

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-43

April 1, 1977

REVISION OF BULLETINS 7 AND 9

TO ALL MEMBER BANKS
AND OTHERS CONCERNED IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed are copies of revisions to operating Bulletin 7, "Custody of Securities," and Bulletin 9, "Collection of Noncash Items."

The changes in these bulletins reflect a new procedure pertaining to the collection of coupons clipped from securities held in safekeeping by the Federal Reserve Bank of Dallas and its Branches. Such coupons will be entered for collection, and credit, subject to payment in actually and finally collected funds, will be made one banking day after maturity where the paying agent is located in the central financial district of the sending Federal Reserve Bank or Branch office. If the paying agent is located elsewhere, this same provisional credit will be made two banking days after maturity.

Member banks and others should insert the enclosed revised pages in the proper bulletins, and the corresponding pages should be removed and destroyed.

Additional copies of these revisions will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

Sincerely yours,
Robert H. Boykin
First Vice President

Enclosures

These services are intended merely as an aid to member banks and do not relieve the member bank of its own duty to keep itself informed of maturities, call dates, and other information affecting its own portfolio.

6.05 Collection of maturing United States Government securities (unpledged)

Unpledged United States Government securities and fully guaranteed obligations of its agencies which are payable by this bank as fiscal agent of the United States and held by it in custody will, in the absence of specific instructions from the owner, be withdrawn prior to maturity or redemption call date, and the proceeds credited to the member bank's account on the due date.

6.10 Collection of maturing municipal or corporate securities (unpledged)

Upon receipt of written authority furnished by the owning bank, we will enter for collection, under the terms and conditions of our current Bulletin 9, Collection of Noncash Items, maturing unpledged municipal or corporate securities payable in a city other than the domicile of the owning bank. Securities payable in the city or town in which the owning bank is located, or payable outside the continental United States, will be shipped to the owning bank. The shipping charges for collecting municipal or corporate securities will be charged to the owning bank's account.

6.15 Exchange of maturing securities (unpledged)

Under instructions from a member bank, we will effect the exchange of maturing unpledged United States Government securities for available new issues. Upon receipt of the new securities to be held in custody, a new acknowledgment will be issued therefor.

6.20 Pledged securities

No action will be taken by us relative to maturing or called securities which are pledged, except upon receipt of appropriate written instructions of the owning bank and the pledgee. When so instructed, maturing securities, other than United States Government securities, will be handled for collection under the terms and conditions of our current Bulletin 9, Collection of Noncash Items, and United States Government securities will be redeemed. Disposition of the proceeds, when available, will be made upon receipt of appropriate instructions.

6.25 Notice of called or maturing securities

Notice of maturity of all municipal, corporate, or United States Government securities will be given in advance of maturity date. However, we do not maintain a called securities record, and, therefore, cannot undertake to advise banks when securities are called for redemption.

6.30 Municipal or corporate securities received for the account of member banks

Under appropriate written instructions from a member bank, we will accept for the member bank's account municipal or corporate securities delivered by brokers and others and make payment therefor at the price stipulated in the purchasing bank's letter. In handling these transactions, this bank acts solely as agent for the member bank and assumes no responsibility for the genuineness, validity or any alteration of the securities received.

6.35 Collection of maturing coupons

Unless otherwise instructed, we will:

(a) credit the owning bank on maturity date for maturing coupons detached from United States Government securities and fully guaranteed obligations of its agencies which are payable by this bank as fiscal agent of the United States and held in custody for its account; and

(b) enter for collection, under terms of our current Bulletin 9, Collection of Noncash Items, coupons detached from other securities held in custody and credit the account of the owning bank in accordance with Bulletin 9.

Municipal or corporate coupons payable in the city or town in which the owning bank is located, or payable outside the continental United States, will be shipped to the owning bank. Coupons attached to securities which are pledged as collateral to a customer's note held under rediscount or as collateral to an advance by this bank and held by us will not be clipped and handled for collection, unless specific instructions are received in connection therewith.

6.40 Unpaid coupons

Coupons entered for collection and returned unpaid will be reattached to the securities from which they were detached, and the owning bank will be advised of the reason for nonpayment. In the absence of specific instructions from the owning bank, no further effort will be made to collect on these and subsequent coupons attached to such securities.

