

## FEDERAL RESERVE BANK OF NEW YORK

62 CEDAR STREET

JUNE 19, 1915.

TO THE CASHIER,

SIR:

## ELIGIBLE PAPER

The regulation of the Federal Reserve Board which defines the kind of paper eligible for rediscount is attached to Circular No. 3 of the Series of 1915, and is now effective, except that until July 15, 1915, member banks in applying for rediscounts are not required to specify whether statements of the borrowers are on file. As this provision will become effective a month hence it seems desirable to call it to the attention of member banks, to ask them to read over carefully the regulation, and to explain to them briefly the meaning of the expression "paper eligible for rediscount at a Federal Reserve Bank" as used therein.

## MEANING OF ELIGIBILITY

The regulation makes the following definition of eligible paper:

"A bill the proceeds of which have been used or are to be used in producing, purchasing, carrying or marketing goods in one or more of the steps of the process of production, manufacture and distribution."

The Act contemplates that the resources of the Federal Reserve Banks, through the medium of their member banks, shall be available, when needed, to the commerce, industry and agriculture of the country for the facilitation of production, manufacture and distribution. But it provides that these resources shall be available only through the discount of paper containing the element of self-liquidation, and not through paper representing permanent loans or fixed or speculative investments. It establishes a new classification for commercial paper, and compliance with the standard is determined primarily by means of a statement furnished by the borrower. If this shows a liquid condition, according to good banking practice, or if the proceeds of the note have been or are to be used in accordance with the definition above quoted, the paper is eligible for rediscount with Federal Reserve Banks; otherwise it is not eligible.

The paper giving most satisfactory evidence of a self-liquidating nature is a note, bill or accepted draft representing the obligation of the purchaser to the seller for goods purchased. Such paper, with its two names, represents an actual commercial transaction. But the system of open credits and cash discounts which has been developed has greatly decreased the volume of such double-name paper and has led merchants and manufacturers to borrow, instead, on their single-name paper, with or without indorsements, to obtain working capital to carry their open credits and merchandise. Single-name paper of proper credit standing, as well as double-name paper, is eligible for rediscount.

The "eligibility" and the "goodness" of a note should not be confused. The notes discounted by member banks are presumably "good", but some are eligible and others not, according to the purposes for which their proceeds are used. Similarly, the signature of an "accommodation" maker or indorser upon a note does not affect its eligibility, which depends on the pur-

pose for which its proceeds are used; nor do "renewals" necessarily affect the eligibility of a note, although evidence that a loan is of a permanent nature must, on grounds of sound practice, if not technically, render it ineligible for rediscount with Federal Reserve Banks, the assets of which must necessarily be of the most liquid nature.

#### DETERMINATION OF ELIGIBILITY

A note bearing the signatures of both the purchaser and the seller of goods, representing a complete commercial transaction, is, from its nature, eligible for rediscount. The following suggestions are offered as to methods of determining the eligibility of the ordinary promissory note, with or without indorsements:

##### BY A STATEMENT OF CONDITION

In the case of a note made or discounted by a person, firm or corporation engaged in commerce, industry or agriculture, eligibility may be determined from the statement of condition furnished. If the statement shows a reasonable excess of quick assets over current liabilities, it is sufficient evidence that its proceeds have been used in the manner described in the definition, and not for land, buildings, or machinery, and the note is eligible. If the statement does not show such reasonable excess the note is not eligible; such a borrower might not be entitled to bank credit without adequate security or indorsements, but, while these might make the note "good," they would not make it "eligible."

The eligibility of "purchased" paper may be determined by the statement of the person, firm or corporation on the strength of whose credit the paper is purchased.

##### BY THE USE OF THE PROCEEDS

In the case of a note made by a person, firm or corporation not engaged in commerce, industry or agriculture, or which, being so engaged, does not make a statement, the eligibility of the note may be determined by the purpose for which its proceeds are used. If they are used for seasonal or temporary advances to carry the turnover of merchandise, or the open credits, or the operating costs, of an agricultural, industrial or commercial enterprise in which the discounter is interested, the note is eligible. If they are used for land, buildings or machinery, or for permanent investment representing the proprietorship of the enterprise, or for purposes not in conformity with the definition, the note is not eligible.

The notes of professional men or persons not engaged in business are not eligible unless their proceeds are used for advances of the nature above described to commercial, industrial or agricultural enterprises in which they are interested.

The notes of farmers are eligible if their proceeds are used for seed, fertilizer, live stock, feed, tools, seasonal operating expenses, etc., but are not eligible if their proceeds are used for land, buildings, or machinery.

