

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 10,046 ]  
June 11, 1986 ]

**DISCOUNT RATES**

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

Effective June 10, 1986, the directors of this Bank, with the approval of the Board of Governors of the Federal Reserve System, established a new discretionary discount rate for unusually large adjustment credit borrowings that result from major operating problems at the borrowing institution.

The following statement was issued by the Board of Governors of the Federal Reserve System regarding this change:

The Federal Reserve Board has announced a new policy to deal with exceptionally large borrowings from the discount window that arise from computer breakdowns or other operating problems associated with the payments mechanism.

Under the new policy, a rate higher than the basic discount rate will be applied to loans of unusual size which result from a major operating problem at the borrower's facility, unless the problem is clearly beyond the reasonable control of the institution.

The rate to be charged will be the highest rate within the structure of discount rates at that time. Although the current basic discount rate is 6½ percent, the highest rate posted by the Federal Reserve is now 8½ percent which can apply to extended credit borrowings outstanding for more than 150 days.

This action will assure that in extraordinary circumstances arising from computer breakdowns or other operating problems, credit extended by the Federal Reserve will be at rates as high as or higher than those prevailing for short-term accommodation in the open market.

The new policy will encourage institutions to maintain or put in place the appropriate measures and precautions to reduce the chances that any major problems might develop.

A copy of this Bank's Operating Circular No. 13, regarding discount rates, is enclosed.

E. GERALD CORRIGAN,  
*President.*

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ **Operating Circular No. 13**  
Revised effective June 10, 1986 ]

**DISCOUNT RATES**

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

1. This Bank has made the following change in its rate schedule, effective June 10, 1986:

The rate schedule has been amended to provide that, in the case of adjustment credit loans determined by this Bank to be unusually large and to arise from a major operating problem at the borrowing institution, this Bank, at its discretion, may charge the highest rate it has established for loans to depository institutions.

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 21, 1986.

E. GERALD CORRIGAN,  
*President.*



## Rate Schedule Effective June 10, 1986

*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 . . . . .	6½*
(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 credit has been outstanding (including extensions and renewals) for the following periods:†	
Not more than 60 days . . . . .	6½
More than 60, but not more than 150, days . . . . .	7½
More than 150 days . . . . .	8½
(c) Advances under temporary simplified seasonal credit program pursuant to sections 13 and 10(b) of the Federal Reserve Act . . . . .	‡

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\* In the case of adjustment credit loans determined by this Bank to be unusually large and to arise from a major operating problem at the borrowing institution, this Bank, at its discretion, may charge the highest rate it has established for loans to depository institutions.

† 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.

‡ Under the program, the borrower has the option of borrowing (i) at the basic discount rate in effect during the period the loan is outstanding (if the discount rate changes during this period, the rate charged on the loan changes accordingly), or (ii) at a rate that, during the time the credit is outstanding, will remain fixed at one-half percentage point higher than the basic discount rate in effect at the time of the loan. No credit under this program will mature later than February 28, 1987, nor will such credit be extended subsequent to September 30, 1986.