

At a special meeting of the Federal Reserve Board held in the office of the Board at 3.15 p. m. on Monday, February 8, 1915

## PRESENT:

Mr. Hamlin, presiding,	Mr. Warburg
Mr. Delano	Mr. Harding
Mr. Williams	Mr. Miller

Mr. Willis, Secretary.

Mr. Harding presented applications for stock in the Federal Reserve Banks, as follows:

First National Bank	Capac, Mich.
First National Bank	Bonita, Texas
National Bank of	Sumter, S. C.

A plan for clearing between Federal Reserve banks, which had been made a special order for the afternoon meeting, was called up. Mr. Harding reported the results of a session held on Thursday, February 4, between a Committee of four representing the Federal Reserve Board and a special committee appointed by the Governors of the Federal reserve banks to consider the subject jointly. Mr. Harding said the joint committee had been fully impressed with the necessity of undertaking the proposed work. There were two distinct features of the problem - inter-district, and intra-district clearing

arrangements. In addition, there was also a joint or composite question to be disposed of, due to the fact that a member might have items on other member banks in other districts for which some provision would need to be made. It was, said Mr. Harding, the desire of the Committee to avoid giving rise to a legal discussion regarding the rights of member banks in connection with the clearing of checks. Should such a dispute arise, the introduction of the clearing system would undoubtedly be delayed through litigation. The plans proposed required that Federal reserve banks act precisely as any large bank would act. Each Federal reserve bank would communicate with its members, stating that it wanted to begin clearing. It would then ask permission to charge the member banks with items, undertaking to credit them as they came in. It would tabulate the replies received and would then issue a par list consisting of the names of those who had agreed to come in under the plan. This par list would be in form similar to that of the par list now used by ordinary banks except that instead of containing the names of cities, it would include the names of the banks assenting to the scheme. The effect would be that those banks that had not joined at the start would ultimately see the advantages and finally come in. The main thing to avoid was the

raising of any legal question regarding the matter. It would be necessary also to develop a plan for the proper distribution of collection charges.

At this point Mr. McAdoo entered the meeting and took the chair.

On motion it was voted that Mr. Harding and Mr. Delano act as a special committee with instructions to prepare a circular embodying the details of the plan for inter-district clearings, following the main outlines of the scheme suggested by the Governors, such scheme, however, not to interfere with the work already being done in the districts where the plan is now operative; the circular also to be regarded as merely the first step towards the complete introduction and effectiveness of a general scheme for clearing items.

After further consideration of the acceptance circular the Board gave attention to the closing of the Cotton Loan Fund operations, and on motion Mr. Harding and Mr. Miller were appointed a committee to draft and make public a statement to the press with reference to the Cotton Loan Fund.

On motion at 5.15 p. m. the Board adjourned to meet at 11.00 a. m. Tuesday, February 9.

APPROVED:

H. Parker Willis  
Secretary.

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Chairman.