

FEDERAL RESERVE BANK OF ST. LOUIS

P. O. Box 442
ST. LOUIS 66, MISSOURI

February 23, 1960

To All Banks in the Eighth
Federal Reserve District:

Banking is now ready to step over the threshold into the new era of automation. The years of careful planning by the American Bankers Association are now largely behind us and the time for moving ahead on the ABA check mechanization program is at hand.

Check mechanization became a practical possibility last year with the final adoption by banks, business machines manufacturers, and check printers -- under ABA auspices -- of the common machine language employing magnetic ink character recognition. In the past year, many banks have ordered electronic equipment and have begun preprinting their checks with magnetic ink characters. The twelve Federal Reserve Banks have adopted a program under which installations will be made in five of their offices to test the equipment of different manufacturers for performance capability and for operational and economic feasibility in a variety of work situations. In addition, the Federal Reserve Bank of St. Louis is now preprinting the transit number-routing symbol in magnetic ink on its official checks.

As you know, the economies which are to be gained by mechanized check operations cannot be realized until most checks are prepared for mechanized handling. We want to urge you, therefore, if you have not already done so, to take the necessary steps to have the check forms which you furnish your depositors preprinted with the transit number-routing symbol in magnetic ink characters. In addition, it would also be a great help to the program if you would encourage your depositors who have checks printed elsewhere to discuss the possible need for redesign with you before reordering supplies. After some initial difficulties, check printers can now produce magnetic character printing which can be "read" satisfactorily by electronic machines. We feel sure that you will find your printer thoroughly familiar with the common machine language program and ready to assist you.

We hope you will participate in the common machine language program of the American Bankers Association, and we believe that whatever additional costs may be involved will be a small price to pay in the interest of a more efficient check collection system.

DELOS C. JOHNS
President