

At Circ. no. 8469(a)

December 6, 1978

To the Addressee:

Enclosed is a copy of Regulation J, "Collection of Checks and Other Items and Transfers of Funds," as amended effective September 1, 1977. The amended Regulation J pamphlet replaces the October 1, 1969 printing of the regulation, together with all amendments thereto.

Additional copies of the enclosure are available upon request.

Circulars Division
FEDERAL RESERVE BANK OF NEW YORK

At-Circ. No. 8469(a)

BOARD OF GOVERNORS
of the
FEDERAL RESERVE SYSTEM

**COLLECTION OF CHECKS AND OTHER ITEMS
AND TRANSFERS OF FUNDS**

REGULATION J

(12 CFR 210)

As amended effective September 1, 1977



Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve district in which the inquiry arises. Copies of such Banks' operating letters that are referred to in this regulation are available upon request to the issuing Bank.

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REGULATION J

(12 CFR 210)

As amended effective September 1, 1977

COLLECTION OF CHECKS AND OTHER ITEMS AND TRANSFERS OF FUNDS*

SUBPART A—COLLECTION OF CHECKS AND OTHER ITEMS

SECTION 210.1—AUTHORITY AND SCOPE

(a) Pursuant to the provisions of section 13 of the Federal Reserve Act, as amended (12 U.S.C. § 342), section 16 of the Federal Reserve Act (12 U.S.C. § 248(o); 12 U.S.C. § 360), section 11(i) of the Federal Reserve Act (12 U.S.C. § 248(i)), and other provisions of law, the Board of Governors of the Federal Reserve System has promulgated this Subpart governing the collection of checks and other cash items and the collection of noncash items by the Federal Reserve Banks.

(b) The Federal Reserve Banks, as depositaries and fiscal agents of the United States, handle certain items as cash items or noncash items. To the extent contemplated by regulations issued by, and arrangements made with, the United States Treasury Department and other Government Departments, the handling of such items by the Federal Reserve Banks is governed by the provisions of this Subpart. The operating letters of the Federal Reserve Banks shall include such information regarding the currently effective provisions of those regulations and arrangements (as well as any similar regulations and arrangements hereafter issued or made) as they shall deem necessary and appropriate for the guidance of banks concerned with the collection or payment of such items.

* This text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 210 cited, as 12 CFR 210.

SECTION 210.2—DEFINITIONS

As used in this Subpart, unless the context otherwise requires:

(a) The term "item" means any instrument for the payment of money, whether negotiable or not, which is payable in a Federal Reserve district;¹ is sent by a sender or a nonbank depositor to a Federal Reserve Bank for handling under this Subpart and is collectible in funds acceptable to the Federal Reserve Bank of the district in which the instrument is payable; except that the term does not include any check that cannot be collected at par,² nor does it include any item as defined in § 210.52(a) of this Subpart.

(b) The term "check" means any draft drawn on a bank and payable on demand.

(c) The term "draft" means any item which is either a "draft" as defined in the Uniform Commercial Code or a "bill of exchange" as defined in the Uniform Negotiable Instruments Law.

(d) The term "bank draft" means any check drawn by one bank on another bank.

(e) The term "sender", in respect of an item, means a member bank, a nonmember clearing bank, a Federal Reserve Bank, an international organization, or a foreign correspondent.

¹ For the purposes of this Subpart, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District; and Guam and American Samoa shall be deemed to be in or of the Twelfth Federal Reserve District.

² The Board of Governors publishes from time to time a "Memorandum on Exchange Charges" which indicates the banks that would make exchange charges on cash items forwarded by Federal Reserve Banks and consequently would not be paying their checks at par.

(f) The term “nonmember clearing bank” means a bank, not a member of the Federal Reserve System, which maintains with a Federal Reserve Bank the balance referred to in the first paragraph of section 13 of the Federal Reserve Act, and any corporation which maintains an account with a Federal Reserve Bank in conformity with the requirements of § 211.7 of Part 211 of this chapter (Regulation K).

(g) The term “international organization” means any international organization for which the Federal Reserve Banks are empowered to act as depositaries or fiscal agents subject to regulation by the Board of Governors of the Federal Reserve System and for which a Federal Reserve Bank has opened and is maintaining an account.

(h) The term “foreign correspondent” means any of the following for which a Federal Reserve Bank has opened and is maintaining an account: A foreign bank or banker, or foreign state as defined in section 25(b) of the Federal Reserve Act (12 U.S.C. § 632), or a foreign correspondent or agency referred to in section 14(e) of that Act (12 U.S.C. § 358).

(i) The term “cash item” means:

(1) Any check other than a check classified as a noncash item in accordance with paragraph (j) of this section; or

(2) Any other item payable on demand and collectible at par which the Federal Reserve Bank of the district in which the item is payable may be willing to accept as a cash item.

(j) The term “noncash item” means any item which the receiving Federal Reserve Bank, in its operating letters, shall have classified as an item requiring special handling and any item normally received by the Federal Reserve Bank as a cash item if such bank decides that special conditions require that it be handled as a noncash item.

(k) The term “paying bank” means:

(1) The bank by which an item is payable and to which it is presented, unless the item is payable or collectible through another bank and is sent to such other bank for payment or collection; or

(2) The bank through which an item is payable or collectible and to which it is sent for payment or collection.

(l) The term “nonbank payor” means any payor of an item, other than a bank.

