

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 973, April 15, 1930]
[Modifying Circular No. 737]

Canadian Currency

To each Member Bank in the Second Federal Reserve District:

Enclosed herewith is a statement which the Federal Reserve Board and the Federal Reserve Banks and branches have given to the press, relating to the conversion into United States funds of Canadian paper currency spent in this country.

In accordance with this statement member banks may include Canadian paper currency with their shipments to this bank of United States paper currency provided the two kinds of currency are properly segregated within the package; and the provisions of the third paragraph on page three of our circular No. 737 dated September 1, 1926 entitled "Shipments of Paper Currency, Coin and Bullion" are hereby modified accordingly. The provisions of that circular which relate to the shipment of United States paper currency to this bank will, in so far as consistent with this present circular and otherwise practicable, apply also to the shipment of Canadian paper currency by member banks.

Canadian paper currency shipped by a member bank to this bank will be converted into United States funds and the proceeds credited to the member bank's reserve account. At present such conversion is effected by sale in New York at the current market rate.

GEORGE L. HARRISON,
Governor.

FEDERAL RESERVE BOARD

Statement for the Press

For release

Tuesday, April 15, 1930.

CANADIAN CURRENCY

The Federal Reserve Board announces that a plan has been worked out and will be put in operation for handling Canadian currency deposited with Federal Reserve Banks, at a minimum of the actual collection charges incurred by them.

The discount on Canadian currency brought into the United States by travelers has frequently ranged as high as 10 and sometimes even as high as 20 per cent, at places remote from the border line. This is regarded as excessive and has given rise to some feeling in Canada, especially as United States currency is generally accepted at par in Canada.

The Federal Reserve Board has taken the subject up with the Federal Reserve Banks and they have agreed to offer their facilities to member banks for the collection and conversion of Canadian paper currency into United States currency at the current rates of exchange. The Federal Reserve Banks will absorb the cost of shipping Canadian paper currency from the member banks to their respective Federal Reserve Banks but will deduct an allowance to cover the actual exchange charges, and insurance and shipping charges, if any, from the Federal Reserve Banks to the points of conversion into United States currency. The average cost during the past three years of converting Canadian paper currency into United States funds, including both exchange and shipping charges, has averaged less than 1 per cent.

This method of handling Canadian currency by the Federal Reserve Banks will, it is hoped, result in substantial reductions in the cost of collecting this currency. The Board feels that if member banks cooperate in this matter by extending a similar service to their customers, Canadian tourists traveling in this country will find American merchants willing to accept Canadian currency at or near par.