

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 72-62
March 31, 1972

To the Member and Nonmember Banks of the
Eleventh Federal Reserve District and Others Concerned:

Enclosed are revised Table of Contents and revised pages 1, 3, 4, 9 and 10 of Bulletin 8, "Collection of Cash Items." The enclosures reflect the following uniform changes in the collection bulletins of the Federal Reserve Banks which become effective April 1, 1972:

Supplement D has been added which provides for the handling of food certificates by Federal Reserve Banks.

Paragraph 6.30 has been revised to permit communications between this Bank and its member banks regarding the collection of cash items to be made without charge to such banks.

Minor changes to Bulletin 9, "Collection of Noncash Items," will also become effective April 1, 1972. This bulletin is now in the process of being reprinted in the new format and will be mailed at a later date.

Additional copies of this circular and its enclosures will be furnished upon request.

Yours very truly,

P. E. Coldwell

President

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Section 1, GENERAL

This bulletin is directed to the member banks of the Eleventh Federal Reserve District and others concerned:¹

1.00 Collection contract

Regulation J, this bulletin, and our time schedules prescribe the terms and conditions upon which we will handle cash items for collection.

1.05 Authority

This bulletin, our Bulletin 11, and our time schedules Bulletin 10 are issued pursuant to the provisions of sections 4, 13, 14(e), and 16 of the Federal Reserve Act and the provisions of related statutes and in conformity with the provisions of Regulation J.

Section 2, DEFINITIONS AND REFERENCES

2.00 Definitions, reference to Regulation J

All terms defined in Regulation J and used herein have the meanings stated in that regulation.

2.05 Reference to Bulletin 1

Several definitions, rules of construction, and other provisions applicable to this bulletin are found in our Bulletin 1, General Provisions, and are incorporated herein by reference.

Section 3, CASH ITEMS

3.00 Items which will be handled as cash items

Except as otherwise provided by this bulletin, the following items may be sent to this bank for handling as cash items in accordance with and subject to the provisions of Regulation J, of this bulletin, and of our time schedules:

(a) Checks drawn upon any bank included in the current "Federal Reserve Par List", which indicates the banks upon which checks are collectible at par through the Federal Reserve banks and is furnished from time to time and supplemented each month to show changes subsequent to the last complete list.

¹Instructions pertaining to the handling of cash items by collecting and paying banks are contained in our Bulletin 11, entitled "Instructions to Collecting Banks and Paying Banks."

(b) Government checks, postal money orders, food coupons, and food certificates.²

(c) Such other demand items, collectible at par in funds acceptable to the Federal Reserve bank of the district³ in which such items are payable, as we may be willing to accept as cash items.

3.05 Items not received from sender

Whenever any instrument is accepted by us for credit to our own account, the account of another Federal Reserve bank, or any account on our books, we will handle the instrument as a cash item if it would have been a cash item but for the fact that it was not sent to us by a sender.

3.10 Items which will not be handled as cash items

This bank will not handle any item as a cash item if

(a) A passbook, certificate, or any other document is attached to the item; or

(b) Special instructions, including requests for special advice of payment or dishonor, accompany the item; or

(c) The item consists of more than a single thickness of paper, except as provided in section 12 of this bulletin; *provided, however*, that any mutilated, erroneously-encoded or other cash item contained in a carrier qualifying under existing standards for handling by high-speed check-processing equipment will be handled by us as a cash item; or

(d) Except as provided in Section 12 of this bulletin, the item has not been preprinted, or post-encoded before its receipt by us, with the routing symbol and the suffix of the transit number of the paying bank (or nonbank payor) in magnetic ink in E-13B type in the manner prescribed, and at the location assigned, by the A.B.A.; *provided, however*, that this bank will handle such items as cash items when, in our judgment, special circumstances justify such handling.

²Provisions governing the collection of the foregoing cash items are contained in Supplements A, B, C, and D, respectively, of this bulletin.

³For the purposes of this bulletin, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District; Guam and American Samoa shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

Such items, if sent to this bank for collection, should be sent only as noncash items and, if so sent, will be received by us for collection subject to all the terms and conditions of Regulation J and of our bulletin relating to the collection of noncash items.

