

EX OFFICIO MEMBERS

DAVID F. HOUSTON
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

WASHINGTON

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W. M. INLAY, FISCAL AGENT

July 23, 1920.
St. 1314.

Subject: Rediscount of Eligible Paper
under Repurchase Agreements.

Dear Sir:

It has come to the attention of the Board that some member banks, under the assumption that repurchase agreements covering rediscounts with the Federal Reserve Bank are essentially bills payable, have not excluded the amount of paper so rediscounted from their loans and discounts in compiling Weekly Condition Reports, form St.51a. Whenever a Federal Reserve Bank extends accommodation to member banks on eligible paper under the so-called repurchase agreement, member banks should be informed that the transaction is not regarded as a loan on a bill payable, but as an actual rediscount of the individual notes for a uniform fixed period. It follows from the foregoing that the amount of accommodation thus extended must be the exact sum of the individual notes rediscounted under the repurchase agreement, and not an arbitrary amount less than the sum of the notes so rediscounted.

It is particularly important that member banks conform to this treatment of eligible paper rediscounted under repurchase agreements in compiling their Weekly Condition Reports, form St.51a, since if paper so rediscounted is not excluded from their loans and discounts, duplication will result when the Board adds the amount of the member banks' rediscounts with the Federal Reserve Bank, as reported by the latter, to the

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figures of loans and discounts, as reported by the member banks to obtain the amount of total loans and discounts (including rediscounts with the Federal Reserve Bank) as published in the Board's weekly statement.

It is requested, therefore, that appropriate instructions be given to member banks seeking accommodation through the rediscount of eligible paper under repurchase agreement, and that, if upon investigation it is found that reporting banks have not, in the past, excluded paper so rediscounted from their figures of loans and discounts as given in their weekly condition reports, the Board be furnished at the earliest practicable date with a statement showing the amount of paper to be deducted from the weekly figures furnished by each bank since January 1.

Very truly yours,

Assistant Secretary.

Copy of this letter sent to Chairman of each F. R. Bank.