



## **CBAI Urges Constructive Changes to the Reserve Bank’s Discount Window Borrowings and Close Cooperation with FHLBs**

In a comment letter dated December 6, 2024, CBAI responded to a Federal Reserve’s Request for Information (RFI) regarding the Reserve Bank’s Discount Window borrowings.

Community banks rarely use borrowings from the Discount Window as a source of liquidity because funding sources like Federal Home Loan Bank advances are a superior alternative and the Discount Window carries the negative perception of being the *lender of last resort*. Nonetheless, the Discount Window is a meaningful liquidity alternative that should be considered by community bank management and their boards.

Unfortunately, the justification for this RFI is the March 2023 failures of Silicon Valley Bank and Signature Bank of New York and their inability to access their collateral for Discount Window borrowings because their assets were pledged for FHLB advances. While the positioning of the collateral did not cause the failures of these mismanaged and poorly regulated banks, the Federal Reserve felt that it needed to act, and improving the operations of the Discount Window is one of the avenues it is investigating.

CBAI’s comment letter urged the Federal Reserve not to mandate that community banks position collateral and borrow at the Reserve Bank’s Discount Window because that is an intrusion into the day-to-day management of the bank. CBAI advocated for careful refinements to ensure community banks have seamless access to the FHLB advances and Reserve Bank’s Discount Window borrowings to meet their liquidity needs and for asset/liability management purposes in all economic conditions including periods of financial and economic stress.

[Read the CBAI Comment Letter »](#)