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 COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

## FEDERAL RESERVE BOARD

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June 29, 1920.

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Subject: Proposed Treasury Regulations Regarding  
 the Replacement or Redemption of U.S.  
 Paper Currency.

Dear Sir:-

There is enclosed herewith copy of proposed regulations to be issued by the Treasury Department relative to the replacement or redemption of United States paper currency by the Federal Reserve Banks.

It is the desire of the Treasury Department to issue at an early date regulations governing this phase of the work to be performed by the Federal Reserve Banks as fiscal agents of the United States, but before doing so it would like to have an opportunity of considering any suggestions which the Federal Reserve Board and the Federal Reserve Banks may have to make with respect thereto. It is requested therefore that the matter be given prompt consideration by the proper officials of your bank and that the Board be advised of any comments or suggestions that they may have to offer with respect to the proposed regulations.

Very truly yours,

Enclosure.

Governor.

To Chairmen of all F.R. Banks.

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INSTRUCTIONS FOR THE TREASURER OF THE UNITED STATES, FEDERAL RESERVE BANKS, FISCAL AGENTS OF THE UNITED STATES, AND OTHERS CONCERNED, WITH RESPECT TO REPLACEMENT OR REDEMPTION OF UNITED STATES PAPER CURRENCY.

1. The Act of Congress approved May 29, 1920, making appropriations for the legislative, executive and judicial expenses of the Government for the fiscal year ending June 30, 1921, and for other purposes, (Public No. 231 - 66th Congress), directs the discontinuance of the offices of the several Assistant Treasurers of the United States, on or before July 1, 1921, and with respect to the disposition of the duties and functions performed by the Assistant Treasurers authorizes the Secretary of the Treasury to utilize any of the Federal Reserve Banks, acting as depositaries or fiscal agents of the United States.

2. In anticipation of a final discontinuance of the several sub-treasuries and pursuant to the authority above referred to and to authority given in Section 15 of the Federal Reserve Act, approved December 23, 1913, and in order to furnish improved facilities for the public, Federal Reserve Banks, as fiscal agents of the United States, are authorized and instructed, beginning July 1, 1920, to receive for the account of the Treasurer of the United States, United States notes, Treasury notes of 1890, gold certificates and silver certificates, and to make replacements or redemptions thereof.

Replacement of United States paper currency unfit for further circulation. -- Procedure in Federal Reserve Banks.

3. Any person presenting United States paper currency unfit for further circulation is entitled to receive therefor, when demanded, United States paper currency of the same kind fit for circulation in so far as such currency is available. No Federal Reserve Bank is authorized to receive for replacement paper currency fit for circulation. In making replacements of unfit currency, if denominations other than those presented are requested, such requests should be complied with so far as possible.

4. United States currency in the hands of Federal Reserve Banks unfit for further circulation shall be assorted, canceled, cut and shipped in accordance with the following procedure:

- (a) Assort by kind and denomination, and separate into packages of 100 notes (of the same kind and denomination).
- (b) Strap each package (100 notes) lengthwise with manila (or similar) paper, crosswise with colored paper, green for United States notes, white for silver certificates, yellow for gold certificates; ends of both lengthwise straps to be secured with paste, cross straps to be pasted full length.
- (c) On each cross strap place notation in duplicate above and below middle line, indicating kind of money, denomination, amount, counter's initials and date of count, and name of Federal Reserve Bank.
- (d) Cancel package with four holes (largest diameter thereof not less than  $1/2$  inch) two above and two below middle line,  $1\frac{1}{2}$  inches from ends of package.
- (e) Assemble in units of ten packages (i.e., 1,000 notes) and secure each firmly with manila (or similar) paper strap, placed longitudinally, the strap to be the width of the

notes and to be secured at the ends with paste. Four such units shall be assembled, and, when cut in half as next provided, will form shipping units or bundles (of 4,000 half-notes each).

