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AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

November 13, 1917.

Dear Sir:

Copy of letter which appears below is sent to you for your information and that of your bank.

Assistant Secretary.

November 12, 1917,

Mr. R. L. Austin,  
Federal Reserve Agent,  
Philadelphia, Pa.

Dear Mr. Austin:

The Board has today considered your schedule of proposed changes in discount rates and has acted upon your board's recommendation as follows:

The increase in the rate for fifteen-day paper, including member banks' collateral notes, from  $3\frac{1}{8}\%$  to 4% has been approved. As to the ninety-day Liberty Loan rate, the increase to 4% has been approved, upon the condition, however, that the rate shall not be put into effect until possibly a few days after November fifteenth, so that your member banks will have an opportunity to rediscount at the present rate when paying for the first installment of the Liberty Loan.

As to the fifteen-day rate for collateral notes secured by Liberty bonds or certificates of indebtedness, it was decided to keep a decision on this rate in abeyance and leave your rate of  $3\frac{1}{8}\%$  unchanged until after November fifteenth, when it will be possible fully to gauge the pressure that will have to be faced by the Federal Reserve banks.

With respect to the trade acceptance rate, it was the opinion of the Board that a margin of  $1\frac{1}{2}\%$  should, if possible, be maintained

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between trade acceptances and the rate for commercial paper of similar maturity. The amount of trade acceptances rediscounted with your bank is unimportant - not much in excess of \$100,000. - and it is our understanding that your board's reason for applying for an increase in the rate was that your bank is rediscounting a very large number of very small items, which it is the view of your board entail too much labor to warrant so low a rate. The Federal Reserve Board recommends in this respect that you leave the rate as it now stands,  $1/2\%$  under the commercial paper rate, but that you make it a rule that upon any items under fifty dollars you make an extra charge of ten cents each, in addition to the interest charge fixed for trade acceptances.

Very truly yours,

W. P. G. HARDING.

Governor.