

## OFFICIO MEMBERS

DAVID F. HOUSTON  
 SECRETARY OF THE TREASURY  
 CHAIRMAN  
 JOHN SKELTON WILLIAMS  
 COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

## FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR  
 ALBERT STRAUSS, VICE GOVERNOR  
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 HENRY A. MOEHLLENPAH

W. T. CHAPMAN, SECRETARY  
 R. G. EMERSON, ASSISTANT SECRETARY  
 W. M. IMLAY, FISCAL AGENT

August 11, 1920.

X-1993.

SUBJECT: Collection of Bill of Lading Drafts Received Direct  
 from Non-member Bank for Credit of Proceeds to Account  
 of Member Bank.

Dear Sir:

The Federal Reserve Board has received an inquiry from a Federal Reserve Bank whether country bank correspondents of a member bank may, with the authorization of the member bank, send bill of lading drafts direct to the Federal Reserve Bank for collection and credit to the member bank's account. The country bank correspondents referred to are not members of the Federal Reserve System and do not carry clearing accounts with any Federal Reserve Bank.

There is no provision of law authorizing a Federal Reserve Bank to receive items for deposit or collection from banks which are not members of the Federal Reserve System and which do not carry clearing accounts with the Federal Reserve Bank. Section 13 of the Federal Reserve Act, however, provides that a Federal Reserve Bank may receive on deposit from any of its member banks checks and drafts payable upon presentation and may receive for collection from any of its member banks maturing notes and bills. Under this provision it would be legal for a Federal Reserve Bank to receive direct from a bank, even though that bank is not a member and does not maintain a clearing account, checks and drafts or maturing notes and bills sent for the account of a member bank, provided, the Federal Reserve Bank has received satisfactory notice from the member bank that the member bank has authorized the sending bank to act as the agent of the member bank in forwarding the items for the member bank's account.

A somewhat similar arrangement has been approved whereby a member bank in one Federal Reserve District may send maturing notes and bills direct to a Federal Reserve Bank of another District for collection and credit to the account of the Federal Reserve Bank of the District in which the sending bank is located, although there is no provision of law which authorizes a Federal Reserve Bank to receive such items from a member bank located outside of its own District. For your information

X-1993

- 2 -

there is enclosed herewith a copy of the Board's circular letter X-1838 and an opinion of Counsel X-1838 (a) enclosed therewith, both relating to the collection of maturing notes and bills in this manner.

Notice from the member bank to the receiving Federal Reserve Bank that the member bank has authorized its correspondent to forward items direct to the Federal Reserve Bank for the account of the member bank should be specific, -- that is, it should name the particular correspondent or correspondents of the member bank which are so authorized. Bill of lading drafts drawn upon individuals, firms or corporations other than banks are not "checks and drafts" within the meaning of Section 13 of the Federal Reserve Act and should not, therefore, be received by a Federal Reserve Bank except for collection and credit when paid.

It should be understood, of course, that a Federal Reserve Bank may at its discretion decline to receive for collection bill of lading drafts forwarded to it by a member bank through the agency of the member bank's correspondents which are not themselves members and which do not maintain clearing accounts.

Very truly yours,

Governor.

Enclosures:

TO GOVERNORS OF ALL FEDERAL RESERVE BANKS  
COPY TO AGENTS.

## EX OFFICIO MEMBERS

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 W. M. IMLAY, FISCAL AGENT

February 19, 1920.

X-1838

Subject: Collection of Maturing Notes.

Dear Sir:-

I am forwarding herewith a copy of a memorandum prepared by Counsel on the right of a Federal Reserve Bank to collect maturing notes and bills drawn upon firms, individuals or corporations in its district other than member banks which are forwarded to it for collection by a member bank of another district for the account of the Federal Reserve Bank of that other district.

The Board at its meeting on February seventeenth approved this memorandum with the understanding, of course, that under the terms of Section 13, each Federal Reserve Bank may in its discretion decline to receive for collection maturing notes and bills which are forwarded to it by another Federal Reserve Bank through the agency of one of its member banks.

Very truly yours,

Governor.

To Chairmen of all F.R. Banks except Dallas

X-1838 a

Feb. 14, 1920.

Subject: Re: Collection of  
Maturing Notes.

TO The Federal Reserve Board

FROM Mr. Harrison.

In a ruling published on page 467 of the May 1919 Bulletin, it is explained that although a Federal Reserve Bank may properly collect maturing notes and bills drawn upon firms, individuals or corporations in its district other than member banks, which are forwarded to it for collection by another Federal Reserve Bank, nevertheless no Federal Reserve Bank may perform this service directly for any member bank located outside of its own District.

The attached correspondence with Governor Van Zandt presents for the consideration of the Board the question whether a Federal Reserve Bank may properly receive for collection maturing items forwarded direct to it from a member bank in another District, if they are forwarded for the account of the Federal Reserve Bank of that other District. Section 13 expressly authorizes a Federal Reserve Bank to receive maturing notes and bills payable within its District from any other Federal Reserve Bank. It seems, therefore, that if such items are forwarded to a Federal Reserve Bank by a member bank in another District for the account of its own Federal Reserve Bank they may properly be handled for collection just as if they had been forwarded directly by the Federal Reserve Bank of that other District. This service, however, should not be performed unless the collecting Federal Reserve Bank has received satisfactory notice from the other Federal Reserve Bank that it has authorized its member bank or member banks to act as its agent in forwarding maturing items of this character for collection and credit to its account. This agency may be specific as to a particular member bank or may be general as to all member banks of the District.

It is believed that the development of this practice may be found advisable if not necessary in the proper extension of the various collection facilities of the Federal Reserve Banks and will no doubt permit of a considerable saving of time and expense which would otherwise be incident to the indirect routing of maturing items through the Federal Reserve Banks of each district.

Respectfully,

(SIGNED) George L. Harrison,

General Counsel.