

FEDERAL RESERVE BANK
OF DALLAS

Nov. 21, 1914.

BULLETIN #2.

TO THE MEMBER BANK ADDRESSED:

The officers and staff of employees of the Federal Reserve Bank of Dallas have been engaged since the organization in receiving, counting, classifying and storing the monies that have been sent into the bank in payment of allotments of capital stock to member banks, and that proportion of their reserves which constitutes the initial requirements under the Federal Reserve Act.

The bank has now reached the point of engaging in other functions, chief among them being the handling, in a limited way, of transit items and the rediscounting of commercial paper. Already a few rediscounts have been accepted and the proceeds placed to the credit of the applying bank. The chief problem before us is the formation of a distributive policy in the exercise of our lending power, without a definite knowledge as to the extent of the demand that may be made upon us to meet the requirements of our district, in the use of the rediscount machinery of the bank. We therefore must develop this function somewhat gradually, and must crave the indulgence of our member banks in that regard, reminding them that the collection of funds in payment of the capital stock is, in the operation of the law, spread over a period of time, while the transfer of the deposits in the form of reserve is to come to us during a period of three years.

We are anxious to give each applying member some line of credit, and after enough time has elapsed to receive the applications for rediscounting from member banks during the first few days, we can then determine something of the natural demand and perhaps can offer to early applicants further accommodations. The rate of discount in this district at the present time is 6% upon paper maturing within thirty days, and $6\frac{1}{2}$ for longer maturities.

Several inquiries have reached us as to the character of paper which is eligible for rediscount. In response to these, we would call the attention of member banks to Circular No. 13, issued by the Federal Reserve Board at Washington, which, together with the several regulations accompanying it, contains full information on this subject.

It is possibly not amiss for us to say that during the early operations of the bank, it is particularly desirable to receive from member banks the most liquid, short time paper which may be available in making applications for rediscounts, and such paper as will meet the requirements of the language of the Federal Reserve Act, arising from actual commercial transactions, proceeds of which have been used for agricultural, commercial or industrial purposes. As the law clearly indicates, we are not at liberty to take such paper as represents fixed investments in lands, plants, machinery, etc., nor that which may have been given for the carrying of stock or bonds, or, in any way, can be construed as having been made for speculative purposes.

We will furnish to any bank which desires to make an application, blank forms to be used. One of these is an "Authority to Rediscount", which must be passed by the Board of Directors of the applying bank. The Application for rediscount itself will contain the statement upon the part of the officer of the bank, that to the best of his knowledge and belief, the paper submitted is eligible under the requirements. All paper should be endorsed by member banks, employing ink in affixing the authorized signature of the endorsing officer, and such endorsement should waive demand, notice or protest. We shall particularly appreciate full information concerning the financial and moral strength of the makers of all paper that may be offered for rediscount.

In the beginning of clearing functions, we shall confine our operations to the handling of items for credit, drawn by member banks on this bank, or upon member banks in the several reserve cities in our district, of which there are six: Dallas, Fort Worth, Galveston, Houston, San Antonio and Waco. This function we shall undertake on next Monday, and the member banks in the reserve cities are requested to bear in mind that, in order to maintain their reserve requirements, they should anticipate, as nearly as possible, the extent of the sendings which this bank is charging against their respective accounts, that we may be given the best opportunity for a satisfactory handling of the volume which may come to us through this function. We must ask our member banks to use our facilities, as far as practical, in the normal way, giving checks against proceeds arising from all credits in such a manner as to largely confine the circulation of them to our own District.

We shall undertake to keep our member banks regularly informed, and to answer separate inquiries as promptly as our limited facilities will permit.

Our Transit Department is desirous that the member banks be informed as follows:

Daily transcripts will cover advices for cash letters, while special advices will be sent for other credits.

Monthly statement will not be furnished, as daily transcripts cover all entries. These should be checked upon day of receipt and exceptions reported at once.

Cash letters forwarded to member banks will be charged on date dispatched.

It will facilitate our work if Dallas items be listed on separate letters from miscellaneous items on other reserve cities.

Work can be handled more readily if the banks will employ numbered endorsement stamps.

We are enclosing herein for your information Regulation #7, issued over the signature of the Governor of the Federal Reserve Board.

Very respectfully,

Oscar Wells,