February 10, 1916

SHIPMENT OF FEDERAL RESERVE NOTES.

TO THE MEMBER BANK ADDRESSED

The Federal Reserve Bank Act provides that "whenever Federal Reserve notes issued through one Federal Reserve Bank shall be received by another Federal Reserve Bank they shall be promptly returned for credit or redemption to the Federal Reserve Bank through which they were originally issued."

The Federal Reserve Board has just made a ruling requiring the issuing bank to pay the transportation cost of these notes received by it from other Federal Reserve Banks, and as during the month of January we received from other Federal Reserve Banks notes issued by this bank in the amount of approximately $406,000, (returning to other Federal Reserve Banks an aggregate of only $41,000,) the expense on us is quite heavy. These notes all came from Federal Reserve Banks in the North and East, and we are probably justified in concluding that the notes were included in shipments of currency by our members to their correspondents for the purpose of making exchange.

There are now outstanding approximately $14,000,000 of the notes issued by this bank, and if the above practice is followed by our members the expense of redeeming them will prove quite a burden to this bank and a serious handicap to us in our efforts to EARN OUR DIVIDENDS.

We have decided, therefore, to make an urgent appeal to you by requesting you to separate Federal Reserve notes from your other forms of currency, and when you have occasion to ship currency out of the district for the purpose of making exchange, to ship us the Federal Reserve notes and have us make the transfer against them to your correspondent for your credit.

WHENEVER FEDERAL RESERVE NOTES ARE SENT TO US BY REGISTERED MAIL FOR THE PURPOSE OF COVERING TRANSFERS TO OTHER DISTRICTS ORDERED THROUGH US, AND THE SENDING BANK ADVISES US BY WIRE OF SUCH SHIPMENT SO THAT WE CAN COVER SAME UNDER OUR INSURANCE POLICY, WE WILL PAY THE INSURANCE AND POSTAGE ON THE SHIPMENT.

The cost to you of these transfers will be at our current rate of exchange and will not be greater than would be your cost of shipment; in fact, in most instances it will be less.

WE CANNOT PAY THE CHARGES ON SHIPMENTS TO US MADE IN ANY OTHER MANNER NOR FOR ANY OTHER PURPOSES THAN ABOVE STATED.

Our members, being stockholders in this bank, are vitally interested in our being able to keep our expenses down to a minimum, and we therefore trust that you will give us your full co-operation in this matter.

Very respectfully,

R. L. VAN ZANDT,

Governor

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