

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7147

April 29, 1932.

SUBJECT: Procedure for pledging United States
Government Securities as Collateral
for Federal Reserve Notes.

Dear Sir:

As you know, the Act of February 27, 1932, amending the second paragraph of Section 16 of the Federal Reserve Act, provides that until March 3, 1933, should the Federal Reserve Board deem it in the public interest, it may, upon the affirmative vote of not less than a majority of its members, authorize the Federal reserve banks to offer, and the Federal reserve agents to accept, as collateral security for Federal reserve notes, direct obligations of the United States.

The Federal Reserve Board has not authorized any Federal reserve bank to pledge with its Federal reserve agent direct obligations of the United States Government as collateral security for Federal reserve notes. There are certain details which should be worked out at this time, however, and the following procedure is suggested in order that the accounting which would be involved in the pledging of United States Government securities held in the special investment account may be simplified as much as practicable.

If your Federal reserve bank is authorized to pledge with its Fed-

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eral reserve agent United States Government securities and desires to pledge such securities held in the special investment account, it should notify the Federal Reserve Bank of New York by wire of the amount to be pledged, leaving to that bank the discretion to determine the specific securities to be pledged. Upon depositing such securities with its Federal reserve agent for the account of the Federal reserve agent of your bank, the Federal Reserve Bank of New York will notify your bank by wire of the amount of each issue of securities so deposited and confirm the advice by mail. At the same time, the Federal Reserve Agent at New York will wire the Federal reserve agent at your bank that he has received the securities and will confirm such wire advice by mail.

A similar procedure will be followed in the event your bank should desire the release of any securities deposited by the Federal Reserve Bank of New York with its Federal reserve agent for your account. It will be noted that the power of attorney which is to be given to the Federal Reserve Agent at New York by the Federal Reserve Agent at your bank authorizes the Federal Reserve Agent at New York to release direct obligations of the United States held for the account of the Federal Reserve Agent at your bank upon receipt of other direct obligations of the United States, without obtaining specific authority therefor from the Federal Reserve Agent at your bank. However, it will be necessary for the Federal Reserve Agent at your bank to authorize the Federal Reserve Agent at New York, in each instance, to make releases of direct obligations of the United States, held for his account, other than for purposes

of substitutions.

In case your bank should pledge with its Federal reserve agent United States Government securities held in its own portfolio, a schedule listing the amount of securities of each issue should accompany the securities pledged with or withdrawn from the agent.

There is inclosed herewith a copy of a letter which is being addressed today to the Federal Reserve Agent at your bank.

Very truly yours,

Chester Morrill,
Secretary.

To the Governors of all F. R. Banks except New York.

Inclosures X-7146 and X-7146a.