

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 18, 1936.
B-1139.

Dear Sir:

Certain questions have been raised regarding the correct interpretation of items 5, 6, 7, 8 and 9 on page 50 of the Board's "Manual of Instructions Governing the Preparation of Functional Expense Reports". For your information, these questions, together with the answers thereto, are shown below:

Item 5. "Notes Received as Collateral".

Inquiry: Does this include bills assigned as collateral to secure loans under Section 13b and if it includes bills assigned, does it also include accounts assigned?

Answer: This item should include bills pledged as collateral, including additional collateral, to secure loans under Section 13b actually held by Reserve bank, but it should not include accounts assigned as collateral, nor should it include any collateral held by a participating bank.

Item 6. "Payments received on customers' notes held as collateral".

Inquiry: Does this include payments received on bills and accounts assigned to secure loans under Section 13b?

Answer: This item should include payments received on bills and notes pledged as collateral and as additional collateral under Section 13b actually held by Reserve bank, but it should not include payments on accounts assigned as collateral.

Item 7. "Payments received on Section 13b loans".

Inquiry: Does this mean all payments on 13b loans or just those made when due? If it includes all payments made is it not duplicated in Item 9, captioned "Notes rebated"?

Answer: This item should include all payments which result in a reduction in the principal amount of advances made under Section 13b. Such payments are not duplicated in item 9, as item 9 is intended to refer only to notes received under sections other than 13b.

Item 8. "Releases applied on warehouse receipts held as collateral."

Inquiry: Does this include releases applied on warehouse receipts held as collateral to secure loans under Section 13b?

Answer: This item should include releases applied on warehouse receipts held in custody of Reserve bank as collateral to secure loans under Section 13b.

Item 9. "Notes rebated".

Inquiry: Is this intended to cover all payments received prior to the date such payments are due, including payments on loans under Section 13b? For example, under Section 13b we may have a loan say \$400,000.00 payable in installments of \$25,000.00 each month. During the course of one month there may be several payments prior to the due date of the first installment. Should each payment be counted as an item for this report under item 9 or is it intended that where all payments are made on one note that only the one note is counted? Also, if the reference is to the note only and not to the several payments should it be counted each time an installment is due and paid, or only at the final payment of the note?

Answer: The term "Notes rebated" refers only to those notes on which partial or full payments have been made prior to maturity, and for which interest has been rebated. (Member bank notes and rediscounts). This caption should not include any payments

received on Section 13b advances and commitments.

Very truly yours,

A handwritten signature in cursive script, appearing to read "E. L. Smead". The signature is written in dark ink and is positioned above the typed name.

E. L. Smead, Chief,
Division of Bank Operations

TO ALL GOVERNORS