

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 6398 ]  
[ September 2, 1969 ]

AMENDMENT TO REGULATION J

Recovery by Reserve Banks of Certain Litigation Expenses

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

Enclosed is a copy of an amendment, effective October 1, 1969, to section 210.5 of Regulation J, "Collection of Checks and Other Items by Federal Reserve Banks," of the Board of Governors of the Federal Reserve System. The amendment provides a procedure under which a Federal Reserve Bank that is sued in connection with a cash item collected by it may recover from the sending bank expenses of such litigation and the amount of any adverse judgment by charging the account of the sending bank if the Reserve Bank has tendered defense of the suit to the sending bank and such tender has not been accepted.

Additional copies of the amendment will be furnished upon request.

ALFRED HAYES,  
*President.*

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

COLLECTION OF CHECKS AND OTHER ITEMS  
BY FEDERAL RESERVE BANKS

AMENDMENT TO REGULATION J

Effective October 1, 1969, section 210.5 is amended by adding a paragraph (c) as follows:

SECTION 210.5—SENDER'S AGREEMENT

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(c) Whenever any action or proceeding is brought in any court against a Federal Reserve Bank which has collected an item, based upon the alleged failure of the sender of such item to have the authority to make the warranty and the agreement referred to in paragraph (a) of this section, or upon any action taken by such Federal Reserve Bank within the scope of its authority for the purpose of collecting such item, or upon any warranty or agreement with respect thereto made by such Federal Reserve Bank consistently with paragraph (b) of § 210.6 of this part, such Federal Reserve Bank may, upon the entry of a final judgment or decree in such action or proceeding, recover from the sender in the manner provided herein the amount of attorneys' fees and other expenses of litigation actually incurred, and, in addition, any amount required to be paid by such Federal Reserve Bank under such judgment or decree, together with interest thereon. Such recovery may be effected by charging the amount thereof to any account of the sender maintained on the books of such Federal Reserve Bank (or if the sender is another Federal Reserve Bank, by entering a charge therefor against such other Federal Reserve Bank through the Interdistrict Settlement Fund), provided only (1) that such Federal Reserve Bank shall have made reasonable demand on the sender in writing to assume the defense of the action or proceeding, and (2) that the sender shall not have made any other provision acceptable to such Federal Reserve Bank for the payment of such amount. A Federal Reserve Bank against which any such charge has been entered through the Interdistrict Settlement Fund may recover from its sender, in any case herein provided, as if the action or proceeding against the Federal Reserve Bank which entered the charge had been brought against it. The failure of any Federal Reserve Bank to avail itself of the remedy provided by this paragraph shall not prejudice the enforcement by it in any other manner of the indemnity agreement referred to in paragraph (b) of this section.