

Reference to 181 + 329.

**FEDERAL RESERVE BANK
OF NEW YORK**

**FOREIGN EXCHANGE
DEPARTMENT**

No. 1013

June 10, 1919

**RESTRICTIONS RELAXED ON EXPORTATION OF GOLD
AND FOREIGN EXCHANGE OPERATIONS.**

TO ALL BANKS AND TRUST COMPANIES AND HOLDERS OF REGISTRATION
CERTIFICATES IN THE SECOND FEDERAL RESERVE DISTRICT,

DEAR SIRs:

An important modification of policy was announced by the Federal Reserve Board yesterday in a statement issued in Washington to the effect that the President had approved the recommendation of the Board, which was sanctioned by the Secretary of the Treasury, to terminate the control exercised over transactions in foreign exchange and the exportation of coin, bullion and currency, except as to the importation or exportation of rouble notes or exchange operations with so-called Bolshevik Russia and certain Central European countries. The Federal Reserve Board stated that, as is now the case with regard to silver, licenses for the exportation of gold would be freely granted, irrespective of amount or destination, with the above exception, but that applications for both gold and silver exports must still be made to the Board.

Until the formal action of the President shall have terminated the present control over foreign exchange transactions, the existing requirements, including the regular reports of "dealers", must continue. The Federal Reserve Board has announced that it will approve licenses for specific transactions wherever they are required, with the limitations noted above with respect to roubles and transactions with Bolshevik Russia and certain Central European countries.

We submit herewith for your information the full text of the announcement made by the Board:

"The Federal Reserve Board announces that, after consultation with the Secretary of the Treasury, and with his approval, it has been recommended to the President and the President has approved the recommendation that the control, which has heretofore been exercised over transactions in foreign exchange and over the exportation of coin, bullion and currency, be terminated except as to the importation or exportation of rouble notes or exchange operations with that part of Russia now under the control of the so-called Bolshevik Government, and except as to exchange transactions with territories in respect of which such transactions are at present permitted only through the American Relief Administration.

Licenses for the export of silver have been freely granted, so that the present step, so far as concerns silver, involves no change of policy. Control over the export of gold has until now been actually exercised although since the termination of hostilities greater latitude has been allowed than before that time in granting applications for its export. Hereafter, applications for the export of gold will, like applications for the export of silver, be freely granted, irrespective of destination or amount. Applications for both gold and silver exports must, however, continue to be made to the Federal Reserve Board until such time as the President shall by proclamation formally bring to an end the present control.

The control at present exercised over foreign exchange, including the reports required to be made by 'dealers', will necessarily continue until the President shall, by formal action, put an end to the present requirements but so far as licenses are required to consummate specific transactions, such licenses will be freely granted, except for the importation or exportation of rouble notes, or for foreign exchange transactions with that part of Russia now under the control of the so-called Bolshevik Government and except as to exchange transactions with territories in respect of which such transactions are at present permitted only through the American Relief Administration.

Attention is called to the fact that neither the present modification of policy, nor the termination of the above controls, when they shall have been terminated by action of the President, authorizes transactions with enemies, except so far as such transactions may be authorized by general or specific licenses granted by the War Trade Board.

The conditions do not now exist which led during the war to the restrictions on the free movement of the money metals and on exchange operations. It is felt that at the present time every step toward the restoration of natural conditions is a help, not only to this country, but to the entire world. Our gold reserves are so strong that even a very considerable outward movement of gold can be faced without any apprehension. To the extent that such shipments tend to restore normal conditions elsewhere, they tend to increase the buying power of nations that wish to become and should be our customers. The advances by the United States to governments associated with us in the prosecution of the war are rapidly coming to an end with the result that the command of the rest of the world over our gold will be decreased, and it is quite possible that with the restoration of more normal conditions elsewhere and the continuance of large favorable trade balances a movement of gold toward this country may set in. Such a movement may well prove to be undesirable, tending, as it would, to keep our prices above the level of other markets and so put us at a disadvantage in international trade. It is confidently believed that we should take, and that we are safe in taking, these important steps toward the restoration of natural conditions."

Yours very truly,

BENJ. STRONG,

Governor.