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# FEDERAL RESERVE BOARD

WASHINGTON

X-3134  
June 8, 1921.

**SUBJECT:** Interdistrict Settlement for Federal Reserve Notes

Dear Sir:

The Board has decided that the Federal Reserve Act does not permit the adoption of the recommendation made at the recent Governors' conference, that in determining the amount of its own notes in circulation each Federal Reserve Bank be permitted to deduct all Federal Reserve notes held by it, i.e., those of other Reserve Banks as well as its own. It has, however, approved the alternative suggestion that settlement for notes returned for redemption, either to the bank of issue or to the U. S. Treasurer, be made through the Gold Settlement Fund as of the day of shipment, and requests that this plan be put into effect as of July 1, 1921.

On and after that date, whenever one Federal Reserve Bank or branch forwards notes of another Reserve Bank for redemption, it should so advise the bank of issue by wire in time for the telegram to reach the issuing bank not later than 3 P.M. on the day the notes are shipped, giving in the new Federal Reserve telegraph code the serial number and amount of the shipment, and indicating by the code words "CHUMMING" and "CHUMMY" (which code words should be added to the foot of page 48 of the new code book to follow the code word "CHUCKLING"), whether the notes have been shipped to the bank of issue or to Washington, respectively. Following are the forms of telegrams:

**CHUMMING**                      Shipment No. \_\_\_\_\_ was made today to the U. S. Treasurer, Washington, D. C., consisting of \$ \_\_\_\_\_ of Federal Reserve notes issued by your bank. Kindly credit this bank (or branch) in today's clearing through the Gold Settlement Fund.

**CHUMMY**                        Shipment No. \_\_\_\_\_ was made today to your bank, consisting of \$ \_\_\_\_\_ of Federal Reserve notes issued by it. Kindly credit this bank (or branch) in today's clearing through the Gold Settlement Fund.

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The bank of issue should include the amount of the shipment as given in the telegraphic advice, with other credits which it will pay to the shipping Federal Reserve Bank (or branch) in the current day's clearing through the Gold Settlement Fund. The amount of the shipment will then be taken up as Federal Reserve notes on hand or forwarded for redemption, as the case may be.

An analysis of this subject indicates that the volume of notes of other Federal Reserve Banks which a given Reserve Bank will handle may not be sufficient to warrant daily shipments to or for the account of each other Federal Reserve Bank, and for this reason it will be necessary, in order to avoid confusion, to designate shipments by serial numbers as follows:

1. Each Federal Reserve Bank (and branch which ships notes of another Reserve Bank for redemption) should use a separate series of numbers, beginning with 1 in all cases, to designate shipments of notes of each other Federal Reserve Bank.
2. A new series of numbers beginning with 1 should be adopted as of July 1 of every year.
3. Serial numbers covering shipment of notes should appear in the left-hand margin of the advice of shipment (form 6338 in the case of notes forwarded to Washington).
4. The U. S. Treasurer will use the same serial numbers when acknowledging receipt of the notes to the issuing bank and agent.
5. The same series of numbers should be used in designating notes shipped to Washington as those shipped direct to the issuing bank.
6. One shipment to Washington may contain notes of several Reserve Banks, provided the notes of each bank are wrapped in separate packages.

Very truly yours,

R. G. Emerson,  
Assistant to Governor.

LETTER SENT TO EACH FEDERAL RESERVE AGENT.