



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 20, 1938.

Dear Sir:

It is noted from the minutes of the meeting of the Conference of Presidents on October 24-25, 1938, that the majority of those present agreed that the Conference should adhere to the position taken by it at its meeting on September 20, 1938, on proposed steps to prevent the abuse by member banks of the currency sorting facilities of the Federal Reserve banks. The action of the Presidents' Conference, at its meeting on September 20, as recorded in the minutes of the meeting was as follows:

"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 been already 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. The majority of those present 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 contemplated in the motion offered to 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 which might reasonably be expected to be made through the efforts of the various Federal reserve banks. It was also the opinion of some of those present that there might be valid objections on legal grounds to a rule which prohibited member banks from depositing currency, in their discretion, with Federal reserve banks."

The Board has carefully reviewed this subject and the progress that has been made so far as set forth by the Committee on Free Services in its report dated June 8, 1938. It appears from the date

shown in the Committee's report and in the letters received from the Federal Reserve banks in response to the Board's letter R-319 of October 7, 1938, that some Federal Reserve banks have been much more successful than others in reducing to a minimum the existing abuse by individual member banks of the currency facilities of the Federal Reserve banks, and particularly the practice resorted to by some member banks of depositing currency in the evening and drawing out currency needed the next morning, thus using the Federal Reserve bank as a sorting agency for their currency.

The Board feels that the Federal Reserve banks should continue their efforts toward an elimination of abuses of their currency facilities by individual member banks. The results of the currency studies made by the Committee on Free Services appear to have been very helpful, and the Board would appreciate it if the Committee would again review this subject not later than the spring of 1940.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.