

FEDERAL RESERVE BOARD

WASHINGTON

X-3075

March 19, 1921.

SUBJECT: Preparation by Federal Reserve Banks
of Forms for Use by Member Banks.

Dear Sir:

The Federal Reserve Board was recently requested to pass upon and approve a certain form of chattel mortgage prepared by a printing and stationery company. To this request the Board replied as follows:

"The eligibility of paper for rediscount by Federal Reserve Banks does not depend upon whether or not it is secured or upon the character or form of such collateral security as there may be, but depends upon whether the proceeds have been used for an agricultural, industrial or commercial purpose within the meaning of Section 13 of the Federal Reserve Act and upon whether the paper complies in other respects with the provisions of the law and the regulations of the Federal Reserve Board."

"It is not the policy of the Federal Reserve Board to pass upon the form of chattel mortgages and similar documents, as this is solely a matter of contract between the banks and their customers. The Board notes that the form enclosed with your letter bears the legend in the upper left hand corner 'Federal Reserve Chattel Mortgage.' The Board desires to express its disapproval of the use of any phrase containing the words "Federal Reserve" to designate a document of this character for the reason that it might be taken as signifying that paper secured by an instrument in this form is entitled to special privileges under the provisions of the Federal Reserve Act or the regulations of the Federal Reserve Board."

Subsequently the Board was advised by the company that the form was substantially identical with a form which had previously been prepared and circulated by a Federal Reserve Bank. The Board replied to the company that the mere fact that this form or a similar form had been approved and distributed by a Federal Reserve Bank would not eliminate the Board's objection to the use of the words "Federal Reserve" to designate it, and repeated its request that such words be not used in designating the form.

The matter is being brought to the attention of the various Federal Reserve Banks for the purpose of making known to them the Board's policy in such matters. The Federal Reserve Board has no objection to the approval, preparation or distribution by a Federal Reserve

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Bank of forms of this character for use by its member banks. On the contrary, the Board realizes that such action by a Federal Reserve Bank may be advisable and may be of a real service to its member banks and to their customers. The Board merely desires to point out that for the reasons heretofore stated in its opinion the designation of such a form by a title which includes the words "Federal Reserve" is objectionable, and that a Federal Reserve Bank should always make clear that the use of a form of chattel mortgage or other instrument of a similiar character approved by a Federal Reserve Bank cannot make eligible for rediscount paper which is otherwise ineligible.

Very truly yours,

G o v e r n o r .

TO CHAIRMEN AND GOVERNORS OF ALL F. R. BANKS.