

Les Gouverneurs, Sous Gouverneurs, Régents et Censeurs de la Banque de France
(in office during period when Governor Strong headed the Federal Reserve
Bank of New York, 1914-1928)

Gouverneurs

- ✓ Pallain, G., Dec. 24, 1897 *
- ✓ Robineau, G., August 25, 1920
- ✓ Moreau, Emile, June 26, 1926

Premiers Sous Gouverneurs

- Lem, Aug. 18, 1911
- Luquet, March 5, 1918
- Morel, Nov. 5, 1920
- Picard, Paul Ernest, Dec. 1, 1922
- Leclerc, J., June 26, 1926
- ✓ Rist, Charles, Nov. 20, 1928
- Moret, Clement, Feb. 6, 1929

Seconds Sous Gouverneurs

- Sergent, July 18, 1911
- Luquet, Dec. 28, 1917
- Morel, March 5, 1918
- ✓ Picard, Paul Ernest, Nov. 5, 1920
- Leclerc, James Omer, Dec. 1, 1922
- ✓ Rist, Charles, June 26, 1926
- Moret, Clement, Nov. 20, 1928

1er Siege de Regent

- Bernard, Jules, Jan. 28, 1909 †
- Pluchet, Emile, Jan. 27, 1916
- De Vogue, Marguis, Jan. 26, 1928

2d Siege

- Richemond, Jan. 26, 1893
- Cordier, Gabriel, Jan. 27, 1921

3d Siege

- Mallet, Ernest, Jan. 26, 1905

4d Siege

- Hottinguer, Baron Rod., Jan. 28, 1869
- Vernes, Felix, Jan. 27, 1921

5d Siege

- De Gretry, Jan. 31, 1907
- Lariviere, Jan. 25, 1912
- Sarrail, F., Jan. 25, 1917
- Blondel, Henri, Jan. 30, 1919
- Beugin, Pierre, Jan. 27, 1927

6d Siege de Regent

- Cousin, Jan. 26, 1911
- Morel, Jan. 27, 1916
- Bruni, Simon, Jan. 30, 1919
- Guerin, Marcel, Jan. 26, 1922
- Berthelot, Felix, Jan. 25, 1923
- Bougis, Charles, Jan. 31, 1924

7d Siege

- Heine, Georges, Jan. 29, 1914
- Hottinguer, Baron Henri, Jan. 31, 1919

8th Siege

- Debray, A., Jan. 29, 1914
- Montigny, Maurice, Jan. 26, 1922
- Veraguth, Jean, Jan. 27, 1927

9d Siege

- ✓ De Rotschild, Baron Edouard, Jan. 25, 1906

10th Siege

- ✓ De Neuflyze, Baron, Jan. 30, 1902
- D'Eichthal, William, Jan. 31, 1929

11th Siege

- De Wendel, F., Jan. 20, 1913

12th Siege

- Loreau, Jan. 28, 1897
- Balsan, Jean, Jan. 25, 1923

13th Siege

- Davillier, Baron Maurice, Jan. 26,

14th Siege

- Derville, Stephane, Jan. 28, 1909
- Gillet, Edmond, Jan. 28, 1926

15th Siege

- Taederich, Rene, Jan. 30, 1913

Governors of the Bank of France, 1898-1945

Georges Pallain, 1898-August, 1920

Georges Robineau, August, 1920 - June, 1926

Emile Moreau, June, 1926 - September, 1930

Clement Moret, September, 1930- January, 1935

Jean Tannery, January, 1935 - June, 1936

Emile Labeyrie, June, 1936 - July, 1937

Pierre Fournier, July, 1937 - [November, 1940]

Yves Breart de Boisanger, [November, 1940] - October, 1944

Emmanuel Monick, October, 1944-

Sources: Banque de France, Compte Rendu, [generally in January for the preceding year]

Compte Rendu, Jan., 1921, states that Georges Pallain was governor from 1898 to August, 1920.

Compte Rendu, Jan., 1927, states that Robineau was governor for six years, from 1920.

Compte Rendu, Jan., 1931 states that Moreau was governor from June, 1926 to Sept., 1930.

Compte Rendu, Jan., 1935 states that Moret was governor for 4 years from Sept. 25, 1930 and Jean Tannery was the new governor by the decree of Jan. 4, 1935.

Compte Rendu, Oct. 15, 1936 and Jan. 28, 1937, states that Tannery became governor January, 1935 and Labeyrie succeeded him June 6, 1936.

Compte Rendu, Jan., 1938 states that Pierre Fournier became governor July 20, 1937.

Compte Rendu, Mar. 27, 1941 has de Boisanger as governor. There was a decree on Nov. 24, 1940 which may have changed the governorship.

Compte Rendu, Jan., 1945, Emmanuel Movick became governor, Oct. 7, 1944.

E.H. Knowlton
April 10, 1963

See:
Pallain
Robineau
Moreau

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Paris, France, February 26, 1916.

Dear Monsieur Pallain:

With this letter I hand you a memorandum in respect of the matters we discussed, and which is not more in detail owing to the short time at my disposal to prepare it.

If there are any points in this memorandum not entirely clear to you, I would be grateful for an opportunity to discuss them with you.

Very truly yours,

[Handwritten signature]

Memorandum for Mons. Pallain:

Section 14, of the Federal Reserve Act, a copy of which is attached, confers upon Federal Reserve banks the power to transact certain business in foreign countries. Reference is made particularly to paragraph "E" on page 16, from which it will be observed that with the consent of the Federal Reserve Board the Federal Reserve banks are authorized to open and maintain banking accounts in foreign countries, appoint correspondents and establish agencies "for the purpose of purchasing, selling and collecting Bills of Exchange, and to buy and sell, with or without its endorsement, through such correspondents or agencies, Bills of Exchange arising out of actual commercial transactions which have not more than ninety days to run and which bear the signature of two or more responsible parties".

It is felt that in anticipation of the conclusion of the war (and possibly prior thereto, if circumstances render it possible and necessary) Federal Reserve banks should perfect plans for putting this section of the law into effect. This, it will be observed, would involve:

- a.....Opening bank accounts in foreign countries;
- b.....Appointing foreign correspondents in foreign countries, and if necessary,
- c.....Establishing agencies in foreign countries.

The law, however, does not provide for establishing branches of Federal Reserve banks but rather indicates that this business shall be conducted in foreign countries principally through the medium of bank correspondents and that an "agency" or "Agencies" establish

in conformity with the statute shall consist possibly of a personal representative with necessary staff of clerks and assistants. Such an agency, however, would not conduct a general banking business such as opening credits or receiving deposits. It is therefore important to emphasize the language of the Act which uses the word "Agency" instead of "Branch".

The motif for making the present investigation of the feasibility of appointing correspondents and opening bank accounts is in order to anticipate occurrences which may possibly arise after the war, and which might result in a derangement of the exchanges to the disadvantage of the financial position both in the United States and in those countries with which the United States has close commercial relations.

The experiences of the last eighteen months demonstrate that abnormal exchange rates and violent fluctuation of exchange are detrimental to the interest of both countries affected. Greater stability to the exchanges during the period of readjustment following the conclusion of the war (and if circumstances permit, possibly prior thereto,) would be maintained if some part of the resources of the Federal Reserve Banks were employed in the purchase of commercial bills in foreign markets as authorized by Section 14 of the statute above referred to.

The steps necessary for the accomplishment of this programme, according to the writer's view would be:

- 1.....In the case of France, to establish a close relationship with the Banque de France for the object of mutual exchange of information.
- 2.....The arrangement of terms for the establishment of deposit,

or current account with the Banque de France.

- 3.....The arrangement of terms for the establishment of similar accounts with certain important French banks and bankers to be selected.
- 4.....The establishment of arrangements with banks or bankers to be selected, for the purchase of bills such as Federal Reserve Banks are authorized to buy.
- 5.....The establishment of arrangements for procuring information in respect of the credit and standing of the drawers, acceptors and endorsers of any bills purchased.

Anticipating the development of even closer commercial and banking relations between France and the United States than have heretofore existed, and of a large commerce between these countries, and with the possibility of many uncertain factors arising as a consequence of the war, it has seemed desirable that plans for the accomplishment of the purposes above suggested should be perfected in the near future, and emphasis is laid upon the desirability of close cooperation with the Banque de France. It is suggested that the Federal Reserve Bank of New York may also be of service to the Banque de France in American affairs as the relationship developed.

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May 8, 1916.

My dear Monsieur Pallain:

Your very kind letter of April 17th was presented to me by M. de Neuflyze immediately upon his arrival and I hasten to assure you of the good will with which we are prepared to receive him and to discuss with him the various matters with which he is intrusted by the Chamber of Commerce of Paris and the Bank of France.

We have already outlined informally various suggestions for his consideration and these, I am sure from my knowledge of him, will be pursued intelligently and diligently.

Since returning to New York, it seems to me we have had convincing evidence of the necessity for developing the use of commercial credits as one of the means of stabilizing exchanges between France and the United States, and you may be sure that every effort will be made to facilitate the promotion of the important work which M. de Neuflyze has undertaken.

My visit to Paris afforded me not only very great pleasure but, also, I trust laid the foundation for future relationships which will be of mutual value to our respective institutions.

Once more, permit me to express my warm appreciation of your many courtesies to me while I was in Paris. Please accept my very warm regards and good wishes, and believe me,

Faithfully yours,

Monsieur G. Pallain,
The Bank of France,
Paris, France.

BS Jr/VCM

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April 15th, 1916.

My dear Monsieur Pallain:

My visit in England was unexpectedly prolonged, so that I only reached home yesterday and hasten now to advise you of my safe arrival and once more thank you for your many courtesies to me while I was in Paris.

Messages received on the steamer acquainted me with the fact that a meeting had been deferred pending my return and I am now obliged to be in Washington for some time and, consequently, will be unable to write you at length, which I had hoped to do, until I return again to New York.

Will you not, however, in the meantime accept this expression of my warm regards and convey the same to your good associates?

With best wishes for success in your many responsibilities, I beg to remain, dear Monsieur Pallain,

Most cordially yours,

Monsieur Georges Pallain,
Banque de France,
Paris, France

BS Jr/VCM

Estes Park, Colo., August 1, 1916.

Monsieur G. Pallain,
% Bank of France,
Paris, France.

Dear Monsieur Pallain:

Very much to my regret, illness has made it necessary for me to take a leave of absence which will keep me away from the office for some months. The matters which I had the pleasure of discussing with you in Paris last winter will not, however, be abandoned on account of my absence, as I am able to keep in touch with the office by correspondence and some progress is gradually being made in developing views as to how our foreign business shall be conducted.

During my very brief opportunity before leaving for Colorado I endeavored to promote Monsieur de Neuflyze's plans in New York, and I hope with some success. He has no doubt advised you fully of our numerous meetings and my associates at the office are continuing their efforts to promote his mission.

I was much interested in observing by the American newspapers that the Bank of France had undertaken to promote the use of checks in settlement of accounts in place of bank notes. This is a most interesting enterprise and I hope it meets with the success which it deserves. Observing that the Bank of France has prepared some literature in relation to the matter, I ask the favor of having some copies sent to me at this address.

Would you also be good enough to advise me if there is not some literature which I might be able to send to you in relation to the Federal Reserve System. It will be a great pleasure to see that you get whatever information may be of value to you.

Hoping that you keep well and with many kind remembrances of your courtesies to me, I beg to remain, with warmest regards,

Faithfully yours,

BENJAMIN STRONG
Estes Park, Colorado.

September 16th, 1916.

Dear Monsieur Pallain:

Your very kind letter of the 25th of August has just reached me and I have read it with deep interest. By the same mail, I received the brochures respecting the use of checks in settlement of accounts and the extract from the annual report of the Bank of France, all of which I read with keen appreciation.

It will take some little time to prepare a reply in detail to your letter, particularly, as it will require some correspondence with my associates in New York. Meantime, I want to thank you for your careful consideration of the tentative program suggested during my visit in Paris, and of its possible further development. All of your comments are thoroughly understood and appreciated, particularly, that the present situation presents unusual difficulties, which must be specially dealt with.

I am glad to learn that Monsieur de Neuflyze is making such progress in New York as to meet with your commendation, and I hear similar comments from my associates regarding his work.

With most cordial regards to you, which I beg that you will also convey to your associates whom I had the pleasure of meeting, I beg to remain,

Faithfully yours,

Monsieur G. Pallain,
Governor, Bank of France,
Paris, France.

BS/VCM

Bank of France

November 3, 1916.

Dear Sir:

At the request of Governor Strong, who is, as you know, absent from the bank for rest and recuperation for a few months, we are forwarding to you by mail books, pamphlets, etc., in connection with and explaining the operation of the Federal Reserve Banking System; also of the clearing house and check collection methods at present being employed in the United States. This data comprises the following:

A copy of the Federal Reserve Banking Act of the United States with the recent amendments.

A copy of the last edition of the regulations issued by the Federal Reserve Board (the official authority in directing the affairs of the Federal Reserve Banking System).

Copies of circulars and forms used in connection with our discounts and collections.

A statement of the operation of the Gold Settlement Fund and the forms used in connection therewith by the twelve Federal reserve banks.

A copy of the constitution, by-laws and rules of the New York Clearing House Association.

A copy of a book on the methods and operation of clearing houses by James G. Cannon.

A copy of a book on clearing houses, especially the operation of the New York Clearing House, by Jerome Thralls.

Statistics relating to the number of checks handled by

- (a) The New York Clearing House Association,
- (b) The Federal Reserve Bank of New York,
- (c) The twelve reserve banks in the system.

A description of the operation of the Transit Department of the Federal Reserve Bank of New York now handling from 30,000 to 50,000 checks daily.

A copy of the National Bank Act of the United States as recently compiled by the Comptroller of the Currency.

Permit us to call your especial attention to Section 14 of the Federal Reserve Act and to the rules and regulations applying thereto, as that section refers to investment in bills abroad and the carrying of accounts for and with foreign correspondents.

In behalf of Governor Strong and the officers of the Federal Reserve Bank of New York, we beg to express our sincere regret that there has been such long delay in our correspondence, due to the fact that Governor Strong is at present residing in the mountains of Colorado where he has been since early summer. In corresponding with him there is, of course, considerable delay in receiving replies to the letters forwarded to him; and there is a further delay in all of our foreign mails.

We take pleasure in assuring you that you will be advised by Governor Strong from time to time as to the progress towards our making arrangements for, we trust, closer relations between the Bank of France and our Federal reserve banks, which will permit of our being of great service to the commercial and financial interests of both countries.

You will undoubtedly receive a letter direct from Governor Strong in the immediate future, and with assurance of our desire to cooperate in closer relations, I beg to remain, with great respect,

Very truly yours,

Monsieur Georges Pallain,
Bank of France,
Paris, France.

Deputy Governor.

REF/CEP

Denver, Colorado,

November 14th, 1916.

Dear Monsieur Pallain:

My absence from New York which will probably continue for the rest of this Winter, and the unavoidable delay required for exchanging views with my associates by mail, have necessarily deferred a reply to your kind letter of August 25th until this time.

Your remarks in regard to methods now being employed for developing the use of checks in place of bank notes, as well as the pamphlets which you were good enough to send me have been read with a great deal of interest. Of course, success in your efforts to introduce the use of bank checks will necessarily result in a considerable enlargement of bank deposit liabilities and reduced reserve requirements on the note account, will be partly offset by the necessity for increased reserves against deposits.

I apprehend also that difficulties will be encountered in promoting the use of checks, until a system for their collection through clearing houses, etc., and for the settlement of resulting balances, has had considerable development. Believing that literature bearing on these matters may prove of service in your new program, I am taking the liberty of having a collection sent to you, some of which you have already seen.

To Monsieur G. Pallain.

Nov. 14, 1916.

Our own plans for developing a nation-wide system of check clearance are progressing most favorably as will be indicated by these documents. Further questions may be suggested after reading the papers and I hope you will not hesitate to send them to me and I will see that complete answers are promptly prepared.

It was a pleasure to learn of the continued success of Monsieur de Neuflyze. He seems to have met with a friendly and favorable reception in New York and those gentlemen with whom I discussed his plans all expressed a willingness to co-operate so far as they were able.

The further suggestions contained in your letter have been the subject of our most earnest consideration and considerable correspondence. As was stated when I was in Paris, plans for co-operation between our respective institutions must naturally await their fullest development until after the distractions and responsibilities of the war will no longer prove an obstacle to establishing new monetary relations. The suggestion for a specific transaction aggregating, say, \$20,000,000, preliminary to a more general understanding must await a final consideration by some of my associates in Washington of the whole subject of our foreign relations, but pending their decision, I am writing to point out one or two difficulties in adopting exactly the plan you suggest which I fear cannot be overcome, at any rate, just now.

The purchase in this country of long foreign bills domiciled in Paris and London, has always been a profitable department of the business of American bankers. The Federal Reserve

To Monsieur G. Pallain.

Nov. 14, 1916.

System, as you know, is a co-operative organization of twelve reserve banks which are owned by the member banks, and which derive their resources from deposits of reserves by those banks. We allow no interest on their accounts with us, whereas, the member banks who contribute our capital and our deposits all pay interest to their depositors, averaging possibly 2%. If, therefore, the Federal Reserve Banks should enter the market with their funds which are obtained without interest cost, in competition with their own member banks whose funds cost them 2%, we would render this department of the business of our own members unprofitable. They could not compete with us and our transactions would give rise to friction and antagonism. That is one of the reasons why the reserve banks will probably confine their purchases of foreign bills, as a matter of policy, to those which have already reached foreign markets, and after they have been accepted by the drawees, rather than those with documents attached in this country, prior to their acceptance.

