

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-6555

March 31, 1930.

SUBJECT: Conversion of Canadian Currency.

Dear Sir:

Under date of November 7 the Board advised you that it had approved the report of the Committee on Canadian Currency, and enclosed with its letter, X-6413, a copy of the Committee's report, also a copy of the letter to be addressed to member banks and of the statement to be released to the press.

On November 15 the Board sent you a telegram modifying somewhat the press statement and the letter to be sent to member banks and on November 16 it advised you that it had voted to postpone the effective date of the plan for the conversion of Canadian currency into U. S. funds.

This matter has again been reviewed and the Board has decided to make the effective date of the plan Tuesday, April 15, 1930. The press statement will be released by the Board at 2 o'clock on that date and it will be appreciated if you will release the statement at the same time at your bank and, if you think advisable, at each of your branches, if any. You may find it advisable to amplify somewhat the letter to be sent to member banks but the Board would suggest that no changes be made in the statement to be given to the press.

Copies of the revised press statement and of the letter to be sent to member banks are attached hereto.

Very truly yours,

E. M. McClelland,
Assistant Secretary.

Enclosures.

X-6555-a

, 1930.

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 paper currency spent in this country.

In accordance with this statement, you may include Canadian paper currency in your shipments of United States currency provided the two 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 it will be charged to your reserve account. As brought out in the accompanying press statement, the average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

F E D E R A L R E S E R V E B O A R D

STATEMENT FOR THE PRESS

For release
Tuesday, April 15, 1930.

SUBJECT: Canadian Currency.

The Federal Reserve Board announces that a plan has been worked out and will be put in operation for handling Canadian currency deposited with Federal reserve banks, at a minimum of the actual collection charges incurred by them.

The discount on Canadian currency brought into the United States by travelers has frequently ranged as high as 10 and sometimes even as high as 20 per cent, at places remote from the border line. This is regarded as excessive and has given rise to some feeling in Canada, especially as United States currency is generally accepted at par in Canada.

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 paper currency into United States currency at the current rates of exchange. The Federal reserve banks will absorb the cost of shipping Canadian paper currency from the member banks to their respective Federal reserve banks but will deduct an allowance to cover the actual exchange charges, and insurance and shipping charges, if any, from the Federal reserve banks to the points of conversion into United States currency. The average cost during the past three years of converting Canadian paper currency into U. S. funds, including both exchange and shipping charges, has averaged less than 1 per cent.

This method of handling Canadian currency by the Federal reserve banks, will it is hoped, result in substantial reductions in the cost of collecting this 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.