#### AMOUNT OF ELIGIBLE PAPER HELD

Many of the member banks which have been accustomed to carry bonds, largely to use as security for occasional loans, do not yet fully appreciate the complete availability of their commercial paper for rediscount under the Federal Reserve Act. Their commercial loans, taken in the course of their daily business, are available at any time, with their indorsement, and within reasonable limits, for conversion into bank credit or currency at the Federal Reserve Bank. Nor do they understand that this conversion may be effected promptly and without red tape, for

only such information is called for on the application blank as prudent banking should require and as should be available at all times in any well managed bank.

The volume of eligible paper reported by the national banks in the state of New York to the Comptroller of the Currency on May 1, 1915, was as follows:

32 banks in New York City.....	\$270,078,651.82
363 banks outside of New York City.....	\$ 77,403,880.12

Eighty-three banks reported no eligible paper, but discussions with the officers of a number of these banks have resulted, in almost every case, in establishing the eligibility for rediscounts of a large proportion of their discounts.

### MATURITIES

Industrial and commercial paper must have a maturity of not more than ninety days from date of rediscount. Agricultural paper must have a maturity of not more than six months from date of rediscount.

Many member banks have been accustomed to borrow on demand. The Federal Reserve Act makes no provision for demand loans, but banks desiring short accommodation may rediscount paper with short maturities.

### SECURED LOANS

Notes secured by United States bonds or notes, or by staple agricultural products or other goods, wares or merchandise, are eligible. Notes secured by stocks, or other bonds or investment securities are not eligible; nor may a member bank borrow from a Federal Reserve Bank on its own note with or without collateral.

### REDISCOUNTING

The Federal Reserve Bank of New York has among its members several of the largest, as well as of the smallest national banks in the country. Its facilities are open on equal terms to all, and it is prepared to rediscount small as well as large notes. It has thus far made rediscounts for thirty-three banks aggregating \$8,286,718.92. Of these banks four are located in New York City and twenty-nine elsewhere. The largest amount rediscounted on a single application has been \$2,182,500 and the smallest \$1,700. The largest single note rediscounted has been \$300,000 and the smallest \$25.40.

Applications for rediscount are acted upon on the day of receipt, and the proceeds credited immediately upon approval. The practice is to return paper for collection, from five to ten days before its maturity, to the bank which rediscounted it, and charge the amount to the account of such bank at maturity.

A new form of application blank has been prepared and three copies are enclosed herewith. The form contains the usual certificate of the member bank that the paper offered for rediscount is eligible. On the back of the blank are instructions for filling it out and a specimen arrangement of the information desired. Member banks applying for rediscounts are requested to use only this form, a supply of which, on request, will be furnished without charge.

Member banks offering notes for rediscount are requested to examine them carefully to see that they are in good order. Notes cannot be accepted which contain any informalities or discrepancies, such as pencil fillings, pencil or stamped signatures or indorsements, irregular indorsements, discrepancies between figures and filling, incomplete dates or alterations of any kind. Such conditions raise doubt as to the validity of the note and are possible causes of loss through litigation.

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### INDORSEMENTS

Member banks are requested to use only the following form of indorsement:

.....BANK OF.....  
 This indorsement includes a waiver  
 of demand, notice and protest.  
 (*Signature of authorized officer.*)  
 (*Title.*)

### CREDIT FILES AND STATEMENTS

The Federal Reserve Board, in its regulation, recommends that every member bank maintain credit files containing all information essential to a clear and correct knowledge of the credit to which borrowers are entitled. The maintenance of such files is in accordance with sound banking practice. This bank is in thorough accord with the recommendation and urges the member banks to co-operate in carrying it out.

A standard form of statement is under preparation upon which member banks may, if they so desire, require borrowers to furnish their statements. A copy of this form will soon be sent to each member bank in District No. 2 and until further notice, a supply of such forms, will, when requested, be furnished without charge. The Federal Reserve Bank of New York deems the maintenance of adequate credit files by its member banks a matter of prime importance and is ready, if desired, to advise with or assist them in assembling and arranging their credit information so that it may be effectively utilized.

On and after July 15th, the regulation requires member banks in applying for rediscounts, to certify whether statements of borrowers are on file. Statements must be on file with respect to all purchased paper. Recognizing, however, that especially in the smaller banks many of the notes are discounted by persons, firms or corporations not accustomed to making statements, the regulation provides that, at the option of the member bank, a statement need not be required from its depositors the aggregate of whose paper actually rediscounted and offered for rediscount by it does not exceed \$5,000, or 10% of its paid-in capital. But the advisability of maintaining a file of credit information concerning every borrower, whether or not it contains an actual statement of condition, is appreciated by every careful banker.

