

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 4699 ]  
February 5, 1959

Amendment of Regulations G, H, I, J, P, and U

*To All Banks, and Others Concerned,  
in the Second Federal Reserve District:*

As indicated in our Circular No. 4682, dated January 8, 1959, the Board of Governors of the Federal Reserve System amended its Regulations G, H, J, and U, effective January 3, 1959, to reflect the admission of Alaska to statehood. The Board of Governors also amended its Regulation I, effective January 3, 1959, for the same reason. Copies of the amendments to Regulations H, I, and U, and of revisions of Regulations G and J are enclosed for those on our mailing lists to receive the respective regulations. The amendment to Regulation U (No. 13) is printed together with a previous amendment (No. 12), and can be substituted for the copy you now have of the previous amendment.

Designations of the Board of Governors pursuant to Footnotes 1 of Regulations G and J, including the designations of Guam, effective January 1, 1959, as being in or of the Twelfth Federal Reserve District for purposes of these regulations, are printed at the end of the revised regulations.

Effective January 9, 1959, the Board of Governors amended its Regulation P, "Holding Company Affiliates — Voting Permits," by eliminating a provision, no longer considered necessary to carry out the purposes of the law, in the definition of "affiliated" organizations. Copies of the amendment to Regulation P are enclosed for those on our mailing list to receive that regulation.

Additional copies of any of the enclosures will be furnished upon request.

ALFRED HAYES,  
*President.*

**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**COLLECTION OF NONCASH ITEMS**



**REGULATION G**

**This Regulation as printed herewith is in the  
form as amended effective January 3, 1959**



### **INQUIRIES REGARDING THIS REGULATION**

Any inquiry relating to this regulation should be addressed to the Federal Reserve bank of the district in which the inquiry arises.

# REGULATION G

As amended, effective January 3, 1959

## COLLECTION OF NONCASH ITEMS

### AUTHORITY FOR REGULATION

This regulation is based upon and issued pursuant to the provisions of subsection (i) of section 11, the first paragraph of section 13, and the 14th and 15th paragraphs of section 16, and other relevant provisions of the Federal Reserve Act.

### SECTION 1. DEFINITION OF NONCASH ITEMS

As used in this regulation, the term "noncash items" means any items of the following classes when payable in any Federal Reserve District:<sup>1</sup>

(1) Maturing notes, acceptances, bankers' acceptances, certificates of deposit, bills of exchange, and drafts with or without securities, bills of lading, or other documents attached;

(2) Drafts and orders on savings deposits with pass books attached;

(3) Checks, drafts, and other cash items which have previously been dishonored or on which special advice of payment or dishonor is required;<sup>2</sup>

(4) Maturing bonds and coupons (other than obligations of the United States and its agencies which are redeemed by Federal Reserve banks as fiscal agents);

(5) State and municipal warrants, including both orders to pay addressed to officers of States and political subdivisions thereof and any special or general obligations of States and political subdivisions thereof;

(6) All other evidences of indebtedness and orders to pay, except checks and bank drafts handled under the provisions of Regulation J<sup>2</sup> and checks and bank drafts drawn on or payable by a nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve bank of the district in which such nonmember bank is located.<sup>3</sup>

<sup>1</sup> For the purposes of this Regulation, Hawaii, Puerto Rico and any dependency, insular possession or part of the United States outside the continental United States shall be deemed to be in or of such Federal Reserve district as the Board of Governors may designate.

<sup>2</sup> Any check, draft, or other item which is normally handled as a cash item will not be handled as a noncash item unless special conditions require that this be done, and the Federal Reserve bank will decide whether such special conditions exist.

<sup>3</sup> Checks and bank drafts drawn on or payable by a nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve bank of the district in which such nonmember bank is located, and which may not be received under the terms of Regulation J, likewise may not be received as noncash items under the terms of this regulation.

## SECTION 2. RECEIPT OF ITEMS FOR COLLECTION

Each Federal Reserve bank may receive for collection noncash items from member and nonmember clearing banks in its district, from other Federal Reserve banks, and from all member and nonmember clearing banks in other Federal Reserve districts which are authorized to route direct for the credit of their respective Federal Reserve banks, subject to the terms and conditions of this regulation.

