

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 5947]
[February 21, 1967]

Collection of Items Requiring Special Handling as Noncash Items

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

In our Circular No. 5849, dated August 5, 1966, we informed you that, effective September 1, 1967, the Federal Reserve Banks will classify as items requiring special handling all checks, drafts, and similar items received by them on which the payor's routing symbol-transit number has not been preprinted, or postencoded before their receipt by a Federal Reserve office, in E-13B magnetic ink characters in the manner prescribed and in the location assigned by The American Bankers Association. We further informed you that, on and after such effective date, all such items sent as cash items will be handled by the receiving Federal Reserve office as follows:

- (a) Items of \$1,000 or more received from banks located outside the city of the receiving Federal Reserve office will be charged back and entered for collection as noncash items; and
- (b) All other items will be charged back and returned.

We have been most gratified to note the progress made since the above announcement by the commercial banks in increasing the proportion of checks drawn on them which bear the payor's routing symbol-transit number in magnetic ink encoding. A one-day survey completed in January 1967 at all Federal Reserve Banks and Branches, which survey involved the inspection of almost 18 million items, revealed that 97.1 per cent of the items were properly encoded; a copy of the survey results is printed on the reverse side of this circular. Of the items that were not encoded, 35 per cent represented checks drawn by corporations, 21 per cent comprised checks drawn by individuals, and 24 per cent were made up of "counter" checks or "scratched" checks—checks designed for drawing on a particular account or bank but used for drawing on another account or bank. Multiple-drawee items (3 per cent), preauthorized life insurance-premium drafts (6 per cent), municipal warrants (5 per cent), and transfer or depository drafts (2 per cent) were the largest other individual categories.

As compared with the 97.1 per cent encoded as shown in the January survey, the last previous survey, in February 1965, had disclosed that only 92.3 per cent were properly encoded. We are particularly pleased that banks in this District lead the country with less than 0.8% of the checks drawn on them being unencoded. We appreciate the support of the banks in the action they have taken to date, and we know that continued progress will be forthcoming. Nevertheless, much remains to be done. For this reason the Federal Reserve Banks now believe it appropriate to call their September 1, 1967 change in collection practices again to the attention of all banks.

To achieve maximum benefits in the mechanization of check-collection and demand-deposit accounting procedures, and to obtain the full benefits of the Magnetic Ink Character Recognition program, we again urge banks, and through them their depositors, to arrange to have the payor's routing symbol-transit number imprinted in magnetic ink on all items. In addition, banks are urged to implement, if they have not already done so, the basic concept of The American Bankers Association MICR program that envisages the dollar amount being encoded on all checks by the first bank of deposit.

Additional copies of this circular will be furnished upon request.

ALFRED HAYES,
President.

(OVER)

FEDERAL RESERVE SYSTEM'S SURVEY
OF INTRADISTRICT ITEMS RECEIVED NOT BEARING MAGNETIC INK CHARACTERS OF PAYOR
JANUARY 1967

FEDERAL RESERVE BANK OR BRANCH	TOTAL ITEMS REVIEWED	NONCOMPLYING ITEMS	
		Total	Percent Of All Items Reviewed
<u>BOSTON</u>	<u>1,354,187</u>	<u>15,157</u>	<u>1.12</u>
<u>NEW YORK</u>	<u>2,669,064</u>	<u>21,048</u>	<u>.79</u>
Buffalo	158,453	1,237	.78
	<u>2,827,517</u>	<u>22,285</u>	<u>.79</u>
<u>PHILADELPHIA</u>	<u>1,040,000</u>	<u>10,626</u>	<u>1.02</u>
<u>CLEVELAND</u>	<u>569,637</u>	<u>7,939</u>	<u>1.39</u>
Cincinnati	308,000	5,215	1.69
Pittsburgh	368,691	16,168	4.39
	<u>1,246,328</u>	<u>29,322</u>	<u>2.35</u>
<u>RICHMOND</u>	<u>631,718</u>	<u>27,000</u>	<u>4.27</u>
Baltimore	336,000	2,583	.77
Charlotte	218,000	16,409	7.53
	<u>1,185,718</u>	<u>45,992</u>	<u>3.88</u>
<u>ATLANTA</u>	<u>373,033</u>	<u>8,054</u>	<u>2.16</u>
Birmingham	189,832	10,352	5.45
Jacksonville	367,741	5,739	1.56
Nashville	183,761	7,570	4.12
New Orleans	196,191	17,529	8.93
	<u>1,310,558</u>	<u>49,244</u>	<u>3.76</u>
<u>CHICAGO</u>	<u>2,019,603</u>	<u>52,586</u>	<u>2.60</u>
Detroit	610,000	11,394	1.87
	<u>2,629,603</u>	<u>63,980</u>	<u>2.43</u>
<u>ST. LOUIS</u>	<u>547,862</u>	<u>45,472</u>	<u>8.30</u>
Little Rock	104,088	11,581	11.13
Louisville	165,166	5,617	3.40
Memphis	124,605	16,348	13.12
	<u>941,721</u>	<u>79,018</u>	<u>8.39</u>
<u>MINNEAPOLIS</u>	<u>611,306</u>	<u>11,580</u>	<u>1.89</u>
Helena	101,404	2,691	2.65
	<u>712,710</u>	<u>14,271</u>	<u>2.00</u>
<u>KANSAS CITY</u>	<u>578,755</u>	<u>28,906</u>	<u>4.99</u>
Denver	263,065	4,758	1.81
Oklahoma City	248,000	22,525	9.08
Omaha	234,091	13,136	5.61
	<u>1,323,911</u>	<u>69,325</u>	<u>5.24</u>
<u>DALLAS</u>	<u>622,867</u>	<u>55,597</u>	<u>8.93</u>
El Paso	69,420	4,555	6.56
Houston	242,500	18,600	7.67
San Antonio	207,541	13,986	6.74
	<u>1,142,328</u>	<u>92,738</u>	<u>8.12</u>
<u>SAN FRANCISCO</u>	<u>361,000</u>	<u>5,870</u>	<u>1.63</u>
Los Angeles	713,169	8,203	1.15
Portland	282,167	3,437	1.22
Salt Lake City	182,213	5,034	2.76
Seattle	439,300	7,822	1.78
	<u>1,977,849</u>	<u>30,366</u>	<u>1.54</u>
<u>System</u>	<u>17,692,430</u>	<u>522,324</u>	<u>2.95</u>