The regulation also provides that statements need not be required in the case of depositors whose notes discounted (a) either have the signature of both the purchaser and the seller of the goods, or (b) are secured by warehouse receipts covering readily marketable staples.

The Federal Reserve Bank, whenever the circumstances seem to require it, will ask for copies of the filed statements of borrowers whose paper is offered for rediscount.

The information and suggestions contained in this circular relate to matters about which inquiries have been made. The officers of the Federal Reserve Bank are glad, at all times, to answer inquiries made by officers of member banks either in person or by letter concerning its functions and operation.

Respectfully,

BENJ. STRONG, JR.,  
Governor.

[E1649R]

*Encl for # 25*

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Date

FEDERAL RESERVE BANK  
OF NEW YORK

DEAR SIR :

Please charge our account and make the following transfers by <sup>mail</sup> telegraph

Credit account of Federal Reserve Bank of \_\_\_\_\_

for use of \_\_\_\_\_ of \_\_\_\_\_

\$ \_\_\_\_\_

Credit account of Federal Reserve Bank of \_\_\_\_\_

for use of \_\_\_\_\_ of \_\_\_\_\_

\$ \_\_\_\_\_

Credit account of Federal Reserve Bank of \_\_\_\_\_

for use of \_\_\_\_\_ of \_\_\_\_\_

\$ \_\_\_\_\_

Yours truly,

\_\_\_\_\_  
Cashier.

*\$ 25*

Bank of \_\_\_\_\_

*Encl. for # 25*



PLEASE NOTE CAREFULLY

Please give your estimate of the present net worth of each name or a commercial agency rating. Indicate your estimate of the net worth by placing the letters "N. W." before your figures. Insert the name of the agency at the top of the column if ratings are given.

Insert either a "D" or a "P" in the column headed "Depositors or Purchased" to indicate whether the paper was discounted for a depositor or purchased. The "D" should appear on the line with the name of the discounter.

Insert an "S" in the column headed "Statement," on the line with each party whose statement is on file.

Notes submitted for rediscount should be indorsed in blank in the following form:

First National Bank, Blankville N. Y.  
This indorsement includes a waiver  
of demand, notice and protest.

.....  
Cashier

Each indorsement of a member bank should be signed by an officer whose signature and authority to indorse for rediscount have been filed with this bank.

Industrial and commercial paper must have a maturity not exceeding ninety days from date of rediscount.

Agricultural or live stock paper must have a maturity not exceeding six months from date of rediscount.

For further information regarding paper eligible for rediscount, see Federal Reserve Board Circular No. 3, Series of 1915 and Circular No. 25 of this bank.

FEDERAL RESERVE BANK OF NEW YORK.

SPECIMEN FORM OF APPLICATION SHOWING DESIRED  
ARRANGEMENT OF DETAILS

NUMBER FROM 1 UP	MAKER	ADDRESS	BUSINESS	EST'D NET WORTH	MATURITY	DEPOSITORS OR PURCHASED	STATEMENT	AMOUNT
	INDORSERS			(OR RATING BY X Agency)				
1	C. P. Scudder A. P. Crawford	Blankville "	Farmer Feed & Grain	N.W. 10,000 50/75-1½	8/3	D	S	\$ 50
		For purchase of feed.						
2	F. J. Crockett	West Blankville	Farmer	N.W. 3,500	9/15	D		200
		For purchase of horse.						
3	W. B. Richter Annie Richter	Blankville "	Mfr. Baskets Wife	20/35-2 N.W. 1,000	7/3	D	S	1,050
		For purchase of materials.						
4	General Building Co. Jones Brick Co.	Brooklyn Blankville	Builders Brick Mfrs.	75/125-1½ 35/50-2	7/18		S	4,500
		For purchase of brick.				D		
5	Western Packing Co.	Chicago	Packers	Over 1,000,000	8/30	P	S	5,000
6	United Woolen Co. A. B. Jones	Boston "	Mfrs. Woolens President	500/750-1	7/15	P	S	2,500
7	James & Co.	Blankville	Hardware	10/20-2½	8/10	D	S	850
		For purchase of hardware for seasonal requirements.						
8	Morris Harvey	Blankville	Cattle Dealer	2/3-3	9/3	D		500
		For purchase cattle. Collateral c/m on ten head cattle.						
9	A. F. Schmidt Co.	Blankville	Butter & Eggs	35/50-1	8/27	D	S	1,500
		Collateral W/R's for 10,000 lbs. butter.						
10	Home Furniture Co., Inc. A. S. Cox J. B. Cox Samuel Hood	Blankville " " "	Mfrs. President Secretary Physician	75/125-1 N.W. 25,000 N.W. 10,000 N.W. 40,000	8/15	D	S	7,500
		For purchase of lumber and other materials.						
								<u>\$23,650</u>

