

FEDERAL RESERVE BANK OF DALLAS  
DALLAS, TEXAS 75222

Circular No. 68-244  
November 19, 1968

**AMENDMENT TO REGULATION A**

**To the Member Banks in the Eleventh  
Federal Reserve District:**

The Board of Governors of the Federal Reserve System has amended effective immediately sections 201.1 and 201.2(a), and revoked paragraph (b) of section 201.2 of Regulation A, which relates to advances and discounts by Federal Reserve Banks.

The purpose of this amendment is to implement Public Law 90-505, approved September 21, 1968, which made Federal agency securities eligible as collateral for advances to member banks. The current rate of discount per annum applicable for discounts and advances covered under Sections 13 and 13a of the Federal Reserve Act will apply.

A copy of the Board's interpretation regarding the eligibility of Federal agency securities and an amendment to Regulation A are enclosed. The copy of the amendment should be inserted in the ring binder containing the Regulations of the Board of Governors and the Bulletins of this Bank.

Yours very truly,

P. E. Coldwell  
President

Enclosures (2)

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. A]

PART 201 - ADVANCES AND DISCOUNTS BY FEDERAL RESERVE BANKS

§ 201.108 Obligations eligible as collateral for advances.

(a) Section 3(a) of Public Law 90-505, approved September 21, 1968, amended the eighth paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 347) to authorize advances thereunder to member banks "secured by such obligations as are eligible for purchase under section 14(b) of this Act." The relevant part of such paragraph had previously referred only to "notes . . . eligible . . . for purchase", which the Board had construed as not including obligations generally regarded as securities. (See 1962 Federal Reserve Bulletin 690, 12 CFR 201.103(d).)

(b) Under section 14(b) direct obligations of, and obligations fully guaranteed as to principal and interest by, the United States or any agency thereof are eligible for purchase by Reserve Banks. Following are the principal agency obligations now eligible as collateral for advances:

- (1) Federal Intermediate Credit Bank debentures,
- (2) Federal Home Loan Bank notes and bonds,
- (3) Federal Land Bank bonds,

- (4) Bank for Cooperative debentures,
- (5) Federal National Mortgage Association notes, debentures and guaranteed certificates of participation,
- (6) Obligations of or fully guaranteed by the Government National Mortgage Association,
- (7) Merchant Marine bonds,
- (8) Export-Import Bank notes and guaranteed participation certificates,
- (9) Farmers Home Administration insured notes,
- (10) Notes fully guaranteed as to principal and interest by the Small Business Administration,
- (11) Federal Housing Administration debentures,
- (12) District of Columbia Armory Board bonds,
- (13) Tennessee Valley Authority bonds and notes,
- (14) Bonds and notes of local urban renewal or public housing agencies fully supported as to principal and interest by the full faith and credit of the United States pursuant to section 302 of the Housing Act of 1961 (42 U.S.C. 1421a(c), 1452(c)).

(c) Nothing less than a full guarantee of principal and interest by a Federal agency will make an obligation eligible. For example, mortgage loans insured by the Federal Housing Administration

are not eligible since the insurance contract is not equivalent to an unconditional guarantee and does not fully cover interest payable on the loan. Obligations of international institutions, such as the Inter-American Development Bank and the International Bank for Reconstruction and Development, are also not eligible, since such institutions are not agencies of the United States.

(d) Also eligible for purchase under section 14(b) are "bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts". To the extent such obligations would be eligible for purchase under Part 205 of this chapter (Reg. E), they are now eligible as collateral for advances to member banks. Such obligations should by their terms mature within six months after the date of the advance and be payable out of specific tax or similar types of revenue and should be otherwise eligible for purchase under Part 205.

(e) The following interpretations are hereby revoked:

Interpretations\* ¶ 925, 1916 Federal Reserve Bulletin 609 (county warrants ineligible); Interpretations ¶ 930, 1918 Bulletin 33 (Federal Land Bank bonds ineligible); Interpretations ¶ 950, 1960 Bulletin 151, 12 CFR 201.101 (Merchant Marine bonds ineligible); Interpretations ¶ 955, 1960

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\* Published Interpretations of the Board of Governors of the Federal Reserve System.

Bulletin 858, 12 CFR 201.102 (mortgage notes guaranteed under military housing program in Title VIII of National Housing Act ineligible); Interpretations ¶ 956, 1962 Bulletin 690, 12 CFR 201.103 (Farmers Home Administration insured notes eligible); Interpretations ¶ 960, 1966 Bulletin 188, 12 CFR 201.105 (Export-Import Bank guaranteed participation certificates eligible); Interpretations ¶ 961, 1966 Bulletin 340; 12 CFR 201.106 (Small Business Administration fully guaranteed notes eligible).

(Interprets and applies 12 U.S.C. 347)

Dated at Washington, D. C., this 13th day of November, 1968.

By order of the Board of Governors.

(Signed) Robert P. Forrestal

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Robert P. Forrestal,  
Assistant Secretary.

# AMENDMENT TO REGULATION A

(12 CFR 201)

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective immediately sections 201.1 and 201.2(a) are hereby amended to read as shown below. Paragraph (b) of section 201.2 is revoked.

## PART 201 — ADVANCES AND DISCOUNTS BY FEDERAL RESERVE BANKS

### SECTION 201.1 — INTRODUCTION

This part is issued under section 13 and other provisions of the Federal Reserve Act and relates to extensions of credit by Federal Reserve Banks.

### SECTION 201.2 — ADVANCES TO MEMBER BANKS

(a) **Advances on obligations or eligible paper.** — Reserve Banks may make advances to member banks for not more than 90 days if secured by (1) obligations or other paper eligible under the Federal Reserve Act for discount or purchase by Reserve Banks or (2) certificates of interest issued by the Commodity Credit Corporation in a pool of notes with maturities of not more than nine months evidencing loans made by the Corporation pursuant to a commodity loan program.

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2a. The purpose of this amendment is to implement Public Law 90-505, September 21, 1968, which made eligible as collateral for advances to member banks under the eighth paragraph of section 13 of the Federal Reserve Act (12 U.S.C. 347) "such obligations as are eligible for purchase under section 14(b) of this Act."

b. The provisions of section 553 of Title 5, United States Code, relating to notice and public procedure and to deferred effective date with respect to changes in substantive rules were not followed in connection with this amendment because the Board found that such actions would result in delays that would have consequences contrary to the national interest.

November 19, 1968