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AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

June 9, 1917.

Dear Sir:

Enquiries have been made of the Board from several quarters concerning the Board's circular of May 22. In this circular the Board has authorized member banks to rediscount for nonmember banks, including savings banks from June 15 to July 15, whenever the proceeds have been or are to be used to meet demands caused by subscriptions to the Liberty Loan. The question has been raised whether this authorization would permit member banks to rediscount with their endorsement with Federal reserve banks a direct obligation of a nonmember bank provided the nonmember bank states in an affidavit that the proceeds of the note have been used for the purpose of paying for or carrying Liberty Loan Bonds.

The Board has carefully considered this matter and reached the conclusion that, in view of the importance of making this loan a success, and furthermore, in view of the fact that the amendments covering the admission of State banks are still under the consideration of Congress at this time, the Board should not, all things considered, withhold this authority, which it is advised by counsel it may grant, it being strictly understood that this authority, as stated before, is given to be in force only between June 15 and July 15, 1917, and the Board is desirous that it should be understood that the whole question will be reviewed after that date and a new decision then given to cover similar cases in the future.

Very truly yours,

Vice Governor