(m) The term “nonbank depositor” means any department, agency, instrumentality, independent establishment, or officer of the United States, or any corporation other than a sender, which maintains or uses an account with a Federal Reserve Bank. Except as may otherwise be provided by any applicable statutes of the United States or regulations issued or arrangements made thereunder, the provisions of this Subpart and of the operating letters of the Federal Reserve Banks applicable to a sender are applicable to a nonbank depositor.

(n) The term “State” means any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession or dependency of the United States.

(o) The term “banking day” means any day during which a bank is open to the public for carrying on substantially all its banking functions.

SECTION 210.3—GENERAL PROVISIONS

In order to afford both to the public and to the banks of the country a direct, expeditious, and economical system for the collection of items and the settlement of balances, each Federal Reserve Bank shall receive and handle cash items and noncash items in accordance with the terms and conditions set forth in this Subpart; and the provisions of this Subpart and the operating letters of the Federal Reserve Banks shall be binding upon the sender of a cash item or a noncash item and shall be binding upon each collecting bank, paying bank, and nonbank payor to which the Federal Reserve Bank, or any subsequent collecting bank, presents, sends, or forwards a cash item or a noncash item received by the Federal Reserve Bank.

SECTION 210.4—SENDING OF ITEMS TO FEDERAL RESERVE BANKS

Subject to the provisions of this Subpart and of the operating letters of the Federal Reserve Banks, any sender (other than a Federal Reserve Bank) may send to the Federal Reserve Bank with which it maintains or uses an account any cash item or noncash item payable in any Federal Reserve district; but, as permitted or required by such Federal Reserve Bank, such sender may send direct to any other Federal Reserve Bank any cash item or noncash item payable within the district of such other Federal Reserve Bank.

(b) With respect to any cash item or noncash item, sent direct by a sender (other than a Federal Reserve Bank) in one district to a Federal Reserve Bank in another district, in accordance with paragraph (a) of this section, the relationships and the rights and liabilities existing between the sender, the Federal Reserve Bank of its district and the Federal Reserve Bank to which the item is sent will be the same, and the provisions of this Subpart will apply, as though the sender had sent such item to the Federal Reserve Bank of its district and such Federal Reserve had forwarded the item to the other Federal Reserve Bank.

(c) The Federal Reserve Banks shall receive cash items at par.

SECTION 210.5—SENDER'S AGREEMENT

(a) By its action in sending any cash item or noncash item to a Federal Reserve Bank, the sender shall be deemed to authorize the receiving Federal Reserve Bank and any other Federal Reserve Bank or other collecting bank to which such item may be forwarded, to handle such item subject to the provisions of this Subpart and of the operating letters of the Federal Reserve Banks; to warrant its own authority to give such authority; and to agree that such provisions shall, insofar as they are made applicable thereto, govern the relationships between such sender and the Federal Reserve Banks with respect to the handling of such item and its proceeds.

(b) The sender shall be deemed to warrant to each Federal Reserve Bank handling such item (1) that it has good title to the item or is authorized to obtain payment on behalf of one who has good title, whether or not such warranty is evidenced by its express guaranty of prior indorsements on such item, and (2) such other matters and things as the Federal Reserve Bank shall warrant in respect of such item consistently with paragraph (b) of § 210.6; but the provisions of this paragraph shall not be deemed to constitute a limitation upon the scope or effect of any warranty by a sender arising under the law of any State applicable to it; and such sender shall be deemed to agree to indemnify each 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 sender to have the authority to make the warranty and the agreement referred to in paragraph (a) of this section, resulting from any action taken by the Federal Reserve Bank within the scope of its authority in handling such item, or resulting from any warranty or agreement with respect thereto made by the Federal Reserve Bank consistently with paragraph (b) of § 210.6.

(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 Subpart, 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 seasonable 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.

SECTION 210.6—STATUS AND WARRANTIES OF FEDERAL RESERVE BANK

(a) A Federal Reserve Bank will act only as the agent of the sender in respect of each cash item or noncash item received by it from the sender, but such agency shall terminate not later than the time when the Federal Reserve Bank shall have received payment for the item in actually and finally collected funds and shall have made the proceeds available for withdrawal or other use by the sender. A Federal Reserve Bank will not act as the agent or the subagent of any owner or holder of any such item other than the sender. A Federal Reserve Bank shall not have, nor will it assume, any liability to the sender in respect of any such item and its proceeds except for its own lack of good faith or failure to exercise ordinary care.³

(b) By its action in presenting, or sending for presentment and payment, or forwarding any cash item or any noncash item, a Federal Reserve Bank shall be deemed to warrant to a subsequent collecting bank and to the paying bank and any other payor (1) that it has a good title to the item or is authorized to obtain payment on behalf of one who either has a good title or is authorized to obtain payment on behalf of one who has such title, whether or not such warranty is evidenced by its express guaranty of prior indorsements on such item, and (2) to the extent prescribed by the law of any State applicable either to the Federal Reserve Bank as a collecting bank or to the subsequent collecting bank, that the item has not been materially altered; but otherwise the Federal Reserve Bank shall not have, and shall not be deemed to assume, any liability (except for its own lack of good faith or failure to exercise ordinary care) to such paying bank or other payor.

³ No Federal Reserve Bank shall be responsible to the sender of any cash item, or any other owner or holder thereof, for any delay resulting from the action taken by the Federal Reserve Bank in presenting, sending, or forwarding the item on the basis of (a) any A.B.A. transit number or routing symbol appearing thereon at the time of its receipt by the Federal Reserve Bank, whether inscribed by magnetic ink or by any other means, and whether or not such transit or routing symbol is consistent with each other form of designation of a paying bank (or nonbank payor) then appearing thereon, or (b) any other form of designation of a paying bank (or nonbank payor) then appearing thereon, whether or not consistent with A.B.A. transit number or routing symbol then appearing thereon.

