

Reference to 171, 181, 329

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, June 11, 1918.

REGULATIONS REGARDING FOREIGN EXCHANGE AND RELATED TRANSACTIONS UNDER PRESIDENT'S EXECUTIVE ORDER OF JANUARY 26, 1918.

TO HOLDERS OF REGISTRATION CERTIFICATES,

SIRS: INSTRUCTIONS TO DEALERS

By direction of the Federal Reserve Board you are hereby notified that the following additional instructions have been issued by the Division of Foreign Exchange of the Federal Reserve Board under the Executive Order of the President, dated January 26, 1918:

CONFIRMATIONS OF CABLEGRAMS

“Dealers,’ as defined under the Executive Order, are prohibited without the approval of the Division of Foreign Exchange of the Federal Reserve Board from acting upon confirmations of cablegrams which may be received by them, wherein the original cablegram in part or in whole has never been delivered to them. All confirmations of cables sent by ‘dealers’ to correspondents or others outside of the United States, covering a transfer of funds or other financial operation, must be written upon separate sheets of paper, which must not carry any other correspondence, and must be delivered unsealed, but stamped ready for mailing, to the Division of Foreign Exchange, 14 Wall Street, New York, when the confirmations are to go from the eastern seaboard, or cover cablegrams leaving this country by the eastern seaboard—to the Federal Reserve Bank of San Francisco when confirmations are of cablegrams leaving this country via the western seaboard—to the Federal Reserve Bank of Dallas when the confirmations are of cablegrams leaving this country via Galveston, and to the New Orleans branch of the Federal Reserve Bank of Atlanta when the confirmations are of cablegrams leaving this country via New Orleans. Any confirmations which may be discovered by the Postal Censorship in the body of other letters, or that have been otherwise mailed than as above, will be forwarded to the Division of Foreign Exchange of the Federal Reserve Board for such action as may seem advisable.

CREDITS TO FOREIGN CORRESPONDENTS

“Dealers’ having the accounts of foreign correspondents on their books are prohibited from accepting credits to such accounts which are not accompanied by the name of the party making the original request that the deposit be made, and by the name of the party to whom the foreign institution receiving the credit is to pay the funds, and for whose account such payment is made, and the purpose of the deposit must also be stated. It is important that this order be noted by all bankers, institutions, individuals or others in the United States, without regard to whether they are ‘dealers’ or not. This information will be required in addition to the regular Customers’ Statement.

"If for instance a firm in Peoria, Illinois, is requested by an individual to pay a bank in New York \$1,000 for account of a bank in Sweden, the firm must obtain from such individual the required information, which it must deliver to its banker in Peoria through whom it wishes to make the transfer, and such banker, if he carries out the operation through his Chicago or New York correspondent, must forward the information with the instructions, which must follow the deposit to the New York bank which is to credit the account of the Swedish bank. All such information must be on a separate sheet of paper, which must be initialed by every institution through which it goes, and that must be delivered to the Division of Foreign Exchange of the Federal Reserve Board, 14 Wall Street, New York, by the banker crediting the item to the foreign institution.

"Deposits received for the credit of dollar accounts of foreign correspondents on the books of American 'dealers' from 'persons', as defined in the Executive Order, outside of the United States must bear the same information, and 'dealers' should notify their foreign correspondents that when arranging to have deposits made in this country for their account that such information must follow the deposit.

"'Dealers' who are concerned with this order should forward these instructions immediately to such of their foreign correspondents as carry dollar accounts with them.

"In the meantime, while such notices are going forward, copies of the statements of the credits to foreign correspondents must be delivered to the Division of Foreign Exchange weekly beginning June 25th in accordance with regulations going forward to the Federal Reserve banks. The operation of this order in so far as it relates to deposits made by 'persons' in the United States becomes effective June 15th, but 'dealers' may retain deposits made with them while obtaining the proper information, until the order becomes generally known, unless otherwise instructed, but cannot enter such credits after June 15th except to a suspense account nor advise the beneficiaries, either by mail, cable, or otherwise, until receipt of the information, which must be immediately turned over to the Division of Foreign Exchange.

"In case any 'person' or 'dealer' has reason to believe that any transaction of this nature is for the account or benefit of an enemy or ally of an enemy, he must notify the Division of Foreign Exchange directly by mail or wire, as the urgency of the matter would seem to require.

DECLARATIONS OF FOREIGN CORRESPONDENTS

"There are now over 12,000 'dealers' in foreign exchange registered in the United States. Under the Executive Order they have all been obliged to send forms for declaration of non-enemy interest to all of their foreign correspondents. The Federal Reserve Board has not yet prohibited 'dealers' from doing business with foreign correspondents who have not returned the declarations. The time has been allowed to run longer than was originally intended, because of the great delay in the mails and the desire of the Federal Reserve Board not to interfere with the legitimate business of the country unnecessarily. Further, a sufficient proportion of declarations has been received to warrant, together with the information constantly being received through the Research Department, the temporary continuation of business with some of those institutions which have not yet returned their declarations. It should be noted, however, that the day is fast approaching when the non-receipt of declarations will result in the necessity for the discontinuance of relations, and every 'dealer' is warned that he should immediately take up the question with any of his correspondents whose declarations have not yet been received.

"All declarations of foreign correspondents should be filed with the Division of Foreign Exchange of the Federal Reserve Board immediately upon receipt. 'Dealers' are also requested to advise the Division of Foreign Exchange by letter of all foreign correspondents to whom they have sent declarations, which have not been returned, or where cable advice that they were being sent has not been received by the close of business June 20.

CUSTOMERS' STATEMENTS

"There has been some doubt on the part of 'dealers' as to just when they should require 'Customers' Statements.' This has been particularly true as between 'dealers' trading with each other. Customers' Statements, which are merely declarations of non-enemy interest, which have to be made by 'persons' in this country having foreign exchange operations with 'dealers,' must be taken by every 'dealer' from every person who is not a 'dealer,' when any foreign exchange service is being extended. In other words, the 'dealer' having contact with the 'person' who is not a 'dealer' is the party who must take the Customers' Statement. Such statements do not follow the items, but must be filed by the 'dealer' receiving them, subject to the call of the Federal Reserve Board at its discretion.

"As 'dealers' receiving items from other 'dealers' have no means of determining whether such 'persons' are 'dealers,' authority has been granted by the Board to accept the censorship stamp of 'dealers' upon letters of advice or enclosure from one 'dealer' to another as being sufficient evidence that a Customers' Statement has been obtained.

"Every 'dealer' is responsible to the Federal Reserve Board for the taking of Customers' Statements, and not to other 'dealers' through whom he may be passing transactions, except that any 'dealer' who has reason to believe that any transaction may be for account or benefit of an enemy or ally of enemy may make inquiry of the 'dealer' who places the transaction through him. If satisfactory answer is not received, the Division of Foreign Exchange of the Federal Reserve Board should then be notified immediately.

DECLARATIONS ON COUPONS AND DIVIDENDS

"The same means of identification may be passed from one 'dealer' to another in connection with items received from abroad. The responsibility for obtaining declarations from foreign correspondents, and from holders or from agents of holders of securities, and in connection with coupon and dividend payments, has been placed entirely upon the 'dealer' receiving the items from the foreign countries. It is not the duty of payers of dividends, or coupons, nor of others in the United States who receive such items from 'dealers,' to require declarations. If, however, they have information which leads them to believe that a transaction is for enemy account, it is their duty to withhold payment and notify the Division of Foreign Exchange."

Very truly yours,
BENJ. STRONG,
Governor.