RELATIONSHIPS WITH DEALERS IN SECURITIES

To all Member Banks in the
Second Federal Reserve District:

The Federal Reserve Board has requested me to advise you with respect to a ruling which it recently communicated to me as follows:

The Board recently considered applications of a member bank under section 32 of the Banking Act of 1933 for permission to act as correspondent bank for certain dealers in securities, in order that the member bank might participate in a syndicate which was being formed to bid for an issue of bonds of a State.

After full consideration of the questions of policy involved, the Board decided to issue permits authorizing the member bank to act as correspondent bank for the dealers in question, in connection with dealing in and/or underwriting the following types of securities: obligations of the United States, general obligations of any State or of any political subdivision thereof, obligations issued under the authority of the Federal Farm Loan Act, obligations issued by the Federal Home Loan Banks, and/or obligations issued by the Home Owners Loan Corporation. These are the securities specifically excepted in section 5136 of the Revised Statutes from the restrictions upon dealing in or underwriting securities.

In view of the foregoing ruling and at the suggestion of the Federal Reserve Board, I am calling the attention of member banks in the Second Federal Reserve District to the necessity for obtaining permits covering correspondent relationships with dealers in securities even in connection with dealing in or underwriting the types of securities described in the Federal Reserve Board’s ruling.

The text of Section 32 of the Banking Act of 1933 referred to in the above quoted ruling is contained in Section I of Federal Reserve Board Regulation R, Series of 1933, effective November 1, 1933, a copy of which was transmitted to you with our Circular No. 1302, dated October 31, 1933. Regulation R also contains a definition of the term “correspondent bank”, as used in Section 32 and in the above quoted ruling of the Federal Reserve Board, and describes the procedure to be followed and the forms to be used in making applications for permits authorizing member banks to act as correspondent banks of dealers in securities in connection with dealing in or underwriting securities. In requesting forms for making applications for permits please advise us of the names of all of the member banks and dealers in securities involved in order that we may determine the kind and number of forms to send you.

J. H. CASE,
Federal Reserve Agent.
FEDERAL RESERVE BANK OF NEW YORK

June 12, 1934.

NEW COUNTERFEITS

To Member Banks in the Second Federal Reserve District and others concerned:

At the request of the Secret Service Division of the Treasury Department, New York District, we are forwarding to all member banks in the Second Federal Reserve District and others concerned the following information which we have received from the Secret Service Division describing two new counterfeit notes:

$5 UNITED STATES NOTE:

Series of 1928 A; Check Letter 'G'; Face Plate No. 25; Back Plate No. 362; Serial number of specimen is B39185503A, but this number may vary on subsequent issues; signatures of W. O. WOODS, Treasurer of the United States, OGDEN L. MILLS, Secretary of the Treasury; portrait of LINCOLN. This note is a fair reproduction printed on one sheet of paper from photo-mechanical plates. The Treasury seal, printed in red, is so poorly etched as to make the wording and other features almost illegible. On the reverse, the picture of the LINCOLN MEMORIAL has been retouched by hand so that the heavy shadow within the building appears scratchy. This note should not deceive the experienced handler of currency.

$20 FEDERAL RESERVE NOTE:

On the FEDERAL RESERVE BANK OF NEW YORK, N. Y.; Series of 1928 B; Check Letter 'L', Face Plate No. 2; back plate No. 3, portrait of JACKSON; Serial No. B81635400B; bearing facsimile signatures of W. O. WOODS and A. W. MELLON. This is a fair reproduction printed quite heavily on one sheet of paper from photo-etched plates. The serial numbering is uneven and close scrutiny will reveal defective engraving in the fine lines of the portrait of JACKSON. This note should not deceive the average handler of currency.

The Treasury Department, Secret Service Division, has requested that if the above described notes are received by the member banks and others concerned they be forwarded to the United States Secret Service, Room 746 Customs House, New York City, with all available information as to the sources from which they were received.

George L. Harrison,
Governor.