

FEDERAL RESERVE BOARD

X-8095

WASHINGTON

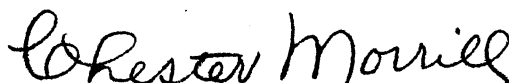
ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

October 25, 1934

Dear Sir:

For your information, there is attached a copy of a telegram sent by the Board to Deputy Governor Rounds, of the Federal Reserve Bank of New York, with regard to the discount or purchase by Federal reserve banks of obligations evidencing industrial loans in which two or more commercial banks participate.

Very truly yours,



Chester Morrill,
Secretary.

Inclosure.

To the Federal reserve agents at all Federal reserve banks.

Copy

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T E L E G R A M
F E D E R A L R E S E R V E B O A R D

WASHINGTON

October 22, 1934

ROUNDS - NEW YORK

Retel October 18. Board understands applications have been presented wherein two or more commercial banks desire to participate in providing working capital for industrial or commercial business, each bank to obligate itself to satisfaction of Federal reserve bank for its pro rata part of at least 20 per centum of any loss which may be sustained by such Federal reserve bank upon obligations of industrial or commercial business acquired from such commercial banks. For example, in case of equal participation by banks A and B, it is understood that industrial or commercial business will make single application but will execute two separate notes, each equal in amount to one-half of total extension of credit and payable to banks A and B, respectively, and that Federal reserve bank will discount or purchase one of such notes from bank A and other from bank B, each commercial bank obligating itself for at least 20 per centum of loss which may be sustained by Federal reserve bank upon obligation acquired from such commercial bank. In such circumstances Board agrees with views of your counsel that Federal reserve bank may lawfully discount or purchase obligations if other requirements of law are satisfied.

(Signed) Chester Morrill

MORRILL.