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 AND FISCAL AGENT

FEDERAL RESERVE BOARD

WASHINGTON

January 25, 1916. ADDRESS REPLY TO
FEDERAL RESERVE BOARD

S I R :

In a letter dated January 18, 1916, transmitting a memorandum outlining a plan for handling unfit Federal reserve notes, the Board stated that the purpose of the plan was to afford Federal reserve banks facilities for returning their own unfit Federal reserve notes "to the nearest subtreasuries and through them to Washington."

This statement was not intended to alter the procedure outlined in the memorandum which that letter enclosed and which contemplates that shipments of unfit Federal reserve notes by Federal reserve banks shall be direct to the Treasurer at Washington. The Treasury Department, however, has informed the Board that it will interpose no objection to the assistant treasurers extending to Federal reserve banks the use of their mechanical facilities in cutting and preparing notes for shipment. Federal reserve banks which are located in subtreasury cities may, therefore, arrange with assistant treasurers for permission to use the mechanical equipment of the subtreasuries for this purpose.

It is suggested that lower halves be shipped first and uppers on a succeeding day, both shipments being given the same lot number in order that they may be easily identified. When both sets of halves have been received and verified by the Treasurer in Washington he will notify both the Federal Reserve Agent and the Federal reserve bank, and the Federal Reserve Agent should immediately direct the Federal Reserve Board to transfer from his account with the Board to the account of the Federal reserve bank in the Gold Settlement Fund an amount equivalent to the value of the Federal reserve notes received by the Treasurer for redemption; or, if a Federal Reserve Agent has no such account with the Federal Reserve Board, he should make the transfer direct to his bank in order that it may be reimbursed for the notes shipped for redemption.

Because of the fact that the Federal Reserve Board has no account with the Treasurer of the United States whereby book transfers could be made, this procedure will obviate the necessity of requiring innumerable transfers of actual funds from the Agent, or his account with the Board, to the Treasurer and a retransfer from the Treasurer to the Board for the account of the bank in the Gold Settlement Fund.

Nothing herein contained, however, should be construed to do away with the necessity of each Agent's keeping on deposit with the Treasurer five per cent of the amount of outstanding Federal reserve notes covered by a deposit with him of gold or lawful money. This amount will be held like the five per cent redemption fund of the Bank, primarily for the redemption of notes presented to the Treasurer by holders other than the Federal reserve banks.

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Enclosed are blanks of the forms referred to in paragraphs IV and V of the procedure for disposing of unfit Federal reserve notes.

Respectfully,

Governor.

Secretary.

FORM OF POWER OF ATTORNEY CONFERRING AUTHORITY
INDICATED IN PARAGRAPH V OF THE PROCEDURE INVOLVING THE
DISPOSITION OF UNFIT FEDERAL RESERVE NOTES.

516.

KNOW ALL MEN BY THESE PRESENTS,

That I,, Federal
Reserve Agent of the Federal Reserve Bank of
....., have constituted and ap-
pointed, and by these presents do constitute and appoint,
the Treasurer of the United States my true and lawful At-
torney in fact, for me and in my name and stead, to trans-
fer and deliver to the Comptroller of the Currency for de-
struction all unfit Federal reserve notes of the Federal
Reserve Bank of, which the
said Treasurer of the United States now holds, or may hold
in the future, for my account or subject to my order, and
generally to do and perform any and every lawful act and
thing necessary to effect such transfer and delivery.

Witness my hand and seal this.....day of
....., A. D. 1916.

Signed, sealed and delivered in

presence of -(SEAL)

.....)
.....)
.....)