

FEDERAL RESERVE BANK
OF DALLAS

Dallas, Texas, August 31, 1964

**Revision of Regulations and Bulletins
Covering the Collection of
Cash and Noncash Items**

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

Enclosed are amendments to Regulations G and J of the Board of Governors of the Federal Reserve System effective September 1, 1964. It will be noted that the Board has revised the first two paragraphs of Section 207.3 of Regulation G and Section 210.5 of Regulation J and, in revising the latter, it has designated as paragraph (a) the heretofore undesignated first paragraph of Section 210.5 and has redesignated as paragraphs (b) through (j) the paragraphs previously designated as paragraphs (a) through (i).

The purposes of these amendments are (1) to provide that Federal Reserve banks, as collecting banks, shall receive the same warranties from sending banks located in jurisdictions in which the Uniform Commercial Code is not in effect as Federal Reserve banks located in jurisdictions in which the Code is in effect give to banks to which they forward cash or noncash items, and (2) to make it clear that a Federal Reserve bank which sends cash or noncash items to another Federal Reserve bank makes the same warranties and agreements as are made by a member or nonmember bank which sends such items to a Federal Reserve bank.

Also enclosed are revised and reprinted copies of this bank's cash and noncash item Bulletins Nos. 8 and 9, dated and effective September 1, 1964, in which have been incorporated outstanding amendments thereto and the revised language of Section 210.5 of Regulation J (quoted in paragraph 9 of Bulletin No. 8) and Section 207.3 of Regulation G (quoted in paragraph 8 of Bulletin No. 9). Also incorporated are uniform amendments currently adopted by all Federal Reserve banks and nonuniform amendments of this bank, as enumerated below:

Bulletin No. 8

The language of uniform paragraphs 26 and 31, dealing with the return of unpaid items, has been revised.

A new uniform paragraph 38, having to do with bank name or designation on checks, has been inserted.

Because of the redesignation of former paragraph (d) of Section 210.5 of Regulation J as paragraph (e), the references in paragraphs 25, 26, 27, and 31 to paragraph (d) have been changed to paragraph (e).

Paragraph 30 has been revised to include a request that the dates of prior endorsements on unpaid checks be included in wire advices of nonpayment.

A third footnote, pertaining to items payable in foreign currencies, has been added to page 1.

Bulletin No. 9

A new uniform paragraph 24, with regard to passing credit for bankers' acceptances and certificates of deposit, has been added.

(over)

Paragraph 23 has been appropriately reworded in view of the content of new paragraph 24.

In paragraph 25 (former paragraph 24) the \$1,000 minimum amount specified for reserve account improvements on noncash items payable in other Federal Reserve districts has been deleted.

A third footnote, pertaining to items payable in foreign currencies, has been added to page 1.

Member banks are requested to file the amendments to Regulations G and J and the revised and reprinted Bulletins 8 and 9 in the ring binder of bulletins of this bank and regulations of the Board of Governors, and **nonmember banks** are asked to file them in the red binder containing emergency bulletins of this bank. Please remove and destroy the previously issued Bulletins 8 and 9 and amendments thereto.

It will be appreciated if you will sign and return promptly the attached postal card, acknowledging receipt of these enclosures.

Yours very truly,

Watrous H. Irons

President

Enclosures (5)

COLLECTION OF NONCASH ITEMS

AMENDMENTS TO REGULATION G

(12 CFR PART 207)

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective September 1, 1964, paragraphs (a) and (b) of Section 207.3 are revised to read as follows:

SECTION 207.3 — TERMS OF COLLECTION

(a) **Agreement of sending bank.** Each member and nonmember clearing bank and each Federal Reserve bank which sends noncash items to a 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 non-cash items, or resulting from any and all warranties given by the Federal Reserve bank, in respect of such items, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such items, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting 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, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

CHECK CLEARING AND COLLECTION

AMENDMENTS TO REGULATION J

(12 CFR PART 210)

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective September 1, 1964, the presently undesignated first paragraph of Section 210.5 is designated as paragraph (a), the present paragraphs (a) through (i) of Section 210.5 are redesignated as paragraphs (b) through (j), respectively, and the presently undesignated first paragraph of Section 210.5 and the present paragraph (a) of such section are revised to read as follows:

SECTION 210.5 — TERMS OF COLLECTION

(a) 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 and each Federal Reserve bank which sends checks to a Federal Reserve bank for deposit or collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such checks subject to the following terms and conditions; (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 checks, or resulting from any and all warranties by the Federal Reserve bank, in respect of such checks, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such checks, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