- (f) On the upper and lower respective edges of each package of 100 notes place an identifying letter and number, the first unit of 10 packages to be designated A, the second B, the third C, the fourth D. Each package within each unit to be designated by a number, 1 to 10, inclusive. The same marks will accordingly appear on corresponding upper and lower edges of the same package. Cut in halves lengthwise, separating uppers from lowers. 40 packages of uppers and the same number of lowers ( of 100 half-notes each ) will then be marked as follows:

A - 1	B - 1	C - 1	D - 1
A - 2	B - 2	C - 2	D - 2
A - 3	B - 3	C - 3	D - 3
A - 4	B - 4	C - 4	D - 4
A - 5	B - 5	C - 5	D - 5
A - 6	B - 6	C - 6	D - 6
A - 7	B - 7	C - 7	D - 7
A - 8	B - 8	C - 8	D - 8
A - 9	B - 9	C - 9	D - 9
A - 10	B - 10	C - 10	D - 10

- (g) Place fiber board at top and bottom of each such bundle (shipping unit of 4,000 half notes) of uppers and of corresponding lowers, and secure with binding strap.
- (h) To each bundle attach a colored label (on top and beneath strap), green for United States notes, white for silver certificates, yellow for gold certificates, indicating kind of money, denomination, amount (of whole notes), whether upper or lower halves, bundle number and lot number, and name of Federal Reserve Bank.
- (i) Assemble all bundles for day's shipment, and to each kind assign a lot number. Bundle numbers ( 4,000 half notes each) begin with number 1 for each lot each day. Lot numbers for each kind of money begin with No. 1 July 1 and continue in series to June 30, and repeat. All package, bundle and lot numbers are duplicated for uppers and lowers.
- (j) Odd amounts of the larger denominations may be shipped in packages of less than 4,000 half notes when necessary.

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- (k) Determine contents of each mail pouch, and the serial number and rotary number of lock to be attached to each pouch. Prepare two sets of shipping manifests, each in quadruplicate, one set covering uppers and one set covering lowers, setting forth the contents of each pouch in the day's shipment, as follows:

Registry Lock		Contents of Pouch					Total
Serial No.	Rotary No.	Kind	Lot No.	Package Nos.	Denom	Amount of Item	Amount
:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:

- The original copy covering uppers shall be addressed to the Treasurer of the United States, Redemption Division, and forwarded on the day of shipment ( see m ) by ordinary mail. The duplicate, which shall carry a receipt form to be executed by the Treasurer acknowledging receipt of shipment, shall accompany the original. The triplicate shall be inclosed in the pouch bearing lowest rotary lock serial number. The quadruplicate shall be retained by forwarding bank.

The signed copy covering lowers shall be addressed to the Secretary of the Treasury, Division of Loans and Currency, and forwarded on the day of shipment ( see m ) by ordinary mail. The duplicate, which shall carry a receipt form to be executed by the Secretary of the Treasury acknowledging receipt of shipment, shall accompany the original. The triplicate and quadruplicate as above.

- (l) All shipments shall be made by registered mail, in locked pouches, under rotary locks especially assigned, postage to be prepaid at fourth class (parcel post) rates, with registration fee for each parcel post unit, without payment of war tax.
- (m) The lowers shall be addressed to The Secretary of the Treasury, Division of Loans and Currency. The uppers shall be addressed to The Treasurer of the United States, Redemption Division, but shall be forwarded not earlier than the day succeeding the day the lowers shall have been forwarded.

5. Such shipments shall be charged in the account of the Treasurer of the United States as a transfer of funds to the Secretary of the Treasury, Division of Loans and Currency. The charge shall be made on the day the lowers are shipped, and shall be the face amount of the whole notes. No charge shall be entered when uppers are shipped. Postage and registration fees paid on canceled United States currency forwarded will be reimbursed Federal Reserve Banks from the appropriation "Contingent Expenses, Independent Treasury" upon rendition of appropriate vouchers, duly certified, at the end of each month, and forwarded to the Secretary of the Treasury, Division of Public Moneys.

Denominational Exchanges.

6. In so far as possible, requests for denominational exchanges should be complied with, even though the currency presented is fit for circulation.

Receipt and Reports by the Secretary of the Treasury, Division of Loans and Currency.

7. Immediately upon receipt of a shipment of lower halves, the Division of Loans and Currency shall make inventory thereof and the duplicate copy of the manifest will be accomplished and returned to Federal Reserve Bank, and prescribed accounting reports shall be sent to the Treasurer of the United States, Division of Accounts, with notices of receipt to the Cash Division and the Redemption Division of the Treasurer's Office. Subsequently, in due course, examination

will be given the lower halves, and any errors found shall be reported to the Treasurer of the United States for adjustment. Upon completion of examination of shipment and adjustment of errors, if any, destruction schedules shall be prepared as required, advice sent the Treasurer of the United States, Redemption Division, that the particular shipment is ready for destruction, and upon confirmation by the Redemption Division the lot shall be delivered to the Destruction Committee.

