

## FEDERAL RESERVE BOARD

WASHINGTON

November 9, 1920.

X-2054

Subject: Broadening of Market for Bankers' Acceptances.

Dear Sir:

During the past five years the Federal Reserve Banks have been called upon to carry that portion of the increasing volume of bankers' acceptances which has not been absorbed by the discount market. The fact that, with the increase in the volume of bankers' acceptances, the Federal Reserve Banks have not been called upon to carry an even larger amount, is evidence of the better distribution of bills and of the broadening of the discount market. The strength of this market lies in its breadth, that is, in the number of institutions or individuals forming the habit of purchasing bankers' acceptances.

The Board feels that the development of the broadest possible market for bankers' acceptances is of vital interest to the effective functioning of the Federal Reserve Banks, and that this will be increasingly so as international movements of credit approach the freedom of flow which obtained before the war. With rates for bills at the high levels now prevailing, the Board feels that the present opportunity is most favorable for interesting the widest possible circle of buyers and it believes that the influence of the Federal Reserve Banks, in their respective Districts, might appropriately be used to bring about a more general distribution of bills.

The Board requests that you furnish it with any information you may have as to the extent to which bankers, investors and others in your District are now purchasing bankers' acceptances, and advise also to what extent your Bank has been able to assist in awakening an interest in bills among such purchasers. The Board would be pleased to have your views as to what can be done to assist further development of sales of bankers' acceptances within your District.

Very truly yours,

Governor.

To Chairmen of all F.R. Banks.