(b) 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, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

**FEDERAL RESERVE BANK
OF DALLAS**

**BULLETIN NO. 8
SEPTEMBER 1, 1964**
(Superseding Bulletin No. 8,
dated August 7, 1961)

COLLECTION OF CASH ITEMS

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

Regulation J of the Board of Governors of the Federal Reserve System (hereinafter referred to as Regulation J), this bulletin and our Bulletin No. 8A prescribe the terms and conditions upon which we will receive and handle cash items for collection. Section 210.6 of Regulation J provides that each Federal Reserve bank may promulgate rules not inconsistent with the terms of the law or of Regulation J, governing the details of its operations in clearing and collecting checks and other cash items, and that such rules 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. This bulletin and our Bulletin No. 8A 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

1. 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 district² which are collectible at par in funds acceptable to the collecting Federal Reserve bank. The "Federal Reserve Par List," indicating the banks upon which checks will be received by Federal Reserve banks for collection and credit, is furnished from time to time 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 presentment any items drawn on banks which may have withdrawn or may have been removed from the list or may have been reported closed.³

¹The provisions of paragraph 15, paragraphs 24 through 30, and paragraphs 37 through 39, as well as those of paragraph 9 with respect to remittance drafts, are applicable not only to member and nonmember clearing banks but also to other par remitting nonmember banks to which we send cash letters. This bulletin is accordingly sent to all member and par remitting 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.

³We reserve the right to refuse to accept, either as a cash or a noncash item, any item payable in foreign currency.

(2) Government checks drawn on the Treasurer of the United States.

(3) Postal money orders (United States postal money orders; United States international postal money orders; and domestic-international postal money orders).

(4) 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 Bulletin No. 8A; and with respect to such item the "TERMS OF COLLECTION" of Section 207.3 of Regulation G of the Board of Governors of the Federal Reserve System, as set forth in our current bulletin relating to the collection of noncash items, will apply as well as the relevant terms and conditions of this bulletin including paragraphs (c) and (e) of Section 210.5 of Regulation J as set forth in this bulletin.

2. We may receive cash items pre-encoded as to transit number-routing symbol and as to amount in magnetic ink in E-13B type and we may so encode cash items received by us.

3. The right is reserved to establish different closing times, and to require separate sorts and cash letters for items which we may be willing to accept as cash items and which are not suitable for processing on high-speed document handling equipment.

4. Items with passbook, certificate or any other document attached, and items with special instructions or requiring special handling must be sent to us as noncash collections, subject to the terms of our current bulletin relating to the collection of noncash items. We reserve the right to return or to handle as a noncash collection any item which has been previously dishonored.

5. Checks drawn on or payable at a nonmember bank which is not included in the currently effective Federal Reserve Par List, referred to above, will not be received either as cash items or as noncash items by us or by any other Federal Reserve bank.

6. In the interests of good banking, the indirect routing of cash items is discouraged, and member 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

7. 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 Bulletin No. 8A, and of Regulation J in effect at the time such cash items are received by the Federal Reserve bank.

8. 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 for such items in accordance with our Bulletin No. 8A.

9. Section 210.5 of Regulation J prescribes terms and conditions under which all Federal Reserve banks will handle checks as cash items for member and nonmember clearing banks. Such terms and conditions, and the terms and conditions of this bulletin and of our Bulletin No. 8A, will apply to the handling of all items which we accept for collection as cash items and to the handling of all bank drafts and other forms of payment or remittance which we receive for such items. The terms and conditions prescribed by Section 210.5 of Regulation J are as follows:

“(a) 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 and each Federal Reserve bank which sends checks to a Federal Reserve bank for deposit or collection shall by such action be deemed: (1) to authorize the Federal Reserve banks to handle such checks subject to the following terms and conditions; (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 checks, or resulting from any and all warranties by the Federal Reserve bank, in respect of such checks, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such checks, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting bank.

“(b) 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, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

“(c) 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. 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.

“(d) 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.

“(e) 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 receives³ 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.

“(f) 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 (d) hereof as may be acceptable to the Federal Reserve bank.

“(g) 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 part.

³A 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.”

“(h) With respect to any check sent direct by a member or non-member 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 part 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.

“(i) Bank drafts received by a Federal Reserve bank in payment of or in remittance for checks handled under the terms of this part shall likewise be handled for collection subject to all the terms and conditions of this part.

