

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 2354 ]  
January 10, 1942

**COLLECTION OF POSTAL MONEY ORDERS**

*To the Member Banks and Nonmember Clearing Banks  
of the Second Federal Reserve District:*

This is to advise you that on and after February 2, 1942, this bank and its Buffalo Branch will not accept for collection, as either cash or noncash items, any postal money orders except those which are drawn on or issued by (1) the New York Post Office or the Brooklyn Post Office, both located in New York, N. Y., (2) the Buffalo Post Office, Buffalo, New York, (3) a post office in another Federal Reserve city or Federal Reserve Branch city, or (4) the Washington Post Office, Washington, D. C. The other Federal Reserve banks are also issuing circulars limiting the postal money orders which they will accept for collection, either as cash or non-cash items, on and after February 2, 1942.

Consistent with the foregoing, we request direct-sending member banks and nonmember clearing banks not to send to any other Federal Reserve bank, or to any branch of another Federal Reserve bank, any postal money orders except those which are drawn on or issued by (1) the post offices in the respective cities in which such other Federal Reserve banks or branches are located or (2) the Washington Post Office, Washington, D. C.

For the information of member banks and nonmember clearing banks we quote below paragraphs 1 and 2 of section 1429 of the Postal Laws and Regulations, which section is contained in Title VIII, Chapter 3, entitled "Payment of Domestic Money Orders".

"Under such rules and regulations as the Postmaster General shall prescribe, postal money orders may be issued payable at any money-order post office, and on and after the date upon which such rules and regulations become effective all money orders shall be legally payable at any money-order post office, although drawn on a specified office; and as compensation for the extra labor involved in paying a money order at an office other than that on which the order is drawn the Postmaster General is authorized to exact a fee of the same amount as that charged for the issue of the order.

"2. An original domestic money order shall be paid at its full face value if presented at the office on which drawn or at the office of issue at any time within the period of its validity, which is 1 year from the last day of the month in which issued. For the first 30 days after issue any domestic money order issued in the continental United States (except Alaska) and drawn on an office located therein, may be paid for its face value, less the fee prescribed by the law quoted above, at an office other than that of issue or that on which drawn, provided the office at which presented is located within the continental United States (except Alaska)."

Prior to August 1, 1934, when the revised Regulations of the Post Office Department became effective, Federal Reserve banks could collect all postal money orders at their local post offices without the payment of a fee, regardless of where such orders were issued or where they were payable. When the Post Office Department revised its Regulations to provide a fee for cashing any postal money order when presented at an office other than that of issue or that on which drawn, Federal Reserve banks, as a general rule, began sending money orders not drawn on or issued by postmasters in Federal Reserve bank and branch cities to member or par nonmember banks located at the points on which the orders were drawn or at which issued as cash items for collection and remittance. This practice has not proved entirely satisfactory since many member and par nonmember banks feel that they are entitled to make a charge for their services in presenting the money orders to their local post offices for payment, and some banks have declined to handle postal money orders for the Federal Reserve banks unless permitted to make such a charge.

In view of these developments and since the payees or holders of postal money orders can (under the terms of the above-quoted provisions of the Postal Laws and Regulations) collect domestic money orders from their local post offices, and make such collections without the payment of any fees in cases of money orders drawn on or issued by such local post offices, Federal Reserve banks have, as indicated in the first paragraph of this circular, decided to limit the money orders which they will accept for collection, either as cash or noncash items, on and after February 2, 1942.

**ALLAN SPROUL,**  
*President.*