

# FEDERAL RESERVE BANK OF DALLAS

Dallas, Texas, March 16, 1932

## To the Member Bank Addressed:

You are no doubt aware of the fact that several years ago the American Bankers Association approved for adoption by state legislatures a uniform statute attempting to clarify the law relating to the payment and collection of checks. The proposed legislation has now been adopted by a number of states and has become known as the "Uniform Bank Collection Code."

Section 11 of this Code provides, in part, that where an item is presented by mail to the drawee or payor, whether or not the same has been charged to the account of the maker or drawer thereof, or returned to such maker or drawer, the agent collecting bank so presenting may, at its election, exercised with reasonable diligence, treat such item as dishonored by nonpayment and recourse may be had upon prior parties thereto in those cases set out in that section. Section 13 of the Code provides that under some circumstances, and except in those cases where the item or items are treated as dishonored by nonpayment under the provisions of Section 11 of the Code, the assets of the drawee or payor bank shall be impressed with a trust in favor of the owner or owners of the item or items for the amount thereof.

We are informed that the Comptroller of the Currency deems the Uniform Collection Code inapplicable to insolvent national banks in so far as the Code conflicts with the United States Revised Statutes requiring ratable distribution of an insolvent national bank's assets among all creditors.

As in the case of most all new legislation, many perplexing questions will no doubt present themselves in the application of this Code to particular cases. We have felt, therefore, that you should be advised of the situation as we now understand it to exist, in order that you may, if you deem advisable, through your attorney or otherwise, become familiar with the general subject matter of the Code.

Yours very truly,

A large, handwritten signature in black ink, appearing to read "B. A. McKinney". The signature is written in a cursive style with a prominent initial "B" and a long, sweeping tail.

Governor.