

X-3779

RESOLUTION ADOPTED BY FEDERAL RESERVE BOARD
AT MEETING ON
JUNE 27, 1923.

SUBJECT: CUBAN AGENCIES

WHEREAS, the United States Government, by virtue of the so-called Platt amendment has entered into relations with Cuba which it does not have with any other foreign country, especially in matters of finance and currency, the currency of the United States having been made legal tender by Cuba;

WHEREAS, the Federal Reserve Board is of the opinion that the establishment of an agency in Cuba is desirable as a means of stabilizing banking conditions and furnishing an adequate supply of clean currency;

WHEREAS, the President of the United States and the State Department have advised this Board that it is important that such an agency should be established;

WHEREAS, the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Boston have each petitioned the Federal Reserve Board for authority to establish an agency in Havana, Cuba, for the purpose of conducting operations permitted under Section 14 of the Federal Reserve Act;

WHEREAS, the Federal Reserve Bank of Boston desires to establish such an agency primarily for the purpose of buying and selling cable transfers and buying, selling and collecting bankers' acceptances and bills of exchange bearing satisfactory bank endorsements;

WHEREAS, a substantial portion of the currency now in circulation in Cuba consists of Federal Reserve notes of the Federal Reserve Bank of Atlanta; and it is feared that the establishment of an agency of another Federal Reserve Bank in Cuba might result in the retirement of such notes from circulation; and the Federal Reserve Bank of Atlanta desires to establish an agency in Cuba primarily in order that it may maintain the circulation of its Federal Reserve notes in Cuba;

WHEREAS, the Federal Reserve Bank of Boston does not desire to put its Federal Reserve notes in circulation in Cuba but is willing, if authorized to establish such an agency, to preserve as far as possible the circulation in Cuba of Federal Reserve notes issued through the Federal Reserve Bank of Atlanta;

BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that the applications of the Federal Reserve Bank of Atlanta and the Federal Reserve Bank of Boston for permission to establish such agencies are hereby granted on the following terms and conditions:

- (1) The Federal Reserve Bank of Atlanta and the Federal Reserve Bank

of Boston are each authorized to establish an agency in Havana, Cuba, and through such agency to buy and sell cable transfers; buy, sell and collect prime bankers' acceptances and prime bills of exchange, which acceptances and bills are payable in dollars, arise out of actual import or export transactions, bear the signatures of two or more responsible parties, bear a satisfactory bank endorsement, have not more than 90 days to run, exclusive of days of grace, and are secured at the time of purchase by shipping documents evidencing the actual import or export and the actual sale of goods and conveying or securing title to such goods; and to exercise only such incidental powers as shall be necessary to the exercise of the above powers. The term "bills" as hereinafter used shall mean cable transfers, bankers' acceptances and bills of exchange of the kinds described in this paragraph.

(2) The Federal Reserve Bank of Atlanta SHALL NOT BUY OR SELL ANY CABLE TRANSFERS EXCEPT AT THE REQUEST OF THE FEDERAL RESERVE BANK OF BOSTON AS PROVIDED IN PARAGRAPH 3 HEREOF, AND shall not purchase, sell or collect any bills in Cuba except such as originate in or are drawn upon banks or other drawees, in the Sixth Federal Reserve District and such other bills as it shall be necessary to purchase in order to maintain the circulation of its Federal Reserve notes in Cuba; and before purchasing in Cuba any bills not originating in, or drawn upon banks or other drawees in the Sixth Federal Reserve District it shall first offer to purchase for the Federal Reserve Bank of Boston bills to be selected by the Federal Reserve Bank of Boston.

(3) The Federal Reserve Bank of Boston shall not pay out its own Federal Reserve notes in Cuba, except as hereinafter provided, and whenever bills OR CABLE TRANSFERS are offered for sale to its Havana Agency and the sellers request payment in Federal Reserve notes, the Federal Reserve Bank of Boston shall request the Federal Reserve Bank of Atlanta to purchase such bills OR CABLE TRANSFERS for it and immediately pay for them with Federal Reserve notes issued through the Federal Reserve Bank of Atlanta. The Federal Reserve Bank of Atlanta may at its option comply with such request or decline to do so, but if it purchases such bills or CABLE TRANSFERS it shall pay for them only with its own Federal Reserve notes AND SUCH CASH AS MAY BE NECESSARY INCIDENTALLY TO COMPLETE THE PURCHASE and shall immediately resell them to the Federal Reserve Bank of Boston at cost and without recourse, If the Federal Reserve Bank of Atlanta shall fail or refuse to purchase such bills promptly for the Federal Reserve Bank of Boston or shall not have available in Havana a sufficient supply of its own Federal Reserve notes, the Federal Reserve Bank of Boston may itself purchase such bills and pay for them with its own Federal Reserve notes or in any other form of money or currency which it may have available except Federal Reserve notes issued through other Federal Reserve Banks. Nothing in this paragraph shall be construed as qualifying or limiting in any way the right of the Federal Reserve Bank of Boston to purchase bills through such agency and pay for them with bank drafts, cable transfers, book credits, or in any other manner except with Federal Reserve notes.

(4) The establishment and operation of such agencies, and the exercise of all the above powers through such agencies, shall be subject to such changes and such further rules and regulations as the Federal Reserve Board may prescribe from time to time.

(5) The Federal Reserve Board expressly reserves the right to revoke its consent at any time to the continuance of such agencies, to require the discontinuance of such agencies OR TO AUTHORIZE THE ESTABLISHMENT OF NEW AGENCIES whenever in its discretion it considers it desirable to do so.