

December 9, 1914.

REGULATION NO. 9.

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THE DUTIES OF THE FEDERAL RESERVE AGENTS WITH
RELATION TO FEDERAL RESERVE NOTES.

(1) Federal Reserve Agents shall from time to time notify the Federal Reserve Board on a standard form, Form No. () ~~6~~ and as far in advance as practicable, of the supply of Federal reserve notes they expect to require in order to meet applications for issue, stating the amounts of the different denominations desired.

(2) The Federal Reserve Board will determine to what extent notes shall be supplied to Federal Reserve Agents and will notify them that they are authorized to issue notes so supplied from time to time to their respective banks in response to applications duly approved by said agents.

(3) The Federal Reserve Agent shall from time to time notify his Federal Reserve Bank of the extent to which he is authorized to meet its applications for Federal reserve notes.

(4) A Federal Reserve Bank desiring an issue of Federal reserve notes shall make application therefor to its Federal Reserve Agent furnishing at the same time to said Agent a list of the collateral which it proposes to tender as a deposit against said notes, said application to be made out on Form B.D. 21-1.

(5) The Federal Reserve Agent shall carefully examine the collateral and make such investigation as he may deem necessary. If satisfied that the collateral conforms to provisions of Section 13 of the Federal Reserve Act and the Regulations of the Federal Reserve Board made pursuant thereto, he shall so inform the Federal Reserve Bank and shall notify said bank that Federal reserve notes will be issued as soon as the collateral is deposited and the requisite gold redemption fund paid to the Treasurer of the United States, and the required gold reserves set apart by said bank. (*)

(6) On receipt of said collateral and a certificate from the Treasurer of the United States setting forth that the Federal Reserve Bank has deposited with him the requisite gold redemption fund, the Federal Reserve Agent if satisfied that the bank has the gold reserve in its vault required by law to be held against its notes, shall issue, to extent

(*) Note: Under Section 16 of the Federal Reserve Act, this redemption fund may be increased above the 5% legal minimum at the discretion of the Secretary of the Treasury.

that such issue has been authorized by the Federal Reserve Board, Federal reserve notes to said bank, receipting for said collateral on Form B.D. 21-2, reporting to the Federal Reserve Board each day all notes issued to and withdrawn by said bank, using for that purpose Form F.R.A.5, and notifying said Board of the collateral accepted, using for that purpose Form B.D. 21-3.

(7) If at any time the Federal Reserve Agent deems it necessary to require changes in either the character or amount of collateral deposited to protect said notes, he shall notify the Federal Reserve Board and at the same time call upon the Federal Reserve Bank for additional collateral or new collateral to be substituted for that which in his opinion or in the opinion of the Federal Reserve Board is unsatisfactory, using for that purpose the Forms already referred to.

(8) If at any time the gold reserve required by law to be held by a Federal Reserve Bank against Federal reserve notes issued to it falls below 40% (including therein the gold fund required to be maintained in the Treasury) the Federal Reserve Agent shall at once notify the Federal Reserve Board.

(9) The Federal Reserve Board will, upon receipt of notice provided in Paragraph 8 hereof, establish a graduated tax as provided in Section 11 of the Federal Reserve Act upon such deficiency, which tax shall be computed and collected by the Federal Reserve Agent and forwarded to the Federal Reserve Board. Said tax shall be computed as follows:

When reserves fall below 40% but are in excess of 32-1/2%, the tax upon the deficiency shall be at the rate of 1% per annum;

When reserves fall below 32-1/2% but are in excess of 30%, the tax on the entire deficiency below 40% shall be at the rate of 2-1/2% per annum;

When reserves fall below 30% but exceed 27-1/2% the tax upon the entire deficiency below 40% shall be at the rate of 4% per annum.

and so on, increasing at the rate of 1-1/2% with each reduction in reserve amounting to 2-1/2% or any fraction thereof.

Gold Reserves Penalty Tax
against Fed'l on Deficiency
Reserve Notes in Reserves.

40% (Legal Minimum including Redemption
37 1/2% 1 % Fund).