3.15 Handling of nonconforming items

In the event that an item which will not be handled as a cash item by virtue of 3.10 of Bulletin 8 is sent to any Federal Reserve bank in a cash letter, the Federal Reserve bank will treat it as follows:

(a) An item of \$1,000 or over received from a sender located outside the city of the receiving Federal Reserve office will be charged back and entered for collection as a noncash item; and

(b) Any other item will be charged back and returned.

3.20 Discretion to return or handle as noncash items

We reserve the right in our discretion, to return or to handle as a noncash item any item which has previously been dishonored or if special conditions require that it be handled as a noncash item, and this bank shall decide whether such special conditions exist.

3.25 Items received from, payable by same bank

A cash item payable by or through one office of a bank will not be received from another office of the same bank for collection as either a cash or a noncash item by us or by any other Federal Reserve bank.

Sections 4, TERMS AND CONDITIONS OF COLLECTION

4.00 Regulation J

Regulation J prescribes terms and conditions under which all Federal Reserve banks will collect checks and other cash items for the senders thereof. Such terms and conditions and the terms and conditions of this bulletin, our Bulletin 11, and of our time schedules will apply to the handling of all cash items which we accept for collection thereunder and to the handling of all bank drafts and other forms of payment or remittance which we receive for such items.

4.05 Bulletins

Section 210.3 of Regulation J provides that the provisions of that regulation and of the operating bulletins of the Federal Reserve banks shall be binding upon the sender of a cash item and shall be binding upon each collecting bank, paying bank and nonbank payor to which the Federal Reserve bank, or any subsequent collecting bank, presents, sends, or forwards a cash item received by the Federal Reserve bank. Section 210.16 of Regulation J provides that each Federal Reserve bank shall issue operating bulletins not inconsistent with the provisions of that regulation governing the details of its operations in the handling of cash items and containing such other matters as are required by the provisions of that regulation.

4.10 Items payable outside this district

A cash item payable in any other Federal Reserve district and forwarded for collection to the Federal Reserve bank of such other district by us or sent direct to such Federal Reserve bank for our account by a sender which maintains or uses an account with us will be handled by such Federal Reserve bank subject to the terms and conditions of Regulation J and of the applicable bulletins and time schedules of such Federal Reserve bank; but we will give credit to the sender for such item in accordance with our time schedules.

4.15 Indirect routing discouraged

Under Section 4-204(1) of the Uniform Commercial Code, a collecting bank must send items by reasonable prompt methods, taking into consideration any relevant instruction, the nature of the items, the number of such items on hand, the cost of collection involved, and the methods generally used by it or others to present such items. In furtherance of the purpose of this requirement, and in the interests of good banking, the indirect routing of cash items is discouraged, and member 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.

Section 5, CASH LETTERS

5.00 Preparation of cash letters by senders

All cash items sent to us, or to another Federal Reserve bank direct for our account, may be listed without description. However, each sender should bear in mind the importance of maintaining adequate records to enable it to identify its depositors or other endorsers on such items, so that, in the event any such item is lost or destroyed while in transit to a Federal Reserve bank, or is thereafter lost or destroyed, the sender may be in a position to take appropriate action with respect to the item. All cash letters and tape listings accompanying such cash letters should be dated and identified with the name and the A.B.A. transit number, if any, of the sender.

5.05 Separate sorts, cash letters

We reserve the right to require such separate sorts of cash items as we may deem appropriate; and we reserve the right to require both separate sorts and deposits in separate cash letters of Government checks, postal money orders, food coupons, and food certificates. Other instructions relative to sorting and listing of cash items are set forth in our time schedules.

5.10 Endorsements

All cash items sent to us, or to another Federal Reserve bank direct for our account, should be endorsed without restriction to, or to the order of, the Federal Reserve bank to which sent, or endorsed to, or to the order of, any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. The endorsement of the sender should be dated and should show the A.B.A. transit number of the sender, if any, in prominent type on both sides of the endorsement.

