

**FEDERAL RESERVE BANK
OF DALLAS**

September 18, 1930

**TRANSIT OPERATIONS
COLLECTION OF CASH ITEMS**

To the Member Bank Addressed:

Regulation J of the Federal Reserve Board and this circular and our time schedules prescribe the terms and conditions upon which we will receive and handle cash items for collection. Section VI of Regulation J of the Federal Reserve Board provides that each Federal reserve bank shall promulgate rules and regulations not inconsistent with the terms of the law and Regulation J, governing the details of its check clearing and collection operations, and that such rules and regulations shall be binding upon any member or non-member clearing bank which sends any check to such Federal reserve bank for collection or to any other Federal reserve bank for the account of such Federal reserve bank for collection. This circular and our time schedules are issued pursuant to this requirement of Regulation J.

SECTION I

ITEMS WHICH WILL BE ACCEPTED AS CASH ITEMS

The following will be accepted for collection as cash items:

1. Checks drawn on banks or banking institutions (including private bankers) located in any Federal reserve district which are collectible at par in funds acceptable to the collecting Federal reserve bank.
A list of "Banks upon which Items will be Received by Federal Reserve Banks for Collection and Credit" is furnished semi-annually, and a supplement is furnished each month showing changes subsequent to the last complete list. This list is subject to change without notice, and the right is reserved to return without presentation any items drawn on banks which may have withdrawn or may have been removed from the list or may have been reported closed.
2. Government checks and warrants drawn on the Treasurer of the United States.
3. Such other items, collectible at par in funds acceptable to the Federal reserve bank of the district in which such items are payable, as we may be willing to accept as cash items. When any such item is accepted as a cash item, we will give credit therefor in accordance with the provisions of this circular and our time schedules; but with respect to such item the "Terms of Collection" set forth in our current circular on the subject "Collection of Maturing Notes and Bills, or other Non-Cash Items" will apply.

SECTION II
ITEMS WHICH WILL NOT BE ACCEPTED AS CASH ITEMS

Items which have been previously presented and dishonored or protested; items with pass book, certificate, or any other document attached; and items with special instructions or requiring special handling should be sent to us as non-cash collection items, subject to the terms of our current circular on the subject "Collection of Maturing Notes and Bills, or other Non-Cash Items."

Checks drawn on or payable at a non-member bank which is not included in the currently effective list of "Banks upon Which Items will be Received by Federal Reserve Banks for Collection and Credit," referred to above, will not be received either as cash items or as non-cash items by us or by any other Federal reserve bank.

Member banks' own drafts on correspondents in cities other than the Federal reserve city to which they are attached (except drafts payable through the Reserve City Clearing House), will be received only 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.

Checks or drafts drawn on closed banks will be returned without presentation, and banks sending items to us agree that such action on our part shall be deemed to constitute a waiver of demand, presentment, protest, and notice of dishonor as to items so returned.

In the interest of good banking, the indirect routing of cash items is discouraged, and member banks and non-member clearing banks will not be permitted to send to us or to other Federal reserve banks for our account, any items payable in other Federal reserve districts, which bear the endorsements of banks located in other Federal reserve districts, in cases where it is evident that such items have been routed indirectly.

SECTION III
TERMS AND CONDITIONS OF COLLECTION

Every bank sending cash items to us 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, of our time schedules, and of Regulation J of the Federal Reserve Board in effect at the time such cash items are received by the Federal Reserve Bank.

Regulation J of the Federal Reserve Board on the date of this circular prescribes the following terms and conditions under which all Federal reserve banks will handle checks as cash items for member and non-member clearing banks:

"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 or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal reserve bank. The Federal reserve bank shall not be liable for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the non-payment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.
- “(4) Checks received by a Federal reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal reserve bank.
- “(5) Checks received by a Federal reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal reserve bank of the district in which such checks are payable; provided, however, that, where arrangements can be made satisfactory to the collecting bank or agent and to the Federal reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be forwarded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to all the terms and conditions of this regulation.
- “(6) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation shall likewise be handled for collection subject to all the terms and conditions of this regulation.
- “(7) 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. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other such fund of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal reserve bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other such funds of a paying, remitting, or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this regulation will be paid, acted upon, or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank.”

SECTION IV

SPECIAL PROVISIONS REGARDING GOVERNMENT CHECKS AND WARRANTS

The provisions of Regulation J and of this circular and of our time schedules shall be deemed applicable to the handling of and credit and availability for United States Government checks and warrants in so far as such provisions relate to checks generally or to Government checks and warrants in particular. Credit for Government checks and warrants will in all cases be subject to payment by the Treasurer of the United

States, and they will be handled in accordance with, and subject to, the provisions of Treasury Department Circular No. 176, in effect at the time such items are received by the Federal Reserve Bank.

