

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 70-56
March 5, 1970

To All Banks in the
Eleventh Federal Reserve District:

The Post Office Department has requested that you be advised of new rules adopted by it concerning refunds on stolen or defective postal money orders.

For your information a reproduction of the notice which appeared in the Federal Register dated December 6, 1969, appears on the following pages.

Yours very truly,

P. E. Coldwell

President

TITLE 39--POSTAL SERVICE

Chapter 1--Post Office Department

Part 171--Money Orders

Payments to Banks Through Federal Reserve System

In the daily issue of Saturday, October 26, 1968 (33 F.R. 15877), the Department published a notice of proposed rule making consisting of the addition of a new §171.8 to Title 39, Code of Federal Regulations. The new section proposed to give the Postmaster General the right to demand refund from the presenting bank for the amount of a paid money order if, after payment, the money order was found to have been stolen, or to bear a forged or unauthorized endorsement, or to contain any material defect or alteration which was not discovered upon initial examination. In addition, it was proposed that if refund was not made by the presenting bank within 60 days after demand, the Postmaster General would be authorized to take such action as necessary to protect the interests of the United States.

Interested persons were given 30 days within which to submit comments on the proposed regulations. After consideration of all comments received, it has been determined to adopt the proposed regulations with the following changes:

1. A definition of a stolen money order is added;
2. The definition of "Examination" of a money order is revised for clarification;
3. The right to demand a refund from a bank would have to be exercised within a reasonable period after the facts are discovered.

Accordingly, the following amendment to Title 39, Code of Federal Regulations is hereby made, to be effective on the 30th day after the date of this publication in the FEDERAL REGISTER.

In Part 171 new §171.8 is added, reading as follows:

§171.8 Payments to banks through
Federal Reserve System.

- (a) Presentation for payment. Banks may present money orders for payment through the Federal Reserve System.

(b) Definitions.

- (1) "Money order" means a U.S. Postal Money Order.
- (2) "Federal Reserve Bank" means a Federal Reserve Bank or branch thereof which presents a money order for payment by the Postmaster General.
- (3) "Presenting bank" means a bank which presents a money order to, and receives credit therefor from a Federal Reserve Bank.
- (4) "Reclamation" means the action taken by the Postmaster General to obtain refund of the amounts of paid money orders.
- (5) "Examination" includes examination of money orders for indicia of theft, forged endorsements, forged signatures or initials of issuing personnel, raised amounts, and other material defects by means of electronic methods and also visual inspection for discovery of defects which cannot be electronically discovered.
- (6) "Stolen money order" means a U.S. Postal Money Order which has been stolen from a post office, classified or contract station or branch or postal employee before it has been officially issued by the post office, classified or contract station or branch or by a postal employee in the course of discharging his official duties.

(c) Payment. The Postmaster General has the usual right of a drawee to examine money orders presented for payment by banks through the Federal Reserve System and to refuse payment of money orders and shall have a reasonable time after presentation to make such examination. Provisional credit shall be given to the Federal Reserve Bank when it furnishes the money orders for payment by the Postmaster General. Money orders shall be deemed to be paid only after examination has been fully completed subject to the right of the Postmaster General to make reclamation as provided for in paragraph (e) of this section.

(d) Endorsements. The presenting bank and the endorser of a money order presented for payment are deemed to guarantee to the Postmaster General that all prior endorsements are

genuine, whether or not an express guarantee to that effect has been placed on the money order. When an endorsement has been made by a person other than the payee personally, the presenting bank and the endorser are deemed to guarantee to the Postmaster General, in addition to other warranties, that the person who so endorsed had unqualified capacity and authority to endorse the money order on behalf of the payee.

- (e) Reclamation. The Postmaster General shall have the right to demand refund from the presenting bank of the amount of a paid money order if, after payment, the money order is found to have been stolen, or to bear a forged or unauthorized endorsement, or to contain any material defect or alteration which was not discovered upon examination. Such right includes, but is not limited to, the right to make reclamation of the amount by which a genuine money order bearing a proper and an authorized endorsement has been raised. Such right shall be exercised within a reasonable time after the Postmaster General discovers that the money order has been stolen, or bears a forged or unauthorized endorsement, or is otherwise defective. If refund is not made by the presenting bank within 60 days after demand, the Postmaster General shall take such action as may be necessary to protect the interests of the United States.

(5 U.S.C. 301, 39 U.S.C. 501, 5101)

David A. Nelson,
General Counsel.

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