## SECTION 3. TERMS OF COLLECTION

(1) **Agreement of sending bank.**—Each member and nonmember clearing bank which sends noncash items to any Federal Reserve bank for collection shall by such action be deemed: (a) to authorize the Federal Reserve banks to handle such items subject to the terms and conditions of this regulation; (b) to warrant its own authority to give the Federal Reserve banks such authority; (c) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, or resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such noncash items; and (d) to guarantee all prior endorsements on such items whether or not a specific guaranty is incorporated in an endorsement of the sending bank.

(2) **Federal Reserve bank as agent.**—A Federal Reserve bank will act only as agent of the bank from which it receives such noncash items and will assume no liability except for its own negligence and its guaranty of prior endorsements.

(3) **Presentation of items by Federal Reserve bank.**—A Federal Reserve bank may present such noncash items with any accompanying documents for payment direct to the person, firm, or corporation on which they are drawn or by or through which they are payable or collectible, or may present them for payment or forward them for collection direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible; or, in its discretion, may forward them to another agent with similar authority to present them for payment or forward them for collection. The bank upon which any such noncash item may be drawn, or at which the same may be payable or through which the same may be payable or collectible shall be deemed to be a proper agent for collection within the meaning of this regulation.

(4) **Items payable in other districts.**—Noncash items received by a Federal Reserve bank payable in other districts will be forwarded for

collection to the Federal Reserve bank of the district in which such items are payable; except that, when in the judgment of the Federal Reserve bank the size or character of the items or other special circumstances justify such action, any such items, in the discretion of the Federal Reserve bank, may be forwarded for collection direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible, or may be forwarded for collection to another agent with authority to present them for payment direct to the person, firm, or corporation on which they are drawn or by or through which they are payable or collectible or to present them for payment direct to the bank on which they are drawn, at which they are payable, or through which they are payable or collectible.

(5) **Forms of payment accepted by Federal Reserve bank.**—A Federal Reserve bank may, in its discretion and at its option, accept from any bank in payment of or from any collecting agent in remittance for such noncash items, cash, checks, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal Reserve bank. The Federal Reserve bank shall not be liable for the failure of any bank or any agent to collect, or to pay, or to remit for, such noncash items, nor for any loss resulting from the acceptance from any bank or any agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from any bank or any collecting agent.

(6) **Collection of remittances for noncash items.**—Bank drafts and other forms of payment or remittance received by a Federal Reserve bank in payment of or in remittance for noncash items handled under the terms of this regulation will be collected, at the option of the Federal Reserve bank, either under the terms and conditions of this regulation or under the terms and conditions of Regulation J of the Board of Governors of the Federal Reserve System.

(7) **Suspension or closing of paying or remitting bank.**—No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other funds of a paying, remitting, or collecting bank in the possession of a Federal Reserve bank, issued for the purpose of settling items handled under the terms of this regulation will be paid, acted upon, or honored after receipt by such Federal Reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank.

(8) **Items sent direct to Federal Reserve bank in another district.**—With respect to any noncash item sent direct by a member or non-

member clearing bank in one district to a Federal Reserve bank in another district, the relationships and the rights and liabilities existing between the member or nonmember clearing bank, the Federal Reserve bank of its district, and the Federal Reserve bank to which the noncash item is sent will be the same, and the relevant provisions of this regulation will apply, as though the member or nonmember clearing bank had sent such noncash item to the Federal Reserve bank of its district with its endorsement and guaranty of prior endorsements and such Federal Reserve bank had sent the noncash item to the other Federal Reserve bank with its endorsement and guaranty of prior endorsements.

#### SECTION 4. OTHER RULES

Each Federal Reserve bank may also promulgate rules not inconsistent with the terms of the law or of this regulation, governing the details of its noncash collection operations. Such rules may be set forth by each Federal Reserve bank in circulars to its member and nonmember clearing banks and shall be binding upon any member or nonmember clearing bank which sends any noncash item to such Federal Reserve bank for collection or to any other Federal Reserve bank for the account of such Federal Reserve bank for collection.

