

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

March 30, 1962

**To All Banks in the
Eleventh Federal Reserve District:**

The uniform paragraph entitled "Telegraphic advice" in the noncash operating bulletins of the Federal Reserve banks has been amended effective April 1, 1962. The paragraph referred to is identified as paragraph 21 in this bank's Bulletin No. 9.

The primary purpose of the amendment is to provide for a service charge of \$1.50 against the forwarding bank's account for each telegram transmitted over the leased wire facilities of the Federal Reserve banks pertaining to payment, nonpayment, or tracing of noncash items, and in connection with receiving or transmitting any other information or instructions. The uniform paragraph specifies that charges for telegrams transmitted over commercial wire facilities will be made against the forwarding bank at commercial wire rates and that telegrams to such banks will be sent collect.

The enclosed revised copy of Bulletin No. 9, dated and effective April 1, 1962, has been reprinted in its entirety, not only to substitute the new wording for paragraph 21, but also for the purpose of making appropriate changes in the bulletin wherever reference is made to sections or paragraphs of Regulation G, "Collection of Noncash Items," of the Board of Governors of the Federal Reserve System. (A copy of Regulation G, as reprinted in November 1960 to conform with the style of the Code of Federal Regulations, was furnished all banks in the Eleventh Federal Reserve District under date of February 6, 1961.)

Member banks are requested to file the revised Bulletin No. 9 in the ring binder of bulletins of this bank and regulations of the Board of Governors, and **nonmember banks** are asked to file it in the red ring binder previously furnished containing emergency bulletins of the Federal Reserve Bank of Dallas. Please remove and destroy the copy of Bulletin No. 9 dated August 23, 1960.

It will be appreciated if you will sign and return promptly the attached postal card, acknowledging receipt of the enclosed Bulletin No. 9.

Yours very truly,

Watrous H. Irons
President

COLLECTION OF NONCASH ITEMS

To the Member and Nonmember Clearing Banks
of the Eleventh Federal Reserve District:¹

Regulation G of the Board of Governors of the Federal Reserve System (hereinafter referred to as Regulation G) and this bulletin prescribe the terms and conditions upon which we will receive and handle noncash items for collection. Section 207.4 of Regulation G provides that each Federal Reserve bank may promulgate rules not inconsistent with the terms of the law or of Regulation G, governing the details of its noncash collection operations, and that such rules shall be binding upon any member or nonmember clearing bank which sends any noncash items 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 is issued pursuant to this provision of Regulation G.

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

DEFINITION OF NONCASH ITEMS

1. As used in Regulation G and in this bulletin, the term "noncash items" means any items of the following classes when payable in any Federal Reserve district²:

(1) Maturing notes, acceptances, bankers' acceptances, certificates of deposit, bills of exchange, and drafts with or without securities, bills of lading, or other documents attached;

(2) Drafts and orders on savings deposits with passbooks attached;

(3) Checks, drafts, and other cash items which have previously been dishonored or on which special advice of payment or dishonor is required. (Any check, draft, or other item which is normally handled as a cash item will not be handled as a noncash item unless special conditions require that this be done, and the Federal Reserve bank will decide whether such special conditions exist);

(4) Maturing bonds and coupons (other than obligations of the United States and its agencies which are redeemed by Federal Reserve banks as fiscal agents);

¹The provisions of paragraphs 25 through 29, and paragraph 33, as well as those of paragraph 8 with respect to remittance drafts, are applicable not only to member and nonmember clearing banks but also to other nonmember banks to which we send noncash collection letters. This bulletin is accordingly sent to all member and nonmember banks in the Eleventh Federal Reserve District.

²For the purposes of this bulletin, any dependency, insular possession or part of the United States outside the States of the United States and the District of Columbia shall be deemed to be in or of such Federal Reserve district as the Board of Governors may designate.

(5) State and municipal warrants, including both orders to pay addressed to officers of States and political subdivisions thereof and any special or general obligations of States and political subdivisions thereof ;

(6) All other evidences of indebtedness and orders to pay, except checks and bank drafts handled under the provisions of Regulation J and checks and bank drafts drawn on or payable by a nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve bank of the district in which such nonmember bank is located. (Checks and bank drafts drawn on or payable by a nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve bank of the district in which such nonmember bank is located, and which may not be received under the terms of Regulation J, likewise may not be received as noncash items under the terms of Regulation G and this bulletin.)

