

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7546

August 11, 1933.

Dear Sir:

There is attached hereto, for your information, a copy of a letter addressed by the Federal Reserve Board under date of August 10, 1933, to the Federal Reserve Agent at Minneapolis, with regard to the eligibility of certain renewed paper as security for Federal reserve notes.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

TO ALL F. R. AGENTS.

X-7546-a

August 10, 1933.

Mr. John N. Peyton,
Federal Reserve Agent,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Mr. Peyton:

Reference is made to your letter of June 30, 1933, with regard to the eligibility of certain renewed paper as security for Federal reserve notes.

As the Board understands your inquiry, you wish to be advised whether notes acquired by the Federal reserve bank under the following circumstances are eligible for the purpose mentioned:

(1) Certain notes were rediscounted for and with the indorsement of a member bank which was subsequently placed in the hands of a conservator. These notes were renewed at maturity, and it is assumed that the renewal notes were indorsed by the conservator in the name of the member bank;

(2) Advances were made by the Federal reserve bank to a member bank upon its promissory notes, secured by paper eligible for discount, under the eighth paragraph of Section 13 of the Federal Reserve Act. Subsequently, the member bank was placed in the hands of a conservator, and, upon maturity of the principal obligations, new notes made by the conservator were taken by the Federal reserve bank in lieu of the original notes of the member bank.

After careful consideration of the questions you raise, the Federal Reserve Board is of the opinion that renewal notes of the

Mr. John N. Peyton

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kinds described in (1) and (2) above should not be used as collateral security for Federal reserve notes under the provisions of Section 16 of the Federal Reserve Act.

The Board has noted the statement in the third paragraph of your letter that "these loans are renewed for thirty day periods". In view of the status of a bank in the hands of a conservator, the question naturally arises whether the Federal Reserve Bank should accept renewals of obligations of such a member bank or should carry the obligations as past due items. In the circumstances, it is suggested that you consult with your counsel with reference to this matter, if you have not already done so.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.