

**FEDERAL RESERVE BANK
OF NEW YORK**

July 2, 1928
[To accompany Circular 856.]

*To the Bank or Trust
Company Addressed:*

Enclosed is a copy of the revised circular of this bank now in effect covering the collection of maturing notes and bills, or other non-cash items. The circular supersedes the provisions of all previous circulars of this bank on this subject.

While no important changes have been made the circular is issued at this time because of the desirability of treating uniformly throughout the Federal Reserve Systems (1) the definition of non-cash items, (2) terms of collection, (3) collection charges, (4) telegraphic advice, (5) interpretation of terms requesting telegraphic advice and (6) direct routing to other Federal Reserve Districts. These provisions, as set forth in the circular, have been adopted by all Federal Reserve Banks in their respective non-cash collection circulars. The provisions with respect to credit and handling and other collection practice (Paragraphs 7 to 11) remain substantially without change.

The enclosed card acknowledging receipt should be signed and returned as usual.

Very truly yours,

BENJ. STRONG,
Governor.

COLLECTION OF MATURING NOTES AND BILLS OR OTHER NON-CASH ITEMS

**FEDERAL RESERVE BANK
OF NEW YORK**

Circular No. 856, July 2, 1928
Superseding Circular 673 and all
previous circulars on this subject.

Collection Department

**Collection of Maturing Notes and Bills, or Other
Non-Cash Items**

**To the Member and Non-member Clearing Banks
of the Second Federal Reserve District:**

Section 13 of the Federal Reserve Act authorizes Federal Reserve Banks to receive from their member and non-member clearing banks for collection maturing notes and bills, and to receive from other Federal Reserve Banks for collection maturing notes and bills payable within the district of the Federal Reserve Bank receiving such items. The authority to receive such items for collection includes the authority to take such steps and perform such acts as may be necessary to effect collection, and to exercise such powers as are reasonably incidental to the collection of such items.

This circular sets forth the terms and conditions under which non-cash items defined below will be accepted for collection and credit by the Federal Reserve Bank of New York and supersedes all previous circulars on the subject.

1. Definition of Non-cash Items

Maturing notes and bills, or other non-cash items, which will be received from member and non-member clearing banks for collection and credit under the terms and conditions of this circular are defined to include the following classes of items payable within the continental United States:

- (1) Maturing notes, acceptances, bankers' acceptances, certificates of deposit, bills of exchange, and drafts with or without securities, bills of lading or other documents attached.
- (2) Drafts on savings accounts with pass books attached.
- (3) Checks, drafts and other cash items which have previously been dishonored or on which special advice of payment or dishonor is required. (Any check, draft or other item which is normally handled as a cash item will not be handled as a non-cash collection unless special conditions require that it be done, as to which the Federal Reserve Bank shall decide.)
- (4) Maturing bonds and coupons, (other than obligations of the United States Government, Federal Land Banks and Federal Intermediate Credit Banks, which are redeemed by the Federal Reserve Banks as Fiscal Agents of the United States separately from this collection service).
- (5) All other evidence of indebtedness, except checks and bank drafts drawn on or payable by a non-member bank which cannot be collected at par in funds acceptable to the Federal Reserve Bank of the district in which such non-member bank is located; such checks and bank drafts will not be received as non-cash collection items under this circular or as cash items under this bank's check collection circular.

2. Terms of Collection

The Federal Reserve Banks, except in cases where satisfactory returns cannot reasonably be expected, will accept such maturing notes and bills, or other non-cash items for collection, subject to the following terms and conditions, and every member of non-member clearing bank which sends maturing notes and bills, or other non-cash items, to any Federal Reserve Bank for collection shall by such action be deemed:

(a) To have agreed to all the terms and conditions of this circular; (b) to have warranted to the Federal Reserve Bank that it has authority to empower the Federal Reserve Bank to handle such items in the manner hereinafter provided; (c) to have agreed to indemnify any Federal Reserve Bank for any loss resulting from the failure of such sending bank to have such authority; (d) to have guaranteed all prior endorsements on such items whether or not a specific guaranty is incorporated in the endorsement of the sending bank:

- (1) A Federal Reserve Bank will act only as agent of the bank from which it receives such notes, bills or other non-cash items, and will assume no liability except for its own negligence and its guaranty of prior endorsements.

COLLECTION OF MATURING NOTES AND BILLS, OR OTHER NON-CASH ITEMS

(2) A Federal Reserve Bank may present such items with any accompanying documents for payment direct to the person, firm or corporation on which they are drawn, or may present them for payment or forward them for collection direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible; or, in its discretion, may forward them to another agent with similar authority to present them for payment or forward them for collection.

(3) A Federal Reserve Bank will forward such items payable in another district for collection to the Federal Reserve Bank (or branch) of such other district; provided, however, that any such item with a definite maturity, payable in another district, may be forwarded direct to the place of payment in such other district when it is necessary to do so in order to reach the place of payment by maturity, and provided further that sight or demand drafts with documents attached, payable in another district, may be forwarded direct to the place of payment in such other district when the collecting Federal Reserve Bank is specifically requested to do so.

