

PROPOSED DRAFT OF A FORM OF CIRCULAR TO BE ISSUED BY ALL
FEDERAL RESERVE BANKS WITH THE AUTHORITY AND APPROVAL OF THE
FEDERAL RESERVE BOARD

To Member Banks:

Section 13 of the Federal Reserve Act, which deals with the powers of Federal Reserve Banks, provides that:

"Any Federal Reserve Bank may receive from any of its member banks * * * deposits of current funds in lawful money, National bank notes, Federal reserve notes, or checks and drafts on solvent member banks payable upon presentation."

The Federal Reserve Bank of _____ announces that it is now prepared to receive from any member bank on deposit at par, subject to final payment, check drawn on any of the member banks of District No. _____*, provided that each member bank availing itself of this privilege will authorize the Federal Reserve Bank of _____ to charge its account with any checks drawn upon it that may be received from other member banks or from the United States, such checks to be forwarded without delay to the member bank for final payment.

Provided, however, that each member bank entering into this arrangement agrees to maintain with the Federal Reserve Bank of _____, subject to any penalty for insufficient reserves that may be imposed by the Federal Reserve Board, a balance, in addition to the member bank's legal reserve, sufficient to cover any excess of debit over credit items.

(*) Note:

The Federal Reserve Bank may wish to change this and, for the time being limit their taking of checks to those drawn on banks in reserve cities or on certain specified cities which they will designate.