SECTION 210.7—PRESENTMENT FOR PAYMENT

(a) Any cash item or any noncash item may be presented for payment by a Federal Reserve Bank or a subsequent collecting bank, or may be sent by a Federal Reserve Bank or a subsequent collecting bank for presentment and payment, or may be forwarded by a Federal Reserve Bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment, as provided under applicable rules of State law or otherwise as permitted by this section.

(b) Presentment may be made at a place where the bank by which the item is payable has requested that presentment be made. Presentment of an item payable by a nonbank payor, other than through a paying bank, may be made at a place where the nonbank payor has requested that presentment be made. Presentment may also be made pursuant to any special collection agreement not inconsistent with the terms of this Subpart, or may be made through a clearing house subject to the rules and practices thereof.

(c) Any cash item or noncash item, payable in the district of the receiving Federal Reserve Bank, may be presented or sent direct to the paying bank, if any; may be sent direct to any place where the bank through which the item is payable has requested that the item be sent; and, when payable by a nonbank payor other than through a paying bank, may be presented direct to the nonbank payor, but documents, securities or other papers accompanying a noncash item may not be delivered to the nonbank payor thereof before payment of the item, unless the sender has specifically authorized such delivery.

(d) Any cash item or noncash item, payable in a Federal Reserve district other than the district of the receiving Federal Reserve Bank, will ordinarily be forwarded to the Federal Reserve Bank of the district in which the item is payable: *Provided, however,* That with the concurrence of the Federal Reserve Bank of the district in which the item is payable, the receiving Federal Reserve Bank may present, send, or forward the item as if it were payable in its own district.

SECTION 210.8—PRESENTMENT OF NONCASH ITEMS FOR ACCEPTANCE

Whenever a noncash item provides that it must be presented for acceptance or is payable else-

where than at the residence or place of business of the drawee, or whenever the date of payment of a noncash item depends upon presentment for acceptance, a Federal Reserve Bank or a subsequent collecting bank to which it has been sent by a Federal Reserve Bank may, if so instructed by the sender, present the item for acceptance in any manner authorized by law; but no Federal Reserve Bank or subsequent collecting bank shall, upon the acceptance of any such item, deliver to the drawee thereof any accompanying documents unless specifically instructed by the sender to do so. Each Federal Reserve Bank shall include in its operating letters a statement of the circumstances under which a sender may send such noncash items to the Federal Reserve Bank for presentment for acceptance, and of the terms and conditions (which shall not be inconsistent with the provisions of this Subpart) upon which such presentment may be made. Except as herein provided, no Federal Reserve Bank shall have or assume any obligation to present any noncash item for acceptance or to send it for presentment for acceptance.

SECTION 210.9—REMITTANCE AND PAYMENT

(a)(1) Cash item. A paying bank becomes accountable for the amount of each cash item received by it from or through a Federal Reserve Bank at the close of the paying bank's banking day on which the cash item was so received⁴ if it retains such item after the close of such banking day, unless, prior to such time, it pays or remits for the item as herein provided. Payment or remittance therefor shall be effective on such day of receipt by:

(i) debit to an account on the books of a Federal Reserve Bank; or

(ii) payment in cash; or

(iii) in the discretion of the Federal Reserve Bank, any other form of payment or remittance: *Provided*, that the proceeds of any such payment or remittance in any form herein stated shall be

⁴ A cash item received by a paying bank shall be deemed to have been received by the bank on its next banking day if the item is received under one of the following circumstances: (1) on a day other than a banking day for it, or (2) on a banking day for it, but (a) after its regular banking hours, or (b) after a "cut-off hour" established by it in accordance with applicable State law, or (c) during afternoon or evening periods when it is open for limited functions only.

available to the Federal Reserve Bank not later than the close of the banking day for such Federal Reserve Bank on the day on which such item was so received by the paying bank. If the banking day on which an item is received by a paying bank is not a banking day for the Federal Reserve Bank from which the item was received, any payment or remittance made hereunder shall be effected on the banking day of both such Federal Reserve Bank and such paying bank next following the day of receipt of such item.

(2) Noncash item. A Federal Reserve Bank may require the paying bank or collecting bank to which it has presented, sent, or forwarded any noncash item pursuant to § 210.7 to pay or remit for such item in cash, but is authorized, in its discretion, to permit such paying bank or collecting bank to authorize or cause payment or remittance therefor to be made by a debit to an account on the books of such Federal Reserve Bank or to pay or remit therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Bank draft, transfer of funds or bank credit, or any other form of payment or remittance authorized by applicable State law.

(3) Nonbank payor. A Federal Reserve Bank may require the nonbank payor to which it has presented any cash item or noncash item pursuant to § 210.7 to pay therefor in cash, but is authorized, in its discretion, to permit such nonbank payor to pay therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Cashier's check, certified check, or other bank draft or obligation.

(b) A Federal Reserve Bank shall not be liable for the failure of a collecting bank or paying bank or nonbank payor to pay or remit for any such cash item or noncash item, nor for any loss resulting from the acceptance of any form of payment or remittance other than cash authorized in paragraph (a) of this section; nor shall any Federal Reserve Bank which acts in good faith and exercises ordinary care be liable for the nonpayment of, or failure to realize upon, any bank draft or other form of payment or remittance which it may accept in accordance with paragraph (a) of this section.