FEDERAL RESERVE BANK  
OF NEW YORK

June 25, 1915.

To the Cashier,

S i r :

In accordance with the notice sent you June 2, 1915, we are forwarding under separate cover a binder for holding all circulars issued by both the Federal Reserve Board and this bank. In order that the files of each member bank may be complete, this binder contains a copy of each of the following:

FEDERAL RESERVE BOARD CIRCULARS

No. 1 - Series of 1915  
No. 2 - " " "  
No. 3 - " " "  
No. 6 - " " "  
No. 10 - " " "  
No. 11 - " " "  
No. 12 - " " "  
No. 13 - " " "

FEDERAL RESERVE BANK CIRCULARS

No. 2  
No. 7  
No. 10  
No. 15a  
No. 17  
No. 18  
No. 20  
No. 25

These circulars, together with Nos. 22 and 24 of this bank, which were mailed you on June 2d, are all the circulars of general interest now effective. In order that member banks may keep their files complete, all circulars issued are punched for insertion in the binder. Additional copies of circulars will be sent on application.

We are also sending you under separate cover check book for your use.

Respectfully,

Benj. Strong, Jr.,

Governor.



DESCRIPTION OF SECURITIES, ETC., ELIGIBLE FOR DISCOUNT OR  
AS COLLATERAL AT FEDERAL RESERVE BANK, MENTIONED IN  
PARAGRAPH FOURTH.

(A) UNITED STATES GOVERNMENT BONDS AND NOTES.

These may include any bonds, notes or certificates of indebtedness issued by the Government of the United States.

(B) MUNICIPAL WARRANTS.

Municipal warrants must consist of bills, notes, revenue bonds and warrants with a maturity from date of purchase by the Federal reserve bank of not exceeding six months, issued in anticipation of the collection of taxes or of the receipt of assured revenues by any State, County, district, political subdivision or municipality in the continental United States, including irrigation, drainage and reclamation districts.

For further details as to eligibility of municipal warrants, see Regulation "E", Series of 1917, of the Federal Reserve Board.

(C) COMMERCIAL PAPER.

Eligible commercial paper must consist of a note, draft or bill of exchange having a maturity of not more than ninety days, exclusive of days of grace, except paper drawn or issued for agricultural purposes or based on live stock, which may have a maturity of not more than six months, exclusive of days of grace.

The paper must be a note, draft or bill of exchange, the proceeds of which have been used or are to be used in an actual commercial transaction, -- that is, in purchasing, carrying or marketing goods, in one or more of the steps of the process of production, manufacture, or distribution, and must not be used for permanent or fixed investments of any kind, such as land, buildings or mach-

inery, nor for investments of a purely speculative character.

The eligibility of the paper is not affected by its being secured by the pledge of goods or other collateral. The aggregate of notes, drafts and bills bearing the signature or indorsement of any one borrower rediscounted for any one member bank shall at no time exceed 10% of the unimpaired capital and surplus of such bank; but this restriction does not apply to the rediscount of bills of exchange drawn in good faith against actually existing values.

For a further detailed description of eligible commercial paper, see Regulation "A", Series of 1917, of the Federal Reserve Board, Sections 1 and 2 for notes, drafts and bills of exchange; Section 5 for trade acceptances, and Section 6 for agricultural paper.

(D) ACCEPTANCES.

An acceptance (other than a trade acceptance) must be a draft or bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company or corporation engaged in the business of granting bankers acceptance credits. The bill must have a maturity at time of purchase or rediscount by the Federal reserve bank of not more than three months, exclusive of days of grace, and must have been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction or transactions involving -

- (1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or
- (2) The shipment of goods within the United States, provided the bill at the time of its acceptance is accompanied by shipping documents, or
- (3) The storage within the United States of readily marketable goods, provided the acceptor of the bill is secured by warehouse, terminal or other similar receipt, or

- (4) The storage within the United States of goods which have been actually sold, provided the acceptor of the bill is secured by the pledge of such goods

or it must be a bill drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange. In this latter case the bank or banker drawing the bill must be in a country, dependency, or possession whose usages of trade have been determined by the Federal Reserve Board to require the drawing of bills of this character.

