

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

X-9748

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



November 25, 1936.

Dear Sir:

For a short time after the establishment of the System the employees of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency were carried on the Comptroller's payroll and the Board reimbursed the Comptroller's office for the expenses of the Division. Under date of February 13, 1915, the Comptroller of the Treasury ruled that the Comptroller of the Currency had no authority to carry such employees on his payroll and, in accordance with that opinion, the employees were transferred to the Board's payroll.

Recently this question was reconsidered and the Comptroller has now advised the Board that his office has made arrangements whereby all employees of the Federal Reserve Issue and Redemption Division will be carried on the payroll of the Comptroller of the Currency, effective December 1, 1936, provided the Board deposits with the Treasury of the United States to the credit of the Comptroller of the Currency in advance sufficient funds with which to pay all expenses of the Federal Reserve Issue and Redemption Division.

The Board has approved this arrangement and effective at the close of business November 30, 1936, the employees of the Federal

Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency will be transferred from the payroll of the Board to the payroll of the Comptroller of the Currency and thereafter the expenses of the Federal Reserve Issue and Redemption Division will be met by special assessments on the Federal Reserve banks.

The total cost of operating the Division during a given semi-annual period will be prorated among the Federal Reserve banks on the basis of the number of canceled Federal Reserve notes of each Federal Reserve bank destroyed by the Issue and Redemption Division during the preceding six-month period ending on May 31 or November 30, respectively. The cost of operating the Division during the month of December, 1936, will be prorated on the basis of the number of notes of each bank destroyed during October, 1936, and the first assessment will be for an amount sufficient to cover the cost of operating the Division for the month of December, 1936, only. You will be advised by wire before the end of November of the amount of this assessment.

Part of each assessment to cover the expenses of the Federal Reserve Issue and Redemption Division should be included on Form 96 in the item "Original cost of Federal Reserve currency" and part in the item "Cost of destruction of Federal Reserve currency". The portion of each assessment to be charged to the original cost and the portion to the cost of redemption of Federal Reserve currency will be given in the Board's wire advising you of the assessment.

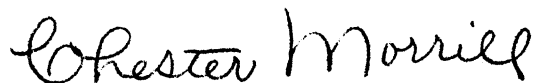
Prior to January 1 and July 1 of each year you will be advised

of the amount of the assessment to be paid by your bank to cover expenses of the Issue and Redemption Division during the succeeding six-month period and the amount of such assessment should be deposited with the Federal Reserve Bank of Richmond to the credit of the Board of Governors on the first business day of January and July, respectively.

In furnishing your bank advice as to the amount of the assessment to cover expenses of the Issue and Redemption Division for a six-month period the code word CHISMATE will be used. This code word, to be inserted at the top of page 50 of the Federal Reserve Telegraph Code Book, will have the following meaning:

"Please deposit with the Federal Reserve Bank of Richmond on _____ (a) \$ _____ to cover expenses of the Federal Reserve Issue and Redemption Division of the Office of the Comptroller of the Currency for the next semiannual period. Of this amount (b) \$ _____ should be charged to the original cost of Federal Reserve notes and (c) \$ _____ to cost of redemption of Federal Reserve notes."

Very truly yours,



Chester Morrill,
Secretary.

TO ALL PRESIDENTS