**DESIGNATIONS OF FEDERAL RESERVE DISTRICTS FOR BANKS  
IN TERRITORIES, DEPENDENCIES, ETC.**

Pursuant to Footnote 1 of Regulation G, the Board of Governors has taken the following actions for the purposes of such regulation:

Hawaii shall be deemed to be in or of the Twelfth Federal Reserve District, effective on and after July 15, 1954.

The Virgin Islands shall be deemed to be in or of the Second Federal Reserve District, effective on and after June 19, 1957.

Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, effective on and after January 1, 1958.

Guam shall be deemed to be in or of the Twelfth Federal Reserve District, effective on and after January 1, 1959.



**MEMBERSHIP OF STATE BANKING INSTI-  
TUTIONS IN THE FEDERAL  
RESERVE SYSTEM**

**AMENDMENT TO REGULATION H**

**ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Effective January 3, 1959, Regulation H is amended by eliminat-  
ing from footnote 1 thereof the words "in Alaska or".

**INCREASE OR DECREASE OF CAPITAL STOCK  
OF FEDERAL RESERVE BANKS AND CAN-  
CELATION OF OLD AND ISSUE OF  
NEW STOCK CERTIFICATES**

**AMENDMENT TO REGULATION I**

**ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Effective January 3, 1959, Regulation I is amended by eliminating from Footnote 1 thereof the words "in Alaska or".

**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**CHECK CLEARING AND COLLECTION**



**REGULATION J**

**This Regulation as printed herewith is in the  
form as amended effective January 3, 1959**



**INQUIRIES REGARDING THIS REGULATION**

**Any inquiry relating to this regulation should be addressed to the Federal Reserve bank of the district in which the inquiry arises.**

## REGULATION J

As amended, effective January 3, 1959

### CHECK CLEARING AND COLLECTION

#### SECTION 1. STATUTORY PROVISIONS

Section 16 of the Federal Reserve Act authorizes the Board of Governors of the Federal Reserve System to require each Federal Reserve bank to exercise the functions of a clearing house for its member banks, and section 13 of the Federal Reserve Act, as amended by the Act approved June 21, 1917, authorizes each Federal Reserve bank to receive from any nonmember bank or trust company, solely for the purposes of exchange or of collection, deposits of current funds in lawful money, national-bank notes, Federal Reserve notes, checks and drafts payable upon presentation, or maturing notes and bills, provided such nonmember bank or trust company maintains with its Federal Reserve bank a balance sufficient to offset the items in transit held for its account by the Federal Reserve bank.

#### SECTION 2. GENERAL REQUIREMENTS

In pursuance of the authority vested in it under these provisions of law, the Board of Governors of the Federal Reserve System, desiring to afford both to the public and to the various banks of the country a direct, expeditious, and economical system of check collection and settlement of balances, has arranged to have each Federal Reserve bank exercise the functions of a clearing house and collect checks for such of its member banks as desire to avail themselves of its privileges and for such nonmember State banks and trust companies as may maintain with the Federal Reserve bank balances sufficient to qualify them under the provisions of section 13 to send items to Federal Reserve banks for purposes of exchange or of collection. Such nonmember State banks and trust companies will hereinafter be referred to as nonmember clearing banks.

Each Federal Reserve bank shall exercise the functions of a clearing house and collect checks under the general terms and conditions hereinafter set forth, and each member bank and nonmember clearing bank shall cooperate fully in the system of check clearance and collection for which provision is herein made.

#### SECTION 3. CHECKS RECEIVED FOR COLLECTION

(1) Each Federal Reserve bank shall receive at par from member and nonmember clearing banks in its district,<sup>1</sup> from other Federal

<sup>1</sup> For the purposes of this Regulation, Hawaii, Puerto Rico and any dependency, insular possession or part of the United States outside the continental United States shall be deemed to be in or of such Federal Reserve district as the Board of Governors may designate.

Reserve banks, and from all member and nonmember clearing banks in other Federal Reserve districts which are authorized to route direct for the credit of their respective Federal Reserve banks, checks<sup>2</sup> drawn on all member and nonmember clearing banks of its district, and checks drawn on all other nonmember banks of its district which are collectible at par in funds acceptable to it.