You also undoubtedly realize the necessity for an understanding that transactions which may be undertaken between your institution and ours shall be upon a gold basis. The reserve banks are the custodians of the gold reserves of the national banks of the United States and the employment of their funds in foreign markets can only be undertaken under such arrangements as will ensure liquidation of accounts in gold when a reversal of exchange rates or other causes, necessitate

To Monsieur G. Pallain.

Nov. 14, 1916.

the withdrawal of these credits. I believe that your proposal for guarantees of rates of exchange can be avoided by a more general understanding between the two institutions that balances carried by one with the other, or investments made by one through the agency of the other, will always be liquidated by shipment of gold or, at any rate, by earmarking gold and setting it aside as the property of the creditor institution. If such an arrangement can be effected and the necessary authorities are obtained from our directors and the Federal Reserve Board, our views of how such an account should be handled are somewhat as follows:

We could purchase such amount of exchange as we might determine to be prudent for investment in Paris under present conditions, remitting it to you by check and cable transfer. This amount, less a reasonable appropriation to be carried with you in current account, we would ask you to invest for us in bills of the highest grade, drawn for commercial purposes and not of financial origin, so as to comply with Section 14 of the Federal Reserve Act. As bills matured and were paid, the proceeds would be again reinvested and this account, barring unexpected developments necessitating its conclusion, would continue until exchange on Paris turned against this country and possibly shipments of gold to Paris or London became possible. When such conditions arose, the account, of course, would have to be liquidated in whole or in part and the Federal Reserve Bank of New York could do so by selling checks on the Bank of

To Monsieur G. Pallain.

Nov. 14, 1916.

France so long as exchange on Paris was at a premium and until the account was exhausted.

Also, if exchange became adverse to this country and continued in that situation for any length of time, we would naturally entertain suggestions from the Bank of France for conducting the account current and for purchases of bills in this market upon terms identical to those which had applied to our account and to our investments in Paris, we undertaking with you the same obligation to liquidate the account in gold that you had undertaken with us in the first instance.

We can understand your reluctance to establish an unlimited general understanding of this character under present conditions and would expect you, as you in turn would no doubt expect us, to place a limit in advance by exchange of cables, upon the amount which you would be willing to receive for investment from time to time, because in each instance it might involve shipping or earmarking gold to the full extent of the account.

One advantage of an understanding of this character, rather than a guaranteed rate of exchange, would probably lie in the permanency with which the account would be continued so long as the rate of exchange and rates of interest made it profitable for one institution to continue the account on the books of the other. A continuance of our account with you, if conditions justified, until the exchanges returned to

To Monsieur G. Pallain.

Nov. 14, 1916.

normal would avoid a loss on exchange to you equal to the difference between the rate at which exchange was guaranteed by you, and the cost of shipping gold.

If our purchases of bills are confined to those which have already been accepted in France, we must either have our own representative in Paris to purchase the bills and pass on the credits, or we must rely upon a bank correspondent there to do that, they undertaking responsibility for payment of these bills at maturity. If, as is intimated by your letter, the Bank of France would assume the responsibility for payment at maturity of bills purchased by it for our account, it would relieve us of the necessity of having our own representative in Paris. The Federal Reserve Bank would, of course, expect to assume a similar undertaking as to any bills which it might purchase for the Bank of France, should conditions be reversed and the exchanges justify our purchasing bills in behalf of the Bank of France in New York.

Since I had the pleasure of seeing you in Paris, the Federal Reserve Act has been amended (Paragraph E, Section 14), so that it is now possible for the Federal Reserve Bank of New York to receive deposit accounts from its foreign correspondents. Prior to the amendment by the last Congress, this had not been the case and Federal Reserve Banks could only receive deposits from their own member banks and from the United States Government.

To Monsieur G. Pallain.

Nov. 14, 1916.

The appointment of correspondents in foreign countries, however, as you will observe by the Section of the Act referred to, requires the consent of the Federal Reserve Board. Determination of the policy of the Federal Reserve System in opening accounts in Europe, therefore, rests finally with the Federal Reserve Board and while the matter is now before them for consideration, they have not as yet given us their decision. Our negotiations must, of course, await this decision before anything can be concluded.

Please be assured that my associates and I greatly appreciate the further evidence contained in your letter of your desire to promote the establishment of a close relationship between our respective institutions which I again beg to assure you is, according to our views, very much in the interest of the commerce and finance of both countries.

May I ask you to remember me most kindly to your associates and to you, my dear Monsieur Pallain, I beg to convey my warmest regards, and remain,

Faithfully yours,

Monsieur Georges Pallain,
Bank of France,
Paris, France.

BS/VCM

WESTERN UNION TELEGRAM

Form 260

144

ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

NO.	TIME FILED	CHECK
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END the following Telegram, subject to the terms on back hereof, which are hereby agreed to

CABLE

Denver, Colorado, January 2, 1916⁷

G. Pallain,

Bank of France,
Paris, France.

Many thanks for your good wishes which are heartily reciprocated. Stop. I await your letter with interest and will reply promptly with regard to our negotiations and respecting recent announcement of possible arrangements in London.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blvd., City.

The date of this
cable should be
Jan. 2, 1917.

Warren

8/21/44

WESTERN UNION

DAY LETTER

Form 2589



GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
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SEND the following Day Letter, subject to the terms on back hereof, which are hereby agreed to

CABLEGRAM.

Denver, Colorado,
February 15, 1917.

G. Pallain, Bank of France,
Paris, France.

Replying your cable fifteenth your letter twenty seventh December has been received after some delay stop. Have prepared suggestion for reply which is now being considered in New York.

Strong.

Chg. Benj. Strong,
4100 Montview Blvd.,
Denver, Colo.

WESTERN UNION



CABLEGRAM

THEO. N. VAIL, PRESIDENT

Number
Time Filled
Number of Words

CLASS OF SERVICE DESIRED	
<input type="checkbox"/>	Full Rate
<input type="checkbox"/>	Half Rate Deferred
<input type="checkbox"/>	Cable Letter
<input type="checkbox"/>	Week End Letter

Patrons should mark an X opposite the class of service desired; otherwise FULL RATES will be charged
SEE BACK OF THIS BLANK

Send the following Cablegram, subject to the terms on back hereof, which are hereby agreed to

New York, February 21, 1917.

G. Pallain, Governor,
Bank of France,
Paris, France.

Your letter December twenty-seventh received stop Before sending reply outlining our final and definite proposals we propose to make application to Federal Reserve Board for its consent to our appointing Bank of France our agent and correspondent stop If consent is granted announcement would be published in newspapers similar to that made in December concerning appointment of Bank of England stop Will it be agreeable to you to have such announcement made prior to our arriving at a definite understanding of actual terms stop Please reply Federal Reserve Bank New York

Benjamin Strong

Chge. Fed. Res. Bank,
Equitable Building

FEDERAL RESERVE BANK
OF NEW YORK

W. U. Cablegram
6:00 p. m.

(TO BE MAILED)

CONFIRMATION OF TELEGRAM

As Corrected

We have today telegraphed you as follows:

New York, February 21, 1917.

G. Pallain, Governor,
Bank of France,
Paris, France

Your letter December twenty seventh received stop Before sending reply outlining our final and definite proposals we propose to make application to Federal Reserve Board for its consent to our appointing Bank of France our agent and correspondent stop If consent is granted announcement thereof without stating proposed terms would be made promptly in newspapers similar to announcement made of authority to appoint Bank of England stop Will it be agreeable to you to have such announcement made prior to our arriving at a definite understanding of actual terms stop Please reply Federal Reserve Bank New York

Benjamin Strong

ge. Fed. Res. Banc

d for FRASER Building

ser.stlouisfed.org/

Reserve Bank of St. Louis

FEDERAL RESERVE BANK
OF NEW YORK

(TO BE MAILED)

CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows :

New York, Feb. 27, 1917.

Georges Pallain, Governor,
Bank of France,
Paris, France.

Greatly pleased to receive your message twentysecond. Stop. We have received from Federal Reserve Board authority to appoint Bank of France our agent. Stop. Their action covers only formal authority to appoint leaving all details and terms to be agreed upon between us. Stop. Our views and proposals for such agreement go forward by mail probably this week. Stop. This bank will make no announcement until terms have been agreed upon between us but Reserve Board will announce in newspapers March first that our application for authority to appoint you as agent has been approved and will quote paragraph E, Section Fourteen of Federal Reserve Act indicating business permitted to be done through such agency and will state that other Federal reserve banks may participate through us in agency relationship when established.

Treman,
Deputy Governor.

Denver, Colorado, Mch. 3, 1917.

First (rough) copy of the letter and memorandum sent to Monsieur Pallain.

Memorandum of Terms and Conditions suggested
to apply to Proposed Relations Between the Federal Reserve
Bank of New York and the Bank of France.

1. The following points confidentially and tentatively agreed upon for submission and ratification by the respective institutions with a view to being put into operation as soon as the necessary authorizations are made.
2. The Federal Reserve Bank of New York to act for itself and for such of the other eleven(11) Federal Reserve Banks as join the account.
3. The Federal Reserve Bank of New York to maintain a current account with the Bank of France, and the Bank of France to maintain a similar account with the Federal Reserve Bank of New York, the balances carried in such accounts to be subject to withdrawal by check and to be free of interest.
4. The Bank of France to purchase as and when so requested prime commercial bills for account of the Federal Reserve Bank of New York for the payment of which at maturity the Bank of France will be responsible, such bills to be of a character to comply with paragraph "E", Section 14 of the Federal Reserve Act, which requires that they shall arise out of actual commercial transactions, have no more than ninety (90) days to run exclusive of days

CONFIDENTIAL.

Memorandum of Terms and Conditions suggested
to apply to Proposed Relations Between the Federal Reserve
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2. The Federal Reserve Bank of New York to act for itself and for such of the other eleven(11) Federal Reserve Banks as join the account.
3. The Federal Reserve Bank of New York to maintain a current account with the Bank of France, and the Bank of France to maintain a similar account with the Federal Reserve Bank of New York, the balances carried in such accounts to be subject to withdrawal by check and to be free of interest.
4. The Bank of France to purchase as and when so requested prime commercial bills for account of the Federal Reserve Bank of New York for the payment of which at maturity the Bank of France will be responsible, such bills to be of a character to comply with paragraph "E", Section 14 of the Federal Reserve Act, which requires that they shall arise out of actual commercial transactions,

of grace and bear the signature of two or more responsible parties. The Federal Reserve Bank of New York likewise to purchase prime commercial bills of a similar nature for the Bank of France, and to be responsible for their payment at maturity. Such bills to be at the absolute disposal of the owner in either case.

5. Bills purchased by the Bank of France for the Federal Reserve Bank of New York to be of a character eligible for discount at the Bank of France, and to consist, so far as possible, of those bearing the names of American drawers, or endorsers, so long as this requirement does not involve the acceptance of other than prime bills. ^{If desired} a similar policy to be pursued by the Federal Reserve Bank of New York in purchasing bills for the Bank of France, should it be possible to do so.

6. The accounts respectively, to be kept free of charges and commissions- except as regards actual out-of-pocket expenses.

7. In case, as the result of change in custom or in the law, the Bank of France and the Federal Reserve Bank of New York should adopt the practice of allowing interest on current accounts, the balances carried shall be put on an interest basis.

8. The debtor institution, at the request of the creditor institution, to set aside and ear-mark gold on a bullion basis representing balances due, ~~when rates of exchange will not allow withdrawals without loss to the creditor institution,~~ and upon like request, to ship gold in settlement of balances due all as set out below.

^{Set aside and} In the case of gold ear-marked, the same to be separately

It should be understood that the amount of gold or coin to be set aside or earmarked during a given period is to be arranged for by the creditor institution with the debtor institution as far in advance of the request as practicable; and in general the terms of paragraph 16 to amount packed and stored and clearly identified as to ownership. # of ~~obligation~~ ^{obligation to be payable in gold bars which may be incurred at any one time by one institution in favor of the other, to be limited as stated in paragraph 16.}

9. Shipments of gold by the debtor institution to the creditor institution on the latter's request as in paragraph (8) to be at the cost and risk of the creditor institution.

10. Where gold is shipped by one institution to the other for the purpose of making exchange, however, and not for the purpose of settling balances, such shipment to be at the risk and expense of the shipping institution.

11. The method to be pursued in ear-marking and shipping gold by one institution for the other to be in detail as follows:

(a) The Bank of France to ear-mark and set aside ^{nine tenths fine,} refined gold bars, for the Federal Reserve Bank of New York ^{French mint} at the rate, ^{which we understand is francs 3437} ^{per kilogram of gold} ~~nine-tenths fine~~ or

(b) When refined gold bars are not available the Bank of France to ear-mark and set aside ⁽¹⁾ United States gold coins for account of the Federal Reserve Bank of New York at their bullion value, at the rate ^a ^{Equivalent to the rate} ^{of francs 3437} ~~per kilogram for the equivalent of~~, or

(2) ~~(c) The Bank of France to ear-mark and set aside~~ French gold coin at its bullion value at the rate ^a ^{Equivalent to the rate of francs 3437} ^{per kilogram of pure gold.}

(c) Gold bars or gold coin so ear-marked but not shipped, to be taken by the Bank of France (if returned

to the credit of the New York Bank) at the same values at which they were ear-marked in the first instance.

(d) It should be understood that the Federal Reserve Bank of New York cannot require the Bank of France to ear-mark United States gold coins at bullion value in order to import them and realize the profit between the bullion value and face value of United States coin. The right to determine in the event of shipment whether United States coins shall be shipped or not to rest with the Bank of France. United States gold coins which are abraded below the United States limit of tolerance of one-half of one per cent not to be ear-marked or shipped if other gold or coin is available.

12. The Federal Reserve Bank of New York to ear-mark and set aside gold for the Bank of France and charge its account on the following bases:

(a) Refined gold bars at the rate of \$18.604651 per United States standard ounce of gold nine-tenths fine, plus the assay office charge of 50¢ per \$1,000 in value, or

(b) French gold coins at their bullion value of \$18.604651 for each ounce of gold of the United States standard, nine-tenths fine, or

(c) Eagles at their bullion value of \$18.604651 per ounce.

(d) Gold bars, or gold coin, so ear-marked but not shipped, to be taken by the Federal Reserve Bank (if returned to the credit of the Bank of France) at the same

value at which they were ear-marked in the first instance, excluding the Assay Office charge above mentioned which will be borne by the Bank of France. (If gold bars are returned, they may be subject to a further Assay Office charge for remelting amounting to one dollar per thousand ounces, which is the existing charge. The Federal Reserve Bank of New York, however, will endeavor to have this charge abrogated by the Assay Office and if successful will immediately notify the Bank of France).

(e) It should be understood that the Bank of France cannot require the Federal Reserve Bank of New York to ear-mark French gold coins at bullion value in order to import them and realize the profit between the bullion value and face value of French coin. The right to determine, in the event of shipment, whether French coins shall be shipped or not to rest with the Federal Reserve Bank of New York. French gold coins which are abraded below the French limit of tolerance not to be shipped if other gold or gold coin is available.

13. Gold bars ear-marked or shipped by either institution to the other must be suitable for coinage purposes, alloy to be copper, and an allowance made for any variations in gold contents above or below the standards specified above.

14. The ear-marking and shipment of the gold coins of any other nation to be undertaken upon the basis *by either institution for the other*

of the value of the fine gold contained in such coins, with deduction of an allowance to cover the cost of conversion into gold bars of French or United States mint standard respectively.

15. In general, the terms to apply to all transactions in gold to be such that the effect of the arrangements will be to make all shipments of gold between the two institutions upon exactly equal terms as to each.

16. The amount of balances which one institution is willing to receive from the other or the amount of bills which one institution is willing to purchase for the other to be arranged in each instance in advance by exchange of letters or cables.

17. It is expected that information will be exchanged by correspondence respecting credit matters and financial conditions.

18. It is proposed that the Federal Reserve Bank of New York will endeavor to promptly conclude an arrangement of similar character with the Bank of England and that the terms of the understanding between all three institutions shall be known to each.

19. The approval of the French Government to be furnished to the Federal Reserve Bank of New York insofar as such approval is necessary to enable the Bank of France to comply with the terms of this memorandum with respect to shipments of gold.

20. The arrangement to be subject to cancel-

lation by either institution in whole or in part except as to transactions in process, on notice by letter or cable, it being understood that any unliquidated balance either way will be settled in gold, if desired, under the terms of the understanding.

21. No announcement directly or indirectly to be made regarding the contents of this memorandum, which is confidential between the institutions concerned, without the explicit consent of both institutions. ~~The announcement of the appointment of the Bank of France as correspondent and agent of the Federal Reserve Bank of New York only to be made when the consent of the Bank of France has been obtained and in language which will not disclose the contents of this memorandum.~~

2 - Code
one or
with satisfaction
Monsieur G. Pallain,
Governor of The Bank of France,
Paris, France.

Dear Monsieur Pallain:

After the usual delay in the mails, I have received your most kind letter of December 27th, and it has been read with great interest both by my associates and by myself.

As I explained to you when in Paris the various formalities involved in ^{arranging for} ~~connection with~~ the appointment of our correspondents abroad have necessitated the exercise of patience and caused considerable delay. In this connection I think it desirable to mention that the announcement made by the Federal Reserve Board regarding our negotiations with the Bank of England was merely to the effect that the Board had given its consent to our making the appointment and the ^{authorization} ~~announcement~~ was published somewhat in advance of the final arrangement of all details.

In order that the procedure in these matters may be understood, I suggest your reading paragraph "E" of Section 14, of the Federal Reserve Act.

