

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5426]
December 6, 1963

COLLECTION OF CASH ITEMS
Amendment of Protest Instructions

*To the Member and Nonmember Clearing Banks and other Collecting
and Remitting Banks in the Second Federal Reserve District:*

Effective February 3, 1964, this Bank and the other Federal Reserve Banks are amending the uniform instructions regarding protest contained in their operating circulars on collection of cash items. The instructions, as amended, will require the protest of a dishonored item of \$1,000 or over, only where the item appears on its face to be drawn outside the State in which it is payable or where the item bears a special legend calling for protest. The instructions, as so amended, are incorporated in the enclosed Third Supplement, dated today, to our Operating Circular No. 4, Revised effective August 10, 1960. The American Bankers Association is recommending a similar amendment, to be effective on February 3, 1964, in the transit instructions of its member banks. As at present, items of less than \$1,000 are not to be protested under the instructions.

The uniform instructions regarding protest contained in the operating circulars on collection of cash items of the Federal Reserve Banks and the transit instructions regarding protest recommended in 1959 by the Bank Management Commission of the A.B.A. to the members of the A.B.A. have heretofore generally required protest of dishonored items of \$1,000 or over, except those bearing on their face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser.

However, not all dishonored items are required by statute to be protested, and the purpose of the amendment of the instructions above referred to is to reduce the number of protested items by eliminating the requirement for protest of items of \$1,000 or over not required to be protested under the original provisions of the Uniform Negotiable Instruments Law. Such provisions in effect require that a dishonored bill of exchange (which includes a check) be protested only where the bill appears on its face to be drawn outside the State in which it is payable. As indicated above, under the new instructions, depositors of items of \$1,000 or over not otherwise protestable would be entitled to request that protest thereof be made in the event of dishonor, by placing on the face of the item, the legend "PROTEST REQUIRED."

It should be noted that the UNIL has been amended in a number of States in recent years to require, in effect, that only dishonored bills which appear on their face to be drawn or payable outside the United States be protested. A similar rule prevails in those jurisdictions in which the Uniform Commercial Code is in effect. It is not deemed desirable at this time to adopt such a rule in the uniform instructions regarding protest since the necessity for protest in order to hold the drawer of a dishonored check liable on the instrument would probably be determined by the law of the State in which the check was drawn. Thus, protest may well be required on a dishonored check drawn in a State having the original provisions of the UNIL and payable in a State in which the UNIL, as amended, or the UCC is in effect. When substantially all States have either adopted the UCC or amended their Negotiable Instruments Law to bring it into conformity with the rule regarding protest prevailing in those States which have adopted the UCC, consideration will be given to further appropriate amendment of the uniform instructions regarding protest contained in the operating circulars on collection of cash items of the Federal Reserve Banks.

Additional copies of this circular and of its enclosure will be furnished upon request.

ALFRED HAYES,
President.

FEDERAL RESERVE BANK
OF NEW YORK

Third Supplement to
Operating Circular No. 4
(Revised effective August 10, 1960)
December 6, 1963

COLLECTION OF CASH ITEMS

*To the Member and Nonmember Clearing Banks and other Collecting
and Remitting Banks in the Second Federal Reserve District:*

The current uniform protest instructions of all Federal Reserve Banks, as contained in their operating circulars on collection of cash items, generally require protest of dishonored items of \$1,000 or over, except those bearing on their face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser. Effective February 3, 1964, all Federal Reserve Banks are amending such instructions to require protest of a dishonored item of \$1,000 or over, only where the item appears on its face to be drawn outside the State in which it is payable or where the item bears a special legend calling for protest.

To reflect this change in our Operating Circular No. 4, Revised effective August 10, 1960, paragraph 14 of that circular is hereby amended, effective February 3, 1964, to read as follows:

14. Federal Reserve Banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire advice of nonpayment except that United States Government checks will not be protested:

(1) PROTEST dishonored items of \$1,000 and over:

(a) that appear on their face to be drawn outside of the State in which payable, except those bearing on their face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

(b) that bear on their face the legend, "PROTEST REQUIRED," of a Federal Reserve Bank or of a preceding bank endorser.

(2) DO NOT PROTEST items of less than \$1,000, or items of \$1,000 and over except those protestable under subparagraph (1).

(3) DO NOT WIRE ADVICE of nonpayment of items of less than \$1,000.

(4) WIRE ADVICE of nonpayment of all items of \$1,000 or over, except those not paid because of missing, irregular or unsatisfactory endorsement and those bearing on their face "DO NOT WIRE NONPAYMENT" with the A.B.A. transit number of a Federal Reserve Bank or of a preceding bank endorser. Include in the wire advice of nonpayment the A.B.A. transit numbers or the names of the two endorsers immediately preceding the Federal Reserve Bank.

(5) DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any check, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, 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.

ALFRED HAYES,
President.