

FEDERAL RESERVE BOARD

WASHINGTON

X-3801.

August 2, 1923.

SUBJECT: CURRENCY STANDARD.

Dear Sir:

It has been reported by the Board's Committee on Economy and Efficiency that in spite of the efforts of the Federal reserve banks and the Treasury Department to establish a uniform standard of fitness of currency for circulation, there exists among the Federal reserve banks a wide variation in the standard of fitness, as indicated by the fact that some Federal reserve banks have advised the committee that all Federal reserve notes returned to them by other Federal reserve banks are sorted to such a low standard that a resort is necessary, and other Federal reserve banks have advised that returned notes are sorted to a standard higher than their own. From time to time during the past year or two, the Treasury Department has sent circular letters and telegrams to all Federal reserve banks complaining of too high a standard of fitness of currency notes received from the Federal reserve banks by the Treasury redemption agencies.

The following recommendation has been made by the Economy and Efficiency Committee and has been approved by the Federal Reserve Board:

That the redemption agencies of the Treasury Department carefully scrutinize all currency redemption receipts from the Federal reserve banks and after examining them call the attention of the Board to each and every redemption lot which in the opinion of the agencies may contain too great a percentage of notes fit for further circulation; That a representative of the Board be charged with the duty of examining the redemption lots in question, making comparison of those notes contained therein which are alleged to be fit for further circulation with notes contained in a standard package of fit notes made up by the Treasury Department and lodged in the Board's office, and that on the basis of the report of the Board's representative, the matter be taken up by the Board direct with the Federal reserve bank concerned.

The plan of procedure outlined in the committee's recommendation is now effective.

By order of the Federal Reserve Board.

Very truly yours,

Wm. W. Hoxton,
Secretary.

TO GOVERNORS OF F. R. BANKS.