(c) Any bank draft or other form of payment or remittance received by a Federal Reserve Bank in payment of, or in remittance for, any cash item may likewise be handled as a cash item subject to all the applicable terms and conditions of this Subpart; and any bank draft or other form of

remittance or payment received by a Federal Reserve Bank in payment of, or in remittance for, any noncash item may, at the option of the Federal Reserve Bank, be handled either as a cash item or as a noncash item, subject to all the applicable terms and conditions of this Subpart.

SECTION 210.10—TIME SCHEDULE AND AVAILABILITY OF CREDITS WITH RESPECT TO CASH ITEMS

(a) Each Federal Reserve Bank shall include in its operating letters a time schedule for each of its offices when the amount of any cash item received by it from any sender or sent by any sender to another Federal Reserve office for the account of such Federal Reserve Bank will be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) and become available for withdrawal or other use by the sender. The sender (other than a foreign correspondent) will be given either immediate credit or deferred credit for such amount in accordance with such time schedule. A foreign correspondent will ordinarily be given credit for such amount only when the Federal Reserve Bank has received payment for the item in actually and finally collected fund: *Provided, however,* That the Federal Reserve Bank may in its discretion give immediate or deferred credit for such amount in accordance with such time schedule.

(b) Notwithstanding the provisions of its time schedule, a Federal Reserve Bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any cash item for which the Federal Reserve Bank has not yet received payment in actually and finally collected funds.

SECTION 210.11—AVAILABILITY OF PROCEEDS OF NONCASH ITEMS

(a) Credit will be given for the proceeds of a noncash item when the receiving Federal Reserve Bank has received payment for such item in actually and finally collected funds or advice from another Federal Reserve Bank of such payment to it, and the amount of such item shall not be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) or become available for withdrawal or other use by the sender prior to the receipt of such payment or advice, except to the extent provided in paragraph (c) of this section.

(b) A Federal Reserve Bank shall be deemed to have received payment for a noncash item in actually and finally collected funds as soon as it has received payment therefor in cash or has received any other form of payment or remittance therefor which is, or has become, final and irrevocable.

(c) A Federal Reserve Bank may, prior to the time provided in paragraph (a) of this section, give credit for the proceeds of a noncash item received by it from a sender, subject to payment in actually and finally collected funds, in accordance with a time schedule included in its operating letters, indicating when the proceeds of such noncash items will be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) and become available for withdrawal or other use by the sender.

(d) Notwithstanding paragraph (c) of this section, a Federal Reserve Bank may, in its discretion, refuse at any time to permit the withdrawal or other use of credit given for any noncash item for which the Federal Reserve Bank has not yet received payment in actually and finally collected funds.

(e) Where a Federal Reserve Bank receives, in payment or remittance for a noncash item, a bank draft or other form of remittance or payment which, in accordance with paragraph (c) of § 210.9, it elects to handle as a noncash item, the proceeds of the noncash item for which the payment or remittance was made shall neither be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) nor become available for withdrawal or other use until such time as the Federal Reserve Bank receives payment in actually and finally collected funds for such bank draft or other form of remittance or payment, in accordance with the provisions of this section.

SECTION 210.12—RETURN OF CASH ITEMS

(a) A paying bank that receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, and that pays or remits for such item as provided in § 210.9(a) of this Subpart shall have the right to cover any payment or remittance so made if, before it has finally paid the item, it returns the item before midnight of its banking day next following the banking day of receipt or takes such other action to recover such payment or remittance within such time and by such means

as may be provided by applicable State law: *Provided*, that the foregoing provisions shall not extend, nor shall the time herein provided for return be extended by, the time for return of unpaid items fixed by the rules and practices of any clearing house through which the item was presented or fixed by the provisions of any special collection agreement pursuant to which it was presented.

(b) Any paying bank which takes or receives a credit or obtains a refund for the amount of any payment or remittance made by it in respect of a cash item received by it from or through a Federal Reserve Bank shall be deemed (1) to warrant to such Federal Reserve Bank, to a subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment or remittance within the time or times limited therefor by the provisions of this Subpart, by the applicable rules and practices of any clearing house through which the item was presented, by the applicable provisions of any special collection agreement pursuant to which it was presented, and, except as a longer time may be afforded by the provisions of this Subpart, by applicable State law; and (2) to agree to indemnify such Federal Reserve Bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from its action in giving such credit or making such refund, or in making any charge to, or obtaining any refund from, the sender. No Federal Reserve Bank shall have any responsibility to such paying bank or any subsequent collecting bank or to the sender of the item or any other prior party thereon for determining whether the action hereinabove referred to was timely.

SECTION 210.13—CHARGEBACK OF UNPAID CASH ITEMS AND NONCASH ITEMS

If a Federal Reserve Bank does not receive payment for any cash item in accordance with the provisions of § 210.9(a), the amount of such item may be charged back to the sender, regardless of whether or not the item itself can be resumed. If a Federal Reserve Bank does not receive payment in actually and finally collected funds for any cash item or noncash item for which it gave credit subject to payment in actually and finally collected funds, the amount of such item shall be charged back to the sender, regardless of whether or not the item itself can be returned. In the event the

amount of the item is charged back, neither the owner or holder of any such item nor the sender shall have the right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other funds of the paying bank or of any collecting bank, 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 in the possession of a Federal Reserve Bank, issued for the purpose of paying or remitting for any cash items or noncash items handled under the terms of this Subpart, will be paid, acted upon, or honored after receipt by such Federal Reserve Bank of notice of suspension or closing of the bank making the payment or remittance for its own or another's account.

