

FEDERAL RESERVE BANK OF DALLAS

Dallas, Texas, April 26, 1920.

FEDERAL RESERVE SERVICE TO NON-MEMBER BANKS

TO THE NON-MEMBER STATE BANK OR TRUST COMPANY ADDRESSED:

Under the authority of Section 13 of the Federal Reserve Act, and Regulation J of the Federal Reserve Board, the Federal Reserve Bank of Dallas is now prepared to extend certain facilities to non-member banks without any obligation on the part of such banks to become member banks. In view of the agreement entered into with the non-member banks of this Federal Reserve District for par remittances to the Federal Reserve Bank, and with a view to compensating the non-member banks for their co-operation in extending the collection facilities of the Federal Reserve System, the facilities briefly referred to below are offered to those non-member banks which may desire to become clearing members.

- (1) CURRENCY SHIPMENTS: Postage and insurance on currency shipped by registered mail to and from the Federal Reserve Bank of Dallas or its Branches will be paid by the Federal Reserve Bank of Dallas, when prepared and forwarded under the method provided. (if interested, ask for Circular No. 50, Series of 1918, Revised.)
- (2) TRUST DEPARTMENT FACILITIES: Liberty Bonds, Victory Notes, certificates of indebtedness or other securities will be received for the account of the clearing member and a trust receipt issued, containing the following clause: "The Federal Reserve Bank of Dallas will give to property left in its custody the same care that it gives its own property, but beyond that will not assume responsibility. Securities herein named will be delivered, or the proceeds credited, only upon the return of this receipt to the Federal Reserve Bank of Dallas, with appropriate instructions." Interest coupons will be clipped and proceeds disposed of by the Federal Reserve Bank of Dallas or its Branches in accordance with instructions of the depositing bank. (If interested, address Federal Reserve Bank of Dallas, Trust Department, for further information.)
- (3) WIRE TRANSFERS: Immediate credit at par will be given for transfers made to the Federal Reserve Bank by wire; likewise wire transfers will be made by the Federal Reserve Bank to banks located in other Federal Reserve or Branch Federal Reserve cities, without cost to clearing member banks. Telegrams advising wire transfers made for the credit of the Federal Reserve Bank, as well as telegrams requesting wire transfers to be made may be sent charges collect. (If interested, ask for Circular No. 2, Series of 1920.)
- (4) TRANSIT FACILITIES: The collection without deduction for exchange of all checks on all banks in the following Federal Reserve Districts: Boston (First), New York (Second), Philadelphia (Third), Cleveland (Fourth), Chicago (Seventh), Minneapolis (Ninth), Kansas City (Tenth), and Dallas (Eleventh), and all checks on all banks appearing on the Federal Reserve par list in the following

districts: Richmond (Fifth), Atlanta (Sixth), St. Louis (Eighth), San Francisco (Twelfth). Arrangements for par remittances on all banks in the last four mentioned districts are not quite complete but the following percentages of banks in those districts are collectible at par: Richmond-51%, Atlanta-27.8%, St. Louis-93.6%, San Francisco-90%. (If interested, ask for Circular No. 3, Series of 1920.)

The collection of all items for remittance after payment (Collection items) without charge by the Federal Reserve Bank. (If interested ask for Circulars Nos. 56, Series of 1917, 7 and 8, Series of 1920.)

(5) WILL ACT AS A RESERVE AGENT: The respective Commissioners of Banking of Texas and Oklahoma, and the respective State Bank Examiners of Arizona and New Mexico, have advised the Federal Reserve Bank of Dallas that they will, upon application by state banks, approve the Federal Reserve Bank of Dallas or its El Paso or Houston Branches as reserve agent for state banks under their respective supervision, and the banking laws of the states mentioned permit of this action on the part of their banking authorities. By an amendment to the State Banking law in Louisiana, a state bank in that state is permitted to count any part of its funds carried with the Federal Reserve Bank as a part of its lawful reserve required by the State Banking law to be carried in its vaults. Therefore, it is not necessary for the State Bank Examiner in that state to approve the Federal Reserve Bank as reserve agent for state banks under his supervision.

The entire state of Texas and parts of the other four states mentioned above comprise the Eleventh Federal Reserve District. It is therefore obvious that a state bank located within the Eleventh Federal Reserve District which becomes a clearing member of the Federal Reserve Bank of Dallas under the terms of this circular can, upon application to and approval of the banking authority of its state, designate the Federal Reserve Bank of Dallas or either one of its branches, as reserve agent and in that event, all balances maintained by it with the Federal Reserve Bank or one of its Branches, will count as a part of the clearing member's legal reserve under the banking laws of its state in the same manner as balances carried with any other reserve agent.

The above facilities are offered to incorporated non-member banks which become clearing members for the same benefits and under the same methods as to member banks. However, a clearing member bank, as a condition precedent to the availability of such facilities to it, will be required to maintain a balance with the Federal Reserve Bank of Dallas or its Branches, equal to only one-half of the balance which is required of a member bank. The lower balance required from a clearing member is by virtue of the fact that all of the facilities available to member banks cannot, under the law, be made available to non-member banks.

The balance which will be required from a clearing member bank in order to make the facilities enumerated available to it will be upon the following basis:

Banks not in reserve cities  $3\frac{1}{2}\%$  of net demand deposits and  $1\frac{1}{2}\%$  of time deposits, and from banks in reserve cities 5% of net demand deposits and  $1\frac{1}{2}\%$  of time deposits. The Federal Reserve Act requires that a clearing member bank must maintain a balance with the Federal Reserve Bank sufficient to offset items in the

process of collection; but inasmuch as the Federal Reserve Bank of Dallas has no clearing members at the present time, the basis suggested above is tentative and may, after experience, be revised.

Applications to become a clearing member should be made by ordinary letter to the Federal Reserve Bank of Dallas, and the clearing membership of banks in the territory of either the Houston or El Paso Branches will be assigned to the Branch in the territory of which the applicant bank is located.

A non-member bank desiring to withdraw its clearing membership may do so, after thirty days written notice shall have been filed with the Federal Reserve Bank of Dallas, or with the Branch to which assigned, and the adjustment of all outstanding items.

Non-member banks which become clearing members of the Federal Reserve Bank of Dallas will, by sending all of their miscellaneous cash items to the Federal Reserve Bank, save at least one day in obtaining the use of converted proceeds, over the present method of sending such miscellaneous items to city correspondents for credit and will receive a correspondingly increased amount of interest on their balance with their reserve city correspondents by reason of the proceeds being immediately available to the city correspondent on an interest basis when transferred by the Federal Reserve Bank. In expressing this thought, due regard is had for the interest of reserve city banks. By sending miscellaneous items direct to the Federal Reserve Bank, the reserve city correspondent of the clearing member bank would be relieved of a large proportion of the overhead expense in conducting such account, as it would not be required to handle the items but would receive the collected proceeds in one transaction by transfer from the Federal Reserve Bank. The use of such facilities would, in our judgment, reduce the "float" (the amount of items in the process of collection after credit to the sending bank's account) fully 25%.

Inquiries for more detailed information are invited and will be answered fully.

Respectfully,

(Signed) R. I. Van Zandt  
Governor.