

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 1729, January 28, 1937
[Amending Circular No. 856, dated July 2, 1928]]

Charge for Handling Certain Securities

*To Member Banks and Nonmember Clearing Banks
in the Second Federal Reserve District:*

We have been informed that regulations have been adopted by the New York Clearing House Committee to the effect that on and after February 1, 1937, no member of the New York Clearing House Association (or other institution to which the regulations apply) shall receive or deliver for a domestic bank, trust company, or other enumerated institution or dealers or brokers, as defined in such regulations, any security without making a charge for receiving and delivering the same in accordance with a schedule of minimum charges, except as specifically permitted. The adoption of these regulations by the Clearing House Committee has necessitated a review of our practice with respect to the handling of securities.

On and after February 1, 1937, this bank will make a minimum charge of \$1.50 for each transaction involving the receipt, delivery, or handling the exchange or transfer of, securities for or upon the instructions of a member bank if such securities do not belong to such member bank but belong to, or are handled by such member bank for account of, a customer.

In order that our practice with respect to handling drafts with securities attached may be consistent with our revised practice with respect to handling securities as hereinabove described, we will, on and after February 1, 1937, make a minimum charge of \$1.50 for each draft with securities attached received by us at our head office or at our Buffalo Branch from a member (or nonmember clearing) bank if such securities do not belong to such bank but belong to or are handled by the bank for account of a customer; and our Circular No. 856, dated July 2, 1928, entitled "Collection of Maturing Notes and Bills, or Other Noncash Items" (and particularly Section 3 of such circular, entitled "Collection Charges") is hereby modified and amended accordingly.

Our practice with respect to safekeeping, receiving, delivering, and otherwise handling securities owned by member banks is not affected by this circular, and no charge for such transactions will be made by us except for out-of-pocket expenses. It is requested that member banks indicate in their letters or advices transmitting securities to us whether such securities are owned by such member banks or by their customers. Member banks are also reminded that it is our policy not to accept for safekeeping for member banks any securities except those which are owned by such member banks.

GEORGE L. HARRISON,
President.

New York Clearing House

1729
New York, January 5th, 1937.

Sir:—

We beg to hand you herewith a copy of an amendment to ARTICLE XI of the Constitution adopted at a meeting of the Association held this day, together with Regulations issued by the Clearing House Committee pursuant to said amendment.

Very truly yours,

WILLIAM S. GRAY, JR.,

CLARENCE E. BACON,
Manager.

Chairman,
Clearing House Committee.

AMENDMENT ADOPTED JANUARY 5TH, 1937

Amend ARTICLE XI of the Constitution by adding thereto a new Section to be designated "SECTION 7" and to read as follows:

"SECTION 7. No member of this Association (nor any non-member clearing through a member), its affiliate or subsidiary, shall receive or deliver for a Domestic Bank, Trust Company, Savings Bank, Private Bank or Banker, Mortgage Company, Building and Loan Association (their affiliates or subsidiaries) or Dealers or Brokers, any security without making a charge for receiving and delivering the same in accordance with rates fixed by the Clearing House Committee, except that if the member handling the transaction is advised that said transaction is for the correspondent Bank's (including Domestic Bank, Trust Company, Savings Bank, Private Bank or Banker) own account, the charge shall be discretionary.

The Clearing House Committee is hereby authorized and empowered to fix minimum charges to be imposed under this Section, to interpret its provisions, and to make such exceptions, rules and regulations as it may deem necessary."

The Section of said ARTICLE XI now designated "SECTION 7" shall hereafter be designated "SECTION 8."

REGULATIONS ADOPTED BY THE CLEARING HOUSE COMMITTEE PURSUANT TO SECTION 7 OF ARTICLE XI OF THE CONSTITUTION

On and after February 1st, 1937, no member of this Association (nor any non-member clearing through a member), its affiliate or subsidiary, shall receive or deliver for a Domestic Bank, Trust Company, Savings Bank, Private Bank or Banker, Mortgage Company, Building and Loan Association (their affiliates or subsidiaries) or Dealers or Brokers, as hereinafter defined, any security without making a charge for receiving and delivering the same in accordance with the following schedule of minimum charges, except as hereinafter specifically permitted.

1. For receiving or delivering securities:

For each transaction under any of the classifications described below, the minimum shall be \$1.50 for each security, plus any actual expense such as postage and insurance.

