

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-326

December 6, 1974

To All Member Banks
in the Eleventh Federal Reserve District:

The following is the statement released by the Board of Governors of the Federal Reserve System regarding the treatment of gold by Federal Reserve Banks.

The Board has received numerous inquiries from member banks relating to the repeal of the ban on ownership of gold by United States citizens. A statement on the subject is being sent to all state member banks similar to statements being sent to national banks by the Comptroller of the Currency and insured nonmember banks by the Federal Deposit Insurance Corporation. In addition, there are listed below questions and answers which affect member banks and relate to certain other responsibilities of the Federal Reserve.

- (1) May gold in the form of coins or bullion be counted as vault cash in order to satisfy reserve requirements?

No. Section 19(c) of the Federal Reserve Act requires that reserve balances be satisfied either by a balance maintained at the Federal Reserve Bank or by vault cash, consisting of United States currency and coin. Gold in bullion form is not United States currency. Gold coins are not considered legal tender by the Department of the Treasury and, therefore, are not United States currency or coin.

- (2) Will the Federal Reserve Banks perform services for member banks with respect to gold, such as safekeeping or assaying?

No.

- (3) Will a Federal Reserve Bank accept gold as collateral for an advance to a member bank under Section 10(b) of the Federal Reserve Act?

No.

Yours very truly,

T. W. Plant

First Vice President