

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 9861
May 17, 1985

DISCOUNT RATES

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

Effective May 20, 1985, 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 8 percent to 7½ 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, and the rate on advances of special seasonal credit, have also been reduced by ½ 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 8 percent to 7½ percent, effective on Monday, May 20.

The action was taken against the background of relatively unchanged output for some time in the industrial sector of the economy, stemming heavily from rising imports and a strong dollar. Price pressures, while clearly a continuing concern in some areas, appear to remain relatively well contained in goods producing sectors of the economy, and sensitive commodity prices are generally at the lowest levels in about two years. Growth of the monetary aggregates has slowed appreciably, although M1 has remained somewhat above the path implied by the annual target.

In this setting, a reduction in the discount rate consistent with the declining trend in market interest rates over recent weeks appears appropriate.

In making the change, the Board voted on requests submitted by the Federal Reserve Banks of Boston, New York, Richmond, Atlanta, Chicago, Minneapolis, Kansas City and Dallas.

The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Banks.

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

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Operating Circular No. 13**
Revised effective May 20, 1985]

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 May 20, 1985:

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 8 percent per annum to 7½ 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 8 percent per annum to 7½ percent per annum; the rate on such credit outstanding for more than 60, but not more than 150, days has been reduced from 9 percent per annum to 8½ percent per annum; and the rate on such credit outstanding for more than 150 days has been reduced from 10 percent per annum to 9½ percent per annum.

The rate on advances of special seasonal credit under sections 13 and 10(b) of the Federal Reserve Act has been reduced from 8½ percent per annum to 8 percent 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 March 12, 1985.

E. GERALD CORRIGAN,
President.

Rate Schedule Effective May 20, 1985

*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	7½
(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	7½
More than 60, but not more than 150, days	8½
More than 150 days	9½
(c) Advances of special seasonal credit under sections 13 and 10(b) of the Federal Reserve Act	8**

* 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.

** The rate on advances made under the special seasonal program will remain fixed for the duration of the credit. No credit under this program will mature later than February 28, 1986, nor will such credit be extended subsequent to September 30, 1985.