A meeting of the Federal Reserve Board was held in the office of the Federal Reserve Board on Wednesday, September 8, 1926 at 12:40 p.m.

PRESENT: Governor Crissinger
Mr. Platt
Mr. Hamlin
Mr. Miller
Mr. James
Mr. Cunningham
Mr. Noell, Asst. Secretary
Mr. McClelland, Asst. Secretary

Report of Committee on District #12 on the matter referred to it at the meeting on February 10, 1926, namely, memorandum from Counsel dated February 9th with regard to the discretion of Federal Reserve Agents in accepting or rejecting paper offered as collateral for Federal Reserve notes, which question was raised by Mr. John Perrin just prior to his resignation as Federal Reserve Agent at the Federal Reserve Bank of San Francisco; the Committee's report reading as follows:

"The undersigned Committee, to which was referred memorandum from Counsel with regard to the discretion of Federal Reserve Agents in accepting or rejecting paper offered as collateral for Federal Reserve notes and letter from Mr. Perrin, formerly Federal Reserve Agent of the Federal Reserve Bank of San Francisco under date of May 13, 1921, on the same subject, and sundry other notes and memoranda, begs leave to report:

1. That the power of the Federal Reserve Board to pass upon the collateral tendered by Federal Reserve Agents as security against the issue of Federal reserve notes to them is clear;
2. That the ordinary method of exercising its discretion in passing upon collateral tendered would be through the Federal Reserve Agent;
3. That this discretion should not be exercised in a perfunctory spirit, in order to insure that Federal reserve notes are always fully protected by the character and the amount of collateral security held in pledge for them by the Federal Reserve Agent;
4. This can not be done if discretion is exercised in a perfunctory manner or if it be assumed that all paper discounted by the Federal reserve bank constitutes, without further examination as to its quality and goodness, acceptable collateral for protecting Federal reserve notes."
"It is recommended that Counsel prepare a suitable paragraph in a letter with instructions to the Federal Reserve Agent on this subject and let such letter contain a statement that the Federal Reserve Board expects Federal Reserve Agents at all times to see to it that all Federal reserve notes issued by them to their respective banks are fully protected by collateral accepted by them for the protection of said notes and that in cases where collateral tendered to them is deemed unsatisfactory in quality or amount, it shall be rejected and other collateral asked, and the matter of such rejection be reported to the Federal Reserve Board."

Mr. Miller, Chairman of the Committee, reported verbally that there should also be incorporated in the proposed letter to the Federal Reserve Agents a statement that the fact that the Federal Reserve Agent, as a member of the Executive Committee of a Federal Reserve bank, may have participated in admitting a particular piece of paper to rediscount, in no way precludes the exercise by him of independent judgment as to the desirability of such paper when it is tendered as collateral for the issue of Federal Reserve notes.

After discussion, upon motion by Mr. Platt, the report of the Committee, as amended by a verbal statement of its Chairman, was accepted and Counsel directed to prepare the circular letter proposed.

REPORTS OF STANDING COMMITTEES:

Dated, September 7th, Recommending changes in stock at Federal Reserve Banks, as set forth in the Auxiliary Minute Book of this date.

Approved.

The meeting adjourned at 1:00 p.m.

Approved: [Signature]

Assistant Secretary:

[Signature]

Governor: