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AND FISCAL AGENT  
X-440  
ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

October 19, 1917.

(CONFIDENTIAL)

Dear Sir:

Enquiry has been made concerning the desirability of acceptance by Federal Reserve Banks of Russian bonds. In response to such enquiries, substantially the following answer is being given to Federal Reserve Banks:

Concerning the acceptance of Russian bonds as collateral for special government deposits, the view here is that it would not be desirable to discriminate against these bonds as such and that Federal Reserve Banks should deal with the matter using their discretion and protecting themselves by adopting the following policy. As to all securities, except United States Government bonds, no one bank or trust company should be permitted to secure its deposits by more than a reasonable amount of any one security, particularly in the case of securities which are not selling on a conservative interest basis, the object being to have the collateral pledged by each depositary well diversified. This will enable the Federal Reserve Banks to deal with the problem cautiously.

This is intended for your confidential use.

Yours very truly,

Governor.