



**FEDERAL RESERVE BANK OF DALLAS**  
**DALLAS, TEXAS 75222**

**Circular No. 76-92**  
**July 2, 1976**

**INTERPRETATION TO REGULATION D**

**TO ALL MEMBER BANKS IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:**

The Board of Governors of the Federal Reserve System has issued an interpretation to Regulation D regarding the ability of a member bank to include certain automated payments in the account "cash items in process of collection." Such payments are regarded as cash items and are permitted to be deducted from "gross demand deposits" used in computing member bank reserves.

The new interpretation to Regulation D is printed on the reverse of this circular. This new interpretation, effective January 16, 1976, should be filed with your copy of Regulation D in your Regulations Binder. If you have any questions regarding Regulation D, please contact Allan Y. Neale at (214) 651-6334 or C. L. Vick at (214) 651-6333, or the Accounting Department at our El Paso, Houston, or San Antonio Branches.

Additional copies of the interpretation to Regulation D will be furnished upon request to the Secretary's Office of this Bank (214) 651-6267.

**Sincerely yours,**

**T. W. Plant**

**First Vice President**

# BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## RESERVES OF MEMBER BANKS

### INTERPRETATION OF REGULATION D

#### **Automated Payment Arrangements and the Use of Cash Items in the Process of Collection**

Effective June 16, 1976, §204.118 is added to read as follows:

#### **SECTION 204.118 — CASH ITEMS IN THE PROCESS OF COLLECTION**

(a) As a result of involvement in automated arrangements in which payment information is contained on magnetic tape, paper listings, etc., rather than checks, a number of member banks have inquired as to the proper reserve requirement treatment for payroll, Federal recurring payments, and other items received for credit to a customer's account in such arrangements.

(b) Where payment information is sent to a member bank prior to the date credit is passed for the item, some banks have been crediting their customers on the date prior to that payment date to ensure that such deposit is available to the depositor at opening of business on the payment date. Such procedure, however, results in an increase in reported member bank deposits even though the member bank does not itself receive credit for the funds until the next day. Some

member banks have inquired as to whether the account "cash items in the process of collection" may be debited in an amount equal to the amount credited on the date prior to the payment date.

(c) Section 19(g) of the Federal Reserve Act (12 U.S.C. 465) permits a member bank to deduct "cash items in the process of collection" as defined by the Board. Section 204.2(b) of Regulation D provides that cash items may be deducted from gross demand deposits, and §204.1(h)(3) defines cash items in the process of collection as "those customarily cleared or collected by banks as cash items." The deduction was intended, in part, to avoid the "double counting" by member banks of their deposits subject to reserves. Furthermore, due to the spread of automated arrangements, it has become customary to treat such automated payments as "cash items." Because double counting would arise in circumstances described above, and in view of the fact that automated arrangements are now customary practices, the Board believes that banks are permitted to debit the account "cash items in the process of collection" in such amounts.