

FEDERAL RESERVE BOARD

WASHINGTON

X-3416

May 24, 1922.

**SUBJECT: Minimum Rate for Open Market Purchases
of Trade Acceptances.**

Dear Sir:

At their recent conference the Governors of the Federal Reserve Banks recommended that no preferential rediscount rate be established for trade acceptances, but that in fixing rates for open market purchases of trade acceptances consideration be given to the especial quality of that kind of paper. This recommendation has been approved by the Federal Reserve Board, and the Board hereby announces that it is prepared, upon the application of any Federal Reserve Bank, to approve a minimum rate at which eligible trade acceptances may be purchased in the open market by the applying Federal Reserve Bank, such minimum buying rate to be not less than one-half of one per cent above the minimum buying rate for bankers' acceptances effective at such Federal Reserve Bank.

In connection with the recommendation referred to, the Governors requested the Federal Reserve Board to consider the advisability of amending its regulation now in effect governing open market purchases of trade acceptances. This regulation is Regulation B, Series of 1921, which, as its title and text both indicate, authorizes Federal Reserve Banks, upon the conditions therein prescribed, to purchase in the open market bills of exchange, trade acceptances and bankers' acceptances. The Board is of the opinion that there is no occasion at the present time for amending this regulation.

Very truly yours,

G o v e r n o r .

LETTER TO CHAIRMEN
Copy to Governors.