

EX OFFICIO MEMBERS

DAVID F. HOUSTON
 SECRETARY OF THE TREASURY
 CHAIRMAN
 JOHN SKELTON WILLIAMS
 COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

WASHINGTON

April 17, 1920.

W. P. G. HARDING, GOVERNOR
 ALBERT STRAUSS, VICE GOVERNOR
 ADOLPH C. MILLER
 CHARLES S. HAMLIN
 HENRY A. MOEHLLENPAH

W. T. CHAPMAN, SECRETARY
 R. G. EMERSON, ASSISTANT SECRETARY
 W. M. IMLAY, FISCAL AGENT

X-1904

Subject: Payment of Interest Coupons in Gold.

Dear Sir:-

For your information there is given below the text of a letter received by the Board under date of April 9, 1920, from the Secretary of the Treasury, with reference to the payment of interest coupons in gold at Federal Reserve Banks, together with a copy of the Treasury Department's letter of the same date in answer to an inquiry on this subject.

"In connection with the payment of Liberty bond interest coupons at Federal Reserve Banks, I am enclosing for your information and guidance a copy of the Treasury Department's letter of April 9 replying to an inquiry as to the payment of interest coupons in gold at Federal Reserve Banks. As you know, the Treasury holds that interest coupons from Liberty bonds and Victory notes are actually payable at Federal Reserve Banks, and not merely cashed there, and that, therefore, gold must be paid on demand upon presentation and surrender of matured coupons at Federal Reserve Banks. By the terms of the Liberty bonds and Victory notes, the interest coupons therefrom are payable in United States gold coin of the present standard of value, and are payable upon presentation and surrender at the Treasury Department, Washington, or, at the holder's option, at any agency or agencies in the United States which the Secretary of the Treasury may designate for the purpose. The Federal Reserve Banks are designated agencies for this purpose, and are expressly recognized as such in the Department's instructions of November 5, 1917."

Very truly yours,

Enclosure.

Secretary.

To Chairmen of all F.R. Banks.

THE SECRETARY OF THE TREASURY

COPY

WASHINGTON

April 9, 1920.

Dear Sir:-

I received your letter of February 12, 1920, inquiring as to the payment of Liberty bond interest coupons at the Federal Reserve Banks in gold coin, and have already brought the matter to the attention of the Federal Reserve Banks and the Federal Reserve Board. By the terms of the bonds themselves and the circulars offering them for subscription, the coupons from Liberty bonds are payable in United States gold coin of the present standard of value, and are payable upon presentation and surrender at the Treasury Department, Washington, or, at the holder's option, at any agency or agencies in the United States which the Secretary of the Treasury may designate for the purpose. The Federal Reserve Banks and the subtreasuries are designated paying agencies for this purpose, as well as the Treasury Department, Washington, and upon presentation and surrender of matured Liberty bond coupons will pay gold coin upon demand. As a practical matter, however, payments in gold coin can be made only in multiples of \$5, inasmuch as the \$5 gold coin is the lowest denomination now coined by the Government, or to a limited extent in \$2.50 gold coins which may still be available.

Throughout the war, moreover, it has been the policy of the Treasury to conserve gold and discourage its circulation, and this policy has not changed with the cessation of hostilities or the removal of the embargo on the exportation of gold. It is just as important as ever that gold, which is the foundation of our reserves and the backbone of all credit transactions, should be concentrated in the Federal Reserve Banks as reserve and for use in the settlement of balances growing out of international transactions. It is the desire of the Treasury that the conservation of gold should continue and that there should be no revival of the use of gold for domestic transactions generally, in which it serves no useful purpose. The circulation of gold coin and gold certificates tends to dissipate the reserves, and the circulation of gold coin involves a considerable loss due to abrasion which is avoided by having the gold carried in the vaults of the Federal Reserve Banks and the Treasury.

In accordance with this policy, the Treasurer and Assistant Treasurers of the United States call the attention of persons requesting gold to the Treasury's attitude toward the internal circulation of gold and invite them to accept other currency instead, but gold has not been and will not be refused to persons who demand it and present currency or matured United States obligations or interest coupons therefrom which entitle them to receive it. The policy of the Treasury with respect to gold has been called to the attention of banks generally throughout the country, and the Federal Reserve Board and Federal Reserve Banks are being guided by a similar policy.

Very truly yours,

(Signed) D.F. HOUSTON

Secretary.