

EXTRACT FROM SPEECH  
Relating to the Clearing of Checks  
-by-

Honorable Carter Glass  
of Virginia

On the Subject of the Conference Report on the  
Federal Reserve Act  
Delivered in the House of Representatives  
December 22, 1913.

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"No. Charge for Exchange."

"One of the most important provisions of the currency bill passed by this House was that which sought to put an end to the flagrant abuse involved in excessive charges by banks throughout the country for collections and exchanges. The House bill provided that exchanges should be made at par and that charges for collections should not exceed the actual cost to the banks. This item of the bill, as most of you remember, was bitterly controverted in the Democratic caucus, and also in the House. Naturally thousands of banks deriving large profits from the practice of charging constructive interest upon checks in transit and very arbitrary charges for collections and for exchanges exhibited great distaste to this provision of the bill. They vigorously protested to members against the inclusion of this prohibition, and thus the effort to remove this tax burden upon the business of the country was contested with the utmost pertinacity. However, those of us in the House who sought to tear down these toll gates upon the highways of commerce prevailed. The fight was renewed in the Senate, and that body so modified the House provision as to leave it solely within the discretion of the Federal Reserve Board to diminish or abolish the evil complained of, as it might please. The House conferees declined to yield on this point. They insisted upon such a modification of the Senate amendment as will exact exchanges at par and restrict charges for collections to the actual cost of such transactions to the banks. In brief, as the bill is now reported to the House, the banks can not make exchange and collection charges a source of profit; they can not any longer charge constructive interest; they can not exact a tax for a theoretical transfer of funds from point to point when no transfer is actually made, but only an entry

on the books. They can no longer harass the commerce of the country nor penalize the business men of the Nation by an unjust tax. While the House conferees did not succeed in entirely restoring the provision as it left this Chamber, they vastly improved the amendment made by the Senate. The provision, as it stands, will result in an immense saving to the tradespeople of the United States. It will eliminate the amazing wastefulness incident to many independent collection organizations by substituting one compact collection system. It will abolish the exchange charges altogether and appreciably reduce charges against collections. I speak thus confidently, only in anticipation of wise action by the Federal Reserve Board when appointed. If the Board will have the wisdom and courage to establish immediately a comprehensive an economical plan of bank clearings, it will be difficult to compute the advantages that this section of the currency bill will secure. While some banks will have their profits diminished, it will be profits to which they are not fairly entitled and for the loss of which they will be more than compensated by the better and speedier facilities afforded for the transaction of business. "

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