

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6370

September 4, 1929.

SUBJECT: Report of Committee on Redemption
of Canadian Currency.

Dear Sir:

There is attached hereto report submitted by the committee appointed by the Federal Reserve Board to determine the most efficient and economical means of effecting the redemption of Canadian currency. Before taking action on this report the Board would like to be advised whether or not the program outlined therein will be satisfactory to your bank.

Yours very truly,

E. M. McClelland,
Assistant Secretary.

Enclosure.

TO GOVERNORS OF ALL F. R. BANKS.

September 4, 1929.

REPORT OF COMMITTEE ON
REDEMPTION OF CANADIAN CURRENCY

To the Federal Reserve Board,
Washington, D. C.

Dear Sirs:

The Committee appointed to determine the most efficient and economical means of effecting the redemption of Canadian currency begs to transmit herewith its recommendations:

- (a) That all Federal Reserve Banks offer their facilities to member banks for the collection and conversion of Canadian currency into United States currency at the current rates of exchange,
- (b) That the Federal Reserve Banks absorb the cost of shipping Canadian currency from the member banks to their respective Federal Reserve Banks but that they deduct an allowance to cover shipping charges, if any, from the Federal Reserve Banks to the points of conversion into United States currency,
- (c) That all Federal Reserve Banks send a circular, similar to the attached draft, to their member banks stating the terms upon which Canadian currency will be received,
- (d) That the Federal Reserve Board and each Federal Reserve Bank and Branch simultaneously give to the

press copies of the attached circular announcing terms under which the Federal Reserve Banks and Branches will receive Canadian currency.

With respect to the procedure under which Federal Reserve Banks and their Branches will handle the collection and conversion of Canadian currency, the Committee suggests that the Federal Reserve Banks and Branches ship Canadian currency direct to the Detroit Branch of the Federal Reserve Bank of Chicago for conversion and credit, or make such other disposition thereof as conditions in their districts warrant. The Committee believes that it is important that each Federal Reserve Bank employ the most economical means of conversion. The Committee also suggests that Federal Reserve Banks permit member banks to include Canadian currency in their shipments of United States currency provided both kinds of currency are properly segregated within the package.

The Committee believes that the Federal Reserve Banks should not at this time offer their facilities to member banks for the collection and conversion of Canadian coin.

Your Committee has considered the desirability of a possible arrangement with the Canadian Government or the Canadian banks which would provide for the exchange of United States and Canadian currencies at par. While in theory much may be said in favor of such a plan, it appears to be inadvisable to endeavor to exchange Canadian and United States currencies at par without making similar arrangements to maintain exchange at parity between the two countries, a subject which your Committee does not have under consideration.

Respectfully submitted:

(S)

E. L. Smead
Wm. R. Cation
J. E. Crane

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SUBJECT: Canadian Currency.

To Member Bank Addressed:

Enclosed herewith is a statement which the Federal Reserve Board and the Federal Reserve banks and branches have given to the press, relating to the conversion into U. S. funds of Canadian currency spent in this country.

In accordance with this statement, you may include Canadian currency in your shipments of U. S. Currency provided both kinds of currency are properly segregated within the package.

Credit for such currency will be given for its face value and when the cost of conversion into U. S. funds is determined, which should generally average less than one per cent, such cost will be charged to your reserve account.

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PRESS NOTICESUBJECT: Canadian Currency

The Department of Commerce has called the attention of the Federal Reserve Board and the Federal Reserve Banks to the fact that Canadian tourists traveling in the United States have at times been charged excessive rates of discount on Canadian currency, such rates having ranged as high as 10 and even 20 per cent, at places remote from the border.

The Department stated that these excessive charges have resulted in a feeling of resentment on the part of Canadian tourists traveling in this country, especially as United States currency is generally accepted at par by merchants in Canada, and asked the Board whether something could not be done by the System to do away with excessive discount charges on Canadian currency spent in this country.

The Federal Reserve Board has taken the subject up with the Federal Reserve Banks and they have agreed to offer their facilities to member banks for the collection and conversion of Canadian currency into United States currency at the current rates of exchange. Furthermore, the Federal Reserve Banks will absorb the cost of shipping Canadian currency from the member banks to their respective Federal Reserve Banks but will deduct an allowance to cover shipping charges, if any, from the Federal Reserve Banks to the points of conversion into United States currency.

The Board feels that if member banks cooperate in this matter by extending a similar service to their customers, Canadian tourists traveling in this country will find American merchants willing to accept Canadian currency at or near par. During the past three years the cost of conversion of Canadian currency into United States funds, including both the exchange and the shipping charges, has averaged less than 1 per cent.