



**FEDERAL RESERVE BANK
OF DALLAS**

Circular No. 10
Series of 1923

September 24, 1923.

**TRANSIT OPERATIONS
COLLECTIONS OF CASH ITEMS**

To the Member Bank Addressed:

This circular contains the current terms and conditions under which the Federal Reserve Bank of Dallas receives and forwards cash items, and is issued primarily to clarify all previous circulars issued on this subject. This circular supersedes the provisions of 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."

ITEMS WHICH WILL BE RECEIVED

The Federal Reserve Bank of Dallas will receive from its member banks:

- (a) Checks and drafts drawn on banks listed in the inter-district collection list, published and revised from time to time by the Federal Reserve Board.
- (b) Checks and warrants drawn on the Treasurer of the United States.

ITEMS WHICH WILL NOT BE RECEIVED

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 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. (This does not apply to drafts made payable through the Reserve City Clearing House. Such drafts will be accepted for immediate credit subject to final payment by the drawee bank).

(b) Collection items as defined by our current circular on the collection of maturing notes, bills, drafts and other non-cash items. This includes checks or drafts with pass books, certificates, similar forms of receipt or any documents attached, 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 included in cash letters will be returned except those of \$500 or over, which will be entered for collection and credited to the sending member bank's reserve account when the proceeds thereof have been received in actually collected funds.

(c) Checks or drafts drawn on closed banks. When 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.

(d) Checks or drafts drawn on banking institutions which cannot be handled at par. Such items will not be received, either as cash items, under the terms of this circular, or as collection items, under the terms of our current circular "Collection of Maturing Notes, Bills, Drafts and Other Non-Cash Items".

(e) Checks which have been previously presented and dishonored or protested. Such checks will be handled as collection items only.

(f) Any check drawn on a bank located outside of this district, which bears the indorsement of a bank located outside of this district. In the interests of good banking, the indirect routing of checks will be discouraged, and member banks will not be permitted to deposit with us, or send direct to other Federal Reserve Banks or branches for our account, any checks payable in other Federal Reserve Districts, which bear the indorsement of banks located in other Federal Reserve Districts, in cases where it is evident that such checks have been routed indirectly.

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

DIRECT ROUTING

Member banks will be permitted, under certain conditions and regulations, to route checks payable in other Federal Reserve Districts direct to the other Federal Reserve Banks and branches of the districts in which the items are payable, for our account, provided permission to do so is first obtained from the Federal Reserve Bank of Dallas. Member banks desiring to avail themselves of this privilege should write us for permission (if permission has not already been obtained) and if granted by us, they will be advised in a separate letter giving full information and complete instructions.

It will be understood that all items sent to another Federal Reserve Bank or branch are subject to the terms and conditions of this circular.

INDORSEMENT OF CHECKS

All checks forwarded to this bank must be indorsed without restriction to the order of the Federal Reserve Bank of Dallas, or to the order of any bank, banker or trust company, with all prior indorsements guaranteed, and show the American Bankers Association transit number of the indorsing bank in prominent type on both sides of the indorsement stamp.

All checks forwarded direct to other Federal Reserve Banks and branches for our account, must be indorsed without restriction to the order of the Federal Reserve Bank or branch to which such items are sent, or to the order of any bank, banker or trust company, with all prior indorsements guaranteed, and show the American Bankers Association transit number of the indorsing bank in prominent type on both sides of the indorsement stamp.

PREPARATION OF CASH LETTERS

In order to expedite the forwarding of checks and to obtain prompt credit, member banks are requested to sort and list checks in separate letters, in accordance with the divisions of our current time schedules. A notice should be placed on each letter, plainly indicating when the items included are expected to be available as reserve, such as "immediate credit", "one day", "two days", etc. Business days only are to be counted in determining the availability date; for instance, a letter containing two-day items received by us on Saturday within the hours designated in the current time schedules 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 schedules, 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.

All items should be described on letters by inserting the name of bank and town upon which they are drawn, or the American Bankers Association transit number.

In order to facilitate the checking of transcripts, no changes will be made in totals of incoming cash letters. Errors in member banks' cash letters will be corrected by debit or credit to the bank's reserve account.