Action by Treasurer of the United States, Redemption Division.

8. Immediately upon receipt of a shipment of upper halves, the Redemption Division shall make inventory thereof, and shall accomplish and return to Federal Reserve Bank the duplicate copy of manifest of shipment. The Redemption Division shall make test counts of not exceeding ten per cent of the upper halves received, except that upon receipt of advice from the Division of Loans and Currency of an error discovered in the examination of lowers, the package containing corresponding uppers shall be examined for verification and adjustment, if necessary, of error reported.

9. Upon receipt of advice from the Division of Loans and Currency that a shipment is ready for delivery for destruction, the Redemption Division shall report to the Division of Loans and Currency any errors discovered in test counts not previously reported by the Division of Loans and Currency, and after adjustment, if necessary, the Redemption Division shall arrange to deliver the upper halves to the destruction

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committee at the same time the corresponding lower halves are delivered by the Division of Loans and Currency.

Shipments of new currency by Treasurer of the United States.

10. As same may be available in the cash, the Treasurer of the United States will ship new currency (and any other paper currency in hand fit for further circulation) to the Federal Reserve Banks in such proportion as will provide as equitable a distribution thereof as possible. Generally such shipments will be made in proportion to the receipts of unfit currency from the respective banks. All such shipments shall be charged as a transfer of funds to the appropriate Federal Reserve Bank.

Other unfit paper currency received by the Treasurer of the United States.

11. In case of United States paper currency received by the Treasurer of the United States for replacement (other than from Federal Reserve Bank), after verification of the shipment received, the amount thereof will be confirmed to the appropriate Federal Reserve Bank as a transfer of funds, with appropriate instructions. In case of a member bank, the Treasurer will instruct that appropriate credit be given in reserve account of such member bank with Federal Reserve Bank. In case of a non-member bank, or private individual or concern, the Treasurer will instruct that currency be shipped and charged to his account as a transfer of funds. The Treasurer is authorized to give such instructions by wire, to be confirmed in writing, and Federal Reserve Banks shall send appropriate advice to member banks of credits entered, and to others of currency shipped.



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12. Except for strictly local transactions, the Treasurer of the United States will discontinue direct shipments of fit currency in exchange for unfit currency, and will make all shipments of available fit notes to Federal Reserve Banks, the purpose being to provide as equitable a distribution as possible throughout the United States of paper currency fit for circulation.

Distribution by Federal Reserve Banks of notes fit for circulation.

13. In making deliveries of notes fit for circulation, Federal Reserve Banks shall deliver new currency and circulated currency in proportion to the stocks of each available. New notes, however, shall always be furnished when shipments are made to the insular possessions of the United States.

Unfit paper currency received at subtreasuries.

14. In case currency unfit for further circulation is received by an Assistant Treasurer of the United States, receipt therefor shall be issued by the receiving Assistant Treasurer on Form 1716, Subtreasury Service, payment for the same to be made by the Federal Reserve Bank or Branch located in the same city with the subtreasury issuing such receipt.

Currency received for redemption.

15. United States notes are redeemable in gold; Treasury notes of 1890 are redeemable in gold or in standard silver dollars; gold certificates are redeemable in gold; and silver certificates are redeemable in standard silver dollars. Request for redemption in coin should

be discouraged so far as possible, but the right of redemption as above stated is inherent in United States paper currency, and specific demands therefor must be complied with. Redemptions will be made by Federal Reserve Banks in ordinary course, and the Treasurer of the United States will make replacement in appropriate coin on request therefor by Federal Reserve Banks upon the surrender by them of United States notes, gold certificates, or silver certificates.

16. When Treasury notes of 1890 are received, they shall not be reissued but shall be canceled and forwarded in regular course as transfer of funds.

Transactions at Branches of Federal Reserve Banks.

17. Upon request of any Federal Reserve Bank, approved by the Federal Reserve Board, the Secretary will consider extending the privileges of these instructions to any Branch of such Federal Reserve Bank, provided, however, Federal Reserve Banks maintaining Branches in cities where subtreasuries are now located shall make arrangements to conduct transactions contemplated by these instructions prior to June 30, 1921.