In view of the announcement respecting the appointment of the Bank of England, it seemed desirable that application for like consent as to the Bank of France be made as promptly as possible, ^{so} ~~and~~ my associates have cabled you as per confirmation inclosed herewith to which

#

Our application has been favorably acted upon and the necessary consent

now

ERASER has been given by the Federal Reserve Board, as advised to you by Cable,

which copy is also enclosed.

isfed.org/
Bank of St. Louis

we are now ^{have your} awaiting reply, ^{as per copy, also enclosed.} #

The comments contained in your letter are so completely in accord with our own views of the terms which should govern the relations of our respective institutions, that I am now taking the liberty of reducing what I understand to be the substance and intention of our conversations and correspondence to the form of a memorandum in which I have endeavored to cover all the principal points to be dealt with. ^{Cable indicates that now} You ^{will} appreciate ^{the} the importance of uniformity in the character of the relations which the Federal Reserve Bank of New York will establish with all of its principal correspondents, ^{therefor} and the memorandum inclosed ~~therefore~~ embodies the same principles which we hope to apply in our other relationships.

With regard to the volume of transactions to be undertaken by our respective institutions, I find it difficult at the present time, to give any indications. The Federal Reserve Bank of New York ^{expects to} ~~would~~ act not only in its own behalf, but also in behalf of such of the other eleven Federal Reserve Banks as desire to participate in the account. Under present conditions, I ~~would~~ consider it unlikely that at the outset so considerable an investment in bills as that which you name, say \$30,000,000 or \$40,000,000, would be feasible, and the extent to which the account might develop would depend upon many indefinite conditions such as rates of exchange,

Paragraph 11 of the memorandum states our understanding of the value at which gold is taken for coinage purposes by the French Mint and we further understand that French coins consist of 900 parts fine gold and 100 parts copper alloy, which is the same standard as American gold coins. If this is not correct, the memorandum should be changed to conform to the French mint standard.

In paragraph 12 of the agreement reference is made to a charge of 50¢ per \$1000 in value imposed by the United States Assay Office for refined ^{furnishing} gold bars and, likewise, to a charge of \$1.00 per 1000 ounces imposed by the United States Assay Office for remelting gold which is deposited ~~with~~ ^{in order} ~~the Assay office~~ to be exchanged for gold coin or gold certificates. Negotiations between the Federal Reserve Bank of New York and the Treasury Department of the United States are now being conducted in an effort to obtain a modification of these charges and you may regard the reservations contained in paragraph 12 on this subject as tentative and dependent upon the outcome of the negotiations referred to.

relative rates of discount in your market and ours, and of course, political and other developments which just now seem to be exceedingly uncertain.

I am obliged to ask for information on one point which ~~you may regard~~ ^{How may regard} as being covered only tentatively in the memorandum inclosed. It is our understanding that the French Government has established a prohibition either by statute or decree, against any exportations of gold, excepting those which may be made by the Bank of France with the Government's consent. It would, therefore, if our ~~sur-~~ ^{information} ~~mise~~ is correct, require the assent of your government to the proposed arrangement, which contemplates settlement of the account by exportations of gold under certain contingencies, unless indeed, the Bank of France is quite free to make such exportations without governmental assent being required.

According to my view, it is important that the principles applying to our relations should be set out and understood as promptly as possible; it being expected, however, that future experience will assist in furnishing a guide to the development and enlargement of the scope of our transactions. The most important principle, of course, is the reciprocal character of the arrangement by which the transactions to be conducted and the obligations to be assumed by each institution for and to the other shall be identical on both sides. With this principle governing our operations, I am confident that the relation-

Mint
Standard

ship will prove to be one of great value to the commerce
 and finance of the ^{citizens of our} ~~the~~ countries.

Asking the favor of a cable acknowledgment of
 this letter ^{requesting formal reply} and of the inclosure; ^{also} ~~and~~ assuring you of my
 deep appreciation of your letter and of your hearty co-
 operation and with warmest expressions of my esteem, I
 beg to remain

Faithfully yours,

[Faint, illegible text or stamp at the bottom of the page]

New York City,
March 5, 1917.

REGISTERED.

Dear Monsieur Pallain:

After the usual delay in the mails, I have received with satisfaction your most kind letter of December 27th, and it has been read with great interest both by my associates and by myself.

As I explained to you when in Paris, the various formalities involved in arranging for the appointment of our correspondents abroad have necessitated the exercise of patience and caused considerable delay. In this connection I think it desirable to mention that the announcement made by the Federal Reserve Board regarding our negotiations with the Bank of England was merely to the effect that the Board had given its consent to our making the appointment and the authorization was published somewhat in advance of the final arrangement of all details.

In order that the procedure in these matters may be understood, I suggest your reading Paragraph (e) of Section 14 of the Federal Reserve Act.

In view of the announcement respecting the appointment of the Bank of England, it seemed desirable that application for like consent as to the Bank of France be made as promptly as possible, so my associates have cabled you as per confirmation enclosed herewith, to which we now have your reply as per copy also enclosed. Our application has been favorably acted upon and the necessary consent has now been given by the Federal Reserve Board, as advised to you by cable, of which copy is also enclosed.

3/5/17.

COPY

The comments contained in your letter are so completely in accord with our own views of the terms which should govern the relations of our respective institutions, that I am now taking the liberty of reducing what I understand to be the substance and intention of our conversations and correspondence to the form of a memorandum in which I have endeavored to cover all the principal points to be dealt with. Your cable indicates that you appreciate the importance of uniformity in the character of the relations which the Federal Reserve Bank of New York will establish with all of its principal correspondents, therefore the memorandum enclosed embodies the same principles which we hope to apply in our other relationships.

With regard to the volume of transactions to be undertaken by our respective institutions, I find it difficult at the present time to give any indications. The Federal Reserve Bank of New York expects to act not only in its own behalf, but also in behalf of such of the other eleven Federal Reserve Banks as desire to participate in the account. Under present conditions, I consider it unlikely that at the outset so considerable an investment in bills as that which you name, say \$30,000,000 or \$40,000,000, would be feasible, and the extent to which the account might develop would depend upon many indefinite conditions such as rates of exchange, relative rates of discount in your market and ours, and, of course, political and other developments which just now seem to be exceedingly uncertain.

I am obliged to ask for information on one point which you may regard as being covered only tentatively in the memorandum enclosed. It is our understanding that the French Government has established a prohibition, either by statute or decree, against any exportations of gold, ex-

cepting those which may be made by the Bank of France with the Government's consent. It would, therefore, if our information is correct, require the assent of your Government to the proposed arrangement, which contemplates settlement of the account by exportation of gold under certain contingencies, unless indeed, the Bank of France is quite free to make such exportations without governmental assent being required.

Paragraph 11 of the memorandum states our understanding of the value at which gold is taken for coinage purposes by the French Mint and we further understand that French coins consist of nine hundred (900) parts fine gold and one hundred (100) parts copper alloy, which is the same standard as American gold coins. If this is not correct, the memorandum should be changed to conform to the French Mint standard.

In paragraph 12 of the agreement reference is made to a charge of fifty cents (50¢) per thousand dollars (\$1000) in value imposed by the United States Assay Office for furnishing refined gold bars and, likewise, to a charge of one dollar (\$1.00) per thousand (1000) ounces imposed by the United States Assay Office for remelting gold which is deposited in order to be exchanged for gold coin or gold certificates. Negotiations between the Federal Reserve Bank of New York and the Treasury Department of the United States are now being conducted in an effort to obtain a modification of these charges and you may regard the reservations contained in paragraph 12 on this subject as tentative and dependent upon the outcome of the negotiations referred to.

According to my view, it is important that the principles applying to our relations should be set out and understood as promptly as possible; it being expected, however, that future experience will assist in furnish-

ing a guide to the development and enlargement of the scope of our transactions. The most important principle, of course, is the reciprocal character of the arrangement by which the transactions to be conducted and the obligations to be assumed by each institution for and to the other shall be identical on both sides. With this principle governing our operations, I am confident that the relationship will prove to be one of great value to the commerce and finance of the citizens of our countries.

Asking the favor of a cable acknowledgment of this letter and of the enclosure, pending formal reply; also assuring you of my deep appreciation of your letter and of your hearty cooperation and with warmest expressions of my esteem, I beg to remain,

Faithfully yours,

Governor.

Monsieur Georges Pallain,
Governor, The Banque de France,
Paris, France.

BS/CC

Encs.

P.S. We are advised that the French limit of tolerance upon abraded French coins is $1/10$ of 1% for one hundred franc pieces and fifty franc pieces, $2/10$ of 1% for twenty franc pieces and ten franc pieces, and $3/10$ of 1% for five franc pieces. If our advices are incorrect, paragraph 12 (e) should be changed in order to include a correct statement of what the limit of tolerance is.

CONFIDENTIAL.

MEMORANDUM OF TERMS AND CONDITIONS SUGGESTED TO
APPLY TO PROPOSED RELATIONS BETWEEN THE FEDERAL RESERVE BANK
OF NEW YORK AND THE BANQUE DE FRANCE.

- - - - -

1. The following points confidentially and tentatively agreed upon for submission and ratification by the respective institutions, with a view to being put into operation as soon as the necessary authorizations are made.

2. The Federal Reserve Bank of New York to act for itself and for such of the other eleven (11) Federal Reserve Banks as join the account.

3. The Federal Reserve Bank of New York to maintain a current account with the Bank of France, and the Bank of France to maintain a similar account with the Federal Reserve Bank of New York, the balances carried in such accounts to be subject to withdrawal by check and to be free of interest.

4. The Bank of France to purchase as and when so requested prime commercial bills for account of the Federal Reserve Bank of New York, for the payment of which at maturity the Bank of France will be responsible, such bills to be of a character to comply with paragraph (e) of Section 14 of the Federal Reserve Act, which requires that they shall arise out of actual commercial transactions, have no more than ninety (90) days to run, exclusive of days of grace, and bear the signature of two or more responsible parties. The Federal Reserve Bank of New York likewise to purchase prime commercial bills of a similar nature for the Bank of France, and to

be responsible for their payment at maturity. Such bills to be at the absolute disposal of the owner in either case.

5. Bills purchased by the Bank of France for the Federal Reserve Bank of New York to be of a character eligible for discount at the Bank of France, and to consist, so far as possible, of those bearing the names of American drawers, or endorsers, so long as this requirement does not involve the acceptance of other than prime bills. If desired, a similar policy to be pursued by the Federal Reserve Bank of New York in purchasing bills for the Bank of France, should it be possible to do so.

6. The accounts, respectively, to be kept free of charges and commissions, except as regards actual out-of-pocket expenses.

7. In case, as the result of change in custom or in the law, the Bank of France and the Federal Reserve Bank of New York should adopt the practice of allowing interest on current accounts, the balances carried shall be put on an interest basis.

8. The debtor institution, at the request of the creditor institution, to set aside and ear-mark gold on a bullion basis representing balances due, and, upon like request, to ship gold in settlement of balances due, all as set out below. In the case of gold set aside and ear-marked, the same to be separately packed and stored and clearly identified as to ownership. It should be understood that the amount of gold or coin to be set aside or ear-marked during a given period is to be arranged for by the creditor institution with the debtor institution as far in advance of the request as practicable; and in general the amount of obligation payable in gold which may be incurred at any one time by one institution in favor of the other, to be limited as stated in paragraph 16.

9. Shipments of gold by the debtor institution to the creditor

institution on the latter's request as in paragraph (8) to be at the cost and risk of the creditor institution.

10. Where gold is shipped by one institution to the other for the purpose of making exchange, however, and not for the purpose of settling balances, such shipment to be at the risk and expense of the shipping institution.

11. The method to be pursued in ear-marking and shipping gold by one institution for the other to be in detail as follows :

(a) The Bank of France to ear-mark and set aside refined gold bars nine-tenths fine, for the Federal Reserve Bank of New York at the French Mint rate, which we understand is francs 3437 per kilogram of pure gold, or

(b) When refined gold bars are not available the Bank of France to ear-mark and set aside

(1) United States gold coins for account of the Federal Reserve Bank of New York at their bullion value, at a rate equivalent to the rate of francs 3437 per kilogram of pure gold, or

(2) French gold coin at its bullion value at a rate equivalent to the rate of francs 3437 per kilogram of pure gold.

(c) Gold bars, or gold coin, so ear-marked but not shipped, to be taken by the Bank of France (if returned to the credit of the New York Bank) at the same values at which they were ear-marked in the first instance.

(d) It should be understood that the Federal Reserve Bank of New York cannot require the Bank of France to ear-mark United States gold coins at bullion value in order to import them and realize the profit between the bullion value and face value of United States coin.

The right to determine in the event of shipment whether United States coins shall be shipped or not to rest with the Bank of France. United States gold coins which are abraded below the United States limit of tolerance of one-half of one per cent ($1/2$ of 1%) not to be ear-marked or shipped if other gold or coin is available. "gold" (added at N. Y. office)

12. The Federal Reserve Bank of New York to ear-mark and set aside gold for the Bank of France and charge its account on the following bases:

- (a) Refined gold bars at the rate of \$18.604651 per United States standard ounce of gold nine-tenths fine, plus the assay office charge of fifty cents (50¢) per thousand dollars (\$1000) in value, or
- (b) French gold coins at their bullion value of \$18.604651 for each ounce of gold of the United States standard, nine-tenths fine, or
- (c) Eagles at their bullion value of \$18.604651 per ounce.
- (d) Gold bars, or gold coin, so ear-marked but not shipped, to be taken by the Federal Reserve Bank (if returned to the credit of the Bank of France) at the same value at which they were ear-marked in the first instance, excluding the assay office charge above mentioned, which will be borne by the Bank of France. (If gold bars are returned, they may be subject to a further assay office charge for remelting amounting to one dollar (\$1.00) per thousand (1000) ounces, which is the existing charge. The Federal Reserve Bank of New York, however, will endeavor to have this charge abrogated by the assay office, and if successful will immediately notify the Bank of France).
- (e) It should be understood that the Bank of France cannot require

the Federal Reserve Bank of New York to ear-mark French gold coins at bullion value in order to import them and realize the profit between the bullion value and face value of French coin. The right to determine, in the event of shipment, whether French coins shall be shipped or not to rest with the Federal Reserve Bank of New York. French gold coins which are abraded below the French limit of tolerance ^{(added at N. Y. office) "Ear-marked or"} not to be shipped if other gold or gold coin is available.

13. Gold bars ear-marked or shipped by either institution to the other must be suitable for coinage purposes, alloy to be copper, and an allowance made for any variations in gold contents above or below the standards specified above.

14. The ear-marking and shipment of the gold coins of any other nation to be undertaken by either institution for the other upon the basis of the value of the fine gold contained in such coins, with deduction of an allowance to cover the cost of conversion into gold bars of French or United States Mint standard respectively.

15. In general, the terms to apply to all transactions in gold, to be such that the effect of the arrangements will be to make all shipments of gold between the two institutions upon exactly equal terms as to each.

16. The amount of balances which one institution is willing to receive from the other, or the amount of bills which one institution is willing to purchase for the other to be arranged in each instance in advance by exchange of letters or cables.

17. It is expected that information will be exchanged by correspondence respecting credit matters and financial conditions.

18. It is proposed that the Federal Reserve Bank of New York will endeavor to promptly conclude an arrangement of similar character with the Bank of England and that the terms of the understanding between all three institutions shall be known to each.

19. The approval of the French Government to be furnished to the Federal Reserve Bank of New York insofar as such approval is necessary to enable the Bank of France to comply with the terms of this memorandum with respect to shipments of gold.

20. The arrangement to be subject to cancellation by either institution in whole or in part, except as to transactions in process, on notice by letter or cable, it being understood that any unliquidated balance either way will be settled in gold, if desired, under the terms of the understanding.

21. No announcement, directly or indirectly, to be made regarding the contents of this memorandum, which is confidential between the institutions concerned, without the explicit consent of both institutions.

New York City.
March 5, 1917.

Denver, Colorado,
March 7, 1917.

Dear Monsieur Pallain:

Your note of February 23d has been duly received and in the meantime you have been advised by cable and letter of the safe arrival of your communication of December 27th last.

I am glad to confirm M. DeNeufville report of improvement in my health, which has been most rapid during the past few months, and I am now beginning to look forward to a return to the office before many months elapse.

With most cordial regards which I beg you will also convey to your associates, I am,

Sincerely yours,

Monsieur Georges Pallain,
Governor, The Banque de France,
Paris, France.

BS/CC

Federal Reserve Bank of New York.

Are deeply touched by the sentiments of cordial sympathy which
 telegram brings us. It is with pride that we see the great American
 Democracy fighting on our side in order to assure the coming triumph
 of the cause of the people's right and of their liberty.

Georges Pallain.

Form 2 T. W. **COMPAGNIE FRANÇAISE DES CÂBLES TÉLÉGRAPHIQUES** 7-16-175 M

NEW YORK.
 25 BROAD ST. (ALWAYS OPEN) TELEPHONE, 451 & 452 BROAD.
 100 W. 11TH STREET, PINE BLDG. TELEPHONE, 2080 BEEKMAN.
 34 W. 11TH STREET. . . . TELEPHONE, 1230 SPRING.
 1 WORTH STREET. . . . TELEPHONE, 304 FRANKLIN.
 501 BROADWAY. . . . TELEPHONE, 1234 SPRING.
 65 FIFTH AVENUE. . . . TELEPHONE, 1234 SPRING.
 201 FIFTH AVENUE. . . . TELEPHONE, 307 MADISON SQ.

PARIS.
 15 BOULEVARD MONTMARTRE. 53 RUE VIVIENNE.

LONDON.
 24 ROYAL EXCHANGE, E. C. 2 MINING LANE.
 NEW BRIDGE STREET, E. C. BALTIC MERCANTILE AND
 24 SOUTHWARK ST. S. E. SHIPPING EXCHANGE, E. C.
 38 VICTORIA STREET, WESTMINSTER.

HAVRE: 40 RUE DE CHILOU.
BREST: 30-32 RUE DE CHATEAU.
ANTWERP: AGENCY, 14 RUE VENUS.
 ST. PIERRE, MIQUELON.

ORLEANS, MASS. - 1 1917
 WESTERN AGENCY.
 118 NORTH LA SALLE STREET,
 CHICAGO, ILL.

