

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, January 10, 1942

**To the Member and Nonmember Clearing Banks of the
Eleventh Federal Reserve District:**

There is enclosed a copy of our Bulletin No. 10, which will become effective on February 2, 1942, relating to the collection of United States postal money orders.

This bulletin should be placed in the ring binder previously furnished.

Yours very truly,

R. R. GILBERT

President



COLLECTION OF
U. S. POSTAL MONEY ORDERS

To the Member and Nonmember Clearing Banks
of the Eleventh Federal Reserve District:

This is to advise that on and after February 2, 1942, this bank and other Federal Reserve banks will not accept for collection from member or nonmember clearing banks, either as cash or noncash items, any postal money orders that are not drawn on or issued by a post office in a Federal Reserve bank or branch city, or Washington, D. C., or Fort Bliss, Texas. We will continue after February 2, 1942, to accept for collection as cash items money orders that are drawn on or issued by post offices in the cities referred to above.

Consistent with the foregoing, direct sending member banks and nonmember clearing banks should not send to any other Federal Reserve bank, or to any branch of another Federal Reserve bank, any postal money orders not drawn on or issued by the respective post offices in the cities in which such other Federal Reserve banks or branches are located.

For the information of member banks and nonmember clearing banks we quote below paragraphs 1 and 2 of section 1429 of the Postal Laws and Regulations, which section is contained in Title VIII, Chapter 3, entitled "Payment of Domestic Money Orders."

"1. Under such rules and regulations as the Postmaster General shall prescribe, postal money orders may be issued payable at any money-order post office, and on and after the date upon which such rules and regulations become effective all money orders shall be legally payable at any money-order post office, although drawn on a specified office; and as compensation for the extra labor involved in paying a money order at an office other than that on which the order is drawn the Postmaster General is authorized to exact a fee of the same amount as that charged for the issue of the order (act of June 16, 1934, Public, No. 366, 73d Cong.).

"2. An original domestic money order shall be paid at its full face value if presented at the office on which drawn or at the office of issue at any time within the period of its validity, which is 1 year from the last day of the month in which issued. For the first 30 days after issue any domestic money order issued in the continental United States (except Alaska), and drawn on an office located therein, may be paid for its face value, less the fee prescribed by the law quoted above, at an office other than that of issue or that on which drawn, provided the office at which presented is located within the continental United States (except Alaska)."

Prior to August 1, 1934, when the revised Regulations of the Post Office Department became effective, Federal Reserve banks could collect all postal

money orders at their local post offices without the payment of a fee, regardless of where such orders were issued or where they were payable. When the Post Office Department revised its Regulations to provide a fee for cashing any postal money order when presented at an office other than that of issue or that on which drawn, Federal Reserve banks, as a general rule, began sending money orders not drawn on or issued by postmasters in Federal Reserve bank and branch cities to member or par nonmember banks located at the points on which the orders were drawn or at which issued as cash items for collection and remittance. This practice has not proved to be entirely satisfactory since many member and par nonmember banks feel that they are entitled to make a charge for their services in presenting the money orders to their local post offices for payment, and some banks have declined to handle postal money orders for the Federal Reserve banks unless they are permitted to make a charge for their services.

In view of these developments and since the payees or holders of postal money orders can collect all of them from their local post offices, and such of them as are drawn on or issued by their local post offices without the payment of prescribed fees, there is no adequate reason why the Federal Reserve banks should continue to receive for collection any money orders, other than those (specified in the first paragraph of this bulletin) which can be cashed by the Federal Reserve banks themselves for their member and nonmember clearing banks free of fees or other collection charges.

The right is reserved to withdraw, add to, or amend at any time, any of the provisions of this bulletin.

Respectfully,

R. R. GILBERT

President