

## FEDERAL RESERVE BANK OF NEW YORK

62 CEDAR STREET

APRIL 20TH, 1915.

TO THE CASHIER:

SIR:

The Federal Reserve Bank of New York in accordance with the terms of the Federal Reserve Act and the rulings of the Federal Reserve Board, is prepared to inaugurate, for the benefit of its members, a system of *intra-district collection*, that is, a system of collection of checks and drafts received from and drawn on member banks in District No. 2. Membership in the system will be voluntary and items will be received only from and upon those banks which join it. Such items will be immediately credited and debited to the accounts of the sending and paying banks, respectively, subject to payment in every case at the banking house of the member bank on which they are drawn.

For the present the system will not embrace the inter-district collection of checks and drafts, that is, the collection of checks and drafts drawn on banks outside of District No. 2. Such broader service can only be developed for the member banks of the various districts after experience shall have been gained in operating the intra-district service now offered.

This system is not intended to supersede the exchange of checks through local clearing houses or otherwise in or between nearby cities or towns. And wherever, in the case of a section far distant from its reserve bank or overlapping two reserve districts, or for any other reason, the collection of checks is being made more quickly or economically by direct interchange between the banks of the section than would be possible under the proposed plan, such interchange, for the present at least, will doubtless continue. This bank is advised that arrangements are in contemplation by the New York Clearing House Association for broadening the scope of par collections within this district, and that such plans will be developed in co-operation with the plan now proposed by this bank.

The collection system outlined herein is offered by the Federal Reserve Bank of New York as the first step in the improvement of present methods of collecting checks within its district. It is the result of much consideration on the part of the directors and officers of this bank, of conferences with member bank representatives of each of the eight groups of the New York State Bankers Association at a meeting held in New York City February 17, 1915, and of many conferences of the governors of the various Federal Reserve Banks. The plan has been authorized by the Federal Reserve Board, and it is understood that substantially similar systems of intra-district collection will be introduced by other Federal Reserve Banks. The system will be subject to such modifications or extensions as experience may show from time to time to be necessary or advisable.

The directors of each member bank which joins the collection system will be required to adopt and file with the Federal Reserve Bank of New York a resolution agreeing to the rules and requirements of the system. The resolution and the rules and requirements are attached hereto. There is also enclosed a copy of the resolution with the rules and requirements attached, to be executed and returned to this bank when the resolution has been adopted by your Board of Directors. Action thereon by your board is requested before May 15, 1915.

A further circular will be issued containing a list of the banks which have joined the collection system, announcing the date upon which it will begin operations and giving such further information as may be necessary.

Respectfully,

BENJ. STRONG, JR.,

Governor.

RULES AND REQUIREMENTS  
GOVERNING THE OPERATION OF THE COLLECTION SYSTEM OF  
FEDERAL RESERVE BANK OF NEW YORK.

1. Each member bank joining the system authorizes the Federal Reserve Bank of New York to charge immediately on receipt against its account, subject to final payment by such member bank at its banking house, checks and drafts payable upon presentation drawn upon it, deposited by other member banks which have joined the collection system.

2. The member bank undertakes to provide sufficient funds to offset the items charged against its account under the collection system, without impairing the reserve required to be kept in the Federal Reserve Bank of New York as shown by the books of the Reserve Bank, the amount of such funds to be determined by experience gained from actual operation.

3. Checks and drafts payable on presentation drawn on any member bank in District No. 2 which has joined the collection system, will be received for immediate credit subject to final payment, but only from such member banks as have joined the collection system. Items drawn on one bank and marked "payable if desired" at another bank will not be received unless drawn on a member bank which has joined the collection system.

4. Items sent for credit should be divided in two classes:

- (a) Items on member banks which are members of the New York Clearing House Association.
- (b) Items on other member banks in this District.

The items under each of these divisions should be listed on a separate sheet stating the name or transit number of the bank on which each item is drawn, and the amount. Each sheet should be separately footed, and where more than one sheet is used in listing items under either of the divisions, the totals of such sheets should be listed and footed on a separate sheet.

5. All items received before 1 P. M. (except on Saturday, when the hour will be 12 noon) will be credited on the day of receipt. Items received after these hours will not be credited until the following business day. All items except those cleared through the New York Clearing House, will be mailed at the close of each day to the member banks on which they are drawn. Member banks must advise the Federal Reserve Bank of New York on the day of receipt that such items have been received and credited. Unpaid items, not subject to protest, must be returned on the day of receipt; protested items must be returned not later than the day after receipt. Returned items will be credited to the account of banks on which they are drawn and charged to the account of and returned to the banks from which received. Unpaid items must not be held for any purpose whatsoever except for immediate protest.

6. In receiving the checks and drafts herein referred to, the Federal Reserve Bank of New York will act only as the collecting agent of the sending bank, will assume no responsibility other than for due diligence and care in forwarding such items promptly, and is expressly authorized to send such items for payment direct to the bank on which they are drawn, or to another agent for collection at its discretion.

7. Checks and drafts drawn on member banks which have joined the system may be stamped or printed across the face, "Collectible at par through the Federal Reserve Bank of New York", but such indorsement shall never be held to import that the Federal Reserve Bank of New York in accepting such checks or drafts for collection, has become the owner thereof or is acting otherwise than as the agent of the sending bank.

8. Member banks which do not join the collection system at the time of its inauguration, may do so at any subsequent time. Member banks will be permitted, on thirty (30) days' notice to the Federal Reserve Bank of New York to withdraw from the collection system and the Federal Reserve Bank of New York may, at its discretion, withdraw the privileges of the collection system from any member bank which fails to observe these rules and requirements, or for other good and sufficient reasons.