- (a) For receiving from any source securities against receipt or payment, including purchases, with or without transfer, and delivering direct to customer or depositing into safekeeping.
- (b) For receiving from any source or withdrawing from safekeeping securities for the purpose of transfer or exchange for other securities.
- (c) For receiving from any source or withdrawing from safekeeping and delivering securities against receipt or payment, including sales, and collecting, crediting or remitting payment.
- (d) For receiving from any source or withdrawing from safekeeping warrants or rights, and selling or delivering against receipt or payment said warrants or rights where the amount involved exceeds \$10.00.

- (e) For receiving from any source or withdrawing from safekeeping scrip for combination into new securities, and delivering or depositing into safekeeping, with or without purchase of additional scrip, where the amount involved exceeds \$10.00.
- (f) For receiving from any source or withdrawing from safekeeping warrants or rights, making subscription and delivering or depositing into safekeeping new securities, with or without purchase of additional rights.
- (g) For receiving drafts from correspondent banks located outside New York City with securities attached to be collected, even though the correspondent banks may have made advances either directly or indirectly against such drafts. (A draft which is handled as one item, even though more than one issue is attached, shall be considered as one security when computing the fee.)

NOTE: Under paragraphs (b) and (f) the charge shall be based on the new securities received.

It is the intention that the charge for the services enumerated under Heading 1 above shall be made on all transactions whether they be so-called clearances, collections or brokerage transactions, or receipts into or deliveries out of safekeeping accounts, also regardless of department or affiliate handling.

- 2. For receiving drafts from Dealers or Brokers in New York City with securities attached to be collected, even though deposited against immediate credit, the minimum charge shall be \$1.00, to be paid by depositor. (A draft which is handled as one item, even though more than one issue is attached, shall be considered as one security when computing the fee.)
- 3. The charge for receiving or delivering securities for a correspondent bank's (including Domestic Bank, Trust Company, Savings Bank, Private Bank or Banker) account shall be made, unless the Clearing House member (or any non-member clearing through a member) handling the transaction is advised that said transaction is for the correspondent bank's own account, in which event the charge shall be discretionary. A transaction handled for a correspondent bank acting in any fiduciary capacity shall not be deemed to be for the correspondent bank's own account.
- 4. The charge for delivering securities direct to customer from safekeeping, or receiving securities directly from the customer for safekeeping, without transfer or exchange, shall be discretionary.
- 5. No member of this Association (nor any non-member clearing through a member) shall avoid these charges by rendering the service herein covered through its subsidiary or affiliate.

EXCEPTIONS

Nothing herein contained shall be held to apply to the receiving or delivering of securities by any member of this Association (nor any non-member clearing through a member), its affiliate or subsidiary, acting in any of the following capacities:

- (a) As Executor, Administrator, Guardian or Trustee (personal or corporate) acting under a Deed of Trust, Mortgage, Indenture or other form of Trust Agreement or in the anticipation of the execution of the same.
- (b) As Transfer Agent, Registrar, Escrow Agent, Depositary under Agreements or Reorganization, Protective Committees, Corporate Consolidations, Capital Readjustments, or other similar corporate Agency capacity.
- (c) As a buyer or seller of securities or exchange drafts with securities attached for its own account or affiliate, receiving or delivering securities relating to its own investments as a dealer legally authorized to engage in the securities business.
- (d) As manager or agent of syndicate or joint account in which it has an interest.
- (e) As a lending or borrowing banking institution receiving or delivering securities, relating to its own loans or investments, or to loans for the account of customers.

DEFINITION OF ACCOUNTS COMING WITHIN THE PURVIEW OF THIS SCHEDULE

- (a) National Banks, State Banks, Trust Companies, Savings Banks, Private Banks, Bankers and Dealers and Brokers, Mortgage Companies and Building and Loan Associations, domiciled within the United States, its dependencies, or Canada.
- (b) Affiliates, branches, or agencies of the foregoing located in the United States, its dependencies, or Canada.

DEFINITION OF "SECURITY"

The term "Security" shall be interpreted to mean stocks, bonds, rights, scrip, warrants, interim certificates, trust receipts, bankers receipts, either temporary or permanent, and all other negotiable or non-negotiable paper that is commonly known as securities in banking custom or practice.