

FEDERAL RESERVE BANK

OF DALLAS

Dallas, Texas, May 27, 1946

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

There is enclosed a copy of our revised Bulletin No. 8, "Transit Operations—Collection of Cash Items," dated June 1, 1946, containing pages numbered 1 through 9. This revised bulletin supersedes our present bulletin of the same number. Also enclosed is a memorandum dated June 1, 1946, listing par banks in outlying sections of Dallas and branch office cities whose items are collected by mail and are subject to deferred credit.

The revised Bulletin No. 8 reflects the following principal changes: (1) The section in the present bulletin captioned "Special Provisions Regarding Government Checks and Warrants" has been replaced by a section captioned "Government Checks," which gives effect to the provisions of Treasury Department Circular No. 176 (Revised December 21, 1945), regarding the handling of checks drawn on the Treasurer of the United States; (2) The section of the present bulletin captioned "Preparation of Cash Letters by Sending Banks" has been changed to authorize sending banks to forward all cash items without description, provided the sending bank retains records of deferred credit items in such form as to enable it to furnish description of such items, upon request; (3) The section of the present bulletin captioned "Instructions for Paying and Collecting Banks" has been revised to give recognition to state statutes permitting revocation of conditional payment within a limited time after items are presented to the paying bank.

Please file the enclosed bulletin and attachments in your ring binder of Regulations and Operating Bulletins, in place of the old material. Also, please acknowledge receipt of this bulletin and attachments on the enclosed post card.

Yours very truly,

R. R. GILBERT

President

**TRANSIT OPERATIONS
COLLECTION OF CASH ITEMS**

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

Regulation J of the Board of Governors of the Federal Reserve System and this bulletin and our time schedules prescribe the terms and conditions upon which we will receive and handle cash items for collection. Section 6 of Regulation J of the Board of Governors of the Federal Reserve System provides that each Federal Reserve bank may promulgate rules 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 shall be binding upon any member or nonmember 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 bulletin and our time schedules are issued pursuant to this provision of Regulation J.

Unless otherwise stated, all references to the Federal Reserve Bank of Dallas will include the head office and all of its branches.

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 semiannually 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 bulletin and our time schedules; but with respect to such item the "Terms of collection" set forth in our current bulletin relating to the collection of noncash items will apply.

Items which have been previously presented and dishonored or protested; items with passbook, certificate, or any other document attached; and items

with special instructions or requiring special handling should be sent to us as noncash collection items, subject to the terms of our current bulletin relating to the collection of noncash items.

Checks drawn on or payable at a nonmember 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 noncash items by us or by any other Federal Reserve bank.

In the interests of good banking, the indirect routing of cash items is discouraged, and member banks and nonmember clearing banks should not 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.

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 bulletin, of our time schedules, and of Regulation J of the Board of Governors of the Federal Reserve System in effect at the time such cash items are received by the Federal Reserve bank.

Cash items payable in other Federal Reserve districts and forwarded for collection to the Federal Reserve banks of such other districts either by us or by our member and nonmember clearing banks for our account will be handled by such other Federal Reserve banks subject to the terms and conditions of Regulation J and of the respective bulletins and time schedules of such other Federal Reserve banks, and to the rules of law applicable to such banks; but we will give credit to the sending banks for such items in accordance with our time schedules.

Any cash item, or check received in remittance therefor, may be presented through a clearing house or a clearing house association subject to the rules and practices thereof.

Regulation J of the Board of Governors of the Federal Reserve System on the date of this bulletin prescribes the following terms and conditions under which all Federal Reserve banks will handle checks as cash items for member and nonmember clearing banks:

"The Board of Governors of the Federal Reserve System hereby authorizes the Federal Reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember 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; (c) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, or result-

ing from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such checks; and (d) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank.

- “(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 endorsements.
- “(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 nonpayment 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) With respect to any check sent direct by a member or nonmember clearing bank in one district to a Federal Reserve bank in another district, the relationships and the rights and liabilities existing between the member or nonmember clearing bank, the Federal Reserve bank of its district and the Federal Reserve bank to which

the check is sent will be the same, and the relevant provisions of this regulation will apply, as though the member or nonmember clearing bank had sent such check to the Federal Reserve bank of its district with its endorsement and guaranty of prior endorsements and such Federal Reserve bank had sent the check to the other Federal Reserve bank with its endorsement and guaranty of prior endorsements.

- “(7) 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.
- “(8) 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 funds 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 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.”

GOVERNMENT CHECKS

United States Government checks 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 us; and with respect to matters not covered by such circular, the provisions of Regulation J, this circular and our time schedules shall be deemed applicable to all Government checks. Credit for Government checks will be given in accordance with our time schedules and will be subject in all cases to examination and payment by or on behalf of the Treasurer of the United States.

