

## FEDERAL RESERVE BOARD

WASHINGTON

X-6661

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

July 22, 1930.

Dear Mr.

This is to advise you that the Federal Reserve Board today adopted the proposed amendments to Regulation J recommended by the recent Conference of Counsel with certain slight changes in phraseology suggested by Honorable Newton D. Baker and the undersigned. The amended regulation will take effect on September 1, 1930. It will be published in the August number of the Federal Reserve Bulletin and will be printed in pamphlet form and distributed to the Federal reserve banks as soon as possible.

After conferring with Governor Calkins, Chairman of the Governors' Conference, and Mr. J. S. Walden, Chairman of the Standing Committee on Collections, I have appointed the following subcommittee of Federal Reserve Bank Counsel to collaborate with the Standing Committee on Collections in the revision of the check collection circulars:

Mr. Walter S. Logan, Chairman,  
Mr. M. G. Wallace,  
Mr. Robert S. Parker.

The above committee and the undersigned will meet with the Standing Committee on Collections in New York on July 31st; and it is hoped that the preparation of the revised check collection circulars can be completed in a day or two. Mr. Walden advises me, however, that it is customary for the reports of the Standing Committee on Collections to be submitted to the Governors' Conference, and this may result in some delay in the final adoption of the revised circular.

There is enclosed for your further information a copy of a resolution adopted by the Federal Reserve Board today promulgating the amendments to Regulation J.

With kindest personal regards, I am

Cordially yours,

Walter Wyatt,  
General Counsel.

BE IT RESOLVED BY THE FEDERAL RESERVE BOARD, that, effective September 1, 1930, Regulation J is hereby amended as follows:

(1) Paragraph 1 of Section III is amended by changing the words "acceptable to the Federal Reserve Bank of the District in which such nonmember banks are located" to read "acceptable to the collecting Federal reserve bank."

(2) Paragraph 3 of Section III is amended by changing the words "acceptable to the Federal Reserve Bank of the District in which such nonmember bank is located" to read "acceptable to the collecting Federal reserve bank."

(3) Paragraph 2 of Section IV is amended by changing the period at the end thereof to a comma and by adding the following words:

"provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

(4) Paragraph 3 of Section IV is amended by changing the period at the end thereof to a comma and by adding the following words:

"provided, however, that the Federal reserve bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which the Federal reserve bank has not yet received payment in actually and finally collected funds."

(5) Section V is amended to read as follows:

**"SECTION V. TERMS OF COLLECTION.**

"The Federal Reserve Board hereby authorizes the Federal reserve banks to handle such checks subject to the following terms and conditions; and each member and nonmember clearing bank which sends checks to any Federal reserve bank for deposit or collection shall by such action be deemed (a) to authorize the Federal reserve banks to handle such checks subject to the following terms and conditions, (b) to warrant its own authority to give the Federal reserve banks such authority, and (c) to agree to indemnify any Federal reserve bank for any loss resulting from the failure of such sending bank to have such authority.

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"(1) A Federal reserve bank will act only as agent of the bank from which it receives such checks and will assume no liability except for its own negligence and its guaranty of prior indorsements.

"(2) A Federal reserve bank may present such checks for payment or send such checks for collection direct to the bank on which they are drawn or at which they are payable, or in its discretion may forward them to another agent with authority to present them for payment or send them for collection direct to the bank on which they are drawn or at which they are payable.

"(3) A Federal reserve bank may, in its discretion and at its option, either directly or through or from an agent, accept in payment of or in remittance for such checks, cash, bank drafts, transfers of funds or bank credits, or other forms of payment or remittance, acceptable to the collecting Federal reserve bank. The Federal reserve bank shall not be liable for the failure of the drawee bank or any agent to pay or remit for such checks, nor for any loss resulting from the acceptance from the drawee bank or any collecting agent, in lieu of cash, of any other form of payment or remittance authorized herein, nor for the nonpayment of, or failure to realize upon, any bank draft or other medium of payment or remittance which may be accepted from the drawee bank or any collecting agent.

"(4) Checks received by a Federal reserve bank which are payable in its own district will ordinarily be forwarded or presented direct to the banks on which they are drawn, and such banks will be required to remit or pay therefor at par in such one or more of the forms of payment or remittance authorized under paragraph (3) hereof as may be acceptable to the Federal reserve bank.

"(5) Checks received by a Federal reserve bank payable in other districts will ordinarily be forwarded for collection to the Federal reserve bank of the district in which such checks are payable; provided, however, that, where arrangements can be made satisfactory to the collecting bank or agent and to the Federal reserve bank of the district in which such checks are payable, any such checks may be forwarded for collection direct to the bank on which they are drawn or at which they are payable, or may be for-

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warded for collection to another agent with authority to present them for payment direct to the bank on which they are drawn or at which they are payable. All such checks shall be handled subject to all the terms and conditions of this regulation.

"(6) Bank drafts received by a Federal reserve bank in payment of or in remittance for checks handled under the terms of this regulation shall likewise be handled for collection subject to all the terms and conditions of this regulation.

"(7) The amount of any check for which payment is actually and finally collected funds is not received shall be charged back to the forwarding bank, regardless of whether or not the check itself can be returned. In such event, neither the owner or holder of any such check, nor the bank which sent such check to the Federal reserve bank for collection shall have any right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other such fund of the drawee bank or of any bank to which such checks have been sent for collection, in the possession of the Federal reserve bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other such funds of a paying, remitting, or collecting bank in the possession of a Federal reserve bank, issued for the purpose of settling items handled under the terms of this regulation will be paid, acted upon, or honored after receipt by such Federal reserve bank of notice of suspension or closing of such paying, remitting, or collecting bank."