



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

R-319 **132**

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 7, 1938.

Dear Sir:

It is noted from the minutes of the Conference of Presidents held in Washington on Tuesday, September 20, 1938, that Mr. Schaller referred to the existing arrangement between the Detroit Branch and member banks situated in Detroit whereby currency deposits of such member banks with the Detroit Branch are confined to fit currency not needed by the banks in their current operations and mutilated currency, and stated that the Federal Reserve Bank of Chicago feels that unless similar arrangements are made throughout the Federal Reserve System the present practice of the Detroit Branch should be modified.

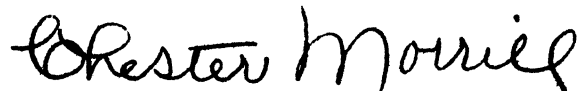
The report of the above mentioned Conference states that it was the sense of the Conference that through the efforts of the individual Federal Reserve banks any undue abuse of their currency sorting facilities has already been minimized and that each bank should continue to solicit the cooperation of its member banks in eliminating or modifying such practices as result in unreasonable demands upon, or unwarranted expense to, the Federal Reserve banks. It also appears from the Committee's report that a majority of those present at the Conference expressed the opinion, based upon the experience of their banks in negotiating with member banks respecting this problem, that the adoption of any arbitrary rule, such as that discussed at the meeting, would be inadvisable, as tending to antagonize member banks, and would be unnecessary in view of the progress already made and the further progress that might reasonably be expected to be made through the efforts of the various Federal Reserve banks.

It is understood that, if the Detroit Branch resorts to the former practice, it will be necessary for it to at least double the number of its currency counters and that if the Chicago office resorts to its former practice it will necessitate a very substantial increase in its expenses. Somewhat similar conditions, it is assumed, exist in greater or lesser degree at some of the other Federal Reserve banks.

In the report of the Committee on Free Services, dated June 8, 1933, it is stated on page 39 that "Replies to this item show that in four Reserve districts there are thirty-one member banks that make a practice of depositing currency in the afternoon and drawing out currency the next morning, while in the other eight Reserve districts this practice does not exist."

In the circumstances it will be appreciated if you will advise the Board in advance of the next Conference of Presidents as to the progress your bank has made in its efforts to induce member banks to confine their deposits of fit currency with the Reserve bank to currency in excess of their current requirements; whether your bank anticipates that it will, within a reasonable period, be able to achieve approximately the same results that have been accomplished by the Detroit Branch; also if you will furnish the Board with the names and locations of the banks in your Federal Reserve bank and Branch cities that make a practice of depositing unassorted currency at night which includes a substantial amount of fit currency needed by them for current use, and what the approximate annual saving to your bank would be if such practice were discontinued. It will also be appreciated if you will advise the Board of the number of banks that have discontinued this practice since January 1937, and the approximate reduction in expense of the Federal Reserve bank resulting therefrom.

Very truly yours,



Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS