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ADDRESS REPLY TO
 FEDERAL RESERVE BOARD

NOT FOR PUBLICATION

August 2, 1919.

X-1639

SUBJECT: Automatic Routing of Checks
 with Indicated Time Allowance.

Dear Sir:-

As explained in circular letter (x-1630) of July 29, 1919, the Board has determined to discharge the duty imposed upon it by Section 16 of the Act to fix the charges which may be collected by the member banks upon checks deposited with them which are cleared through the Federal Reserve Banks, and the charge which may be imposed for the clearing or collection services rendered by the Federal Reserve Banks. No hasty action will be taken and ample notice will be given in order that the banks and the public may accommodate themselves to the change without inconvenience.

The schedule of charges will not be determined by the Board until after the conference with Transit Managers on August 18th, which conference is, of course, open to any of the senior officers of any of the Federal Reserve Banks who may care to attend. The schedule to be fixed will regulate the maximum charges, and no member bank will be required to impose a charge if it prefers not to do so. It is the desire of the Board to simplify present operations, and in order to bring this about it will be necessary to have the cooperation of the member banks and the public, and therefore the Board will not for the present undertake to place any limitation upon charges which may be made against checks drawn upon member banks and banks on the par list the routing of which is not clearly indicated on the face

of the checks, and the Board has no authority to regulate the charges which may be made against checks which are not collected through the Federal Reserve Banks.

It is the desire of the Board to bring about a very general use of the Federal Reserve collection symbol, which, as has already been explained, will be a circle enclosing the letters F.R. and the numeral indicative of the district number of the Federal Reserve Bank. Branch banks will be indicated by the addition to the numeral of the letter A, B, C, or D, according to the seniority or order of establishment, of branches in a given district; for example, the symbol



should be imprinted or stamped upon all checks drawn upon banks in the Philadelphia district, and the symbol



should be imprinted upon all checks of

banks in the collection zone of the Cincinnati Branch of the Federal Reserve Bank of Cleveland.

The Board is considering the establishment of a fixed rate of one and one-half cents per one hundred dollars per day which member banks may charge upon properly indicated checks. This is equivalent to a rate of five and four-tenths per cent. per annum, which rate is slightly in excess of the Federal Reserve Banks' ninety day rate on rediscounts.

It is important that every depositor of a member bank and the member banks themselves should be able to determine readily, without reference to a cumbersome par list, the time in transit of every check. Every member bank is, of course, aware of the transit time between its home town and the Federal Reserve Bank or branch of its district, and a table should be prepared by each Federal Reserve Bank giving the transit time between the head office and each of the branches in the district to every other Federal Reserve Bank and branch. This could be printed on a small card which could be widely

distributed. Then there must be considered the time in transit from a Federal Reserve Bank or branch receiving checks on its district for collection to the banks upon which the checks are drawn. This can readily be indicated by the addition of a dash and the number 1, 2, or 3, after the numeral which represents the district number of a Federal Reserve Bank, thus the symbol

F. R.
9-2

should be printed upon all checks drawn upon banks in the Minneapolis district which involve a two day time allowance between Minneapolis and the town in which the drawee bank is located. Checks drawn on banks in the collection zone of the Denver Branch of the Federal Reserve Bank of Kansas City (which was the second branch established in that district) and subject to a one day time allowance out of Denver, would bear upon their face the symbol

F. R.
10B-1

In printing the symbol, the figure representing the time allowance should be printed in distinctly smaller type than the figure which indicates the district number of the Federal Reserve Bank.

In case your bank is contemplating any readjustments of time allowances to towns in your district, the Board requests that you make these changes during the month of August, as it is hoped to begin the operation of the new plan about the first of September.

In actual practice a member bank in figuring time allowance would include (1) time to the Federal Reserve Bank or branch to which it is assigned, (2) time between the Federal Reserve Bank or branch of its district and the Federal Reserve Bank or branch of the district to which the check is sent, and (3) time between that Federal Reserve Bank or branch and the bank upon which the check is drawn.

The Board intends, after all details have been carefully worked out and public announcement made of the new system, to bring the symbols to the attention of bank printers and stationers throughout the country with the view of having the symbols printed upon new orders for checks.

The Board believes that it would be a great convenience to the Federal Reserve Banks if all checks received by them should be self-routing in the manner above indicated, and in order to insure the fullest cooperation it will probably be necessary in the course of a few months to restore the service charge, which was abandoned several months ago, with respect to all checks which have not the Federal Reserve collection symbol imprinted or stamped upon them. This will force a discrimination in favor of checks so indicated, and will, in the opinion of the Board, result in pressure from depositors upon banks which have so far declined to have their names placed upon the par list.

While the Board has determined that it must carry out the provisions of Section 16 above referred to, it will be glad to receive any suggestions, criticisms or comments which you may desire to make regarding this plan, and it would appreciate your views as to the maximum charge which member banks may be permitted to make on checks deposited with them which are collected through the Federal Reserve Banks.

Very truly yours,

Governor.

Letter to all Governors and copy to Federal Reserve Agents.

FORM OF SPECIAL DEPOSIT SLIP

List on this sheet only checks bearing Federal Reserve Collection Symbol.

DEPOSITED WITH First National Bank of Checktown

September 15, 1919.

By Jones, Brown & Company

Table with columns: Days, Transit, Time, Detail, List, Totals, Charges, per day per \$100. Rows include days 1, 2, 3, 4 and a Total row.

Note: It is not intended to complicate the work of the member banks and no rule will be fixed for any checks unless the depositor cooperates by doing his part in itemizing his checks on a special deposit slip. The Board will merely afford depositors a means of securing minimum charges.

Assuming that the ordinary charge on the above deposit would be 1/10th or \$4.78, it is for the depositor to decide whether the additional time and labor in filling out the special deposit slip is worth the difference of \$3.50.