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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

May 10, 1918.

X-936

Dear Sir:

As the Attorney General of the United States has rendered an opinion, which appears on pages 367-371 of the May issue of the Federal Reserve Bulletin, in which he holds that member and depositing banks must remit without charge to Federal Reserve banks for checks deposited with them, and as the service charges by Federal Reserve banks for handling checks will be abolished on June 15, it now seems desirable that the Federal Reserve Board should issue regulations covering charges which may be made by member banks against their customers and against each other, in accordance with that portion of Section 16 of the Federal Reserve Act, page 36, reading as follows:

"The Federal Reserve Board shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal Reserve bank and the charge which may be imposed for the service of clearing or collection which may be rendered by the Federal Reserve bank."

Heretofore the Board has not deemed it necessary to establish a schedule of charges, believing that the banks themselves would adopt fair and reasonable rates, but in view of the reasons above outlined and of the further fact that there is no uniformity in banking practice with respect to charges made, it seems proper for the Board to fix a schedule of rates which may be charged by member banks against their customers and against other banks, except Federal Reserve banks, for their services in making collections and remittances. These rates should become effective not later than July 1, next.

With this end in view, the Federal Reserve Board will be pleased to have your suggestions as to what rates should be established, it being

desirable that they should be as uniform as possible throughout the country.

In establishing a schedule of rates it is assumed that the following transactions should be considered:

- (1) Remittance of exchange in payment for checks;
- (2) Remittance of exchange for collection items which must first be collected and then remitted;
- (3) Crediting items in reciprocal accounts, balances to be remitted at stated intervals, or upon request;
- (4) Cashing out-of-town checks for depositors or non-depositors;
- (5) Crediting customers with out-of-town checks, thereby making funds immediately available, although the checks may not be actually collected except at the expiration of 2, 4, 6, or 8 days.

In cases (4) and (5), there should be considered the question of interest while the checks are in transit, and in the case of (5) there should also be taken into account whether or not the bank allows interest on the deposit.

The Board would be pleased to have you give immediate consideration to this matter, and hopes to have as prompt a reply as possible.

Very truly yours,

Governor.

The Governor,
Federal Reserve Bank,