Section 7, PLEDGING SECURITIES

7.00 To United States Government

Upon written instructions from the owning bank and subject to the approval of the Treasury Department, we will hold securities pledged to departments, agencies and officials of the United States as collateral to secure deposits under the terms of Treasury Department Circular No. 176.

7.05 To United States District Courts

Under designation as custodian by a United States District Court and at the request of the Court and a member bank, we will hold as collateral, securities pledged to secure court deposits. Securities held as collateral to secure United States District Court deposits can be substituted for, or withdrawn, only under order of the Court.

7.10 To United States District Court appointed trustees

Under designation as custodian by a United States District Court, we will hold in custody securities pledged as collateral to secure deposits of trustees in bankruptcy or receivership. Securities held as collateral to secure deposits of Court appointed trustees can be substituted for, or withdrawn, only under order of the Court.

7.15 Collateral to Treasury Tax and Loan account

We will hold securities pledged by a depository bank to secure its Treasury Tax and Loan account. Deposit, release, or substitution of pledged securities should be authorized by this bank acting as fiscal agent for the United States.

Section 8, PLEDGING SECURITIES — JOINT SAFEKEEPING

8.00 State Treasurer — State of Texas

At the request of a member bank, subject to the approval of the State Depository Board, we will hold in joint safekeeping securities pledged as collateral to secure deposits of the State Treasurer. Application for deposit, withdrawal, or substitution of such pledged securities should be made on our appropriate forms.

8.05 Political subdivisions

At the request of a member bank and the governing body of a political subdivision, we will hold in joint safekeeping securities pledged as collateral to secure deposits of the political subdivi-

sion. Requests for deposits, substitutions, or withdrawals should be made on our appropriate forms and executed jointly by the depository bank and the governing body of the political subdivision. (This paragraph is not applicable in any state where law requires such pledged securities to be deposited within the state.)

8.10 Trust department of member banks

At the request of a member bank and the member bank's trust department, we will hold in joint safekeeping securities pledged as collateral to secure deposits of uninvested funds of the member bank's trust department. Deposits, withdrawals, or substitutions of the pledged securities should be authorized by the joint execution by the member bank and its trust department on our appropriate forms.

Section 9, SHIPMENT OF SECURITIES

9.00 Risks of loss

(a) Regardless of any other provisions of this bulletin, any bank or other party shipping, or causing the shipment of, securities to this bank shall by such action be deemed to have agreed that the risk of loss on such shipments occurring prior to the actual delivery thereof to us by the post office, express company, or other carrier is not assumed by us but is on the sender.

(b) Likewise, any bank ordering shipments of securities from this bank shall by such action be deemed to have agreed that this bank in making such shipments undertakes merely to make delivery to the post office, express company, or other carrier, and that the risk of loss occurring subsequent to such delivery is not assumed by us but is on the party ordering such shipment.

9.05 Registered mail insurance

We hold open insurance policies under which registered mail shipments of securities made to or by us may be insured. These policies afford protection against loss from the time of acceptance by the messenger or carrier, whether within or without the premises of the sender, and end when actual delivery has been made to the office of the addressee. They do not, however, cover losses through theft by the employees of the sender or the addressee, or losses by risks generally referred to as "war risks".

9.10 Exclusion

The policies contain the following clause eliminating such coverages:

TABLE OF CONTENTS

Section 1, GENERAL

- 1.00 Collection contract
- 1.05 Authority

Section 2, DEFINITIONS AND REFERENCES

- 2.00 Definitions, references to Regulation J
- 2.05 References to Bulletin 1

Section 3, NONCASH ITEMS

- 3.00 Items which will be handled as noncash items
- 3.05 Time items
- 3.10 Demand items
- 3.15 Other demand items
- 3.20 Items not received from sender
- 3.25 Items which will not be handled as noncash items
- 3.30 Unmatured time items

Section 4, DIRECT SENDING

- 4.00 Direct sending of noncash items to other Federal Reserve districts
- 4.05 Right to refuse interdistrict items authorized for direct sending
- 4.10 Direct sending of noncash items to other offices of this Bank
- 4.15 Right to refuse intradistrict items authorized for direct sending

Section 5, TERMS AND CONDITIONS OF COLLECTION

- 5.00 Regulation J
- 5.05 Bulletins
- 5.10 Items payable outside this District
- 5.15 Right to classify and require deposits
- 5.20 Effect of special instructions

