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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

April 25, 1918.

X-903

Dear Sir:

I enclose herewith copy of a memorandum submitted to the Board by counsel relating to the engraving of the signatures of Federal Reserve bank officers upon the new Federal Reserve bank notes, together with two forms of power of attorney which should be authorized by your board of directors or executive committee and signed by the Governor and Secretary. One copy, duly executed, should be sent to the Federal Reserve Board and the other retained by your bank for its records.

Very truly yours,

Governor.

(Enclosures)

The Chairman,
Federal Reserve Bank,

C O P Y

SUBJECT: Issuance of
Federal reserve bank notes.

April 24, 1918.

MEMORANDUM FOR THE BOARD:

Under the authority of Section 18 of the Federal Reserve Act, Federal reserve banks, upon deposit with the Treasury of United States of bonds bearing the circulating privilege, are entitled to receive from the Comptroller of the Currency circulating notes in blank registered and countersigned as provided by law equal in amount to the par value of the bonds so deposited. This section provides that such notes shall be issued and redeemed under the same terms and conditions as national bank notes except that they shall not be limited to the amount of capital stock of the Federal reserve bank issuing them.

Section 5172 Revised Statutes provides in part that national bank notes -

"shall state upon their face that they are secured by United States bonds *** certified by the written or engraved signatures of the Treasurer and Register and by the imprint of the seal of the Treasury. They shall also express upon their face the promise of the association receiving the same to pay on demand, attested by the signature of the president or vice-president and cashier".

The Act of July 28, 1892, provides that -

"The provisions of the Revised Statutes of the United States providing for the redemption of national bank notes shall apply to all national bank notes that have been or may be issued or received by any national bank notwithstanding such notes may have been lost by or stolen from the bank and put in circulation without the signature, or upon the forged signature, of the President or Vice-President and Cashier".

Under this provision the national bank is liable to an innocent holder whether or not the note is signed by the proper officers, and it has been customary for national banks to have these signatures printed or stamped on notes issued.

The question has been raised whether the signatures of officers of Federal reserve banks can be printed on Federal reserve bank notes by the Bureau of Engraving and Printing before they are actually delivered to the Federal reserve bank.

In view of the fact that the statute requires these notes to be delivered by the Comptroller in blank it would seem to be necessary for delivery to be made before the signatures can be printed thereon.

Inasmuch as one and two dollar notes have been authorized and will have to be issued in great numbers, it is very important that some arrangement should be made which will render it unnecessary for the officers to sign or affix facsimile signatures to these notes after they are shipped to the banks. To meet this situation it is suggested that each Federal reserve bank, under authority of its board of directors, cause to be executed a power of attorney in form substantially similar to that which is attached. The Comptroller could thereupon designate some representative to receive and receipt for these notes and to immediately redeliver them to the Director of the Bureau of Engraving and Printing as the agent of the Federal reserve bank to which they are issued, accepting therefor a receipt of such agent. The Director could then cause the facsimile signatures to be printed on the notes and ship them to the issuing bank.

While, in my opinion, this method would constitute a substantial compliance with the provisions of the Act, it seems necessary to call the Board's attention to the fact that a bill has been introduced amending the National Bank Act so as to authorize national bank notes to have the signatures of the proper officers engraved thereon. If this bill should be voted on and should fail to become a law, the argument might be made that this action indicates an intention of the part of Congress not to permit this to be done. As the matter now stands this plan could, in my opinion, be legally followed.

Respectfully,

(Signed) M. C. ELLIOTT.

Counsel.

KNOW ALL MEN BY THESE PRESENTS, Whereas, Section 4 of the Federal Reserve Act in enumerating the corporate powers of Federal Reserve Banks, provides that such banks when duly organized shall have power:

" *****

"Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes, in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal Reserve Bank."

Whereas this bank has deposited with the Treasurer of the United States bonds bearing the circulating privilege to the amount of \$ _____ and has applied for an issue of Federal reserve bank notes of the same amount in denominations hereinafter set forth;

Whereas by resolution of the board of directors of this bank authority has been given to arrange with the Bureau of Engraving and Printing at Washington to engrave the facsimile signatures of the Governor and Cashier of this bank on such notes.

NOW, THEREFORE, BE IT RESOLVED:

First, that the Comptroller of the Currency be, and he hereby is, authorized and requested to deliver to the director of the Bureau of Engraving and Printing \$ _____ in notes of this bank, registered and countersigned in blank, in the following denominations and amounts:

(Insert here the number, denominations and amount of notes)

Second, that the director of the Bureau of Engraving and Printing is hereby constituted and appointed attorney in fact for this bank and is hereby authorized and empowered to receive for the account of this bank, and to execute a proper receipt therefor as its agent, the foregoing notes and to engrave thereon the facsimile signatures of _____ and _____, it being fully understood and agreed by this bank that the delivery to the director will be deemed and considered a delivery to this bank, and that said director shall hold and transmit such notes of this bank as its duly authorized agent or attorney in fact.

In witness whereof, the Federal Reserve Bank of _____ has caused this power of attorney to be signed by its Governor, its corporate seal attached, attested by its Secretary on this _____ day of _____ 1918.

(Seal)

Governor.

ATTEST:

Secretary.