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FEDERAL RESERVE BOARD

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ADDRESS REPLY TO
FEDERAL RESERVE BOARD

January 13, 1919.

X-1358

SUBJECT: Drafts made payable, or payable if desired,
at a designated bank.

Dear Sir:-

The Board has been in correspondence recently with several of the Federal Reserve banks regarding drafts made payable, or payable if desired, at a designated bank, and you are requested to inform the Executive Committee and the officers of your Bank that it is the view of the Board that Federal Reserve banks should be guided by the terms of Section 13, which provides that they may receive from any member bank and from the United States, "deposits of current funds in lawful money" * * * "or checks and drafts payable upon presentation, and also, for collection, maturing notes and bills * * *". The Attorney General of the United States, in an opinion rendered sometime ago, expressed the view that because of the provision that no exchange charges shall be made against the Federal Reserve banks, these banks should not take any items which involve a payment of exchange by them.

The Board is of the opinion, therefore, that Federal Reserve banks should receive, on deposit, from member banks, any item, whether it be a check or a draft, which will be paid on presentation at a bank without deduction for exchange, and that they would be justified in declining to receive on deposit items which involve either a delay in payment after presentation or an exchange charge. By giving notice to member banks, Federal Reserve banks can protect themselves in the matter of protest of dishonored items having a designated drawee and payable elsewhere "if desired". Counsel's opinion as to protest of such items will be transmitted in due course, for your information.

Kindly acknowledge receipt.

Very truly yours,

The Chairman,
Federal Reserve Bank,

Governor.