TO THE MEMBER BANKS OF DISTRICT NUMBER SEVEN:

CHECK CLEARING AND COLLECTION

On May 1, 1916, you were advised of the action of the Federal Reserve Board under which each Federal Reserve Bank is required to “exercise the functions of a clearing house for its member banks.” We now present herewith the details of the collection and clearing system which will be inaugurated by the twelve Federal Reserve Banks on July 15, 1916, and which will on that date supersede the present intra-district collection system.

USE OF THE COLLECTION SYSTEM IS VOLUNTARY

No member bank is required to use the collection system, nor are any formalities or resolutions required before it may be used. A member bank may send items for collection through the Federal Reserve Bank regularly, occasionally, or not at all; or may collect them through present correspondents or in any other manner considered advantageous.

ITEMS WHICH WILL BE RECEIVED

We will receive from member banks:
(a) Checks on all member banks of the Federal Reserve System throughout the United States.
(b) Checks on all non-member banks in the United States which can be collected by us at par.

Par lists of member and non-member banks on which items will be received will be furnished from time to time.

UNIFORM INSTRUCTIONS

To facilitate the handling of a large volume of items, it is understood that all checks and drafts handled by the Federal Reserve Bank as cash items are received under the following conditions:
1. All items of $10.00 or under are not to be protested.
2. All other items are to be protested except those stamped on the face “N. P.,” followed by the A. B. A. transit number of a bank endorser in the following form: (N. P. 2-30)
3. Advice to be telegraphed of dishonor of all items of $500.00 or over.

Items bearing other instructions should be accompanied by collection letters plainly marked “Special Items,” and will be received only for credit when paid.

ENDORSEMENT OF ITEMS

All items forwarded to the Federal Reserve Bank should be endorsed without restriction to the order of Federal Reserve Bank of Chicago and show on each side of the endorsement the American Bankers' Association transit number in prominent type.

RESTRICTIONS AS TO ENDORSEMENTS

To insure direct routing, this bank reserves the right to return any item drawn on a bank located outside of this district when such item bears the endorsement of a bank located outside of this district.
WHEN PROCEEDS OF ITEMS WILL BE AVAILABLE

Immediate credit entry at par, subject to final payment, will be made for all checks received by this bank by 2:00 P.M., except Saturday, when the hour will be 12:00 o’clock Noon. The proceeds of such items will not, however, be available for withdrawal nor count as reserve until the lapse of time indicated in the attached schedule.

For the convenience of member banks, the schedule is arranged in four divisions:
1. Points on which checks are immediately available for reserve.
2. Points on which checks are available in two days.
3. Points on which checks are available in four days.
4. Points on which checks are available in eight days.

You are requested to sort checks into the four divisions, listing each division on a separate sheet. This will enable you to determine the day upon which the funds will be available as reserve in this bank.

STATEMENT SHOWING AMOUNT OF UNCOLLECTED FUNDS

A transcript of account showing the gross balance, the amount of uncollected funds and the actual reserve balance will be sent to each member bank on every day upon which there is a transaction in the account or a change in the amount of uncollected funds.

METHOD OF HANDLING THE ITEMS

Checks drawn on member banks of this district will be forwarded direct to the paying banks and will be charged to their accounts on the second business day after the date of sending, thus giving member banks time to provide funds to cover.

Items drawn on non-member banks will be sent to such member banks as desire to receive them or may be sent by arrangement direct to non-member banks.

Unpaid items not subject to protest must be returned on day of receipt. Protested items must be returned not later than the day after receipt. Unpaid items must not be held for any purpose whatsoever except for immediate protest.

DIRECT ROUTING

When time can be saved and the volume of items warrants, arrangements may be made with this bank for direct routing between member banks of this district or between member banks of this district and other districts, or between member banks of this district and other Federal Reserve Banks.

HOW MEMBER BANKS MAY MAINTAIN BALANCES

Member banks may maintain their balances with us:
(a) By depositing Chicago exchange.
(b) By depositing out of town items, the proceeds of which will be available as reserve in accordance with the time schedule.
(c) By shipment to us at our expense of properly sorted lawful money or Federal Reserve Notes when unable to supply checks or Chicago exchange in sufficient volume to offset the items sent to them.
(d) By rediscounting.

Member banks are required by the Federal Reserve Board to provide funds to cover at par all checks received from or for the account of their Federal Reserve Bank; provided, however, that a member bank may ship lawful money or Federal Reserve Notes from its own vaults at the expense of the Federal Reserve Bank to cover any deficiency which may arise because of and only in case of inability to provide funds to offset checks received by or for the account of the Federal Reserve Bank.
SERVICE CHARGE

As it is optional with each member bank whether it will collect checks through the Federal Reserve Bank or through other channels, the cost of operating the system of check clearing and collection will be borne exclusively by the banks that use it and in exact proportion to the extent of its use by the individual banks.