(4) No Federal Reserve Bank will be responsible for the default, omissions or negligence of any such agent for collection selected by it with reasonable care (the bank upon which any such item may be drawn, or at which the same may be payable, or through which the same may be payable or collectible being deemed to be an agent for collection within the meaning of this circular); and any such Federal Reserve Bank may accept either cash or bank drafts from any such agent in payment of or in remittance for such items and shall not be liable for any loss resulting from such acceptance of bank drafts, nor for the failure of the drawee bank or any agent to remit for such items, nor for the non-payment of any bank draft accepted in payment or in remittance from the drawee bank or any agent.

3. Collection Charges

The Federal Reserve Banks make no charge for their services in collecting non-cash items and, therefore, any item payable in a city where there is a Federal Reserve Bank or branch will be collected at par.

It is recognized, however, that any bank selected by a Federal Reserve Bank as agent to collect any such item (except checks and bank drafts) payable outside of the Federal Reserve Bank and branch cities renders a service, in presenting, collecting and remitting, for which a reasonable charge may be made if it cares to do so, and when such a charge is made, it will be deducted from the amount collected and credit will be given for the net proceeds.

Items sent to the Federal Reserve Banks for collection are subject to the following charges:

- (1) Any charge made by a collecting bank as agent, referred to above.
- (2) A service charge of 15c per item on all collection items returned unpaid and unprotested. This charge will not apply to items that are protested.
- (3) Expenses incurred for postage and insurance or express in forwarding items by registered mail or express.
- (4) All telephone and telegraph costs. (See paragraph below, "Telegraphic Advice".)

4. Telegraphic Advice

When requested to do so by member (or non-member clearing) banks, telegraphic advice of payment or non-payment of non-cash collection items will be obtained by this bank and telegraphic advice will be given. All telegraphic costs in connection with such service, as well as all telegraphic costs in connection with tracing, or in connection with special instructions, etc., will be charged to the requesting member (or non-member clearing) bank.

5. Interpretation of Terms Requesting Telegraphic Advice

Special attention is called to the fact that in accordance with the practice prevailing among Federal Reserve Banks, certain terms are used in requesting telegraphic advices in connection with collection items. The meaning of each of these terms as construed by the Federal Reserve Banks is stated below and member (or non-member clearing) banks are requested to use them in accordance with the same understanding of their meaning. For the protection of this bank, as well as the protection of its members, the Federal Reserve Bank of New York will place the following interpretations upon these terms:

- (a) "Wire Payment" when it is desired that the collecting agent furnish telegraphic advice that actual payment has been made by the drawee or payer. It will be assumed that banks requesting "Wire Payment" are interested in knowing that an item has been paid to the collecting agent and are not particularly interested in receiving the proceeds immediately for reserve purposes. It will be understood that when a Federal Reserve Bank gives such an advice of payment, it does not necessarily imply that actually collected funds are in possession of the Federal Reserve Bank.
- (b) "Wire non-Payment" when a telegraphic advice of dishonor only is desired.
- (c) "Wire Fate" or "Wire Payment or Non-Payment" when a prompt advice of payment or non-payment by drawee or payer is desired.
- (d) "Wire Credit" when a telegraphic advice of final or actual payment and of credit for reserve purposes is desired.

6. Direct Routing to Other Federal Reserve Districts

Member and non-member clearing banks may under certain conditions route certain collection items payable in other districts direct to the other Federal Reserve Banks and branches for the account of the Federal Reserve Bank of New York, provided permission to do so is first obtained from this bank.

CREDIT AND HANDLING OF COLLECTION ITEMS BY FEDERAL RESERVE BANK OF NEW YORK UNDER ABOVE PROVISIONS

7. Credit for Collection Items Sent to Federal Reserve Bank of New York, Other than Maturing Bonds and Coupons

Upon receipt of payment for items received by the Federal Reserve Bank of New York under this circular, credit will be given in the reserve account of the member bank depositing such items, and such member bank will be advised of the credit. Items returned unpaid will be returned to the bank that deposited them for collection.

While credit will be given on items payable in other Federal Reserve districts only upon receipt by the Federal Reserve Bank of New York of advice of payment from other Federal Reserve Banks, nevertheless adjustments in the reserve accounts will be made on items of \$1000 and over as of the dates payments were actually received by the other Federal Reserve Banks.

The proceeds of bankers' acceptances will be available, subject to final payment, in accordance with the following schedule:

<i>Place Payable</i>	<i>Credit Available</i>
Federal Reserve or branch cities.....	On maturity date.
Elsewhere all districts, except as follows.....	1 day after maturity.
(a) Maryland, District of Columbia and Virginia.....	2 days after maturity.
(b) West Virginia, North Carolina and South Carolina.....	3 days after maturity.

