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AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

X-865

April 4, 1918.

Dear Sir:

The Federal Reserve banks of Boston and New York are now collecting checks on all banking towns in their respective districts. The Federal Reserve Bank of Chicago has been able, within the last few weeks, to add approximately five hundred banks in three hundred towns to its par list. It is interesting to note the methods which have been pursued by the Chicago bank which have produced this good result, and for the information of your officers and directors, copies of form letters and of special letters sent out by the Chicago bank are enclosed herewith.

Very truly yours,

Governor.

Enclosures.

The Chairman of the Board,
Federal Reserve bank of

Memorandum of procedure adopted by the Federal Reserve Bank of Chicago in the campaign for par points conducted during October, November and December 1917.

In this campaign we first directed our efforts to secure par points in the towns in which there were two or more non-member banks and no member banks, forwarding to the largest and strongest bank in the town (preferably a state bank), letter attached hereto, marked No. 1. If no reply was received in the course of about two weeks, a second letter was received in about ten days' time, or if a letter was received definitely declining to accept our proposal, the above process was repeated on the second best bank in the same town, until the towns of two or more non-member banks had been thoroughly canvassed. The results from these letters were approximately 140 towns with 290 banks added to the par list.

We then directed our efforts toward the towns having only one bank and that a non-member. A letter was addressed to them (No. 3, similar to No. 1), and if no reply was received, a follow-up letter (No. 4, similar to No. 2) was forwarded in the course of about two weeks, until we had been in touch with all of these one-bank towns. The results from these letters were approximately 115 towns, with 115 banks added to the par list.

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We then addressed a letter (No.5) to our member banks in towns where there were non-member banks not on the par list, following this letter up in the course of a week or ten days with letter No. 6. The results from these letters amounted to approximately 50 towns, with 100 banks added to the par list.

It is estimated that the above letters and correspondence in connection therewith incidentally proved of material assistance in securing about twenty-five State Bank members in the Federal Reserve System.

Due to one of our Des Moines member banks declining to continue to handle a large number of Iowa towns at par, in an effort to reduce its expenses and "float", it became necessary for us to conduct a campaign in the towns which had previously been handled for us by the Des Moines member bank, in which campaign, by means of letters similar to the attached (Nos. 7 and 8) we were enabled to establish direct collection facilities with about 125 of the 150 Iowa towns involved.

LETTER SENT TO TWO-BANK-TOWNS

Dear Sir:

We are now collecting at par, checks on 8805 non-member banks and on 7666 member banks, or 16,471 in all, out of about 29,000, the total number of banks in the United States.

Non-member banks are receiving the advantages of the par facilities of the Federal Reserve Banks through member bank correspondents in the Reserve cities and collecting centers.

We are desirous of increasing our par list for non-member bank checks in order that member banks and non-member banks also may receive directly or indirectly increased par facilities.

We wish, therefore, to establish a connection for the collection of checks on your town. Will you kindly advise us if it would be agreeable to you to act as our collecting agent and receive direct from us checks on the banks in your town to be remitted for at par on day of receipt in Chicago exchange, or we will receive in payment shipments of currency upon which we will pay the transportation and insurance charges.

If you accept this arrangement you may print on all checks drawn on your bank "Collectible through the Federal Reserve Bank of Chicago", thus advertising the fact to your customers and to the public that your checks are paid by your bank at their face value.

We trust the proposed arrangement will receive your favorable consideration and assure you that if you decide to act as our collecting agent we shall endeavor to make our relations mutually satisfactory.

We enclose herein self addressed stamped envelope for your reply.

Yours very truly,

Cashier.

FOLLOW-UP LETTER SENT TO TWO-BANK TOWNS

Dear Sir:

We do not appear to have received a reply to our letter to you of _____, in which we requested your bank to act as our agent for the collection and remittance at par in Chicago exchange of checks on your city.

In this connection, we are pleased to advise that we have received a very large number of favorable replies in our campaign for par points, and believe that it will be but a short time until the banks which do charge exchange in paying their customers' checks, will be considerably in the minority.

The advantage to your institution of printing or stamping on your checks "Collectible through the Federal Reserve Bank of Chicago", thus advertising the fact to your customers and the public that your checks are paid by your bank at their face value, is a factor to be considered.

About seventy per cent of the checks received by the banks in this district on the Federal Reserve par list, are deposited with us by the Chicago banks and would, therefore, reach you in one letter each day, instead of a large number of separate cash letters, which you undoubtedly receive at present, meaning a considerable saving to your bank in the matter of postage, stationery and labor in remitting in payment of these letters.

