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FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

March 31, 1917.

Dear Sir:

The Board's attention has been called to the fact that office letter dated March 21, 1917, may have been construed to mean that member banks may purchase outright Government vouchers assigned by contractors or others having claims represented by such vouchers, without taking the note of the claimant. It was not the intention of the Board, however, to suggest such a course. Under Section 3477 Revised Statutes, these claims are not assignable and in the ordinary sense would not constitute bankable security. In view of the present emergency, however, it was suggested that notes with these vouchers attached might be rediscounted by member banks with a Federal reserve bank. The notes would be eligible without security, and, notwithstanding Section 3477, it was the view of the Board that where contractors have amounts due them from the Government which will be paid as soon as the proper appropriations have been made by Congress, banks might reasonably extend accommodations to such contractors.

The Government officers might refuse to recognize the assignment of a claim -

"But if those officers chose to make payment to the person whom the claimant, by formal power of attorney has accredited to them as authorized to receive payment, the claimant cannot be permitted to make his own disregard of the statute the basis for impeaching the settlement had with his agent."

(Bailey v. United States, 109 U. S.)

In other words, Section 3477 was enacted in order to protect the Government and to make it unnecessary for disbursing officers to determine the merits of disbuted claims. Under the present circumstances it may reasonably be anticipated that the Government officers will seek to protect the banks which extend these accommodations to those having contracts with the Government. It is expected that the necessary appropriation will be made within a short time, and that these loans can and will be adjusted.

Respectfully,

Governor.