

835

# FEDERAL RESERVE BOARD

WASHINGTON

X-3471  
July 10, 1922.

SUBJECT: Amendment to Check Collection Circulars  
Suggested by Treasury Department

Dear Sir:

I enclose for your information and guidance copy of a letter received today from the Secretary of the Treasury, together with copy of letter addressed by him on July 8, 1922, to the Governor of one of the Federal Reserve Banks. The Federal Reserve Board suggests that those Federal Reserve Banks which have not already done so take steps to amend their check collection circulars so as to conform, on the point mentioned, to the provisions of Treasury Department Circular No. 176, as amended and supplemented May 15, 1922. .

Very truly yours,

G o v e r n o r .

(Enclosures)

GOVERNORS OF ALL F.R.BANKS  
COPIES TO AGENTS

C O P Y

THE SECRETARY OF THE TREASURY

836

WASHINGTON

July 8, 1922.  
X3471a

Dear Governor Harding:

On a number of occasions within the past six months the Treasury has had brought to its attention notices circulated by banks, purporting to be based upon circulars of various Federal Reserve Banks, stating that the Government of the United States has for many years reserved the right to charge back unconditionally, at any time, checks and warrants which for any cause have not been considered good. This statement is incorrect and misleading, and calculated to cause the Treasury and the holders of Government warrants and checks considerable difficulty. Difficulty has been experienced on this account in connection with the cashing of Government warrants and checks abroad, and complaints have been received from various correspondent banks in this country. The notice has been so widely circulated and there is so much of a coincidence in the time of the circulation of the notice that it would appear that some bank, or group of banks, is responsible for the circulation of the notice. The Federal Reserve Bank of New York has revised its check collection circular so as to avoid any statements which would afford a basis for the circulation of the objectionable notice, and the Federal Reserve Bank of Chicago is undertaking a revision of its check collection circular with the same end in view. I have just taken the matter up with the Federal Reserve Bank of \_\_\_\_\_ in a letter, dated July 8, 1922, a copy of which is inclosed for your information. In view of the apparent tendency to spread the circulation of the objectionable notices from one part of the country to another, I would suggest for your consideration that it might be advisable for the Federal Reserve Board to take up with each Federal Reserve Bank the matter of possible amendment of their check collection circulars so as to conform with the provisions of Treasury Department Circular No. 176, amended and supplemented May 15, 1922, (copy inclosed) on this point.

Very truly yours,

(Signed) A. W. Mellon,  
Secretary.

Hon. W. P. G. Harding,  
Governor, Federal Reserve Board,  
Washington, D. C.

C O P Y

X-3471b  
July 8, 1922.

Dear Governor -----

I enclose a copy of a letter, dated June 23, 1922, addressed by the ----- Trust Company, ----- to Senator ----- with regard to a circular apparently sent to its correspondents by the ----- National Bank of ----- which states that:

"The Federal Reserve Bank of Cleveland reserves the right to charge the account of the last endorsing bank, unconditionally, at any time, with the amount of such returned items deposited with, endorsed to, or otherwise paid by this bank"

in case of all Government warrants and checks received by it from member banks. This misrepresents the Treasury's present practice in its further statement that:

"The United States Treasury has for years exercised the right to return at any time checks and warrants which for any cause have not been considered good."

and is calculated to cause the Treasury considerable difficulty. A notice somewhat similar to the statement just quoted as to the alleged practice of the Treasury with regard to later charging back of checks and warrants previously paid, issued some years ago by the Federal Reserve Bank of New York, was taken by certain New York banks doing a foreign business as a basis for a notice stamped upon foreign advices covering Government items, and, as a result of the circulation of that statement, considerable difficulty has recently been experienced by holders of Government checks in cashing them in certain foreign countries. The Federal Reserve Bank of New York has recently issued a revised circular regarding collection of checks which eliminates the objectionable statement. Because of a similar statement circulated by a certain one of its member banks, which has caused the Treasury considerable trouble, the Federal Reserve Bank of Chicago is also undertaking the revision of its check collection circular so as to make its circular conform strictly with the present practice of the Treasury Department, as outlined in Treasury Department Circular No. 176, amended and supplemented May 15, 1922, (copy enclosed). The member bank of the Federal Reserve Bank of Chicago is also withdrawing its circular.

The notice circulated by the ----- National Bank of ----- of which the ----- Trust Company of ----- complained in its letter of June 23, 1922, is incorrect and misleading as the Government of the United States does not reserve the right to charge back at any later time all warrants or checks which for any reason are not considered good, and the wide circulation of the statement is obviously calculated to put

Government warrants and checks at a disadvantage as compared with commercial items. The Treasury's practice with respect to the payment of Government warrants and checks is stated in paragraphs 35-38 of Treasury Department Circular No. 176, amended and supplemented May 15, 1922, and conforms generally to commercial practice. I should, therefore, appreciate it if you would, if necessary, take up the revising of your regulations on this point along the lines followed by the Federal Reserve Bank of Chicago, or those followed by the Federal Reserve Bank of New York in revising their check collection circulars, and if you would at the same time take the matter up with the ----- National Bank of ----- with a view to preventing further circulation of this notice.

Very truly yours,

(Signed) A. W. Mellon,  
Secretary.