

(Superseded by
Circular No. 292)

FEDERAL RESERVE BANK
OF NEW YORK

NEW YORK, Sept. 10, 1917.

PLAN FOR THE COLLECTION OF MATURING NOTES, BILLS AND
OTHER COLLECTION ITEMS

TO THE CASHIER,

SIR:

Upon the authority of the FEDERAL RESERVE BOARD and by its direction, on September 10, 1917, the FEDERAL RESERVE BANK OF NEW YORK will establish a Collection Department for the handling of collection items. These items will be collected as promptly as possible and credit given when actual payment has been received. The conditions and regulations governing the operation of this Department of the Bank are fully set forth in the following circular. Every bank sending collection items to us after the inauguration of this department will be understood to have specifically agreed to the terms and conditions set forth in this circular.

DATE OF INAUGURATION.

September 10, 1917.

ITEMS RECEIVED.

All collection items, drafts notes, coupons, acceptances, etc.

ROUTING.

The Federal Reserve Bank of New York, may, in its discretion, send all items for payment direct to a bank located at the place where the item is payable or to another agent for collection, and assumes no responsibility for the failure of any of its direct or indirect collection agents, and shall be held liable only when proceeds in actual funds or solvent credits shall have come into its possession.

CHARGES.

The Federal Reserve Bank of New York, will make a service charge of ten cents per item in addition to the exchange charge that may be made by the collecting bank. In case of the collection item being returned unpaid, there will be an additional charge of ten cents which will be paid to the bank presenting the item for payment. A service charge will not be imposed for collecting coupons. The only charge for the collection of coupons payable outside of the Federal Reserve City will be the usual one covering the expenses of registration and insurance or express charges plus any charge made by the collecting bank.

The additional charge of ten cents per item made for handling unpaid items will be paid to the presenting bank monthly.

REMITTING.

In so far as possible, items will be sent direct to their place of payment, and when payable outside of the district the collecting bank will be permitted to make remittance either direct to the Federal Reserve Bank of New York in New York exchange or, if more convenient, to any other nearby Federal Reserve Bank in available exchange for the credit of the sending Federal Reserve Bank.

The Collection Department is being established for the purpose of furnishing additional service to member banks, and to make this department as efficient as possible, it is earnestly desired that member banks co-operate in making prompt returns and advices of the payment of collection items.

It is recognized that in the presenting and remitting for collection items, the remitting or crediting bank is rendering a service of a different character than that of remitting for its own checks, and for such service is entitled to make a reasonable exchange charge.

A special form of remittance letter will accompany all collection items, this form can be used by the remitting or crediting bank.

Respectfully,

BENJ. STRONG,
Governor.

FEDERAL RESERVE BANK
OF NEW YORK

September 11, 1917.

Dear Sir:

In order to complete arrangements for handling the large transfers of cash and credit which will be necessary at the time of payment for the next issue of Liberty Loan bonds, this bank desires to obtain certain information daily from the banks and trust companies of New York City to enable it to deal with the matter intelligently. The information desired is as follows:

- FIRST Total amount of balances carried with the reporting institution by banks, trust companies and savings banks located outside of the City of New York.
- SECOND Total amount of strictly call loans carried by the reporting institution for the account of out-of-town banks, bankers, firms and corporations.
- THIRD Total amount of strictly call loans carried by each reporting bank for its own account. (Call loans specified in 2 and 3 to be classified as strictly call loans should generally be those made to brokers and security dealers, payment of which may be required on the day called, in accordance with stock exchange practice, or on at least not more than three days' notice.)
- FOURTH The amount of the following classes of securities which are eligible either for discount or as collateral for loans at the Federal reserve bank:
- (a) Unpledged obligations of the United States Government,
 - (b) Municipal Warrants,
 - (c) Commercial Paper,
 - (d) Acceptances owned by the reporting banks.
- (Definitions of eligibility of these classes of securities as specified by the Federal Reserve Act or by the regulations of the Federal Reserve Board are attached.)

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FIFTH The amount (market value) of securities owned by the reporting bank in addition to and not included in those reported under No. 4, and which may be accepted by the Federal reserve bank as collateral to secure Government deposits as prescribed by Treasury Department Circular No. 81 and by subsequent rulings of the Department modifying the same. (A statement of the securities defined by the circular and rulings referred to is attached. This is subject to changes as and when made by the Treasury Department, of which you will be kept advised.)

It is requested that reports be mailed to the Federal reserve bank at the close of business each business day, commencing September 12, 1917, the figures to include the transactions of the day on which the report is made, and to be furnished upon forms which will be provided by this bank.

