

EX-OFFICIO MEMBERS

WILLIAM G. MCADOO  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR  
PAUL M. WARBURG, VICE GOVERNOR  
FREDERIC A. DELANO  
ADOLPH C. MILLER  
CHARLES S. HAMLIN

H. PARKER WILLIS, SECRETARY  
SHERMAN P. ALLEN, ASST. SECRETARY  
AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD  
X- 808

March 15, 1918.

Dear Sir:

I send you herewith for your information three copies of a report submitted to the Federal Reserve Board, under date of March 12th, by the Committee of Five of the American Bankers Association.

The Committee of Five is the successor of the Committee of Twenty-five, which tried to work out and finally offered in Congress an amendment to the Federal Reserve Act known as the Hardwick Amendment.

In the opinion of the Federal Reserve Board it would be very desirable if some equitable method could be devised of harmonizing all banking and business interests of the country in the matter of check collections. However, we are not prepared to say that the method suggested by the Committee of Five is the best method. I have entertained the opinion that the small country banks were entitled to some concessions in the matter of remitting to the large cities; that at the present time the banks in the larger cities, and especially in those cities where Federal Reserve Banks or branches thereof are located, have a very important advantage over country banks; an advantage which will grow as the facilities of the Federal Reserve banks and the gold settlement fund are

further developed.

One way of meeting this, which has occurred to me would be to permit two classes of checks to be used: Class "A" checks, which might be printed in some uniform color, and Class "B" checks which might be printed in a different distinctive color. Class "A" checks would be collectible at par with no deduction for collection charge, but with a charge for immediate credit when credit is given in advance of the collection of the funds. Class "B" checks would be subject to a collection charge and the drawee bank would be permitted to collect a charge of, say 3¢ or 4¢ per item, with a uniform charge against the public of, say 5¢ per item.

If such a system were considered feasible, I would propose to deny banks in Federal Reserve Cities or in cities where there are branches of Federal Reserve Banks or in cities having a population of over, say 50,000 to 100,000 inhabitants, the privilege of using Class "B" checks and compel them to use Class "A" checks. Cities and towns outside of this class would be permitted to use Class "B" checks if they so desired. The advantage of this method would be that the drawer of such a check would be on notice that if he sent the check outside of his town it would be subject to a definite collection fee which he could add to the face of his remittance.

It is highly desirable that the suggestion of the Committee of Five be considered at the coming meeting of Transit Managers, and even though no final or definite conclusion is arrived at, it

is hoped that it can be discussed and that a recommendation be submitted to the Board or to the Board's Committee on Clearing. I will thank you, therefore, to bring this matter to the attention of the Executive officers of your bank immediately.

F. A. DELANO

Chairman, Committee on Clearing.