The following is quoted from paragraph 34 of Treasury Department Circular No. 176, in effect at the date of this circular:

"34. Payment by Treasurer.—The Treasurer of the United States reserves the usual right of the drawee to examine, when received, all Government checks and warrants cashed by Federal reserve banks and branches and member bank depositaries, and to refuse payment thereon. The Treasurer will handle all such items received by him on the following basis:

- "(1) Immediate return will be made of any check or warrant, 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, in all of which cases the transit account of the remitting bank will be charged with the amount of the returned check or warrant and the remitting bank will be expected to give immediate credit therefor in the Treasurer's account; but if the original check or warrant is required for use in connection with a criminal investigation or legal proceeding, the original will be retained for that purpose and a photographic copy of the face and back will be forwarded to the remitting bank in lieu of the original.
- "(2) In the event that any check or warrant which has been paid by the Treasurer is subsequently found to bear a forged indorsement, or to bear any other material alteration or defect which was not discovered upon first examination, a photographic copy of the check or warrant will be forwarded to the remitting bank and its transit account will be charged with the amount by the Treasurer. The remitting bank, if a member bank depositary, will be expected to give immediate credit therefor in the Treasurer's account; if a Federal reserve bank or branch, it will be expected to demand restitution at once from its prior indorser or indorsers, to maintain a close follow-up on its demand, and to give credit in the Treasurer's account when reimbursement has been made. In the case of checks paid more than a year before reclamation is requested of the presenting bank, the Treasurer may, in his discretion, treat the item as a collection instead of charging the presenting bank's account, with the understanding that no rights of the Government as to ultimate recovery are waived thereby.
- "(3) In cases of checks or warrants raised or 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 checks or warrants will be forwarded to the remitting bank as collection items and taken up by the Treasurer when credited, with no intermediate charge in the account of the remitting bank. A photographic copy may be returned in lieu of the original if the later is required for use in connection with a criminal investigation or legal proceeding."

SECTION V

PREPARATION OF CASH LETTERS BY SENDING BANKS

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."

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 time schedules of availability. A notation 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. Items payable in this district will be deferred on a business day basis, i. e., exclusive of Sundays and holidays. Items

payable in other districts will be deferred on a calendar day basis insofar as it concerns the transit time to other Federal reserve bank and branch cities. For instance, items of two-day availability payable in this district which are received by us Saturday will be credited Tuesday, whereas items of two-day availability which are received by us Saturday, payable in other districts and listed in separate letters, will be credited Monday. In any case when date of availability falls on Sunday or a legal holiday credit will be given the next business day.

Should a cash letter contain checks not sorted according to the time taken for collection, as shown by our time schedules, credit for the total of the letter may be deferred, at our discretion, 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.

SECTION VI ENDORSEMENTS

All cash items sent to us, or to another Federal reserve bank direct for our account, should be endorsed without restriction to the order of the Federal reserve bank to which sent, or to the order of any bank, banker or trust company, or with some similar endorsement. Cash items will be accepted by us, and by other Federal reserve banks, only upon the understanding and condition that all prior endorsements are guaranteed by the sending bank. There should be incorporated in the endorsement of the sending bank the phrase "All prior endorsements guaranteed." The act of sending or delivering a cash item to us or to another Federal reserve bank will, however, be deemed and understood to constitute a guaranty of all prior endorsements on such items, whether or not an express guaranty is incorporated in the sending bank's endorsement. The endorsement of the sending bank should be dated and should show the American Bankers Association transit number of the sending bank in prominent type on both sides.

SECTION VII UNIFORM INSTRUCTIONS

Federal reserve banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and advice of non-payment:

1. DO NOT PROTEST items of \$10.00 or less.
2. PROTEST dishonored items of \$10.01 or over, except those bearing on their face the A. B. A. no protest symbol of the Federal Reserve Bank or of a preceding bank endorser.
3. WIRE ADVICE of non-payment of all items of \$500.00 or over.

All Federal reserve banks will receive, handle, and forward cash items only in accordance with these uniform instructions, and any contrary or special instructions noted on cash letters or otherwise transmitted with cash items will be disregarded.

If a bank should desire to have any cash item handled by us or by any other Federal reserve bank under any instructions differing from the uniform instructions given above, it will be necessary for such bank to forward such item as an individual non-cash item, with the instructions noted in the letter of transmittal, for collection and credit when paid, in accordance with the terms of our current circular relative to "Collection of Maturing Notes and Bills, or Other Non-Cash Items."

We will not be responsible for the fulfillment of special instructions attached to checks sent us as cash items or for the loss of any papers or documents attached thereto.

