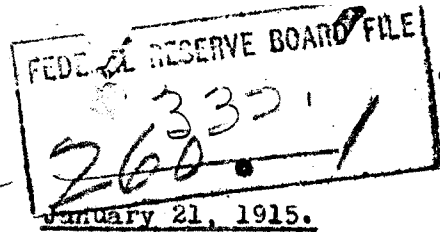


MEMORANDUM FOR THE PRESS:



The Federal Reserve Board at its meeting yesterday authorized lower discount rates in the southern districts. The Aldrich-Vreeland Act as amended expires by limitation on June 30th, next, by which date all currency issued under the provisions of that Act must be retired. There are still about fifty million dollars of this additional currency outstanding in the southern districts, and the Board deems it wise that lower discount rates be established in the south so as to enable the banks of that section by availing themselves of the rediscount privileges offered by their Federal reserve banks to retire their additional currency without inconvenience to themselves and without disturbing credit conditions.

There is now a plethora of money in many of the Federal reserve districts, and it seems an inopportune time for most of the Federal reserve banks to try to force their ~~own~~ funds into use through discount operations in their own districts. Under the Federal reserve system it is possible by means of rediscount operations between Federal reserve banks for reserve money to flow from districts where it cannot be employed into those where it can be used to advantage. It is therefore practicable for the southern Federal reserve banks to discount for their members as liberally as may be consistent with prudence, as large idle reserves carried in other districts can be employed in rediscounting.

Should conditions arise which would make it undesirable for Federal reserve banks in some districts to avail themselves of the opportunity of investing funds in rediscounts in other districts, or should it be advisable for them to discontinue such operations after engaging in them, the Federal reserve banks in the borrowing districts can still be kept in a comfortable position as the Secretary of the Treasury has indicated his willingness to cooperate in that case by making deposits.