



FEDERAL RESERVE BANK
OF DALLAS

Circular No. 13
Series of 1922

August 10, 1922

TRANSIT OPERATIONS
COLLECTION OF CASH ITEMS

**TO MEMBER BANKS,
ELEVENTH FEDERAL RESERVE DISTRICT:**

This circular supersedes all previous circulars governing the clearing and collection of checks, and its provisions are subject to change without notice by the Federal Reserve Bank of Dallas.

Unless otherwise stated, the term "Federal Reserve Bank of Dallas" includes the El Paso and Houston branches.

A branch of the Dallas city Post Office, known as "Station K", is located in the Federal Reserve Bank Building, and to insure prompt handling, all mail forwarded to the head office at Dallas should be addressed: "Federal Reserve Bank of Dallas, Station K, Dallas, Texas."

CASH ITEMS WHICH WILL BE RECEIVED FOR COLLECTION

The Federal Reserve Bank of Dallas will receive from its member banks checks drawn on all national banks in the United States, and such checks on state banks and trust companies as can be collected without payment of exchange.

The Federal Reserve Bank of Dallas will not receive under the terms of this circular the following classes of items:

(a) Member banks' own drafts drawn on their correspondents in a city other than that in which the office of the Federal Reserve Bank or branch to which they are attached is located. When such items are received in cash letters for deferred credit they will be cut out and entered for collection and credit given when proceeds have been received in actually collected funds. Member banks desiring to transfer funds from correspondents (other than those in the city in which the Federal Reserve Bank or branch to which they are attached is located), to the Federal Reserve Bank of Dallas should request those correspondents to transfer the funds, either by mail or by wire.

(b) Checks or drafts with pass books attached, protested checks or drafts which are forwarded for collection the second time, certificates of deposit or drafts drawn upon individuals, firms or corporations, even though made payable at or payable through a bank. Such items should be forwarded as collection items. Collection items enclosed in cash letters will be returned, except those of \$500.00 or over, which will be entered for collection and the proceeds thereof credited to the member bank's reserve account when actually paid.

(c) Checks or drafts drawn on closed banks. Whenever the Federal Reserve Bank of Dallas shall have received official advice of the closing of any banking institution, all items thereafter received drawn on such institution will be returned without presentation, and each bank sending items to the Federal Reserve Bank of Dallas agrees that such action on its part shall be deemed to constitute a waiver of demand, presentment, protest and notice of dishonor as to any item drawn against any such closed bank or trust company.

The Federal Reserve Bank of Dallas will not be responsible for the fulfillment of special instructions attached to checks sent it as cash items. Such checks should be forwarded as collection items.

At the request of a depositing bank, information will be obtained by telegraph as to the fate of items previously deposited, but the cost of all telegrams in connection with the transaction will be at the expense of the depositing bank.

AVAILABILITY OF PROCEEDS

Proceeds of items forwarded to the Federal Reserve Bank of Dallas in accordance with instructions will be credited, subject to final payment, to the reserve account of the member bank, under the provisions of the current published time schedule issued from time to time. When cash letters contain deferred items, advice will be sent the member bank from which received, showing the date its reserve account will be credited. In order to insure the shortest possible collection time, items forwarded by member banks should be sorted into separate cash letters, in accordance with the time taken for collection as shown by current circular, "Time Schedule of Deferred Availability"; i. e., immediate credit items should be listed on one cash letter, items available in 1 day should be listed on a separate cash letter, etc. A notation should be placed on each cash letter, plainly indicating when the items enclosed are expected to be available as reserve, such as, "Immediate Credit," "1 day", "2 days," etc. Business days only are to be counted in deferring credit. Such deferment will begin with the day on which the items are received by the Federal Reserve Bank of Dallas, provided they reach this bank not later than the closing hours shown in the published time schedule. Thus, a 2-day deferred letter received on Saturday would be available the following Tuesday. Should a cash letter contain checks not sorted in accordance with the time taken for collection as shown by the current time schedule, credit for the total of the letter may be deferred, at the discretion of the Federal Reserve Bank of Dallas, for a period sufficient to collect items of longest availability contained therein.

