

FEDERAL RESERVE BANK  
OF DALLAS

NUMBER FOUR

December 18, 1914.

TO THE MEMBER BANK ADDRESSED:

Our communication of a week ago directed your attention to two functions of the Federal Reserve Bank, information concerning which will be given you from time to time as developments may warrant.

There has been no change in the function of rediscounting except that we now, and will until further notice, employ a rate of 5% on paper maturing within thirty days,  $3\frac{1}{2}\%$  for that which may mature within sixty days and 6% for longer maturities.

The other function, that of clearing items, is still being considered, but without a definite solution. At the meeting of the Council of Governors, the opinion seemed to prevail that before the handling of items within a district could be undertaken with any satisfaction, the problem of arranging for the handling between themselves of all checks drawn upon Federal Reserve Banks, and the method of settling the resultant balances, should be solved. Unless such checks can be handled by the other Federal Reserve Banks, the credits growing out of the acceptance of items within the district are not available to the member, as has already been demonstrated during the time in which we have been engaged in the limited transit work now employed by us. Upon this theory the Council of Governors appointed a sub-committee of five to deal with the entire subject of handling checks of all Federal Reserve Banks between the twelve institutions, and the methods by which the balances created by such exchanges may be settled. This committee is expected to report at the next meeting of the Governors, which will be held in Washington on January twenty second, 1915.

In the meantime, it will not be our policy to make any changes, other than those which may be necessary, in the present method of handling transit items.

Between now and the adoption of the method which may be regarded as permanent, the Federal Reserve Banks have agreed among themselves to handle for immediate credit, at par, from member banks within their respective districts, all items drawn on any Federal Reserve Bank. It will aid this institution materially, if the member banks will make free use of their drawings, against excess balances with us, in the sale of exchange to their customers, or the transfer of funds to Eastern and Northern points, and we will appreciate their giving consideration to this advantage.

We are dealing with new problems, concerning which there must be much confusion and misunderstanding, and therefore the officers welcome any criticism of a constructive nature from any member, believing that through the expression of opinions may come the best solution of the things which are now unsettled.

Very respectfully,