

**BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM**

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**Statement for the Press**

*For release in morning papers,  
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November 24, 1948

**AMENDMENTS TO REGULATION J REGARDING  
DELAYED RETURN OF UNPAID ITEMS**

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Several months ago, the American Bankers Association recommended that the Board of Governors of the Federal Reserve System amend its Regulation J, relating to the clearing and collection of checks by Federal Reserve Banks, in order to authorize a procedure for the conditional payment of cash items presented by Federal Reserve Banks subject to the right of a drawee bank to return unpaid items for credit or refund on the next business day after their receipt by the drawee. The recommendation was made in the light of the fact that in recent years many banks have adopted the practice of "delayed posting" which involves a procedure of this kind with respect to the return of unpaid items and that the practice has been recognized by the enactment of statutes in a number of States and by rules adopted by numerous clearing house associations.

On April 16, 1948, the Board of Governors published in the Federal Register a preliminary notice of proposed amendments to its Regulation J to give effect to the procedure recommended by the American Bankers Association; and at that time a statement with respect to the proposed changes was sent by the Federal Reserve Banks to their member banks for their information.

The Board has now adopted the amendments to Regulation J, to become effective January 1, 1949, in the form in which they were previously published in the Federal Register (except for a change in the footnote and one other minor change). These amendments are being published in the Federal Register on or about November 30, 1948. It is contemplated that the Federal Reserve Banks will amend their operating circulars or letters relating to the collection of cash items to conform to the amendments to the Regulation. In effect, the amendments to the Regulation and to the operating circulars or letters of the Federal Reserve Banks authorize the Federal Reserve Banks to accept, as conditional, payment for checks and other cash items made on the day such items are received by a drawee bank and to permit the drawee bank to return items as unpaid, for credit or refund, at any time up to midnight of the drawee's next business day following receipt of and remittance for such items.

It should be noted that adoption of these amendments does not mean that any bank is required to follow the practice of delaying the return of unpaid cash items; and any bank may continue to return unpaid cash items with its remittance on the day of receipt.

It is also to be noted that the procedure provided for in these amendments for the return of unpaid items on the day after presentment and remittance applies only to checks and other items handled by the Reserve Banks as "cash items" and does not apply to items handled by them as "non-cash items" under the Board's Regulation G.

In May 1948 the American Bankers Association transmitted to banks which are members of the Association a suggested form of collection agreement with depositors, for use by banks on deposit tickets,

signature cards, and the like, in order that the banks may be afforded adequate protection with respect to the collection of items in accordance with such conditional payment procedure. The Association has also drafted a model statute authorizing a procedure of this kind and has informed the Board of Governors that it will send a copy of the proposed statute, together with an explanatory statement, to the State Bankers Association of each State, urging its adoption.

The text of the amendments to Regulation J is attached.

## **AMENDMENTS TO REGULATION J**

### **Issued by the Board of Governors of the Federal Reserve System**

Effective January 1, 1949, Regulation J, "Check Clearing and Collection", is amended in the following respects:

1. Paragraph (2) of section 5 is amended by adding at the end of such paragraph the following sentence:

A Federal Reserve bank, or any agent to which such checks are forwarded by a Federal Reserve bank, may present such checks pursuant to any special collection agreement not inconsistent with the terms of this regulation or may present them through a clearing house subject to the rules and practices thereof.

2. Section 5 is amended by inserting therein a new paragraph (4) reading as set forth below and by changing the designations of present paragraphs (4) to (8), inclusive, so that such paragraphs will be designated (5) to (9), inclusive:

(4) Any check which a Federal Reserve bank or an agent thereof presents to the drawee bank for payment or sends to the drawee bank for collection, and for which remittance or settlement is made by the drawee bank on the day on which it receives<sup>3</sup> such check, may be returned for credit or refund at any time prior to midnight of the drawee's next business day following such day of receipt or prior to the time provided by applicable clearing house rule or special collection agreement, whichever is earlier, except that this paragraph shall not apply to checks presented over the counter.

3. Section 6 is amended to read as follows:

Each Federal Reserve Bank may also promulgate rules not inconsistent with the terms of the law or of this Regulation, governing the details of its operations in clearing and collecting checks and other cash items. Such rules shall be set forth by the Federal Reserve Bank in its letters of instruction to its member and nonmember clearing banks and shall be binding upon any member or nonmember clearing bank which sends any check or other cash item to such Federal Reserve Bank for collection or to any other Federal Reserve Bank for the account of such Federal Reserve Bank for collection.

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<sup>3</sup>A check received by a drawee bank on a day other than its business day, or received on a business day after its regular business hours or during afternoon or evening periods when it has reopened (or remained open) for limited functions, shall be deemed to have been received on its next succeeding business day.