

FEDERAL RESERVE BANK
OF NEW YORK

Collection Department

[Circular No. 298]
August 21, 1920

Superseding 147, 107, 78, 135

Collection of Maturing Notes, Bills and Other Collection Items

To all Member Banks in the Second Federal Reserve District:

This circular brings up to date with some minor changes our rules and procedure governing the collection of *maturing notes, bills and other collection items* received by us, exclusive, however, of the collection of checks, the rules and regulations governing which are specifically set forth in our general Circular No. 258 of March 1, 1920, entitled "Collection of Checks" as supplemented by Circulars No. 278 of May 17, 1920, and No. 286 of June 1, 1920. It therefore supersedes our Circulars No. 78 of September 10, 1917, entitled "Plan for the Collection of Maturing Notes, Bills and other Collection Items," No. 107 of July 6, 1918, entitled "Payment Coupons British Government Bonds," and No. 147 of February 26, 1919, entitled "Schedule Showing When Proceeds of Bankers Acceptances will be available if Collected through the Federal Reserve Bank of New York."

2. Classes of Items Received for Collection

All time items, sight and demand drafts, with or without securities, bills of lading or other documents attached, drafts on savings banks, maturing bonds and coupons and other forms of collection items are received by us for collection.

Bankers acceptances payable at New York Clearing House banks and bonds and coupons payable in the City of New York will not be received from Clearing House members.

3. Preparation of Member Bank's Collection Letter

Each member bank is requested to list its collection items in a separate letter and, in describing the respective items, to give the member bank's collection number, the name of the payer, instructions to protest or not to protest, or other special instructions, and the date, maturity and amount of each item sent. Promissory notes and drafts payable otherwise than at sight or on demand should have affixed the proper Federal tax stamps; for a sum not exceeding \$100, two cents, and for each additional \$100 or fractional part thereof, two cents.

4. When Credit is Given

Upon receiving payment of collection items, advice of collection is given by us to the member bank originally forwarding such items and its reserve account is thereupon credited. Advice is also given such member bank if the item is returned unpaid, and if so returned, as to whether protest has been made. When payment is made in New York or other exchange, credit is given subject to final payment.

By arrangements made with all other Federal Reserve Banks the proceeds of bankers acceptances payable in cities where Federal Reserve Banks or their branches are at present or may hereafter be established will be available, subject to payment, on day of maturity.

Proceeds of bankers acceptances payable elsewhere than in Federal Reserve or Federal Reserve branch cities will be available, subject to payment, one or more days after maturity until further notice, in accordance with the schedule on page 4.

5. Collection of Maturing Bonds and Coupons

Every member bank sending a letter enclosing bonds or coupons for collection, due or past due, payable in New York City, will receive immediate credit in its reserve account for the total amount of the letter subject to final payment of such items and will receive advice of credit immediately.

The proceeds of any bonds or coupons not due, sent for collection, or of bonds or coupons due or past due payable outside of New York City, will be credited to the sending bank's account when payment is received, as provided in paragraph 4.

Maturing bonds and coupons are not to be included in a letter enclosing checks or in a letter containing maturing notes, bills or other collection items, but should be sent by registered mail or by express. Bonds and coupons if sent to us by registered mail will be insured at our expense provided we are advised under separate cover of the shipment, on the form which will be provided by us. Coupons and bonds sent to us for collection should be carefully listed on the sending bank's letter and each class of coupon or bond should be enclosed in a separate envelope with the appropriate United States Internal Revenue Ownership Certificate attached.

6. Payment of United States Government and Farm Loan Coupons; Collection of British Government Coupons

Maturing coupons from United States Government bonds, notes and Treasury certificates of indebtedness and from Farm Loan bonds issued by the twelve Federal Land Banks are paid by us when due or, if unmaturing, may be deposited a week or ten days in advance for payment on their due date.

