

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

X-9504

February 26, 1936.



Dear Sir:

Referring to the Board's letter of January 13, 1936 (X-9427) transmitting a copy of a letter addressed by the Board to the Federal Reserve Bank of San Francisco with regard to the establishment of discount rates every fourteen days, there is inclosed for your information in this connection a copy of a letter addressed by the Board to the Federal Reserve Bank of San Francisco under date of February 24, 1936. The telegram referred to in the last paragraph of the inclosed letter is that addressed to the Chairman of the Federal Reserve Bank of Dallas under date of February 24, 1936, a copy of which was sent to you with the Board's letter of that date (X-9501).

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Inclosure.

TO CHAIRMEN OF ALL FEDERAL RESERVE BANKS.

X-9504-a

February 24, 1936.

Mr. S. G. Sargent, Secretary,
Federal Reserve Bank of San Francisco,
San Francisco, California.

Dear Mr. Sargent:

This refers to your letter of January 18, 1936, in reply to the Board's letter of January 13, 1936, with regard to the requirement of the statute that rates of discount be established every fourteen days or oftener if deemed necessary by the Board of Governors. You state that, in order to comply with the requirements of section 14(d) of the Federal Reserve Act as amended, your board of directors changed the dates for its regular meetings from the first and third Thursdays of each month to alternate Thursdays. You point out, however, that, if the date for a meeting of the board falls on a holiday, the meeting must be held either the day before or the day after such holiday and that, if held the day before, fifteen days will elapse until the next meeting is held, whereas, if held the day after, fifteen days will have elapsed since the previous meeting.

As pointed out in its letter of January 13, the Board of Governors feels that all possible steps should be taken by the Federal Reserve banks to insure action upon discount rates within the period required by the statute. However, it is the view of

the Board that there will be a substantial compliance with the provisions of the statute if rates of discount are established by a Federal Reserve bank on alternate Thursdays or, when such an alternate Thursday falls on a holiday, then on the next preceding or the next succeeding business day.

On the other hand, when failure to establish discount rates results from the absence of a quorum at a meeting of the directors, a different question is presented. It can only result from a failure of a majority of the directors to attend the meeting, and it would seem obvious that all possible steps should be taken to avoid such an occurrence.

For your information in this connection, there is inclosed herewith a copy of a telegram which is being sent by the Board today to one of the other Federal Reserve banks relating to the establishment of discount rates.

Very truly yours,

(Signed) Chester Morrill,

Chester Morrill,
Secretary.

Inclosure.