If doubt exists as to the eligibility of any securities of the classes referred to, the officers of this bank will be glad to furnish any information required.

This request is made pursuant to plans which are being developed by this bank in cooperation with the Liberty Loan General Committee of this district, with the object of facilitating the financing of the next Government Loan so as to avoid unnecessary disturbance to the money market. A special committee consisting of Messrs. George F. Baker, Walter E. Frew, Gates W. McGarrah, Chas. H. Sabin, Frank A. Vanderlip, James N. Wallace and Benjamin Strong, Chairman, has been appointed for the purpose of dealing with this matter.

It is the belief of the committee that a prompt response to this request and the cooperation of the banks to whom it is addressed will be in the national interest.

The committee will appreciate a response to this letter.

Very truly yours,

Governor.

FEDERAL RESERVE BANK
OF NEW YORK

September 15, 1917.

Dear Sirs:

Referring to our letter of September 11th on the subject of facilitating the financing of the next Government loan, I take pleasure in advising you concerning certain questions which have been raised as to the figures to be included in the daily reports, as follows:

- FIRST: No. 1. BALANCES OF OUT-OF-TOWN CORRESPONDENTS- Should not include foreign balances.
- SECOND: No. 4. ELIGIBLE AT FEDERAL RESERVE BANK - Should not include commercial paper which, at the date of the report, is pledged as collateral to secure Government deposits.
- THIRD: No. 5. ELIGIBLE FOR GOVERNMENT DEPOSITS-- Should include commercial paper having a maturity at the time of discount of not to exceed six months, exclusive of days of grace, when otherwise eligible for rediscount or purchase by Federal reserve banks.

Very truly yours,

Secretary.

FEDERAL RESERVE BANK
OF NEW YORK September 17, 1917.

Dear Sirs;

Recent amendments to the Federal Reserve Act and to State laws in this district have materially changed bank reserve requirements, thus clearing the way for cooperation by banks in diverting to the Federal reserve bank some of the gold and gold certificates which are in general circulation among the people or lying idle in commercial tills and elsewhere.

The Federal Reserve System was called on during June to supply the large temporary expansion of credit required by member and other banks in effecting the payments for the first Liberty Loan, and will doubtless be similarly called upon, to an even greater extent, in the forthcoming issue and in other large financial operations incidental to our participation in the war. The recent expansion and subsequent contraction of credit may be illustrated by the loans and discount of the Federal Reserve Bank of New York, which were \$37,000,000 on June 1, 1917, \$252,000,000 on June 19th, and \$73,000,000 on August 8th. It is of importance to every bank in the country that the gold supply, upon which is based the credit power of the Federal Reserve System, should be strengthened in every way possible and particularly by gradually replacing with Federal reserve notes a considerable part of the gold now in general circulation outside of the banks, and that the System should thus attain its maximum strength for the period of war financing upon which we have entered.

It has been estimated that over \$600,000,000 of gold coin and certificates are in general circulation outside of the Treasury and the banks, and it is

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generally recognized that for this class of circulation Federal reserve notes (which are redeemable in gold at the Treasury of the United States and in gold or lawful money at any Federal reserve bank) would serve equally well. Such a substitution would, as above stated, result in building up the gold holdings of the Federal Reserve System and adding correspondingly to its credit power and banking strength.

Several hundred commercial banks and trust companies in this district have signified their willingness to cooperate with us in this matter and are sending in important amounts of gold and gold certificates. The cooperation of the savings banks in the district is also earnestly desired, and I suggest that you aid in this movement by sorting out of your incoming cash the gold certificates, not paying out any such certificates over your counter unless especially requested but, instead, forwarding to this bank all you may accumulate in excess of those you think it advisable to carry as part of your vault money. We will pay transportation charges on such gold certificates, whether fit or unfit for circulation, and either

- (a) Furnish you instead, free of expense, Federal reserve notes of such denominations as you may desire; or
- (b) Place the amount to your credit in any designated bank in New York City.

We trust that we may hear from you favorably in response to this letter and may have your cooperation which will involve no added expense on your part other than the slight additional labor involved in sorting and forwarding these certificates.

Very truly yours,

Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

September 20, 1917.

Dear Sirs:

According to instructions received from the Treasury Department, we desire to notify you to make repayment on Saturday, September 22, 1917 of \$ _____ and on Monday, September 24, 1917 of \$ _____ of the funds to the credit of the Federal Reserve Bank of New York as fiscal agent for the United States.

Will you, therefore, send us your checks in these respective amounts to reach us on the above dates. Kindly omit interest adjustment until later advice from us is received,

Very truly yours,

Assistant Cashier.