

FEDERAL RESERVE BANK
OF NEW YORK

Check Department

Circular No. 345, February 11, 1921,
supplementing circulars No. 343, dated February 9,
1921, No. 340, dated January 29, 1921, No. 331, dated
December 30, 1920, No. 309, dated October 15, 1920, No.
286, dated June 1, 1920, No. 278, dated May 17, 1920,
modifying circular No. 258, dated March 1, 1920.

Omission of Protest of Checks on Banks in North Carolina

To all Member Banks in the Second Federal Reserve District:

Your attention is directed to the appended law enacted by the State of North Carolina regarding the charging of exchange on remittances covering checks. You will observe that it contains a provision purporting in effect to prohibit notaries public or other State officers within the jurisdiction of North Carolina from protesting for non-payment any check or checks drawn on any bank or trust company chartered by that State when payment is refused by the drawee bank solely on account of failure or refusal of the holder or owner thereof to pay the exchange charges authorized in the statute.

While this law is in effect it will be impossible for the Federal Reserve Bank of New York to require compliance with the protest instructions set forth in its circular No. 258, entitled "Collection of Checks," dated March 1, 1920, should a bank or banks in North Carolina fail to honor checks because of the refusal of our collecting agent to pay exchange. It must be understood, therefore, that any checks that we accept drawn on banks located in that State will be forwarded by us subject to omission of protest. In conformity with our circular No. 258, we will continue to request telegraphic advice of non-payment of items of \$500 or over.

In a case where a check, accepted by us, is drawn on a banking institution in North Carolina which takes advantage of the State law, the time of collecting it may be slower due to the fact that it may have to be presented in an unusual manner. In such cases, therefore, we cannot be responsible for any delay so resulting. In this connection we have a letter from the Federal Reserve Bank of Richmond which says:

"We wish to notify all of our correspondents that while we will continue to receive, if sent to us for collection, all checks upon nonmember State banks listed upon our par list and will present such checks as soon as practicable, we cannot be responsible for the delays occasioned by our inability to procure agents to make presentation at the counters of the drawee banks within the usual time; nor can we be responsible for the failure to procure a formal protest of such checks if payment in cash is refused."

With respect to omission of protest you will no doubt have in mind the following provisions of the uniform Negotiable Instruments Law, which we are informed are in force in North Carolina:

Section 185. Check Defined.—A check is a bill of exchange drawn on a bank payable on demand. Except as herein otherwise provided, the provisions of this act applicable to a bill of exchange payable on demand apply to a check.

Section 129. Inland and Foreign Bills of Exchange.—An inland bill of exchange is a bill which is, or on its face purports to be, both drawn and payable within this state. Any other bill is a foreign bill. Unless the contrary appears on the face of the bill, the holder may treat it as an inland bill.

Section 152. In What Cases Protest Necessary.— * * * Where a bill does not appear on its face to be a foreign bill, protest thereof in case of dishonor is unnecessary.

Very truly yours,

BENJ. STRONG,

Governor

AN ACT TO PROMOTE THE SOLVENCY OF STATE BANKS.

The General Assembly of North Carolina Do Enact:

Section 1. That for the purpose of providing for the solvency, protection, and safety of banking institutions and trust companies chartered by this State and having their principal offices in this State, it shall be lawful for all banks and trust companies in this State to charge a fee, not in excess of one-eighth of one per cent, on remittances covering checks, the minimum fee on any remittance therefor to be ten cents.

Section 2. That, in order to prevent accumulations of unnecessary amounts of currency in the vaults of the banks and trust companies chartered by this State, all checks drawn on said banks and trust companies shall, unless specified on the face thereof to the contrary by the maker or makers thereof, be payable at the option of the drawee bank, in exchange drawn on the reserve deposits of said drawee bank when any such check is presented by or through any Federal Reserve Bank, post-office, or express company, or any respective agents thereof.

Section 3. That it shall be unlawful for any person, or persons, other than the maker thereof, to make, by rubber stamp or otherwise, any notation on any check drawn on any bank or trust company chartered in this State, the effect of which notation shall change or affect any condition or provision thereof, as created by this Act. That any person

or persons violating this section shall be guilty of misdemeanor, and upon conviction shall pay a fine of not more than Two Hundred (\$200.00) Dollars, or be imprisoned not more than thirty days.

Section 4. That all checks drawn on the banks and trust companies in this State in payment of obligations due the State of North Carolina or the Federal Government shall be exempt from the provisions of Sections 1 and 2 of this Act.

Section 5. That no officer in this State shall protest for non-payment any check or checks drawn on any bank or trust company chartered by this State when payment is refused by the drawee bank solely on account of failure or refusal of the holder or owner thereof to pay exchange charges herein authorized; and there shall be no right of action, either in law or equity, against any bank or trust company chartered by this State, for refusal to pay any such check when such action is based alone on the ground of refusal to pay exchange or collection charges herein authorized.

Section 6. That all laws in conflict with the provisions of this Act are hereby repealed.

Section 7. That this Act shall be in full force and effect from and after its ratification.