

FEDERAL RESERVE BOARD

WASHINGTON

October 23, 1920.

X-2038

CONFIDENTIAL

Dear Sir:

There are enclosed herewith copies of the confidential instructions issued by the Secretary of the Treasury under date of October 19, 1920, with respect to the exchange and redemption of United States coin and the performance by Federal Reserve Banks of certain other duties and functions heretofore performed by the Sub-treasuries. The Federal Reserve Banks desiring to operate under these instructions should advise the Board, and upon notification from the Board the Treasury will give the necessary specific instructions in each case and notify the Treasurer and Assistant Treasurer concerned.

There is also enclosed for your confidential information a copy of a detailed letter under date of October 19, 1920, from Assistant Secretary of the Treasury Gilbert to Governor Morss, of the Federal Reserve Bank of Boston, relative to the discontinuance of the Boston Sub-treasury and the transfer of certain of its duties and functions to the Federal Reserve Bank of Boston, which it is expected will be accomplished on or about October 25th.

Very truly yours,

Governor.

Enclosures.

To Chairmen of all F.R. Banks.

October 19, 1920.

COPY

Charles A. Morss, Esq.,
Governor, Federal Reserve Bank,
Boston, Mass.

My dear Governor:

I have already acknowledged, under date of September 27th, the receipt of the letter of September 22, 1920, signed by you and Mr. Curtiss, transmitting a memorandum as to transferring to the Federal Reserve Bank certain duties and functions of the subtreasury in Boston, together with a statement of the duties which your bank will be ready to perform when the transfer is made. You have already received and are operating under the Secretary's general instructions of August 30, 1920, as to the handling of United States paper currency, and I am sending under separate cover copies of the new regulations governing the handling of United States coin and other matters growing out of the discontinuance of the subtreasuries. The suggestions made in the memorandum from the Federal Reserve Bank of Boston have already been covered in a large measure by these regulations, but I am glad to take them up, to the extent that they are not already covered, in the order in which they appear in the memorandum. You will be further advised by letter or telegram, of the effective date of discontinuance of the Boston subtreasury, and of course if any difficulties arise in connection with the actual discontinuance and transfer, they may be taken up direct with the Treasury or through the Committee from the Treasury which will be in Boston this week.

It is the intention to assign to the Federal Reserve Bank the space in the Federal building at Boston now occupied by the subtreasury, until such time as the Federal Reserve Bank is able to occupy its new building, and transfer to the new building the work to be performed by its force in the

Federal building. The use of the adding machines, typewriters, scales or weighing apparatus, washing machine and trucks will be transferred to the Federal Reserve Bank, this equipment having been purchased out of funds under the control of this Department for the use of the subtreasury. The furniture, including desks, chairs, miscellaneous cabinets, etc., was purchased out of an appropriation under the control of the Supervising Architect, and appropriate action will be taken to have this furniture assigned to the Federal Reserve Bank during its period of occupancy of the quarters in question.

As already indicated, the Secretary of the Treasury will send a Treasury committee to Boston to make a final examination of the subtreasury at which representatives of the Federal Reserve Bank should be present, and to supervise the transfer of cash and other assets to the Federal Reserve Bank.

On the question of expense, the Treasury accepts as already indicated the alternative suggestion that the Government bear the expense of transportation of United States paper currency and United States coin, on shipments between the Federal Reserve Bank and Treasury offices. Detailed provisions as to such expenses appear in the currency regulations and the coin regulations. The Treasury notes that the Federal Reserve Bank now pays carrying charges on currency and coin shipped to and from member banks, and on currency shipments from non-member banks in the district in payment of remittance letters, and that the Federal Reserve Bank proposes to continue this service. In general, the Treasury feels that, inasmuch as the Federal Reserve Banks, in acting under the regulations as to the handling of United States paper currency and United States coin, will be performing operations formerly performed by Government offices, it is of the utmost importance that the operations be conducted in such a manner that no charge of discrimination, however unfair, may be levelled against the new system. As to the disbursing accounts

carried with the subtreasury by the local postmaster and the officers of the United States Courts, it is impossible to give final instructions at the moment, in the absence of definite word from the Attorney General and the Postmaster General, but it is hoped that these accounts may be transferred to the Treasurer of the United States at Washington. All other disbursing accounts carried with the Assistant Treasurer at Boston will be transferred to the Treasurer at Washington.

