

FEDERAL RESERVE BOARD

X-4794

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

February 17, 1927.

Dear Sir:

The Board has been asked by one of the Federal reserve banks to rule upon the question whether certain notes held by a member bank bearing the endorsement of officers of nonmember banks are eligible for rediscount at Federal reserve banks. It appears that the member bank in question solicits loans through officers of its correspondent nonmember banks. The notes are made payable to the local bank officer and are endorsed by him to the member bank which allows him part of the interest on the loan in payment for his services. The name of the nonmember bank does not appear on the notes either as payee or as endorser.

Before ruling upon the question whether notes of this kind should be considered eligible or desirable for rediscount, the Board wishes to be fully informed as to the extent and prevalence of the practice of making loans in this way. You are accordingly requested to advise the Board whether notes originating in the manner described or under similar circumstances have ever been presented to your bank for rediscount and if so, whether or not they were rediscounted. The Board would also be glad to be advised as to the extent to which practices of this kind prevail in your Federal Reserve District.

Very truly yours,

D. R. Crissinger
Governor.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT KANSAS CITY.