Chicago, April 7, 1915.

TO THE MEMBER BANKS OF DISTRICT NUMBER SEVEN:

The Federal Reserve Bank of Chicago, in accordance with the terms of the Federal Reserve Act and the rulings of the Federal Reserve Board, is prepared to inaugurate, for the benefit of its members, a system of intra-district collection, that is, a system of collection of checks and drafts received from and drawn on member banks in District No. 7. Membership in the system will be voluntary and items will be received only from and upon those banks which join it. Such items will be immediately credited and debited to the accounts of the sending and paying banks, respectively, subject to final payment.

For the present the system will not embrace the inter-district collection of checks and drafts, that is, the collection of checks and drafts drawn on banks outside of District No. 7. Such broader service can only be developed for the member banks of the various districts after experience shall have been gained in operating the intra-district service now offered.

This system is not intended to supersede the exchange of checks through local clearing houses or otherwise in or between nearby cities or towns. And wherever, in the case of a section far distant from its reserve bank or overlapping two reserve districts, or for any other reason, the collection of checks is being made more quickly or economically by direct interchange between the banks of the section than would be possible under the proposed plan, such relations, for the present at least, will doubtless continue.

The collection system outlined herein is offered by the Federal Reserve Bank of Chicago as the first step in the improvement of present methods of collecting checks within its district. It is the result of much consideration on the part of the directors and officers of this bank and of many conferences of the governors of the various Federal Reserve Banks.
This plan has been authorized by the Federal Reserve Board, and it is understood that substantially similar systems of intra-district collection will be introduced by all other Federal Reserve Banks. The system will be subject to such modifications or extensions as experience may show from time to time to be necessary or advisable.

The directors of each member bank which joins the collection system will be required to adopt and file with the Federal Reserve Bank of Chicago resolutions agreeing to the rules and requirements of the system. The resolutions and the rules and requirements are attached hereto. There is also enclosed a copy of the resolutions with the rules and requirements attached, to be executed and returned to this bank when the resolutions have been adopted by your Board of Directors. Action thereon by your Board is requested before May 15, 1915.

A further circular will be issued containing a list of the banks which have joined the collection system, announcing the date upon which it will begin operations and giving such further information as may be necessary.

The collection system herein proposed is based upon the experience of other countries where similar systems have been in operation for many years and have been developed to a high point of efficiency.

It is believed that the establishment of the collection system in the twelve Federal Reserve banks will provide a safe and economical method for the collection of country checks and will go far toward correcting the recognized evils resulting from the indirect routing of such items.

We earnestly solicit your careful consideration of the plan, also your co-operation in its development, believing that it will result in substantial benefits to all concerned. With the system established, we will do all in our power to render our member banks the most efficient service in its operation.

Very respectfully,

JAMES B. McDOUGAL
Governor.

Bulletin No. 29.
RULES AND REQUIREMENTS
GOVERNING THE OPERATION OF THE COLLECTION SYSTEM
OF FEDERAL RESERVE BANK OF CHICAGO

1. Each member bank joining the system authorizes the Federal Reserve Bank of Chicago to charge immediately on receipt against its account, subject to payment by such member bank at its banking house, checks and drafts payable upon presentation drawn upon it, deposited by other member banks which have joined the collection system.

2. The member bank undertakes to provide sufficient funds to offset the items charged against its account under the collection system, without impairing the reserve required to be kept in the Federal Reserve Bank of Chicago, as shown by the books of the Reserve Bank, the amount of such funds to be determined by experience gained from actual operation.

3. Checks and drafts payable on presentation drawn on any member bank in District No. 7, which has joined the collection system, will be received for immediate credit, subject to final payment, but only from such member banks as have joined the collection system. Items marked “payable if desired” at either a member bank or a non-member bank, will not be received unless drawn on a member bank which has joined the collection system, in which case they will be charged to the member bank upon which they are drawn and not to the bank at which they are made “Payable if desired.”

4. Items sent for credit should be divided in two classes:
   (a) Items on member banks which are members of the Chicago Clearing House Association.
   (b) Items on other member banks in this District.

The items under each of these divisions should be listed on a separate sheet stating the name or the American Bankers Association transit number of the bank on which each item is drawn, and the amount. Each sheet should be separately footed, and where more than one sheet is used in listing items under either of the divisions, the totals of such sheets should be listed and footed on a separate sheet.

