

Superseded by 103
Reference to 7

FEDERAL RESERVE BANK
OF NEW YORK

JUNE 6th, 1916.

TO THE CASHIER :

SIR :

On May 1 we sent you a copy of the circular of the Federal Reserve Board announcing that the Federal reserve banks would establish a countrywide par collection system and stating the principles upon which it would be operated.

We now desire to advise you of the details of this collection system which will be inaugurated by the twelve Federal reserve banks on July 15, 1916, and will, on that date, supersede the present intra-district system.

USE OF THE COLLECTION SYSTEM IS VOLUNTARY

No member bank is required to use the collection system, nor are any formalities or resolutions required before it may be used. A member bank may send items for collection through the Federal reserve bank regularly, occasionally or not at all; or may collect them through present correspondents or in any other manner considered advantageous.

ITEMS WHICH WILL BE RECEIVED

We will receive from member banks

- (a) All items drawn on member banks of all districts.
- (b) All items drawn on non-member banks which are members of the clearing houses situated in the twelve Federal reserve cities.
- (c) All items drawn on other non-member banks which can be collected by us at par.

Lists of the banks on which items will be received will be furnished from time to time. As soon as arrangements can be made, drafts and collection items will also be received for credit after collection.

WHEN PROCEEDS OF ITEMS WILL BE AVAILABLE

All items drawn on members of the New York Clearing House Association received in time for clearing will be immediately credited at par and will thereupon become available as reserve or to pay checks drawn. Such items, however, will not be received from members of the New York Clearing House Association.

For all other items immediate credit entry at par will be made, but such credit will not be available as reserve or to pay checks drawn, until the appropriate period indicated on the attached schedule has elapsed. These periods are based on the mail time required for items to reach the paying bank plus the mail time required for the paying bank to remit to the Federal reserve bank of its district. By averaging the mail time it has been possible to include all points in the country in four divisions, namely, 1, 2, 4 and 8 days. The schedule is subject to change, and for convenience it has been arranged by States rather than by Federal reserve districts.

HOW ITEMS WILL BE HANDLED

Items drawn on member banks in this Federal reserve district will be forwarded directly to such banks and charged to their accounts after sufficient time has elapsed for us to have received advice of payment. The form for such advice will be attached to our letter and must be signed and returned to us on the day of receipt.

Items drawn on non-member banks in this district will be sent to member banks wherever satisfactory arrangements are made, or may, in our discretion, be sent direct for remittance.

Items drawn on member or non-member banks in any other district will be sent to the Federal Reserve Bank of such district for collection and settlement.

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. Unpaid items must not be held for any purpose whatsoever except for immediate protest.

SPECIAL ROUTING ARRANGEMENTS

If a member bank has a sufficient volume of items on certain points or districts to warrant more direct routing of such items, special arrangements to meet such conditions will be made on request, if practicable.

HOW MEMBER BANKS MAY MAINTAIN BALANCES

Member banks may maintain their balances with us (a) by shipping to us at our expense properly sorted lawful money or Federal reserve notes, (b) by depositing New York exchange, or (c) by the proceeds, when available, of out-of-town items deposited for collection. Non-member banks may make remittances in the manner described in (a) and (b) in settlement of items sent direct.

This arrangement has been made in order to comply with the mandatory terms of the Federal Reserve Act to the effect that all settlements of items, whether by charge against the member bank's account or by remittance of currency or exchange must be made at full face value without deduction, without, however, conflicting with the assumption that items are payable only at the counter of the bank on which they are drawn.

RESTRICTIONS AS TO INDORSEMENTS

To insure direct routing this bank will not accept any item drawn on a bank located outside this district, when such item bears the indorsement of a bank located outside of this district. The other Federal reserve banks will adopt similar rules.

SERVICE CHARGE

The actual cost of conducting the collection department will be assessed monthly, on a per item basis, upon the member banks depositing the items. This service charge will not for the present exceed 1½ cents per item and we hope will be considerably less. No service charge will be made for collecting items drawn on members of the New York Clearing House.

SORTING ITEMS

In order that the service charge may be as small as possible and to expedite the forwarding of items, member banks are requested to sort their items into the following classes and list each class on a separate sheet :

- (a) Items drawn on members of the New York Clearing House,
- (b) Items drawn on one day points,
- (c) Items drawn on two day points,
- (d) Items drawn on four day points,
- (e) Items drawn on eight day points.

They are also requested to print on their own checks and the checks used by their depositors the figure "2" (signifying Federal Reserve District No. 2), preferably in a large skeleton figure in the center of the check.

