

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10707**
May 17, 1994]

DISCOUNT RATE

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

The directors of this Bank, with the approval of the Board of Governors of the Federal Reserve System, have increased the Bank's basic discount rate to 3-1/2 percent from 3 percent, effective immediately.

The following statement was issued by the Board of Governors regarding the rate change:

The Federal Reserve today announced two actions designed to maintain favorable trends in inflation and thereby sustain the economic expansion.

The Board approved an increase in the discount rate from 3 percent to 3-1/2 percent, effective immediately, and the Federal Open Market Committee agreed that this increase should be allowed to show through completely into interest rates in reserve markets.

These actions, combined with the three adjustments initiated earlier this year by the FOMC, substantially remove the degree of monetary accommodation which prevailed throughout 1993. As always, the Federal Reserve will continue to monitor economic and financial developments to judge the appropriate stance of monetary policy.

In taking the discount action, the Board approved requests submitted by the Boards of Directors of eleven Federal Reserve Banks - Boston, New York, Philadelphia, Richmond, Atlanta, 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 Bank.

This Bank's Operating Circular No. 13, regarding discount rates, will be revised accordingly.

WILLIAM J. MCDONOUGH,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[Operating Circular No. 13]
Revised effective May 17, 1994

DISCOUNT RATES

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

1. This Bank has increased its basic discount rate under sections 10(b), 13, and 13a of the Federal Reserve Act from 3 percent per annum to 3½ percent per annum, effective May 17, 1994. Described on the reverse side are the 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 July 2, 1992.

WILLIAM J. McDONOUGH,
President.

**Rates Effective May 17, 1994
Under Sections 10(b), 13, and 13a
of the Federal Reserve Act**

The following rates will be applied to advances and discounts for depository institutions:

Adjustment Credit

The basic discount rate, currently $3\frac{1}{2}$ percent per annum, is usually charged for advances of adjustment credit. In the case of adjustment credit advances determined by this Bank to be unusually large and to arise from a major operating problem at the borrowing institution, including but not limited to a computer outage, this Bank, in its discretion, may charge the highest rate established by this Bank for advances to depository institutions.

Seasonal Credit

A flexible rate, no less than the basic discount rate, that takes into account rates on market sources of funds will be applied to seasonal credit. This rate will ordinarily change every two weeks, and the changed rate will apply to both new and outstanding advances of this type. The rate may, under certain circumstances, be changed more frequently than every two weeks.

Extended Credit

The flexible rate plus fifty basis points will be charged for extended credit to institutions under sustained liquidity pressures or for other special circumstances. The current extended credit rate shall apply to any extended credit outstanding for more than thirty days and may be applied, in the Bank's discretion, at any time extended credit is granted or outstanding.

A depository institution may obtain information regarding the current rate by contacting the Loans and Credits Function (Tel. No. 212-720-5394).