

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7883

May 2, 1934.


SUBJECT: Use of the Franking Privilege by Federal
Reserve Banks.

Dear Sir:

There is inclosed a copy of a letter which the Board is sending today to the Governor of the Federal Reserve Bank of Minneapolis with regard to the use of the franking privilege in connection with fiscal agency operations.

If your bank is using the franking privilege to any extent, the instructions contained in the attached letter should be followed and the Federal Reserve Board advised accordingly.

Very truly yours,

Chester Morrill,
Secretary.

Inclosures.

TO GOVERNORS OF ALL F. R. BANKS EXCEPT MINNEAPOLIS.

May 2, 1934.

Mr. W. B. Geery, Governor,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Dear Governor Geery:

It has been brought to the attention of the Federal Reserve Board that the Federal Reserve Bank of Minneapolis is using the franking privilege for mailing circulars and other matter in connection with its operations as fiscal agents of the United States.

The Post Office Department has ruled that the Federal reserve banks may not use the franking privilege as fiscal agents of the United States or otherwise, and in this connection the Treasury Department has advised one of the Federal reserve banks as follows:

"During the War a vast amount of matter connected with the various issues was mailed from the Federal Reserve banks under the frank of the Treasury Department. This was permitted by the Post Office Department because of an arrangement whereby the actual mailing at each Federal Reserve bank was done by a Treasury Department employee. Later, the use of the franking privilege by the Federal Reserve banks as fiscal agents of the United States was the subject of much discussion with the Post Office Department. That Department repeatedly ruled that the Federal Reserve banks are not authorized to use the franking privilege, whether or not the bank is acting as a bank or as a fiscal agent in so doing, and the Secretary finally decided, after giving the matter serious consideration, that the Treasury should not press the question of securing the franking privilege for mail matter originating at the Federal Reserve Banks, whether or not related to operations performed by the banks as fiscal agents or depositories of the United States. Accordingly, on December 13, 1920 (Memorandum No. 74), the Federal Reserve banks were advised that mail matter originating at the banks must not be forwarded under the franking privilege without payment of postage. Postage expenses arising in connection with new issues of public debt securities may be reimbursed Federal Reserve banks as fiscal agents of the United States from the appropriation 'Expenses of Loans, Act of September 24, 1917, as Amended and Extended.'

"I am advised that at the present time only three Federal Reserve banks use the franking privilege for disseminating Treasury circulars - a survival, in part, of arrangements in effect during the War period. The question of extending this privilege to other banks has been raised a number of times, and on each occasion it has been

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"decided that the Treasury Department should not seek any extension of the franking privilege beyond that now accorded certain Federal Reserve banks."

A copy of memorandum No. 74 referred to above is attached. In view of the instructions of the Treasury Department, your bank should discontinue immediately the use of the franking privilege and should arrange to include in the expenses for which reimbursement is received from the Treasury Department any additional expense incurred for postage in connection with reimbursable fiscal agency operations. It will be appreciated if you will advise the Board of the action taken by your bank in this matter.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

Treasury Department
Office of the Secretary
Commissioner of the Public Debt
Washington, D. C.

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December 13, 1920.

MEMORANDUM NO. 74.

Information for Federal Reserve Banks
Fiscal Agents of the United States.

DISCONTINUANCE OF FRANKING PRIVILEGE.

The continuance of the franking privilege to Federal Reserve Banks as Fiscal Agents of the United States has been the subject of discussion with the Post Office Department, as a result of which the Secretary has advised the Postmaster General that after giving the matter serious consideration he has reached the conclusion that the Treasury should not press the question of securing the franking privilege for mail matter originating at the Federal Reserve Banks, whether or not related to operations performed by the Banks as Fiscal Agents or Depositaries of the United States. Accordingly mail matter originating at the Federal Reserve Banks must not be forwarded under the franking privilege without payment of postage after December 31, 1920. This prohibition does not apply to mail matter originating in the Savings Division.

The Secretary has instructed the Commissioner of the Public Debt to consult with officials of the Post Office Department, with a view to establishing special procedure, which, if possible, will eliminate the actual use of postage stamps by Federal Reserve Banks. It is probable that the Post Office Department will permit surcharges on envelopes and other mail matter which would indicate postage paid, the Postal Service being reimbursed at the close of each day's business for that day's mail charges. Detailed information on this subject will be furnished later.

By direction of the Secretary.

S. P. GILBERT, Jr.
Assistant Secretary of the Treasury.