

FEDERAL RESERVE BANK
OF DALLAS

April 1, 1925.

IMPORTANT NOTICE

**To Member and Non-member Clearing Banks of
Federal Reserve Bank of Dallas:**

A copy of Regulation J, Series of 1924, issued by the Federal Reserve Board, has been heretofore furnished you. We desire to call your particular attention to the terms of Section 5 of such regulation, which is as follows:

"The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and non-member clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

(3) A Federal reserve bank may in its discretion and at its option, either directly or through an agent, accept either cash or bank drafts in payment of or in remittance for such checks and shall not be held liable for any loss resulting from the acceptance of bank drafts in lieu of cash, nor for the failure of the drawee bank or any agent to remit for such checks, nor for the non-payment of any bank draft accepted in payment or as a remittance from the drawee bank or any agent.

(4) Checks received by a Federal reserve bank on its member or non-member clearing banks will ordinarily be forwarded or presented direct to such banks, and such banks will be required to remit or pay therefor at par in cash or bank draft acceptable to the collecting Federal reserve bank, or at the option of such Federal reserve bank to authorize such Federal reserve bank to charge their reserve accounts

or clearing accounts; provided, however, that any Federal reserve bank may reserve the right in its check collection circular to charge such items to the reserve account or clearing account of any such bank at any time when in any particular case the Federal reserve bank deems it necessary to do so.

(5) Checks received by a Federal reserve bank payable in other districts will be forwarded for collection upon the terms and conditions herein provided to the Federal reserve bank of the district in which such checks are payable.

(6) The amount of any check for which payment is actually and finally collected funds is not received, shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned."

Substantially the same provisions are incorporated in the current circular of the Federal Reserve Bank of Dallas on transit operations.

The effect of this regulation and our current circular on transit operations is to confer upon the Federal reserve banks certain rights in the handling of collection items which might not exist in the absence of the specific authority conferred. It is important, therefore, that a member or non-member clearing bank using the collection facilities of the Federal Reserve Bank of Dallas, should give serious consideration as to whether or not it should obtain from its depositors and customers similar authority to that which it confers upon the Federal reserve banks in the collection of items. Many banks in this district have already taken steps to meet this situation by embodying upon their signature cards a contract containing in substance the provisions of Regulation J herein referred to.

It is the purpose of this circular to call the matter to your attention in order that you might take such action in connection therewith as you deem advisable for your own protection.

Yours very truly,

A large, flowing cursive signature in black ink, appearing to read "R. M. Finney".

Governor.