

FEDERAL RESERVE BANK OF NEW YORK

New York, October 31, 1917

INFORMATION FOR STATE BANKS AND TRUST COMPANIES

In response to the President's recent appeal, numerous inquiries have been received from various state banks and trust companies asking for information about the terms and conditions of membership for state institutions.

In answer thereto the following brief circular has been prepared for the purpose of outlining the course to be followed by such institutions desiring to join the Federal Reserve System.

APPLICATION FOR MEMBERSHIP

The steps to be taken are:

1. Adoption by the board of directors of a resolution making application for stock in Federal reserve bank (form 83a).
2. Formal application for the requisite number of shares, agreement to pay for same and to comply with requirements of Federal Reserve Act, etc. (form 83a).
3. The following three exhibits are to be attached to application:
Exhibit 1. A statement of condition as of given date signed by three directors and duly certified by cashier or secretary.
Exhibit 2. A copy of charter or articles of incorporation of the corporation with amendments.
Exhibit 3. A statement containing information requested in supplement to this application.

Form 83a and supplement thereto will be sent to those interested upon request.

RIGHTS AND PRIVILEGES OF MEMBER BANKS

Among the rights and privileges of member banks are the following:

To receive advances from the Federal reserve bank, for periods not exceeding fifteen days, on the member bank's own promissory note, secured by eligible commercial paper or U. S. Government bonds or notes;

To rediscount eligible commercial paper with the Federal reserve bank;

To obtain Federal reserve notes and other currency as needed, from the Federal reserve bank;

To receive deposits of postal savings and other government funds;

To "accept" drafts and bills of exchange based on foreign or domestic commerce, subject to certain conditions, if state charter permits, and to benefit by an improvement of the status in its open market acceptances;

To participate in the check clearing and collection facilities of the Federal Reserve System, as well as its system of transfers;

To have checks and drafts drawn upon it received at par by all Federal reserve banks;

To make its drafts on the Federal reserve bank available for immediate credit at any Federal reserve bank;

To receive deposits from other member banks in excess of 10% of the capital and surplus of the depositing bank.

BANKS ELIGIBLE FOR ADMISSION TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

Any state bank, banking association or trust company incorporated by special law of any state or of the United States and possessing a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Banking Act, may become a member of the Federal Reserve System.

Such provisions as to capital are:

In cities or towns not exceeding 3,000 inhabitants, \$25,000;

In cities or towns exceeding 3,000 but not exceeding 6,000 inhabitants, \$50,000.

In cities or towns exceeding 6,000 and not exceeding 50,000 inhabitants, \$100,000;

In cities or towns exceeding 50,000 inhabitants, \$200,000.

RESERVE REQUIREMENTS

Each member bank is required to maintain with its Federal reserve bank a net balance on deposit equal to its entire required lawful reserve as provided for by the Federal Reserve Act as amended June 21, 1917, as follows:

- (a) If not in a reserve or central reserve city, 7% of demand deposits and 3% of time deposits;
- (b) If in a reserve city, 10% of demand deposits and 3% of time deposits;
- (c) If in a central reserve city, 13% of demand deposits and 3% of time deposits.

The Federal Reserve Act requires no stipulated vault reserves, leaving to the discretion of each institution the amount of cash on hand or "till money" to be maintained.

The account maintained with the Federal reserve bank may be made as active as desired. It may be freely checked against and balances again built up by daily deposits or rediscounts, and accumulated surplus funds in the account may be freely transferred to other banks or from New York to other points in the United States by mail or telegraph without cost excepting telegraphic charges.

POWERS AND RESTRICTIONS

Every state bank or trust company becoming a member of the Federal Reserve System

- (1) shall retain its full charter and statutory rights as a state bank or trust company;
- (2) may continue to exercise all corporate powers granted it by the state in which it was created;
- (3) shall be entitled to all privileges of member banks, subject to the provisions of the Federal Reserve Act and to the regulations of the Federal Reserve Board;
- (4) shall maintain such improvements and changes in its banking practice as may have been specifically required of it by the Federal Reserve Board as a condition of its admission and shall not lower the standard of banking then required of it; and
- (5) shall enjoy all the privileges and observe all those requirements of the Federal Reserve Act and the regulations of the Federal Reserve Board made in conformity therewith which are applicable to state banks and trust companies which have become member banks.

EXAMINATIONS AND REPORTS

Every state bank or trust company, while a member of the Federal Reserve System, shall be subject to examinations made by direction of the Federal Reserve Board or of the Federal reserve bank by examiners selected or approved by the Federal Reserve Board.

In order to avoid duplication, examinations of state banks and trust companies, made by State authorities, will be accepted in lieu of examinations by examiners selected or approved by the Board wherever these are satisfactory to the directors of the Federal reserve bank and where, in addition, satisfactory arrangements for cooperation in the matter of examination between the designated examiners of the Board and those of the State already exist or can be effected with State authorities. Examiners from the staff of the Board or of the Federal reserve banks will, whenever desirable, be designated by the Board to act with the examination staff of the State in order that uniformity in the standard of examination may be assured.

Every state bank or trust company, while a member of the Federal Reserve System, shall be required to make in each year not less than three reports of condition and of the payment of dividends. Such reports shall be made to the Federal reserve bank of its district on call of such bank on dates to be fixed by the Federal Reserve Board.

WITHDRAWALS FROM SYSTEM

Any state bank or trust company desiring to withdraw from membership in the Federal reserve bank may do so, after six months' written notice shall have been filed with the Federal Reserve Board, upon the surrender and cancellation of all its holdings of capital stock in the Federal reserve bank: provided, however, that no Federal reserve bank shall, except under express authority of the Federal Reserve Board, cancel within the same calendar year more than twenty-five per centum of its capital stock for the purpose of effecting voluntary withdrawals during that year. All such applications shall be dealt with in the order in which they are filed with the Board.

