

EX OFFICIO MEMBERS

DAVID F. HOUSTON
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

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W. M. IMLAY, FISCAL AGENT

June 15, 1920.

X-1954

Subject: Value of Security for Collateral
Notes Rediscounted.

Dear Sir:-

The Governor of a Federal Reserve Bank has advised the Board that his Bank has discounted for another Federal Reserve Bank several million dollars worth of collateral notes and that figuring the value of the collateral at the present market price, there is an average deficiency in the collateral of about 6.7 percent. He states that these notes and collateral are held for the account of the Federal Reserve Agent of his Bank and that Federal Reserve notes are issued against them for the full amount of the notes. He asks whether in these circumstances his Bank should accept collateral from other Federal Reserve Banks at more than the market price.

The Board has considered this question and desires that all Federal Reserve Banks be informed that they are expected in their discount transactions for other Federal Reserve Banks to require that all collateral notes discounted be fully secured, that is, that the market price of the collateral be equal to the face of the notes. The Board would suggest, however, that Federal Reserve Banks which hold collateral notes discounted for other Federal Reserve Banks give the borrowing banks a reasonable time, say until July 1st, to make good any deficiency in collateral.

Very truly yours,

Governor.

To Chairmen of all F.R. Banks.