SECTION 210.14—TIMELINESS OF ACTION

If, because of interruption of communication facilities, suspension of payments by another bank, war, emergency conditions or other circumstances beyond its control, any bank (including a Federal Reserve Bank) shall be delayed beyond the time limits provided in this Subpart or the operating letters of the Federal Reserve Banks, or prescribed by the applicable law of any State in taking any action with respect to a cash item or a noncash item, including forwarding such item, presenting it or sending it for presentment and payment, paying or remitting for it, returning it or sending notice of dishonor or nonpayment, or making or providing for any necessary protest, the time of such bank, as limited by this Subpart or the operating letters of the Federal Reserve Banks, or by the applicable law of any State, for taking or completing the action thereby delayed shall be extended for such time after the cause of the delay ceases to operate as shall be necessary to take or complete the action, provided the bank exercises such diligence as the circumstances require.

SECTION 210.15—EFFECT OF DIRECT PRESENTMENT OF CERTAIN WARRANTS

Whenever a Federal Reserve Bank exercises its option to present direct to the payor any bill, note or warrant issued and payable by any State or any county, district, political subdivision or municipality of any State, such bill, note or warrant being cash item not payable or collectible through a bank, the provisions of §§

210.9, 210.12, and 210.13 and the operating letters of the Federal Reserve Banks shall be applicable to the payor as if it were a paying bank, the provisions of § 210.14 shall be applicable to it as if it were a bank, and each day on which the payor shall be open for the regular conduct of its affairs or the accommodation of the public shall be treated as if it were a banking day for it, within the meaning and for the purposes of § 210.9.

SECTION 210.16—OPERATING LETTERS

Each Federal Reserve Bank shall issue operating letters (sometimes referred to as operating circulars or bulletins), not inconsistent with this Subpart, governing the details of its operations in the handling of cash items and noncash items, and containing such other matters as are required by the provisions of this Subpart. Such letters may, among other things, classify cash items and non-cash items, require separate sorts and letters, and provide different closing times for the receipt of different classes or types of cash items and non-cash items.

SUBPART B—TRANSFERS OF FUNDS

SECTION 210.50—AUTHORITY AND SCOPE

Pursuant to the provisions of paragraph 1 of section 13 of the Federal Reserve Act, as amended (12 U.S.C. § 342), paragraph (f) of section 19 of the Federal Reserve Act, as amended (12 U.S.C. § 464), paragraph 14 of section 16 of the Federal Reserve Act (12 U.S.C. § 248(o)), paragraphs (i) and (j) of section 11 of the Federal Reserve Act (12 U.S.C. § 248(i) and (j)), and other provisions of law, the Board of Governors of the Federal Reserve System has promulgated this Subpart governing the handling by Federal Reserve Banks of transfer items and requests for transfer items.

SECTION 210.51—GENERAL PROVISIONS

(a) In order to afford a direct, expeditious, and economical system for the transfer of funds, each Federal Reserve Bank, in accordance with the terms and conditions set forth in this Subpart, shall receive, process, and act upon transfer items and requests for transfer items and, where appropriate, shall itself issue transfer items. The provisions of this Subpart and the operating circulars

of the Federal Reserve Banks shall be binding upon transferors and transferees.

(b) Except as may be provided otherwise by any applicable statutes of the United States or regulations issued or arrangements made thereunder, the provisions of this Subpart and of the operating circulars of the Federal Reserve Banks shall apply, as the case may be, to any department, agency, instrumentality, independent establishment or office of the United States, or any wholly-owned or controlled Government corporation, that maintains or uses an account with a Federal Reserve Bank, acting as transferor or transferee.

SECTION 210.52—DEFINITIONS

As used in this Subpart, unless the context otherwise requires:

(a) The term “item” means any instrument for the payment of money, issued, transmitted, or received in accordance with this Subpart.

(b) The term “transfer item” means either (1) an item issued by a transferor (other than a Federal Reserve Bank) to a Federal Reserve Bank for debit to an account of the transferor at such Federal Reserve Bank and for credit to a transferee named in such item, or (2) an item issued by a Federal Reserve Bank to another Federal Reserve Bank for credit to such other Federal Reserve Bank or any other transferee; or (3) an item, issued by a Federal Reserve Bank at the request of a transferor for credit to a transferee. As used in this Subpart, the term “transfer item” includes only an item in a format provided for in operating circulars issued by Federal Reserve Banks under this Subpart.

(c) The term “instrument for the payment of money” means any writing contained in or on any medium approved by § 210.53 of this Subpart for the issuance, transmission, or recording of transfer items, addressed by one person to another and evidencing a right to the payment of money.

(d) The term “transferor” means a member bank, a corporation that maintains an account with a Federal Reserve Bank in conformity with the requirements of § 211.7 of Part 211 of this Chapter (Regulation K), a Federal Reserve Bank, an international organization, foreign correspondent, or other institution maintaining or using an account with a Federal Reserve Bank, authorized by a Federal Reserve Bank to issue and send a transfer item to that Federal Reserve Bank, or to request that Federal Reserve Bank by telephone to issue a transfer item.

(e) The term "transferee" means a member bank, a corporation that maintains an account with a Federal Reserve Bank in conformity with the requirements of § 211.7 of Part 211 of this Chapter (Regulation K), a Federal Reserve Bank, an international organization, a foreign correspondent, or other institution maintaining or using an account on the books of a Federal Reserve Bank that is designated in a transfer item or request for a transfer item to receive the amount thereof.

