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AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

April 27, 1917.

Dear Sir:

The Federal Reserve Board has received a letter from Honorable Oscar T. Crosby, Assistant Secretary of the Treasury, in which he calls attention to the method now employed by certain Federal reserve banks in cancelling unfit half notes sent to the Comptroller of the Currency by Federal reserve agents, for retirement. He says:

"The cancellation consists of punching eighteen small round holes in each half note, which renders the examination very slow because the notes are thus welded together and it is almost impossible to separate them. The daily average count per counter of half notes cancelled by the Treasurer or assistant treasurers is approximately 45,000; the average count of Federal reserve notes cancelled in the manner above referred to is not over 20,000. With the condition of work in the division of loans and currency, this office, where the notes are examined, this is a very serious matter, particularly as greatly increased receipts of these notes have been noted recently. If it is possible to make the change, it is requested that the half notes which finally reach this office for examination be cancelled in the manner prescribed for subtreasuries."

Investigation seems to indicate that the difficulty lies in the fact that too many notes are inserted in the cancelling machine at the same time, with the result that they become welded together - a condition which would not exist if

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fewer notes were punched simultaneously. I am, therefore, instructed to call the matter to your attention, and to urge that greater care be taken in the cancellation of these notes prior to transmission, in order that the difficulty referred to by Assistant Secretary Crosby may not continue. Should it again furnish cause for complaint, it would probably be necessary to adopt an entirely different method of cancelling the notes, with resulting inconvenience and expense to the Federal reserve banks. This it is highly desirable to avoid.

Yours very truly,

Secretary.