

FEDERAL RESERVE BANK OF DALLAS
FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, November 9, 1946

**TREASURY PROCEDURE FOR HANDLING
ERRONEOUSLY PAID SAVINGS BOND CASES**

**To All Qualified Paying Agents
in the Eleventh Federal Reserve District:**

The Treasury Department has advised this bank that several representatives of the American Bankers Association Special Committee on War Bond Redemption recently visited the Department to discuss matters concerning the bond redemption program, including the responsibility and liability of paying agents.

The Treasury has forwarded a summarization of the discussion with the ABA representatives and suggested that the information be made available to all paying agents in this district. The text of the Treasury Department's letter is printed on the reverse side of this letter.

Requests for additional copies of this letter or inquiries regarding the bond redemption program should be addressed to this bank or appropriate branch.

Yours very truly,

R. R. GILBERT

President

TEXT OF TREASURY DEPARTMENT LETTER OF OCTOBER 25, 1946, REGARDING THE HANDLING OF ERRONEOUSLY PAID SAVINGS BOND CASES

There appeared to be misunderstanding on the part of some banks of the procedure being followed when the Treasury discovers a bond to have been erroneously paid. Accordingly it appears desirable to briefly explain the procedure outlined in Department Circular No. 751, Revised.

When an erroneously paid bond is discovered by the Department, it so notifies the appropriate paying agent. In accordance with the request of the ABA representatives a photograph of the front and back of an erroneously paid bond will, hereafter, be included with such notice. The purpose of the notice is to permit the agent to take such action as it deems desirable to protect itself against possible loss on the bond in question, or any subsequent bonds which may be presented and to assist the United States Secret Service in its investigation. The notice does not constitute a demand for reimbursement by the Treasury.

The Treasury at the same time will notify and cause its Secret Service Division to investigate the case. The purpose of the investigation is to obtain the facts and, if possible, recover the amount of the loss from the parties concerned, other than the paying agent. Under the governing law (cited in Section 321.15 of Department Circular No. 750, Revised) it is the Secretary of the Treasury who has the authority to determine whether an agent is entitled to relief from liability in the event a loss results from the erroneous payment. In no instance will a request for reimbursement be made unless and until the facts are developed and such evidence is not sufficient to support a determination by the Secretary of the Treasury, as is required under the law, that the loss occurred without fault or negligence on the part of the agent. The agent will be given an opportunity to present any further evidence it may have before making reimbursement.

The Treasury regrets the misunderstandings that have arisen and has undertaken measures to correct them. Hereafter all notices of erroneous payments discovered by the Treasury and requests for reimbursement will be sent direct to paying agents by the Treasury. The letter of notice will be made more clear that it is not a demand for reimbursement.

The number of fraudulently cashed bonds are few in comparison to the total number of bonds paid. Nevertheless, during the past year there has been a large increase, percentagewise, in the number of fraudulently cashed bonds. This means that paying agents must be constantly alert in cashing bonds for strangers for whom, it is expected, every reasonable effort will be made to cash bonds. However, the Treasury expects the agent to exercise a degree of care which will insure payment of the proceeds of the bond to the proper person.

Although most of the bonds are paid as required by the regulations it is only fair to say that there have been numerous instances where bonds have been paid improperly. It should be borne in mind that the careless payment of a bond in the event of loss may prevent the Secretary of the Treasury from relieving an agent for the loss, even though the agent properly paid every other bond it handled.

As an indication of the lack of proper care in the handling of bonds it was brought out that there still are numerous instances of bonds received from paying agents (1) without signatures to the requests for payment, (2) without the agent's "Paid" stamp, (3) paid before they are 60 days old (from issue date), (4) paid to beneficiaries or persons not named as owner on the bond, and (5) paid at incorrect redemption values.

Aside from the very important point of granting relief from liability for a loss which might result there is the matter of the expense in adjusting these errors. The cost of the redemption operation to the agent and to the Government could be lowered by the exercise of greater care in the payment and processing of the bonds under the regulations in Circular No. 750, Revised, and the instructions issued in conjunction therewith. The foregoing comments are offered solely in the interest of improving the program. Please do not construe them as being critical of the grand job being done.

The Treasury appreciated the visit of the ABA representatives. It is believed that the meeting was productive of a better understanding of the problems confronting the agents and the Treasury. The Treasury knows the banks and other organizations acting as paying agents have a big problem in cashing savings bonds; the Department deeply appreciates the job being done and the excellent cooperation it is receiving.

The Department hopes that paying agents will understand that the Treasury takes into consideration all of the circumstances surrounding any particular payment in determining whether an agent may be relieved from liability.