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## FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

July 22, 1918.

X-1080

Dear Sir:

Some of the Federal Reserve banks continue to discount under an agreement to repurchase within fifteen days commercial paper of longer maturities. Transactions of this kind are authorized by the Board's ruling of November 28, 1917, which was made at a time when member banks' fifteen day collateral notes were subject to revenue stamp requirements, even though secured by United States Government obligations. Although the Board's ruling was made for the purpose of facilitating transactions in Government bonds and in Treasury certificates, there is no objection to repurchase transactions in commercial paper, and the Board sees no occasion to withdraw the ruling referred to, although notes secured by Government obligations are now exempt from the stamp tax up to the face value of the Government securities attached as collateral.

The rate for member banks' fifteen day collateral notes secured by commercial paper remains at 4% except at three banks where the rates are  $4\frac{1}{4}$ ,  $4\frac{1}{2}$  and  $4\frac{3}{4}$  % respectively. This short time rate was left undisturbed at nine of the banks, upon the assumption that the stamp tax on the fifteen day notes would bring the interest rate up to about  $4\frac{1}{2}$ %.

It is the view of the Board, however, that wherever Federal Reserve banks give their member banks the privilege of discounting longer term paper, under an agreement to repurchase within fifteen days, instead of requiring the banks to discount their own notes, the rate should be  $\frac{1}{2}$ % higher than that at which collateral notes subject to stamp tax are taken.

Very truly yours,

Governor.

The Governor,  
 Federal Reserve Bank,