DISCOUNT RATES

The present rates for discount and loans at the New York Federal reserve bank are as follows:

3% for loans and discounts maturing from 1 to 15 days

3½% for trade acceptances maturing from 15 to 90 days

4% for other commercial paper maturing from 15 to 90 days

5% for agricultural paper maturing from 3 to 6 months

3½% for rediscounts secured by Liberty Loan bonds maturing from 15 to 90 days.

The foregoing rates are available for member banks only.

FURTHER INFORMATION

Upon application, the Federal Reserve Bank of New York will furnish any additional information desired in regard to the kind of paper eligible for discount, the conditions of entrance or the operations of the Federal reserve bank.

FEDERAL RESERVE BANK
OF NEW YORK

November 2, 1917.

Dear Mr.

You may remember that on August 10th we wrote you asking your cooperation in diverting to this Federal reserve bank some of the gold and gold certificates which are in general circulation among the people outside of banking institutions, in order to increase our reserve strength and thereby the strength of every banking institution in the district.

We suggested that you should sort out of your incoming cash the gold and gold certificates, not paying them out over your counter except on request, but, instead, forwarding to this bank all you may accumulate in excess of what you think it desirable to carry. We are willing to 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 this bank or in any designated bank in New York City.

In case you have gold coin which you feel willing to spare, we shall be glad to handle it under the same plan as outlined above for gold certificates.

Ordinarily we receive gold coin subject to the usual limit of tolerance, but up to the close of business November 20th we will agree to receive gold coin at its face value, thereby absorbing whatever loss there may be by abrasion. Please note, however, that the offer to take the gold coin at its face value will expire on November 20th.

A large number of the banks in the district have been sending us gold so accumulated, from time to time, and the large reservoir of gold which this bank now holds is a protection to every bank in the district, since it gives assurance

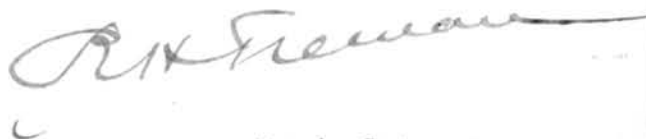
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that gold is always available for their requirements, when needed. You are, of course, aware that Federal reserve notes are available for the vault money of all national banks and for the required vault reserves of all state institutions in this district.

We are sure that you appreciate the desirability of having a very large amount of gold concentrated in this Federal reserve bank in order that it may have the reserve strength to provide the additional credit which will be required from time to time, especially in connection with payments for Liberty Bonds. We shall appreciate it if you and your fellow officers and directors will give this matter your personal attention.

Will you please let us know whether we may count on your active cooperation in the manner suggested?

Very truly yours,



Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

November 2, 1917.

Dear Mr.

On August 10th we wrote you, suggesting that you cooperate with us by sorting out of your incoming cash all gold certificates, not paying them out over your counter except on request, but, instead, forwarding to us any you may not need for your requirements. We are pleased to note that you have done so, and trust that you will continue to do so hereafter.

As we advised you in the letter, we 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 this bank or in any other designated bank in New York City.

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Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

GOVERNMENT DEPOSIT
DEPARTMENT
50 WALL STREET

November 3, 1917.

RE: GOVERNMENT DEPOSITS

TO THE CASHIER:

With a view to avoiding congestion at times when payments of instalments to the second Liberty Loan are to be made, the following suggestions are offered:

1. The Treasury Department has arranged that banks may make payment by book credits not only for the convenience of the banks, but, also, as an effective method of reducing to a minimum the disturbance to money and banking conditions which might arise in financing full or partial payments for the bonds. It is of paramount importance that banks should avail of this facility to the greatest extent possible; therefore, if you have not already applied and qualified for designation as a depository, we urge that you file your application with us at once so that you may receive such designation promptly and thus be placed in a position to pay for the bonds allotted to you in full or in part by book credit in "War Loan Deposit Account" on your books, thus cooperating to the fullest extent with the Government's plan for effecting payments with the least possible disturbance.

The procedure for qualifying is outlined in Treasury Department Circular No. 92, also in our circular letter No. 86, which, together with the necessary forms for making application, have been sent to you and all other financial institutions in this district. Should you desire duplicates, we shall be glad to forward them upon receipt of request.

2. If you have already received your designation as a depository for Government funds and have pledged as security therefor United States Government certificates of indebtedness or bonds of the new issue which you purpose to withdraw,
 - (a) with respect to the certificates:

either for collection at maturity or to apply in payment for bonds on November 15th or subsequent instalment payment date, or

(b) with respect to the bonds:

for delivery to your subscribers you are urged to substitute other securities for such certificates or bonds to be withdrawn before November 15th so that you will be in a position on that date to receive the largest possible amount of Government deposit, either by the establishment of book credit on your books, or through redeposit by us with you. Substitution blanks will be furnished on request.

3. If you have not already filed your application for designation, you are urged, in preparing your securities which you will offer, to consider the matter referred to under heading 2 above.
4. If it is your purpose to apply in payment for the 4% bonds any United States certificates of indebtedness now pledged by you as security for Government deposits and substitute as such security the 4% bonds so paid for, please sign and return to us at once the enclosed form authorizing delivery of such certificates of indebtedness to the bond issue division of this bank in order that the certificates may be promptly exchanged and replaced by the 4% bonds.

Your immediate attention to these matters will be appreciated.

Very truly yours,

L. F. SAILER,

Cashier.

Enclosure.