2. This bank will not accept noncash items payable in the same city in which the sending bank is located.

3. Since definite advice of payment cannot be obtained for checks drawn on the Treasurer of the United States or for postal money orders, such items should be sent to this bank only as cash items and not as noncash items.

TERMS OF COLLECTION

4. Every bank sending noncash items to us or to another Federal Reserve bank direct for our account by such act shall be understood to have agreed to the terms and conditions of this bulletin and of Regulation G in effect at the time such noncash items are received by the Federal Reserve bank.

5. Noncash 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 G and of the respective bulletins 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 the provisions of this bulletin.

6. Any noncash 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.

7. Any noncash item, or check received in remittance therefor, may be presented by delivery to a bank or representative thereof, pursuant to an agreement or arrangement permitting such bank at any time during the same day to pay or remit for such noncash item or check or to return it as dishonored and entitling such bank, if it has previously made conditional payment or remittance for the noncash item or check so returned, to receive credit or refund therefor. The specific authorization of the above methods of presentment shall not be construed to exclude any other method of forwarding or presentment which may be authorized or would constitute ordinary care under existing rules of law or under any other provision of Regulation G or of this bulletin.

8. Section 207.3 of Regulation G on the date of this bulletin prescribes the following terms and conditions under which all Federal Reserve banks will handle noncash items for member and nonmember clearing banks:

“(a) **Agreement of sending bank.**—Each member and nonmember clearing bank which sends noncash items to any Federal Reserve bank for collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such items subject to the terms and conditions of this part; (2) to warrant its own authority to give the Federal Reserve banks such authority; (3) 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 resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such noncash items; and (4) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated in an endorsement of the sending bank.

“(b) **Federal Reserve bank as agent.**—A Federal Reserve bank will act only as agent of the bank from which it receives such noncash items and will assume no liability except for its own negligence and its guaranty of prior endorsements.

“(c) **Presentation of items by Federal Reserve bank.**—A Federal Reserve bank may present such noncash items with any accompanying documents for payment direct to the person, firm, or corporation on which they are drawn or by or through which they are payable or collectible, or may present them for payment or forward them for collection direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible; or, in its discretion, may forward them to another agent with similar authority to present them for payment or forward them for collection. The bank upon which any such noncash item may be drawn, or at which the same may be payable or through which the same may be payable or collectible shall be deemed to be a proper agent for collection within the meaning of this part.

“(d) **Items payable in other districts.**—Noncash items received by a Federal Reserve bank payable in other districts will be forwarded for collection to the Federal Reserve bank of the district in which such items are payable; except that, when in the judgment of the Federal Reserve bank the size or character of the items or other special circumstances justify such action, any such items, in the discretion of the Federal Reserve bank, may be forwarded for collection direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible, or may be forwarded for collection to another agent with authority to present them for payment direct to the person, firm, or corporation on which they are drawn or by or through which they are payable or collectible or to present them for payment direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible.

“(e) **Forms of payment accepted by Federal Reserve bank.**—A Federal Reserve bank may, in its discretion and at its option, accept from any bank in payment of or from any collecting agent in remittance for such noncash items, cash, checks, 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 any bank or any agent to collect, or to pay, or to remit for, such noncash items, nor for any loss resulting from the acceptance from any bank or any 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 any bank or any collecting agent.

“(f) **Collection of remittances for noncash items.**—Bank drafts and other forms of payment or remittance received by a Federal Reserve bank in payment of or in remittance for noncash items handled under the terms of this part will be collected, at the option of the Federal Reserve bank, either under the terms and conditions of this part or under the terms and conditions of Part 210 of this chapter.

“(g) **Suspension or closing of paying or remitting 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 part 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.

“(h) **Items sent direct to Federal Reserve bank in another district.**—With respect to any noncash items 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 noncash item is sent will be the same, and the relevant provisions of this part will apply, as though the member or nonmember clearing bank had sent such noncash item to the Federal Reserve bank of its district with its endorsement and guaranty of prior endorsements and such Federal Reserve bank had sent the noncash item to the other Federal Reserve bank with its endorsement and guaranty of prior endorsements.”

