FEDERAL RESERVE BOARD

WASHINGTON

December 31, 1921.

X-3290

SUBJECT: Settlement through Gold Settlement Fund of Shipments of "other" Federal Reserve notes.

Dear Sir:

The plan referred to in the Board's letter of December 22, 1921, (X-3279) for effecting daily settlements for shipments of "other" Federal Reserve notes will be put into operation on February 1, 1922, and is as follows:

Each Federal Reserve Bank and Branch Federal Reserve Bank will forward each afternoon to the Federal Reserve Board, beginning February 1, 1922, a telegram, as per form attached hereto, marked Exhibit "A", giving the amount of fit Federal Reserve notes shipped to each other Federal Reserve Bank and the amount of unfit notes of other Federal Reserve Banks shipped to the Treasurer of the United States on the date of the telegraphic advice. When a Bank or Branch has made no shipment on a given date it should wire the Board as follows: "No shipment Federal Reserve notes today", using the code word CIDER. Telegrams should be dispatched in time to reach the Board not later than 4 o'clock, Washington time.

After receipt of the Federal Reserve note telegrams the Board will prepare a telegram, (copy of form attached -- Exhibit "D"), to each Federal Reserve Bank, giving the amount of the Bank's notes shipped by each other Federal Reserve Bank and Branch on that date. These telegrams will be forwarded to reach the Banks before, if possible, or not later than the usual time of receipt by the Banks of the regular Gold Settlement Fund Clearing telegrams.

To reduce the number of words sent over the leased wires all shipments of Federal Reserve notes should be in even thousands. The use of numerals should be employed in all telegrams; telegraph operators should exercise extraordinary care in transmitting messages. It will be necessary that a telegraph operator remain on duty at each Bank until both the Gold Settlement Fund Clearing telegram and the Federal Reserve note telegram or telegrams dispatched by the Bank and its Branches have been received by the Board, verified and release instructions given from Washington.

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The following entries may be made by the Federal Reserve Banks on their books:

For notes shipped by them, they will
DEBIT: Gold Settlement Fund
CREDIT: Federal Reserve notes other Federal Reserve Banks.

For notes of their issue which have been shipped by other Federal Reserve Banks and Branches, they will, on receipt of Board's telegram
DEBIT: Federal Reserve notes in transit
CREDIT: Gold Settlement Fund

Upon receipt of fit notes, the following entries will be made:
DEBIT: Cash
CREDIT: Federal Reserve notes in transit

Final entries in the Federal Reserve notes in transit account for unfit notes shipped by other Federal Reserve Banks and Branches will be made upon receipt of advice from the Comptroller of the Currency that the notes have been received and canceled.

For shipments made by Branches, the following entries will be made by the Head Office:
DEBIT: Gold Settlement Fund
CREDIT: Branch

When a Branch makes shipments of Federal Reserve notes, the Branch will make the following entries:
DEBIT: Head Office
CREDIT: Federal Reserve notes other Federal Reserve Banks

There are enclosed herewith copies of suggested forms together with a memorandum explanatory thereof. Additional copies of this letter and enclosures are fowarded herewith for transmission by you to your Branch or Branches, if any.

Very truly yours,

G o v e r n o r.

Enclosures.

GOVERNORS OF ALL FEDERAL RESERVE BANKS.

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FORMS TO BE USED

The following forms may be used in connection with the new plan of settlement:

Exhibit 'A'
Settlement for Federal Reserve notes telegram.

This is a triplicate form to be used by the shipping Federal Reserve Bank or Branch for fit Federal Reserve notes shipped to other Federal Reserve Banks, and unfit Federal Reserve notes of other Federal Reserve Banks shipped to Washington. The amount of fit notes to be entered in column under code word CHURCH, and the amount of unfit notes to be shown in column under code word CHURNING, the totals of both columns to be extended in grand total block. All amounts shown on these telegrams should be in even thousands, that is, omitting 000.00. To avoid errors in transmission in instances where a sending Bank has no shipments of notes for one or more other Federal Reserve Banks, the word "NONE" should be inserted in the proper column.

Copy No. 1 of this form is to be forwarded to the Telegraph Department for transmission to the Board.

Copy No. 2 is a confirmation of this telegram to be mailed to the Board.

Copy No. 3 serves as the ticket of entry in the Federal Reserve Bank or Branch.

When this form is printed for the use of Branch Banks, Copy No. 3 should read "Debit - Head Office" instead of "Debit - Gold Settlement Fund".

If the shipping Bank desires one or more office copies for internal check purposes, they may be added without changing the standard of the form.

Exhibit 'B'
Shipments of Federal Reserve notes fit for circulation.

This form is to be executed by the shipping Federal Reserve Bank or Branch and enclosed with shipment of fit Federal Reserve notes and serves as the ticket of entry in the receiving Federal Reserve Bank.

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In accordance with the adopted report of the Committee on Standardization of Inter-Federal Reserve Bank Forms, the color of this ticket should be Buff.

If the shipping Federal Reserve Bank desires one or more copies of this form for internal check purposes, they may be added without changing the standard of the form.

Inasmuch as the Federal Reserve Bank of issue will be advised by telegraph through the Federal Reserve Board of each shipment in transit and the amount reflected in their Federal Reserve notes in transit account, no separate advice by mail has been provided.

As the shipping bank immediately obtains payment through the Gold Settlement Fund and the burden of checking to see that the shipment is received falls upon the bank of issue, no form of acknowledgment or receipt for the shipment has been provided.

Exhibit 'C'

Unfit Federal Reserve notes shipped to Washington.

This form is to be executed by the shipping Bank or Branch and serves as an advice to the Bank of issue of the amount and denominations of their notes forwarded to the Treasurer of the United States for redemption.

If the shipping Federal Reserve Bank or Branch desires one or more copies of this form for internal check purposes, they may be added without changing the standard of the form.

Exhibit 'D'

Settlement for Federal Reserve notes telegram.

This is a duplicate form to be used by the Federal Reserve Board in transmitting Federal Reserve notes settlement telegram to Federal Reserve Banks.

Settlement telegrams will indicate the amount of fit notes shipped by other Federal Reserve Banks and their Branches, in column under code word CHURCH; unfit notes in column under code word CHURNING and the total of both columns.

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Code Words to be Used.

1. DRUID (See Exhibit A - Form 1.)
Please credit our Gold Settlement Fund account for Federal Reserve notes of other Federal Reserve Banks shipped to the banks of issue and the Treasurer of the United States, Washington, D. C., as follows:

2. CHURCH (See Exhibit A - Form 1 and Exhibit D - Form 1.)
Fit Federal Reserve notes.

3. CHURNING (See Exhibit A - Form 1 and Exhibit D - Form 1.)
Unfit Federal Reserve notes.

4. DRUMMER (See Exhibit D - Form 1.)
In accordance with your telegram of today we have credited your Gold Settlement Fund account for Federal Reserve notes of other Federal Reserve Banks shipped by you (and by your Branches) to the banks of issue and to the Treasurer of the United States, Washington, D. C., as follows:

5. DUCKBILL (See Exhibit D - Form 1.)
Your Gold Settlement Fund account has been charged for Federal Reserve notes of your Bank shipped to you and to the Treasurer of the United States, Washington, D. C., by other Federal Reserve Banks and their Branches as follows:

6. CIDER No shipment Federal Reserve notes today.

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