

(REVISED DRAFT)

REGULATION K, SERIES OF 1927

COLLECTION OF MATURING NOTES AND BILLS

SECTION I. STATUTORY PROVISIONS.

Section 13 of the Federal Reserve Act authorizes Federal reserve banks to receive from their member banks and non-member clearing banks, for collection, maturing notes and bills and to receive from other Federal reserve banks for collection maturing notes and bills payable within the district of the Federal reserve bank receiving such items. The authority to receive such items for collection includes the authority to take such steps and perform such acts as may be necessary to effect collection, and to exercise such other powers as are reasonably incidental to the collection of such items.

SECTION II. DEFINITIONS.

(a) Maturing Notes and Bills. The term "maturing notes and bills" is, for the purposes of this regulation, hereby defined to include the following classes of items payable within the continental United States:

1. Maturing notes, drafts, bills of exchange, acceptances, bankers' acceptances, and certificates of deposit;
2. Drafts on savings accounts with pass-books attached;
3. Checks, drafts and other cash items which have previously been dishonored or on which special advice of payment or dishonor is required;
4. Maturing bonds and coupons; and
5. All other evidence of indebtedness except checks and bank drafts which cannot be collected at par in funds acceptable to the collecting Federal reserve bank; provided that any Federal reserve bank may require any depositing member bank to show to such Federal reserve bank's satisfaction that special conditions exist which make it proper for said Federal reserve bank to handle as collection items of the character normally collected by the Federal reserve bank as cash items.

(b) NON-MEMBER CLEARING BANK. The term "non-member clearing bank" is defined to mean a non-member bank or trust company which maintains with the Federal reserve bank of the district in which it is located a balance sufficient to qualify it under Section 13 of the Federal Reserve Act to send cash items to the Federal reserve bank for purposes of exchange or collection under Regulation J.

(c) CASH ITEMS. The term "cash items" is defined to mean checks, drafts, and other items which are collectible pursuant to the terms of Regulation J.

(d) COLLECTION ITEMS. The term "collection items" is defined to mean maturing notes and bills which are collectible pursuant to the terms of Regulation K.

SECTION III. GENERAL REQUIREMENTS.

The Federal Reserve Board, desiring to afford to the public and to the various banks of the country a direct, expeditious, and economical system for the collection of maturing notes and bills, has arranged to have all Federal reserve banks collect maturing notes and bills on a uniform basis and on the terms and conditions hereinafter prescribed.

SECTION IV. ITEMS RECEIVED FOR COLLECTION.

(a) Each Federal reserve bank will receive from its member banks and from non-member clearing banks in its district for collection maturing notes and bills payable in the continental United States.

(b) Each Federal reserve bank will receive from other Federal reserve banks for collection maturing notes and bills payable within its own district,

(c) In order to eliminate unnecessary delay and expense and further to increase the efficiency of the collection service herein provided, each Fed-

eral reserve bank will authorize all member banks and non-member clearing

banks in its district to send maturing notes and bills for its account direct to the Federal reserve bank of the district in which such items are payable; and each Federal reserve bank will receive from member banks and non-member clearing banks in other districts maturing notes and bills payable within its own district, for collection and credit to the account of the Federal reserve bank of the district in which the sending bank is located.

(d) No Federal reserve bank shall receive for collection any check or bank draft drawn on or payable by a non-member bank which cannot be collected at par in funds acceptable to the Federal reserve bank of the district in which such non-member bank is located, or any item payable outside of the continental United States.

SECTION V. TERMS OF COLLECTION.

The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such maturing notes and bills subject to the following terms and conditions; and each member bank and non-member clearing bank which sends maturing notes and bills to any Federal reserve bank for collection shall by such action be deemed: (a) to have agreed to all the terms and conditions of this regulation; (b) to have warranted to the Federal reserve banks that it has authority to empower the Federal reserve banks to handle such items in the manner hereinafter provided; (c) to have agreed to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority; and (d) to have guaranteed all prior endorsements on such items whether or not a specific guaranty is incorporated in the endorsement of the sending bank.

1. Federal reserve banks will act only as the collecting agents of the sending banks and will be responsible only for due diligence and care in forwarding or presenting such items and for its guaranty of prior endorsements.

2. Federal reserve banks may present or forward such items direct to the banks on which they are drawn, at which they are payable, or through which they are collectible, for payment in cash, bank draft, or solvent credits; or present them direct to the person, firm or corporation on which they are drawn, for payment in cash or check; or, if the item is not payable in a city in which there is a Federal reserve bank or a branch of a Federal reserve bank, then they may, in their discretion, forward them to another agent with the same authority that they have to present or forward them for payment.

3. Items payable in another district will be forwarded for collection to the Federal reserve bank of such district or to a branch of such Federal reserve bank; except that items with a definite maturity, payable in another district, may be forwarded direct to the place of payment in such other district when it is necessary to do so in order to reach the place of payment by maturity, and sight or demand drafts with documents attached, payable in another district, may be forwarded direct to the place of payment when the collecting Federal reserve bank is specifically requested to do so. All such items will be handled on the terms and conditions herein prescribed.

4. Except as herein provided, Federal reserve banks shall be held liable only when they have received actual payment in cash or in the final proceeds of any bank draft or check received in remittance.

SECTION VI. CREDIT FOR PROCEEDS.

No Federal reserve bank shall credit the reserve account of any

member bank or the account of any non-member clearing bank or any other Federal reserve bank with the amount of any maturing note or bill until payment in actually and finally collected funds has been received by the collecting Federal reserve bank.

SECTION VII. CHARGES FOR COLLECTION.

(a) CHARGES BY FEDERAL RESERVE BANKS. No charge shall be made by any Federal reserve bank for the service performed by it in the collection of maturing notes and bills, except that:

1. Any charge made by another collecting agent shall be charged to the bank from which such items were received or shall be deducted and credit given for the actual net proceeds;
2. The actual expense of registration, insurance, or transportation of maturing notes and bills forwarded to other points for collection may be charged to the bank from which such items were received or may be deducted and credit given for the actual net proceeds;
3. All telegraph and telephone charges in connection with the collection of maturing notes and bills may be charged to the bank from which such items were received; and
4. A service charge of fifteen cents per item on all maturing notes and bills returned unpaid and unprotested shall be charged to the bank from which such items were received for collection. This charge shall not be made on items that are protested.

(b) CHARGES BY COLLECTING AGENTS. Any member bank or non-member bank selected by a Federal reserve bank as an agent to collect maturing notes and bills received under the terms of this regulation, may make a reasonable charge for its service in handling such maturing notes and bills; except that no such charge shall be made for handling checks and bank drafts.

SECTION VIII. OTHER RULES AND REGULATIONS.

All Federal reserve banks shall also promulgate rules and regulations identical in terms, not inconsistent with the provisions of the law or of this regulation, governing the details of the collection of maturing notes and bills by such Federal reserve banks . Such rules and regulations shall be binding upon any member or non-member clearing bank which sends maturing notes and bills to its Federal reserve bank or any other Federal reserve bank for account of its Federal reserve bank.