“(j) 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 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.”

GOVERNMENT CHECKS

10. 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 bulletin and our Bulletin No. 8A shall be deemed applicable to all Government checks. Credit for Government checks will be given in accordance with our Bulletin No. 8A and will be subject in all cases to examination and payment by or on behalf of the Treasurer of the United States.

11. Section 25 of Treasury Department Circular No. 176 (Title 31, Code of Federal Regulations, Chapter II, Subchapter A, Section 202.25) 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.

POSTAL MONEY ORDERS

12. Postal money orders will be handled in accordance with an agreement made by the Postmaster General, in behalf of the United States, and

the Federal Reserve banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury; and with respect to matters not covered by such agreement, the provisions of Regulation J, this bulletin and our Bulletin No. 8A shall be deemed applicable to all postal money orders. Immediate credit will be given to member and nonmember clearing banks for postal money orders as provided in our Bulletin No. 8A and simultaneously with such credit we will debit the amount of such money orders against the general account of the Treasurer of the United States under such symbol numbers as may be assigned by the Treasurer of the United States. Said agreement further provides in effect that no claim for refund or otherwise with respect to any money order debited against the general account of the Treasurer of the United States and delivered to the representative of the Post Office Department as provided in said agreement (other than a claim based on the negligence of a Federal Reserve bank) will be made against or through any Federal Reserve bank; that if the Post Office Department makes any such claim with respect to any such money order, such money order will not be returned or sent to a Federal Reserve bank, but the Post Office Department will deal directly with the bank or the party against which such claim is made; and that the Federal Reserve banks will assist the Post Office Department in making such claim, including making their records and any relevant evidence in their possession available to the Post Office Department.

PREPARATION OF CASH LETTERS BY SENDING BANKS

13. Instructions relative to sorting and listing of items are set forth in our Bulletin No. 8A.

ENDORSEMENTS

14. 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 endorsed to the order of any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. 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" which may be abbreviated as, for example, "P.E.G." in conformity with the ABA uniform transit instructions, or "Pr. Ends. Gtd." 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 item, 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 REGARDING PROTEST AND WIRE ADVICE OF NONPAYMENT

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

- (1) PROTEST dishonored items of \$1,000 and over :
 - (a) that appear on their face to be drawn outside of the state in which payable, except those bearing on their face the A.B.A. no-protest symbol of a Federal Reserve bank or of a preceding bank endorser, or
 - (b) that bear on their face the legend, "PROTEST REQUIRED," of a Federal Reserve bank or of a preceding bank endorser.
- (2) DO NOT PROTEST items of less than \$1,000, or items of \$1,000 and over except those protestable under subparagraph (1).
- (3) DO NOT WIRE ADVICE of nonpayment of items of less than \$1,000.
- (4) WIRE ADVICE of nonpayment of all items of \$1,000 or over, except those not paid because of missing, irregular or unsatisfactory endorsement and those bearing on their face "DO NOT WIRE NONPAYMENT" with the A.B.A. transit number of a Federal Reserve bank or of a preceding bank endorser. Include in the wire advice of nonpayment the A.B.A. transit numbers or the names of the two endorsers immediately preceding the Federal Reserve bank.
- (5) DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any check, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, or bearing on its face or in an endorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment" or words of similar import.

(SEE PARAGRAPH 30 WITH REFERENCE TO PREPARATION OF WIRE ADVICES OF NONPAYMENT.)

16. 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.

17. 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 the collection of noncash items.

TELEGRAPHIC COSTS

18. Telegrams pertaining to payment, nonpayment or tracing of cash items, or in connection with receiving or transmitting pertinent information or instructions, will be sent, to the extent practicable, over the Federal Reserve leased wires without cost to member and nonmember clearing banks. The cost of all such telegrams sent over commercial wires will be charged to the banks from

which the items were received, and commercial wire telegrams to such banks will be sent "collect."

TIME SCHEDULES AND AVAILABILITY OF CREDITS

19. 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. For all items accepted 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 unassorted as to availability may be deferred for the longest period of availability prescribed by our current time schedules with respect to any item enclosed, not to exceed two business days.

20. Time schedules do not in many instances show the actual time required for collection, and advices received from us showing the availability of credit for cash 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.

21. **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.

22. **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.

AIR TRANSPORTATION

23. In sending cash items for collection, this bank uses available air transportation facilities wherever such facilities offer a reasonable expectation of earlier presentment of cash items or in those cases where earlier delivery facilitates the work of the drawee bank or the receiving Federal Reserve bank or branch.