EDWARD C. SWEENEY,
 MANAGER.

FRENCH TELEGRAPH CABLE COMPANY
 FRENCH TELEGRAPH CABLE COMPANY
 ATLANTIC OCEAN
 FRENCH TELEGRAPH CABLE COMPANY
 FRENCH TELEGRAPH CABLE COMPANY

TIME 12:40 DATE APR 29 1917

The following MESSAGE is received via **FRENCH TELEGRAPH CABLE**, subject to the terms and conditions printed on the back hereof, which are ratified and agreed to.

Y F 772 PARIS 53

FEDERAL RESERVE BANK OF NY

SOMMES PROFONDEMENT TOUCHES PAR LES SENTIMENTS DE CORDIALE SYMPATHIE
 QUE NOUS APPORTE VOTRE TELEGRAMME STOP C EST AVEC FIERTE QUE NOUS
 VOYONS LA GRANDE DEMOCRATIE AMERICAINE COMBATTRE A NOS COTES POUR
 ASSURER LE TRIOMPHE PROCHAIN DE LA CAUSE DU DROIT DES PEUPLES ET DE
 LEUR LIBERTE

GEORGES PALLAIN

RECEIVED
 ACCOUNTANT

APR 30 1917

F. R. B. N. Y.

To reduce the risk of errors or delays, please file any answer to this message at one of the Company's own offices. Messengers may be summoned by Telephone for Cablegrams FREE OF CHARGE.

DESIRED

Page

Message

Night Letter

Should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A DAY MESSAGE.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

Form

Receiver's No

Check

Time Filed

and the following telegram, subject to the terms on back hereof, which are hereby agreed to

Denver, Colorado,
April 3, 1917.

Georges Pallain,
Bank of France,
Paris, France.

Affectionate greetings to you and your associates at least from
an enthusiastic friend and ally.

Strong.

Chg. Benj. Strong,
4100 Montview Blv.

Number
Time Filed
Number of Words

WESTERN UNION



CABLEGRAM

THEO. N. VAIL, PRESIDENT

CLASS OF SERVICE DESIRED	
<input type="checkbox"/>	Full Rate
<input type="checkbox"/>	Half Rate Deferred
<input type="checkbox"/>	Cable Letter
<input type="checkbox"/>	Week End Letter

Patrons should mark an X opposite the class of service desired; otherwise FULL RATES will be charged
SEE BACK OF THIS BLANK

Send the following Cablegram, subject to the terms on back hereof, which are hereby agreed to

May 31, 1917.

Georges Pallain,
~~Bank of France,~~
Paris.

Accept deepest appreciation of your kind message about my son.

Benjamin Strong.

BS/VCM

Charge Benjamin Strong,
Federal Reserve Bank,
City.

144

May 31st, 1917.

Dear Monsieur Pallain:

You will, I am sure, understand the great appreciation that I feel in the interest which you displayed in my son's arrival in France. He sailed on Saturday on the "Rochambeau" with about forty students of Princeton University to take up his work in the ambulance service in France. He had previously been in training in the army but owing to his eye-sight which is somewhat defective, he was obliged to accept his discharge and of all the other various forms of service this seemed to appeal to him as the most useful and one which he could undertake immediately. I am sure that if he calls upon you, (as he certainly will if time permits after reaching Paris), you will find him all that I represent him to be, and that is a splendid boy.

At the first opportunity I shall hope to write you a personal letter, telling something of developments here and particularly of the reception which was accorded to your countrymen who were recently here on such an important mission.

My return to New York is now more or less permanent, as I have closed my Denver home. I regret to say that the pressure incident to making arrangements for placing the new government loan has unavoidably delayed consideration of your last letter about which I

hope to write you at the first opportunity.

With warmest regards, I beg to remain,

Faithfully yours,

Monsieur Georges Pallain,
Bank of France,
Paris, France.

BS/VCM

144
X127

June 1, 1917.

Dear Monsieur Pallain:

This letter will be presented to you by my friend, Major Grayson M. P. Murphy. Major Murphy was formerly an officer of the United States Army and is just now Vice President of the Guaranty Trust Company of New York. He is sailing for France this week to undertake a most important mission in behalf of the American Red Cross. I have taken the liberty of giving him this note of introduction in the hope that he may have the privilege of making your acquaintance and possibly explain, as opportunity occurs, some of the features of his plans.

Major Murphy is a warm personal friend of mine and I commend him to your unfailing courtesy.

With warmest regards, believe me, dear Monsieur Pallain,

Most cordially yours,

Monsieur Georges Pallain,
Bank of France,
Paris, France.

BS/VCM

144
S. Pallain

New York City, N. Y.,
July 21, 1917.

Dear Monsieur Pallain:

As I have already written you, since the receipt of your last kind letter, the pressure of work suddenly thrust upon the Federal Reserve Banks in connection with the placing of our Government's Liberty Loan, made it impossible for me to find the necessary time to study the memorandum which you were good enough to prepare in relation to the appointment of the Bank of France as the Agent in France of the Federal Reserve Banks. Besides that, the condition of my health imposed serious limitations upon my working hours and only now since returning to Denver for a month's rest am I able to write you fully.

In order to further illustrate our position, I am enclosing with this a memorandum, setting out in some detail the policy of the Reserve Banks and the reasons for their adoption. It would be a great disappointment to us were we unable to conclude the arrangement proposed with your good institution; in fact our conversations and correspondence lead me to believe we will be able to consummate this arrangement and, if necessary, I will plan to visit France again just as soon as I can get away from New York, in order to continue our conversations in person.

The principal point to be dealt with it seems to me is this,-
The establishment of a credit on the books of the Bank of France by the Federal Reserve Bank, or the purchase of bills through the Bank of France is in effect, the employment in a foreign country of a corresponding amount of the reserves of the Federal Reserve Bank, and, as the law requires us

To - Monsieur Pellain.

July 21, 1917.

to carry reserves in gold, our banking arrangements abroad must be of such character as will enable us to count with certainty upon the liquidation of these balances in gold, if need therefor arises. We do not contemplate establishing such credits in excess of such amount as the Bank of France would be willing to receive and would be at all times ready to liquidate in gold should it prove impossible for us to liquidate the account by drawing checks without incurring a loss. It would not be our expectation to employ this account simply for the purpose of withdrawing gold from the Bank of France for the sake of such profit as we might realize. In fact, at the present time there would be no profit in doing so, certainly not sufficient to justify assuming the risks involved in gold shipments and, further, we would not expect that the account would be an active or large one, but rather a nominal one during the period of the war, when exchange conditions are so abnormal and uncertain as at present.

If the conditions of the account as stated in our memorandum do not appear to you to be practicable at the present time, we might suggest in lieu thereof and pending the conclusion of the war, that the Bank of France open an account in dollars with the Federal Reserve Bank of New York, simply for the purpose of making payments in New York and for the purpose of such limited business we would appoint the Bank of France our Agent and Correspondent, with the approval of the Federal Reserve Board, in the hope and expectation that a more comprehensive arrangement would be concluded later.

To - Monsieur Pallain.

July 21, 1917.

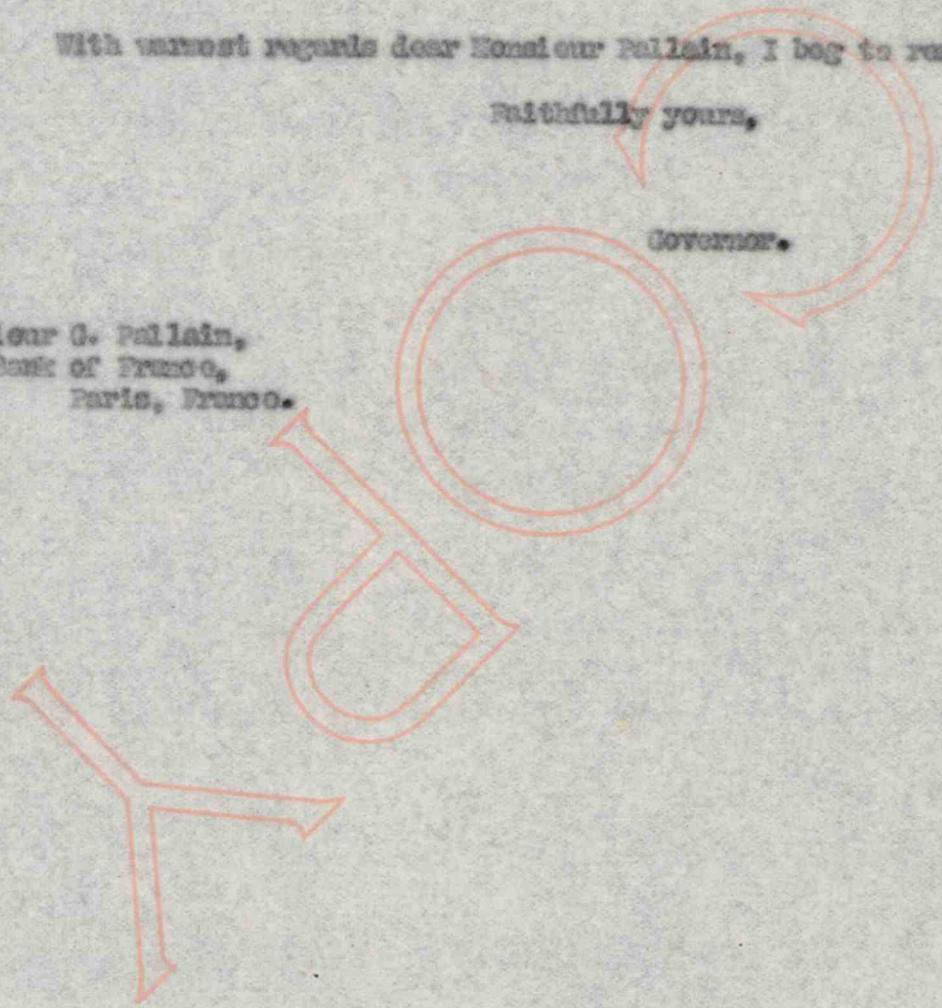
Please be assured of our desire to meet your views in every way possible.

With warmest regards dear Monsieur Pallain, I beg to remain,

Faithfully yours,

Governor.

Monsieur G. Pallain,
Bank of France,
Paris, France.



WESTERN UNION CABLEGRAM



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NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Number
Time Filed <i>144</i>
Number of Words

Send the following Cablegram, subject to the terms on back hereof, which are hereby agreed to

Dec. 22, 1917.

Pallain,
Bank of France,
Paris.

Warmest Christmas Greetings to you and your associates.

FILING DEPT.
DEC 22 1917

Charge Benjamin Strong,
Federal Reserve Bank,
15 Nassau St.

FEDERAL RESERVE BANK

BS*VCM

144

January 21, 1918.

Dear Mr. Pallain:

I have taken the liberty of giving a note of introduction addressed to you, to my friend, Mr. John T. Pratt, who is sailing for France this week. 147

Mr. Pratt is a well-known New Yorker, son of Mr. Chas. Pratt whom you doubtless know as one time connected with the Standard Oil Company. Since the outbreak of the war he has been engaged in some important work in the Department of Labor in Washington and has now resigned to take up work in France.

He is a very warm personal friend of mine and a delightful fellow in every way, and I hope his engagements abroad permit him opportunity to meet you. Anything that you can do to facilitate the objects of his trip will be warmly appreciated.

With kindest remembrances for the New Year, and thanking you in advance, I beg to remain

Sincerely yours,

M. Georges Pallain,
C/o Bank of France,
Paris, France.

BS/HAB

144

January 21, 1918.

Dear Sir:

This note will be presented to you by my friend, Mr. John T. Pratt, who is just leaving this country to accept a position of importance in the American Red Cross, Field Service, in France.

I hope that Mr. Pratt's duties will permit him opportunity to present this letter to you, as he is a very warm friend of mine and I am sure you will be glad to know him.

Anything that you can do to facilitate his work or his trip will be greatly appreciated by me.

Faithfully yours,

M. Georges Pallain,
C/o Bank of France,
Paris, France.

BS/HAB

144

February 13, 1918.

Dear Monsieur Pallain:

I am exceedingly grateful to you for your cable advising of the receipt of my letter in regard to Mr. John Pratt's visit to France and have assured him of a cordial reception on his arrival. His duties may make it impossible for him to call at once, but I am sure that he will do so at the first opportune moment.

#147

The pressure of duties at the bank, together with necessary absences on account of my health, have delayed the continuance of our correspondence about various matters, which, however, I shall hope to resume just as soon as practicable. In the meantime, dear Monsieur Pallain, please be assured of our most cordial good will and desire to bring about mutual understandings of value to your institution and ours.

With kindest remembrances, believe me,

Faithfully yours,

Governor.

Monsieur G. Pallain,
Governor, Bank of France,
Paris, France.

BS/MSB

Woods Hole, Massachusetts.
August 12, 1918.

THE GOVERNOR OF THE FEDERAL RESERVE BANK OF NEW YORK,
TO THE GOVERNOR OF THE BANK OF FRANCE.

My dear Monsieur Pallain:

Your kind letter of June 22d reached my office the latter part of last month, during my absence, and, while I am still away, I take this first opportunity of replying to your letter in the hope that we may at once conclude the more limited arrangement which we are discussing, and, later, establish it upon a wider and more explicit basis. Unfortunately I am unable to visit France this year, but I hope that this letter will cover the ground which I had hoped to discuss with you in person and will be found to be entirely satisfactory.

With this I am enclosing to you a resolution of the Board of Directors of the Federal Reserve Bank of New York, duly certified under seal, authorizing the officers of the bank, as occasion may require, to open an account with the Bank of France, and, accompanying this, you will find instructions in regard to the drawing of checks on the account, together with specimens of the signatures of the present officers of the bank in duplicate.

May I likewise ask that you be good enough to furnish us with a similar explicit authority for the opening of an account by the Bank of France with the Federal Reserve Bank of New York, together with specimens of the signatures of your officers and the usual authorities for signing drafts upon the account.

We will prepare a form of check to use in drawing upon our account with you, whenever it is established, and presume that you, likewise, will prepare your own form of check for use in drawing upon your account with us.

As to the opening of our account with the Bank of France, let me explain that up to the present time we have had no occasion to open any account abroad other than in connection with some special transactions with the Bank of England, because, as I have previously advised you, the Federal Reserve Bank has undertaken no commercial banking business and will likely require the facilities of such an account only in connection with transactions for the stabilization of exchange, or, possibly, those to be conducted for the account of the United States Government. We at one time expected to handle funds in connection with our military operations in France but finally other arrangements were made, and, therefore, the account we had in contemplation with the Bank of France was not opened. In order, however, that all details may be arranged, against the possibility of such transactions, which will enable us to enjoy the facilities of your bank, we propose shortly to remit francs for our credit, for a nominal amount, in order that an account may in fact be established and maintained. We do not expect an allowance of interest upon this balance as we, in turn, are unable to allow interest upon balances which may be maintained with us by your institution.

As to the account which you propose to open with us, we will be very glad to receive from you the deposit of any funds which you may desire to carry with us and hold it, subject to your direction or check. We will also be able to receive and hold for your account negotiable paper or other free assets which you now have or may acquire in New York, and place at your dis-

posal the facilities of our institution for your ordinary operations of collection and payment.

Should you desire to have us make purchases of paper eligible for discount at the Federal Reserve Bank of New York, we will be very glad indeed to conduct these operations for you using the same care that we use in purchasing paper for our own account.

Under our practice at the present time, we will make no charge for the collection of checks and drafts payable within the United States, which you may deposit with us for credit, the avails of such drafts being made in accordance with a schedule of time, which is stated in the enclosed pamphlet.

Responding to your request for information as to the terms of the understanding between the Federal Reserve Bank of New York and the Bank of England, I am to-day in correspondence with the Governor of the Bank of England in order to arrive at an understanding which will enable me to comply with your request, the actual document being subject to an explicit agreement that its contents will not be made known without prior agreement by both institutions.

Permit me, in conclusion, to express to you and to your associates the intense satisfaction which is felt by everyone in this country that we are at last able, by the presence of a great army on your soil, to repay at least in part the great debt which the United States owes to France. You may rely with confidence upon the determination of all of our people to relax no effort necessary to bring the war to a victorious conclusion, and we hope with you that when that time comes bonds will have been established between the two countries which can never be severed. I shall indeed feel the greatest possible satisfaction if these bonds may be strengthened by a close alliance

between our two institutions under which the conditions arising at
the conclusion of the war may be dealt with for our mutual protection
and profit.

With assurances of my high regard, believe me,

Faithfully yours,

Governor.

BS/MSB

Enc.

October 29, 1918.

Dear Monsieur Pallain:

Your official letter of October 1st, together with your very kind personal letter of the same date, have just reached me, and I hasten to send you this personal acknowledgment. The official confirmation of the arrangement is being prepared, and will be sent forward very soon.

What you have said in your personal letter is indeed most true. I have felt very strongly the need, and believe I have seen the advantages, of a close and sympathetic community of interest between the Bank of France and this bank, which would represent the real sentiments and high regard which we all know exists between the people of our two countries. This war, which happily now seems to be drawing to a close, has proved the occasion for bringing out much that has been latent in our minds, and I think we must not permit an opportunity to pass without realizing some constructive benefit from what would otherwise be a destructive world calamity.

You may be sure that my associates in the Federal Reserve Bank of New York entertain the same high regard for your institution, and the same sentiments in regard to the desirability of a close arrangement, that I do myself, and I am hopeful that, with your kind cooperation, we have now laid the foundation for the arrangement of close bonds that will be permanent and of advantage to both.

You have had the best possible exhibition of the extent to which the heart of this nation is in the war by the presence now of nearly two million Americans in France, who are determined to win it, and will be satisfied with nothing less.

10/29/18.