The actual cost of operation will be assessed monthly on a per item basis upon the member banks depositing items. The service charge for the present will be 1½ cents per item. Should the cost per item decrease as the system develops the service charge will be reduced accordingly. No service charge for the present, at least, will be made for collecting items drawn on Chicago banks.

COLLECTIBLE AT PAR THROUGH THE FEDERAL RESERVE BANK OF CHICAGO

Member banks are entitled to place the words, "Collectible at par through the Federal Reserve Bank of Chicago," on their own checks and the checks used by their depositors. Your attention is called to the desirability of availing of this privilege.

DISTRICT NUMBER ON CHECKS

To facilitate the sorting of checks by member banks and by Federal Reserve Banks, it is requested that you have clearly imprinted on all your checks and drafts the figure 7, preferably in a large skeleton figure in the center of the check.

TRANSFERS OF FUNDS

It is suggested that member banks desiring to transfer funds should request their correspondents to make such transfers and should not, for that purpose, send for credit their drafts drawn on their correspondents.

PENALTY FOR IMPAIRMENT OF RESERVES

With the inauguration of the collection system, the penalty for impairment of reserves, provided by the Federal Reserve Act, will be imposed. You will be requested to report monthly the average reserve required to be kept with the Federal Reserve Bank. Impairment of the reserve, if any, will be ascertained by comparing the amount of the average reserve required with the average actual reserve as shown by our books. The penalty for the present, to be figured on the deficiency in reserve, will be an interest charge fixed by the Federal Reserve Board at a per annum rate of 2% above the maximum discount rate in this district, but in no case less than 6%.

CONDITIONS UNDER WHICH MEMBER BANKS MAY USE SYSTEM

Every member bank sending items to us, after the inauguration of the collection and clearing system, will be understood to have agreed to the terms and conditions set forth in this bulletin and to have thereby specifically agreed that in receiving such items the Federal Reserve Bank of Chicago will act only as the collecting agent of the sending bank; will assume no responsibility other than due diligence and care in forwarding such items promptly; and will be authorized to send such items for payment direct to the bank on which drawn or to another agent for collection at discretion.

CO-OPERATION OF MEMBER BANKS DESIRED

The new collection system is based upon the provisions of the Federal Reserve Act, and the details herein outlined are the result of careful study of the problems involved and of experience gained in operating the existing intra-district system.

The plan as presented is subject to modification in the future if experience in operating proves that changes are desirable or necessary. It is our desire that the system be conducted in such manner as to render valuable service to those who use it, and to this end your co-operation is requested.

We invite suggestions from member banks and shall cheerfully respond to any inquiries in regard to the details of the plan, either through correspondence or by personal interview.

Very respectfully,

JAMES B. MCDougAL
Governor.
# Schedule Showing When the Proceeds of Items Will Become Available

## Available on Receipt

- Chicago

## Two Business Days After Receipt

<table>
<thead>
<tr>
<th>State</th>
<th>City</th>
<th>State</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Illinois (except Chicago)</td>
<td>Atlanta, Ga.</td>
<td>Minneapolis, Minn.</td>
<td>New York City</td>
</tr>
<tr>
<td>Indiana</td>
<td>Boston, Mass.</td>
<td>New York City</td>
<td></td>
</tr>
<tr>
<td>Iowa</td>
<td>Cleveland, Ohio</td>
<td>Philadelphia, Pa.</td>
<td></td>
</tr>
<tr>
<td>Michigan</td>
<td>Dallas, Texas</td>
<td>Richmond, Va.</td>
<td></td>
</tr>
<tr>
<td>Wisconsin</td>
<td>Kansas City, Kan.</td>
<td>St. Louis, Mo.</td>
<td></td>
</tr>
</tbody>
</table>

## Four Business Days After Receipt

- Alabama
- Arkansas
- Colorado
- Connecticut
- Delaware
- District of Columbia
- Florida
- Georgia (except Atlanta)
- Kansas (except Kansas City)
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts (except Boston)
- Minnesota (except Minneapolis)
- Mississippi
- Missouri (except Kansas City and St. Louis)
- San Francisco, Cal.

## Eight Business Days After Receipt

- Arizona
- California (except San Francisco)
- Idaho
- Montana
- Nevada
- New Mexico
- Oregon
- Utah
- Washington
- Wyoming