



**FEDERAL RESERVE BANK
OF DALLAS**

DALLAS, TEXAS, January 29, 1921.

IMPORTANT

TRANSIT OPERATIONS

TO MEMBER BANKS OF THE ELEVENTH FEDERAL RESERVE DISTRICT:

This circular supersedes all previous circulars governing the clearing and collection of checks and the same general provisions herein outlined are applicable with both this bank and its branches.

The clearing regulation of the Federal Reserve Board contains the following language:

"Any further requirements that the Board may deem necessary will be set forth by the Federal Reserve Banks in their letters of instructions to their member and clearing member banks. Each Federal Reserve Bank will also promulgate rules and regulations governing the details of its operations as a clearing house, such rules and regulations to be binding upon all member and non-member banks which are clearing through the Federal Reserve Bank."

EFFECTIVE FEBRUARY 10, 1921, OUR METHOD OF TRANSIT OPERATIONS AS OUTLINED IN CIRCULAR NO. 3, SERIES OF 1920, WILL BE DISCONTINUED AND THE FOLLOWING METHOD ADOPTED:

OUTGOING CASH LETTERS

Outgoing cash letters from the Federal Reserve Bank of Dallas and its branches will be forwarded for collection and REMITTANCE.

Upon receipt of a cash letter, remittance must be made for all items good on the drawee bank's books and despatched by next mail in the self-addressed, stamped envelope enclosed with each cash letter, together with all dishonored items. Such remittance may be made in cash as hereinafter provided, or by draft the proceeds of which may be obtained by us on the same day of its receipt, as described below. All return items should be plainly marked showing reason for non-payment. In order to avoid liability the bank returning checks should carefully follow protest and telegraphic instructions printed on the cash letter accompanying the checks.

Dishonored items will not be accepted as partial payment of any letter other than that in which the items were included.

The stub at the bottom of the cash letter must always be returned with the remittance for purposes of identification. In case an error is found in our cash letter, do not return all items but adjust your remittance and describe such adjustments fully in an accompanying letter in order that proper correction can be made in our office.

Immediately available funds consist of:

- (a) Drafts drawn by a member bank against funds in its reserve account.
- (b) Drafts drawn on any bank in that city from which our cash letter is forwarded.
- * (c) Drafts stamped and made payable through the Reserve City Clearing House.
- (d) Cash. (When prepared and forwarded in accordance with method outlined in our latest circular pertaining to cash shipments.)

DO NOT SEND ANYTHING OTHER THAN THE ABOVE IN PAYMENT OF OUR CASH LETTERS.

*NOTE: Member banks in the cities of Fort Worth, Waco, San Antonio, Galveston, El Paso, Houston and Dallas have facilities for making the drafts of correspondent banks drawn against them available for immediate credit at the Federal Reserve Bank or Branches when such drafts are stamped "Payable Through Reserve City Clearing House."

INCOMING CASH LETTERS

A Branch of the Dallas Post Office is located in the Federal Reserve Bank of Dallas, known as "Station K." To insure prompt handling, all envelopes addressed to the Federal Reserve Bank of Dallas should include, in the address, the words "STATION K;" otherwise a delay in handling may result.

Each incoming cash letter received by the Federal Reserve Bank of Dallas, or its branches, will be credited, subject to final payment, to the member bank's reserve account according to our collection time schedules, copies of which are sent to all banks as issued. On letters containing deferred credit items, advice will be sent showing date reserve account will be credited.

BANKS MAKING ASSORTMENT OF THEIR SENDINGS TO US INTO LETTERS CONTAINING CHECKS OF THE SAME AVAILABILITY, ACCORDING TO TIME SCHEDULES, WILL RECEIVE THE BENEFIT OF THE SHORTEST COLLECTION TIME.

Various Deferred Credit.

Letters containing items drawn on banks in other Federal Reserve districts may, in the discretion of the Federal Reserve Bank, be deferred for the longest period of any item contained therein—as per time schedule furnished. Therefore, the proper sorting of all items is important.

Each letter should plainly indicate when the items enclosed are expected to be available as reserve, such as "Immediate Credit", "2 days", "3 days", etc. Business days only are to be counted in deferring, starting from the date of receipt by the Federal Reserve Bank (a 2-day deferred letter, received by us Saturday, would be available the following Tuesday).

When it is desirable, in order to save time, arrangements may be made with the Federal Reserve Bank of Dallas by member banks for direct routing of their items to the Head Office or Branch in the 11th Federal Reserve District outside of their territory or to other Federal Reserve Banks or Branches, for credit at the Head Office or Branch to which they are attached.

TERMS AND INSTRUCTIONS

In order to secure uniform instructions, it is understood that all checks and drafts handled by the Federal Reserve Bank of Dallas or its branches, unless listed in a separate collection letter and plainly marked "Collection Items" are received under the following conditions:

(1) All items over \$10.00 to be sent for collection subject to protest unless stamped on the face N. P. followed by the A. B. A. number of forwarding bank in the following form (N. P. 32-3) or unless such items bear the impression of a similar stamp of a preceding bank endorser.

(2) All items of \$500.00 or over to be sent for collection, with instructions to wire advice of non-payment, giving name of bank endorsing to Federal Reserve Bank of Dallas or Branch. All costs of messages reporting items unpaid will be borne by the Federal Reserve Bank.

(3) Any checks which have been protested for non-payment will not be handled as cash items a second time.

(4) Only checks drawn directly on a bank will be handled as cash items. Drafts drawn upon individuals, firms or corporations and made "payable at" or "payable through" a bank must be sent as collections.

(5) Any collection items enclosed in cash letters will be returned except those of \$500.00 and over which will be entered for collection and the proceeds placed to the member bank's reserve account when paid.