PROCEDURE TO BE FOLLOWED BY SENDING BANKS

9. Items forwarded for collection and credit when paid should be listed on a letter different in form from that in which cash items are listed. It is desirable that collection letters include a description of each item listed, showing the name of the payer, place of payment, maturity, amount, whether or not subject to protest, and any special instructions such as request for telegraphic advice of payment or nonpayment. If documents are attached, they must be clearly and adequately identified in the accompanying letter. The collection letter should also show the collection number assigned to each item by the forwarding bank. If documents consist of bills of lading and are attached to

sight or demand drafts, the collection letter should carry instructions to "Hold for arrival"; that is, if the draft is to be held for payment until that time. Inasmuch as neither the Federal Reserve Bank of Dallas nor its collecting agencies have any means of knowing when shipments arrive, the Federal Reserve Bank of Dallas will not be responsible in any event for delay in demand or presentment where drafts are accompanied by instructions to hold for arrival of shipments or other similar instructions.

10. Any special instructions as to handling should be incorporated in the letter of transmittal. Special instructions noted on or attached to the items themselves and not supported by like instructions in the letter of transmittal will be ignored.

11. This bank will receive, handle, and forward noncash items subject to the following instruction:

Do not hold after maturity or for convenience of payer.

Any contrary instruction in the collection letter or otherwise will be disregarded; and this bank reserves the right, without prior notice to the sending bank, to recall any noncash item and to return it to the sending bank whenever, in the judgment of this bank, such item is being held contrary to such instruction.

12. Time items should not be forwarded to us or sent direct to another Federal Reserve bank for our account more than 30 days prior to their maturity.

13. We do not undertake to present time items on the day of maturity unless such items are received by us sufficiently in advance of the day of maturity to permit presentment to the payer utilizing the means which we normally utilize for that purpose.

14. Maturing bonds and coupons (except obligations of the United States and of Governmental agencies which are redeemed by the Federal Reserve banks as fiscal agents) should be listed separately as to each class and maturity, and only coupons of one class and maturity should be enclosed in the same envelope. Coupons or other securities should not be listed in a letter with checks, notes, bills, or other items. All securities or documents, other than maturing bonds and coupons, should have drafts attached drawn upon the payers for the exact amounts to be collected.

15. For their own protection and to insure safety, member and nonmember clearing banks should forward bonds, coupons and other valuable securities by insured, registered mail or by express. If desired, registered mail shipments may be insured under this bank's insurance policy at the expense of the sending bank, but in this event a separate advice stating the value of the shipment must be sent to us by open mail on the same day the shipment is made.

16. Each noncash collection letter covering valuable securities should contain instructions specifying the value for which the securities should be insured; otherwise, if forwarded by mail for collection, they will be insured at a value to be determined by this bank.

PROTEST PRACTICE IN ABSENCE OF INSTRUCTIONS

17. In the absence of specific instructions in the sending bank's collection letter, this bank will receive, handle, and forward noncash items subject to the following protest instructions:

(1) DO NOT PROTEST items of less than \$1,000.

(2) PROTEST dishonored items of \$1,000 or over, except bonds, debentures, coupons, and other similar securities.

COLLECTION CHARGES

18. Except as provided in paragraph 20, the Federal Reserve banks make no charge for their services in collecting noncash items; however, it is recognized that any other bank acting as agent to collect any such item renders a service in presenting, collecting and remitting, for which a reasonable charge may be made if it cares to do so, and when such a charge is made, it will be deducted and credit given to the forwarding bank for the net proceeds.

19. No charge may be made by a collecting bank in connection with the collection or payment of any check that may be handled as a noncash item.

20. Items sent to the Federal Reserve banks for collection are subject to the following charges:

(1) Charges made by collecting banks or agents, referred to above;

(2) Charges made in the discretion of the Federal Reserve banks for handling or collecting securities;

(3) A service charge of 50¢ per item on all collection items returned unpaid and unprotested;

(4) Expenses incurred for postage and insurance or express in forwarding items by registered mail or express;

(5) All telephone and telegraph charges. (See paragraph below, "Telegraphic Advice.")

TELEGRAPHIC ADVICE

21. When instructed to do so by forwarding banks, this bank will request telegraphic advice of payment or nonpayment of noncash items and will transmit by telegraph any information received. A service charge of \$1.50 will be made against the forwarding bank's account for each telegram transmitted over the leased wire pertaining to payment, nonpayment or tracing of items, and in connection with receiving or transmitting any other information or instructions. Charges for telegrams transmitted over commercial wire facilities will be made at commercial wire rates against the forwarding bank's account; telegrams to such banks will be sent "collect."

