

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 6682]
[January 29, 1971]

ADVANCES AND DISCOUNTS
Revision of Operating Circular No. 12

To the Member Banks of the Second Federal Reserve District:

Enclosed is a copy of Operating Circular No. 12, Revised effective February 4, 1971. This revision is identical to the proposed revision of the circular that I sent to your chief executive officer on December 17, 1970, with a letter in which I advised him of the changes in procedure that will result from the use of a new continuing lending agreement, including elimination of the need for the submission of an application and promissory note at the time of each advance. Enclosed also with my December 17 letter were two copies of the continuing lending agreement, one of which was to be executed by your bank and returned to us. The new procedures will become effective for your bank on February 4 if you have returned to us an executed copy of the agreement (Form No. CR. 66).

Additional copies of the enclosure will be furnished upon request.

ALFRED HAYES,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[Operating Circular No. 12
Revised effective February 4, 1971]

ADVANCES AND DISCOUNTS

*To the Member Banks of the
Second Federal Reserve District:*

This circular sets forth the general terms and conditions under which we may extend credit accommodations to member banks and the procedures to be followed in connection with extensions of such accommodations. All references in this circular to us apply equally to our Buffalo Branch, and it is suggested that member banks located in the Buffalo Branch territory request credit accommodations from the Branch.

Kinds of credit accommodations

1. Under provisions of the Federal Reserve Act (hereafter called "the Act"), and subject to Regulation A of the Board of Governors of the Federal Reserve System (12 CFR Part 201) and in the light of the general principles set forth in the foreword to that Regulation, we are authorized to make credit available to member banks by the following means:

(a) We may make advances to a member bank, pursuant to section 13 of the Act, for periods not exceeding 90 days,* on the security of obligations of, or fully guaranteed by, the United States or any agency of the United States.

(b) We may make advances to a member bank, pursuant to section 13 of the Act, for periods not exceeding 90 days,* on the security of any paper eligible for discount or for purchase by the Reserve Banks under provisions of the Act.

(c) We may make advances to a member bank, pursuant to section 10(b) of the Act, for periods not to exceed four months,* secured to our satisfaction, whether or not the collateral meets the

* It is expected, however, that advances normally will be for shorter periods commensurate with the period of time Federal Reserve credit is actually needed.

requirements of paragraphs (a) or (b) above. However, the rate on such advances must be at least one half of 1 percent higher than the highest rate applicable to discounts of or advances on eligible paper.

(d) We may discount customers' paper of a member bank, pursuant to sections 13 and 13a of the Act, that meets the "eligibility" requirements set forth in section 201.3 of Regulation A.

Continuing lending agreement

2. In general, we will make advances to a member bank pursuant to a continuing lending agreement (our Form No. CR. 66) to be executed by a duly authorized officer of the member bank; and particular advances pursuant to such agreement will be evidenced by an advice of credit, transmitted to the member bank at the time of the particular advance, specifying the amount and maturity of the advance. However, we reserve the right in any case to require the execution by a member bank of a promissory note with respect to a particular advance.

Granting of credit accommodations

3. (a) In general, we do not require that a request for an advance be accompanied by a written application, and any such request may be made by telephone, letter, or wire by an authorized officer of a member bank. However, we reserve the right to require the submission of a written application. Each request for an advance must specify the amount and maturity of the requested advance, the collateral offered as security, and in the event such collateral is not already held by us, the manner in which such collateral will be placed in our possession or under our control. Any member bank desiring to discount paper with us, as indicated in paragraph 1(d) above, should consult us regarding the procedure to be followed.

(b) If a request for credit is received by us before 3 p.m. and the request is approved, the borrowing member bank will be given immediate credit in its reserve account unless the member bank requests that credit be given on a subsequent day.

Collateral security

4. (a) Collateral offered as security for any advance, in addition to meeting requirements of the continuing lending agreement, must be

acceptable to us; must be endorsed or assigned by the member bank (except in the case of bearer paper); and must be in such form, or accompanied by such documents, that it may be readily transferred to us without further action by the member bank.

(b) Under certain conditions, collateral offered as security for an advance by us may be held by another member bank or Federal Reserve Bank in lieu of actual delivery of the collateral to us. Information with respect to such arrangements will be furnished on request.

(c) If a member bank that has pledged or discounted paper with us, or has otherwise transferred collateral to us, receives any funds in payment for such paper or other collateral so pledged, discounted, or transferred, the member bank must immediately remit the funds to us, and until so remitted the payment will be considered as having been received in trust for us.

(d) In accordance with Subpart O of Treasury Department Circular No. 300, this Bank, as fiscal agent of the United States, maintains as "book-entry Treasury securities" transferable Treasury securities deposited as collateral for advances by this Bank. Transferable Treasury securities now on deposit or hereafter deposited for such purpose will be converted into book-entry form and deposited in a book-entry collateral account in accordance with the provisions of our current Operating Circular No. 21, "Book-Entry Treasury Securities," and in such event such securities will be handled pursuant to the terms and conditions of that circular, notwithstanding any inconsistent provisions herein.

Rates

5. Interest on an advance will be payable to us at the time of repayment of the advance at the applicable rate indicated in our current Operating Circular No. 13 at the time the advance was made, except that, if the rate is changed while the advance is outstanding, the new rate shall apply from and after the effective date of such change. Interest will be computed on a basis of 365 days to the year.

Statements and reports

6. In connection with any advance or discount, we reserve the right to require a current condition report of the borrowing member bank, a recent balance sheet and profit-and-loss statement of any

obligor on paper offered as collateral for an advance or for discount, and such other reports and statements as we may deem desirable.

Authorization of officers to borrow

7. A certified copy of a resolution adopted by a member bank's board of directors authorizing designated officers to execute agreements with us and to borrow on its behalf from us must be on file with us in order for any member bank to obtain credit accommodations. Our Form No. CR. 65 should be used for this purpose.

Agreement to this circular

8. Each member bank applying to us for an advance or discount shall be deemed by such action to have agreed to all of the terms and conditions set forth in this circular and in Regulation A of the Board of Governors of the Federal Reserve System.

Right to amend

9. We reserve the right to withdraw, add to, or amend any of the provisions of this circular at any time.

Effect of this circular on previous circulars

10. This circular supersedes our Operating Circular No. 12, Revised December 28, 1964, and the First and Second Supplements thereto dated August 16, 1966 and December 27, 1967.

ALFRED HAYES,
President.