

FEDERAL RESERVE BANK
OF DALLAS

Circular No. 40.

September 20, 1916.

PROMISSORY NOTES

TO THE MEMBER BANK ADDRESSED:

On September 8th the President signed the bill entitled, "An Act to Amend certain sections of the Act entitled 'Federal Reserve Act,' approved December 23, 1913," and it is therefore now a law.

A part of this Act reads as follows:

"Any Federal reserve bank may make advances to its member banks on their promissory notes for a period not exceeding fifteen days at rates to be established by such Federal reserve banks, subject to the review and determination of the Federal Reserve Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the United States."

At their meeting on September 15th our Board of Directors established a rate of 3-1/2% per annum on this class of paper, which rate has been approved by the Federal Reserve Board, and we are now prepared to furnish any needed temporary accommodation to our member banks in this manner.

Two blank notes are enclosed herewith for your use when required, and additional notes will be furnished upon application.

This service should assist our member banks in caring for any unusual temporary demands for funds pending the receipt of anticipated collections, and in addition should enable them to keep their reserve deposits with this bank intact at all times and relieve them from the necessity of paying a minimum penalty of six per cent. on the amount of depletion in reduced reserves.

The attention of our member banks is called to the fact that this penalty, as fixed by the Federal Reserve Board, is to be imposed, in the case of depleted reserves, on the total difference between the amount of the balance in their reserve account on our books and the amount which they are required by law to carry in that account, and that an excess balance one day will not count as an offset to a depleted balance of some other day.

We will be pleased to furnish you with any additional information which you may desire relative to this new facility offered you by the Federal Reserve Bank of Dallas.

Yours very truly,

R. L. VAN ZANDEL,

Governor.