AVAILABILITY OF PROCEEDS

For all checks received by us under the terms of this circular, credit at par will be given in the member bank's deferred account upon receipt, subject to final payment, and the proceeds of the items will become available when the appropriate time indicated on the current time schedules has elapsed. Our acknowledgment of member banks' cash letters shows the date of receipt, and the date upon which the amounts will be transferred from the deferred to the reserve account.

Credit and availability are in each instance subject to our actual receipt of payment, as specified under "General Conditions Under Which Items Are Accepted". In this connection attention is invited to the fact that the divisions of the time schedules are based upon the average mail time required for items to reach the paying bank, plus the time required for the paying bank to remit to the Federal Reserve Bank, and do not necessarily indicate the actual time required for collection. It must be borne in mind that advice of availability cannot be considered as advice of actual payment.

For Government checks and warrants immediate credit at par will be given, but such credit will be subject to payment by the Treasurer of the United States and to the general conditions of this circular applicable to all items.

The Treasurer of the United States reserves the usual right of the drawee to examine, when received, all Government warrants and checks and to refuse payment thereon, and the Federal Reserve Bank of Dallas will handle such items in accordance with the provisions of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922. The method of handling follows:

(1) The Treasurer will return immediately any warrant or check, payment of which is refused on account of forged signature of drawer, insufficient funds, stoppage of payment, or any material defect discovered upon first examination. Such items will be charged back and returned to the depositing bank for immediate credit.

(2) In the event that any warrant or check which has been paid by the Treasurer is subsequently found to bear a forged indorsement, or to have been raised, or to bear any other material alteration or defect which was not discoverable upon first examination, a photographic copy of the warrant or check will be sent to the depositing bank, but its account will not be charged pending adjustment.

(3) In cases of warrants or checks bearing a forged signature of the drawer, not discovered upon first examination by the Treasurer, and in other cases where the Treasurer's right to reclaim is in question, the warrants or checks will not be charged to the account of the depositing bank, but will be returned to it as collection items for adjustment.

METHOD OF COLLECTING CASH ITEMS

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

Cash items drawn on banks or trust companies 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 paying bank or trust company, 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.

PRACTICE TO BE FOLLOWED BY PAYING BANKS

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, and, for the convenience of the remitting bank, a self-addressed, stamped envelope will be enclosed with each cash letter. Unpaid checks not subject to protest must be returned with the remittance for the cash letter in which they were received. Protested checks should be returned at the same time, if possible, and in any event 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 securely 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 and 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 remittance for the correct amount 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, subject to final payment, 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 AND WIRE 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 accepted under the terms of this circular, subject to the following regulations:

- (1) All items over \$10 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 previously indorsing bank, thus—(N. P. 32-3).
- (2) All items of \$500 and 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 indorsing the item to the Federal Reserve Bank of Dallas; amount, date of our cash letter, and reason for non-payment. The Federal Reserve Bank of Dallas will absorb telegraphic costs in connection with wiring advice of non-payment of items of \$500 and over. All other telegraphic costs in connection with obtaining and advising payment or non-payment, or any other information or instructions at the request of the depositing member bank, will be charged to the requesting member bank.

GENERAL CONDITIONS UNDER WHICH ITEMS ARE ACCEPTED

Every bank sending checks or other cash items to the Federal Reserve Bank of Dallas or to another Federal Reserve Bank direct, for our account, 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 Banks will act only as the collecting agent of the sending bank; that the Federal Reserve Banks will be responsible only for due diligence and care in forwarding or presenting such items; that the Federal Reserve Banks are authorized to present or send such items for payment in cash or bank draft, direct to the bank on which they are drawn, or in their discretion to forward them to another agent with authority to present or send them, for payment in cash or bank draft, direct to the bank on which they are drawn; and that the Federal Reserve Banks are authorized to charge back the amount of any items (whether or not the items themselves can be returned) for which payment either in cash or in the proceeds of the bank draft has not actually been received.

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 "Deferred Account". All items forwarded to the Federal Reserve Bank of Dallas for credit, whether available for immediate credit or not, should be charged into the "Deferred Account", and on the day such items are available for reserve, they should be charged into the "Reserve Account" and credited out of the "Deferred Account". 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.

Yours very truly,

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

Governor.