

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, April 6, 1964

**COLLECTION OF ITEMS REQUIRING SPECIAL
HANDLING AS NONCASH ITEMS**

**To All Member and Nonmember Banks in the
Eleventh Federal Reserve District:**

Effective January 1, 1965, the Federal Reserve banks will classify all envelope drafts, checks with vouchers attached, and other checks and drafts containing more than a single thickness of card or paper as items requiring special handling which must be sent to the Federal Reserve offices as noncash items. On and after that date a receiving Federal Reserve office will treat all items requiring special handling which may be sent to it as cash items, rather than as noncash items, in the following manner:

- (a) Items of \$1,000 or more received from banks located outside the city of the receiving Federal Reserve office will be charged back and entered for collection as noncash items; and
- (b) All other items will be charged back and returned.

In our circular letters dated March 1, 1963, and December 2, 1963, we informed you that, effective January 1, 1964, checks, drafts, or similar instruments that could not be handled by the Federal Reserve office to which they were first sent in a manner in which such office customarily handles cash items, would be considered by such Federal Reserve office to be items requiring special handling, and, accordingly, would thereafter be required to be sent to such Federal Reserve office as **noncash** items. Items requiring special handling were defined as those which could not be processed in the customary manner through the low-speed proof machine equipment in use at Federal Reserve offices. The primary purpose of that definition was to eliminate from the cash item collection channels certain types of "headache" items whose design or size would cause errors or require special handling in present-day check-handling operations. Those circulars also indicated that, as an increasing volume of items is processed by Federal Reserve offices on high-speed document-handling equipment, additional instructions with respect to the forwarding of "headache" items, including all envelope drafts and checks with vouchers attached, might be issued.

Because the volume of items being processed by Federal Reserve offices on high-speed equipment is continuing to increase rapidly, and will undoubtedly increase further during 1964, and because checks and drafts of more than a single thickness of card or paper cannot be processed on all types of such equipment, the Federal Reserve banks have concluded that it is necessary, in order to improve the efficiency of the check collection system, to take the step announced by this circular.

It is believed that this action will be welcomed by commercial banks generally as a further constructive step which should prove mutually beneficial in minimizing the operating problems caused by handling "headache" items as cash items. We appreciate your support of the action which has been taken to date, and we look forward to your continuing cooperation in excluding from cash item channels all items requiring special handling.

Yours very truly,

Watrous H. Irons

President