SECTION VIII TELEGRAPHIC COSTS

The cost of all telegrams pertaining to payment or non-payment of items, or in connection with receiving or transmitting any other information or instructions, will be charged to the accounts of the banks from which such items were received; and all such telegrams to such banks will be sent "Collect."

SECTION IX TIME SCHEDULES AND AVAILABILITY OF CREDITS

We publish and furnish to member and non-member clearing banks time schedules showing when cash items will become available for reserve and withdrawal or other use by the sending banks after receipt by us at our head office or branches. For all items received as cash items the sending bank will be given immediate credit or deferred credit, in accordance with such time schedules and as provided in Regulation J.

Time schedules do not necessarily show the actual time required for collection, and advices received from us showing the availability of items cannot be considered as advices of actual payment on the dates of availability. Credit will in all instances be subject to receipt of payment by us in actually and finally collected funds.

Immediate Credit

For all such cash items as are accepted for immediate credit in accordance with our current time schedules, immediate credit will be given upon our books at full face value in the reserve account or clearing account upon the day of receipt, and the proceeds will at once be counted as reserve (in the case of a member bank) and become available for withdrawal or other use by the sending bank; provided, however, that we may in our discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which we have not yet received payment in actually and finally collected funds.

Deferred Credit

For all such cash items as are accepted for deferred credit in accordance with our current time schedules, deferred credits will be entered upon our books at full face value, but the proceeds will not be counted as reserve nor become available for withdrawal or other use by the sending bank until the expiration of the time specified in our time schedules, at which time credit will be transferred from the deferred account to the reserve account or clearing account and will then be counted as reserve (in the case of a member bank) and become available for withdrawal or other use by the sending bank; provided, however, that we may in our discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which we have not yet received payment in actually and finally collected funds.

SECTION X INSTRUCTIONS FOR PAYING AND COLLECTING BANKS

Member banks receiving items from us during business hours should forward remittances on the 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 deducted from and returned with remittance for the cash letter in which received, and will not be accepted as a deduction from a subsequent cash letter. Unpaid checks subject to protest should be returned at the same time, if possible, and in any event not later than the day after receipt. If held for protest they must be deducted from

amount of the cash letter in which received, together with any other current return items. A memorandum should be made on the remittance stub describing any items held for protest. 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 or over.

Telegraphic advice should include the following information: Name and address or American Bankers Association transit number of bank endorsing the item to us, amount, date of our cash letter, and reason for non-payment.

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 must be made in funds which are available immediately upon receipt as follows:

- (a) Cash (when prepared and forwarded in accordance with the method outlined in this bank's current circular pertaining to cash shipments).
- (b) Telegraphic transfers of funds.
- (c) Drafts drawn by a member bank against collected funds in its reserve account.
- (d) Drafts drawn on any bank in the city from which our cash letter is forwarded.
- (e) Drafts payable through the Reserve City Clearing House.

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 and branches (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.

SECTION XI

DIRECT SENDING OF CASH ITEMS TO OTHER FEDERAL RESERVE BANKS

Member and non-member clearing banks, if they have received permission from us to do so, may send cash items payable in other Federal reserve districts direct to the Federal reserve bank of such other districts, for collection and credit to us. Banks which have not already received our permission to send cash items direct to other Federal reserve banks as provided in this section may apply for such permission by letter. Appropriate instructions will be sent to the banks to which such permission is granted.

With respect to any cash item sent direct by a member or non-member clearing bank in this district to a Federal reserve bank in another district, the relationships, and the rights and liabilities existing between the sending bank and us and the Federal reserve bank to which such item is sent, will be the same, and the provisions of Regulation J of the Federal Reserve Board and of this circular and of our time schedules will apply, as though the member or non-member clearing bank had sent such item to us, with its endorsement and guarantee of prior endorsements, and we had sent the item to the other Federal reserve bank with our endorsement and guarantee of prior endorsements.

SECTION XII
ITEMS DRAWN ON BANKS LOCATED IN DALLAS, EL PASO, HOUSTON
OR SAN ANTONIO

Checks drawn on clearing house banks located in Dallas, El Paso, Houston or San Antonio will be collected through the respective Clearing House Associations subject to the rules and regulations of those associations. We reserve the right to collect by mail checks drawn on banks in any of these cities which cannot be collected through the Clearing House.

Member banks located in Dallas, El Paso, Houston or San Antonio, will be expected to effect their own collections of items drawn on banks in their respective cities.

SECTION XIII
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 us, one to be known as "Reserve Account (Collected Funds)," and the other "Deferred Account." All items forwarded to us 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 our transcript daily, member banks will be able to determine accurately the amount of their available reserve balances and thus avoid penalties for deficient reserves.

This circular supersedes all previous circulars on this subject, and its provisions are subject to change without notice.

Yours very truly,



Governor.