

# FEDERAL RESERVE BOARD

411  
X-4874

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

June 15, 1927.

SUBJECT: Collection of Non-cash Items.

Dear Sir:

The Federal Reserve Board in its letter of September 24, 1926 (X-4677), advised all Federal Reserve banks that the provisions of the Federal Reserve Act authorize, but do not require the Federal Reserve banks to handle non-cash items and suggested that each bank exercise its own option as to the collection of non-cash items at street addresses, but continue the collection of non-cash items collectible at banks. Subsequent to the date mentioned, the Board approved a proposal of the Federal Reserve Bank of Minneapolis to discontinue the direct presentation of non-cash items drawn on Minneapolis and Helena and to handle all non-cash items received by it from its own member banks and from member banks in other Federal Reserve Districts by forwarding such items to member banks for collection and returns. At the same time, proposals were received from two other Federal Reserve banks, both limiting collection items which the banks would handle to those drawn on or payable at banks. The Board requested the two banks referred to to make no change in their procedure of handling non-cash collection items until after the changed procedure at the Minneapolis bank had been followed by that bank for sufficient length of time to determine whether or not the effect thereof would be detrimental upon the collection system as a whole.

The Board is of the opinion, and has advised the Federal Reserve Bank of Minneapolis that the change in the procedure of that bank in the handling of non-cash items drawn on Minneapolis and Helena is having a detrimental effect upon the collection system as a whole, and the Board's authority under which the changed procedure was inaugurated by that bank has been rescinded effective July 1, 1927. When the Board granted permission to the Minneapolis bank to change its procedure with respect to the handling of non-cash items drawn on Minneapolis and Helena, it was understood by both the Board and the Minneapolis bank that if it should appear at any time that the new procedure was having a detrimental effect upon the Federal Reserve Collection System as a whole, the Minneapolis bank would, at the request of the Board, revert to the practice which had been followed in the handling of Minneapolis and Helena items. The Board has, therefore, requested the Minneapolis bank to handle all non-cash items drawn on Minneapolis and Helena in accordance with the procedure followed by it prior to February 1, 1927.

The discussions which have ensued during the period of the establishment and development of the present Federal Reserve Collection System, and the reports made by various committees of officials of the Federal Reserve banks relative to the operation thereof, clearly indicate that uniformity of procedure, insofar as is practicable, on the part of the twelve Federal Reserve banks in the matter of handling items received by them for collection, has always been deemed desirable, if not indeed essential, to the successful operation of the collection system. The Board, therefore, feels that so long as the Federal Reserve banks continue to afford collection facilities to their member banks the function should be regarded as a System function, based upon a common policy, questions concerning which to be determined by the Federal Reserve Board after consultation with all of the Federal Reserve banks, and with uniformity of procedure prevailing at all points, insofar as may be practicable.

The Board understands that with the reversion on July 1, 1927, by the Federal Reserve Bank of Minneapolis to the procedure followed by it prior to February 1, 1927, in the matter of handling non-cash collections, the collection procedure followed by all Federal Reserve banks will be on practically a uniform basis, and the Board now requests that no Federal Reserve bank make any material change in its procedure prior to submitting a proposal to the Federal Reserve Board and securing its approval thereto.

Very truly yours,

D. R. Crissinger,  
Governor.

TO CHAIRMEN & GOVERNORS OF ALL F. R. BANKS.