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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

October 8, 1915.

Sir:

The question has been raised whether Federal Reserve Banks may, under the provisions of Section 14 of the Federal Reserve Act, purchase single name paper in the open market.

Section 14 provides in part that -

"Any Federal Reserve Bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers, and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank".

Under the provisions of this Section a Federal Reserve Bank may purchase bills of exchange (that is, orders drawn by one person on another to pay on demand, or at a fixed or determinable future time, a sum certain in money to order or to bearer), whether before or after acceptance, provided, they are of the kinds and maturities made eligible for rediscount under Section 13.

It is clear, however, that promissory notes as distinguished from bills of exchange are not eligible for purchase under Section 14 irrespective of the number of names thereon.

Respectfully,

H. C. Elliott,

Counsel.

Hon. Charles S. Hamlin,
Governor.