

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 9759
November 21, 1984

DISCOUNT RATES

*To All Depository Institutions
in the Second Federal Reserve District:*

Effective November 21, 1984, the directors of this Bank, with the approval of the Board of Governors of the Federal Reserve System, have reduced the Bank's basic discount rate from 9 percent to $8\frac{1}{2}$ percent. The Bank's rates on advances of extended credit under section 10(b) of the Federal Reserve Act to institutions under sustained liquidity pressures, or for special circumstances, have also been reduced by $\frac{1}{2}$ percentage point.

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

The Federal Reserve Board today approved a reduction in the discount rate from 9 percent to $8\frac{1}{2}$ percent effective on Wednesday, November 21.

The reduction was taken against the background of growth in M1 and M2 in the lower part of the desired ranges and in the context of distinct moderation in the pace of business expansion, of relative stability in producer and commodity prices in recent months, of the restrained trend of wages and costs, and of the continued strength of the dollar internationally.

In announcing the change, the Board voted on requests submitted by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas and San Francisco. The discount rate is the interest rate that is charged depository institutions when they borrow from their District Federal Reserve Banks.

In addition, the Board of Governors on November 8, 1984 announced a technical modification of its extended credit program to permit Reserve Banks, under certain circumstances, to apply an alternative flexible rate related to market rates for loans outstanding for prolonged periods. A copy of the Board's statement is enclosed.

A copy of this Bank's Operating Circular No. 13, regarding discount rates, will be sent to you shortly.

ANTHONY M. SOLOMON,
President.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Modification of Federal Reserve Extended Credit Program

The present rate structure applicable to extended credit (other than seasonal credit) will be supplemented by a flexible rate alternative. At present, in usual circumstances, the basic discount rate is applicable to the first 60 days of such extended credit, a one percent surcharge is applied during the next 90 days, and a two percent surcharge after 150 days. Provision had been made earlier, in exceptional cases where market rates might be above the normal rates for extended credit, for using a flexible interest rate related to market rates. The technical change adopted regularizes and modifies that special arrangement.

In general, for loans outstanding more than 150 days, a Federal Reserve Bank may now charge an alternative flexible rate that takes into account rates on market sources of funds. The flexible rate will be determined periodically and will be somewhat above the effective interest rates paid by depository institutions raising funds in national markets on a variety of liabilities. When the flexible rate is above the basic rate plus the two percent surcharge, it would ordinarily apply to larger institutions that normally have access to national money markets. The flexible rate may be applied to all institutions when it is below the basic rate plus the two percent surcharge. In no case will the rate charged be less than the basic rate plus one percentage point. The flexible rate is expected to be uniform among Reserve Districts.

As at present, the time period for which each rate in the extended credit rate structure applies may be shortened at the discretion of the Reserve Bank in those cases where borrowing is anticipated to be outstanding for an unusually long period and in unusually large amounts.

**FEDERAL RESERVE BANK
OF NEW YORK**

Operating Circular No. 13
Revised effective November 21, 1984

DISCOUNT RATES

*To All Depository Institutions
in the Second Federal Reserve District:*

1. This Bank has made the following changes in its rate schedule, effective November 21, 1984:

The rate on advances of adjustment and seasonal credit and discounts under sections 13, 13a, and 10(b) of the Federal Reserve Act has been reduced from 9 percent per annum to 8½ percent per annum.

The rate on advances under section 10(b) of the Federal Reserve Act of extended credit (i) to institutions under sustained liquidity pressures, or (ii) for special circumstances, has been reduced from 9 percent per annum to 8½ percent per annum; the rate on such credit outstanding for more than 60, but not more than 150, days has been reduced from 10 percent per annum to 9½ percent per annum; and the rate on such credit outstanding for more than 150 days has been reduced from 11 percent per annum to 10½ percent per annum.

Shown on the reverse side is the schedule of rates now in effect at this Bank on advances and discounts made under the Federal Reserve Act.

2. This circular supersedes our Operating Circular No. 13, Revised effective April 9, 1984.

ANTHONY M. SOLOMON,
President.

Rate Schedule Effective November 21, 1984

*Percent
Per Annum*

Advances to and discounts for depository institutions:

- (a) Advances of adjustment and seasonal credit and discounts under sections 13, 13a, and 10(b) of the Federal Reserve Act 8½
- (b) Advances under section 10(b) of the Federal Reserve Act of extended credit (i) to institutions under sustained liquidity pressures, or (ii) for special circumstances, where such Federal Reserve credit has been outstanding (including extensions and renewals) for the following periods:*

 - Not more than 60 days 8½
 - More than 60, but not more than 150,
days 9½
 - More than 150 days 10½

* In the case of extended credit that is expected to be outstanding for unusually long periods and in relatively large amounts, the time period for each rate in the extended credit rate structure may be shortened at the discretion of the Federal Reserve Bank of New York. Also, a flexible rate that takes into account rates on market sources of funds may be applied to any extended credit outstanding for prolonged periods.