Coupons from British Government securities are received for collection, provided United States Internal Revenue certificates of ownership have been detached by the first collecting bank and the coupons stamped "*Certificate detached and information furnished.*" Such coupons when past due may be presented to us at any time, but if not due they should not be forwarded to us more than one month prior to their due date. They should also be accompanied by the proper papers required by the British Government and will be paid in the City of New York by us on the day of receipt of authority to pay from the Bank of England at the cable rate of exchange on that day. All necessary forms will be furnished upon request.

The proceeds of government and of Farm Loan coupons thus received will, when paid, be credited to the reserve account of a member bank, or check will be issued, as may be desired.

7. Free Collection Service

No service charge for collection of items as above described will be made *by us* other than one of fifteen cents for returned unpaid collection items payable outside of the Boroughs of Manhattan and Bronx which have not been protested. No charge will be made on recalled items. We collect items in all Federal Reserve cities free, but it is recognized that a member bank, in presenting and remitting for collection items, renders a distinct service for which it is entitled, if it so desires, to make a reasonable charge. If such a charge is made, however, it will be deducted from the face amount of the item and credit given for the actual proceeds as indicated in our advice of credit.

8. Routing

Every collection item received by us may, in our discretion, be sent for payment direct to the bank on which it is drawn, or at which it is payable, or to a bank located in the place where the item is payable or to another agent for collection, whether or not the item is accompanied by bill of lading, securities, or other documents.

9. Liability

Every member bank sending maturing notes, bills and other collection items to this bank for collection will be understood to have agreed to the terms and conditions herein set forth and to have thereby specifically agreed that in receiving such items this bank will act only as the collecting agent of the sending bank; that it assumes no responsibility other than for due diligence and care in forwarding such items promptly; and that it shall be held liable only when payment in actual funds is in its possession.

10. Instructions to Collecting Banks

Each note, bill or other item sent by us for collection will be accompanied by the form in current use for collection and returns when the item is actually paid. Unless otherwise instructed, all unpaid items over \$10 should be protested and returned immediately, with the reason for non-payment. The non-payment of items of \$500 or over should be telegraphed. It is desirable that payment be made by advice of credit upon receipt of which we will charge the reserve account of the paying member bank. If payment is not made by advice of credit, remittance should be sent in New York exchange.

11. Amendments

The right is reserved to withdraw, add to or amend at any time or from time to time, with or without notice, any or all of the foregoing rules or regulations.

Very truly yours,

J. H. CASE,
Acting Governor

Schedule Showing When Proceeds of Bankers Acceptances will be Available if Collected Through the Federal Reserve Bank of New York

<i>Locality</i>	<i>District No.</i>	<i>Credit Available at Maturity for Items Payable in</i>	<i>Credit for Items Payable elsewhere in District Available</i>
Boston . .	1	Boston, Mass.	1 day after maturity
New York .	2	New York, New York Buffalo, New York	1 day after maturity
Philadelphia	3	Philadelphia, Pa.	1 day after maturity
Cleveland .	4	Cleveland, Ohio Cincinnati, Ohio Pittsburgh, Pa.	1 day after maturity
Richmond .	5	Richmond, Va. Baltimore, Md.	2 days after maturity for Maryland, District of Columbia and Virginia. 3 days after maturity for West Virginia, North Carolina and South Carolina.
Atlanta . .	6	Atlanta, Ga. New Orleans, La. Jacksonville, Fla. Birmingham, Ala. Nashville, Tenn.	1 day after maturity for acceptances of member banks only. Acceptances of non-members when collected.
Chicago . .	7	Chicago, Ill. Detroit, Mich.	1 day after maturity
St. Louis .	8	St. Louis, Mo. Louisville, Ky. Memphis, Tenn. Little Rock, Ark.	1 day after maturity
Minneapolis	9	Minneapolis, Minn. St. Paul, Minn.	1 day after maturity
Kansas City	10	Kansas City, Mo. Oklahoma City, Okla. Omaha, Neb. Denver, Col.	1 day after maturity
Dallas . .	11	Dallas, Texas El Paso, Texas Houston, Texas	1 day after maturity
San Francisco	12	San Francisco, Cal. Spokane, Wash. Portland, Oregon Seattle, Wash. Salt Lake City, Utah Los Angeles, Cal.	1 day after maturity