

(closed)

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, October 3, 1917.

RATES OF DISCOUNT.

TO THE CASHIER,

SIR:

At the regular weekly meeting of the Directors of the Federal Reserve Bank held to-day, it was decided to make no changes in the rates now established. Attention is directed to these rates which are now as follows:

For notes, drafts and bills of exchange (including promissory notes of member banks secured by eligible paper or bonds, notes or certificates of indebtedness of the United States), having a maturity at time of discount of not more than 15 days.....3%

For notes, drafts and bills of exchange, having a maturity at time of discount of more than 15 days and not more than 90 days.....4%

For agricultural paper having a maturity at time of discount of more than 90 days and not more than six months.....5%

SPECIAL RATES

For notes, drafts and bills of exchange issued or drawn for the purpose of buying or carrying bonds, notes or certificates of indebtedness of the United States, and secured thereby, having a maturity at time of discount of not more than 90 days.....3½%

For trade acceptances having a maturity at time of discount of not more than 90 days.....3½%

For one day promissory notes of member banks required in connection with transactions involving the fiscal operations of the Government, secured by eligible paper or bonds, notes or certificates of indebtedness of the United States.....2% to 4%

The special rate of $3\frac{1}{2}\%$ at which the Federal Reserve Bank will rediscount notes secured by bonds of the United States Government applies to all notes discounted with member banks secured by the pledge of Liberty Loan Bonds or United States certificates of indebtedness, maturing within 90 days.

The rate of 3% for collateral loans applies to notes made by member banks secured by United States Government bonds, United States certificates of indebtedness, or any paper eligible for discount at or purchase by the Federal Reserve Bank, that is to say, commercial paper and bankers acceptances.

It should not be understood that the rates now in force will necessarily remain so for any fixed period of time. The rates established by the bank must be governed by business and monetary conditions, but the Directors of this bank see nothing in the present situation and outlook requiring any changes in the rates now established.

Respectfully,

BENJ. STRONG,
Governor.

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For your information, I desire to call your attention to the enclosed circular No. 82 (revised) from the Federal Reserve Bank, which explains just what it is in position to do with regard to advances and rediscounts from member banks.

Briefly, there are three different methods open to banks for financing Liberty Loan Subscriptions through the facilities of the Federal Reserve Bank, i. e.;

FIRST Loans can be made directly to member banks by the Federal Reserve Bank for periods not exceeding fifteen days, with Liberty bonds as collateral, for which the present rate is 3%. There is nothing in the law to prevent a member bank from paying the loan as it matures and making a new loan for a smaller or larger amount for further periods of fifteen days providing circumstances at the time the notes mature require it. This method may be helpful in enabling a member bank to carry temporarily bonds for large subscriptions where the subscribers do not wish to pay immediately.

SECOND Customers of a bank who wish to subscribe to bonds and pay for them on the instalment plan in stated periods, i. e., thirty, sixty or ninety days, etc. may give their notes covering the instalment payments to their bank.

If the bank is a member of the Federal Reserve System, it may indorse and rediscount the paper with the Federal Reserve Bank, provided it has a maturity of not more than ninety days, with Liberty bonds as collateral; the present rediscount rate being 3½%. Arrangements for reasonable extensions might of course be made between the banks and their customers, but the notes should be drawn for not exceeding ninety days in each instance.

Subscriptions of industrial concerns, merchants, etc. for their own account and that of their employees could also be covered in this manner, and

the note of the subscriber may be taken by the bank and indorsed and rediscounted with the Federal Reserve Bank with the bonds as collateral, as above described.

A member bank may also rediscount at the Federal Reserve Bank customers' notes given to nonmember banks, i. e., state banks, trust companies and savings banks, under the same conditions until further notice.

THIRD In the case of small subscriptions, calling for the payment of, say, \$1.00, \$2.00, \$5.00 or \$10. per week, an agreement might be made with the subscribers whereby the bank retains the title to the bonds until paid for, and so has them available for use as collateral to its own note if desired.

A member bank may then discount its note for not exceeding ninety days, secured by the bonds, by arrangements made with another member bank, which in turn may rediscount it with the Federal Reserve Bank.

Nonmember banks, including state banks, trust companies and savings banks, while they cannot borrow directly from the Federal Reserve Bank, may discount their own notes secured by the bonds for a period not exceeding ninety days by arrangements made with a member bank, which in turn may rediscount such paper with the Federal Reserve Bank.

The present rates for such rediscounts, as already indicated, are 3% up to fifteen days, and 3½% from fifteen days to ninety days. There is nothing in the law to prevent the banks from paying their notes as they mature, and making new notes for smaller amounts for additional periods of ninety days.

FEDERAL RESERVE BANK
OF NEW YORK

October 4, 1917.

Dear Sir:

In our letter of October 2nd, we requested you to furnish us with information regarding your time loans for out-of-town correspondents and to brokers. In order to make this data apply to the period directly under survey we ask that you kindly report only your time loans maturing before February 1, 1918.

Provision for this has been made on the new forms, a supply of which is enclosed herewith.

Very truly yours,

Deputy Governor.

Enc.