

FEDERAL RESERVE BOARD

WASHINGTON

X-3003

December 27, 1920.

SUBJECT: Policy of Federal Reserve Banks Toward Commercial Paper Accompanied by New Financial Statements.

Dear Sir:

One of the Federal Reserve Banks has called the Board's attention to the fact that in the case of large manufacturing, industrial and mercantile concerns, which close their books for the year on the 31st instant, it is altogether probable that their new financial statements will show a very material reduction in the ratio of quick assets as compared to previous statements. It is suggested that it would be desirable for Federal Reserve Banks to adopt, as far as possible, a uniform, and perhaps a somewhat more liberal, policy in dealing with commercial paper offered them for rediscount when accompanied by new statements. The feeling of officials of some of the Federal Reserve Banks is that if a policy too critical or too rigid be adopted, not only would the moral effect upon the Banks be bad but the consequences might be disastrous. The Board would like to have, as early as convenient, the views of your Executive Committee on this subject.

Very truly yours,

G o v e r n o r .

To chairmen of all Federal Reserve Banks.
Copy to Governors.