Section 6, HANDLING BY THIS BANK

- 6.00 Presentment for payment
- 6.05 Procedure
- 6.10 Time items and maturity date
- 6.15 Endorsements
- 6.20 Items without endorsement

Section 7, COLLECTION LETTERS

- 7.00 Preparation of collection letters by sender
- 7.05 Special instructions
- 7.10 Direct sending urged
- 7.15 Coupons
- 7.20 Coupon envelopes

- 7.25 Coupon ownership certificates
- 7.30 Other securities

Section 8, PROTEST AND ADVICE OF NONPAYMENT

- 8.00 Uniform instructions
- 8.05 Items with U.S. Treasury and similar endorsements
- 8.10 Responsibility for protest
- 8.15 Determination of responsibility
- 8.20 Communications by wire; costs and charges
- 8.25 Interpretation of terms requesting wire advice

Section 9, AVAILABILITY OF PROCEEDS OF NONCASH ITEMS

- 9.00 General
- 9.05 Bankers' acceptances
- 9.10 Maturing coupons in our safekeeping
- 9.15 Late claims for error adjustments

Section 10, COLLECTION CHARGES

- 10.00 Charges on bonds, debentures, and coupons
- 10.05 Charges on checks
- 10.10 Charges by Federal Reserve Banks

Section 11, RETURN OF NONCASH ITEMS

- 11.00 General
- 11.05 Noncash items to be presented for acceptance
- 11.10 Effect of section 11.05

Section 12, PHOTOGRAPHIC COPIES

- 12.00 Requirements for handling

APPENDIX A, Payment Vouchers on Letters of Credit

- A-1.00 Handled as noncash item
- A-2.00 Effectuation of payment
- A-3.00 Nonpayment
- A-4.00 Claims for refund

APPENDIX B, Coupons Received for Payment

- B-1.00 General
- B-2.00 Procedure
- B-3.00 Ownership certificate forms
- B-4.00 Coupons not handled
- B-5.00 Immediate credit

Section 8, PROTEST AND ADVICE OF NONPAYMENT

8.00 Uniform instructions

In the absence of specific instructions to the contrary in the sender's collection letter and except as provided in section 8.05 hereof, we will receive, handle, and forward noncash items subject to the following uniform instructions regarding protest:

(1) PROTEST any dishonored item of \$2,500 or over, except a bond, debenture, coupon, or other similar security:

(a) Which appears on its face to have been drawn at a place which is not within any state,⁴ unless it bears on its face the ABA no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

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

(2) DO NOT PROTEST:

(a) Any item of less than \$2,500, or

(b) Any item of \$2,500 or over unless it is protestable under subparagraph (1).

8.05 Items with U.S. Treasury and similar endorsements

DO NOT PROTEST AND DO NOT WIRE ADVICE⁵ of nonpayment of any check handled as a noncash item, regardless of amount, endorsed by the United States Treasury, or endorsed for credit to the United States Treasury, 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.

8.10 Responsibility for protest

The paying bank, if any, shall be responsible for making or providing for any protest of a non-cash item protestable under the provisions of this bulletin, except as may be otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between us and the paying bank.

If there is no paying bank, the responsibility shall be that of the subsequent collecting bank, if any, except as may be otherwise provided by applicable clearing house rules or practices or by agreement between us and such collecting bank. If there is no paying bank or subsequent collecting bank, we will make or provide for any necessary protest.

8.15 Determination of responsibility

We have no responsibility for determining whether another bank responsible therefor has: (1) made or provided for the protest of any dishonored noncash item in accordance with specific instructions in the sender's collection letter or in accordance with the provisions of this bulletin, or (2) given any wire advice requested with respect to any noncash item.

8.20 Communications concerning noncash items

When instructed to do so by a sender, this Bank will give wire advice⁵ of credit to such sender without charge for any noncash item in an amount of \$1,000 or over; if, when instructed to do so by a sender, this Bank gives wire advice of credit for any noncash item in an amount of less than \$1,000, a \$1.50 service charge will be made against the sender's account. No charge will be made for wire advices of nonpayment or for messages pertaining to tracing noncash items.

