advances on other security under section 10(b) of the Federal Reserve Act. Any Federal Reserve Bank may make advances, under authority of section 10(b) of the Federal Reserve Act, to any of its member banks if secured to the satisfaction of such Federal Reserve Bank regardless of whether the collateral offered as security conforms to eligibility requirements under other provisions of this Part. The rate on advances made under the provisions of this paragraph shall in no event be less than one-half of 1 per cent per annum higher than the highest rate applicable to discounts for member banks under the provisions of sections 13 and 13a of the Federal Reserve Act in effect at such Federal Reserve Bank. Such an advance must be repayable either (1) on

a definite date not more than four months after the date of such advance, or (2) at the option of the Reserve Bank on or before a definite date not more than four months after the date of such advance.”

Paragraph (a) of § 201.4 is amended to read as follows:

“(a) Representations by member banks. A member bank requesting Reserve Bank credit shall be deemed to represent and guarantee (1) that it is not acting as the medium or agent of a nonmember bank in receiving credit from a Reserve Bank except in accordance with the provisions of this Part, and (2) that, except as to credit granted under § 201.2(c), as long as the credit is outstanding no obligor on paper tendered as collateral or for discount will be indebted to it in an amount exceeding the limitations in section 5200 of the Revised Statutes, which for this purpose shall be deemed to apply to State member as well as national banks.”