

# FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 74-128

May 17, 1974

To All Banks  
in the Eleventh Federal Reserve District:

The check collection policy of the Federal Reserve System will be revised effective July 1, 1974. Amended copies of this Bank's Bulletins numbers 8, 10, 11 and amendments to supplements A, B, and C of Bulletin 13 will be forwarded to you in the near future. The policy changes are summarized below:

## Protest and Wire Advice of Nonpayment for Cash Items

This change raises the dollar amount covered by protest and wire advice of nonpayment of cash items instructions from \$1,000 to \$2,500. This step is taken in recognition of available evidence that many commercial banks do not observe the wire notice for items less than \$2,500. The recent history of price inflation in the national economy has degraded the significance of the present \$1,000 floor as the last increase in the wire notice cut-off (\$500 to \$1,000) occurred in 1949. All Federal Reserve Banks have conducted informal surveys among representative commercial banks and found general agreement that this is both necessary and desirable. Consequently, effective July 1, 1974, it will no longer be necessary to provide us with wire or telephone notice of the dishonor of items of less than \$2,500.

The term "wire" will also be amended to provide for the use of the Federal Reserve communication network or local electronic telecommunications arrangement between a Reserve Bank and a member bank.

## Nonmachineable Checks

A close-off hour of 6:00 a.m. daily Monday through Friday for cash letter deposits consisting of checks which have been rejected as unreadable by the depositing bank's computer system or bear other physical faults causing them to be unprocessable on high speed equipment. Credit availability for such deposits will be deferred one additional business day, up to a maximum of two business days. Consequently, city and RCPC items deposited prior to the above close-off hour will be

deferred one business day and all other commercial banks' checks will receive a two business day deferment. This action was originally announced in our Circular Letter No. 74-9 dated January 9, 1974. It is taken to provide necessary time for the processing of such items and establishes a realistic deferment of credit availability consistent with the time required for collection of the items.

#### Local Clearings

For many years, all Federal Reserve Banks have actively encouraged banks to exchange checks directly with other banks in the same community and have offered to assist the establishment of such arrangements and in the settlement of resulting daily balances. This has been done in recognition that local clearings are the most efficient form of check collection procedure available. Our Bulletin number 8 will be amended to reflect this concept by strongly urging that banks exchange checks directly with other banks in the same community and reserve the right to require banks depositing checks drawn on other banks in the same community to "sort, list and package such items according to the office of the paying bank at which such items are payable."

#### Reimbursement for Direct-sent Cash Items

Section 10 of Bulletin number 8 will be amended to provide a clarification of our present policy covering reimbursement to member banks of the costs of shipping cash items to other Federal Reserve offices. This policy generally provides that banks which send cash letters directly to other Federal Reserve offices, other than the one in whose District they are located, will be reimbursed for shipping costs at First Class Airmail or common carrier rates, whichever is lower. When such banks are located in the same city as a Federal Reserve office, they will be reimbursed for Saturday, Sunday and holiday shipments at the above rates, but will generally not be reimbursed for direct shipments on days when the Federal Reserve offices' consolidated shipment services are available.

Questions or comments regarding these policy changes should be directed to this Banks' officers or appropriate branch officers having responsibility over the Check Collection function.

Yours very truly,

P. E. Coldwell

President