

## EX OFFICIO MEMBERS

DAVID F. HOUSTON  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

## FEDERAL RESERVE BOARD

WASHINGTON

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ALBERT STRAUSS, VICE GOVERNOR  
ADOLPH C. MILLER  
CHARLES S. HAMLIN  
HENRY A. MOEHLERPAH

W. T. CHAPMAN, SECRETARY  
R. G. EMERSON, ASSISTANT SECRETARY  
W. M. INLAY, FISCAL AGENT

February 26, 1920.

X-1844

Subject: Regulation of Charges imposed by Member Banks  
against Customers for Collection of Checks  
through Federal Reserve Banks.

Dear Sir:-

You are requested to advise the executive officers of your bank that the Board has decided to carry out the duty which is imposed upon it by a clause in Section 16 of the Federal Reserve Act, which reads 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 rendered by the Federal Reserve Bank."

The Board has already ruled that no service charge will be imposed by the Federal Reserve Banks, and it now announces its purpose to fix the charges which may be collected by member banks from their customers who deposit checks which are collected through the Federal Reserve Bank. This regulation will apply to all member banks alike, both in the large cities and in the country towns.

The charges will be optional - that is, they may be imposed or not at the discretion of each member bank - but no member bank will be permitted to impose a charge higher than that authorized by the Board. The Board will adopt the principle of allowing as a maximum charge interest at the rate of 6% per annum for the transit time involved in the collection of items. In general the state will be the unit, and each Federal Reserve Bank is requested to prepare a schedule of rates to be announced by the Board which shall be applicable to the members in each state, or in the case of large states, to sections of states. It is assumed that 1/10th of 1% will be the maximum charge permitted and that application of the time in transit and six percent interest rule will mean for near-by states rates of 1/20th and 1/40th of 1%.

Please request your executive officers to have the Transit Manager proceed at once to the working out of schedules in order that each member bank in each state in your district may know just what the maximum charge is that it may impose upon customers for collecting through the Federal Reserve Bank checks which are payable in every other state in the Union, and after these schedules have been approved by your executive officers you are requested to have them forwarded to the Board in order that a formal regulation may be issued in compliance with the terms of Section 16 of the Federal Reserve Act, above quoted.

Very truly yours,

Governor.

To Chairmen of all F.R. Banks.