(f) The term "beneficiary" means a person, firm or corporation (other than the transferee) designated in a transfer item or request for a transfer item to receive the amount thereof from the transferee for the use of such person, firm or corporation.

(g) The term "international organization" means an international organization for which the Federal Reserve Banks are empowered to act as depositaries or fiscal agents subject to regulation by the Board of Governors of the Federal Reserve System and for which a Federal Reserve Bank has opened and is maintaining an account.

(h) The term "foreign correspondent" means any of the following for which a Federal Reserve Bank has opened and is maintaining an account: a foreign bank or banker, a foreign state as defined in section 25(b) of the Federal Reserve Act, as amended (12 U.S.C. § 632), or a foreign correspondent or agency referred to in section 14 (e) of that Act, as amended (12 U.S.C. § 358).

(i) The item "transferor's Federal Reserve Bank" means the office of a Federal Reserve Bank at which the transferor maintains or uses an account.

(j) The term "transferee's Federal Reserve Bank" means the office of a Federal Reserve Bank at which the transferee maintains or uses an account.

(k) The term "interoffice transaction" means a transaction involving a transfer item where the transferor and transferee do not maintain or use accounts at the same office of a Federal Reserve Bank.

SECTION 210.53—APPROVED MEDIA FOR ISSUANCE, TRANSMISSION, OR RECORDING OF TRANSFER ITEMS

A transferor may issue and send a transfer item in any one of the following media that is specified in the operating circular of the Federal Reserve

Bank with which the transferor maintains or uses an account:

(a) a letter, memorandum or other similar writing;

(b) a telegram (including TWX, TELEX and any similar form of communications); and

(c) any form of communication, other than voice, that is registered upon, or is in form suitable for being registered upon, magnetic tape, disc or any other medium designed to capture and contain in durable form conventional signals used for the electronic communication of messages.

SECTION 210.54—REQUESTS FOR TRANSFER ITEMS

A transferor may, under special arrangement and in accordance with the provisions of § 210.57 and the operating circular of its Federal Reserve Bank, request that Federal Reserve Bank by telephone to issue a transfer item and transfer funds to a transferee or to issue and send a transfer item to another Federal Reserve Bank for credit to such other Federal Reserve Bank or any other transferee. Such telephone messages may be recorded by the Federal Reserve Bank receiving such messages.

SECTION 210.55—TRANSFEROR'S AGREEMENT

By its action in issuing and sending to the Federal Reserve Bank with which it maintains or uses an account any transfer item contained in any of the media specified in § 210.53 or requesting the issuance of a transfer item as provided in § 210.54, a transferor shall be deemed: (1) to authorize that Federal Reserve Bank to debit the amount thereof to such account; (2) to authorize said Federal Reserve Bank to handle and act upon the transfer item or request for a transfer item, and the transferee's Federal Reserve Bank to handle and act upon a matching transfer item in the same amount and payable to the same transferee and beneficiary, if any, as designated by the transferor, in accordance with the provisions of this Subpart and the operating circulars of such Federal Reserve Banks; and (3) to agree that such provisions shall, insofar as they are made applicable thereto, govern the relationships between such transferor and such Federal Reserve Banks.

SECTION 210.56—TRANSFEREE'S AGREEMENT

(a) By its action in maintaining or using an account at a Federal Reserve Bank, a transferee, other than a Federal Reserve Bank, designated in a transfer item to receive the amount thereof, shall be deemed to authorize that Federal Reserve Bank to credit the amount of such item to such account.

(b) A transferee, other than a Federal Reserve Bank, receiving from a Federal Reserve Bank the amount of a transfer item designated for the use of a beneficiary, shall be deemed to agree (1) that it will promptly credit said beneficiary's account or otherwise make the amount of the transfer item available to the beneficiary for withdrawal or other use; and (2) that, if it is unable to do so because of circumstances beyond its control, it will give prompt notice of the facts to the Federal Reserve Bank from which it received such amount.

SECTION 210.57—ISSUANCE OF TRANSFER ITEMS AND REQUESTS FOR TRANSFER ITEMS

(a) Any transferor, other than a Federal Reserve Bank, may, in accordance with the provisions of this Subpart and the operating circulars of its Federal Reserve Bank, issue and send transfer items to that Federal Reserve Bank or request that Federal Reserve Bank to issue transfer items to transferees for their own use or the use of beneficiaries: *Provided*, That, at the end of a Federal Reserve Bank's banking day, a transferor shall maintain or cause to be maintained a balance of actually and finally collected funds sufficient to cover the amounts of transfer items debited to such account at the Federal Reserve Bank during that day and, if such balance is not sufficient to cover the amounts debited to such account during that day, that Federal Reserve Bank shall have a security interest in any or all assets of the transferor in the possession or held for the account of the Federal Reserve Bank: *And further provided*, That, if at any time during that Federal Reserve Bank's banking day such transferor suspends payment or is closed and does not have a balance sufficient to cover the amounts so debited to such account, such Federal Reserve Bank shall have a security interest in any or all assets of such transferor then in the possession or held for the account of such Federal Reserve Bank. Notwith-

standing the foregoing, a Federal Reserve Bank may, in its discretion, refuse to act upon a transfer item at any time when such Federal Reserve Bank has reason to believe that the balance maintained or used by such transferor is not sufficient to cover such item.

(b) Any Federal Reserve Bank may, in accordance with the provisions of this Subpart, issue and send transfer items to another Federal Reserve Bank, or request that Federal Reserve Bank by telephone to issue transfer items for its own use or the use of any other transferee or any beneficiary.