INSTRUCTIONS TO COLLECTING AND REMITTING BANKS

24. Remittances for our cash letters should be made on the day of receipt, at par in immediately available or acceptable funds.

25. We will receive for credit or refund cash items which are returned to us by collecting and remitting banks in accordance with paragraph (e) of Section 210.5 of Regulation J, set forth in this bulletin under the heading "Terms and Conditions of Collection." Such provision of Regulation J does not mean, however, that any bank is required to follow the practice of delaying the return of unpaid cash items; and any collecting or remitting bank may continue to return unpaid cash items with its remittance on the day of receipt. Each cash item returned unpaid should bear a notation clearly indicating the reason therefor.

26. Each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (e) of Section 210.5 of Regulation J; and this bank may recover or revoke any refund, deduction or credit made, allowed or given by it for any item returned after the time allowed by Regulation J unless we are instructed not to do so by our sending bank, but any such recovery or revocation shall be without prejudice to the rights and obligations of the returning and sending banks, as between themselves, in respect of the item or any settlement or credit therefor. A bank may, however, return to us without entry a cash item which it has failed to return in time, with a request that we ask our sending bank to make refund therefor, in which event we shall make refund to the returning bank and charge our sending bank only if the latter specifically authorizes us to do so.

27. If unpaid items are returned on the day of receipt, they should be deducted from and returned with the remittance for the cash letter in which the items were received. Those items for which remittance has been made on the day of receipt and on which payment is revoked in accordance with paragraph (e) of Section 210.5 of Regulation J may be returned the following business day and may be deducted from the remittance for the cash letter received on such following business day; however, if no cash letter is received on such following business day, the items should not be held but should be returned to us separately for credit or refund. The transmittal letter returning such unpaid items should be clearly marked RETURN ITEM LETTER and should not include other items.

28. Collecting and remitting banks should retain a description of each item returned unpaid, which should include the amount, the name of the drawer, the name of the payee, the date of our endorsement, and the name or A.B.A. transit number of our endorser. Failure to retain such information might prevent establishing identity and effecting recovery in the event unpaid checks are lost while being returned to us.

29. The instructions set forth in paragraph 15 of this bulletin under the heading "UNIFORM INSTRUCTIONS REGARDING PROTEST AND WIRE ADVICE OF NONPAYMENT" are applicable to all items which we forward as cash items.

30. In furnishing wire advices of nonpayment of items of \$1,000 or over, collecting and remitting banks should include in the wire advice the amount of the item, the reason for nonpayment, the date of our cash letter in which the item was listed, and the A.B.A. transit numbers or the names of the two endorsers immediately preceding this bank and the dates of their endorse-

ments. Wire advices of nonpayment should be furnished in a form similar to that which is used in the following specimen:

Returning \$1,513.24 insufficient funds
yours 18th endorsed 37-2 17th and 88-4185 16th

INFORMATION TO SENDING BANKS REGARDING RETURN ITEMS

31. The attention of sending banks is called to our "Instructions to collecting and remitting banks" to the effect that (a) each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (e) of Section 210.5 of Regulation J, and (b) that this bank may recover or revoke any refund, deduction or credit made, allowed or given by it for any item returned after the time allowed by Regulation J unless we are instructed not to do so by our sending bank, but any such recovery or revocation shall be without prejudice to the rights and obligations of the returning and sending banks, as between themselves, in respect of the item or any settlement or credit therefor. We do not undertake to examine all returned cash items to confirm that such items are returned within the time permitted under the provisions of paragraph (e) of Section 210.5 of Regulation J.

DIRECT SENDING OF CASH ITEMS TO OTHER FEDERAL RESERVE BANKS

32. Member and nonmember clearing banks, having a substantial volume of cash items (exclusive of Government checks and postal money orders) 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.

33. 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.

REIMBURSEMENT OF TRANSPORTATION COSTS

34. Each member bank which sends cash items direct to other Federal Reserve banks and branches, or to an office of this bank other than the one at which its reserve account is carried, will be reimbursed by us for postage or other transportation costs, not including insurance, on all such direct sent items. Transportation costs on cash items delivered to us by member banks for consolidated shipment to Federal Reserve banks and branches will be paid by us.

35. Claims for reimbursement of transportation costs on direct sendings should be filed with us by the tenth day of the month following the month in which such costs were incurred, using Form TR-115, a supply of which will be furnished upon request.

