

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 10832
January 31, 1996]

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 reduced the Bank's basic discount rate from 5-1/4 percent to 5 percent, effective immediately. In that regard, the Board of Governors issued the following statement:

The Federal Reserve today announced the following policy actions:

— The Board of Governors approved a reduction in the discount rate from 5-1/4 percent to 5 percent, effective immediately.

— In a related move, the Federal Open Market Committee agreed that the reduction would be reflected fully in interest rates in the reserve markets. This is expected to result in a reduction in the federal funds rates of 25 basis points, from about 5-1/2 percent to about 5-1/4 percent.

Moderating economic expansion in recent months has reduced potential inflationary pressures going forward. With price and cost trends already subdued, a slight easing of monetary policy is consistent with contained inflation and sustainable growth.

In taking the discount action, the Board approved requests submitted by the Boards of Directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, Minneapolis and Dallas. The discount rate is the interest rate that is charged depository institutions when they borrow from their district Federal Reserve Bank.

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

WILLIAM J. McDONOUGH,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

Operating Circular No.13
Effective January 31, 1996

DISCOUNT RATES

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

1. This Bank has reduced its basic discount rate under sections 10(b), 13, and 13a of the Federal Reserve Act from 5¹/₄ percent per annum to 5 percent per annum, effective January 31, 1996. 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 February 1, 1995.

WILLIAM J. McDONOUGH,
President.

[Ref. Cir. No. 10832]

(OVER)

Rates Effective January 31, 1996 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 5 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 Credit and Risk Management Function (Tel. No. 212-720-5394).