

FEDERAL RESERVE BOARD.

Washington, D. C.,
December 22, 1914.

- Subject: - The Purchase of Warrants. -

In drawing Regulation No. 10 the Federal Reserve Board has been guided by the consideration that it is the primary purpose of the Federal Reserve Act to provide a banking organization which shall be responsive to the ebb and flow of commerce and trade.

Inasmuch as investments of Federal Reserve banks' resources should primarily be restricted to commercial paper and acceptances, purchases of warrants by Federal Reserve banks should ordinarily be limited to a relatively small proportion of the aggregate of investments. This practice should be departed from only when general banking policy renders it advisable. In any and all cases the interest of the Federal Reserve banks rather than that of the municipalities desiring to sell their obligations should be the primary consideration in making such investments.

In accordance with this view the Board has limited Federal Reserve banks to 25% in their purchases of any outstanding issue of warrants.

In order to keep the assets of the Federal Reserve banks in a liquid condition investments in warrants when made should be made by preference in such as can be readily marketed in order that the Federal Reserve banks may be able to realize on them whenever it becomes desirable to enlarge their investments in commercial paper.

In limiting the Federal Reserve banks to such warrants as carry the definite assurance that the taxes and revenues will be actually in hand before maturity the Board endeavors to follow the policy of the Act in restricting the Federal Reserve banks as far as possible to investments which are of short maturity and self-liquidating.

Charles S. Hamlin
Governor.

H. Parker Willis
Secretary.