We trust that consideration of this broad subject will cause you to favor us with your acceptance of our proposal, and we are desirous of adding the name of your city to our par list.

Awaiting your reply, we remain,

Very truly yours,

Assistant Cashier.

#7

X-865-D

LETTER WRITTEN TWO-BANK TOWNS IN IOWA (Des Moines)

Gentlemen:

We have been collecting checks on the banks of your city at par through one of our member banks in Des Moines.

We are desirous, however, of arranging for a direct connection for the collection of these items and write to inquire if it will be agreeable to you to act as our agent for the collection and remittance at par in Chicago exchange on day of receipt, of our checks on your city.

Your favorable reply will be greatly appreciated.

Very truly yours,

Assistant Cashier.

#8

X-865-E

LETTER WRITTEN ONE-BANK TOWNS IN IOWA (Des Moines)

Gentlemen:

We have been collecting checks on your bank at par through one of our member banks in Des Moines.

We are desirous, however, of arranging for a direct connection for the collection of these items and write to inquire if it will be agreeable to you to act as our agent for the collection and remittance at par in Chicago exchange on day of receipt, of our checks on your city.

Your favorable reply will be greatly appreciated.

Very truly yours,

Assistant Cashier.

X-865-F

SAMPLE

Dear Sir:

We are in receipt of your favor of the _____ in reply to our letter to you of _____ and note your statement that you have no Chicago account and that you could only remit in Indianapolis or New York exchange in payment of our cash letters.

It is our rigid policy to accept only Chicago exchange, or currency (we to pay the cost of insurance and transportation on the latter) in payment of our cash letters. This is due to the fact that we credit the depositing bank for items on this district on the basis of two days' time in which to receive payment in Chicago. You can readily understand, therefore, that were we to accept your Indianapolis or New York exchange, it would necessitate at least two and four days additional in which to reduce this payment to local exchange, and it will be apparent to you that this would necessitate an enormous "float" in the aggregate.

We trust that you will accept our proposal should you agree that it would be to your advantage to ship currency, or complete arrangements for a Chicago account.

Very truly yours,

Assistant Cashier.

SAMPLE

Dear Sir:

We are in receipt of your favor of the _____ in reference to our letters to you of _____ and _____, in which we requested your bank to act as our agent for the collection and remittance at par in Chicago exchange of checks on your city, and the contents have been carefully noted.

The advantages to your bank mentioned in our two letters; the receipt by you of over seventy per cent of your checks in the one letter from us each day, instead of the many cash letters which you now receive; the printing or stamping on your checks "Collectible through the Federal Reserve Bank of Chicago"; the fact that you could ship to us currency in payment of our letters, the transportation and insurance on these shipments to be paid by us; are deciding factors in the many favorable replies received by us from banks which have, prior to this time, charged a nominal rate of exchange.

We would also be willing to enclose with each cash letter sent you, a stamped addressed envelope for your use in forwarding your draft in payment, which would eliminate the expense to you of postage and envelope.

We believe that your consideration of the above will cause you to favor us with your acceptance of our request that your bank act as our agent for the collection of checks on your city.

Awaiting your reply, we remain

Yours very truly,

Assistant Cashier.

Dear Sir:

We are in receipt of your favor of the _____ in reply to our letter to you of _____ and your statement that you have no Chicago account, but would be willing to remit at par in Detroit exchange, has been duly noted by us.

In this connection, would advise that it is our rigid policy to accept only Chicago exchange, or currency (we to pay the cost of insurance and transportation on the latter) in payment of our cash letters. This is due to the fact that we credit the depositing bank for items in this district on the basis of two days' time in which to receive payment in Chicago. You can readily understand, therefore, that were we to accept your Detroit exchange, it would necessitate at least two days additional in which to reduce this payment to local exchange, and it will be apparent to you that this would necessitate an enormous "float" in the aggregate.

We trust that you will accept our proposal, should you agree that it would be to your advantage to ship currency, or complete arrangements for a Chicago account.

Very truly yours,

Assistant Cashier.

RH,EL

Dear Sir:

We are in receipt of your favor of the _____ in reply to our letter to you of _____ and note your statement that you have no Chicago account and that you could only remit in Indianapolis or LaFayette exchange in payment of our cash letters.

We now write to inquire if it will be agreeable to you for us to forward checks on your city to your Indianapolis correspondent, we first to receive their approval of this action, which approval has already been obtained in a number of similar instances.

