

SYSTEM FOR SETTLING BALANCES
BETWEEN THE FEDERAL RESERVE BANKS.

1. A gold settlement fund to be established in Washington
2. Each Federal Reserve Bank to carry a deposit of gold or gold certificates in Washington under the custody of the Federal Reserve Board which will act as the settling agent for the Federal reserve banks. The funds thus deposited to count as reserve for each Federal reserve bank and to be kept by the Federal Reserve Board as a fund for the purpose of settling balances between the Federal reserve banks.
3. Each Federal reserve bank shall maintain two accounts with each of the others, one account showing due to each Federal reserve bank - representing items received from each Federal reserve bank; and the other account showing due from each Federal reserve bank, representing items sent to each Federal reserve bank.
4. Each Federal reserve bank shall telegraph the settling agent by night letter, with mail confirmation, once a week on Wednesday night, and if Wednesday or Thursday is a holiday, on Tuesday night, the amount in even thousands due to each of the Federal reserve banks - these balances to be taken from the account due to Federal reserve banks only. When these telegrams are received, the settling agent will make corresponding debit and credit entries to the accounts of all the

Federal reserve banks on a settling sheet and thus ascertain the net debit or credit balance of each Federal reserve bank. The settling agent will then telegraph each of the Federal reserve banks in even thousands, the amount of the credits to its settlement account, giving the name of each Federal reserve bank from which each of its credits was received, and also its net debit or credit balance in the settlement.

These telegrams to and from the settling agent will be confirmed by letters in form to be submitted by Counsel. Each Federal reserve bank will then know the result of its clearings, and will debit the due to Federal reserve banks' accounts and credit the settlement fund and will credit the due from Federal reserve banks' accounts and charge the settlement fund; the difference between the total debits and credits being equal to the net debit or credit to the settlement fund as advised in the telegram received from the settling agent. The settling agent will then debit or credit the fund of each Federal reserve bank, thus making a settlement at once for the clearings of the week's transactions between the Federal reserve banks.

5. Each Federal reserve bank shall pay into the gold settlement fund \$1,000,000 and, in addition, an amount equal to its net indebtedness to all Federal reserve banks. This, on the basis of the last statement, would constitute an initial fund

of approximately \$24,000,000. Each Federal reserve bank will engage to keep at all times a balance in this gold settlement fund of no less than \$1,000,000. Excess balances may, at the convenience of each Federal reserve bank, remain deposited with the gold settlement fund. These amounts may be paid in at the Treasury or at any sub-treasury in gold or gold certificates or gold order certificates, arrangements having been made with the Treasury at Washington that it will issue gold order certificates payable to the order of the Federal Reserve Board against amounts so deposited with any sub-treasury or the Treasury. These gold order certificates, it is planned, shall be payable only to the Federal Reserve Board or to any Federal reserve bank. They may be presented for payment at the Treasury at Washington or at any sub-treasury. The Treasury and the Federal Reserve Board will closely cooperate in the matter, and, whenever possible, these gold order certificates shall be payable in gold or gold certificates without any additional charge for transportation wherever presented. It is understood, however, that if, after consultation with the Federal Reserve Board, the Treasury finds it necessary to ship from one point to another in order to have the gold or gold certificates available at the sub-treasury where such certificates are to be presented, the Federal Reserve Board will refund any expense for shipping incurred by the Treasury.

It is the expectation of the Federal Reserve Board and

the Federal Reserve Banks that excess balances will, as a matter of practice, remain deposited with the gold settlement fund and that gold or gold certificates probably will not be withdrawn except when actually required for special reasons.

6. Cost of operation and currency shipments incurred by the Settlement Fund are to be apportioned by a semi-annual accounting among the twelve Federal reserve banks upon a basis to be later determined in accordance with the relative benefit derived by each Federal reserve bank.
7. Checks drawn on Federal reserve banks to be credited on the basis of time taken to reach their destination according to a schedule to be approved by the Federal Reserve Board.
8. For the first six months of operation of the plan, the fixing of charges for telegraphic transfers of funds for member banks will be left in the discretion of the Federal reserve banks. Such charges shall be made upon the basis of approximate cost and may include the equivalent of an interest allowance for the days involved (as per schedule) for the collection of Federal reserve bank checks. At the expiration of the six months' period, a definite schedule of charges for these telegraphic transfers shall be submitted for the approval of, and shall be determined by, the Board.

AVERAGE TIME TO DESTINATION BETWEEN FEDERAL RESERVE BANKS

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco
Boston		1*	1*	2	2	3	2	2	3	3	4	6
New York	1		1	2	1	2	2	2	2	2	4	6
Philadelphia	1*	1*		1	1	2	2	2	2	2	3	6
Cleveland	2*	2*	1*		2	2	1*	2	2	2	3	5
Richmond	2*	1*	1*	2		2	2	2	2	2	3	6
Atlanta	3*	2*	2*	2	2		2	2	2	2	2	5
Chicago	2*	2*	2*	1	2	2		1*	1	1	2	4
St. Louis	2*	2*	2*	2	2	2	1*		2	1	2	4
Minneapolis	3*	2*	2*	2	2	2	1*	2		2	3	4
Kansas City	3*	2*	2*	2	2	2	1*	1*	2		2	4
Dallas	4*	4*	3*	3	3	2	2*	2*	3	2*		3
San Francisco	6*	6*	6*	5	6	5	4*	4	4	4	3	

(*) Indicates that it is left to discretion of bank to apply less number of days in case it may from time to time find this advisable.