8.25 Requesting wire advice

The term listed below, when used in instructions, advices, or communications, will be understood to have the meaning indicated, as follows:

"WIRE FATE" when wire advice of credit or wire advice of nonpayment is desired. A wire advice of credit message indicates that a credit has been posted to the reserve or other account of the sender of the item; with respect to a bankers' acceptance drawn upon a depositor in a Federal Reserve Bank, however, when a Federal Reserve Bank gives wire advice of credit, it does not necessarily imply that actually and finally collected funds are in its possession. A Federal Reserve Bank will have no responsibility for any other instructions given by a sender regarding wire advice of credit or wire advice of nonpayment.

⁴The 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.

⁵For the purposes of this bulletin, the term "wire" includes telephone, telegraph, and cable.

Section 9, AVAILABILITY OF PROCEEDS OF NONCASH ITEMS

9.00 General

Except as hereinafter provided with respect to bankers' acceptances drawn upon depositors in a Federal Reserve Bank and due and past due coupons, credit for the proceeds of noncash items, with the usual advice, will be given as directed in a reserve account, or other appropriate account, upon receipt by us of payment in actually and finally collected funds or upon receipt of advice from another Federal Reserve Bank of such payment except that credit, when payment or remittance is by bank draft or by check drawn upon a bank other than the paying bank, will be given, subject to payment in actually and finally collected funds, in accordance with the time schedules issued by us under our operating Bulletin 8 entitled, "Collection of Cash Items."

9.05 Bankers' acceptances

Credit for bankers' acceptances drawn upon depositors in a Federal Reserve Bank 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 banking day before maturity.

Place Payable	Credit Available
Federal Reserve Bank or Branch cities	On maturity date
Elsewhere	1 banking day after maturity

9.10 Maturing coupons in our safekeeping

Credit for maturing coupons which are released from our safekeeping will be available, subject to payment in actually and finally collected funds, as follows:

Place Payable	Credit Available
Member bank located in central financial district of Dallas, El Paso, Houston, or San Antonio	1 banking day after maturity, provided our office and place payable are in same city
Elsewhere	2 banking days after maturity

9.15 Late claims for error adjustments

We will send to member banks and other depositors maintaining an account on our books statements of account, which may be supported by advices, with respect to entries in such an account made by us in accordance with the provisions of Regulation J and our operating bulletins. If, within one calendar year from the date of an entry in such an account, such a depositor fails to advise us in writing of its objection to such an entry, the depositor, and any sender, collecting bank, or paying bank using the account maintained by the depositor which has handled the item to which the entry relates, shall be deemed to have approved the entry and the statement of account shall be deemed finally adjusted. The foregoing shall not relieve such a depositor from the duty of exercising due diligence to examine statements of account sent to it and of notifying us immediately upon discovery of any error, nor shall it apply to claims based upon the breach of a warranty in respect of an item to which an entry relates by a Federal Reserve Bank.

Section 10, COLLECTION CHARGES

10.00 Charges on bonds, debentures, and coupons

Except as provided in section 10.10, the Federal Reserve Banks make no charge for their services in collecting noncash items. No charge may be made by a bank (or a nonbank payor) in connection with the collection or payment of any bond, debenture, coupon or other similar security received from or through a Federal Reserve Bank. It is recognized that a bank acting as agent to collect any other noncash 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 and deducted from the payment or remittance received by us for the item, we will give credit to the sender for the net proceeds.

10.05 Charges on checks

No charge may be made by a paying bank or collecting bank in connection with the collection or payment of any check that may be handled as a noncash item; provided, however, that a collecting bank or paying bank may make a collection charge in connection with such item if such charge reflects expenses actually in-

curred by it in collecting such check as a non-cash item which it would not have incurred had the check been handled as a cash item and if such charge is clearly not an exchange charge nor in the nature of a charge for payment. When such a charge is made and deducted from the payment or remittance received by us for the item, we will give credit to the sender for the net proceeds.

10.10 Charges by Federal Reserve Banks

Items sent to the Federal Reserve Banks for

collection are subject to the following charges:

- (1) Charges made by collecting banks or paying banks referred to in sections 10.00 and 10.05 of this bulletin; and
- (2) Charges made by the Federal Reserve Banks:
 - (a) A charge, at their discretion, for handling and collecting securities;
 - (b) A service charge, at their discretion, of \$.50 per item on all noncash items returned unpaid and unprotested;