

# FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, March 9, 1949

To the Member Banks of the

Eleventh Federal Reserve District:

There is enclosed a copy of an amendment to Regulation A, "Discounts for and Advances to Member Banks by Federal Reserve Banks," effective February 17, 1949. This amendment changes the provisions of subsection (h) of section 1 of the Regulation so as to permit Federal Reserve Banks to accept from member banks, for discount or as security for advances under section 13 of the Federal Reserve Act, notes evidencing loans made pursuant to the commodity loan programs of the Commodity Credit Corporation.

By adding a new sentence to subsection (a) of section 2 of the Regulation, the amendment also permits Federal Reserve Banks to accept as security for advances under section 13 of the Federal Reserve Act, certificates of interest issued by the Commodity Credit Corporation evidencing the deposit of such notes in a pool of notes. Also, the amendment to Regulation A which became effective September 11, 1944, in connection with loans made pursuant to Executive Order No. 9112, or the Contract Settlement Act of 1944, has been eliminated because it is now obsolete.

The note forms prescribed by the Commodity Credit Corporation provide for endorsement without recourse, whereas the requirement of the law and Regulation A that a note discounted for a member bank be endorsed by the bank apparently contemplates endorsement with recourse. In view of this, all such notes which may be offered for discount to a Federal Reserve Bank should be accompanied by a separate agreement under which the member bank will assume all the liabilities of an endorser with recourse and guarantee the payment of the notes. If the notes are offered as collateral security to a member bank's own note, rather than for discount, such an agreement will not be necessary.

The following is applicable to certificates of interest offered as security for advances to member banks:

1. An assignment by a member bank to the Federal Reserve Bank or reassignment by the Federal Reserve Bank to the member bank shall be executed on Commodity Credit Corporation Cotton Form I, titled "Assignment of Certificate of Interest." Copies of this form will be furnished by this bank upon request.
2. No assignment shall become effective during the first ten days of any calendar month.
3. The limitation prescribed by the Commodity Credit Corporation with respect to the permitted number of transfers of certificates of interest, and referred to in the footnote on CCC Cotton Form I, will not apply to transfers of such certificates between the Federal Reserve Bank and member banks.

Please insert the amendment in the ring binder containing the current operating bulletins of this bank and the regulations of the Board of Governors of the Federal Reserve System. Also, please acknowledge receipt of the enclosure on the post card attached.

Yours very truly,

R. R. GILBERT

President

**DISCOUNTS FOR AND ADVANCES TO MEMBER BANKS  
BY FEDERAL RESERVE BANKS**

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**AMENDMENT TO REGULATION A**

*Issued by the Board of Governors of the Federal Reserve System*

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Effective February 17, 1949, Regulation A is amended in the following respects:

1. The last sentence\* of subsection (h) of section 1 is amended to read as follows:

“The requirement of this section that a note be negotiable shall not be applicable with respect to any note evidencing a loan which is made pursuant to a commodity loan program of the Commodity Credit Corporation and which is subject to a commitment to purchase by the Commodity Credit Corporation.”

2. Subsection (a) of section 2 is amended by adding thereto a new sentence reading as follows:

“In the event notes which evidence loans made pursuant to a commodity loan program of the Commodity Credit Corporation and which comply with the maturity requirements of subsection (a) of section 1 of this regulation have been deposited in a pool of notes operated by the Commodity Credit Corporation, the certificate of interest issued by the Commodity Credit Corporation which evidences the deposit of such notes may be accepted as security for an advance made to a member bank under this subsection.”

\*This sentence was added to the Regulation in 1942 and constitutes the third sentence of subsection (h) of section 1.