

1922

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 15, 1917.

Dear Sir:

In re UNFIT FEDERAL RESERVE NOTES FORWARDED TO THE
TREASURER OF THE UNITED STATES FOR REDEMPTION BY A FEDERAL
RESERVE BANK OTHER THAN THE FEDERAL RESERVE BANK OF ISSUE:

In January, 1916, a plan was formulated to permit
Federal reserve banks to forward their own unfit Federal reserve
notes direct to the Treasurer of the United States for redemp-
tion. That plan, however, did not permit a Federal reserve bank
to ship to the Treasurer, Federal reserve notes issued by any
other Federal reserve bank.

Section 16 of the Federal Reserve Act provides in
part that, whenever a Federal reserve bank receives Federal re-
serve notes issued by another Federal reserve bank such note
shall be returned to the Federal reserve bank of issue for
credit or redemption. In order to avoid a round-about shipment
of Federal reserve notes, first, from a receiving Federal reserve
bank to the reserve bank of issue, and then from the bank of is-
sue on to Washington for redemption, the following plan which per-
mits a receiving Federal reserve bank, under power of attorney,
to forward unfit Federal reserve notes of another Federal reserve
bank direct to the Treasurer for redemption, has been approved by
the Treasury Department and the Federal Reserve Board.

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1. Each Federal reserve bank shall give to each other Federal reserve bank a power of attorney authorizing such other bank to act as its agent in forwarding any of its unfit Federal reserve notes to the Treasurer of the United States for redemption. This power of attorney may be in any form agreed upon by the respective Federal reserve banks and may define the standard to guide the forwarding bank in determining what Federal reserve notes of the issuing bank shall be considered unfit. The forwarding bank shall, at the time of shipment, notify the issuing bank that the shipment has been made for and in its name to the Treasurer, and shall charge the account of the issuing bank for the amount of notes thus shipped. The issuing bank shall then credit the account of the forwarding bank, and shall increase on its books the item, "Mutilated Currency forwarded for redemption" just as if it, itself, had sent unfit notes direct to the Treasurer for redemption.

2. The Treasurer, on receiving such notes, will advise the forwarding banks of their receipt.

3. The Treasurer will then complete the transaction just as if the notes had been forwarded to him for redemption direct by the bank of issue, under the plan approved by the Treasury Department and the Federal Reserve Board in January, 1916. In accordance with the provisions of that plan, the Treasurer will immediately advise both the Federal reserve bank of issue and its Federal reserve agent of the receipt of the notes sent to him for redemption, and will redeem the notes for the account of the bank of issue, not for the account of the forwarding bank.

4. After the notes have been redeemed the Treasurer, acting under the powers of attorney provided for in the plan, governing the redemption of unfit notes shipped direct by the Federal reserve bank of issue, will forward such notes to the Comptroller of the Currency for cancellation and destruction, advising the Federal reserve agent of this action. B

By way of illustration, a specific transaction would be conducted as follows:

(a) The Federal Reserve Bank of Richmond receives from one of its member banks a deposit of unfit notes of the Federal Reserve Bank of Chicago.

(b) Acting under the power of attorney given to it by the

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Chicago bank, the Richmond bank forwards these unfit notes to the Treasurer for redemption for and in behalf of the Chicago bank.

(c) As soon as the Richmond bank makes the shipment described in paragraph (b) it charges the account of the Federal reserve bank and so notifies Chicago.

(d) Upon receipt of the notice forwarded under paragraph (c) Chicago credits the account of the Richmond bank and increases on its books the item "Mutilated currency forwarded for redemption".

(e) The Treasurer, on receipt of the notes shipped by Richmond, will acknowledge receipt to Richmond, will advise both Chicago and its Federal reserve agent simultaneously that the notes have been received for the account of the Chicago bank, and will redeem such notes just as if they had been sent by the Federal Reserve Bank of Chicago direct to the Treasurer for redemption.

(f) Upon receipt of the advice forwarded by the Treasurer, as provided in paragraph (e) the Federal Reserve Bank of Chicago and its Federal reserve agent will record the transaction in the manner outlined in a circular letter from the Board dated March 24, 1916, hereto attached.

(g) When the notes have been redeemed the Treasurer will deliver them to the Comptroller of the Currency in the name of the Federal reserve agent at Chicago and for his credit.

(h) The Comptroller of the Currency, upon receipt of the notes from the Treasurer, will notify the Federal reserve agent that they have been received for destruction, will arrange for their cancellation and destruction, and will credit the account of the Federal reserve agent of Chicago with the amount of the notes when destroyed.

Very truly yours,

Governor.

Inclosure.