



FEDERAL RESERVE BANK  
OF DALLAS

R. L. VAN ZANDT, GOVERNOR  
J. W. HOOPES, DEPUTY GOVERNOR  
LYNN P. TALLEY, CASHIER  
SAM R. LAWDER, ASST. CASHIER  
R. R. GILBERT, ASST. CASHIER

February 15, 1918.

## Collection of Checks on Non-Member Banks

TO MEMBER BANK ADDRESSED:

The collection system of the Federal Reserve banks has grown to quite important proportions as to the volume of items handled and the increase in the use of the system by banks over the entire United States. This growth and the expressions of satisfaction received from a great many sources, seem to indicate that an economical facility has been provided for the collection of checks.

Whether or not a member bank forwards checks received on deposit directly to the Federal Reserve bank, generally speaking, the checks are finally collected through the medium of the District Clearing House. Further improvements and a further reduction in the matter of float are therefore possible by a still more general use of the collection facilities afforded by the District Clearing House.

Where checks are forwarded for collection through any intermediary channel, the float is necessarily increased by the length of time required for such intermediary to handle the checks.

Except in their own interests member banks are not under any obligation to forward checks received on deposit to the District Clearing House for collection, but may do so to the extent they deem advisable.

The prejudice expressed by banks toward the collection system has largely disappeared in actual practice, by reason of it having been discovered, in many quarters, that the collection system is of just as much economical advantage to the banks themselves as to commercial and individual interests. To whatever extent, therefore, that the member banks can by their co-operation through the Federal Reserve bank extend the facilities of the collection system, just so will they serve their own interests in the end, whether checks received on deposit by them are collected directly or indirectly through the Federal Reserve bank.

The extension of the collection facilities for the benefit of all banks and the co-operation to that end, can be developed in no better way than for the member banks located at points where there are non-member banks to handle checks on such non-member banks in the same manner as checks on themselves.

As checks on non-member banks collected in this manner are handled under the same method as checks on member banks, with respect to being acknowledged by return of settlement check attached to the letter in which such items are included and deferred charge against reserve account, there is no possible way in which the handling of checks on non-member banks in the same town can affect a member bank's reserve position.

Furthermore, checks can be collected in currency and the currency shipped to the Federal Reserve Bank of Dallas, without expense to the collecting bank, or retained by the collecting bank, as may best serve its purpose.

As it is the earnest desire of the management of this bank to accord to its members the best collection facilities, either directly or indirectly, there is enclosed herewith a card upon which may be indicated to us, by its return, your desire to broaden the collection facilities of the Federal Reserve system by handling checks on the non-member banks in your town upon the same basis as your own.

A prompt response will be appreciated.

Respectfully,

A handwritten signature in cursive script, reading "R. L. Van Zandt".

Governor.

(Enclosure)

From

.....  
(Date)

To        The Federal Reserve Bank of Dallas,  
          Dallas, Texas.

In accordance with the desire of the management of this bank to broaden the collection facilities of the Federal Reserve system, and that checks on non-member banks may be handled upon the same basis as checks on member banks, you may send us checks on the banks named below upon the same terms and under the same method as you forward us checks on ourselves:

.....  
.....  
.....  
.....

.....  
Cashier.