For further detailed description of eligible acceptances, see Regulation "E", Series of 1917, of the Federal Reserve Board, Section 4.

DESCRIPTION OF SECURITIES ACCEPTABLE AS COLLATERAL  
FOR GOVERNMENT DEPOSITS MENTIONED IN PARAGRAPH FIFTH

- (A) Bonds and Certificates of Indebtedness of the United States Government of any issue, including bonds of the Liberty Loan and interim certificates for payments therefor; all at par.
- (B) Bonds issued under the United States Farm Loan Act and bonds of the Philippine Islands, Porto Rico and the District of Columbia: all at par.
- (C) Bonds of any State of the United States: at market value not exceeding par.
- (D) Territory of Hawaii,  $3\frac{1}{2}\%$  bonds at 90% of par. Other bonds of said territory at market value not exceeding par.  
Bonds of the Manila Railroad Company: at 90% of market value not exceeding 90% of par.
- (E) Dollar bonds and obligations of foreign Governments (and of the dependencies thereof) engaged in war against Germany and issued since July 30, 1914: at 90% of the market value thereof not exceeding 90% of par
- (F) County or City bonds of any County or City in the United States which are direct obligations of the County or City as a whole; at 75% of the market value thereof not exceeding 75% of par.
- (G) Railroad mortgage bonds secured by direct mortgage upon lines of railroad within the United States, but not including any such bonds which on May 23, 1917, were at a market price to yield more than  $5\frac{1}{2}\%$  if held to maturity according to standard tables of bond values: at 75% of the market value thereof, not exceeding par.
- (H) Commercial paper which is eligible for rediscount or purchase by Federal Reserve Banks, and which has been approved by the Federal Reserve Bank of the district in which the depository bank is located. All such paper must bear the indorsement of the depository bank.
- (I) Notes, certificates of indebtedness and warrants issued by any State of the United States at 90% of their market value, not exceeding par.
- (J) Railroad equipment and trust obligations at 75% of their market value, not exceeding par, but not including any such obligations which on May 29, 1917 were at a market price to yield more than  $5\frac{1}{2}\%$  per annum if held to maturity according to standard tables of bond values.
- (K) Bonds of electric railroad and traction companies, telephone and telegraph companies and electric light, power and gas companies, secured by direct mortgages upon their physical properties in the United States and listed on some recognized stock exchange, taken at 75% of the market value thereof, not exceeding par, but no including any such bonds which on May 29, 1917, were at a market price to yield more than  $5\frac{1}{2}\%$  per annum if held to maturity according to standard tables of bond values.

**SUMMARY OF THE REGULATIONS OF THE FEDERAL RESERVE BOARD  
RELATING TO PAPER ELIGIBLE FOR REDISCOUNT WITH, OR PUR-  
CHASE BY FEDERAL RESERVE BANKS**

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**The regulations of the Federal Reserve Board make the following definition of paper eligible for rediscount with Federal reserve banks:**

“A bill the proceeds of which have been used or are to be used in producing, purchasing, carrying or marketing goods in one or more of the steps of the process of production, manufacturing and distribution.”

Any note, draft or bill of exchange is eligible if:

- (a) It has a maturity at the time it is offered as security for deposits of not more than 90 days, exclusive of days of grace; but if drawn or issued for agricultural purposes, or based on live stock, it may have a maturity at the time it is offered as security for deposits of not more than six months, exclusive of days of grace.
- (b) It arose out of actual commercial transactions; that is, it must be a note, draft or bill of exchange which has been issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been, or are to be, used for such purposes; but it must not be a note, draft or bill of exchange, the proceeds of which have been used for permanent or fixed investments of any kind such as land, buildings or machinery. It may, however, be secured by a pledge of goods or collateral, provided it is otherwise eligible.
- (c) It was not issued for carrying or trading in stocks, bonds or other investment securities, except bonds and notes of the Government of the United States.
- (d) The aggregate of notes, drafts and bills bearing the signature or indorsement of any one borrower, whether a person, company, firm or corporation offered by anyone bank does not exceed 10 per cent of the unimpaired capital and surplus of such bank; but this restriction shall not apply to bills of exchange drawn in good faith against actually existing values.

