

C O P Y

FEDERAL RESERVE BANK OF NEW YORK

332

December 13, 1915.

S i r s :

Replying to your letter of December 4th, asking me to make a careful report as to the effect of rates of discount fixed by this bank, (a) upon loans between member and non-member banks, and (b) upon loans by member or non-member banks to their customers, I have made inquiries from a considerable number of member banks throughout the district, of which eight were located in New York City and twenty in other places.

The banks in other places write that the rates of discount established by this bank have had no effect whatever upon loans to their customers. The consensus of opinion from eight of the leading banks in New York City is that the rates of this bank have had no direct effect on rates charged by them to their commercial customers.

With regard to the effect on their loans to banks in other cities, although the testimony differs somewhat, I am inclined to believe that our rates have had no effect on loans to banks which have always been able to command the lowest rates when borrowing from their New York City correspondents. There is no doubt, however, that banks which in the past have not been considered among the most desirable risks, and have therefore not commanded the lowest rates from their New York correspondents, have under the influence, not of the Federal reserve bank rates of this district but of those of the Federal reserve banks of their own districts, been put in a position to demand, and in many cases have received, lower rates than they

would otherwise have received.

To put it more concretely, the small bank in a southern or western town is now getting a rate perhaps 1% lower than it would have received had it not been able to inform its New York City correspondent the rate at which it could get accommodation at its local bank, and ask them to meet this rate.

I am enclosing the letters from the out-of-town banks in case it is desired to look them over. Will you please return them to us for our files at your convenience.

Respectfully,

(SGD) Pierre Jay,

Chairman.

Federal Reserve Board,

Washington, D. C.

PJ/LCE  
Encs.