36. Each direct sending member bank is requested to give constant attention to methods of shipment and to change a method in any case in which shipment can be made at a lower cost without loss of time in presentment. In cases in which we pay the transportation costs, we reserve the right to require a

change in method of shipment in any situation where, by the use of another method, presentment can consistently be made more promptly, or at a lower cost and without loss of time.

CHECK STANDARDIZATION

37. To facilitate the sorting, routing and mechanized processing of checks and other cash items by all banks, and thereby promote earlier presentment and return of unpaid items, it is urged that:

- (1) The appropriate transit number-routing symbol in fractional form be clearly imprinted in the upper right-hand corner of all checks or other cash items drawn payable by, at, or through all par remitting banks. It is preferable that the symbol be printed in Gothic type, the face of which measures at least 8 points vertically or $\frac{1}{8}$ of an inch from the top to the bottom of the individual characters.
- (2) In conformity with the American Bankers Association Magnetic Ink Character Recognition Program, the routing symbol and the suffix of the transit number be encoded on all checks and other cash items in magnetic ink in E-13B type in the manner prescribed and at the location assigned by the A.B.A. within the $\frac{5}{8}$ inch strip reserved for magnetic ink encoding along the bottom edge of such items.
- (3) Checks and other cash items be conformed to the standards prescribed by the A.B.A., including a minimum width of $2\frac{3}{4}$ inches, a maximum width of $3\frac{2}{3}$ inches, a minimum length of 6 inches, and a maximum length of $8\frac{3}{4}$ inches, and be restricted to a single thickness of card or paper.

38. The depositor of each cash item which is sent to this bank for handling hereunder and every prior collecting bank agree with respect to such item that:

- (1) this bank may handle and forward such item hereunder to any bank whose name or designation appears on the item as the bank by, at, or through which the item is payable, whether such name or designation is written or made by means of any magnetically-inscribed routing symbol and ABA transit number, or by means of any routing symbol and ABA transit number not magnetically inscribed, or by any other means;
- (2) if the item does not bear any routing symbol and ABA transit number, this bank may inscribe on the item in magnetic ink, or otherwise write thereon, the routing symbol, the ABA transit number, or both, of the bank by, at, or through which the item is payable, and handle and forward the item accordingly.

The depositor of such item and each such collecting bank hereby are given notice and recognize that the efficient operation of the Federal Reserve collection system makes impracticable the assumption by the Federal Reserve banks of any responsibility for delay resulting from action taken by this bank, as

stated in (1) and (2) above; and they hereby assume any and all risk of loss arising from any such delay and agree that the handling of such item in accordance herewith shall constitute the exercise of ordinary care by this bank.

RIGHT TO AMEND

39. 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

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 district:²

(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.³ (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);

¹The provisions of paragraphs 26 through 30, and paragraph 34, 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.

³We reserve the right to refuse to accept, either as a cash or a noncash item, any item payable in foreign currency.

(4) Checks, drafts, and other items with special instructions or requiring special handling;

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

(6) 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;

(7) 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 and each Federal Reserve bank which sends noncash items to a 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, or resulting from any and all warranties given by the Federal Reserve bank, in respect of such items, under the law of any State applicable to the Federal Reserve bank as a collecting bank; (4) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated in an endorsement of the sending bank; and (5) to warrant to the Federal Reserve bank, in respect of such items, all such matters and things as the Federal Reserve bank shall warrant in respect thereof under the law of any State applicable to the Federal Reserve bank as a collecting bank; provided, that nothing herein contained shall, or shall be deemed to, constitute a limitation upon the effect of any warranty by such sending bank arising under the law of any State applicable to such sending bank as a collecting 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, its guaranty of prior endorsements and its warranties under the law of any State applicable to it as a collecting bank.

“(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 and in the paragraph that follows, 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 noncash items 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. Credit for bankers' acceptances and certificates of deposit will be given, subject to payment in actually and finally collected funds, in accordance with the following schedule, if received by us sufficiently in advance to permit forwarding in time to reach the place of payment at least one day before maturity:

<u>Place Payable</u>	<u>Credit Available</u>
Federal Reserve bank or branch cities.....	On maturity date
Elsewhere.....	1 day after maturity

25. Analysis adjustments in the computed average reserve balances of member banks will be made on noncash items 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

26. 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.

27. 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.

28. 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.

29. 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.

30. 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

31. 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

32. 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.

33. 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

34. 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