5.15 Items received without endorsement

In the event a cash item is received by a Federal Reserve bank from a sender without the endorsement thereon of such sender, the Federal Reserve bank may present, send, or forward the item as if it bore such endorsement or place on the item the name of such sender and the date of its receipt by the Federal Reserve bank, or return the item to the sender for proper endorsement by the sender. This bank makes the warranties stated in Section 210.6(b) of Regulation J by presenting, sending, or forwarding a cash item. These warranties arise whether or not such item bears the endorsement of this bank.

Section 6, HANDLING BY THIS BANK

6.00 Presentment for payment

As contemplated by Section 210.7 of Regulation J, any cash item may be presented for payment by a Federal Reserve bank or a subsequent collecting bank, may be sent by a Federal Reserve bank or a subsequent collecting bank for presentment and payment, or may be forwarded by a Federal Reserve bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment. However, this bank and the other Federal Reserve banks reserve the right to return without presentment any cash item payable by or through a bank which is not on the "Federal Reserve Par List" or may have been reported closed.

6.05 No agreement to present early

We do not by this bulletin, or otherwise, agree to present any item, or to cause any item to be presented, earlier than such item is required to be presented, in the exercise of ordinary care, under the provisions of applicable State law.

6.10 Uniform instructions regarding protest and advice of nonpayment

Except as provided in 6.15 of Bulletin 8, all Federal Reserve banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire advice⁴ of nonpayment, except that Government checks will be not protested; and any contrary or special instructions noted on cash letters or otherwise transmitted with cash items will be disregarded:

(a) *PROTEST* any dishonored item of \$1,000 or over:

(i) which appears on its face to have been drawn at a place which is not within any State⁵, unless it bears on its face the A.B.A. no-protest symbol of a Federal Reserve bank or of a preceding bank endorser, or

⁴For the purposes of this bulletin, the term "wire" includes telephone, telegraph, and cable.

⁵The term "State" is defined in Section 210.2(n) of Regulation J to mean any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession or dependency of the United States.

(ii) which bears on its face the legend, "PROTEST REQUIRED", of a Federal Reserve bank or of a preceding bank endorser.

(b) **DO NOT PROTEST:**

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless it is protestable under subparagraph (a).

(c) **WIRE ADVICE** of nonpayment of any item of \$1,000 or over, unless it has not been paid because of a missing, irregular, or unsatisfactory endorsement or unless it bears on its face the legend, "DO NOT WIRE NONPAYMENT", of a Federal Reserve bank or of a preceding bank endorser. Include in the advice of nonpayment, the amount of the item, the reason for nonpayment, the date of our cash letter, the name of the drawer or maker, and the names of the two endorsers immediately preceding the Federal Reserve bank or their A.B.A. transit numbers, if any.

(d) **DO NOT WIRE ADVICE** of nonpayment of:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless such advice is required by subparagraph (c).

6.15 Items with U.S. Treasury and similar endorsements

DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any cash item, 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.

6.20 Different instructions require noncash handling

If any sender desires to have any cash item (other than a Government check, postal money order, food coupon or food certificate) 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 sender 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 non-cash items.

6.25 Protest, wire advice by other banks

This bank shall have no responsibility for determining whether any other bank has (a) made or provided for the protest of any cash item protestable under the provisions of this bulletin or (b) given any wire advice of nonpayment required under the provisions hereof.

6.30 Communications by wire; costs and charges

All communications between this bank and its member banks pertaining to payment, nonpayment, or tracing on cash items or in connection with receiving or transmitting pertinent information or instructions with respect to cash items, will be sent over the Federal Reserve Communications System or over commercial telegraphic wires or cables without charge to such member banks. A Federal Reserve Bank may, in its discretion, use the telephone in lieu of commercial wire or cable for any purpose indicated in this paragraph.

Section 7, AVAILABILITY OF CREDIT

7.00 Time schedules and availability of credit

Section 210.16 of Regulation J provides that the Federal Reserve banks may classify cash items, require separate sorts and cash letters, and provide different closing times for the receipt of different classes or types of cash items. In conformity with that provision, we publish and furnish to member banks and other senders time schedules containing further provisions with regard to separate sorts and cash letters and which indicate when credit for cash items will become available for withdrawal and other use by the senders after receipt by us. For all items accepted as cash items, the senders will be given immediate credit or deferred credit, in accordance with such time schedules and as provided in Regulation J. Credit for cash letters containing items unsorted as to availability may be deferred for the longest period of availability prescribed by the current time schedules of this bank with respect to any item enclosed.