In the case of a note made by a person, company, firm or corporation engaged in commercial, industrial or agricultural pursuits, the eligibility may be determined from the financial statement of condition furnished. If the statement shows a reasonable excess of quick assets over current liabilities, it is sufficient evidence that its proceeds have been used in the manner described and not for land, buildings or machinery, and the note is eligible. If the statement of condition does not show such reasonable excess of quick assets over current liabilities the note is not eligible although it may be entirely good.

The eligibility of paper may also similarly be determined by the statement of the person, firm or corporation on the strength of whose credit the paper is purchased or discounted.

In the case of a note made by a person, firm or corporation not engaged in commerce, industry or agriculture, or which, being so engaged, does not make a statement, the eligibility of the note may be determined by the purpose for which its proceeds are used. If they are used for seasonal or temporary advances to carry the turnover of merchandise, the open credits, or the operating costs, of an agricultural, industrial or commercial enterprise in which the discounter is interested, the note is eligible where the amount does not exceed \$5,000 or is less than 10% of the paid in capital of the member bank.

The notes of professional men or persons not engaged in business are not eligible unless their proceeds are used for advances of the above character to commercial, industrial or agricultural enterprises in which they are interested.

The notes of farmers are eligible if the proceeds are used for seed, fertilizer, live stock, feed, tools, seasonal operating expenses, etc., but are not eligible if their proceeds are used for land, buildings or machinery.

**The regulations of the Federal Reserve Board make the following definition of bankers' acceptances which are the principal form of paper eligible for purchase by Federal reserve banks.**

A bankers' acceptance is an accepted bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company or corporation engaged in the business of granting bankers' acceptance credits, and to be eligible must have a maturity at the time it is offered as security for deposits of not more than three months, exclusive of days of grace. It must have been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction, or transactions, involving:

- (1) The shipment of goods between the U. S. and any foreign country, or between the U. S. and any of its dependencies or insular possessions, or between foreign countries.
- (2) The shipment of goods within the U. S. provided the bill at the time of its acceptance is accompanied by shipping documents.
- (3) The storage within the U. S. of readily marketable goods, provided the acceptor of the bill is secured by warehouse, terminal, or other similar receipt.
- (4) The storage within the U. S. of goods which have been actually sold, provided the acceptor of the bill is secured by the pledge of such goods.

Satisfactory evidence of eligibility may consist of a stamp or certificate affixed by the acceptor, in form satisfactory to the Federal Reserve Bank, but no evidence of eligibility is required with respect to a bill accepted by a national bank.

"WHEREAS, It is desirable that the officers of this bank should from time to time be able to secure advances from the Federal Reserve Bank of New York on promissory notes of this bank secured by collateral, and to rediscount its bills receivable:

"NOW, THEREFORE, RESOLVED,

"I. That the president, any vice president, and cashier of this bank are, and each or either of them is, hereby authorized to make, execute and deliver from time to time to the Federal Reserve Bank of New York promissory notes of this bank not exceeding 15 days' maturity, and to transfer, deposit or pledge as collateral security therefor notes, drafts, bills of exchange or bankers acceptances eligible for rediscount or purchase by Federal reserve banks under the provisions of the Federal Reserve Act, or bonds or notes of the United States, in such sums and upon such terms as may to them or either of them seem advisable.

"II. That each or either of the said officers is hereby authorized to rediscount from time to time with the Federal Reserve Bank of New York notes, drafts, bills of exchange, acceptances and other bills receivable of the kinds and maturities by the Federal Reserve Act made eligible for rediscount, in such sums and upon such terms as may to them or either of them seem advisable.

"III. That each or either of the said officers is hereby authorized to indorse in behalf of this bank any notes, drafts, bills of exchange, acceptances or other bills receivable, or registered bonds or notes of the United States now or hereafter owned by this bank for the purpose of rediscounting such notes, drafts, bills of exchange, acceptances or other bills receivables with, of transferring or pledging such notes, drafts, bills of exchange, acceptances or other bills receivables or registered bonds or notes of the United States to, the Federal Reserve Bank of New York, and to do any and all other acts necessary in the premises.

"IV. That the foregoing powers shall continue until express notice of their revocation has been duly given in writing to the said Federal Reserve Bank of New York."

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of a resolution of the Board of Directors of the  
duly adopted at a regular meeting of the said board, held on  
a quorum being present, and of the whole of the said resolution, as set forth in the minutes of the said meeting, and that the said resolution has not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said bank this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_ .

[SEAL]

.....  
Cashier  
(or)  
Secretary of the Board of Directors.

