

EX-OFFICIO MEMBERS
CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

WASHINGTON

J. A. BRODERICK, SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. IMLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 27, 1919.

X-1552

Subject: Calculation of Interest or Discount.

Dear Sir:

With further reference to Topic No. 35 of the Conference of Governors, March 20-22, 1919, subject, "Calculation of Interest", which is given below, together with recommendation of the Governors and the Board's ruling, the question has been raised whether all interest or discount in connection with all loan operations of Federal Reserve Banks, commencing July 1, 1919, is to be calculated on a 365 day basis.

It is the understanding of the Board that interest or discount on bills discounted or rediscounted for member banks and on all rediscounts between Federal Reserve Banks will be computed on a 365 day basis, but that no change is to be made in calculating interest or discount on open market purchases of Federal Reserve Banks.

"Topic 35: CALCULATION OF INTEREST:

Treasury Department pays on a 365 day basis while all the Federal Reserve Banks, except those of New York and Boston, calculate interest and discount on a 360 day basis. Can not uniformity be obtained in this regard?

RECOMMENDATION:

It is recommended that discounts with Federal Reserve Banks and between Federal Reserve Banks be calculated on the basis of 365 days a year, beginning July 1st, next year.

The Board concurs in the recommendation of the Governors and requests that, effective July 1, 1919, the computations of interest or discount on loans to member banks or Federal Reserve Banks be made on a 365 day basis. It is believed desirable that this method be continued as long as the bill holdings of the Federal Reserve Banks continue to be based largely on Government paper, interest on which is figured on a 365 day basis."

Very truly yours,

Secretary.

THIS LETTER SENT TO ALL GOVERNORS.