I shall hope at the earliest possible moment to again visit France and once more enjoy the opportunity of renewing our friendship.

With cordial regards, believe me,

Faithfully yours,

Monsieur Georges Pallain,
Bank of France,
Paris, France.

BS/MSB

B. Strong - European trip.

LIBRARY

JUN 20 1919

FEDERAL RESERVE BANK

1919

June 18, 1919.

Dear Monsieur Pallain:

Much to my delight I am sailing for Europe by the Baltic on or about July 1st, and am, therefore, looking forward to the pleasure of a visit with you in the near future.

Faithfully yours,

Monsieur Georges Pallain, X
Governor, Bank of France,
Paris, France.

BS/MSB

Hotel Ritz, Paris,

July 28, 1919.

My dear Monsieur Pallain:

It is with great pleasure that I advise you of my safe arrival in Paris, where I shall be for a few days at the Hotel Ritz, and shall hope to learn that it will be convenient for you to see me.

Trusting that you keep well and feel some relief from the heavy burden which I realize you have been carrying for so long, and with the assurance of my respect, I beg to remain,

Faithfully yours,

Monsieur Georges Pallain,
39 Rue Croix-des-Petits-Champs,
Paris.

BS/V

HOTEL RITZ, PARIS, FRANCE.

August 16th, 1919.

M. M. G. Pallain,
Governor of the Bank of France,
Paris, France.

Dear M. Pallain:

Immediately on my return to Paris I find myself called away for a trip of about four weeks and am writing to explain my absence and my regret that I shall be unable to have my promised visit with you until the latter part of September.

With cordial regards, believe me

Sincerely yours,

Hotel Ritz, Paris,

August 19, 1919.

Dear Monsieur Pallain:

Contrary to my expectation I shall not leave Paris as planned, and am now writing to ask your assistance in carrying out a transaction desired by the Treasury Department of the United States.

I understand the French government has expressed a willingness to furnish up to \$10,000,000 in napoleons in exchange for which there shall be delivered the equivalent in German gold coin, in Paris, on a basis of 999.4 of fineness.

Will it be possible for you to ascertain and advise me of the following:

1. The probable cost of shipping the gold coin from Brussels to Paris.
2. Likewise the probable cost of shipping the German gold coin from Amsterdam to Paris.
3. The probable cost of shipping napoleons from Paris to Madrid.
4. The length of time which will be required to effect a delivery of napoleons in Madrid when shipped from Paris.

The Federal Reserve Bank has a sufficient supply of German gold marks, both in Brussels and in Amsterdam, to make the deliveries in Paris as soon as shipping arrangements can be completed, and I would also like to know whether, in case the arrangements for transport from either of these places could not be promptly effected, the Bank of France would be willing to make the shipment of the equivalent of \$10,000,000 in napoleons to the Bank of Spain in Madrid, against which I would propose to place at the order of the Bank of France an equivalent amount of German gold coin, either at Brussels with the Banque Nationale de Belgique or at Amsterdam with the Nederlandsche Bank.

Assuring you of my appreciation of any assistance you may be able to render in handling this transaction, I beg to remain,

Faithfully yours,

Monsieur G. Pallain, Governor,
The Bank of France,
Paris.

Hotel Ritz, Paris,

August 28, 1919.

Dear Monsieur Pallain:

I am just in receipt of advices that it will not be necessary to make the shipment of gold from Paris to Madrid, concerning which I have recently had some conversation and correspondence with you. I wish to assure you of my sincere appreciation of your courtesy and good will in this matter, and with assurance of my esteem, remain,

Faithfully yours,

Monsieur Georges Pallain, Governor,
The Bank of France,
Paris.

V

Ritz Hotel, London,

September 12, 1919.

Dear Monsieur Pallain:

It was with great regret that I found myself obliged to leave Paris for London on very short notice and on that account I was unable to arrange for another visit with you, as I had hoped to do.

As it became unnecessary to make the gold shipment which we were discussing, I had hoped that on our next visit we could spend some time in the discussion of matters in which we are both very much interested, but this, however, I must defer, I fear, until another visit to France.

I hope you will not mind my saying that I was distressed to observe the evidence of your recent illness, and to express the hope that you will now find leisure to make your own health your first responsibility.

With cordial regards and every good wish, I beg to remain,

Faithfully yours,

Mons. Georges Pallain,
Bank of France,
Paris.

BS/PE

Monsieur Strong

Gouverneur de la Banque de Réserve fédérale
de New York

Hôtel Ritz

E. V.



BANQUE · DE · FRANCE

VERSEMENT · D'OR · POUR · LA · DÉFENSE · NATIONALE

LA · BANQUE · DE · FRANCE · CONSTATE · QUE
Monsieur *Benjamin Strong Jr.*
A · VERSÉ · CE · JOUR · EN · OR · LA · SOMME · DE
Mille cent soixante francs
EN · ECHANGE · DE · BILLETS · DE · BANQUE
LE *19 Février 1915*

VISA

[Handwritten signature]

LE · SECRÉTAIRE · GÉNÉRAL

[Handwritten signature]



BANQUE · DE · FRANCE

VERSEMENT · D'OR · POUR · LA · DÉFENSE · NATIONALE

LA · BANQUE · DE · FRANCE · CONSTATE · QUE
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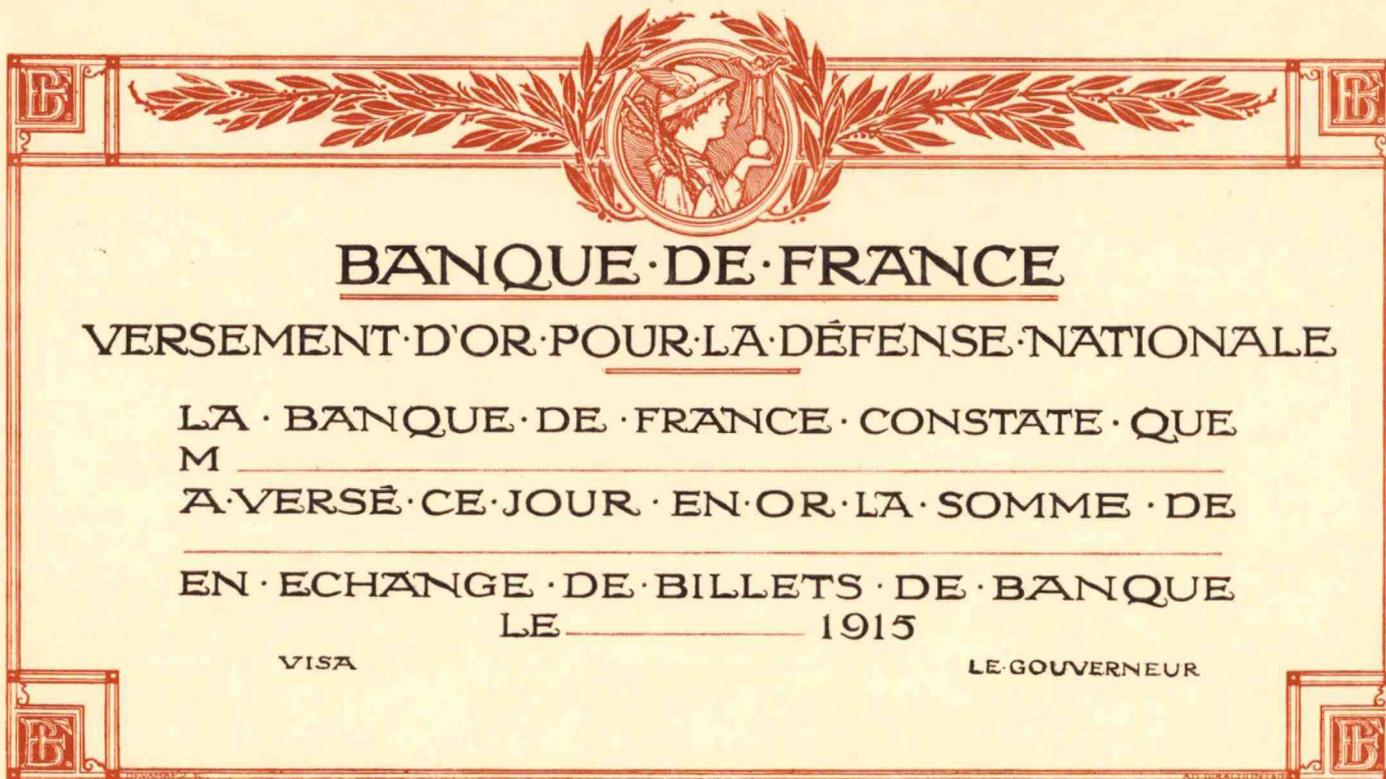
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EN · ECHANGE · DE · BILLETS · DE · BANQUE

LE _____ 1915

VISA

LE · GOUVERNEUR



BANQUE · DE · FRANCE

VERSEMENT · D'OR · POUR · LA · DÉFENSE · NATIONALE

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LE _____ 1915

VISA LE · GOUVERNEUR

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Received here at

6.4.47 P.M.

PARIS 21400 35.90 10H50=

M STRONG JUNIOR HOTEL RITZ

PICCADILLY LONDON AANGLETERRE =

ROBINEAU & MOI NOUS SOMMÉS TRÉS

SENSIBLES A VOTRE SI CORDIAL SOUVENIR

& NOUS N OUBLIERONS PAS LES MOMENTS

GRÉABLES & UTILES PASSÉS AVEC VOUS =

G PALLAIN

Samedi.

Cher Monsieur Strong,

il m'a été possible de me
procure une collection de spécimens
souhaités, et je vous la remets
jeudi, à notre prochaine réunion.

Je vous prie, cher Monsieur
Strong, à mes sentiments les
cordiaux.

G. Sallain

A BRIEF TRANSLATION OF THE OPERATIONS
OF THE BANQUE DE FRANCE
During the year 1915

Gentlemen,

After eighteen months of war, with the same calm as last year, with a faith always greater in the glorious destiny of France, on the day fixed by our statutes, I declare our general Assembly is open.

Before giving you lecture, in the name of the Conseil Général, of the report of our operations during 1915, let me address to the Country an expression of our gratefulness for the confidence it places on us. In the incessant labour imposed on us, this confidence is a precious comfort. Our initiatives have a double aim: to help the energy and patient effort of the Nation to adapt her economy to the conditions of a war which necessitates the aid of all resources and activities; to give to the State, for the needs of the National Defense, compatible help with the credit of the bank note.

The year which has just past was marked by a renewal of progressive activity in the various manifestations of our financial and economical life. The circulation of capitals, paralysed by the declaration of war, has recommenced little by little after the decision taken by the Establishments of credit and most of the Banks to renounce to the moratorium of deposits and current accounts. The Bourse is pursuing

gradually the liquidation of engagements of a term prior to July 31st 1914; the cash transactions are proceeding under satisfactory conditions.

Our agricultural industry surprised by the abrupt occurrence of the war and in spite of later difficulties organised itself to preserve one of the essential elements of our National wealth, thanks to the mutual aid which the rural populations lent. The works of the field ^{have} ~~was~~ been effected everywhere up to the firing line, nevertheless, our cereal crops in 1915 are not inferior to the average. For wheat and sugar we have been obliged to go abroad and for some of the most important of our provisions.

Industry and Commerce have enjoyed renewed activity and many signs indicate progress. Railway lines have realized a rise of commercial traféc which is gragually approaching the figures prior to the war. The particular inquiries of the Minister of Work develop a marked reduction of the number of manufacturing and commercial houses which have not yet commenced business operations.

New factories have been founded replacing those closed at the time of the war due primarily to the demand for war material, ammunition, etc, of which an abundance is one of the conditions of victory and one can also notice happy efforts to make up for the difficulties of the lack of hands and transportation facilities and to augment as much as possible the production of other industries.

Also, a part of the activity shown in the industries of war contributes by the development and improvement of the material, to prepare the economic future which will follow the conclusion of peace. Thus, new hydraulic installations assure a more complete use of coal, and that the industry of chemical products is undertaking to fight the German concurrence.

The improvement of the general economic situation and a step towards a more normal regime of commercial transactions are attested by the diminution of our portfolio of prolonged bills and by the progressive reopening of discounts.

The reimbursements operated, as well by the principal debtors as by transferees have reduced our portfolio of moratorised bills, during the year 1915, from 3 milliards 478 millions to 1 milliard 838 millions. Our new discounts have not been affected, in the same proportion, by the larger activity of affairs; these continue to be settled, mostly by payments in cash, which the disponibilities created by the expenses of the State, favour. However, the presentations mark an appreciable progression; our portfolio of bills regularly payable at maturity, after coming down to about 200 millions, approach today 400 millions. It is a sign of the renewal of commercial credit which we are trying to develop.

This renewal of credit is beginning to show also in the domain of the international commerce. We have registered the abandoning, by certain american houses of exportation,

of the practice of prior payment and the return to drawings on France. In that there is an improvement which will be profitable to the whole financial situation of the Country, in lightening our terms of payment with the United States.

This leads us to recall the way adopted by the Banque in the very delicate and complicated question of foreign exchange.

This line of conduct was: to help the exchange market to adapt itself, with the minimum of trouble, to the abnormal conditions created by the war; to encourage and help the private initiatives with a view to the re-establishment of the international credits.

Since the start of the hostilities and up to the first weeks of 1915, the foreign exchange was favorable for us. The quote of the pound sterling at Paris remained under par; in August 1914, transactions were made at exceptionally low rates. The exchange on New York and on other neutral places where we had commercial relations presented a situation almost identic; alone, the Dutch exchange, from the month of October, was over par. The credits we still had outside, the sums coming from the reimbursement of interests and dividends of our foreign portfolio had sufficed to cover the deficit of our commercial balance.

The month of February witnessed a complete change in the state of our foreign engagements. Our credits in foreign countries were no longer equal to our debts which were increased by considerable importations. Prices of commodities

rose to over parity with our money. At first it was a case of exchange on Spain and New York, some days later, on London, and in the first fortnight of May, on Switzerland and Scandinavian countries.

This crisis is one of the inevitable consequences of the actualytragic events. All the belligerents have to suffer it. Our enemies, although they chose the hour of aggression, have been the first to be affected by it. As soon as November 1914 the mark registered a loss of near 10% on the place of New York; the depreciation attained 12 to 13 % in February and March 1915; after a lapse of time it surpassed, in July, 14%; it was, at the end of 1915, of about 20 %. At no time, nor in any neutral place,^{was} the comparison of the French exchange with that of the belligerents unfavorable to us, although our enormous purchases abroad made us debtors in a considerable sum.

In the year 1915, our importations exceeded our exportations by 5 milliards 52 millions. This causes the unique difference in our economic balance; and is the cause of the momentous alteration of our exchange, which a renewal of our ~~ex~~ usual exportations would suffice to restore to the normal.

The importance of these figures, the impossibility of reducing them materially by reason of the needs of the National Defense, have not allowed us to treat the crisis of the exchange by the usual methods. Neither raising the amount of the discount nor gold sent to creditor countries, to cover

the balance of our engagements, were remedies to apply without serious inconvenience.

Considering the circumstances and the state of the capitals market, a rise of the amount of the discount would have been impracticable, whereas it risked encroachment upon the renewal of affairs and the re-establishment of commercial credits which we had the ability to encourage; the sending of gold without limit, would have led us to reduce imprudently the metallic security of the circulation, without any other result than to possibly precipitate a crisis instead of retarding it. It has been shown that such exportation of gold would have been an unsatisfactory method. Therefore we could only try to attenuate the effects, without compromising the big national interests of which we have charge and without weakening the possibilities of the aid we are lending to the State and to the Allies.

From October 1914, we have applied ourselves to re-establish and extend our relations with our foreign correspondents, so as to afford to the international commerce, means of recoverment and payment as complete as possible. We prescribed to our Directors to receive ^{at} the paying and the discount departments the bills drawn on most of the Allied and neutral countries. We informed them at the same time that we would furnish them, on demand, and at the most favorable rates, all remittances on England and the United States. During the first weeks of war, when by the disorder of the market, the

exportatōrs could not realize their exchange but with great loss, we came as buyers, so as to allow the re-establishment of more regular rates.

At the beginning of 1915, we had thus constituted an important provision of exchange, with a view to the needs of our customers.

The general tendency to a rise, which was affirmed in the first fortnight of March, led us to extend the circle of our intervention. After getting the certitude that the exchange operations, treated at our desks, could not sufficiently influence the rates, we judged it useful to refer to the direct sale on the same market where the quote is made. The means we disposed of did not permit us to bring back and maintain the estimates at a price near par; at least could we, to a certain extent, straighten the movements of the market and help it to adapt itself progressively to a state of things which were so new to it.

In the first days of June, we began to subordinate our sales of exchange to the justification of the commercial needs, so as only to proceed to a good end. This decision was inspired both by the desire to reserve for the French Industry and Commerce the limited resources which we could deliver to the market, and by the care not to contribute to exaggerate on our place the arbitrage operations over which we had not control. However, we only advanced the practice of resolutions sanctioned in a conference of Bankers, held

at Messrs. Rothschild, on the 1st of July. The amount of remittances abroad, delivered by us during 1915, as well to our direct clientele as to the public market, attained up to 800 millions.

Several times we drew the attention of the public Authorities to the interest, as far as our payments on the London market, which the re-establishment of the arbitrage operations between the Stock-Exchange and the Bourse of Paris presented. We expressed the wish that the French owners of international values should be admitted to negotiate them in the English Bourses, with charge to produce all justifications liable to prevent any abuse. The British Chamber of Commerce of Paris has after deliberation, taken steps for same.

Concerning the renewal of international credits, we have tried especially to prepare the way for the Bank institutions, so as to allow their initiatives to develop under the protection of former ones created by us.

