

TELEGRAM

FEDERAL RESERVE BOARD

WASHINGTON

March 10, 1933.

Young - Boston	Seay - Richmond	Geery - Minneapolis
Harrison - New York	Black - Atlanta	Hamilton - Kansas City
Norris - Philadelphia	McDougal - Chicago	McKinney - Dallas
Fancher - Cleveland	Martin - St. Louis	Calkins - San Francisco

TRANS. 1611 Section 10(b) of the Federal Reserve Act was amended by the Act of March 9, 1933, to read as follows: QUOTE: In exceptional and exigent circumstances, and when any member bank has no further eligible and acceptable assets available to enable it to obtain adequate credit accommodations through rediscounting at the Federal reserve bank or any other method provided by this Act other than that provided by section 10(a), any Federal reserve bank, under rules and regulations prescribed by the Federal Reserve Board, may make advances to such member bank on its time or demand notes secured to the satisfaction of such Federal reserve bank. Each such note shall bear interest at a rate not less than 1 per centum per annum higher than the highest discount rate in effect at such Federal reserve bank on the date of such note. No advance shall be made under this section after March 3, 1934, or after the expiration of such additional period not exceeding one year as the President may prescribe. UNQUOTE. You will note from the foregoing quotation that the authority to make an advance to a member bank under section 10(b) is no longer subject to the condition that such bank have a capital not exceeding \$5,000,000 nor to the requirement of consent to such advance by affirmative action by not less than five members of the Federal Reserve Board but that no change has been made in the provision that such advance may be made only in exceptional and exigent circumstances and only when the member bank has no further eligible or

-2-

acceptable assets available to enable it to obtain adequate credit accommodations from the Federal reserve bank through rediscounts or any other method provided by the Federal Reserve Act other than that provided by section 10(a). Likewise there is no change in the requirement that all such advances be secured to the satisfaction of the Federal reserve bank. Your attention is also directed to the fact that obligations of member banks acquired by Federal reserve banks under section 10(b) are not eligible for use as collateral for Federal reserve notes but that under section 401 of the Act of March 9, 1933, they may be used as security for the new issues of Federal reserve bank notes to an extent not more than 90% of the estimated value of such obligations deposited as security. Pending further action the Federal Reserve Board approves a discount rate of 5% per annum upon advances made under this section except where such rate would be less than 1 per centum per annum higher than the highest discount rate in effect at the Federal reserve bank, in which case the Federal Reserve Board approves a discount rate 1 per centum in excess of such highest rate. Until further action by the Board Federal reserve banks may make advances in accordance with section 10(b) under the conditions hereinbefore set out for such purposes as have been or hereafter may be authorized by regulations of the Secretary of the Treasury pursuant to the President's Proclamations of March 6 and March 9, 1933, and the Board's circular letter of March 10, 1932, (X-7115), as far as it relates to section 10(b) is hereby canceled. Reports on Schedule B D four of loans under section 10(b) of the Federal Reserve Act, as amended, should be continued in accordance with the Board's telegram of June 23, 1932 (Trans. No. 1478) and telegraphic advice of such advances should be made in accordance with the Board's letter of March 21, 1932 (B-721).

Morrill.