



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-223 210

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 8, 1938.

Dear Sir:

For the information of the board of directors of your bank, there is attached a copy of a letter being addressed by the Board today to President Young of the Federal Reserve Bank of Boston with respect to a reduction by the bank in its rate on advances to individuals, partnerships and corporations secured by direct obligations of the United States under the provisions of the last paragraph of section 13 of the Federal Reserve Act, as amended.

Very truly yours,

A handwritten signature in cursive script, reading "S. R. Carpenter", is written over a horizontal line.

S. R. Carpenter,
Assistant Secretary.

Inclosure.

TO PRESIDENTS OF ALL FEDERAL RESERVE BANKS EXCEPT BOSTON

April 8, 1938.

Mr. R. A. Young, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

Dear Mr. Young:

Mr. Ransom has advised the Board of his telephone conversation with you on April 2, 1938, during which you stated that you planned to present to the board of directors of your bank at its next meeting the advisability of a reduction from 4% to possibly 2% or $2\frac{1}{2}\%$ in the rate in effect at your bank on advances to individuals, partnerships and corporations secured by direct obligations of the United States under the provisions of the last paragraph of Section 13 of the Federal Reserve Act, as amended, and that you would like to have an expression of the views of the Board with respect to the reduction.

It is noted that while you have received inquiries recently from corporations with respect to such advances and while, in the event a reduction in the rate were effected, you would issue a public statement to the effect that your bank was prepared to make advances to individuals, partnerships and corporations on Government securities at par, you do not believe the bank would be called upon to make any substantial amount of loans, since member banks would be willing to make such advances at their current rate of from 1% to $1\frac{1}{4}\%$, and that the reduction in the rate would be made merely for the purpose of bringing the rate into line with the other existing rates at the bank.

As you know, the rates now in effect at other Federal reserve banks on advances under the authority of the last paragraph of Section 13 of the Federal Reserve Act range from $3\frac{1}{2}\%$ to $4\frac{1}{2}\%$; the discount rate at all Federal reserve banks is $1\frac{1}{2}\%$, with the exception of the Federal Reserve Bank of New York where the rate is 1%; and the rate at all Federal reserve banks on loans made under section 10(b) of the Federal Reserve Act is 2%. In view of these circumstances and the level of money rates generally, the Board feels that a reduction in the rate on advances under authority of the last paragraph of Section 13 of the Federal Reserve Act would be desirable, and, therefore, would be willing to approve a reduction of as much as 2% in the existing rate of your bank if such reduction were voted by your directors.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.