

FEDERAL RESERVE BOARD X-1753

STATEMENT FOR THE PRESS

Release morning papers,
December 12, 1919.

The Federal Reserve Board has advised all Federal Reserve Banks which have not yet begun their building operations to perfect their plans in detail, but to postpone for the present letting contracts for construction. A careful survey of building conditions has demonstrated the fact that building materials and construction costs have recently advanced to too high a point to justify the Board in authorizing building at this time. It is impossible to say when the building operations of the Federal Reserve Banks will be begun as this is a matter which must be determined by developments in building conditions.

The Board has consistently advised that capital, credit, labor and material be applied as far as possible to purposes of immediate urgency. While the Federal Reserve Banks are in need of permanent quarters, they can probably manage to get along with their present accommodations for sometime longer. It is the view of the Board, therefore, that it would be unwise in the present circumstances to have the banks add to the competition for labor and material.

Washington December 11, 1919.

EX OFFICIO MEMBERS

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SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

WASHINGTON

December 15, 1919.

X-1754

Subject: Acceptances of the Continental Guaranty Corporation Banks.

Dear Sir:-

The Federal Reserve Board has been advised that the Continental Guaranty Corporation of New York has widely circulated circulars and forms relating to a plan which it has devised to finance the purchase of automobiles by local dealers from manufacturers, and the Board has received from several of the Federal Reserve Banks inquiries not only as to the nature and scope of this plan but also as to whether or not paper drawn and accepted thereunder is eligible for rediscount as a bankers' acceptance.

The Board is of the opinion that technically the drafts described, when accepted by the Continental Guaranty Corporation, come within its definition of a bankers' acceptance set forth in its regulations and as such are technically eligible for discount provided that they comply in other respects with the terms of the law and the regulations of the Federal Reserve Board.

The Board has been advised further that its letter of July 22, 1919, addressed to the Continental Guaranty Corporation, stating that its acceptances of the kinds described would be eligible for discount provided, of course, that they comply with the various terms of the Federal Reserve Act and the regulations of the Board, has been widely distributed with its other circulars and forms among banks and bankers throughout the country. Because of the very general misunderstanding which evidently has resulted, the Board wishes to state that this letter of July 22, 1919, was not in fact and should not in any way be construed to be an expression of its approval of the merits or desirability of the paper as an investment either by the reserve banks or their member banks,

and the Board regrets that it has been circularized in such a manner as to give undue advertising value to the plan of the Continental Guaranty Corporation which it accompanies.

Federal Reserve Banks are, of course, aware that it is their right and duty carefully to consider the merits or bankable risk attached to any paper presented either for re-discount or purchase and in their own discretion to accept or refuse the paper on the basis of that consideration. The Board believes, however, that many member banks may fail to appreciate that technical eligibility does not of itself imply desirability and you are therefore requested, whenever opportunities afford themselves, carefully to indicate this distinction to member banks interested with a view of correcting what might otherwise be a wrong impression of the purpose and effect of the Board's letter referred to above.

Very truly yours,

Governor.

Letter to Chairmen and Governors of all F.R. Banks.