

PRESS STATEMENT.

September 3, 1915.

The Federal Reserve Board has adopted regulations authorizing Federal Reserve Banks to give special rates for rediscount on commodity paper i.e., promissory notes having not more than 90 days to run which are specifically secured by warehouse receipts for staple and readily marketable commodities of a non-perishable character, properly insured. It is believed that preferential rates on this class of paper will be of especial service at this time in aiding in the gradual and orderly marketing of the cotton and other crops. In order that producers may be directly benefited by the low rates authorized, the Board has made it a condition that paper offered by member banks for rediscount at the preferential rate, shall be paper on which the makers have paid or have contracted to pay in the way of interest or discount, including commissions, a rate of not exceeding 6% per annum. The Secretary of the Treasury has announced his intention of making deposits in the Federal reserve banks which are located in the cotton growing sections, in order that they may have enlarged resources to assist the crop situation.

While it is gratifying to note that a large number of member banks throughout the southern states have announced their intention of making loans on cotton at rates not to exceed 6% interest, yet there are many banks which hesitate to make any material reduction in the rates they have been in the habit of charging on such loans. The Board feels, therefore, that by making the preferential rates on commodity paper apply only to notes which have been taken by member banks at rates not exceeding 6% per annum, the banks will be encouraged to do their part in promoting orderly methods of crop marketing, and to a greater extent than would otherwise be the case. The benefits of the Federal Reserve Act were intended by Congress to apply to those having dealings with banks as well as to the banks themselves.

A rate of 3% for special "commodity paper" has been proposed by the Federal reserve banks of Atlanta and Dallas, to which the substance of the proposed regulation had been communicated and this 3% rate was approved at the meeting today. This means that the member bank which applies for a rediscount of paper secured by properly insured staples will obtain the funds asked for at 3% provided that the total charge made by such member bank to the maker of the paper did not originally exceed 6% per annum including commission.

The new regulation and circular on this topic are as follows:

Circular No.....
Series of 1915.

FEDERAL RESERVE BOARD .

Washington, D. C., September 3, 1915.

"COMMODITY PAPER"

In Regulation B, Series of 1915, the Board has established the policy of encouraging transactions of Federal reserve banks in trade acceptances and in commodity paper by admitting these kinds of paper to be rediscounted by Federal reserve banks with the waiver of the particular requirements with reference to statements.

In pursuance of this policy, the Board has already published a regulation laying down the conditions upon which trade acceptances may be rediscounted by Federal reserve banks at a special rate to be published for this kind of paper. In further pursuance of the same policy, the Board makes provision in the appended regulation for special rates on commodity paper.

It is hoped that this rate will prove its efficacy particularly during the crop moving season. The Board expects that the rate to be established for this commodity paper will, in a manner similar to that for trade acceptances, be somewhat lower than that for commercial paper. It leaves it within the discretion of the Federal reserve banks subject to review and determination of the Board to establish separate rates for trade acceptances and commodity paper, although in special districts where transactions are had in both kinds of paper it may be politic to have a uniform rate, as may appear desirable to such Federal reserve bank.

CHARLES S. HAMLIN,
Governor.H. PARKER WILLIS,
Secretary.

Regulation
Series of 1915.

FEDERAL RESERVE BOARD.

Washington, D. C., September 3, 1915.

"COMMODITY PAPER."

In this regulation the term "commodity paper" is defined as a note, draft or bill of exchange secured by warehouse terminal receipts, or shipping documents covering approved and readily marketable, non-perishable staples properly insured.

Commodity paper, to be eligible for discount by a Federal reserve bank under Section 13, at the special rates hereby authorized to be established for commodity paper below the usual commercial rates, must (a) comply with all the requirements of Regulation B, series of 1915, paragraph I and II, or with the requirements of Regulation C, series of 1915, (b) and be paper on which the rate of interest or discount including commission charged the maker does not exceed six percent per annum, and also (c) comply with such regulations as may be issued by Federal reserve banks covering requirements as to warehouse or terminal receipts, shipping documents, insurance, etc., adapted to the particular needs of its district as a condition of the special rate herein authorized.

Reserve banks are now authorized to submit rates for the discount of commodity paper in accord with this regulation for review by the Board.

CHARLES S. HAMLIN, Governor.

H. PARKER WILLIS, Secretary.