

INTERPRETATION

X-9327

BANKING ACT OF 1935

(Copies to be sent to all Federal Reserve Banks)

September 20, 1935.

Mr. Eugene M. Stevens,
Federal Reserve Agent,
Federal Reserve Bank of Chicago,
Chicago, Illinois.

Dear Mr. Stevens:

This refers to your letter dated September 12, 1935, regarding the question whether loans made by a Federal Reserve bank under section 10(b) of the Federal Reserve Act, as amended, would be eligible as collateral for Federal Reserve notes or for Federal Reserve bank notes.

The Board is of the opinion that notes evidencing advances made under section 10(b) of the Federal Reserve Act, as amended, may not be accepted by Federal Reserve Agents as collateral for Federal Reserve notes, but such notes are available as collateral for Federal Reserve bank notes which, under the law, may be issued against the security of any notes, drafts, bills of exchange, or banker's acceptances acquired under the provisions of the Federal Reserve Act to an amount equal to not more than 90 per cent of the estimated value of such security. As you suggest, such Federal Reserve bank notes would, of course, be subject to the tax provided by law.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,
Assistant Secretary.