

Perhaps there has been more discussion about how these new proposals will affect the Federal funds market than on any other point. Some members of the Banking and Financial Research Committee feel that the volume of trading in the Federal funds market will be adversely affected while others hold to a different view. Personally, I am inclined to believe, as a result of my experience and after talking with other individuals active in the money market, that the impact on the Federal funds market will be fairly small and that the market will continue to grow in future years.

The proposals for emergency credit to other financial institutions and support for distressed markets undoubtedly represent the existing policy views of the system. These measures are probably necessary although there is insufficient experience to indicate how much they may be used.

The steering committee also reports that efforts are being made to establish uniform procedures for discount administration. In a survey of the discount function made by this committee in connection with the study referred to above, it was disclosed that many bankers felt that there was a substantial lack of uniformity from district to district. The present efforts on the part of the Federal Reserve System to coordinate the policies of the various banks are commendable and we hope that further progress will be achieved.

In conclusion, we believe that the Federal Reserve study represents a significant step toward achieving a viable discount function. Implementation of the proposals, with such improvements and modifications as may now be developed, will go a long way toward making the discount window more responsive to the needs of member banks and toward attaining more effective and flexible administration of broad Federal Reserve policies. However, we are impressed with the magnitude of the task which still lies ahead. It will be a major undertaking to bring the committee's recommendations, intact, into an effective administration of Federal Reserve Regulation A. It may be difficult to achieve full uniformity in discount administration among the 12 Federal Reserve districts. Other unexpected difficulties may be encountered. Yet, we are quite positively impressed with the progress shown in the present report. And we are optimistic that the provisions recommended in it can be successfully put into operation.