

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7079

January 28, 1932.

SUBJECT: Collateral Security to Government Deposits -
Treasury Department Circular No. 92.

Dear Sir:

There is enclosed herewith, for your information, copy of a letter addressed to the Governor of the Federal Reserve Board, under date of January 6, 1932, by Assistant Secretary of the Treasury Ballantine, on the subject of the proper classification of agricultural paper as security for Government deposits under Treasury Department Circular No. 92, as amended.

There is also enclosed copy of a letter which the Assistant Secretary of the Treasury addressed on the same date to the Controller of the Federal Reserve Bank of St. Louis relative to the acceptance, from a depository bank, under sub-paragraph (h) of the circular, of a note of a correspondent bank secured by marketable securities other than customers' notes, drafts or bills of exchange.

Very truly yours,

Chester Morrill,
Secretary.

Enclosures.

TO THE GOVERNORS OF ALL F. R. BANKS.

TREASURY DEPARTMENT

116

WASHINGTON

January 6, 1932.

My dear Governor:

Mr. Drinnen has requested the ruling of the Treasury as to the proper classification of agricultural paper as security for Government deposits under Treasury Department Circular No. 92, as amended, a copy of which I enclose.

It has been generally considered by the Treasury that agricultural paper properly falls within the provisions of paragraph (g) of the collateral security provisions of the circular which includes customers' notes indorsed by a correspondent incorporated bank or trust company and rediscounted by the depository bank or trust company, rather than under paragraph (f) providing for the acceptance of commercial paper and bankers' acceptances, except in the case of notes of dealers in mules and cattle and dealers in agricultural implements, or other similar notes, which have been classified by the Federal Reserve Board as commercial rather than agricultural paper.

As you will note, however, under the terms of the circular the approval and valuation of securities is committed to the Federal Reserve Banks acting under the direction of the Secretary of the Treasury and it has been the policy of the Treasury to a large extent to depend upon the discretion of such banks as to the classification of eligible paper rather than to make an inflexible ruling. Federal Reserve Banks are in a better position to determine the desirability of the paper and the condition of the indorsing and pledging banks which would appear to be the primary consideration. It is expected that the Federal Reserve Banks will give this type of paper tendered as collateral for deposits under Circular No. 92 the same careful scrutiny that is given paper rediscounted for member banks.

By direction of the Secretary:

Very truly yours,

(Signed) A. A. Ballantine

Assistant Secretary of the Treasury.

Hon. Eugene Meyer,
Governor, Federal Reserve Board,
Washington, D. C.

(enclosure)

COPY

January 6, 1932.

Mr. S. F. Gilmore, Controller,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri.

Dear Sir:

I have your letter of December 15, 1931, addressed to the Division of Deposits, requesting advice as to whether you should accept, from a depository bank, under sub-paragraph (h) of the collateral security provisions of Treasury Circular No. 92, a note of a correspondent bank secured by marketable securities other than customers' notes, drafts, or bills of exchange.

If the notes to which you refer are otherwise eligible under the terms of sub-paragraph (h), the Treasury will not object to their acceptance as security for deposits under Circular No. 92, provided the securities pledged as collateral against such notes are also eligible under the other classes specified in the circular, as amended, and provided further that the securities so pledged are in amounts at least equal to the notes in each case.

Very truly yours,

(Signed) A. A. Ballantine

Assistant Secretary of the Treasury.