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AND FISCAL AGENT  
ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

January 17, 1917.

Dear Sir:

In answer to inquiries received from some banks as to proper methods of classifying the discount material on hand under the several heads shown in the lower portion of Form 38, especially under the head of "Agricultural and live-stock paper", I would say that it is the desire of the Board that the Federal reserve banks ascertain in all cases whether the original loan has been obtained from the rediscounting member bank for agricultural, industrial or commercial purposes so that all discount items of the Reserve Bank might be reported to the Board properly classified.

In classifying the discount material the reserve banks should in the first place be guided by the stated purpose of the original loan, as reported by the rediscounting member bank. In case this purpose is stated only in general terms, as e. g. "in accordance with Section 13", the occupation of the borrower should be used as a guide in classification. Thus, if John Smith, a merchant, who is also engaged in farming, gives an unsecured note to Henry Jones, engaged in the fertilizer business, it would seem entirely proper to report the item as "Unsecured commercial and industrial paper", unless there is information on hand which makes

it clear that Jones was to use the proceeds of the loan for agricultural purposes. In case the note was secured by twenty bales of cotton, it would be proper to report it as "commercial and industrial paper - secured", unless the purpose of the loan was clearly stated to be agricultural. Nor would it make any difference in classification were the payee of the note reported as "farmer".

In case Farmer Smith gives to Richard Jones a note secured by a lien on 25 steers (documents attached to note or not) it would be proper to report the item as live-stock paper, unless there is information to the effect that the proceeds of the loan have been or are to be used for agricultural purposes.

It is clear that all six-month paper is to be reported either as agricultural or live-stock paper. Item "Total bills discounted", shown in the lower half of Form 38, should, of course, equal total of subdivision 1, - (Bills discounted - Members), in the upper half of the form.

It is realized that the above explanations by no means exhaust all possible combinations, but it is thought that they will prove helpful to your discount department in the preparation of the weekly statement on Form 38.

Very truly yours,

Vice Governor.