Treasury Department Circular No. 176, Revised December 21, 1945, was published in the Federal Register of January 3, 1946, beginning on page 102, as Part 202, Subchapter A, Chapter II, Title 31 of the Code of Federal Regulations of the United States of America as revised (F.R. Doc. 45-23147; Filed, Dec. 29, 1945, 11:44 a.m.). Section 25 of the revised circular relates to the handling and payment of checks drawn on the Treasurer of the United States received at Federal Reserve banks. Copies of this section will be furnished upon request.

PREPARATION OF CASH LETTERS BY SENDING BANKS

All mail forwarded to the head office at Dallas should be addressed "Federal Reserve Bank, Station K, Dallas 13, Texas."

In order to obtain prompt credit, member and nonmember clearing banks should assort items and list them in separate letters in accordance with our time schedules.

All cash items, whether subject to immediate or deferred credit, may be forwarded to us, or may be forwarded by direct sending banks to other Federal Reserve banks, without description, provided that in the case of items subject to deferred credit the sending bank by forwarding such items undescrbed agrees to retain a record of the items in the form desired by it and to furnish description of such items upon request.

Each bank sending cash items of deferred availability to a Federal Reserve bank will be understood to have agreed to indemnify the Reserve bank to which such items are sent, and in the case of items sent direct to a Reserve bank of another district also to have agreed to indemnify the Reserve bank of the district in which the sending bank is located, against loss or expense resulting from delay in advising nonpayment of any such item where such delay is due, in whole or in part, to the lack of description, or to the erroneous, incomplete, or defective description of such item by the sending bank.

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.

UNIFORM INSTRUCTIONS

Federal Reserve banks will receive, handle and forward cash items subject to the following uniform instructions regarding protest and advice of nonpayment, except that United States Government checks will not be protested:

- (1) DO NOT PROTEST items of \$100.00 or less.
- (2) PROTEST dishonored items of \$100.01 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 nonpayment of all items of \$1,000.00 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 noncash item, with the instructions noted in the letter of transmittal, for collection and credit when paid, in accordance with the terms of our current bulletin relating to collection of noncash items.

TELEGRAPHIC COSTS

Charges for all telegrams pertaining to payment, nonpayment or tracing of items, or in connection with receiving or transmitting any other information or instructions, will be made at commercial rates against the banks from which such items were received; telegrams to such banks will be sent "collect."

TIME SCHEDULES AND AVAILABILITY OF CREDITS

We publish and furnish to member and nonmember 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. Credit for letters containing items unsorted as to availability may be deferred for the longest period of availability prescribed by the current time schedules of this bank with respect to any item enclosed, not to exceed three business days.

Time schedules do not in many instances 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 credit 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.

INSTRUCTIONS FOR PAYING AND COLLECTING BANKS

Member and nonmember clearing banks receiving items from us should remit therefor promptly upon receipt. Unpaid items should not be held for any reason whatever, except for immediate protest.

Unpaid items not subject to protest must be deducted from and returned with remittance for the cash letter in which received; except that such items on which payment is revoked under provisions of appropriate state law permitting revocation of conditional payment within a specified time after presentment may be returned unpaid within the time permitted by such law, and if returned within that time will be accepted as a deduction from the remittance for the next succeeding cash letter.

Unpaid items subject to protest must be deducted from the remittance for the cash letter in which received, except that such items on which payment is revoked under provisions of appropriate state law permitting revocation of conditional payment within a specified time after presentment may be deducted within such time from the remittance for the next succeeding cash letter. Such protested unpaid items should be returned, if possible, with the remittance for the cash letter in which listed, and in no event later than the following business day after such items have been dishonored. A memorandum should be made on the remittance stub describing any items held for protest.

Notation should be made on each item returned, or on a slip securely attached thereto, showing plainly the reason for nonpayment. **A complete description of all items returned should be retained by the remitting bank for the purpose of identification in the event such items are lost in transit.**

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

Remittance must be made in cash, or in other immediately available funds acceptable to us.

DIRECT SENDING OF CASH ITEMS TO OTHER FEDERAL RESERVE BANKS

Member and nonmember clearing banks having a substantial volume of cash items payable in other Federal Reserve districts which they wish to collect through the Federal Reserve banks, are urged to apply to us for permission to send such items direct to the Federal Reserve banks and branches of the districts in which such items are payable for collection and credit to us. Appropriate instructions will be sent to the banks to which such permission is granted.

When in our judgment a member or nonmember clearing bank has a sufficient volume of cash items payable in other Federal Reserve districts to justify direct routing, we reserve the right to decline to accept such items for collection unless they are routed direct to the Federal Reserve banks and branches of such other Federal Reserve districts.

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

Respectfully,

R. R. GILBERT,

President