Gold Reserves against Fed'l. Reserve Notes.	Penalty Tax on Deficiency in Reserves.
35 1/4	1 %
32 1/2"	1 "
30 "	2 1/2"
27 1/2"	4 "
25 "	5 1/2"
22 1/2"	7 "
20 "	8 1/2"
17 1/2"	10 "
15 "	11 1/2"
12 1/2"	13 "
10 "	14 1/2"
7 1/2"	16 "
5 "	17 1/2"
2 1/2"	19 "
0	20 1/2"

(10) The Federal Reserve Agent shall receive Federal reserve notes unfit for circulation presented by the reserve bank or any member bank or transmitted to him by the Treasurer of the United States, and shall forward the same immediately to the Comptroller of the Currency for cancellation and destruction using Forms F.R.A.1-5. The Comptroller will transmit new notes in lieu thereof to the Federal Reserve Agent, at the same time notifying the Federal Reserve Board of such action. (See also Paragraphs 16-17-18)

(11) The Comptroller will cancel and destroy such notes unfit for circulation in the manner provided in the National Bank Act for the cancellation and destruction of National bank notes unfit for circulation.

(12) The Federal Reserve Board will maintain a record of the amounts of notes of the several denominations supplied to each Federal Reserve Agent, of the amounts issued through said agent to his Reserve Bank, and of the amounts in the possession of said agent.

(13) On the receipt of notice from the Federal Reserve Board that a rate of interest has been established to be charged upon issues of Federal reserve notes, the Federal Reserve Agent shall notify his bank and shall compute and collect the amount of interest due from said bank and forward the same to the Reserve Board.

(14) When Federal reserve notes issued by the Federal Reserve Agent to a Federal Reserve Bank are deposited by said bank for the purpose of reducing its liability for outstanding circulation, the Federal Reserve Agent shall return to said bank a proportionate amount of the collateral deposited by it against its notes, using for this purpose Form B.D.28-1.

(15) The Federal Reserve Agent shall notify the Federal Reserve Board of any deposits made with him by a Federal Reserve Bank of its own Federal reserve notes, or of gold, gold certificates or lawful money, for the purpose of reducing its liability against its outstanding notes, using for that purpose Form F.R.A.5.

(16) The Federal Reserve Agent shall hold such notes gold, gold certificates or lawful money so deposited, subject to the order of the Federal Reserve Board. Any gold or gold certificates deposited with a Federal Reserve Agent may be deposited in the nearest sub-treasury of the United States, (with the consent of the Secretary of the Treasury) and he may receive in exchange therefor gold certificates made payable to the order of said Federal Reserve Agent.

(17) On deposit of such notes, gold, gold certificates or lawful money, a proportionate amount of the collateral may be returned to said bank, the transaction to be reported at once to the Federal Reserve Board, using for that purpose Form F.R.A.5.

(18) When Federal reserve notes are deposited by a Reserve Bank with the Federal Reserve Agent, said agent shall return to said bank the collateral and any gold, gold certificates or lawful money deposited by it to reduce liability except so much of said gold as he may have been required by the Federal Reserve Board to transmit to the Treasury for redemption purposes, upon request of the Secretary of the Treasury.

(19) On receipt of notice from a Federal Reserve Agent, that certain of its notes have been returned, the Federal Reserve Board will request the Secretary of the Treasury to direct the Treasurer of the United States to return to said bank such portion of its redemption fund as may be in excess of the minimum amount required to be maintained by said bank in the gold redemption fund against its notes still outstanding.

(20) When a Federal Reserve Bank shall ask to withdraw collateral and substitute therefor other collateral against Federal reserve notes, the Federal Reserve Agent shall examine said substitute collateral and pass upon it in exactly the same way as if it were collateral for original issue of Federal reserve notes. If approving the collateral, he may make the exchange, reporting the fact at once to the Federal Reserve Board, using Form B.D. 28-3.

(21) When Federal reserve notes have been returned by the Reserve Bank to which issued, and the collateral and other security returned to the bank, said notes shall be held by the Federal Reserve Agent and shall be reissued only on the same terms as an original issue, and with the use of the same forms. All notes so returned by Reserve Banks shall be reported at once to the Federal Reserve Board.