

FEDERAL RESERVE BOARD
WASHINGTON

X-3472

July 10, 1922.

SUBJECT: Reimbursement of Certain Specified
Fiscal Agency Expenses.

Dear Sir:

Referring to Board's letter of July 7th,
X-3468, there is enclosed herewith for your informa-
tion copies of correspondence between the Under Secretary
of the Treasury and the Governor of one of the Federal
Reserve Banks, relating to the reimbursement of certain
fiscal agency expenses therein specified.

Very truly yours,

G o v e r n o r .

(Enclosures)

TO GOVERNORS OF ALL F. R. BANKS
COPIES TO F. R. AGENTS

COPY

X-3472a

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July 7, 1922.

My dear Governor:

I received the letter of June 14, 1922 ----- regarding reimbursement for fiscal agency expenses, and have delayed reply pending further consideration of the whole matter with the Federal Reserve Board. To some extent at least the situation is now covered by my letter of July 5, 1922, to Governor Harding, a copy of which is enclosed for your information.

On the specific questions presented in the letter from your bank, it is clear that even under the plan outlined in the letter of July 5th, the expenses of handling accounts with special depositaries, in connection with the sale of new securities, will be reimbursed upon application as an expense of new issues. Expenses involved in the receipt and redemption of Victory $4\frac{3}{4}\%$ notes in payment of allotted subscriptions to Treasury notes are likewise held to be expenses of new issues and properly reimbursable. Expenses of the redemption of Victory $3\frac{3}{4}\%$ notes will not, however, be an item for the fiscal year beginning July 1, 1922, though expenses incurred in this connection during the fiscal year 1922 will be reimbursed as previously stated. Expenses related to the purchase of Victory $4\frac{3}{4}\%$'s this year are likely to be small in amount and the Treasury regards them also as non-reimbursable, there being now but little connection between them and new issues of notes.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,

Under Secretary.

June 14, 1922.

Dear Mr. Gilbert:

We are in receipt of a letter from the Federal Reserve Board (X-3432), dated June 8, 1922, quoting from your letter received on that day on the matter of "Claims for Fiscal Agency Reimbursements". It is noted that "fiscal agency expenses for which reimbursement may be claimed . . . will not include expenses incident to the paying of Government warrants or checks or interest coupons or the redemption of matured securities for the account of the Treasurer of the United States, nor will it include any expenses arising in connection with the handling of depository accounts . . ."

May we inquire if this letter reverses the ruling of the Department embodied in your telegram of March 16, 1922, wherein

- (1) the redemption of Victory $3\frac{3}{4}\%$ Notes,
- (2) the purchase of Victory $4\frac{3}{4}\%$ Notes, and
- (3) the receipt and redemption of Victory $4\frac{3}{4}\%$ Notes in payment of allotted subscriptions to Treasury Notes

are a part of the operations of Treasury Notes and expenses are properly chargeable to the appropriation "Expenses of Loans, Act September 24, 1917, as Amended and Extended," and that reimbursement for such expenses will be made upon application in regular course?

We also wish to make inquiry as to the exclusion of any expenses arising in connection with the handling of depository accounts, if such term covers War Loan Accounts, which accounts arise now only through the sale of Certificates of Indebtedness or Treasury Notes and would seem to be properly reimbursable as a part of the cost of operation in connection with the floating of these issues.

Yours truly,

Governor.

Honorable S. P. Gilbert, Jr.,
Under Secretary of the Treasury,
Washington, D. C.