

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET

March 11, 1933.

**SUBJECT: AMENDMENT TO FEDERAL RESERVE ACT, SECTION 10 (b)
AS AMENDED BY ACT OF CONGRESS MARCH 9, 1933.**

*Teleg. 3-10 # 70
Trans. # 1611.*

To The Member Banks of District Number Seven:

In our Bulletin No. 219, dated March 21, 1932, we gave you information concerning two new sections added to the Federal Reserve Act as approved by Act of Congress February 27, 1932, namely Section 10 (a): Advances to Groups of Member Banks, and Section 10 (b): Advances to Individual Member Banks.

For your information we quote below the text of Section 10(b) as amended by Act of Congress March 9, 1933:

“In exceptional and exigent circumstances, and when any member bank has no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal Reserve Bank or any other method provided by this act other than that provided by Section 10 (a) any Federal Reserve Bank, under rules and regulations prescribed by the Federal Reserve Board, may make advances to such member bank on its time or demand notes secured to the satisfaction of such Federal Reserve Bank. Each such note shall bear interest at a rate not less than 1 per centum per annum higher than the highest discount rate in effect at such Federal Reserve Bank on the date of such note. No advance shall be made under this section after March 3, 1934, or after the expiration of such additional period not exceeding one year as the President may prescribe.”

Under the terms of this section Federal Reserve Banks may, until March 3, 1934, in exceptional and exigent circumstances, make advances to individual member banks upon the following conditions:

(a) Advances may be made only to banks which have no further eligible and acceptable assets available to enable them to obtain adequate credit accommodations through rediscounting at the Federal Reserve Bank, or any other method provided by the Federal Reserve Act other than that provided by Section 10(a).

(b) Advances under this section may be made only upon the promissory notes of member banks secured to the satisfaction of the lending Federal Reserve Bank.

The rate at which advances may be made under the provisions of this section has been fixed for the time being at 5 per centum per annum. Such advances will be made for not to exceed 90 day periods.

A special form of application has been prepared for the use of member banks desiring to apply for loans under Section 10(b). Copies will be provided upon request.

Each such application must include a certificate to the effect that the applying bank has no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations

*Refer also to Teleg. 3-13, # 95
3-14, # 108.*

through rediscounting at the Federal Reserve Bank or any other method provided by the Federal Reserve Act other than that provided by Section 10(a); and it must also be supported by a statement of facts sufficient to satisfy the Federal Reserve Bank that there are exceptional and exigent circumstances which would justify the making of such loan under the provisions of Section 10(b).

A special form of member bank promissory note suitable for advances made under this section may be had upon request.

It is suggested, however, that before making applications for such advances member banks should communicate with this bank and ascertain its views as to the collateral or other security which should be offered and as to the other conditions upon which this bank would be disposed to give favorable consideration to the application.

JAMES B. McDOUGAL,
Governor.