

FEDERAL RESERVE BANK OF DALLAS

Dallas, Texas, July 1, 1928.

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

To the Member or Non-Member Clearing Bank Addressed:

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 Dallas, and supersedes all previous circulars on the subject. Unless otherwise stated, the term "Federal Reserve Bank of Dallas" includes its El Paso, Houston and San Antonio Branches.

SECTION I

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 our check collection circular.

SECTION II

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 or 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.

(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.

SECTION III

PREPARATION OF COLLECTION LETTERS

Items forwarded to the Federal Reserve Bank of Dallas must be accompanied by a collection letter giving a complete description of each item, as well as protest and special instructions, collection number, amount and due date. If documents are attached, their character should also be indicated in the collection letter. Following the usual banking practice, this bank will be guided entirely by the instructions contained in the letter accompanying the collection items. Instructions or notations on, or attached to, any item will not be recognized unless the same are also mentioned in the collection letter.

Maturing bonds and coupons should be listed in a separate letter and should not be included in a letter enclosing checks, notes, bills, or other collection items. In their own interest member banks should forward bonds, coupons and other valuable securities by insured, registered mail or by express. Where it is desired registered mail shipments may be insured under this bank's insurance policy at the expense of the sending bank. When shipment is so made the sealing of package should be witnessed by two persons, one of whom should be an adult; one of the witnesses to have charge of package until registered at the post office. A separate advice, stating value of shipment, must be sent us in open mail on the same day shipment is made.

SECTION IV

DALLAS, EL PASO, HOUSTON AND SAN ANTONIO ITEMS

Items payable in the cities of Dallas, El Paso, Houston and San Antonio will be presented when payable within the city collection district established by banking custom of those cities. Items payable outside of the established collection district will not be presented, but payers will be requested by mail or telephone to give such items attention. The Federal Reserve Bank of Dallas assumes no liability for failure to present such items. Where time will permit, notice of maturity will be sent by mail to payers of notes and bills having a fixed maturity.

Items payable locally will not be accepted from banks in Dallas, El Paso, Houston and San Antonio.

SECTION V

PAYMENT BY COLLECTING BANKS

Collecting banks should not remit for items until they are actually and finally paid, and when remitting, our collection number, date of letter, name of payer, and amount should be given.

Remittance in immediately available funds should be made to the office of the Federal Reserve Bank of Dallas from which the collection is received.

SECTION VI
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.")

SECTION VII
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.

SECTION VIII
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 Dallas 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.

SECTION IX
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 Dallas, provided permission to do so is first obtained from this bank.

SECTION X
AVAILABILITY OF PROCEEDS

Proceeds of non-cash collection items payable in this district will be credited to the sending bank's account when the Federal Reserve Bank of Dallas has received final payment in accordance with the provisions embodied in Section II hereof.

Proceeds of non-cash collection items payable outside of this district will be credited to the sending bank's account upon receipt of advice of credit from the collecting Federal reserve bank or branch.

Adjustments in the reserve accounts of sending member banks will be made in connection with items of \$1,000 or over from the date the Federal Reserve Bank of Dallas receives credit on the books of the collecting Federal reserve bank or branch until credit is actually passed to the sending member banks' accounts.

SECTION XI
BANKERS ACCEPTANCES

Subject to final payment, credit will be given the sending bank on the date of maturity for the proceeds of bankers acceptances payable in cities where Federal reserve banks or their branches are located, provided the Federal Reserve Bank of Dallas receives such items sufficiently in advance to provide for presentation at the place of payment at that time. The proceeds of bankers acceptances payable elsewhere than in Federal reserve bank or branch cities will be credited to the sending bank, subject to final payment, one or more days after maturity, based on the transit time from the city where such items are payable to the Federal reserve bank of that district, provided the Federal Reserve Bank of Dallas receives such items sufficiently in advance to make collection at the place of payment on maturity date. If, however, the Federal Reserve Bank of Dallas does not receive such items for collection in time to provide for presentation on maturity date, proceeds will be available at the same time that credit would be given for checks payable in the same city according to the current time schedule of deferred availability.

The provisions of this circular are subject to change without notice by the Federal Reserve Bank of Dallas.

Yours very truly,



Governor.