"COLLECTIBLE AT PAR THROUGH THE FEDERAL RESERVE BANK OF NEW YORK"

Member banks are entitled to place the words, "Collectible at par through the Federal Reserve Bank of New York," on their own checks and the checks used by their depositors. Your attention is called to the desirability of availing of this privilege.

PENALTY FOR IMPAIRMENT OF RESERVES

With the inauguration of the collection system the penalty for the impairment of reserves, provided by the Federal Reserve Act, will be imposed. You will be requested to report monthly the average reserve required to be kept with the Federal Reserve Bank. Impairment of this reserve, if any, will be ascertained by comparing this figure with the average actual reserve shown by our books. The penalty has for the present been fixed by the Federal Reserve Board at a rate of interest on the average impairment equal to 2% above the discount rate for 90 day paper, which is now 4%.

CONDITIONS UPON WHICH MEMBER BANKS MAY USE SYSTEM

Every member bank sending items to us after the inauguration of this system will be understood to have agreed to the terms and conditions set forth in this circular and to have thereby specifically agreed that in receiving such items the Federal Reserve Bank of New York will act only as the collection agent of the sending bank, will assume no responsibility other than due diligence and care in forwarding such items promptly, and will be 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.

CO-OPERATION OF MEMBER BANKS DESIRED

The new collection system is based upon the provisions of the Federal Reserve Act, and its details, as herein outlined, are the result of a long period of careful study of the problems involved and of experience gained in operating the existing intra-district system. The present plan for the new system is subject to such future changes as experience gained in operating it may show are advisable. It is our desire that it shall be conducted in such a manner as to render a valuable service to those who use it, and to this end your co-operation is requested and any suggestions you may wish to make for its improvement will be welcomed. We will be glad to answer any inquiries in regard to the details of the plan, and we hope that wherever possible they will be made by personal call at our office.

Respectfully,

BENJ. STRONG, JR.,
Governor.

FEDERAL RESERVE BANK OF NEW YORK

Schedule Showing When the Proceeds of Items
Will Become Available.

IMMEDIATE CREDIT

Members of Clearing House in
New York

ONE DAY AFTER RECEIPT

Members of Clearing Houses in
Boston
Philadelphia
Richmond

TWO DAYS AFTER RECEIPT

Members of Clearing Houses in		Banks in
Cleveland	Connecticut	New Jersey
Chicago	Delaware	*New York
Atlanta	District of Columbia	*Pennsylvania
Minneapolis	Maine	Rhode Island
St. Louis	Maryland	Vermont
Kansas City	*Massachusetts	*Virginia
	New Hampshire	

FOUR DAYS AFTER RECEIPT

Members of Clearing Houses in		Banks in
Dallas	Alabama	*Minnesota
New Orleans	Arkansas	Mississippi
	Florida	*Missouri
	*Georgia	North Carolina
	*Illinois	*Ohio
	Indiana	South Carolina
	Iowa	Tennessee
	Kansas	West Virginia
	Kentucky	Wisconsin
	Michigan	

EIGHT DAYS AFTER RECEIPT

	Banks in
Arizona	North Dakota
California	Oklahoma
Colorado	Oregon
Idaho	South Dakota
*Louisiana	Texas
Montana	Utah
Nebraska	Washington
Nevada	Wyoming
New Mexico	

June 6, 1916.

* Except Members of Clearing Houses in Federal Reserve Cities,
referred to in first column.

1143

NEW YORK, June 6, 1916.

TO THE CASHIER :

SIR :

To assist the Federal Reserve Bank of New York in its preparation to inaugurate the comprehensive collection system as outlined in circular No. 43, dated June 6, you are requested to furnish the information called for on the attached sheet. Your reply before June 15 will be greatly appreciated.

BENJ. STRONG, Jr., *Governor.*

To the
FEDERAL RESERVE BANK OF NEW YORK,
New York, N. Y.

Date.

We $\left\{ \begin{array}{l} \text{do} \\ \text{do not} \end{array} \right\}$ intend to forward items to the Federal Reserve Bank of New York immediately upon the inauguration of the collection system on July 15.

The approximate daily average number of checks on members of the Federal Reserve System we will send is _____

We $\left\{ \begin{array}{l} \text{do} \\ \text{do not} \end{array} \right\}$ desire you to send us items on non-member banks in our city or vicinity to be charged against our account with you under the same conditions as items drawn on us.

We will receive items on the following banks :

Name of bank

Location

Signing officer

FEDERAL RESERVE BANK
OF NEW YORK

JUNE 12, 1916.

TO THE CASHIER :

SIR :

The Federal Reserve Board on May 1st issued a circular letter advising the Federal reserve banks and their member banks that the full provisions of the Federal Reserve Act in relation to the clearing and collection of checks would be put into operation in the near future. This comprehensive collection system will be inaugurated July 15, 1916.

