Form F.R. 131

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 22, 1937

To Board of Governors

Subject:

From E. A. Goldenweiser

EAG. LMC.
W.J.

I wish to recommend to the Board that the buying rate on bankers' acceptances of thirty days or less in maturity be reduced from one-half to one-fourth percent, the rate on thirty-one days to three-month maturities from one-half to three-eighths percent, on ninety days to four-month maturities from three-quarters to five-eighths percent, and on four to six-month maturities from one percent to three-fourths of one percent. The corresponding rates in the market are seven-sixteenths, nine-sixteenths, five-eighths, and three-fourths. Market rates, existing buying rates at the Reserve bank, and proposed rates are as follows:

Maturity	Market	Reserve bank buying rate	
		Existing	Proposed
30 days or less	7/16	1/2	1/4
31 to 90 days	9/16	1/2	3/8
91 to 120 days	5/8	3/4	5/8
121 to 180 days	3/4	1	3/4

I also recommend that the discount rate at all Federal Reserve Banks be reduced to one-half of one percent. These recommendations are for the purpose of easing the situation over May first. There are still a few banks in New York that are going to be short of reserves and it would be desirable to encourage them to get the additional reserves by the sale of bills to us rather than by selling Government securities in the open market.

As to discount rates, the fact is that there are 102 country banks, mostly in the New York, Philadelphia, and Boston Districts, that do not have sufficient reserves to meet the increase and have only a small amount of balances with correspondents. The shortage of reserves in these banks will amount in the aggregate to only about $3,000,000, but may cause considerable inconvenience to some of these banks. It would seem to me that it is desirable by this action to indicate to them that the door is open for borrowing at the Reserve Banks, and at a very low rate.