

**FEDERAL RESERVE BANK
OF DALLAS**

Circular No. 1
Series of 1929

February 1, 1929.

**TRANSIT OPERATIONS
COLLECTION OF CASH ITEMS**

To the Member Bank Addressed:

This circular contains the current terms and conditions under which the Federal Reserve Bank of Dallas will handle cash items, and supersedes all previous circulars on this subject. Its provisions are subject to change without notice.

Unless otherwise stated, the term "Federal Reserve Bank of Dallas" includes its El Paso, Houston and San Antonio Branches.

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

(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 on correspondents in cities other than the Federal Reserve city to which they are attached. Such items erroneously sent us will be entered for collection, and credit will be given when proceeds have been received in actually collected funds. Member banks desiring to make transfers to this bank or branches from outside cities should request correspondents to make them either by mail or 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, including checks or drafts with attachments, such as pass books, certificates of deposit, etc. Such items should be forwarded as collection items. Any collection items included in cash letters will be returned except those of \$500 or over, which will be entered for collection and credit when proceeds have been received in actually collected funds.

(c) Checks or drafts drawn on closed banks. Any such items will be returned without presentation, and banks sending items to the Federal Reserve Bank of Dallas agree that such action on its part shall be deemed to constitute a waiver of demand, presentment, protest and notice of dishonor as to items so returned.

(d) Checks or drafts drawn on banking institutions which cannot be collected at par. Such items will not be received either as cash or collection items.

(e) Checks which have been previously dishonored and 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 send 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 thereto. 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. Availability should be plainly indicated on each letter as "immediate credit," "one day," "two days," etc. Business days only are counted in determining availability; for instance, a letter containing two-day items received on Saturday within the hours designated in the current time schedules would be available the following Tuesday. Cash letters containing checks not sorted in accordance with time schedules may be deferred for a period sufficient to collect items of longest availability contained therein.

All items should be described by inserting name and address, or the American Bankers Association transit number, of the drawee bank.

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

All checks received under the terms of this circular will be credited to the member bank's deferred account upon receipt, subject to final payment, and proceeds will become available when time indicated by current time schedules has elapsed. Acknowledgments of member banks' cash letters show 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 actual receipt of payment. 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 estimated time required for remittance of the paying bank to reach the Federal Reserve Bank of Dallas, and do not necessarily indicate the actual receipt by it of returns. It must, therefore, be borne in mind that advice of availability cannot be considered as advice of actual payment.

Immediate credit, at par, will be given for Government checks and warrants, 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.

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 from the Federal Reserve Bank of Dallas during business hours must forward remittances on same day. 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 remittance for the cash letter in which received. Protested checks should be returned at the same time, if possible, and in any event not later than the day after receipt. Unpaid checks must not be held for any reason whatever, except for immediate protest. Notation should be made on each item returned, 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 cash letters relative to protest of certain items and notification by wire of non-payment of all items of \$500 and over.

All checks returned to us for indorsement or other technical reasons should be certified.

For the purpose of identification, the stub at the bottom of the cash letter must be returned with 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 with a letter explaining the adjustment in detail.

Remittances may be made in cash (when prepared and forwarded in accordance with method outlined in this bank's current circular pertaining to cash shipments); or by draft, (subject to final payment) the proceeds of which are immediately available upon receipt.

Immediately available remittances consist of:

- (a) Draft 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 drafts of their correspondent banks 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," and the Federal Reserve Bank of Dallas is the payee.

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.

Telegraphic advice 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. All telegraphic costs pertaining to payment or non-payment, or in connection with receiving or transmitting any other information or instructions, will be charged to the account of the depositing bank. All such telegrams to the depositing bank will be sent "Collect."

TERMS OF COLLECTION

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, by such act will be understood to have agreed to the terms and conditions of this circular and to Regulation J of the Federal Reserve Board. Regulation J of the Federal Reserve Board prescribes the following terms and conditions under which all Federal Reserve Banks will handle checks for member and non-member clearing banks when received for deposit or collection:

"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 at 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.

(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 in 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."

CLEARING HOUSE ITEMS

Checks drawn on banks located in Dallas, El Paso, Houston, and San Antonio, will be collected through the respective Clearing House Associations subject to the rules and regulations of those Associations.

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 transcript 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 black ink, appearing to read "H. M. ...", written in a cursive style.

Governor.