

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-4517

January 29, 1926.

SUBJECT: Financial Statements of Subsidiaries,

Dear Sir:

It has been pointed out by one of the Federal reserve banks that the ruling contained in the Board's letter of December 30, 1925 (X-4484), with respect to the eligibility for rediscount of notes of corporations representing borrowings to be advanced to subsidiaries, appears to abrogate the requirement contained in the Board's Regulation A that - "Whenever the borrower has closely affiliated or subsidiary corporations or firms, the borrower's financial statement shall be accompanied by separate financial statements of such affiliated or subsidiary corporations or firms,***".

The ruling made by the Board and expressed in its letter of December 30, 1925, was not intended to qualify or amend in any way this provision of its regulation. The ruling had reference only to the legal eligibility for rediscount of notes of the kind described and there was no intention to affect the existing requirement in the regulation as to separate financial statements of corporations or firms closely affiliated with the borrower.

This requirement was added to the Board's Regulation A in order that Federal reserve banks might have more complete information regarding the condition of borrowers having closely affiliated or subsidiary corporations or firms, and also that they might determine whether the paper of such borrowers is desirable and eligible for rediscount. As provided in the Board's regulation, if the statement of the borrower clearly indicates that the note is both eligible from a legal standpoint and acceptable from a credit standpoint, separate statements of affiliated or subsidiary corporations or firms are not required.

The regulations of the Board on this subject have been in no way modified by the Board's ruling of December 30, 1925, and it is requested that you endeavor to correct any misunderstanding which may have arisen as to the proper interpretation to be placed upon this ruling.

Very truly yours,

Edmund Platt,
Vice Governor.

TO GOVS. OF ALL F.R. BANKS.