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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

FEDERAL RESERVE BOARD

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October 12, 1920.

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Dear Sir:

I have received a letter dated September 27, 1920, from Assistant Secretary of the Treasury Gilbert, with regard to the recommendations which the Secretary's Committee on the Revision of Currency Designs has submitted concerning the legends to appear hereafter upon the face of Federal Reserve notes and National Bank notes and Federal Reserve Bank notes in lieu of those which at present appear on the backs thereof.

The Secretary's Committee contemplates a plan which will provide for uniform backs for each denomination of paper currency issued by or under the auspices of the Secretary of the Treasury, irrespective of the character of the issue. To accomplish this the legends now appearing on the backs of the various issues must be transferred to the faces and as the space available on the faces is somewhat restricted the Committee believes that the legends should be shortened if possible. Assistant Secretary Gilbert has requested the views of the Federal Reserve Board and the Federal Reserve Banks regarding the revisions suggested by the Committee. The views of the Comptroller of the Currency have also been requested.

While it is evident that brevity of phraseology is necessary, it seems to the Board quite essential that the phraseology of the Acts of Congress involved should be followed wherever possible, unless the necessity for brevity prevents.

With respect to Federal Reserve notes the following legend now appears on the backs thereof:

This note is receivable by all National and Member Banks and Federal Reserve Banks and for all Taxes, customs and other public dues; it is redeemable in gold on demand at the Treasury Department of the United States in the City of Washington, District of Columbia, or in gold or lawful money at any Federal Reserve Bank.

The Committee recommends in lieu thereof the following:

This note is receivable by the Government for all public dues and by all Federal Reserve Banks and Member Banks on all accounts; it is redeemable in

gold on demand at the Treasury Department in Washington or in gold or lawful money at any Federal Reserve Bank.

It will be noted that the present legend follows almost word for word the provisions of Section 16 of the Federal Reserve Act authorizing the issuance of these notes. The legend proposed by the Secretary's Committee shortens the second clause and rewords the first clause. The first clause reworded does not reduce the space. It would seem therefore that the original wording of this clause should be continued since it follows the wording of the Act of Congress. The second clause is practically identical except for the omission of certain irrelevant words and appears satisfactory.

The Board, therefore, suggests the following legend:

This note is receivable by all National and Member Banks and Federal Reserve Banks and for all taxes, customs and other public dues; it is redeemable in gold on demand by the Treasury Department in Washington or in gold or lawful money at any Federal Reserve Bank.

With respect to National Bank notes and Federal Reserve Bank notes the following is the present legend as it appears on the back:

This note is receivable at par in all parts of the United States in payment of all taxes and excises and all other dues to the United States except duties on imports and also for all salaries and other debts and demands owing by the United States to individuals, corporations and associations within the United States except interest on the public debt.

In lieu thereof the Committee recommends the following:

This note is receivable by the Government for all public dues except duties on imports, and when so received may be paid on any account except interest on the public debt and for the redemption of the National Currency.

Section 18 of the Federal Reserve Act provides that Federal Reserve Bank notes shall be of the same tenor and effect as National Bank notes. Section 5182 of the Revised Statutes as amended January 13, 1920, makes provision for the terms and conditions of

such bank notes. The present legend follows the phraseology of this section with minor exceptions. It is evident that this phraseology is needlessly voluminous and as brevity is essential it is necessary to reduce its length. The Board has certain objections, however, to the legend as proposed by the Committee. In order to comply with the provisions of the Act of Congress in so far as possible, it seems advisable that the last clause should read "in redemption of" instead of "for redemption of". Furthermore, there seems to be no necessity for the insertion of the clause "when so received". Section 5182 neither expressly nor by inference limits the right of the United States to use National Bank notes to pay obligations due to individuals only when such notes have been received in payment for public dues, etc. The Board recommends therefore, that the clause "when so received" be omitted and that the phrase "by the Government" be inserted after the word "paid".

The Board therefore suggests that the new legend be as follows:

This note is receivable by the Government for all public dues except duties on imports, and may be paid by the Government on any account except interest on the public debt and in redemption of the National Currency.

Very truly yours,

Governor.

To the Governors and Federal Reserve Agents
of all Federal Reserve Banks, to be submitted
at the Governors' Conference to be held in
Washington on October 13, 1920.