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FEDERAL RESERVE BOARD

X-39

H. PARKER WILLIS, SECRETARY
BERNARD P. ALLEN, ASST. SECRETARY
AND FISCAL AGENT

WASHINGTON September 22, 1917 ADDRESS REPLY TO
FEDERAL RESERVE BOARD

Dear Sir:

The Board has already had some correspondence with Federal reserve banks on the subject of the gold which is held by member and nonmember banks throughout the country, and has pointed out the desirability of getting this gold into the vaults of the Federal reserve banks, several of which have taken energetic steps to accomplish this result by offering not only to pay the transfer charges on the gold, but in some cases to assume the loss on light weight coin. While the gold holdings of the Federal reserve banks have been greatly increased during the last six months, they still control less than one-half of the gold in the country, and the Board is anxious that their holdings be augmented still further. It realizes, however, that an unrestricted offer on the part of Federal reserve banks to receive at its face value all of the light weight gold, might entail upon the Federal reserve banks a very considerable loss.

The suggestion is made therefore, to those Federal reserve banks which have not already adopted this policy, that they make to the banks of their district a proposition about as follows:

- (1) To pay transportation charges on United States gold coin delivered at their own counters or at the nearest sub-treasury;
- (2) To pay transportation charges on United States gold coin and to receive it at the face value in all cases where the loss by reason of abrasion does not exceed an average of six-tenths of one per cent, with the

understanding that all coins showing a greater loss through abrasion or sweating, be returned to the sending banks.

It is believed that many of the banks remitting gold will be willing to stand any loss in excess of six-tenths of one per cent, in which case any light weight coin received from them could be sent to the nearest sub-treasury for condemnation and proper reimbursement. The experience of two of the Federal reserve banks which have freely accepted gold coin from their member banks has been that they have sustained only an insignificant loss. Before taking any action it might be advisable for the Federal reserve banks to communicate informally with the larger banks of their districts, with the view of ascertaining the probable loss on the gold which has been sent in.

An officer of one of the Federal reserve banks states that he has reason to believe that there is a bank in his district which has about \$500,000 of gold on which there would be a loss of from ten to twelve thousand dollars. Even though this estimate be correct, the bank in question might be willing to stand the loss in excess of six-tenths of one per cent, or three thousand dollars. The Board has been advised by the Comptroller of the Currency that his office proposes in the future to give particular attention to light weight gold coin held by national banks.

It is suggested that any offers on the part of Federal reserve banks to receive gold at their own expense might be more effective if made for limited periods only. The Board requests that you bring this letter to the attention of your executive committee or of your board of directors and that you advise it of the policy which may be decided upon.

Very truly yours,

Federal Reserve Bank,

Governor.