Any outstanding "to order" gold certificates not redeemed prior to the date on which the transfer is made, may be later presented to the Federal Reserve Bank in Boston for payment, and settlement made through the Gold Settlement Fund if desired, as indicated in the coin regulations.

The Comptroller of the Currency has been consulted as to the return of the unused national bank notes now in the custody of the Assistant Treasurer in Boston, and it is expected that these notes will be returned before the transfer is completed. All uncurrent, light-weight and mutilated coin, will be shipped to the Mint prior to the date on which the transfer occurs. The item of \$2456 carried in the Subtreasury accounts as a shortage in currency shipment made in April 1918, is a matter between the Treasury and the Assistant Treasurer, which will not affect the Federal Reserve Bank. It is understood from Mr. Huddleson that you do not desire at this time any of the gold coin now in the subtreasury at Boston, and arrangements have therefore been made to have it shipped prior to the date the transfer is made. Five hundred thousand dollars, (\$500,000) in Standard silver dollars will be retained and transferred to you along with the other cash at the time the transfer is made.

The gold certificates carried by the Assistant Treasurer in the Special Fund are now being shipped to Washington, and it is expected that they will all be transferred prior to the date of the discontinuance of the subtreasury.

All balances carried in the subtreasury to the official credit of former Comptrollers of the Currency will be transferred to Washington.

With reference to the un-used stock of Federal Reserve notes now carried in the subtreasury, you are advised that the question of transferring this stock to the Federal Reserve Agent has already been taken up with the Comptroller of the Currency and definite instructions will be forthcoming in a few days. The un-issued bonds carried in the subtreasury will be transferred to the Federal Reserve Bank, Fiscal Agency Department. Provision is also made in the regulations for the custody of securities now carried by the subtreasury, which it is desired to transfer to the Federal Reserve Bank.

The question of the responsibility of the Federal Reserve Banks in performing subtreasury functions is governed in large part by the regulations governing the handling of United States paper currency and coin and miscellaneous matters in relation to the functions now performed by the subtreasuries. Upon the discontinuance of the subtreasury, and transfer of the remaining cash, and other assets, the Federal Reserve Bank will be required, of course, to receipt only for currency, coin, etc., actually delivered to the Federal Reserve Bank. In general, the Treasury feels that it is desirable from every point of view to have the Federal Reserve Banks perform the currency and coin functions as far as possible as a bank operation, and to keep down to the minimum subtreasury functions to be performed as fiscal agent of the United States. It will be the policy of the Treasury not to place the custody of the trust funds in the Federal Reserve Banks except to meet emergencies.

While the matter of cashing checks for disbursing officers desiring currency for pay-roll and other purposes is thought to be fully covered under Department Circular No. 176, dated December 31, the new regulations, copies of which are being sent under separate cover, contain a further paragraph on the subject.

If there are any outstanding receipts on account of redemptions and exchanges of currency or coin at the time the transfer is made, the necessary currency and coin will be transferred to the Federal Reserve Bank to be held in its custody and exchanged for the outstanding receipts when and as presented; therefore a separate receipt will be taken for the aggregate amount of outstanding receipts on account of redemptions and exchanges when the transfer is made.

It is noted that your bank will take over permanently the following employees:

Williston Lincoln	\$2,500 per annum
Alfred P. Rexford	2,000 "
Thomas E.C. Robinson	1,800 "
Thomas J. Lally	1,600 "
Thomas L. Shepard	1,600 "
Julia M. Lennon	1,200 "
Mary E. Cameron	1,100 "
John F. Jannessy	1,100 "
Mabel Guild	1,000 "
Irene L. Stebbins	1,000 "
Thomas Farrell	900 "

and further, that under an arrangement made with Mr. Huddleson, you will take over temporarily, for a period not exceeding one year, the following employees, with the understanding that the Department will promptly endeavor to make provision for their employment elsewhere.

C. Toland	\$2,500 per annum
C.E. Kelsey	2,250 "
F.J. Small	2,000 "
James F. Dwyer	1,600 "
C.T. Woodman	1,600 "
E.F.P. Hale(Miss)	1,600 "
M.E. Leydon (Miss)	1,500 "
T.F. White	1,200 "
C.E. Anderson	1,000 "

By direction of the Secretary:

Respectfully,

(Signed) S. P. GILBERT, JR.

Assistant Secretary of the Treasury.