In order to facilitate checking of transcripts, no changes will be made in totals of incoming cash letters. Errors in member banks' cash letters will be corrected by debits or credits to the banks' reserve accounts.

For the purpose of reconciliation, a detailed list of deferred cash letters received on or before the last day of each month and which at that time have not been credited to the reserve account of the member bank will be furnished and the availability dates will be indicated. The total of such deferred credits will appear on our reconciliation sheet, to which will be attached a detailed list of deferred credits.

METHOD OF COLLECTING CASH ITEMS

Cash items drawn on banks in this district will be forwarded, in the discretion of the Federal Reserve Bank of Dallas, either direct to the paying bank or through such other collection agencies as it may select, for collection and remittance.

Cash items drawn on banks in other Federal reserve districts will be forwarded for collection to the Federal reserve bank (or its branch) of the district in which they are payable, and such other Federal reserve bank (or its branch) will be authorized at its discretion to forward such checks direct to the banks and trust companies on which they are drawn, or through such other collection agencies as it may select.

If circumstances unduly delay or make impracticable the collection of any checks, the amount of such items will be charged back to the sending bank.

Member banks receiving items direct from the Federal Reserve Bank of Dallas during business hours must forward remittances on same day for all items good on the drawee bank's books. For the convenience of the remitting bank a self-addressed, stamped envelope is enclosed with each cash letter. Unpaid checks not subject to protest must be returned with the remittance for the cash letter with which they were received. Protested checks must be returned not later than the day after receipt and unpaid checks must not be held for any reason whatever, except for immediate protest. Notation should be made on each return item, or on a slip attached thereto, showing plainly the reason for non-payment. A complete description of all items returned should be maintained by the remitting bank for the purpose of identification in the event such items are lost in transit.

In order to avoid liability in connection with the handling of dishonored items, member banks should follow carefully the instructions contained in our cash letters relative to the protesting of certain items and notifying us by wire of non-payment of all items of \$500.00 or over.

For the purpose of identification, the stub at the bottom of our cash letter must be returned with the remittance. In case an error is found in a cash letter, do not return all the items included therein, but make proper adjustment and forward correct remittance to the Federal Reserve Bank of Dallas, with a letter explaining the adjustment in detail.

Remittances may be made in cash (when prepared and forwarded in accordance with method outlined in our current circular pertaining to cash shipments); or by draft the proceeds of which are immediately available to us upon receipt.

Immediately available remittances consist of:

- (a) Drafts drawn by a member bank against collected funds in its reserve account.
- (b) Drafts drawn on any bank in the city from which our cash letter is forwarded.
- * (c) Drafts payable through the Reserve City Clearing House.
- (d) Funds transferred by wire to the Federal Reserve Bank of Dallas.

*NOTE: Certain member banks in the cities of Dallas, Fort Worth, Houston, San Antonio, Waco and Shreveport have facilities for making the drafts of correspondent banks drawn against them available for immediate credit at the Federal Reserve Bank of Dallas (subject to final payment) when such drafts are stamped "Payable Through Reserve City Clearing House."

Remittances made in any manner other than specified above will not be accepted.

PROTEST INSTRUCTIONS

In order to establish a uniform method of handling cash items, the Federal Reserve Bank of Dallas will hereafter receive and forward for collection all checks and drafts, acceptable under the terms of this circular, subject to the following regulations:

(1) All items over \$10.00 to be sent subject to protest unless plainly stamped on the face "N.P.", followed by the A. B. A. number of the forwarding or a previously endorsing bank, thus—(N.P.32-3).

(2) All items of \$500.00 or over to be sent with instructions to wire advice of non-payment.

The telegraphic advice to the Federal Reserve Bank of Dallas should include the following information: Name and address of bank endorsing the item to the Federal Reserve Bank of Dallas, amount, date of our cash letter, our batch number, and reason for non-payment. The cost of messages reporting items unpaid will be borne by the Federal Reserve Bank of Dallas.

