

Washington,

December 2, 1915.

## DRAFT OF MEMORANDUM

## SUGGESTED BY THE COMMITTEE ON CLEARING.

The Federal Reserve Board will approve a system of intra-district and inter-district clearing and collection of checks which shall be based upon the following named principles, the details to be worked out by the Governors and Transit Managers of the various Federal Reserve Banks:

## First:

The system shall be upon a voluntary basis for all member banks.

In this connection, it may be pointed out that all clearing operations in this country have been developed heretofore on the voluntary principle and inasmuch as the Federal Reserve System can not handle, except on a voluntary basis, items drawn against non-member banks, it is desirable that nothing be done to tear down whatever has already been established. No bank joining the System need bind itself to send items for collection or clearing by the Federal Reserve Bank, but in joining the system, it agrees to remit at par for all items drawn against it sent in by other members.

## Second:

their reserve deposits

In order to give banks an opportunity to know the amount of items which have been drawn against them, and in most cases to actually see the specific checks, and protect / by mail or wire; the Board is willing to approve a system of two days' deferred debit and credit. If, however, the Reserve Bank of any district prefers immediate debit and credit, the Board will approve such a plan. But the Board will not approve a deferred debit extended beyond two days in any district.

For checks of another district, a doferred time for debit and credit equal to the one way time between the Federal Reserve Cities of the two districts involved added to the two days' limit of the district will be authorized;

Third.

If it will facilitate the accomplishment of results the Board will approve a scale of penalty charges to apply on deficiency of reserves where reserves of member banks are depleted below the legal limit.

Fourth:

In order to facilitate clearing operations in cities and towns more than one day away from the reserve bank, and thereby reduce "float", the Board will approve arrangements with clearing houses or with banks or individuals to act as agencies in the collection of items;

Fifth:

only  
The Board will approve accepting for collection, / from member banks and with their indorsement, the checks of non-member banks or bankers

Sixth:

If it will facilitate the getting in of reserves and thereby the handling of this problem, the Board is ready to act as provided in paragraph "e" of Section 11 of the Federal Reserve Act, in the reclassifying of reserve and central reserve cities and in the naming of additional reserve or central reserve cities;

Seventh:

stands ready where desired  
The Board / to approve a scale of charges which member banks may be authorized to charge their customers for the collection of checks and the remitting of funds, such charges not to exceed actual cost;

Eighth:

Every member bank entering this voluntary clearance system shall be permitted to print upon its checks, in the form of a distinctive design, mark, or seal, a legend reading: "collectible at par through the \_\_\_\_\_ Federal Reserve Bank".