We have given our guarantee of exchange on the English market for an advance approved to a Parisian bank and we have further arranged for the acceptation of credits amounting to 5 million pounds by a group of London Bankers for one year. These two experiences furnish material proof that the restrictions imposed upon our financial operations in our foreign account do not constitute an obstacle to the credit relations between France and England.

On the American market, we have also furnished guarantee of exchange for an advance of 2 million dollars. With the credit of Brown Brothers of 20 millions of dollars, we have made the first positive application of the international operations of discount and acceptation of the law of the Federal Reserve, passed in the month of November 1914. This credit has been prepared on the spot by our délégué. It is opened by a group including 19 of the principal Banks and Trust Companies of New York to a group of French Banks; it has been materialised by drawings at 90 days' sight, renewable against our promise to assure security in gold at maturity, if the other means of exchange failed. A new rule of the federal Conseil de Réserve, 7th September 1915, has been given to authorize, under ~~in~~ certain conditions, the re discount of renewals.

It is interesting to recall the appreciation given by one of the financial journals among the most important of New York (Wall Street Journal, 25 August 1915) concerning this operation:

"This credit will be a beginning of other operations of the same kind. The joint account of the bankers on both sides of the Atlantic constitutes a new politic, at least as far as American Institutions are concerned. Thanks to it, closer relations between the ^{private} financial Institutions of both countries will develop, and it is expected that the results of this operation will have a great extent."

An important French industrial firm has obtained

through the intermediary of Parisian banks, an important credit in dollars, founded on the type of the operation we concluded, August last, with the Brown Brothers Syndicate. Recently a group of American Banks also opened a credit for 50 million dollars to a group of English Banks.

It is thus that we facilitated, as regards finance and credit, the mobilisation of American sympathies. By that, we prepared the negotiation of the Franco-English Loan of 500 million dollars, in view of which, we assured, at the Conference of Boulogne-sur-Mer, a more direct collaboration to the Minister of Finance.

Regarding this Loan, you will allow me to felicitate, in your name, our colleague M. Ernest Mallet, Regent, who, as délégué of the French government, took a most active part in the operations of the Franco-English Mission sent to New York to negotiate the agreement with the American Finance.

In conformity with the Franco-British arrangement of the 30th April 1915, we handed to the Bank of England 20 million souverains, in return for which the French Trésor received in London a credit of 62 million pounds sterling. This envoy helped to compensate the outgoing of gold, resulting for England, from the partial affectation of this credit to the payment of purchases effected by the French Government in America.

In June, your Counsel undertook to eventually put at the disposal of the State the means of exchange necessary to assure at maturity, the security of the credit, in New York,

by the Banks of the group J.P.Morgan & Co, against deposit of obligations on American Railways re-bought by the French Trésor.

In spite of the expeditions of gold made to London, our income augmented, during 1915, to upwards of one milliard. It was, on 24th December, of 5 milliards 431 millions, of which 5 milliards 80 millions^{were} of gold, thus surpassing all prior maxima and the highest figure till now attained by an emission bank.

We owe this remarkable increase to the spontaneous gifts of the public. As soon as the importance of gold for the National Defense was pointed out to it, it came to exchange its gold for bank notes. In a few weeks, 1.300 millions were paid down.

This same patriotic movement was again shown for the national Loan, which was a striking proof of the financial power of France. The Country answered the ~~call~~ appeal of M. Ribot, Minister of Finance. The Bank neglected nothing that could contribute to the success of this operation of credit; it was with pride that we registered more than 300.000 subscriptions representing a capital of about 3 milliards.

The success of the Loan is not proved only by more than 15 milliards of subscriptions which the Trésor received; the numerous demands for it in the market, which gave lead to the issuing of a premium at the beginning of the negotiations, prove how the public favour the new national fund.

To permit these transactions to normally develop, it

was important that the liquidation should be effected of the engagements at suspended term since end of July 1914. Considering that superior interest, we have assured our aid to the Syndical Chamber of Exchange Agents, in placing at their disposal a sum of 250 millions, in the shape of and with the statutory guarantees.

Thanks to the resources furnished by the Loan of the National Defense, the Minister of Finance has been able to level the amount of our advances to the Trésor from 7 milliards 400 millions to 5 milliards, against 3 milliards 900 millions on the 24th Dec. 1914, and to reduce thus to 1.100 millions the augmentation of the State's debt to the Bank during 1915. This result shows, better than any remarks the importance of the voluntary cooperation of the Country to the enormous expenses imposed by the war.

Our report of last year alluded to a special convention with the Bank of the State of Russia, with a view to settle certain operations of credit remaining suspended since August 1914. This convention was definitely concluded on the 2nd Feb. 1915. Immediately applied, it freed important disponibilities, for the profit of the French Commerce and Banks.

Apart from this advance, we had discounted, on 24th Dec. last, 630 millions of Bonds on the French Trésor, of which the product was affected to advances of the State to Allied Governments.

In April 1915, our Regent, M. Jules Bénard died.

You had elected him in Jan. 1909, as representative for the Agriculture, thus giving a proof of your solicitude for that great Industry which constitutes one of the principal riches of ~~the~~ France.

He had 45 years of practice and the presidency of the Federation of the Societies of Credit agricole.

It was with profound regret that we lost this colleague who was proud of being the first professional agriculturer designed to be Regent.

At the same time we also learned of the sudden death of M. Guillain.

Elected Censor in Jan. 1909, you had chosen him as representative of the large marine interests of the Country, etc etc., (page 24 continues an eulogy of this gentleman) Page 25 show nominees for election in his place.

Page 26 - Amount of operations: The amount of production operations was 20 milliards instead of 36 milliards for the previous year. These figures do not include the deposit of bills local, nor the operations effected for account of the public Treasury.

Operations for account of the Treasurer:

Credit	Fr 42,717,800.000
Debit	42,765,900.000
	<hr/>
Total	85,483,100.000
In 1914 it had attained	31,089,800.000

These figures include the payments and recoverments of the accountants of the Treasury, the turnover of the funds by the Banque de France in Paris and in the Provinces for account of the Treasury, the remittance of bills to the Receiving Teller, the recoverment of postal orders, payments by the Treasurer and the payments of coupons of the Treasurer over his desk. All these movements of funds are by virtue of the law of November 17, 1897 effected by the bank without remuneration.

The 5% National Defense Loan

In conformity of article 9 of the same law the Bank opened without remuneration nor commission of any kind its paying teller cage for payment of rentes and French Treasury values. Circumstances made it the banks duty to give to the State its help to cooperate in the payment of National Defense bills. The manner in which the bank fulfilled its duty is clearly established by the results obtained.

About one fifth of the total subscriptions to the 5% National Defense loan has been handled through the Banque of France for a nominal capital of nearly 3 lilliards-- exactly 2,963,568,580 Francs in 300,798 subscriptions.

Receipts number 1.120.225.508 francs say 43% of the capital at the sale price; in bonds of the National Defense 567.355.387 francs say 22%; in obligations of the National Defense in the Treasury 652.375.868 say 25%; that in rentes, dividends, 3 to 3 1/2%; say 252.248.933, say 10%.

Page 29 refers to changes in clerical staff and reorganization account mobilization. Page 30 gives detail of various methods of taxation. Page 31 the plan the Bank adopted to make known the terms of the Loan to the public: prospectuses and notices were distributed and published. Also through Foreign Banks subscriptions were gathered out of France.

Page 32: to facilitate the subscriptions many posts were established In Paris: 75 bureaux in different quarters. 30,000 citizens subscribed 50 millions capital, on an amount of 86,960 subscriptions received in Paris for a nominal capital of 755,847,220 francs. In the Provinces offices were opened to receive these subscriptions. Six of our bureaux gathered over 60 millions capital. They are:

	Nominal Capital	Number of subscriptions
Lyon	200.215.800	10.311
Marseilles	138.368.880	6.779
Bordeaux	108.369.280	7.121
Nancy	74.161.240	2.183
Nantes	68.307.700	4.866
Le Havre	60.094.700	3.170

Between the 25th Nov. and 23rd Dec. has been paid

to us in gold:	FR. 235.371.000
Has been deducted in advances on Paris bills:	477.832.000
In the Branch offices:	111.592.000

The balance of our current accounts of deposits has been reduced of: Fr. 657.986.000

That of bills in circulation, of: 1.077.313.000

In considering the bills reentering the circulation during the period of the Loan, we may consider that the total entry of bills has attained more than: FR. 1.500.000.000

In conformity with the dispositions of the article 3 of the Convention of the 21st Sept. 1914, by which the State undertakes to reimburse, in the shortest delay possible, the advances made by the Bank, either by means of the ordinary resources of the budget, or on the first loans, or on the extraordinary resources which it may have, the Treasury reimbursed us:

2.400.000.000

And the balance of its account presented, on the 23rd Dec., and augmentation of FR. 319.992.000

National Defense Obligations and Bonds.

The amount of Obligations subscribed through the intermediary of the Bank is:

Paris: Fr. 249.601.600

Branch offices: 310.723.300

Total: FR. 560.324.900

The Bank agrees to advances on these Obligations up to a concurrence of 80% of their value.

During 1915, the amount of Bonds subscribed or renewed through the intermediary of the Banque de France was:

Paris:	FR.	882.113.600
Branch offices		<u>1.019.082.900</u>
Total:		<u>1.901.196.500</u>

Metallic Reserves.

This year our metallic reserves show an augmentation particularly remarkable, only with our gold stock.

24th Dec. 1914, cash in hand amounted to:	FR.	4.514.400.000
24th Dec. 1915, it amounts to:		<u>5.431.400.000</u>
Say an augmentation of:	FR.	917.000.000

Gold in hand is passed from:	FR.	4.158.500.000
to.....		<u>5.079.700.000</u>

Say a net augmentation of	FR.	<u>921.200.000</u>
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whereas the money in hand has become from;	Fr.	355.900.000
to:		<u>351.700.000</u>

Say a diminution of:		<u>4.200.000</u>
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The augmentation net of 921 millions of the gold in hand, shown by the two tables of the year ends of 1914 and 1915, represents the overplus of the entries on the gold. The total entries of gold have been considerably more important; they attained :

1.487.200.000 frs. and that of the 566 millions, of which the counter-party was found among our disponibilities and credit abroad, which figured at the end of 1915, for 988.127.089 fr on our balance-sheet.

Nearly the whole totality of these 1.487.200.000 francs in gold - exactly 1.340.725.000 fr. - have been brought voluntarily, without any pressing, by the Country itself, at the first appeal that the Minister of Finance made, on the 2nd July. The Bank immediately opened, in Paris and its branch Offices, special bureaux to receive the gold.

The individual reserves of gold money are so considerable, and the patriotism of the owners showed itself with such continuity that the gold paid down, surpassed at one moment 100 millions in one week, and after various changes, again attained, from Dec. 9 to 16, 24 weeks after the opening of the first bureaux, upwards of 90 millions.

In some regions, on the example of Marseilles, special committees were created under the name of Comités de l'Or et des Bons de la Défense Nationale, and contributed powerfully to increase the sums paying down of gold.

Our silver cash in hand shows a diminution of 4.200.000 frs.

To attenuate the crisis provoked by increased cash transactions, and the undesirability of divisionary money, not only did we immediately put into circulation as soon as it came into us, all moneys received, but we used up all of our constituted stocks of reserve before the war at the Central Bank as well as our Agencies. It is thus that a sum of 55 millions divisionary money was given out

ind

We have the assurance that the Mint will be sufficient to answer the needs of the transactions, which it was often impossible to face without the initiative of the Chamber of Commerce.

Incoming cash the movement of cash as follow:

Gold:		on
Max	5 079 700 000	xx Dec 24
Min	3 906 300 000	on Méy 15
Average	4 340 300 000	

Silver		
Max	378 200 000	on March 30
Min	35L 700 000	" Dec 34th
Avg	368 600 000	

Total incoming cash in hand:

Max	5 431 400 000	on Dec 24th
Min	4 28L 600 000	" Méy 15
Avg	4 709 500 000	

Page 43: Interest rates - discounts and advances

Remained fixed respectively at 5% and 6%

DISCOUNTS: Commercial portfolio

The discounts in Paris, at branches and auxiliary bureau brought 2 903 000 for 2 823 800 000

The portfolio discounts have attained a maximum on Dec. 34 1915 of 394 800 000 F. The minimum 212 700 000 on Feb. 10th.

Notes ~~xxxx~~ have been discounted in Paris during 1915 as follows:

Notes of 5 and 10 francs	38 982
" 10 " 50 " 2	155 2L4

Notes at 50 and 100 Francs	121 925
" above 100 francs	329 260

The proportions of small notes of less denomination than 100 francs was 49%

Bureau of direct accounts: Page 44

To render our services more directly accessible at Paris we have opened to commerce and industry a bank central in one of our buildings No. 9 rue Baillif, where are treated discount advances which is of assistance and interest to industrial and business people. Total operations of this bureau during 1915 was 278 367 000 Fr.

On Dec. 24 1914 the portfolio of ~~XXXXX~~ Moratorium Notes which had attained 4 476 000 000 was reduced to 3 477 683 300 On Dec 24 1915 it was reduced to 1 838 376 500.

Page 46 treats upon love of tradition in handling the methods of business transactions according to legal degrees issued from time to time.

Page 47 At Paris only (the Paris Bureaus only) our portfolio contained at the beginning of the year 538 538 Notes for a total of 2 078 982 215 francs with more than 200 000 debtors This work has all been handled expeditiously. As soon as the public powers announce the cessation of the moratorium the Banque will be able to face without difficulty the task which has been demanded of it, because she will have premeditated measures to face the liquidation of this portfolio.

We have received over the counter from holders of accounts in payable paper either in towns or branches or abroad 439 700 notes for 806 500 000 francs.

(obligations-notes)

Advances on accounts/amounted to 3 238 000 000

The portfolio advances on these notes has undergone the following variations:

Max	Dec. 22	Fr 1 156 800 000
Min	Nov 24	562 000 000
	It was on Dec. 24 1915	1 152 800 000

~~In 1914~~ 1914 the extreme figures had been as follows:

Max	937 000 000
Min	697 000 000

Circulation of Bank Notes:

The variation of the circulation of bank notes have been as follows:

Dec 24 1915	13 216 400 000
Max Dec. 1 1915	14 291 000 000
Min Dec 30 1914	10 161 600 000

Detailed description of the denominations in circulation on page 50.

Page 51 refers to the delays in getting bank notes printed and show cities in France where this delay was helped to be overcome. The bank has purchased a piece of ground upon which will be erected a plant for printing bills and a new 10 franc note is soon to be issued which will be slightly heavier in weight but the same size.

Paris, April 17, 1916.

Original 144
to files not Seal

Dear Mr. Strong:

I very much regret not having been able to reply earlier to the kind letter which you addressed to me from London. Knowing that you were to stay there only a little while, I have awaited your return to America before telling you of the pleasant remembrance which I keep of your visit.

In the course of the negotiations which I had the pleasure of having with you, I imparted to you our desire to ameliorate the state of the exchanges. This question still remains the object of our considerations and so in order to prepare a solution of it, the Chamber of Commerce of Paris and the Bank of France have directed M. Jacques de Neuflyze to go to New York where he will endeavor to find means to facilitate the commercial intercourse between the United States and France.

M. de Neuflyze has already had the honor of being presented to you at the time of an earlier mission which the Chamber of Commerce delegated to him. I have no doubt that he will find again a very welcome reception and assistance which will greatly facilitate the accomplishment of his work.

I would be much obliged to you if you would be so good as to acquaint the persons to whom M. de Neuflyze desires to become accredited with the contents of this letter. //

Please accept, dear Mr. Strong, the expression of my devoted sentiments. ~~XXXXXXXXXX~~

G. Pallain.

Banque de France

Paris, le 12 Mai 1916 144

Cher Monsieur STRONG

Je vous remercie de votre aimable lettre du 15 avril et tiens à vous redire tout le plaisir que j'ai eu à faire connaissance avec vous lors de votre voyage à Paris. J'espère que les relations que nous avons nouées se resserreront encore dans l'avenir et je serai heureux si l'occasion m'est offerte de vous témoigner ma vive sympathie .

Votre lettre s'est croisée avec celle par laquelle j'accréditais auprès de vous M. Jacques de Neufelize. Je profite de cette occasion pour le recommander de nouveau à votre bienveillant accueil et pour vous remercier de l'aide que vous voudrez bien lui prêter dans l'accomplissement de sa mission .

Veillez trouver ici, cher Monsieur STRONG, l'assurance de mes sentiments bien cordialement dévoués .

G. Fallain

TRANSLATION

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BANQUE DE FRANCE

Paris, May 12, 1916.

Dear Mr. Strong:

I thank you for your kind letter of April 15th, and take this opportunity of telling you all the pleasure which I had in making your acquaintance during your trip to Paris. I hope that the relations which have been established will grow closer still in the future, and I shall be happy if the occasion offers itself to me to give you testimony of my active sympathy.

Your letter crossed that of mine by which I introduced to you M. Jacques de Neuflyze. I take this occasion to recommend him again to your kind reception and to thank you for the aid which you may be good enough to give him in the accomplishment of his mission.

Please accept, dear Mr. Strong, the assurance of my very cordial devotion.

Faithfully,

(Signed) G. Pallain.

JFC/LCE

BANQUE DE FRANCE

Paris, le 29 Novembre, 1916.

Le Gouverneur de la Banque de France

à Monsieur Robert H. Treman,
Sous-Gouverneur de la Banque de Réserve Fédérale de New York.

Monsieur le Gouverneur:

J'ai l'honneur de vous accuser réception de votre lettre du 3 Novembre courant, m'annonçant l'envoi de brochures et de notes relatives à l'organisation du système de réserve fédérale. Elles nous sont bien parvenues, à l'exception des statistiques concernant les chèques ayant passé par le Clearing House, par la Banque de Réserve fédérale de New York et par les autres Banques de Réserve fédérale. Ces statistiques ont dû s'égarer en route.

