

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

July 30, 1936

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



CONFIDENTIAL

Dear Sir:

There is inclosed, for your information, a copy of the Board's letter of July 22, 1936, to the Federal Reserve Bank of New York, from which it will be noted that the Board has approved the extension by the bank of a loan, against the security of gold to be earmarked at the Federal Reserve Bank of New York, to the Banco de Venezuela, Caracas, Venezuela.

The Board approves the participation in the loan, if made, by the other Federal reserve banks.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill".

Chester Morrill,
Secretary.

Inclosure.

TO ALL PRESIDENTS

July 22, 1936

Mr. Allan Sproul,
First Vice President,
Federal Reserve Bank of New York,
New York, New York.

Dear Mr. Sproul:

Receipt is acknowledged of your letter of July 17, together with its inclosures, in regard to a recent inquiry of the Banco de Venezuela, Caracas, Venezuela, fiscal agent of the Venezuelan Government, as to the possibility of its obtaining a loan against gold for the purpose of forwarding the Government's plans of exchange control.

The Board has reviewed the information which you have submitted concerning the Banco de Venezuela and the exchange position of the country and approves the action of the executive committee of your board of directors in voting to grant to the Banco de Venezuela, against the security of gold to be earmarked at the Federal Reserve Bank of New York and having a present value of approximately \$4,900,000, a credit of up to \$4,500,000 for a period of three months, interest to be charged on amounts actually advanced under the credit at your bank's discount rate, at present $1\frac{1}{2}\%$ per annum, the question of renewal of the credit to be held in abeyance until the expiry of the three months, at which time a request for a renewal will be entertained if submitted by the Banco de Venezuela. It is understood that if the credit is granted to the Banco de Venezuela your bank will offer a participation therein to the other Federal reserve banks as you have done in like instances in the past.

The Board also approves the action of your executive committee in voting to hold in safekeeping at the Federal Reserve Bank of New York for the Banco de Venezuela 600,000 English gold sovereigns of a present value of approximately \$4,900,000, the charge for such custody to be $\frac{1}{2}$ per mille ($1/20$ of 1%) per annum on such part of the gold held in custody as is not pledged under the credit, which is the customary charge made for such custody in the case of foreign central banks which have no account with your bank. It is noted, however, that you propose to advise the Banco de Venezuela that no charge would be made for holding this gold in custody if it were to open and maintain an account with your bank along substantially the same general lines and subject to substantially the same terms and conditions as for other central banks having accounts with your bank. If a request should be forthcoming from the Banco de Venezuela that your bank open an account for it on your books, it is assumed that such request will be submitted to the Board for approval in the usual manner.

Very truly yours,

(Signed) Chester Morrill

Chester Morrill,
Secretary.