8. Credit for Maturing Bonds and Coupons

Credit will be given, or, if desired, a check will be issued, on due date, for coupons from United States Government bonds, notes, and certificates of indebtedness, Federal Intermediate Credit Bank obligations, and from Farm Loan bonds issued by the Federal Land Banks.

Proceeds of bonds and coupons, other than United States Government obligations, due or past due, payable in the City of New York, forwarded to the Federal Reserve Bank of New York for collection only, will be credited upon receipt of payment and advice of payment will be given at that time. If, however, they are listed to the Federal Reserve Bank of New York in a coupon cash letter, credit will be given, subject to final payment of such items, one day after receipt when received by 9 A. M. Proceeds of maturing bonds or coupons, payable outside of the City of New York, will be credited to the sending bank's reserve account upon receipt of payment and advice of payment will be given at that time.

PRACTICE FOR SENDING BANKS

9. Collection Items Other than Maturing Bonds and Coupons

Member banks are requested to list collection items, other than maturing bonds or coupons, in a separate letter and to use care to distinguish such letters from cash letters (letters containing checks sent for credit in accordance with the published time schedule). Items forwarded for "collection and credit when paid" should be listed on a letter preferably different in form from that on which cash items are listed. It is desirable that collection letters include the phrase "credit only when actually paid" and also that they give a complete description of each item enclosed as follows: Member bank's collection number, name of payer, place of payment, maturity date, amount, and instructions.

If documents are attached, their character also should be noted on the collection letter.

The Federal Reserve Bank of New York will be guided entirely by the instructions contained in the member bank's collection letter. Instructions or notations on or attached to any item will not be recognized unless such special notations are also mentioned opposite the item in the collection letter.

10. Maturing Bonds and Coupons, Except Government and Farm Loan Coupons

Maturing bonds and coupons must be listed in a separate letter, and not included in a letter enclosing checks, notes, bills, or other collection items.

For their own protection and to insure safety, member banks should forward bonds, coupons or other valuable securities by registered mail insured or by express.

In forwarding coupons payable in New York City member banks are requested to distinguish between *coupon cash letters* and *coupon collection letters*. It is suggested that, if final advice of payment is desired, the letter be headed "For Collection Only."

Coupons payable outside of New York City should be listed in a separate letter.

Maturing bonds and coupons sent to the Federal Reserve Bank of New York for collection should be listed separately as to each class, and only coupons of one class should be enclosed in one coupon envelope.

Coupon envelopes should show a complete description of the coupons enclosed. They should show the name of the sending bank and if possible the name of that bank's depositor.

Envelopes always should be listed and described separately on the sending bank's collection letter.

Envelopes enclosing coupons owned by domestic or resident corporations should bear stamp of the depositing bank, as follows: "The coupons enclosed, without ownership certificates attached, are owned by a domestic or resident corporation."

Coupons cut from tax free bonds owned by individuals must have proper ownership certificates attached.

Envelopes containing coupons cut from bonds not containing tax free covenant clause and owned by an individual should bear a stamp showing whether the owner is a citizen, alien resident or alien non-resident.

Ownership certificate forms should be obtained from the collector of internal revenue of the member bank's district. The Federal Reserve Bank of New York, however, can furnish a small supply for immediate use.

11. Government and Farm Loan Coupons

Maturing coupons from United States Government bonds, notes, and certificates of indebtedness, Federal Intermediate Credit Bank obligations, and from Farm Loan bonds issued by Federal Land Banks, should be enclosed in envelopes according to loans and listed on a schedule provided for the purpose. Upon request, the Federal Reserve Bank of New York will furnish the prescribed schedules and envelopes.

These coupons may be deposited one week in advance of due date, for credit on the due date.

PRACTICE FOR COLLECTING BANKS

Each note, bill, or other item, sent by the Federal Reserve Bank of New York for collection, will be accompanied by the form in current use, containing the following general instructions unless cancelled by other special instructions:

Do not remit for this collection unless it is actually paid.

Do not hold after maturity or for convenience of payer.

Deliver documents only on payment of drafts.

Unless otherwise instructed by the Federal Reserve Bank of New York, protest all unpaid items over \$10.00 and return immediately with reason for non-payment.

It is desirable that payment be made by advice of credit, preferably on the form that accompanies the item, with proper notation of the payment of the item, and an authorization for the charge to the collecting bank's reserve account.

If payment is not made by advice of credit, remittance should be sent in New York exchange.

Collecting banks are requested to follow carefully the instructions contained in the collection letter with regard to presentation, protest, etc.

In this circular the terms "non-cash items" and "collection items" are used interchangeably.

The right is reserved to withdraw, add to, or amend at any time, or from time to time, any or all of the foregoing rules and regulations, with or without previous notice.

Very truly yours,

BENJ. STRONG,
Governor.