SUMMARY OF PROPOSAL FOR REDESIGN OF DISCOUNT MECHANISM

	Basic borrowing privilege (1)	Other adjustment credit (2)	Seasonal borrowing privilege (3)	Emergency credit to member banks (4)	Emergency credit to others (5)
Definition	Member bank access to credit upon request, within precisely stated limits on amounts and frequency and on specified conditions.	Supplemental discount accommodation, subject to administrative procedures, to help a member bank meet temporary needs that prove either larger or longer in duration than could be covered by its basic borrowing privilege.	Member bank access to credit on a longer-term and, to the extent possible, prearranged basis to meet demonstrable seasonal pressures exceeding minimum duration and relative amount.	Credit extended to member banks in unusual or exigent circumstances.	Credit extended to institutions other than member banks in emergency circumstances in fulfilling role as lender of last resort of the economy.
Rate	Discount rate	Discount rate	Discount rate	Discount rate	Significant penalty above discount rate.
Quantity limitations	——— (20 to 40) percent of 1st $1,000,000 capital stock and surplus plus ——— (10 to 20) percent of next $9,000,000 of plus ——— (10) percent of remainder.	None specified	Seasonal needs in excess of ——— (5 to 10) percent of average deposits subject to reserve requirements in preceding calendar year.	None specified	None specified.
Frequency or duration limitations	——— (6 to 13) of any ——— (13 to 26) consecutive reserve computation periods.	do	Need and arrangement must be for more than 4 weeks. Maximum 9 consecutive months.	do	Do.
Administrative procedures	None other than general discouragement of net selling of Federal funds by borrowing banks.	Appraisal and, where necessary, action broadly similar to procedures developed under existing discount arrangements.	Prearrangement involves discussion between discount officer and bank management concerning amount, duration, and seasonality of need. Administrative review maintained during borrowing to prevent abuse or misuse.	Continuous and thoroughgoing surveillance. Require that bank develop and pursue workable program for alleviating difficulties.	Continuous and thoroughgoing surveillance (may have to be through conduit). Require that institution develop and pursue workable program for alleviating difficulties.
Other restrictions	Must not have been found to be in unsatisfactory condition.	None specified	None specified	None specified	Required to use all other practicable sources of credit first.
Method of provision	Direct	Direct	Direct	Direct	(1) Through central agency; (2) direct; (3) conduit through member bank.