DIRECT ROUTING

When it is desirable, in order to save time, arrangements may be made by a member bank with the Federal Reserve Bank of Dallas for the direct routing of miscellaneous checks to an office of the Federal Reserve Bank of Dallas other than the one to which the member bank is attached, or to any other Federal reserve bank or branch, for credit at the office of the Federal Reserve Bank of Dallas to which the member bank is attached.

Member banks desiring to avail themselves of this privilege shall make application to the Federal Reserve Bank of Dallas for authority to route such items direct to another office of the Federal Reserve Bank of Dallas, to any particular Federal reserve bank or branch, or to all Federal reserve banks and branches, as they may desire. If the privilege is granted they will be promptly advised.

RESTRICTIONS AS TO ENDORSERS

To insure direct routing, the Federal Reserve Bank of Dallas reserves the right to return any item drawn on a bank located outside of the Eleventh Federal Reserve District when such item bears the endorsement of a bank located in another district.

TREASURY CHECKS AND WARRANTS

Treasury checks and warrants will be received from member banks for immediate credit at par, it being understood that credit will be conditional upon final payment and acceptance by the Treasury Department in accordance with its regulations.

LIABILITY OF FEDERAL RESERVE BANK OF DALLAS IN COLLECTING CASH ITEMS

Every bank sending cash items to the Federal Reserve Bank of Dallas, or direct to another Federal reserve bank or branch to be credited to the account of the Federal Reserve Bank of Dallas for the use of the sending member bank, will be understood to have agreed to the terms and conditions of this circular and to have agreed that in receiving such items the Federal Reserve Bank of Dallas will act only as the collecting agent of the sending bank; that the Federal Reserve Bank of Dallas will not be held liable for the acts or omissions of any other banks or collectors to which such checks or other cash items may be transmitted by the Federal Reserve Bank of Dallas, as herein provided, or for loss in transmission; that the Federal Reserve Bank of Dallas will be responsible only for due diligence and care in forwarding or presenting such items promptly; that the Federal Reserve Bank of Dallas is authorized to present or send such items, for payment in cash or by bank draft, direct to the bank on which they are drawn, or, in the discretion of the Federal Reserve Bank of Dallas, to forward them to another agent with authority to present or send them, for payment in cash or by bank draft, direct to the bank on which they are drawn; and that the Federal Reserve Bank of Dallas is authorized to charge back the amount of any items (whether or not the items themselves can be returned) for which the Federal Reserve Bank of Dallas has not actually received payment either in cash or in the proceeds of collected bank draft.

All checks are sent by the Federal Reserve Bank of Dallas for collection and remittance, 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 otherwise collected) and payment diverted either by means of entering an unauthorized credit to the Federal Reserve Bank of Dallas or by otherwise failing to make remittance in accordance with the instructions contained in the cash letters of the Federal Reserve Bank of Dallas.

The Federal Reserve Bank of Dallas will not be responsible for the failure of a collecting bank or other agency to follow instructions with reference to telegraphic advice of the payment or non-payment of checks, nor for the failure of a collecting bank or other agency to follow instructions with reference to the protest of dishonored items.

IMPORTANT SUGGESTIONS REGARDING ACCOUNTING SYSTEM

For their own convenience and in their own interests, member banks are urged to carry on their general ledger two accounts with the Federal Reserve Bank of Dallas; one to be known as "Reserve Account (Collected Funds)" and the other "Uncollected Funds." All items forwarded to the Federal Reserve Bank of Dallas for credit, whether available for immediate credit or not, should be charged into the "Uncollected Funds" account, and on the day when such items are available for reserve they should be charged into the "Reserve Account" and credited out of the "Uncollected Funds." By adopting this system and checking the Federal Reserve Bank's transcripts daily, member banks will be able to determine accurately the amount of their available reserve balances, and thus avoid penalties for deficient reserves.

Very truly yours,

A handwritten signature in cursive script, appearing to read "R. M. McKinney".

Governor.