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# FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

X-687 (Superseding X-157)  
( of May 18, 1917 )

January 30, 1918.

Sir:

In order to take care of a difficulty which has arisen in connection with the instructions issued May 18, 1917 in regard to Federal Reserve bank drafts, Federal Reserve exchange drafts and Federal Reserve transfers sold, the following rules for uniform accounting in connection with Form 34, amending previous instructions, are now issued, with the request that you bring them to the attention of your transit and auditing departments. You will note that Sections 1, 2, and 3, of these instructions are substantially identical with the previous instruction, but that Section 4 has been modified.

1. Federal reserve bank drafts (Liability item on Form 34) should be used to designate gross amounts of drafts drawn on the reporting Federal reserve bank by other Federal reserve banks, of which the reporting Federal reserve bank has received advice but which have not yet been presented for payment. Upon receipt of advice the bank should credit item "Federal reserve bank drafts" and charge item "BRAG". When the draft is actually paid the bank the bank will charge item "Federal Reserve bank drafts" and make appropriate credit entry. At the time the draft is issued it will be necessary for the drawing Federal reserve

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bank to credit "Federal reserve banks - transfers sold (See paragraph 2 below) and make appropriate charge. At the expiration of the period fixed by the banks' time schedule, the drawing bank will credit "Due to ~~other~~ Federal reserve banks - collected funds" (Item "CHOP") and charge "Federal Reserve Bank - Transfers sold."

2. Federal reserve banks - transfers sold, item "CENT", should be used to designate amount of funds available as the result of transfers sold. Corresponding item on the asset side "BAIT" (Federal reserve banks - transfers bought), should represent amount of funds invested in transfers bought from member and nonmember banks.

3. Federal reserve exchange drafts. Referring to our circular letter of April 20, and exhibits attached thereto: Upon receipt of advice from the drawing (Waco) bank that it has drawn F. R. exchange drafts, the F. R. Bank of Dallas will charge the Waco bank's reserve account and credit liability item "F.R. exchange drafts". When the draft is received by the drawee (Dallas) bank, it will charge liability item "F. R. exchange drafts" and credit "F. R. banks - Collected funds". The paying F. R. bank will credit the depositing member bank's reserve account and charge item "BARK" (Federal reserve banks - other items) on the asset side.

4. Federal Reserve Transfer Drafts. Upon receipt of advice from, say, the Tenth National Bank of New York, that it has drawn a Federal Reserve transfer draft payable at San Francisco, the Federal Reserve Bank of New York will charge the reserve account of the Tenth National Bank and

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credit account "Federal Reserve transfer drafts", with telegraphic advice to the Federal Reserve Bank of San Francisco, giving the necessary details of the draft. This advice should be considered as full authority for the San Francisco Reserve Bank to pay the draft if and when presented. Upon payment of the transfer draft the San Francisco Bank will credit the reserve account of the depositing member bank and charge the account of "Due from Federal Reserve Bank of New York". Upon receipt of telegraphic advice of such payment the Federal Reserve Bank of New York will credit the account "Due to Federal Reserve Bank of San Francisco" and charge "Federal reserve transfer drafts."

The above suggestions do not imply the necessity for the Federal reserve banks to set up special exchange accounts with each of the other Federal reserve banks. It will be sufficient, so far as the Board is concerned, if the banks will set up two general accounts - "Federal reserve exchange drafts" and "Federal reserve transfer drafts", through which the two classes of drafts will be handled, irrespective of the bank on which drawn, or at which payable.

It is also requested in this connection that Federal reserve banks furnish the Federal Reserve Board at the close of each week with statement showing the rates at which mail and wire transfers were bought and sold.

Respectfully,

Secretary.