

FEDERAL RESERVE BOARD

WASHINGTON

X-3242
November 9, 1921.

SUBJECT: Purchase of United States Bonds Bearing Circulation Privilege.

Dear Sir:

Section 13 of the Federal Reserve Act provides for the gradual retirement of National Bank notes and requires the United States Treasurer to furnish the Federal Reserve Board, at the end of each quarterly period, a list of applications from national banks to sell, at par and accrued interest, United States bonds securing circulation. Section 13 authorizes the Board to require Federal Reserve Banks to purchase such bonds, provided that the total amount purchased by all Federal Reserve Banks in any one year shall not exceed \$25,000,000, which amount shall include bonds acquired under Section 4 of the Federal Reserve Act by the Federal Reserve Banks. Provision is also made in Section 13 for the exchange of United States 2 per cent Consols with the Treasury for 3 per cent gold notes without the circulation privilege.

For the reason that these notes could not be sold at par, the Board has not for some years past required the Federal Reserve Banks to purchase 2 per cent Consols offered by national banks. The Board now desires, however, to express to the Federal Reserve Banks its willingness to have them purchase on the open market at par and accrued interest United States 2 per cent bonds bearing the circulation privilege. The amount that may be purchased during the remainder of the present calendar year is \$25,000,000, less any bonds which may have been acquired under Section 4 of the Act. It is suggested, however, that no Federal Reserve Bank shall purchase, without further reference to the Board, an amount in excess of its allotment on the basis of capital and surplus. The amount allotted to each Federal Reserve Bank on this basis is as follows:

	<u>Percent of Total</u>	<u>Amount</u>
Boston	7.66	\$1,915,000
New York	27.27	6,317,500
Philadelphia	8.28	2,070,000
Cleveland	10.53	2,632,500
Richmond	5.19	1,297,500
Atlanta	4.06	1,015,000
Chicago	14.18	3,545,000
St. Louis	4.32	1,080,000
Minneapolis	3.43	857,500
Kansas City	4.37	1,092,500
Dallas	3.57	892,500
San Francisco	7.14	1,785,000

-2-

It appears from the Secretary's minutes of the Conference of Governors of Federal Reserve Banks held recently that it was the sense of the Conference that Federal Reserve Banks should be authorized to purchase in each calendar year the maximum amount permitted under Section 13, at not more than par and accrued interest.

Very truly yours,

G o v e r n o r .

GOVERNORS ALL FEDERAL RESERVE BANKS
COPIES TO CHAIRMEN