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AND FISCAL AGENT

FEDERAL RESERVE BOARD

WASHINGTON

October 10, 1917.

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

Dear Sir:

In order to facilitate the redemption of unfit currency shipped to the Treasurer of the United States by various member and non-member banks, and in order to provide a means for concentrating the gold supply by eliminating as far as possible the issue of gold certificates in exchange for unfit currency presented for redemption, the Treasury Department and the Federal Reserve Board have agreed upon the following plan:

(1) The Treasurer, upon receipt of unfit currency for redemption, will place to the credit of the appropriate Federal reserve bank in the gold settlement fund an equivalent amount of gold or gold certificates and will advise the Federal reserve bank of the amount of that credit stating for whose account the deposit is made, and will also advise the member or nonmember bank for which the redemption is made to that effect. In certain cases the Treasurer, instead of making the credit through the gold settlement fund, may ship currency direct to the Federal reserve bank for the credit of the bank desiring the redemption.

(2) The Federal reserve bank shall advise the member or nonmember bank for which the redemption is made that its account has been credited with the appropriate amount and that it stands subject to its order. If the creditor bank desires currency and not merely a book credit, the Federal reserve bank will make the shipment at the expense of the creditor bank, deducting from the amount of the shipment all charges involved, in the same manner now employed by the Treasury Department in making such shipments.

The Board understands that this plan is not intended to, and does not revoke or supersede existing Treasury regulations relating to the redemption of unfit currency; but in view of the fact that it will tend to shorten or even eliminate many shipments of currency, it is earnestly hoped that all banks will cooperate in its development. The Treasury Department will make redemptions in the manner outlined herein unless a bank presenting currency for redemption specifically states that it desires the shipment to be made direct from the Treasury Department in the same manner as at present.

cc No change can be made in the matter of deposits by national banks for reimbursement of their 5% redemption fund unless and until the Treasury Department decides to issue new regulations on that subject.

Very truly yours,

Governor.