

## 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

W. P. G. HARDING, GOVERNOR  
 EDMUND PLATT, VICE GOVERNOR  
 ADOLPH C. MILLER  
 CHARLES S. HAMLIN  
 HENRY A. MOEHLERPAH

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

October 28, 1920.

X-2041

Subject: Absorption by Federal Reserve Banks  
 of Fiscal Agency Expenses.

Dear Sir:

There is enclosed herewith, for your information, copy of a letter addressed to the Board by the Assistant Secretary of the Treasury in Charge of Fiscal Affairs, relative to the absorption by Federal Reserve Banks of overhead charges in connection with their fiscal agency functions.

The Board has replied that while it is anxious to cooperate with the Treasury in every way in connection with the discharge of fiscal agency functions by the Federal Reserve Banks, there might come a time when the absorption of overhead charges might jeopardize dividend payments by the Federal Reserve Banks. The suggestion made by the Assistant Secretary of the Treasury was, therefore, agreed to for the period ending June 30, 1922, and the Treasury has been so advised, with the further statement that a renewal of the arrangement will be considered from year to year, prior to the submission to Congress by the Treasury of its annual estimates.

Very truly yours,

Enclosure.

Governor.

To Governors and Chairmen of all F.R. Banks.

COPY

X-2041 a

TREASURY DEPARTMENT  
WASHINGTON  
October 25, 1920

My dear Governor:

Since our exchange of communications last month regarding the fiscal agency expenses of the Federal Reserve Banks, the subject has received the Secretary's personal consideration, and he has now indicated to me his full concurrence in the views expressed in my memorandum of October 14, 1920, a copy of which was sent to you with my memorandum of October 20th. The Treasury will therefore continue to adhere strictly to the principle of reimbursement for fiscal agency expenses and will seek the necessary appropriations from Congress to cover the period after June 30, 1921, when the existing appropriation for expenses of loans lapses. The Treasury does feel, however, that the Federal Reserve Banks might properly absorb general overhead expenses, without attempting to allocate any given proportion of them to reimbursable fiscal agency expenses, and that on this basis it would be helpful from every point of view to have the Federal Reserve Banks absorb the salaries of executive officers, even executive officers assigned chiefly to fiscal agency work, charges in connection with the occupancy and operation of their own buildings and other general bank expenses. In this connection, it is to be noted that the Federal Reserve Banks and branches in sub-treasury cities will, during the current fiscal year, be assigned substantial amounts of sub-treasury space, and that this space, under the law, will be assigned to them as fiscal agents of the United States and without reimbursement to the United States.

I should greatly appreciate advice as to whether the Board agrees with the Treasury's views in the matter, and if so, whether the Federal Reserve Banks will be so advised, in order that a uniform policy may be pursued. In response to requests from the Treasury for estimated reimbursable fiscal agency expenses for the current fiscal year and for the fiscal year 1922, the Federal Reserve Banks have already submitted estimates. For your information, I am attaching a compilation of the estimates as submitted. If the Board is in sympathy with the Treasury's position as to these expenses, as outlined in this letter, it is quite possible that the estimates submitted by some of the banks will require revision, with a view to the elimination of certain of the general overhead expenses.

Very truly yours,

(Signed) S.P. Gilbert, Jr.,  
Assistant Secretary of the Treasury.Honorable W.P.G. Harding,  
Governor, Federal Reserve Board.