

EX OFFICIO MEMBERS

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COMPTROLLER OF THE CURRENCY

X-1666  
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CHARLES S. HAMLIN

FEDERAL RESERVE BOARD

J. A. BRODERICK, SECRETARY  
W. T. CHAPMAN, ASSISTANT SECRETARY  
W. M. IMLAY, FISCAL AGENT

WASHINGTON September 5, 1919.

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

Dear Sir:

As the gold which was received from Germany in payment for food supplies is transferred from Belgium and Holland to the Bank of England and earmarked for the account of the Federal Reserve Bank of New York (then to be prorated among all Federal Reserve banks), it will be counted as part of the gold reserves of the Federal Reserve Banks. The total amount of gold which will be involved in the transfer will be in excess of one hundred and ten million dollars, and as received and earmarked from time to time by the Bank of England will be reflected in the increased percentage of reserves.

For sometime past the combined percentage of reserves of Federal Reserve Banks has fluctuated between 49 $\frac{1}{2}$ % and 53%, but it should be remembered that for several months immediately preceding April 1917 the combined reserves of the Federal Reserve banks ranged from 65% to 80%.

You are requested to inform the officers and directors of your bank that it is the view of the Board that as new gold is received it should be used to strengthen the reserve position of the Federal Reserve system and that these improved reserves, whether growing out of an actual increase in the amount of gold held or because of contraction in the amount of credit extended, should be regarded merely as a symptom of return to more normal conditions and not as an incentive to a loan expansion not essential to the public interest nor to the accommodation of commerce and business.

It has been the policy of the Board for sometime past to maintain the combined reserve of a Federal Reserve Bank at not less than 40% by means of rediscounts with other Federal Reserve Banks whenever that level was reached, but the Board wishes it understood that with a general improvement in reserves a higher standard may be established in which case a Federal Reserve Bank might be expected to rediscount when its reserve approximates 45%.

Very truly yours,

Governor.

This letter sent to Chairman of each F. R. Bank