

X-4602

May 11, 1926.

SUBJECT: Notes of Parent Corporations Representing
Borrowings to be Advanced to Subsidiaries.

Dear Sir:

Acting pursuant to the request of the recent Governors Conference the Board has voted to place upon the program for the next Conference of Governors for their consideration, certain questions which have arisen with regard to the Board's ruling upon the eligibility for rediscount of notes of a corporation representing borrowings of funds to be advanced to subsidiaries, which was contained in the Board's circular letter of December 30, 1925, X-4484. These questions were raised in a letter from the Governor of the Federal Reserve Bank of Cleveland and commented on in a memorandum from the Board's Counsel, copies of which were transmitted to all Governors with the Board's letter X-4560 of March 12, 1926.

Pending a reconsideration of these questions by the next Governors Conference and for the guidance of Federal reserve banks in the meantime, the Board holds that notes of a parent corporation representing borrowings of funds to be advanced to subsidiaries will not be eligible for rediscount at a Federal reserve bank unless they comply with all of the conditions laid down in the Board's circular letter of December 30, 1925. Accordingly, the notes of a parent corporation the proceeds of which have been advanced or loaned to its subsidiaries, will not be eligible for rediscount, if the parent corporation also makes advances to other corporations than its own subsidiaries.

Very truly yours,

D. R. Crissinger
Governor.

TO ALL GOVERNORS.