(2) Each Federal Reserve bank may receive at par from member and nonmember clearing banks in its district, checks drawn on all member and nonmember clearing banks in other Federal Reserve districts, and checks drawn on all other nonmember banks in other Federal Reserve districts which are collectible at par in funds acceptable to the collecting Federal Reserve bank.

(3) No Federal Reserve bank shall receive on deposit or for collection any check drawn on any nonmember bank which cannot be collected at par in funds acceptable to the Federal Reserve bank.

#### SECTION 4. TIME SCHEDULE AND AVAILABILITY OF CREDITS

(1) Each Federal Reserve bank will publish a time schedule showing the time at which any item sent to it will be counted as reserve and become available for withdrawal or other use by the sending bank. For all checks received, the sending bank will be given immediate credit, or deferred credit, in accordance with such time schedule, and as provided below.

(2) For all such checks as are received for immediate credit in accordance with such time schedule, immediate credit, subject to final payment, will be given upon the books of the Federal Reserve bank at full face value in the reserve account or clearing account upon day of receipt, and the proceeds will at once be counted as reserve and become available for withdrawal or other use by the sending bank; provided, however, that the Federal Reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal Reserve bank has not yet received payment in actually and finally collected funds.

(3) For all such checks as are received for deferred credit in accordance with such time schedule, deferred credit, subject to final payment, will be entered upon the books of the Federal Reserve bank at full face value, but the proceeds will not be counted as reserve nor become available for withdrawal or other use by the sending bank until such time as may be specified in such time schedule,<sup>3</sup> at which

<sup>2</sup> A check is generally defined as a draft or order upon a bank or banking house, purporting to be drawn upon a deposit of funds, for the payment at all events of a certain sum of money to the order of a certain person therein named, or to him or his order, or to bearer, and payable on demand.

<sup>3</sup> For rules for computation of reserves and penalties for deficiencies in reserves, see Regulation D, Secs. 2 and 3.

time credit will be transferred from the deferred account to the reserve account or clearing account subject to final payment and will then be counted as reserve and become available for withdrawal or other use by the sending bank; provided, however, that the Federal Reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal Reserve bank has not yet received payment in actually and finally collected funds.

#### SECTION 5. TERMS OF COLLECTION

The Board of Governors of the Federal Reserve System hereby authorizes the Federal Reserve banks to handle such checks subject to the following terms and conditions; and each member and non-member clearing bank which sends checks to any Federal Reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal Reserve banks to handle such checks subject to the following terms and conditions; (b) to warrant its own authority to give the Federal Reserve banks such authority; (c) to agree to indemnify any Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sending bank to have such authority, or resulting from such Federal Reserve bank's guaranty of prior endorsements, or resulting from any action taken by the Federal Reserve bank within the scope of its authority for the purpose of collecting such checks; and (d) to guarantee all prior endorsements on such checks whether or not a specific guaranty is incorporated in an endorsement of the sending bank.

(1) A Federal Reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior endorsements.

(2) A Federal Reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable. A Federal Reserve bank, or any agent to which such checks are forwarded by a Federal Reserve bank, may present such checks pursuant to any special collection agreement not inconsistent with the terms of this regulation or may present them through a clearing house subject to the rules and practices thereof.

(3) A Federal Reserve bank may, in its discretion and at its option, either directly or through or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or

bank credits, or other forms of payment or remittance, acceptable to the collecting Federal Reserve bank. The Federal Reserve bank shall not be liable for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.

(4) Any check which a Federal Reserve bank or an agent thereof presents to the drawee bank for payment or sends to the drawee bank for collection, and for which remittance or settlement is made by the drawee bank on the day on which it receives<sup>4</sup> such check, may be returned for credit or refund at any time prior to midnight of the drawee's next business day following such day of receipt or prior to the time provided by applicable clearing house rule or special collection agreement, whichever is earlier, except that this paragraph shall not apply to checks presented over the counter.

(5) Checks received by a Federal Reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal Reserve bank.

(6) Checks received by a Federal Reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal Reserve bank of the district in which such checks are payable; provided, however, that, where arrangements can be made satisfactory to the collecting bank or agent and to the Federal Reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be forwarded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to all the terms and conditions of this regulation.

