

MEMORANDUM FOR THE BOARD.SETTLEMENT OF CLEARING HOUSE BALANCES.

With one exception Federal Reserve Banks have the privilege of presenting items for payment through the local clearing house. In each city daily clearings are made and the rules call for a daily settlement of debit balances. In some Federal Reserve cities however, as a matter of practice, daily settlements are not insisted upon but are a matter of arrangement between the debtor and creditor banks. A Federal Reserve Bank should not be a party to deferred settlements. If a member bank requires a temporary advance a means is provided through the rediscount privilege.

It is respectfully recommended that the Federal Reserve Banks be advised that, in the opinion of the Federal Reserve Board, debit balances arising out of transactions with clearing house members should be settled daily, either in cash, by credit on the books of the Federal Reserve Bank or in exchange acceptable to the creditor bank. Balances due to the Reserve Bank should be settled daily, either in cash, by debit on the books of the Federal Reserve Bank or in acceptable exchange on other cities. Certificates of indebtedness issued by the manager of a clearing house or cashiers' checks which are given in exchange thereof, should be presented for payment and settled for on the day of issue.

Respectfully submitted,

J. A. FRODERICK

Jan. 4, 1916.

1/6/16