(c) The Federal Reserve Banks may, from time to time, establish in their operating circulars the minimum or maximum dollar amounts, or both, that will be transferred, may impose reasonable charges for transfers of funds, and may impose specific format requirements for the receipt and handling of transfer items.

SECTION 210.58—HANDLING OF TRANSFER ITEMS AND REQUESTS FOR TRANSFER ITEMS

(a) Where the transferor and the transferee maintain or use accounts at the same office of a Federal Reserve Bank, such office receiving a transfer item shall execute a transfer of funds, or receiving a request for a transfer item shall issue a transfer item and execute a transfer of funds, by making corresponding debit and credit entries to those accounts.

(b) In the case of an interoffice transaction, the transferor's Federal Reserve Bank shall debit the account maintained or used by the transferor in the amount to be transferred and, acting as a transferor, shall issue to the transferee's Federal Reserve Bank a matching transfer item in the same amount and payable to the same transferee and beneficiary, if any, as designated by the transferor, and the latter office shall execute a transfer of funds to the transferee by making corresponding debit and credit entries, respectively, to the account of the transferor's Federal Reserve Bank, and to the account maintained or used by the transferee.

(c) When a Federal Reserve Bank obtains knowledge that, for whatever reason, it will be unable to effectuate transfers of funds on a timely basis, said Federal Reserve Bank shall, within a reasonable time thereafter, notify transferors of the delay.

SECTION 210.59—TIME LIMITS

(a) Each Federal Reserve Bank shall include in its operating circulars a schedule of the time limits showing, with respect to interdistrict, inter-office, and intraoffice transfers of funds, the hours on each business day during which it will receive and handle transfer items and requests for transfer items.

(b) Each Federal Reserve Bank taking proper action on the day of receipt of a transfer item or request for a transfer item acts seasonably; taking proper action within a reasonably longer time may be seasonable but the Federal Reserve Bank has the burden of so establishing. In order for action to be taken on the day of receipt, such items or request must reach the Federal Reserve Bank not later than the time shown in its schedule of time limits. No representation shall be made by a Federal Reserve Bank to the effect that transfers of funds will be consummated on the day requested.

(c) In emergency or other unusual circumstances, a Federal Reserve Bank may, in its discretion, receive transfer items and requests for transfer items after the hours shown in its schedule of time limits. In the case of an interoffice transaction, the completion of each requested transfer shall be discretionary with the transferee's Federal Reserve Bank.

SECTION 210.60—ADVISES OF CREDIT AND DEBIT

(a) Advice of credit in respect of an executed transfer of funds shall be given to the transferee in any of the media specified in § 210.53 of this Subpart by the transferee's Federal Reserve Bank. Such advice may be given for each transfer item or, if so provided in its operating circulars for several transfer items. When the transferor or transferee has so requested and when such Federal Reserve Bank deems such action appropriate, or when in the judgment of such Federal Reserve Bank, the nature of the transaction or the amount involved justifies such an action, advice of credit shall be given to the transferee by telegraph, telephone, or any other means deemed appropriate by such Federal Reserve Bank.

(b) After receiving a transfer item or request for a transfer item, the transferor's Federal Reserve Bank shall send an advice of debit to the transferor in any of the media specified in § 210.53. Such advice may be given for each

transfer item or, if so provided in its operating circulars, for several transfer items. If, within 10 calendar days after the transferor receives an advice of debit, the transferor fails to send to said Federal Reserve Bank written objection to such debit, the transferor shall be deemed to have approved such debit.

SECTION 210.61—HANDLING OF REQUESTS FOR REVOCATION OF TRANSFER ITEMS AND REQUESTS FOR RETURN OF FUNDS

(a) A Federal Reserve Bank, upon receipt from the transferor of a request for the revocation of an item, may cancel such item provided that the request for revocation is received at such time and in such manner as to afford that Federal Reserve Bank a reasonable opportunity to act. If the item is not so cancelled, a Federal Reserve Bank may, in its sole discretion, upon request from the transferor (1) where the transferor and transferee maintain or use accounts at the same Federal Reserve Bank, send a request to the transferee to return the funds previously transferred or (2) in the case of an interoffice transaction, send a request to the transferee's Federal Reserve Bank to request the transferee to return funds previously transferred.

(b) In the case of an erroneous or otherwise irregular transfer of funds, a Federal Reserve Bank may, upon its own initiative or at the request of another Federal Reserve Bank, request the transferee to return funds previously transferred.

SECTION 210.62—FINAL PAYMENT, RIGHT TO WITHDRAW OR USE FUNDS

(a) A transfer item or request for a transfer item issued by a transferor is finally paid at the time the transfer item is sent or advice of credit for such item is sent or telephoned, to the transferee by a Federal Reserve Bank, whichever occurs first.

(b) Subject to the right of a Federal Reserve Bank to apply the transferred funds to an obligation owed to the Federal Reserve Bank by the transferee, credit given by a Federal Reserve Bank for a transfer of funds to the transferee's account becomes available for withdrawal as of right by the transferee upon final payment of the transfer item or request for a transfer item.

SECTION 210.63—TIMELINESS OF ACTION

If, because of circumstances beyond its control, a Federal Reserve Bank shall be delayed beyond applicable time limits provided in this Subpart or in the operating circulars of the Federal Reserve Bank or by law in taking any action with respect to a transfer item or a request for a transfer item, the time within which such action shall be completed shall be extended for such time after the cause of the delay ceases to operate as shall be necessary to take or complete the action, provided the Bank exercises such diligence as the circumstances require.