INTERPRETATION OF TERMS REQUESTING TELEGRAPHIC ADVICE

22. The terms listed below, when used in advices or communications in connection with noncash items, will be understood to have the meanings indicated, as follows:

(a) "WIRE PAYMENT" when it is desired that the collecting agent furnish telegraphic advice that payment has been made by the drawee or payer. It will be understood that banks requesting "wire payment" wish to be advised when payment has been made to the collecting agent, rather than when the proceeds are credited to the reserve or

nonmember clearing account with the Federal Reserve bank. When a Federal Reserve bank gives such advice of payment, it does not necessarily imply that actually and finally collected funds are in its possession.

(b) "WIRE NONPAYMENT" when a telegraphic advice of dishonor only is desired.

(c) "WIRE FATE" or "WIRE PAYMENT OR NONPAYMENT" when a prompt advice of payment or nonpayment by drawee or payer is desired.

(d) "WIRE CREDIT" when a telegraphic advice of final payment and of credit to the reserve or nonmember clearing account of the sending bank is desired.

AVAILABILITY OF PROCEEDS OF NONCASH ITEMS

23. Except as hereinafter provided in this paragraph with respect to bonds, coupons, and bankers' acceptances, credit for the proceeds of noncash items, with the usual advice, will be given in the reserve account of member banks, or the clearing account of nonmember banks, upon receipt by this bank of payment in actually and finally collected funds or on receipt of advice from other Federal Reserve banks of such payment. In the case of bonds, coupons, and bankers' acceptances forwarded to other Federal Reserve banks for which credit is given subject to final payment, corresponding credit subject to final payment will be given by this bank.

24. Analysis adjustments in the computed average reserve balances of member banks will be made on noncash items of \$1,000 or more payable in other Federal Reserve districts, making it possible for member banks to receive the benefit for reserve purposes of the proceeds of such items as of the day the collecting Federal Reserve bank receives payment in actually and finally collected funds.

INSTRUCTIONS TO COLLECTING BANKS

25. Collecting banks should not remit for items until they are actually and finally paid. Remittance should be accompanied by the remittance form which is sent with each item. If remittance is not accompanied by this form, the collection number, name of payer and the amount should be furnished so the item can be identified.

26. Collecting banks should follow carefully the instructions contained in collection letters regarding presentation, protest, telegraphic instructions, special instructions, etc. Instructions regarding the handling of items should not be accepted direct from drawers or preceding endorsers but only from this bank. Deliver securities or documents only on payment of drafts unless otherwise instructed by us.

27. All items should be paid or returned promptly on their due dates and not held for any reason, except upon authorization by this bank. When items are returned, give reason for nonpayment.

28. When communicating with us about any item, collecting banks should always give the collection number and the amount of the item so it can be identified.

29. No collection charge may be made by a collecting bank in connection with the collection or payment of any check that may be presented to or handled by it as a noncash item. (See paragraph 19.)

DALLAS, EL PASO, HOUSTON AND SAN ANTONIO ITEMS

30. Items payable in the cities of Dallas, El Paso, Houston or San Antonio will be presented when payable within the city collection districts respectively established by the banking customs of those cities. Items payable outside of such districts will not be presented, but payers will be requested by mail or telephone to give such items attention. The Federal Reserve Bank of Dallas assumes no liability for failure to present such items. When time will permit, notice of maturity will be sent by mail to payers of notes and bills having a fixed maturity.

DIRECT ROUTING TO OTHER FEDERAL RESERVE DISTRICTS

31. Member and nonmember clearing banks are authorized to send, for our account, noncash items payable in other Federal Reserve districts direct to the Federal Reserve banks and branches of the districts in which the items are payable. Since direct sending of such items expedites handling by Federal Reserve offices and also is of advantage to member and nonmember clearing banks, banks are urged to send such items direct whenever feasible.

32. When in our judgment the number or nature of noncash items payable in other Federal Reserve districts usually received from a bank justifies such action, we reserve the right to decline to accept such items for collection unless they are routed direct to the Federal Reserve banks or branches of the districts in which they are payable.

RIGHT TO AMEND

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

Yours very truly,

Watrous H. Irons

President