5. All items received before 2 o’clock P. M. (except on Saturday, when the hour will be 12 o’clock noon), will be credited on the day of receipt.
Items received after these hours will not be credited until the following business day. All items except those payable through the Chicago Clearing House, will be mailed at the close of each day to the member banks on which they are drawn. Member banks shall advise the Federal Reserve Bank of Chicago on the day of receipt that such items have been received and credited. Unpaid items, not subject to protest, shall be returned on the day of receipt; protested items shall be returned not later than the day after receipt. Returned items will be credited to the account of banks on which they are drawn and charged to the account of and returned to the banks from which received. Unpaid items shall not be held for any purpose whatsoever except for immediate protest.

6. In receiving the checks and drafts herein referred to, the Federal Reserve Bank of Chicago will act only as the collecting agent of the sending bank, and will assume no responsibility other than due diligence until the funds are actually in its hands, and said Reserve Bank is authorized to send them for payment direct to the bank on which they are drawn, or for collection to another agent at its discretion. Banks receiving items from the Federal Reserve Bank of Chicago for collection shall be deemed the Agent of the bank depositing such items with the Federal Reserve Bank of Chicago for credit.

7. Checks and drafts drawn on member banks which have joined the system may be stamped or printed across the face: "Collectible at par through the Federal Reserve Bank of Chicago," but such indorsement shall never be held to import that the Federal Reserve Bank of Chicago, in accepting such checks or drafts for collection, has become the owner thereof or is acting otherwise than as the agent of the sending bank.

8. Member banks which do not join the collection system at the time of its inauguration, may do so at any subsequent time. Member banks will be permitted, on thirty (30) days notice to the Federal Reserve Bank of Chicago, to withdraw from the collection system. The Federal Reserve Bank of Chicago may, at its discretion, withdraw the privileges of the collection system from any member bank which fails to observe these rules and requirements, or for other good and sufficient reasons.

On the first and fifteenth days of each month, all changes, if any, which have occurred in the list of members of the collection system since the preceding notice, will be published, and immediately thereafter the additions or withdrawals listed therein shall become effective.
9. No exchange charge will be made nor will any exchange charge be paid by the Federal Reserve Bank of Chicago in operating this collection system, which is a reciprocal arrangement for the mutual benefit of all member banks which join it.

(Note: The Federal Reserve Act provides that charges to be fixed by the Federal Reserve Board, may be imposed for the service of collection rendered by the Federal Reserve Banks. No charge will be made for the present but if after experience in operating the collection system, a charge is found necessary, such charge will be imposed only after due notice and will not be retroactive.)

10. The Federal Reserve Bank of Chicago reserves the right to add to, alter or amend these rules and requirements.

11. All items forwarded to the Federal Reserve Bank of Chicago shall be indorsed without restriction to the order of the Federal Reserve Bank of Chicago and show on each side of the indorsement the American Bankers Association transit number in prominent type.

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RESOLUTIONS
TO BE ADOPTED BY MEMBER BANKS

WHEREAS, The Federal Reserve Bank of Chicago has announced its readiness to undertake for its member banks the collection of checks and drafts drawn upon its member banks, and

WHEREAS, The said Federal Reserve Bank of Chicago has promulgated certain rules and requirements governing its conduct and the conduct of member banks in the operation of the collection system, which rules and requirements are as shown by copy thereof hereto attached, and

WHEREAS, This bank desires to avail itself of the privileges offered by the said Federal Reserve Bank of Chicago and to join the collection system so to be established,

NOW, THEREFORE, BE IT RESOLVED, That this bank hereby joins the said collection system of the Federal Reserve Bank of Chicago under the plan submitted by that bank in its circular letter, dated
April 7, 1915, and hereby agrees with the said Federal Reserve Bank of Chicago and with such other member banks of the Federal Reserve Bank of Chicago as have joined or may hereafter join the said collection system, to be bound according to the terms of the rules and requirements hereto attached, and by such other rules and requirements as may be hereafter promulgated.

AND BE IT FURTHER RESOLVED, That the Cashier of this Bank (or the Secretary of its Board of Directors) is hereby directed to forward to the Federal Reserve Bank of Chicago a certified copy of these resolutions.

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of resolutions of the duly adopted at a regular meeting of the Board of Directors of the said bank at on the day of , 1915, and that the said resolutions have not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said bank, at this day of , 1915.

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Cashier or Secretary of Board of Directors.