Your correspondent will remit to us at par in Chicago exchange on day of receipt and will then forward the items to you.

Your favorable reply will permit us to accept your services in furthering the par collection of checks on non-member banks.

Very truly yours,

Assistant Cashier.

RH.EL

LETTER SENT TO ONE-BANK TOWNS

Dear Sir:

We are now collecting at par, checks on 9165 non-member banks and on 7722 member banks, or 16,887 in all, of which total 3255 banks (1063 member and 2192 non-member banks) are located in this Federal Reserve district.

Non-member banks are receiving the advantages of the par facilities of the Federal Reserve Banks through member bank correspondents in the Reserve cities and collecting centers.

We are desirous of increasing our par list for non-member bank checks in order that member banks and non-member banks also may receive directly or indirectly increased par facilities.

We wish, therefore, to establish a direct connection for the collection of checks on your town. Will you kindly advise us if it would be agreeable to you to act as our collecting agent and receive direct from us checks on your bank to be remitted for at par on day of receipt in Chicago exchange, or we will receive in payment shipments of currency upon which we will pay the transportation and insurance charges.

If you accept this arrangement you may print or stamp on all checks drawn on your bank "Collectible through the Federal Reserve Bank of Chicago", thus advertising the fact to your customers and to the public that your checks are paid by your bank at their face value.

We trust the proposed arrangement will receive your favorable consideration and assure you that if you decide to act as our collecting agent, we shall endeavor to make our relations mutually satisfactory.

We enclose herein stamped addressed envelope for your reply.

Very truly yours,

Assistant Cashier.

FOLLOW-UP LETTER SENT TO ONE-BANK TCWNS

Dear Sir:

We do not appear to have received a reply to our letter to you of _____, in which we requested your bank to act as our agent for the collection and remittance at par in Chicago exchange of checks on your city.

In this connection, we are pleased to advise that we have received a very large number of favorable replies from banks which have, prior to this time, charged a nominal rate of exchange, indicating their acceptance of the fact that the principle of making a charge in paying their customers' checks is unjust.

The advantage to your institution of printing or stamping on your checks "Collectible through the Federal Reserve Bank of Chicago", thus advertising the fact to your customers and the public that your checks are paid by your bank at their face value, is a factor to be considered.

About seventy per cent of the checks received by the banks in this district on the Federal Reserve par list, are deposited with us by the Chicago banks and would, therefore, reach you in one letter each day, instead of a large number of separate cash letters, which you undoubtedly receive at present, meaning a considerable saving to your bank in the matter of postage, stationery and labor in remitting in payment of these letters.

We trust that consideration of this broad subject will cause you to favor us with your acceptance of our proposal, as we are desirous of adding the name of your bank to our par list.

Awaiting your reply, we remain,

Very truly yours,

Assistant Cashier.

LETTER WRITTEN MEMBER BANKS

Dear Sir:

We are now collecting at par, checks on 9345 non-member banks and on 7736 member banks, or 17,081 in all, of which total 3452 banks (1077 member and 2375 non-member banks) are located in this Federal Reserve district.

We are desirous of increasing our par list for non-member bank checks in order that member banks may receive directly increased par facilities.

We wish, therefore, to establish a direct connection for the collection of non-member bank checks on your town. Will you kindly advise us if it would be agreeable to you to act as our collecting agent and receive direct from us checks on non-member banks of your town to be remitted for at par on day of receipt in Chicago exchange, or we will receive in payment shipments of currency upon which we will pay the transportation and insurance charges.

Your co-operation in this matter will prove of considerable assistance in furthering the par collection of checks on non-member banks.

We enclose herein stamped addressed envelope for your reply.

Very truly yours,

Assistant Cashier.

FOLLOW-UP LETTER TO MEMBER BANKS

Dear Sir:

We do not appear to have received a reply to our letter to you of _____, in which we requested that you act as our agent for the collection and remittance at par in Chicago exchange on day of receipt, of checks on the non-member banks of your city; or as advised, we will receive in payment shipments of currency upon which we will pay the transportation and insurance charges.

In this connection, we are pleased to advise that we have received a very large number of favorable replies from banks which have, prior to this time, charged exchange for the collection of the non-member bank checks.

It is only through the greatest degree of co-operation on the part of the member banks that the Federal Reserve par collection system, for the good of the member banks, and indirectly for the good of the non-member banks through their member bank correspondents, can be perfected.

Awaiting your reply, we remain,

Very truly yours,

Assistant Cashier.