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AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

June 28, 1917.

Dear Sir:

The Federal Reserve Board has just reissued its circulars and regulations in a new series to conform with the changes in the Federal Reserve Act made in the Act approved June 21, 1917.

The check clearing and collection circular has been modified slightly, the most important change being that with reference to receiving checks from such State banks and trust companies as are qualified under the amendments of the first paragraph of Section 13.

It is the recommendation of the Clearing Committee of the Board and the desire of the Board that a strong effort shall be made to popularize the clearing functions in every proper way. The discussions, in Congress and out, of the so-called Hardwick Amendment, and the comments which have been made in bankers' magazines have had the effect of stirring up some feeling on the subject, which it is now desirable to overcome. The Federal Reserve Board, therefore, endorses the recommendations made by the Board's Clearing Committee, for adoption by the

Federal reserve banks, which may be summarized as follows:

1. That the Federal reserve bank shall bear the cost of postage for the transmittal of checks sent to it for clearance or collection by its regular members and clearing members;
2. That each Federal reserve bank shall grant to each member or clearing member bank an exemption of service charges upon, say, 25 checks or items per day, or upon a minimum of, say, 500 checks or items per month;
3. For all acceptable checks in excess of the checks exempted as hereinabove provided the charge shall be limited to  $1\frac{1}{2}\phi$  per item;
4. While direct inter-bank routing of checks should be encouraged, the Board thinks that such direct routing should be only by mutual consent of the banks involved. For example, it is not fair to let a large bank in a Federal reserve city take advantage of its location by sending to a small country bank against its will checks to be credited to the city bank's account in the Federal reserve bank. This practice permits the large city bank to secure an advantage of a day's time in settlement even after clearing hours in its own city;
5. In the large districts it is desirable that Federal reserve banks shall consider the establishment of collection or clearing agencies, at points where it may not be desirable to establish branches. In this connection it may be entirely feasible to operate through the agency and with the cooperation of a local clearing house.
6. Attention is called to the fact that under the amended provisions of the Reserve Act in respect to reserves the only reserves for member banks are those held by the Federal reserve banks, There-

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fore, any form of currency held by a member bank or a clearing member is available for counter cash or "till money." Under these circumstances Federal reserve banks should be liberal in accepting any form of currency (fit for circulation) from those banks which are compelled to ship currency to make good their balances.

The Board will be very glad to have your bank proceed with as little delay as possible with the development of your clearing operations along the lines above indicated. We shall also be glad to confer with you in regard to any of the details, or to receive your suggestions or criticisms.

Very truly yours,

Governor.