per cent, although the Farm Loan Board is given the power to determine whether it shall be lower than that, while the Bank itself must not charge a rate of discount of more than one per cent in excess of the late debenture issued. This fixes a maximum of seven per cent on discounted paper. In discounting paper for such organizations as shall be described hereafter, the Federal Intermediate Credit Bank is not permitted to discount for any borrower who charges a rate of interest of more than one-half of one per cent above the discount rate fixed by the Intermediate Credit Bank. The Bank is permitted to purchase in the open market at par, or below, its own debentures before maturity.

Discounting Privileges

These Banks are allowed a very considerable discretion in the matter of bank business. For example, they are allowed to discount for or purchase from any National Bank or any State Bank, trust company, agricultural credit corporation (hereafter described) incorporated live stock loan company, savings institutions, co-operative bank, co-operative credit or mortgage association of agricultural producers, organized under the laws of any State, with their endorsement, any note, draft, bill of exchange, etc., or other such obligation, the proceeds of which have been advanced in the first instance for any agricultural purpose or for the raising, breeding, fattening or mortgaging of live stock.

They are further authorized to make loans or advances direct to any co-operative association organized under the laws of any state and composed of persons engaged in producing, or producing and marketing staple agricultural products or live stock, if the notes or other such obligations representing the loans are secured by warehouse receipts, or shipping documents, or both, covering such products, or mortgages on live stock, provided that the loan does not exceed 75 per cent of the market value of the product. The only restriction placed upon the amount of such discounted paper which the Federal Intermediate Bank can hold is the limitation (1st) of its own capitalization, and (2nd) no institution can rediscount for more than twice the amount of its unimpaired capital and surplus.

Mutual Liability

As in the case of the Federal Land Banks, mutual liability is established as between the twelve Banks. Clearly, the purpose of this is to enable the banks to secure equal credit facilities in the money markets of the country. This liability is set out in Section 207 of the Act, as follows:—

> " That any Federal Intermediate Credit Bank issuing debentures or other such obligations under this title shall be primarily liable therefor, and shall also be liable, upon presentation of the coupons for interest payments due upon any such debentures or obligations issued by any other Federal Intermediate Credit Bank and remaining unpaid in consequence of the default of the other Federal Intermediate Credit Bank. Any Federal Intermediate Credit Bank shall likewise be liable for such portion of the principal of debentures or obligations so issued as are not paid after the assets of such other Federal Intermediate Credit Bank have been liquidated and distributed. Such losses, if any, either of interest or of principal, shall be assessed by the Federal Farm Loan Board against solvent Federal Intermediate Credit Banks liable therefor in proportion to the amount of capital stock, surplus, and debentures or other such obligations which each may have outstanding at the time of such assessment. Every Federal Intermediate Credit Bank shall, by appropriate action of its board of directors duly recorded in its minutes, obligate itself to become liable on debentures and other such obligations as provided in this section."