Je vous remercie d'avoir bien voulu me faire envoyer ces renseignements, qui complèteront très utilement notre documentation, et je serais heureux que l'occasion se présentât pour nous de vous rendre le même service.

Je suis comme vous, persuadé que le développement des relations entre les Banques de Réserve fédérale et la Banque de France aurait de grands avantages pour nos deux pays. Vous pouvez être assuré que les efforts que vous faites dans ce sens, et dont je vous remercie, rencontreront de notre côté une égale bonne volonté et un sincère désir d'aboutir à un résultat.

Veuillez agréer, Monsieur le Gouverneur, l'assurance de ma considération très distinguée et de mes meilleurs sentiments.

(Signed) G. Pallain.

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Paris Dec 24 1916

strong Benjamin Gouverneur

Federal Reserve Bank Newyork A Denvercolo

Ai repondu par dernier courrier a votre derniere lettre stop

mille bons souhaits

G Pallain

No inquiry respecting this message can be attended to without the production of this paper. Repetitions of doubtful words should be obtained through the Company's offices, and not by DIRECT application to the sender.

TRANSLATION OF LETTER DATED DECEMBER 27, 1916, FROM
MONSIEUR G. PALLAIN, GOVERNOR THE BANK OF FRANCE, TO MR. STRONG,
GOVERNOR FEDERAL RESERVE BANK OF NEW YORK.

- - - - -

Dear Mr. Strong:

I have received with satisfaction your very interesting letter of November 14th. Its dispatch to me had already been announced by a communication from Mr. R. H. Treman, accompanying the series of documents for which I thank you for having them sent to me.

I have had a translation made and studied it and, since you are willing to authorize me, I shall perhaps make use of your kindness to make clear at the proper time certain points which leave some obscurity in my mind, but today I wish to discuss with you the question on the subject of which I have formerly written to you, as follows:

~~The~~ reciprocal cooperation of our two institutions ^{for} at the initial development of most intimate financial relations between our two countries. As you remarked in your letter, the state of war does not permit us to allow for the moment a complete development of these relations. At least can we attempt the establishment from now some basis of experience which will render easier in the future extensions justified for our respective interests. Also the time seems to be favorable, if I can believe the information in the newspapers which reaches me even today, the Federal Reserve Board has already authorized the Federal Reserve Banks to appoint foreign correspondents, and your establishment would have selected the Bank of England as correspondent for the United Kingdom. I scarcely need to remind you how agreeable it would be if the Federal Reserve Bank of New York would negotiate an arrangement of the same character with the Bank of France.

Understand the two objections which you make to my first proposition. The scruples which the Federal Reserve Bank has, not to compete in the American Market with affiliated banks for the direct purchase of foreign bills is absolutely justified. I had only looked at this combination as a means of transfer of your funds, but there is no obstacle that this transfer take place in the form which you indicate, that is to say by check or cable purchases on the exchange market, and of which we would take care of the proceeds.

We shall likewise accept charge, as I have offered to you, of the investment, as soon as put to the credit of your account, in bills of the first order (prime) at 90 days maximum, created for commercial purposes, duly accepted, and of which we would guarantee the payment at maturity. As rapidly as these bills are paid, their proceeds would be reinvested in the same terms as long as we have not received your instructions to the contrary. Then when you feel that you have to proceed to a partial or total liquidation of your current account with us, we would pay your orders on the Bank of France, negotiated on the American Market, until your credit is exhausted. It should be understood that the Federal Reserve Bank of New York will apply to us an analogous treatment and that our account with it would function under the same conditions and with the same guarantees.

We would then be readily in accordance on this first point concerning the opening and the functioning of our reciprocal accounts current.

Your second objection is on the necessity of an understanding in order that all transactions which shall be undertaken between our two institutions be based on the gold standard. The balances held by one with the other, or the investments made by one, thanks to the intermediary of the other, should

always be able to be liquidated either by means of normal exchange or by shipments of gold or by setting aside of gold deposited as the property of the creditor institution.

Here again I think I am able to tell you that such proposition would have a chance to be accepted by the Board of the Bank of France, at which I ought eventually to take the initiative, if you believe it possible to be in the way of realization. Nevertheless, as you have already remarked, an engagement like this should be limited at the outset for example to \$30,000,000 or \$40,000,000. This limit could be fixed by cable.

Let me hope that we are no longer very far from complete understanding and that the few objections, all of detail, which this new proposition may suggest to you, will not retard the conclusion of a practical understanding between our two institutions.

In the hope that your health will soon be entirely reestablished, please believe dear Mr. Strong in my most cordial sentiments.

(Sg.) G. Pallain.

Paris, le 25th August, 1916.

Dear Mr. Strong:

Your letter of August 1st just reached me on the 22nd after a great delay. I am very glad to learn that your health is a little better and I hope that soon you will be completely recovered.

Let me thank you again for the very kind reception you extended to our delegate in New York and for the aid you secured for him, not only through the Federal Reserve Bank, but also through your numerous financial friends. Your cooperation with him has been extremely helpful, and you are responsible to a great extent for the results gained by Mr. de Neufville.

Your letter referred to our efforts toward developing the use of checks for the settlement of accounts. We have effectively undertaken a campaign for that purpose. It has already given us encouraging results, but which still are very far from those we desire to obtain. It is very difficult to change the customs of a country in such matters as these. The bank note is so convenient and our people are so accustomed to it, after more than a century of use, that the change is necessarily very slow, and it is necessary to take many precautions.

At home, it is not suitable to talk ill of our old customs; they are a racial characteristic and a product of our evolution in history. We ought to be able to carry, in crises, a total of fiduciary circulation greatly enlarged without impairing our monetary situation, however serious the blow be. This relation is often lost sight of in the appreciation one holds for the present situation. Consider the fact that in time of peace, we have already a monetary resource of about \$11,000,000,000, nearly ~~for~~ \$6,000,000,000 in bills and more than 5,000,000,000 in coin.

The articles in the American papers give me to believe that you have met difficulties of the same kind. I am greatly interested in your efforts to accustom the United States to the commercial bill of exchange and the acceptance which would allow the Federal Reserve Bank to give more complete results. I take pleasure in sending you several copies of a little pamphlet of no importance which we have edited, and I will ask you to send me, whenever you wish, a copy of your general rules, amended to the latest date, as well as the measures last taken for the development of your system of payments.

For the cooperation of our two houses, Mr. de Neufville has given me part of the conversations which he had with you on this subject, and which completed those we had together in Paris, last Winter. I have not lost sight of the very interesting ideas which you held at that time, and I realize with satisfaction the progress they have made in their development.

Unfortunately, the war, with the obligations and responsibilities which it imposes on us, does not allow us the liberty of trying your plan of union and coordination in the efforts of our two banks toward assuring more stability in the mutual financial accounts between our two countries. Besides, your Federal Reserve Act does not allow it, I believe; at any rate, not the actual application (?). Perhaps, however, we can begin immediately a preliminary step, limited in size and purpose, but which will allow us in one way or another to estimate results that are practically possible.

You could buy in the American market, for example, as much as twenty millions of drafts on France, the redemption of which we will assure. The product if it would be carried to the credit of an account we could open with the Federal Reserve Bank of New York, while waiting to use it for discount of paper of the first quality. If it should become necessary for you to place on your credit an amount greater than the actual balance, we would rediscount a part of the port-folio established for our needs, in order to complete the sum intended to honor your drafts.

For this first operation, and being in the present circumstances, we would be inclined to assure you guarantee of exchange. This guarantee being susceptible of undergoing gold remittance, there would be no opposition on our part to having this gold deposited in the Bank of France in the name of the Federal Reserve Bank of New York.

G. Pallain.

[8/25/1916]

Dear Mr. Strong:

Your letter of August 1st reached me only on the 22nd after a considerable delay. I am very glad to learn that your health is improving little by little and I pray that you may sooner or later recover it completely.

Allow me to thank you again for the kind reception which you have given to our delegate to New York, and the opportunities which you have secured for him as well with the Federal reserve bank as among your various friends in the financial world. Your help to him has been very valuable and we owe to you in great part the results which Mr. De Neuflyze has obtained.

Your letter speaks of our effort to develop the use of checks for the payment of accounts. We have, in fact, undertaken a campaign with this object. It is already yielding encouraging results but very far from those which we should like to see. It is very hard to change the customs of a country in such matters. The bank bill is such a convenient instrument and our public is so accustomed to it after more than a century of use that the change is necessarily very slow and we must work at it with much care.

After all, one should not criticize too much our old customs. They are characteristic of the race and a product of our historical evolution. To them we owe our ability in times of crisis to carry a very large amount of bank note circulation without our monetary health being seriously involved. This question of proportion is often too much disregarded in comments which are passed on the present situation. Do not forget that even in times of peace we were using about eleven billions of money; namely nearly six billions of notes and more than five billions of coin.

Reading your American papers gives me the impression that you are meeting with the same kind of difficulties. I follow with much interest your efforts to introduce in the United States the commercial draft and acceptances, which would permit the Federal Reserve System to give a more complete service.

I am giving myself the pleasure of sending you some copies of the little propagandist pamphlet which we have issued, and since you are good enough to offer it, I will ask you to get for me your general laws brought down to the most recent date as well as the last plan for developing your clearing system.

In regard to the cooperation of our two institutions, Mr. De Neuflyze has told me of the conversations which he has had with you on this subject and which are the sequence of those which we had together in Paris last winter. I have not lost sight of the very interesting views which you then presented to me and I note with satisfaction the progress which they have already made in their development.

Unfortunately the war and the obligations and responsibilities which it brings us do not leave us free to experiment in its entirety with your plan of cooperation and of coordination of the efforts of our two banks with the object of assuring more stability in the monetary relations of our two countries. Besides, your Federal reserve law actually would not permit, I believe, the working of the whole plan. However, perhaps we could immediately begin a preliminary operation limited in its extent and in its object which would enable us on both sides to judge of the results which would be practically obtainable.

You could buy in the American market, say up to \$20,000,000. of drafts on France which we would collect for your account. The proceeds would be carried to the credit of an account which we would open for the Federal Reserve Bank of New York, awaiting the employment of it in the discount of prime paper. If it should become necessary for you to draw upon your credit for an amount in excess of the balance available, we would rediscount a part of the portfolio established through our efforts in order to complete the sum necessary to honor your drafts.

For this operation and in view of the present circumstances, we should

be disposed to guarantee the exchange for you. As the result of this guaranty might be gold exports we would have no objection on our part to having this gold left on deposit at the Bank of France earmarked to the Federal Reserve Bank of New York.

With best regards, etc.

(Signed) G. Pallain

These are the only corrections
de Neuflyze made of the translation
I sent you. P. J. - BA of Fr. [18/25]

Dear Mr. Strong:

Your letter of August 1st reached me only on the 22nd after a considerable delay. I am very glad to learn that your health is improving little by little and I pray that you may sooner or later recover it completely.

Allow me to thank you again for the kind reception which you have given to our delegates to New York, and the opportunities which you have secured for him as well with the Federal reserve bank as among your various friends in the financial world. Your help to him has been very valuable and we owe to you in great part the results which Mr. De Neuflyze has obtained.

Your letter speaks of our effort to develop the use of checks for the payment of accounts. We have, in fact, undertaken a campaign with this object. It is already yielding encouraging results but very far from those which we should like to see. It is very hard to change the customs of a country in such matters. The bank ^{note} bill is such a convenient instrument and our public is so accustomed to it after more than a century of use that the change is necessarily very slow and we must work at it with much care.

After all, one should not criticise too much our old customs. They are characteristic of the race and a product of our historical evolution. To them we owe our ability in times of crisis to carry a very large amount of bank note circulation without our monetary health being seriously involved. This question of proportion is often too much disregarded in comments which are passed on the present situation. Do not forget that even in times of peace we were using about eleven billions of money, namely nearly six billions of notes and more than five billions of coin.

Reading your American papers gives me the impression that you are meeting with the same kind of difficulties. I follow with much interest your efforts to introduce in the United States the commercial draft and acceptances, which would permit the Federal Reserve System to give a more complete service.

I am giving myself the pleasure of sending you some copies of the little propagandist pamphlet which we have issued, and since you are good enough to offer it, I will ask you to get for me your general laws brought down to the most recent date as well as the last plan for developing your clearing system.

In regard to the cooperation of our two institutions, Mr. De Neuflyse has told me of the conversations which he has had with you on this subject and which are the sequence of those which we had together in Paris last winter. I have not lost sight of the very interesting views which you then presented to me and I note with satisfaction the progress which they have already made in their development.

Unfortunately the war and the obligations and responsibilities which it brings us do not leave us free to experiment in its entirety with your plan of cooperation and of coordination of the efforts of our two banks with the object of assuring more stability in the monetary relations of our two countries. Besides, your Federal reserve law actually would not permit, I believe, the working of the whole plan. However, perhaps we could immediately begin a preliminary operation limited in its extent and in its object which would enable us on both sides to judge of the results which would be practically obtainable.

You could buy in the American market, say up to \$20,000,000. of drafts on France which we would collect for your account. The proceeds would be carried to the credit of an account which we would open for the Federal Reserve Bank of New York, awaiting the employment of it in the discount of prime paper. If it should become necessary for you to draw upon your credit for an amount in excess of the balance available, we would rediscount a part of the portfolio ^{gathered} established ~~through our efforts~~ ^{by us} in order to complete the sum necessary to honor your drafts.

For this operation and in view of the present circumstances, we should

be disposed to guarantee the exchange for you. As the result of this guaranty might be gold exports we would have no objection on our part to having this gold left on deposit at the Bank of France earmarked to the Federal Reserve Bank of New York.

With best regards, etc.

(Signed) G. Pallain

COPY.

BANQUE DE FRANCE.

Paris, le 27 DECEMBRE 1916.

Le Gouverneur de la Banque de France

a Monsieur Strong,
Gouverneur de la Banque de Reserve Federale de New York.

Cher Monsieur Strong,

J'ai bien reçu votre très intéressante lettre du 14 Novembre. L'envoi m'en avait d'ailleurs été annoncé par une communication de M. R.H. Treman accompagnée d'une série de documents que je vous remercie de m'avoir adressés.

J'en fais faire la traduction et l'étude et, puisque vous voulez bien m'y autoriser, j'userai peut-être de votre obligeance pour éclairer, le cas échéant, certains points qui laisseraient quelque obscurité dans mon esprit. Mais aujourd'hui, je voudrais m'entretenir avec vous de la question au sujet de laquelle je vous avais écrit précédemment, à savoir: le concours réciproque de nos deux institutions au développement de relations financières plus étroites entre nos deux pays.

Comme vous le remarquez dans votre lettre, l'état de guerre ne nous permet pas d'escompter, pour le moment, un développement complet de ces relations. Du moins pouvons-nous essayer d'établir des maintenant des bases d'expérience qui rendront plus faciles, dans l'avenir, les extensions justifiées par nos intérêts respectifs. Aussi bien l'heure paraît-elle favorable car, si j'en crois les informations de presse qui me parviennent aujourd'hui même, le Conseil de Reserve fédérale aurait autorisé les Banques de reserve à prendre des correspondants à l'étranger et votre établissement aurait choisi

la Banque d'Angleterre comme correspondant pour le Royaume-Uni.

J'ai a peine besoin de vous rappeler combien il nous serait agreable si la Banque de Reserve federale de New-York negociait un arrangement du meme ordre avec la Banque de France.

Je comprends les deux objections que vous faites a ma proposition premiere. Le scrupule que mettent les Banques de reserve federale a ne pas concurrencer sur le marche americain les banques affiliees par l'achat direct d'effets etrangers est absolument justifie. Je n'avais d'ailleurs envisage cette combinaison que comme moyen de transfert de vos disponibilites. Mais rien ne s'opposerait, a ce que ce transfert ait lieu dans la forme que vous indiquez, c'est-a-dire par cheques ou cables achetes sur le marche du change et dont nous soignerions l'encaissement.

Nous accepterions egalement de nous charger, ainsi que je vous l'avais offert, de l'investissement des sommes portees au credit de votre compte en effets de premier ordre a 90 jours au maximum crees pour des besoins commerciaux, dument acceptes et dont nous garantirions le paiement al'echeance.

Au fur et a mesure de l'encaissement de ces effets, leur produit serait reinvesti dans les memes conditions, tant que nous n'aurions pas recu de votre part d'instructions contraires. Enfin, lorsque vous croiriez devoir proceder a une liquidation partielle ou totale de votre compte-courant chez nous, nous acquitterions vos dispositions sur la Banque de France negociees sur le marche americain jusqu'a ce que votre credit soit epuise.

Il serait entendu que la Banque de Reserve federale de New-York nous appliquerait un traitement analogue et que notre compte chez elle fonctionnerait dans les memes conditions et avec les memes garanties.

Nous serions donc facilement d'accord sur ce premier point concernant l'ouverture et le fonctionnement de notre compte courant reciproque.

Votre seconde objection porte sur la necessite d'une entente pour que toutes transactions qui seraient entreprises entre nos deux institutions soient basees sur l'etalon d'or. Les soldes posseses par l'une chez l'autre, ou les placements faits par l'une grace a l'intermediaire de l'autre devraient toujours pouvoir etre liquides soit par des moyens de change normaux ou par des envois d'or, soit par une mise de cote de l'or deposee comme propriete de l'institution creditrice.

Ici encore, je crois pouvoir vous dire qu'une semblable proposition aurait chance d'etre acceptee par le Conseil General de la Banque de France, dont je devrais eventuellement prendre l'attache si vous croyiez possible d'entrer dans la voie des realisations. Toutefois, ainsi que vous le faites remarquer, etant donnees les conditions actuelles, un semblable engagement devrait etre limite au debut, par exemple a 30 ou 40 millions de dollars. Cette limite pourrait etre fixee par cablogramme.

