

(Copy)

April 29, 1918.

The Governor,
Federal Reserve Board.

Sir:

By direction of the Secretary you are advised that pursuant to and under authority of the provisions of section 1 of an Act of Congress entitled "An Act to conserve the gold supply of the United States; to permit the settlement in silver of trade balances adverse to the United States; to provide silver for subsidiary coinage and for commercial use; to assist foreign governments at war with the enemies of the United States; and for the above purposes to stabilize the price and encourage the production of silver", approved April 23, 1918, the Secretary is causing standard silver dollars to be melted or broken up and sold as bullion. The total operations in this respect under said act may not exceed the melting or breaking up of 350,000,000 standard silver dollars. For the initial operation under this provision of the act 29,737,374 standard silver dollars have been withdrawn from the general fund of the Treasury in order to provide bullion containing 23,000,000 fine ounces of silver. Further operations and consequent further withdrawals of standard silver dollars from the general fund will depend upon the retirement of silver certificates from circulation with the resulting release of standard silver dollars, the amount of standard silver dollars actually in circulation being a negligible quantity. At the present time there are approximately 460,980,783 standard silver dollars held in the Treasury, 12,779,784 being held in the general fund, and 448,200,999 being held in trust against silver certificates in circulation. On March 31, 1918, the date of the last statement available, the following silver certificates were in circulation:

<u>Denomination</u>	<u>Amount</u>
\$1	\$227,146,278
\$2	58,113,164
\$5	141,963,742
\$10	14,440,081
\$20	15,082,680
\$50	7,851,635
\$100	274,920
\$500	15,500
\$1000	16,000
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	\$464,904,000
Less amount held in Treasury,	12,102,236
Net amount in circulation,	<hr/>
	\$452,801,764

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During the year ended March 31, 1918, silver certificates were received at the Treasury for redemption (that is for exchange) as follows:

<u>Denomination</u>	<u>Amount</u>
\$1	\$232,183,539
\$2	63,389,371
Total \$1 and \$2	<u>\$295,572,910</u>
\$5	118,645,665
Total \$1, \$2 and \$5	<u>\$414,218,575</u>
\$10	\$ 3,920,170
\$20	4,757,080
\$50	2,271,775
\$100	17,900
\$500	500
Total \$10 and upwards	<u>\$ 10,967,425</u>
Total all	<u>\$425,186,000</u>

It will be noted that 70% of the redemptions were of the \$1 and \$2 denominations, 28% of the \$5 denomination and only 2% of the denomination \$10 and upwards. Monthly redemptions throughout the year averaged about \$35,500,000.

From the above it will be appreciated that in order to make standard silver dollars available for bullion silver certificates of the \$1, \$2 and \$5 denominations must be retired. As you know, the act in question contemplates the replacement of such circulation with Federal Reserve Bank notes of appropriate denominations. Anticipating the retirement of silver certificates of the \$5 denomination the Comptroller of the Currency has been requested to establish a reserve stock of \$100,000,000 \$5 notes available for issue by the Federal Reserve Banks, the ratio of printing for each bank to be determined by your Board. Action accordingly has been taken. The Comptroller of the Currency is now being requested to establish a similar reserve stock of printed notes of the \$1 and \$2 denomination of approximately \$250,000,000 in such proportion for each bank as your Board may suggest.

Inviting attention to the provisions of section 5 of said act the Federal Reserve Board is hereby requested to arrange for the several Federal Reserve Banks to issue Federal Reserve Bank notes at such times and in such amounts and in such denominations as silver certificates may be withdrawn from circulation, or in such other denominations as the need therefor later may develop. The actual issue requirements will be confirmed to you from time to time as silver certificates are retired. And in order to secure such issues of Federal

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Reserve Bank notes it is requested that the Federal Reserve Board arrange for the purchase by the several Federal Reserve Banks of certificates of indebtedness of a special issue to be made for the purpose, which will bear interest at the rate of two per cent per annum payable half-yearly, and which will mature one year from date of issue, but which will be subject to redemption at the pleasure of the Secretary and to renewal without notice as provided in said act, and which will be issued to the several Federal Reserve Banks in such amounts from time to time as the Board may determine upon notice from the Secretary of the amount of silver certificates withdrawn from circulation.

While it is not possible at this time to state the total amount of standard silver dollars that ultimately will be melted or broken up under authority of section 1 of said act, it is suggested that the program now be arranged for the maximum possible operation, and which should provide for the ultimate issue of approximately \$200,000,000 Federal Reserve Bank notes of the \$1 denomination, \$50,000,000 of the \$2 denomination and \$100,000,000 of the \$5 denomination, a total of \$350,000,000. By taking this action, Federal Reserve Bank notes may be issued without delay as they may be required to replace silver certificates retired, the retirement may be facilitated and contraction of the currency avoided.

Respectfully,

(Signed) R. C. Leffingwell

Assistant Secretary of the Treasury.