7.05 Availability not actual payment

Time schedules do not in many instances show

of this bulletin, and of our time schedules shall be applicable to all such postal money orders.

B-2.00 Immediate credit

We will give immediate credit for postal money orders received from a sender maintaining or using an account with us as provided in our time schedules. 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; and such credit to the account of the sender shall then become final as between us and the sender.

B-3.00 Claims, returns

The agreement between the Postmaster General and the Federal Reserve banks provides, in effect, that no claim for refund or otherwise with respect to any postal money order debited against the general account of the Treasurer of the United States and delivered to the representative of the United States Postal Service as provided in said agreement (other than a claim based upon the negligence of a Federal Reserve bank) shall be made against or through any Federal Reserve bank; that, if the United States Postal Service 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 United States Postal Service will deal directly with the bank or the party against which such claim is made; and that the Federal Reserve banks will assist the United States Postal Service in asserting such claim, including making their records and any relevant evidence in their possession available to the United States Postal Service. Section 210.12 of Regulation J, relating to the return of cash items by the paying banks is not applicable to postal money orders.

Supplement C FOOD COUPONS

C-1.00 General

Food coupons will be handled by us as cash items in accordance with an agreement made by the Secretary of Agriculture, in behalf of the United States, and by the Federal Reserve banks as depositories and fiscal agents of the United States pursuant to authorization of the

Secretary of the Treasury. With respect to matters not covered by such agreement, the terms and conditions of Regulation J applicable to cash items, of this bulletin, and of our time schedules shall be applicable to such coupons. We will receive food coupons only from member banks and nonmember banks which have arranged with us to send coupons to us for collection for credit to the account of a member bank on our books. All such banks sending coupons to us should follow the instructions set forth in an outline of procedures for commercial banks in handling such coupons under the current Food Stamp Program, prepared by the United States Department of Agriculture.

C-2.00 Terms and conditions

We will accept food coupons received by us in accordance with the following terms and conditions:

(a) Redeemed food coupons should be forwarded to the office of this bank maintaining the reserve account to which the proceeds of the coupons are to be credited. We will give immediate credit for deposits of redeemed food coupons as provided in our time schedules. Such credit will not be final and will be subject to reclamation and adjustment.

(b) Food coupons should be separately sorted by denominations and should be deposited in a separate cash letter. The sending bank's transmittal letter should be clearly stamped or marked "FOOD COUPONS." The transmittal letter should show the total number of, and the total amount of, each denomination of coupons enclosed. Food coupons should be forwarded to us by the means ordinarily used by the sender for checks and other cash items; such shipments will be at the risk of the Department of Agriculture, only to the extent and under the conditions stated in 7CFR 272.5(c). Sending banks should retain customers' deposit slips and any other pertinent records which would assist in substantiating reimbursement claims against the Department of Agriculture for coupons lost in transit.

(c) In accordance with the regulations of the United States Department of Agriculture (7 CFR 2), a portion of a food coupon consisting of less than three-fifths of a whole coupon shall not be accepted for redemption. Any coupon accepted for redemption shall show on its back either (i) the *AUTHORIZATION NUMBER* or

(ii) the name of the authorized retail food store and, if involved, the authorized wholesale food concern. Each coupon shall also be cancelled by the first bank which receives it by indelibly marking "PAID" or "CANCELLED," together with the name of the bank or its A.B.A. transit number, on the face of the coupon by means of an appropriate stamp. No coupon should be endorsed by any bank.

(d) Additional information concerning the collection of food coupons will be furnished by us upon request

C-3.00 Nonmember banks

Nonmember banks which have not arranged with us to deposit food coupons for collection

for credit to an account of a member bank on our books should forward redeemed food coupons through ordinary collection channels.

Supplement D

FOOD CERTIFICATES

D-1.00 General

Food certificates will be handled by us on the same basis as food coupons. Senders should consult 7CFR 265.11 (b) for information regarding the extent to which, and the conditions under which, the Department of Agriculture assumes the risk of loss of certificates while in the course of shipment.