On the first and fifteenth days of each month, all changes, if any, which have occurred in the list of members of the collection system since the preceding notice, will be published, and immediately thereafter the additions or withdrawals listed therein shall become effective.

9. No *exchange* charge will be made nor will any *exchange* charge be paid by the Federal Reserve Bank of New York in operating this collection system, which is a reciprocal arrangement for the mutual benefit of all member banks which join it.

(NOTE: The Federal Reserve Act provides that charges, to be fixed by the Federal Reserve Board, may be imposed for the service of collection rendered by the Federal Reserve Banks. No charge will be made for the present, but if after experience in operating the collection system, a charge is found necessary, such charge will be imposed only after due notice and will not be retroactive.)

10. All items forwarded to the Federal Reserve Bank of New York must be indorsed without restriction to the order of the Federal Reserve Bank of New York with all prior indorsements guaranteed, and show on each side of the indorsement the American Bankers Association transit number in prominent type. An indorsing stamp will be furnished to each member bank joining the collection system.

11. The Federal Reserve Bank of New York reserves the right to add to, alter or amend these rules and requirements from time to time.

# RESOLUTIONS TO BE ADOPTED BY MEMBER BANKS.

WHEREAS the Federal Reserve Bank of New York has announced its readiness to undertake for its member banks the collection of checks and drafts drawn upon its member banks, and

WHEREAS the said Federal Reserve Bank of New York has promulgated certain rules and requirements governing its conduct and the conduct of member banks in the operation of the collection system, which rules and requirements are as shown by copy thereof hereto attached, and

WHEREAS this bank desires to avail itself of the privileges offered by the said Federal Reserve Bank of New York and to join the collection system so to be established,

NOW, THEREFORE, BE IT RESOLVED that this bank hereby joins the said collection system of the Federal Reserve Bank of New York under the plan submitted by that bank in its circular letter dated April 20th, 1915, and hereby agrees with the said Federal Reserve Bank of New York and with such other member banks of the Federal Reserve Bank of New York as have joined or may hereafter join the said collection system, to be bound according to the terms of the rules and requirements hereto attached, and by such other rules and requirements as may be hereafter promulgated.

AND BE IT FURTHER RESOLVED that the Cashier of this bank (or the Secretary of its Board of Directors) is hereby directed to forward to the Federal Reserve Bank of New York a certified copy of these resolutions.

I, the undersigned, do hereby certify that the foregoing is a true and correct copy of resolutions of the \_\_\_\_\_ Bank of \_\_\_\_\_  
duly adopted at a regular meeting of the Board of Directors of the said bank at \_\_\_\_\_  
on the \_\_\_\_\_ day of \_\_\_\_\_ 1915, and that the said resolutions have  
not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said bank, at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 1915.

.....  
Cashier  
or Secretary of Board of Directors.

[SEAL]

# FEDERAL RESERVE BANK OF NEW YORK

April 20, 1915.

To the Cashier:

Sir:

The enclosed circular, rules and resolutions, of which a careful study is requested, are substantially similar to those being sent by other Federal reserve banks to their member banks.

## RESERVE BALANCES

In order that member banks which join the collection system may not be inconvenienced as a result of unexpectedly large charges to their accounts, special attention will be given by this bank to the volume of the items passing through their accounts. At the outset a record of the average reserve on deposit will be kept for each bank joining the collection system, advice of which will be sent each week. Members may be assured that the efforts of the officers of this bank will be to make the system both satisfactory and economical.

Experience it is believed will soon determine for each bank both what the daily volume of charges will average, and the average remittances of items which will be required to meet such charges. Where the average volume of charges is found to exceed the average volume of items which a member bank is able to remit as offset, arrangements may be made for regular transfers by reserve agents, or if necessary, currency may be shipped for this purpose.

This bank, at least for the present, will continue to clear, and all checks on member banks which are members of the New York Clearing House will be received on deposit as heretofore. Such checks will be credited as of the day of clearing. When received too late to be sent to the Clearing House on the day of receipt, they will be credited on the following business day.

## EXCHANGE CHARGES

Many of the member banks of this district derive a considerable income from exchange charges, which they are naturally reluctant to surrender. As the plan proposed is a voluntary one, those banks which are unable or unwilling to give up this revenue will be enabled to observe the operation and advantages of the system, with a view to determining whether later it may be desirable for them to join it. In order to facilitate their consideration, arrangements have been concluded with competent experts to make a careful study of the income, expenses, and methods of a number of typical member banks in this district in order to determine whether any economies may be effected or additional sources of income developed, and by what methods. The expense of these studies will be borne by this bank, and their general results will be available to all member banks desiring them.

CHECKS ON FEDERAL RESERVE BANKS

Simultaneously with the beginning of actual operations under this system, a time allowance will be imposed upon checks drawn on other Federal reserve banks, which are deposited with this bank for collection by member banks. A schedule, showing the number of days for which credit will be deferred, is in course of preparation, together with a schedule of the charges at which the Federal Reserve Bank of New York will effect transfers by telegraph, both of which will be announced in due course.

The directors and officers of this bank ask for the cooperation of all member banks in the handling of this important matter. Inquiries in person or by letter concerning the circular and rules are invited and will be promptly and fully answered.

Respectfully,

Benj. Strong, Jr.,

Governor.

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..... BANK OF .....

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duly adopted at a regular meeting of the Board of Directors of the said bank at \_\_\_\_\_  
on the \_\_\_\_\_ day of \_\_\_\_\_ 1915, and that the said resolutions have  
not been rescinded or modified.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the said bank, at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 1915.

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Cashier  
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