(6) In order to facilitate checking transcripts, any errors found in member banks' cash letters will be corrected by a debit or credit to the member bank's account and no totals of incoming letters will be changed.

(7) The Federal Reserve Bank of Dallas will not be responsible for the fulfillment of special instructions attached to checks sent in as cash items—such checks should be forwarded as collection items.

LIABILITY OF FEDERAL RESERVE BANK OF DALLAS IN COLLECTING CHECKS

In handling checks for collection the Federal Reserve Bank of Dallas acts as agent only. Each bank forwarding items to the Federal Reserve Bank of Dallas for collection agrees, by such action, that such checks may be forwarded direct to the banks on which they are drawn, or collected through other agencies, and, except for its own negligence resulting in actual loss, the Federal Reserve Bank of Dallas assumes no liability until collected funds in payment are actually in its hands. It is also understood, and each bank sending checks to the Federal Reserve Bank of Dallas under the terms of this circular by such action agrees, in the event any item, for which the Federal Reserve Bank has not received final payment in collected funds, including items lost in transit to or held in the possession of a collecting or drawee bank for which returns have not been received or remittance in payment of which has been dishonored, that the amount of such item may be charged back to the account of the sending bank.

The Federal Reserve Bank of Dallas is diligent in tracing cash letters forwarded to other banks or agencies and in protecting the interests of the sending banks in every proper way, but it will not be liable for the omission, negligence or default, directly or indirectly, of banks to which checks are sent for collection, or for damage caused through delays or the loss of checks in the mail, or for the misconduct of any agency other than itself.

Checks will be sent by the Federal Reserve Bank of Dallas to the collecting bank by mail, and if returns are not received when they are due according to the mail schedule, the delayed cash letter will be traced. If no returns are received after tracing, the bank which sent the checks to the Federal Reserve Bank will be notified within a reasonable time, not to exceed ten days after remittance is due, that payment has not been received, and such bank will be advised to take proper steps to protect its interests and those of its endorsers. In the event of the dishonor of remittances covering payment of checks sent to a bank for collection, advice that the Federal Reserve Bank of Dallas has not received payment will be forwarded to the bank from which the checks were received. If circumstances make the collection of any checks impracticable or unduly delay their collection, such checks will be charged back to the sending bank. After the Federal Reserve Bank of Dallas has notified the sending bank that it is without payment for items drawn on any bank, the subsequent sending to the Federal Reserve Bank of Dallas for collection of checks drawn on that bank will be considered the consent and agreement of the bank sending the items, to the employment by the Federal Reserve Bank of the same means in attempting collection as had been previously employed with the checks for which payment had not been received.

All checks are sent by this bank for collection and remittance only, and no liability shall attach to the Federal Reserve Bank of Dallas in case checks are charged to the accounts of depositors on the books of the collecting bank, or collected in any other manner and payment diverted either by means of entering an unauthorized credit to the Federal Reserve Bank of Dallas on the books of the collecting bank, or by any other failure to make remittance in accordance with the instructions on its cash letters.

The Federal Reserve Bank of Dallas cannot be responsible for the neglect of a collecting bank to regard instructions to wire payment or non-payment of checks, or failure to follow instructions as to the protest of checks.

The sending of checks by banks to the Federal Reserve Bank of Dallas or to any one of its Branches for collection will be construed as an acceptance of and agreement to the provisions herein stated as to the liability of the Federal Reserve Bank of Dallas in handling such items.

IMPORTANT SUGGESTION REGARDING ACCOUNTING SYSTEM

For their own convenience and in their own interests, Member Banks are urged to carry, on their general ledgers, two accounts with the Federal Reserve Bank: One of *Collected Funds (Reserve Account)* and the other *Uncollected Funds*. All items forwarded to the Federal Reserve Bank for credit, should be charged into the uncollected funds account, and on the day when such items are available for reserve or checking purposes, (as may be easily determined from our time schedules and advices heretofore mentioned), they should be charged into the Reserve Account. This suggestion applies also to items available for immediate credit on receipt. Totals of letters containing such items should be deferred until the date the letters are due to reach the Federal Reserve Bank, on which date Uncollected Funds Ac-

count should be credited and the Reserve Account debited. Deferment of other items begins on date of receipt by the Federal Reserve Bank. This will enable member banks to determine accurately the amount of their available reserve balances, and if our transcripts are daily checked, member banks will be enabled to avoid penalties for deficient reserves. Experience demonstrates that numerous penalties might have been avoided by member banks had they followed this suggestion.

COLLECTION ITEMS

Items sent for collection, when enclosed in a separate letter marked "Collection Items", will be received, entered for collection, forwarded and proceeds passed to the credit of the member bank when returns are received, less actual collection costs. Local items will be presented by messenger, or notice given, and the proceeds credited upon receipt. These collections will be made subject to the usual limitations as to liability. Only actual cost of collection, if any, will be deducted when the proceeds are accounted for, as the Federal Reserve Bank makes no charge for this service.

Respectfully,

A handwritten signature in cursive script, reading "R. L. Van Zandt".

Governor.

CAUTION—THE PROCEEDS OF A MEMBER BANK'S OWN DRAFT ON ITS CORRESPONDENT (UNLESS FALLING WITHIN THE CLASS OF ITEMS NOTED HEREIN AS BEING AVAILABLE FOR IMMEDIATE CREDIT ON RECEIPT) ARE NO MORE AVAILABLE TO THE FEDERAL RESERVE BANK OR ITS BRANCHES THAN A CHECK DRAWN ON THE MEMBER BANK BY ONE OF ITS CUSTOMERS.