(7) With respect to any check sent direct by a member or non-member clearing bank in one district to a Federal Reserve bank in

<sup>4</sup>A check received by a drawee bank on a day other than its business day, or received on a business day after its regular business hours or during afternoon or evening periods when it has reopened (or remained open) for limited functions, shall be deemed to have been received on its next succeeding business day.



another district, the relationships and the rights and liabilities existing between the member or nonmember clearing bank, the Federal Reserve bank of its district and the Federal Reserve bank to which the check is sent will be the same, and the relevant provisions of this regulation will apply, as though the member or nonmember clearing bank had sent such check to the Federal Reserve bank of its district with its endorsement and guaranty of prior endorsements and such Federal Reserve bank had sent the check to the other Federal Reserve bank with its endorsement and guaranty of prior endorsements.

(8) Bank drafts received by a Federal Reserve bank in payment of or in remittance for checks handled under the terms of this regulation shall likewise be handled for collection subject to all the terms and conditions of this regulation.

(9) The amount of any check for which payment in actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal Reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other funds of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal Reserve bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other funds of a paying, remitting, or collecting bank in the possession of a Federal Reserve bank, issued for the purpose of settling items handled under the terms of this regulation will be paid, acted upon, or honored after receipt by such Federal Reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank.

#### SECTION 6. OTHER RULES AND REGULATIONS

Each Federal Reserve bank may also promulgate rules not inconsistent with the terms of the law or of this regulation, governing the details of its operations in clearing and collecting checks and other cash items. Such rules shall be set forth by the Federal Reserve bank in its letters of instruction to its member and nonmember clearing banks and shall be binding upon any member or nonmember clearing bank which sends any check or other cash item to such Federal Reserve bank for collection or to any other Federal Reserve bank for the account of such Federal Reserve bank for collection.

**DESIGNATIONS OF FEDERAL RESERVE DISTRICTS FOR BANKS  
IN TERRITORIES, DEPENDENCIES, ETC.**

Pursuant to Footnote 1 of Regulation J, the Board of Governors has taken the following actions for the purposes of such regulation:

Hawaii shall be deemed to be in or of the Twelfth Federal Reserve District, effective on and after July 15, 1954.

The Virgin Islands shall be deemed to be in or of the Second Federal Reserve District, effective on and after June 19, 1957.

Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, effective on and after January 1, 1958.

Guam shall be deemed to be in or of the Twelfth Federal Reserve District, effective on and after January 1, 1959.

**HOLDING COMPANY AFFILIATES—  
VOTING PERMITS**

**AMENDMENT TO REGULATION P**

**ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**

Effective January 9, 1959, subsection (*d*) of section 1 of Regulation P is amended by deleting clause numbered (3) and appropriately renumbering clauses (4) and (5).

**LOANS BY BANKS FOR THE PURPOSE OF  
PURCHASING OR CARRYING STOCKS  
REGISTERED ON A NATIONAL  
SECURITIES EXCHANGE**

**AMENDMENT NO. 12 TO REGULATION U**

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective August 1, 1953, subsections (b) and (c) of section 3 of Regulation U are hereby amended to read as follows:

(b) (1) No loan, however it may be secured, need be treated as a loan for the purpose of "carrying" a stock registered on a national securities exchange unless the loan is as described in section 3 (b) (2) or the purpose of the loan is to enable the borrower to reduce or retire indebtedness which was originally incurred to purchase such a stock, or, if he be a broker or a dealer, to carry such stocks for customers.

(2) A loan for the purpose of purchasing or carrying a "redeemable security" (i. e. a redeemable proportionate interest in the issuer's assets) issued by an "open-end company", as defined in the Investment Company Act of 1940, whose assets customarily include stocks registered on a national securities exchange, shall be deemed to be for the purpose of purchasing or carrying a stock so registered.

(c) In determining whether or not a security is a "stock registered on a national securities exchange" or a "redeemable security" described in section 3 (b) (2), a bank may rely upon any reasonably current record of such securities that is published or specified in a publication of the Board of Governors of the Federal Reserve System.

**AMENDMENT NO. 13 TO REGULATION U**

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective January 3, 1959, Regulation U is amended by changing "48" to "49" in subsection (i) of section 2 thereof.