

EX-OFFICIO MEMBERS

CARTER GLASS
SECRETARY OF THE TREASURY
CHAIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD
WASHINGTON

W. P. G. HARDING, GOVERNOR
ALBERT STRAUSS, VICE GOVERNOR
ADOLPH C. MILLER
CHARLES S. HAMLIN

X-53
J. A. BRODERICK, SECRETARY
L. C. ADELSON, ASSISTANT SECRETARY
W. T. CHAPMAN, ASSISTANT SECRETARY
W. M. INLAY, FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

December 26, 1918.

X-1333

SUBJECT: Federal Reserve Collection System
Campaign for Additional Par Points.
Recommendations made by Federal Reserve Agents.

Dear Sir:

There is attached hereto for the information of the Federal Reserve Banks copy of report submitted by the Federal Reserve Agents to the Federal Reserve Board embodying their recommendations with respect to a suggested nation-wide campaign to add nonmember banks to the present par list of the Federal Reserve Collection System. The report has received the consideration of the Board and is looked upon with favor, but before taking further action, the Board would like to have the benefit of an expression of your views as to the merits of the plan and as to what effective date you would recommend.

Prompt reply will be appreciated.

Very truly yours,

Governor.

The Governor,
Federal Reserve Bank,

X-1333a

SUBJECT: Federal Reserve Collection System
Campaign for Additional Par Points.

REPORT OF FEDERAL RESERVE AGENTS CONFERENCE DECEMBER 7, 1918.

The committee appointed to consider the situation in regard to par points presents the following report:

At the present time the total number of banks appears to be about 29,000, of which 8,500 member banks and 10,300 nonmember banks are being collected at par, leaving 10,100 nonmember banks which we are not collecting at par. Divided into districts, the situation is approximately as follows:

	<u>Remitting at Par</u>		Nonmember banks not remitting at Par (Approximate)
	Member banks	Nonmember banks	
Boston	421	245	---
New York	713	333	---
Philadelphia	629	328	150
Cleveland	803	689	444
Richmond	559	351	1,100
Atlanta	559	317	1,700
Chicago	1,285	2,337	1,700
St. Louis	502	1,049	1,000
Minneapolis	850	1,100	1,850
Kansas City	889	2,227	1,000
Dallas	718	249	1,033
San Francisco	626	1,003	165
	8,554	10,228	10,142

There appears to be about 10,000 points in this list, divided, as to deposits as follows:

	:\$1,000,000: : and over :	250,000 to: : 1,000,000 :	100,000 to: : 250,000 :	Less than: : 100,000 :	Approximate : Total
Boston	: --	: --	: --	: --	: --
New York	: --	: --	: --	: --	: --
Philadelphia	: 17	: 45	: 18	: 7	: 87
Cleveland	: 27	: 127	: 171	: 66	: 391
Richmond	: 42	: 275	: 411	: 316	: 1,044
Atlanta	: 37	: 250	: 460	: 528	: 1,275
Chicago	: 41	: 453	: 746	: 325	: 1,565
St. Louis	: 15	: 239	: 546	: 612	: 1,412
Kansas City	: 6	: 161	: 463	: 303	: 933
Minneapolis	: 3	: 270	: 779	: 665	: 1,717
Dallas	: 13	: 114	: 303	: 369	: 799
San Francisco	: 7	: 31	: 63	: 47	: 148
	: 208	: 1,965	: 3,960	: 3,238	: * 9,371

*Many non-remitting banks do not report their deposits.

The committee is of the opinion that the effectiveness and value of the par collection system bears a direct relation to its universality. The banks want a system that will collect all their items. At the present time, although two-thirds of the banks are being collected at par, and such banks represent perhaps 90% of the bank resources of the country, the other one-third consisting mainly of small banks, still there is a sufficiently large number of banks not remitting, including some of substantial size and in important places, to make many banks hesitate to use our collection system because of the number of items we can not yet handle. It is the belief of the committee that if the 10,000 non-remitting banks could be reduced to, say, 5,000 or 6,000, by a persistent campaign in each district to persuade the more important banks to remit, we should then have reached the point at which our collection system, in many parts of the country at least, would be almost universally used and appreciated; and we could fairly feel that the

principle of par collections had been established beyond question.

It is the opinion of the committee that the method of obtaining these additional points should generally be suasion rather than by collecting through express or other agencies or through attempting compulsory legislation. The experience of several Federal Reserve Banks indicates that such can be done even by correspondence, and that where correspondence fails, personal solicitation is effective in a very large percentage of cases. Although the par list has shown a steady growth, the committee fully realizes that the necessary pre-occupation of the officers and more important employes of the Federal Reserve Banks has been, in large measure, responsible for the failure to increase the number of par banks more rapidly. The committee believes, however, that with the cessation of hostilities, and the somewhat lessening pressure of more urgent responsibilities and duties, the time is now appropriate to make a determined campaign for par points in each of the Federal Reserve districts. It suggests that in order to effect this successfully, a special officer in each bank should devote practically his entire time to the work, and be given such assistants as may be necessary and available to conduct such correspondence and make such visits as the campaign may require.

The committee feels that as the par collection system is not a local undertaking for the benefit of local member banks but a national undertaking for the benefit of all banks, in which each Federal Reserve district is dependent on every other Federal Reserve district, the perfecting and completion of the system should be attempted by a simultaneous and country-wide effort.

The committee therefore suggests that the Board should now consider the desirability of urging each Federal Reserve Bank during the next two months to make a vigorous and concentrated effort to complete its par list.