

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 10180 ]  
July 29, 1987 ]

**DISCOUNT RATES**

**Change in Rate Structure for Extended Credit**

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

Effective Thursday, July 30, 1987, the directors of this Bank, with the approval of the Board of Governors of the Federal Reserve System, have changed the rate structure for extended credit advances to institutions experiencing sustained liquidity pressures. The basic discount rate has not been changed; it remains at 5½ percent.

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

In the interest of simplification, the Federal Reserve Board has announced a restructuring of interest rates that are charged on borrowings from the discount window for extended credit. The new structure will apply a flexible rate that will vary with market interest rates to extended credit outstanding for more than 30 days.

No change is being made in the basic discount rate for adjustment credit, which remains at 5½ percent.

The new simplified structure of rates for extended credit provides for use of the basic discount rate for the first 30 days of borrowing, followed by a flexible rate for borrowings of more than 30 days. The flexible rate will be somewhat above the rates on market sources of funds to depository institutions, and in no case will the rate charged be less than the basic discount rate plus 50 basis points. Under the extended credit program, credit is made available to institutions experiencing exceptional financial strains over a prolonged period of time.

Currently, the structure of rates applied to extended credit is a complex mixture of fixed and flexible rates which depend on the time the credit has been outstanding and the size of the borrowing institution. Under this structure, the basic rate generally has applied to the first 60 days of extended credit borrowing and the basic rate plus one percentage point to the next 90 days. After 150 days, Reserve Banks have charged a rate equal to the basic rate plus two percentage points or a flexible rate related to market rates. This flexible rate has been subject to a floor of the basic rate plus one percentage point.

In taking this action, the Board approved requests from the boards of directors of all 12 Reserve Banks to establish the new structure. The new rates will take effect on July 30.

This Bank's Operating Circular No. 13, regarding discount rates, will be sent to you shortly.

E. GERALD CORRIGAN,  
*President.*

10180

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ **Operating Circular No. 13**  
Revised effective July 30, 1987 ]

**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 July 30, 1987:

The rate structure for advances under section 10(b) of the Federal Reserve Act of extended credit to institutions under sustained liquidity pressures, or for special circumstances, has been changed to (a) 5½ percent per annum on such credit outstanding for not more than 30 days, and (b) a flexible rate to be established by this Bank — somewhat higher than prevailing market interest rates and no less than the basic discount rate plus 50 basis points — for such credit outstanding for more than 30 days.

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 August 21, 1986.

E. GERALD CORRIGAN,  
*President.*

## Rate Schedule Effective July 30, 1987

*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 . . . . .  | 5½* |
| (b) Advances under section 10(b) of the Federal Reserve Act of extended credit to institutions under sustained liquidity pressures, or for special circumstances, where credit has been outstanding (including extensions and renewals) for the following periods: |     |
| Not more than 30 days† . . . . .   | 5½  |
| More than 30 days . . . . .  | ‡   |
| (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 30-day period prior to the application of the higher flexible rate may be shortened at the discretion of the Federal Reserve Bank of New York.

‡ A flexible rate, somewhat higher than prevailing market interest rates and no less than the basic discount rate plus 50 basis points, will be established for such extensions of credit. The rate will ordinarily change every two weeks, or more frequently should the basic discount rate change in the interim.

¶ 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 29, 1988, nor will such credit be extended subsequent to September 30, 1987.