Laissez-moi esperer que nous ne sommes plus tres loin d'un accord complet et que les quelques objections, toutes de detail, que vous suggererait cette nouvelle proposition, ne retarderont pas la conclusion d'un accord pratique entre nos deux institutions.

Dans l'espoir que votre sante sera bientot tout a fait retablie, veuillez croire, cher Monsieur Strong, a mes sentiments cordialement devoues.

(Sg.) G. Pallain.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT

MAIN OFFICE, DENVER
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TELEPHONE MAIN 4500

CABLEGRAM

DELIVERY NO.

676

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this cablegram subject to the terms and conditions printed on the back of this blank.

DESIGN PATENT No. 40529

TELEPHONED

32chp 43 612am

Paris Feb 15 1917

Benjamin Strong Gouvernor

To _____
By Deliver
Time _____

Federal Reserve Bank Newyork, 4100 Montview Blv

Denvercolo

*We informed that our letter 27 Dec. has been presented to
Sommes informez que notre lettre 27 Decembre A ete presentee a
French Consular Agents Denver, stop Et has not been returned.
agent consulaire francais Denver stop ne nous a pas ete retournee
stop vous est elle revenue? stop envoyons duplicata Newyork*

Palla in

No inquiry respecting this message can be attended to without the production of this paper. Repetitions of doubtful words should be obtained through the Company's offices, and not by DIRECT application to the sender.

FRENCH BANK LIKES PLAN

Financial Mobilization with America Foreseen — Exchanges of Views Proceeding Very Favorably

Paris, Dec. 29—Georges Pallain, governor of the Bank of France, gave the following statement to the Associated Press yesterday, in regard to the report that the Bank of France was, like the Bank of England, to be made a correspondent of the Federal Reserve Bank in New York:

"I have read in the papers a despatch from Washington concerning the designation of the Bank of England as a correspondent of the Federal Reserve Bank in New York, and the allusion in the same telegram to the conclusion of an analogous arrangement with the Bank of France. So far as we are concerned all that I can say to you at the moment is that in February next, when Mr. Benjamin Strong, governor of the New York bank, made a trip to Europe I had occasion to talk with him at length about the possibility of closer relations between the French and American markets under the auspices of his organization.

"Mr. Strong is a broadminded financier, who seeks not only to organize for the present, but who knows, as is befitting to a very good financier, how to prepare for the future. I had a very clear impression that, while we on our side were thinking above all of the situation of our finances created by the war, Mr. Strong was thinking with good reason of the situation that will be created for his country when the period of liquidation comes, with perhaps the reverse of the present state of things. Our interest, like the interest of the United States, is evidently to prove the maximum of stability in our financial markets and prevent, by a combination adapted for that purpose, a too sudden change of equilibrium in international monetary operations.

"That is why I was glad to engage in conversations tending to a consideration of conditions most favorable to the reciprocal interests of the two countries in the period of economic transition from war to peace. These exchanges of views are proceeding under the best conditions and we may hope that they will soon end in the mobilization of French and American sympathies on the field of finance."

ALFRED L. AIKEN
53 STATE STREET
BOSTON, MASSACHUSETTS

Clipping from Boston Daily Advertiser.

Number

Time Filed

Number of Words

WESTERN UNION



CABLEGRAM

THEO. N. VAIL, PRESIDENT

CLASS OF SERVICE DESIRED

Full Rate

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Cable Letter

Week End Letter

Patrons should mark an X opposite the class of service desired; otherwise FULL RATES will be charged
SEE BACK OF THIS BLANK

and the following Cablegram, subject to the terms on back hereof, which are hereby agreed to

COPY

Paris 25.

Benjamin Strong, Gouverneur,

Federal Reserve Bank, N. Y.

Vous remercions de votre aimable lettre cinq mars et annexes. Stop.

Etudions memorandum repondrons tres prochainement.

Georges Pallain.

Mar 7 1917

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

MAIN RECEIVED AT DENVER
920-1000, Ernest & Cramer Bldg
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CABLEGRAM

DELIVERY NO.

361

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DESIGN PATENT No. 40529

9
238CHM 1023AM 69

PARIS APR 7 17

BENJAMIN STRONG GOUVERNEUR FEDERAL RESERVE BANK OF NEWYORK 4100
MONTVIEW BLVD DENVERCOLORADO

Profoundly touched by your message you express our joy at
PROFONDEMENT TOUCHE DE VOTRE MESSAGE VOUS EXPRIME NOTRE JOIE DE
Knowing the friendship of 100 yrs which binds the U.S.A. & France to join (or end) in
VOIR L'AMITIE SECLAIRE QUI LIE LES ETATSUNIS ET LA FRANCE ABOUTIR
having one cooperation to anticipate an assured triumph of our common ideals
A UNE COOPERATION DEVANT ASSURER LE TRIOMPHE DE NOTRE COMMUN IDEAL
of Justice and Liberty
DE JUSTICE ET DE LIBERTE STOP. VEUILLEZ CROIRE A MON BIEN CORDIAL
attachment and desire sincere which I formed for you.
ATTACHEMENT ET AUX VOEUX SINCERES QUE JE FORME POUR VOUS

GEORGES PALLAIN

20
1948

COMPAGNIE FRANÇAISE DES CÂBLES TÉLÉGRAPHIQUES

44
1752a

NEW YORK.

25 BROAD ST., (ALWAYS OPEN) TELEPHONE, 481 & 482 BROAD.
 PULITZER BUILDING, PARK ROW. TELEPHONE, 2069 BEEKMAN.
 3 MOPPER STREET, . . . TELEPHONE, 1230 SPRING.
 1 WORRELL STREET, . . . TELEPHONE 394 FRANKLIN.
 581 BROADWAY, . . . TELEPHONE, 1230 SPRING.
 65 FIFTH AVENUE, . . . TELEPHONE, 1004 STUYVESANT.
 281 FIFTH AVENUE, . . . TELEPHONE, 397 MADISON Sq.

ORLEANS, MASS.

WESTERN AGENCY,
 118 NORTH LA SALLE STREET,
 CHICAGO, ILL.

EDWARD C. SWEENEY,
 MANAGER.



PARIS.

16 BOULEVARD MONTMARTRE. 83 RUE VIVIENNE.

LONDON.

24 ROYAL EXCHANGE, E. C. 2 MINCING LANE.
 NEW BRIDGE STREET, E. C. BALTIC MERCANTILE AND
 24 SOUTHWARK ST., S. E. SHIPPING EXCHANGE, E. C.
 36 VICTORIA STREET, WESTMINSTER.

HAVRE: 40 RUE DE CHILOU.
 BREST: 30-32 RUE DE CHATEAU.
 ANTWERP: AGENCY, 14 RUE VENUS.
 ST. PIERRE, MIQUELON.

TIME _____ DATE MAY 31 1917

The following MESSAGE is received via **FRENCH TELEGRAPH CABLE**, subject to the terms and conditions printed on the back hereof, which are ratified and agreed to.

MC F389 PARIS 29

BENJAMIN STRONG EQUITABLE BLDG NY

SOYEZ ASSURE QUE NOUS RESERVONS AU FILS L ACCUEIL QUE NOUS
 AVONS ETE SI HEUREUX D OFFRIR AU PERE STOP BIEN CORDIALEMENT
 GEORGES PALLAIN

Office Correspondence

FEDERAL RESERVE
BANK OF NEW YORK

144

Date May 31, 1917.

FILING DEPT.

To Mr. Strong JUN - 1 1917

Subject: Cable to Mr. Strong from

From Mrs. Robinson
FEDERAL RESERVE BANK

M. Pallain

"Rest assured that the same reception awaits the son that we should have been so happy to offer to the father.

Very cordially,

Georges Pallain."

Dear Mr. Strong

I have received, with great pleasure the visit of Major Murphy who presented to me your pleasant letter of June 1st.

As an American officer and as a representation of the Red Cross of the U. S. to which our Soldiers owe so much gratitude he has a right to our sympathy, but he has still another title to it - and that is - he is your friend - and you may be assured that we shall strive to render his sojourn in Paris as agreeable as possible.

Accept, dear Mr Strong the assurance of my sentiments given most cordially.

G. Pallain

Banque de France

FILING DEPT.

Paris, le 20 Juin 1917

RECEIVED

AUG 1 6 1917

FEDERAL RESERVE BANK



Cher Monsieur Strong

FEDERAL RESERVE BANK

J'ai reçu avec grand plaisir la visite du Major MURPHY, qui m'a remis votre aimable lettre du 1er Juin.

Comme officier américain et comme représentant de la Croix Rouge des Etats Unis à qui nos soldats doivent tant de gratitude il a droit à toute notre sympathie mais il y a un titre de plus, puisqu'il est votre Ami, et vous pouvez être assuré que nous nous efforcerons de lui rendre le séjour de Paris aussi agréable que possible.

Veillez agréer, cher Monsieur STRONG l'assurance de mes sentiments bien cordialement dévoués.

G. Pallain

(over)

Monsieur Benjamin STRONG.
Gouverneur de la Banque de Réserve Fédérale de New-York

BANK OF FRANCE

Secretary of the Conseil

Extract from the minutes Conseil General
Session of the 26th of September 1918

Recalling the previous conversations with M. Strong, Governor of the Federal Reserve Bank of New York, concerning the conclusion of direct relations between that Institution and the Bank of France, M. le Gouverneur communicated to the Conseil the resolutions of the meeting of the directors of the Federal Reserve Bank of New York tending to the opening of a reciprocal account-current between the Bank of France and the Federal Reserve Bank of New York.

By reason of the interest which attaches to the establishment of financial relations between the American Federal Reserve System and the Bank of France, M. le Gouverneur thinks that the Conseil would certainly be disposed to receive favorably the request of M. Strong and would be willing to authorize the opening of an account of the same nature for the Bank of France on the books of the Federal Reserve Bank of New York.

M. le Gouverneur proposed the adoption by the Conseil of the following resolutions:

The Conseil General of the Bank of France:

"Being in possession of the proposition of the Federal Reserve Bank of New York tending to the opening of a reciprocal account-current is happy to give its authorization to the establishment of business relations between the two Institutions and to thus bind more closely the Franco-American ties in international financial affairs."

The Conseil fully agrees to the Governor's propositions and adopts the above resolution,

It is authorized that an account-current be opened by the Bank of France to the Federal Reserve Bank of New York.

It is also authorized that the Bank of France open an account-current with the Bank of New York.

A true extract.

Secretary of the Conseil General.

MHR/MEP
(MAB)

Paris, October 1, 1918.

General Secretary,
BANK OF FRANCE

R.A.H.
OCT 20 1918

~~NOV 13 1918~~

Dear Mr. Strong:

Elsewhere I reply officially to the letter in which you kindly sent me a copy of the resolutions of your directors on the subject of opening a reciprocal account-current between our two banks. But, I wish to tell you personally how happy I am at the beginning of a realization of the ideals which you and I have held since 1916.

While the American Republic was still outside the great European conflict you had a very clear idea of the community of ideals and of the solidarity of interests existing between our two countries, and you have hoped that this solidarity might be confirmed in the financial world. I know with what perseverance you have devoted yourself to the pursuit of this aim.

Believe me, on my part, every effort will be made that arrangements of which we have laid the foundations shall develop and end in the establishment of closest bonds.

We will consider with the greatest care all suggestions which you were good enough to make us, when circumstances permit us to take up again the pledged negotiations.

In the mean-time I will make a study of the text of your agreement with the Bank of England, which Sir Brien Cokayne has sent me at your request.

I regret that your health has not permitted you to come to Paris this summer, but hope that it is improving more and more. It would have been a pleasure for me to take up with you again the talks which I treasure as a pleasant memory. You are, yourself, I am sure, experiencing a lively interest in seeing France at this time. You say that at such a distance it is difficult for us to comprehend the enthusiasm which animates the American nation. Just the same, I doubt if you are able to entirely calculate the feeling which exists here in regard to the United States. The glorious exploits of your valiant army develop more each day that cordial sympathy towards our generous Ally.

Very cordially yours,

G. Pallain.

MHR/MBP

Banque de France

Paris, le 29 Janv 1919

Cher Monsieur Strong,

Votre lettre du 31 Décembre m'est bien parvenue, ainsi que l'ouvrage du Professeur KEMMERER, dont je m'annonçait l'envoi.

FILING DEPT.

FEDERAL RESERVE BANK

copy not sent to JES

Je viens déjà de lire la remarquable préface dans laquelle vous présentez au public cet exposé du système de réserve fédérale . L'ignorance où l'on est généralement - en Europe surtout - de l'évolution du régime bancaire des Etats Unis, m'a comme vous souvent frappé . L'ouvrage de M . KEMMERER vient à point pour éclairer cette question si importante .

B. d. F. 39th M. POULLET, PARIS 368 4-1918

Je vous remercie d'avoir pensé à me le faire connaître et je vous prie de croire cher Monsieur STRONG à mes sentiments bien cordialement dévoués .

G. Fallou

(over)

Monsieur STRONG .

TRANSLATION of Memorandum delivered to Mr. Strong by Mr. Pallain's secretary
August 20, 1919:

We are lacking precise details which would enable us to determine exactly the expense of the shipment of the gold. In fact, we have no knowledge of the present railroad rates abroad. Besides, the cost of transportation is the smallest part of the total expense, into which enters above all the cost of insurance. That, however, is variable and it is difficult to find it out in advance. Nevertheless, taking as a basis the expense of previous shipments to Spain, we suppose that the expense for the equivalent of 10,000,000 would not exceed the following amounts:

- | | |
|--|---------|
| 1. From Brussels to Paris, | 50,000 |
| 2. From Amsterdam to Paris, | 70,000 |
| 3. From Paris to Madrid (insurance Paris to Madrid,
transportation Paris-Irun), | 125,000 |

The shipment from Paris would be made by the Bank of France when it had received the order from the Ministry of Finance. It is calculated that it would take about ten days to arrive at Madrid.

As soon as the Bank of France should make known the date when the shipment would be made, it would be necessary that steps should be taken at the Ministry of Finance to notify the Bank of Spain through diplomatic channels of the day and hour of the arrival at Irun, where delivery will be taken over by the agents of the Bank of Spain.

[Baileys copy to Henry]
8/20/1919]

Nous manquons de données précises permettant de déterminer exactement le coût de l'envoi de l'or. Nous ignorons en effet, quels sont actuellement les tarifs des chemins de fer étrangers. En outre, les frais de transport sont la plus petite partie du coût total, dans lequel entrent surtout les frais d'assurance. Or ceux-ci sont variables et il est difficile de les connaître d'avance.

2
Néanmoins, en nous basant sur ce
qu'ont coûté les précédents envois en Espagne,
nous supposons que les frais, pour £
l'équivalent de ₣ 80 millions de dépenses
par les sommes suivantes :

1° de Bruxelles à Paris: 50.000^d.

2° d'Amsterdam " " 70.000^d.

3° de Paris à Madrid (assurance

— Paris Madrid; transport Paris-Franç)

— — — — — 125.000^d.

L'envoi de Paris serait fait par
 la B^{que} de France dès qu'elle en aurait
 reçu la demande du Ministère des Finances.
 On calcule que jusqu'à l'arrivée à Madrid, il
 faudrait une dizaine de jours.

Dès que la Banque de France
 aurait fait connaître la date où l'envoi serait
 fait, il faudrait qu'une démarche fût
 faite au Ministère des Finances pour
 que la B^{que} d'Espagne fût prévenue par

no. diplomatique du jour et de 1^{re} heure et
de 1^{re} arrivée à Trun, où l'opération sera prise
par les agents de la Banque d'Espagne.

Banque de France

Paris, le 19 Septembre 1919

Cher Monsieur STRONG,

J'ai bien reçu votre lettre m'annonçant votre prochain retour en Amérique . Laissez-moi vous dire tous mes regrets de n'avoir pas eu le plaisir de vous revoir avant votre départ pour Londres car j'eusse vivement désiré m'entretenir à nouveau, avec vous, des questions qui nous tiennent à coeur dans l'intérêt réciproque de nos deux pays et de nos deux institutions . Je veux espérer que les circonstances vous ramèneront bientôt à Paris et que nous pourrions reprendre nos conversations à ce sujet .

Je vous remercie de l'intérêt que vous portez à mon état de santé . Je vais maintenant beaucoup mieux et suis en voie de complet rétablissement .

Veuillez agréer, cher Monsieur STRONG, l'expression de mes meilleurs sentiments .

G. Tallan

WESTERN UNION

ANGLO-AMERICAN



DIRECT UNITED STATES

CABLEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

1915 DEC 24 2052 PM 2 25

Received at 16 BROAD STREET, NEW YORK

C01507Z

PARIS A693/24 34

BENJAMIN

STRONG GOUVERNEUR FEDERAL RESERVE BANK NEWYORK

JE VOUS ADRESSE POUR NOEL ET NOUVEL AN MES VOEUX LES PLUS CHALEUREUX ET VOUS PRIE DE CROIRE A MES SENTIMENTS DE BIEN CORDIALE SYMPATHIE

GEORGES PALLAIN.

I already sent a wire.

RS

Enclosure # 17

COPY

Paris, October 1, 1920.

Dear Mr. Case:

Upon my return from the country, where I had been resting for several days, I found the courteous telegram which you were so kind as to send me upon the occasion of my retirement. Permit me to express to you my very sincere thanks and to ask you to convey them to your colleagues and associates of the Federal Reserve Bank.

This expression of sympathy has touched me deeply. I have been particularly alive to the strength of the cordial relations which I have been so fortunate as to hold with your institution and of which I retain the most pleasant memories. I am convinced that these relations cannot but grow closer and closer, considering the mutual interest of the banks of issue of America and of France.

Please accept, dear Mr. Case, the assurance of my highest regard and of my most cordial sentiments.

(Signed) G. Pallain.

Mr. J. Herbert Case,
Federal Reserve Bank,
New York.