To make the operation of this collection system as broad as possible, the Federal Reserve Bank of New York will receive and collect all items drawn on members of the entire Federal Reserve System and such items drawn on non-member banks as it can arrange to collect at par. For the present it is proposed to establish direct collection facilities with non-member banks in towns where there are no member banks. Opportunity is given to you to receive direct from the Federal Reserve Bank of New York checks on yourselves to be remitted for at par on day of receipt. Payment for such items may be made by shipping properly assorted Federal reserve notes or lawful money at our expense or if more convenient, by draft on New York.

To all non-member banks cooperating in this arrangement will be extended the privilege of having printed on all checks drawn on them the words "Collectible at par through the Federal Reserve Bank of New York." Checks bearing the indorsement of non-member banks who agree to remit at par to the Federal Reserve Bank of New York will be accorded all the collection facilities of the Federal Reserve System when such checks are received from a member bank.

In order that a list may be prepared for the member banks and other Federal reserve banks, advice on the enclosed card of your willingness to remit on day of receipt at par will be appreciated. In view of the fact that this list must be prepared in Washington and forwarded to all Federal reserve banks and member banks throughout the country prior to July 15, it is important that your reply be received by us not later than June 20th, if you desire to have your name appear upon the list.

Respectfully,

BENJ. STRONG, JR.,
Governor.

(Date)

THE FEDERAL RESERVE BANK,
New York.

SIRS:

Please send us _____ copies of the list to be issued August 1st of
member and nonmember banks, whose checks can be collected through you.

These copies are to be furnished without expense to us.

Bank.

13

THIS SIDE OF CARD IS FOR ADDRESS



FEDERAL RESERVE BANK

NEW YORK

43

FEDERAL RESERVE BANK
OF NEW YORK

June 28, 1916.

To the Cashier.

S i r :

A number of our member banks have sent us to-day copies of an extract from Section 9 of the Federal Reserve Act entitled "Failure to Comply with Regulations," with certain words underlined. This matter has been sent anonymously, the envelopes bearing the postmark "Philadelphia, Pa."

The Federal Reserve Board advised us on January 5, 1916, that copies of the same extract from the Act were being circulated anonymously among member banks at that time, and that they had no knowledge of the persons responsible for the circulation of the extract nor of the purpose of their action. It appears that for some reason unknown to us the extract is now again being circulated, presumably for the purpose of creating prejudice against the Federal Reserve System.

The circular has no significance so far as this bank or the Federal Reserve Board is concerned.

Respectfully,

R. H. Treman,

Deputy Governor.

FEDERAL RESERVE BANK OF NEW YORK

Schedule Showing When the Proceeds of Items
Will Become Available.

IMMEDIATE CREDIT

Members of Clearing House in
New York

ONE DAY AFTER RECEIPT

Members of Clearing Houses in
Boston
Philadelphia
Richmond

TWO DAYS AFTER RECEIPT

Members of Clearing Houses in

Cleveland
Chicago
Atlanta
Minneapolis
St. Louis
Kansas City

Banks in

Connecticut
Delaware
District of Columbia
Maine
Maryland
*Massachusetts
New Hampshire

New Jersey
*New York
*Pennsylvania
Rhode Island
Vermont
*Virginia

FOUR DAYS AFTER RECEIPT

Members of Clearing Houses in

Dallas
New Orleans

Banks in

Alabama
Arkansas
Florida
*Georgia
*Illinois
Indiana
Iowa
Kansas
Kentucky
Michigan

*Minnesota
Mississippi
*Missouri
North Carolina
*Ohio
South Carolina
Tennessee
West Virginia
Wisconsin

EIGHT DAYS AFTER RECEIPT

Banks in

Arizona
California
Colorado
Idaho
*Louisiana
Montana
Nebraska
Nevada
New Mexico

North Dakota
Oklahoma
Oregon
South Dakota
Texas
Utah
Washington
Wyoming

June 6, 1916.

* Except Members of Clearing Houses in Federal Reserve Cities,
referred to in first column.

FEDERAL RESERVE BANK
OF NEW YORK

1143

July 21, 1916.

To the Cashier,

Sir :

The list of nonmember banks referred to in our Circular No. 43, will be compiled and printed in Washington and will be issued on or before August 1st. We have had a number of requests from our member banks for copies of this list, which will contain the names of all the nonmember banks throughout the United States whose checks we can collect at par, as well as those of the member banks.

Thinking that our member banks may desire extra copies of this list for their depositors, and in order to meet this demand, we shall appreciate your advice by return mail on the enclosed postal card of the number you need. These will be furnished free of cost.

Very truly yours,

L. H. HENDRICKS,

Assistant Cashier.

LHH/EEB

Enc.