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FEDERAL RESERVE BOARD
WASHINGTON

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SHERMAN P. ALLEN, ASST. SECRETARY

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

September 11, 1916.

Dear Sir:

The amendments to the Federal Reserve Act approved on September 7, 1916, provide in part that -

"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".

The Federal Reserve Board does not deem it necessary to promulgate any special ruling relating to the exercise of the powers conferred by this amendment, but it is expected that each Federal reserve bank will establish rates, to be approved by the Federal Reserve Board, at which it will make advances on promissory notes of member banks properly secured. It is suggested, however, that those banks which have established a ten-day discount rate on commercial paper abolish the ten day rate and make a uniform fifteen day rate for both commercial and member bank paper rather than a ten day rate for commercial paper and a fifteen day rate for advances on collateral notes of member banks.

As soon as such rates are established and approved you will no doubt inform your member banks of the facilities afforded under the provisions of this amendment, stating the rate at which you are prepared to make advances on their promissory notes, and calling their attention to the fact that such notes must be secured either by such notes, drafts, bills of exchange or bankers' acceptances as are eligible for rediscount or purchase by Federal reserve banks, or by the deposit or pledge of bonds or notes of the United States.

Very truly yours,

Governor.