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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-966

May 24, 1913.

Dear Sir:

For your information there is enclosed a copy of a statement issued by the Division of Loans and Currency of the Treasury, showing silver certificates withdrawn from circulation and cancelled, and silver dollars melted or broken up during the week ended May 17th. You will notice that as a result of these operations the circulating medium has been decreased by \$37,881,374.

In order to avoid any shortage in small bills, the Board is of the opinion that Federal Reserve banks should, acting together as a system, replace withdrawals of silver dollars and silver certificates by the issue of Federal Reserve bank notes. It is the intention of the Board to keep the Federal Reserve banks informed each week of the amount of silver and silver certificates withdrawn and to allot to each Federal Reserve bank its proper proportion of Federal Reserve bank notes as nearly as possible on the basis of distribution outlined in its letter of April 29th, X-917.

It is desirable that Federal Reserve banks should get their Federal Reserve bank notes as received, into circulation, before issuing additional Federal Reserve notes. For the present, it will not be possible, however, to adhere strictly to the basis of distribution outline in the letter of April 29th because the amount of Federal Reserve bank notes available in the various districts is not uniform, and three of the Federal Reserve banks have no bank notes available at all. A statement is enclosed showing the amount of Federal Reserve bank notes available for each bank on May 20th.

It has been deemed advisable that Federal Reserve banks should first deposit their one year 3% notes as security for their Federal Reserve bank notes and that they give power of attorney to the Federal Reserve Board to request the Secretary of the Treasury from time to time to deposit with the Treasurer of the United States, through the Comptroller of the Currency for account of the respective banks, such amounts of United States certificates of indebtedness as may be necessary to secure, after all the one year 3% notes have been deposited, the Federal Reserve bank notes which will be issued in substitution for silver certificates withdrawn. The Treasurer of the United States can thereupon charge the account of each Federal Reserve bank, as a deposit in his general account, with the amount of the purchase price of the certificates.

In order to carry out this plan the Board requests the Federal

Reserve banks to call for Federal Reserve bank notes in the amounts indicated below and to deposit as security with the Comptroller of the Currency an equivalent amount in one year 3% Treasury notes:

| | |
|---------------|-------------|
| Philadelphia | \$1,000,000 |
| Cleveland | 2,660,000 |
| Richmond | 1,000,000 |
| Atlanta | 1,141,000 |
| Chicago | 2,962,000 |
| Minneapolis | 880,000 |
| Kansas City | 1,374,000 |
| Dallas | 1,307,000 |
| San Francisco | 1,500,000 |

As soon as Federal Reserve bank notes for all of the banks are available the Board will make the proper adjustment between the banks.

Very truly yours,

Governor.