SECTION 210.64—LIABILITY OF A
FEDERAL RESERVE BANK

(a) A Federal Reserve Bank, in connection with the matters specified in this Subpart or its operating circulars, shall not have, nor shall it assume, any responsibility to a transferee, a beneficiary, or any other party, except its immediate transferor, nor shall a Federal Reserve Bank have or assume any liability except for its own or another Federal Reserve Bank's lack of good faith or failure to exercise ordinary care, and, except as herein provided, a Federal Reserve Bank shall not be liable for the insolvency, neglect, misconduct, mistake, or default of another bank or person, including a transferor.

(b) Subject to the limitations on liability stated above, where a Federal Reserve Bank's conduct, notwithstanding its exercise of good faith and ordinary care, results in a failure to credit the amount of a transfer item or request for a transfer item to the account maintained or used by a transferee on the day requested, the Federal Reserve Bank, unless otherwise instructed shall complete the transfer on the next business day with debits and credits posted to the appropriate accounts as of the day the transfer was to have been consummated.

(c) Subject to the limitations on liability stated above, if the failure to credit the amount of the transfer item or request for a transfer item to the account maintained or used by the transferee resulted from a failure on the part of any Federal Reserve Bank to exercise ordinary care or to act in good faith, the transferor shall have the right to recover from its Federal Reserve Bank any damages proximately caused by such failure: *Provided, however, That whether any consequen-*

tial damages are proximately caused by the Federal Reserve Bank's failure to exercise ordinary care or lack of good faith is a question of fact to be determined in each case.

(d) The transferee's Federal Reserve Bank shall be deemed to agree to indemnify the transferor's Federal Reserve Bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) as a result of the failure of the transferee's Federal Reserve Bank to exercise ordinary care or to act in good faith with respect to a transfer item issued to it by the transferor's Federal Reserve Bank at the request of the transferor.

SECTION 210.65—OPERATING CIRCULARS

Each Federal Reserve Bank shall issue operating circulars (sometimes referred to as operating letters or bulletins), not inconsistent with this Subpart, governing the details of its funds transfer operations and containing such provisions as are required or permitted by this Subpart and such additional terms and conditions as each Federal Reserve Bank may impose.

STATUTORY APPENDIX

SECTION 13 OF THE FEDERAL RESERVE ACT

Section 13 provides in part as follows: ¹

1. Receipt of deposits and collections

Sec. 13. Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company 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 non-*

¹ Paragraph numbers and captions have been added to facilitate reference.

member bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided further*, That nothing in this or any other section of this Act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

[U.S.C., title 12, sec. 342.]

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SECTION 16 OF THE FEDERAL RESERVE ACT

Section 16 provides in part as follows:

* * * * *

13. Checks and drafts to be received on deposit at par

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal Reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Board of Governors of the Federal Reserve System shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

[U.S.C., title 12, sec. 360.]

14. Transfer of funds among Federal Reserve banks

The Board of Governors of the Federal Reserve System shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal

reserve banks and their branches, and may at its discretion exercise the functions of a clearing house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

[U.S.C., title 12, sec. 248(o).]

SECTION 11 OF THE FEDERAL RESERVE ACT

* * * * *

Section 11 provides in part as follows:

Sec. 11. The Board of Governors of the Federal Reserve System shall be authorized and empowered:

* * * * *

10. Rules and regulations

(i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.

[U.S.C., title 12, sec. 248(i).]

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SECTION 14 OF THE FEDERAL RESERVE ACT

Section 14 provides in part as follows:

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Every Federal reserve bank shall have power:

* * * * *

6. Foreign correspondents and agencies

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Board of Governors of the Federal Reserve System and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of

exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Board of Governors of the Federal Reserve System, to open and maintain banking accounts for such foreign correspondents or agencies, or for foreign banks or bankers, or for foreign states as defined in section 25(b) of this Act. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal reserve bank, with the consent of or under the order and direction of the Board of Governors of the Federal Reserve System, any other Federal reserve bank may, with the consent and approval of the Board of Governors of the Federal Reserve System, be permitted to carry on or conduct, through the Federal reserve bank opening such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the board.

[U.S.C., title 12, sec. 358.]

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SECTION 25(b) OF THE FEDERAL RESERVE ACT

Section 25(b) provides in part as follows:

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6. Definitions

For the purposes of this section, * * * (2) the term "foreign state" includes any foreign government, or any department, district, province, county, possession, or other similar governmental organization or subdivision of a foreign government, and any agency or instrumentality of any such foreign government or of any such organization or subdivision; (3) the term "central bank" includes any foreign bank or banker au-

thorized to perform any one or more of the functions of a central bank; * * *

[U.S.C., title 12, sec. 632.]

OTHER STATUTORY PROVISIONS

Bretton Woods Agreements Act (22 U.S.C. 286d):

SEC. 6. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Inter-American Development Bank Act (22 U.S.C. 283d):

SEC. 6. Any Federal Reserve bank which is requested to do so by the Bank shall act as its depository or as its fiscal agent and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

International Development Association Act (22 U.S.C. 284d):

SEC. 6. Any Federal Reserve bank which is requested to do so by the Association shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

International Finance Corporation Act (22 U.S.C. 282d):

SEC. 6. Any Federal Reserve bank which is requested to do so by the Corporation shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

Asian Development Bank Act (22 U.S.C. 285d):

SEC. 6. Any Federal Reserve bank which is requested to do so by the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.