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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

April 25, 1919.

X-1497

Subject: Request by a Discount Corporation that Federal Reserve Banks receive and transmit Bills purchased by the Discount Corporation from Member Banks.

Dear Sir:

The Federal Reserve Board has been informed that a certain discount corporation has communicated with Federal Reserve banks requesting that the respective Federal Reserve banks should, for the convenience of the discount corporation, take delivery and become temporary purchasers from their member banks of acceptances sold by them to the discount corporation and forward such bills to another Federal Reserve bank for delivery to the discount corporation as a resale by the respective Federal Reserve banks to the corporation.

After careful consideration of the matter, the Board has reached the conclusion that transactions of this kind ought not to be engaged in by a Federal Reserve bank. Facilities of this character extended to any particular firm or corporation would, of course, have to be extended to others, and the arrangement proposed appears to the Board as infringing upon the functions of member banks. There seems to be no reason why the proposed service cannot be rendered equally well by member banks who can avail themselves of the services of the Federal Reserve bank, if necessary, but as a matter of policy it seems that private firms and corporations and non-member banks should not be permitted to transact business of this kind through a Federal Reserve bank. In some cases this might imply approval by the Federal Reserve bank of the specific transaction, and the Federal Reserve bank has no right either to approve or disapprove, and in any event could not undertake to pass upon the bills delivered to it for transmission.

Kindly acknowledge receipt.

Very truly yours,

Governor.