

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-7193

June 30, 1932.

SUBJECT: Protest of Checks in Event of Closing of
Drawee Bank.

Dear Sir:

I inclose herewith a copy of a letter received by the Federal Reserve Board from Mr. George DeCamp, Chairman of the Board of Directors of the Federal Reserve Bank of Cleveland, advising that his bank has decided to discontinue the practice of requiring the protest of checks for which actual payment has not been received due to the closing of the drawee bank and which have been treated as dishonored at the request of the indorsers under the provisions of the Uniform Bank Collection Code, together with a copy of the letter of advice used by the Federal reserve bank in such cases. This is submitted for the information and consideration of your bank.

Yours very truly,

Chester Morrill,
Secretary.

Inclosures.

TO CHAIRMEN OF ALL F. R. BANKS EXCEPT CLEVELAND.

C O P Y

X-7193-a

FEDERAL RESERVE BANK
OF CLEVELAND

June 25, 1932.

Mr. Chester Morrill, Secretary,
Federal Reserve Board,
Washington, D. C.

Dear Mr. Morrill:

I have your letter of June 22, with reference to your letter of April 4 and my reply of April 11, regarding the protest of a check for \$28.00 drawn on the Citizens National Bank, Harlan, Kentucky, which was treated as dishonored under the Uniform Bank Collection Code in effect in the Commonwealth of Kentucky.

I advised you in my letter of April 11, that we had under consideration and would undoubtedly adopt a change in our instructions regarding the protest of checks dishonored as a result of the closing of the drawee bank. We have now definitely decided upon a policy which will make it unnecessary to change the provisions of our circular letter.

You will note from the enclosed current circular letter No. 7 on the subject "Collection of Cash Items" that the right is reserved to return without presentation any items drawn on banks which may have withdrawn, or may have been removed, from the par list, or which may have been reported closed. It has long been our practice to waive protest on checks which are returned as a result of the closing of the drawee bank; this disposes of the matter of protest in so far as it applies to checks which are actually returned before they are charged to the maker's account.

With respect to checks which have been charged to the drawer's account prior to suspension but for which actual payment has not been received, it was our practice as indicated in my letter of April 11 to require the protest of such checks as may have been treated as dishonored at the request of the endorsers under the provisions of the Uniform Bank Collection Code adopted in several of the states in this district. We have now definitely changed our practice in this regard, and shall hereafter when such checks are charged back to the endorsers under the provisions of Regulation J and our circular, notify the endorsers that the right to treat as dishonored may be exercised, but that in the event the

FEDERAL RESERVE BANK
OF CLEVELAND

Mr. Chester Morrill, Secretary - 2 -

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endorsers elect to treat such checks as dishonored, protest will be waived unless we are instructed to the contrary. A specimen copy of our letter of advice in such cases is also enclosed.

Our counsel are of the opinion that this practice is sound and will avoid the repetition of complaints such as that which was the subject of your letter of April 4.

Very truly yours,

(S) Geo. DeCamp

Chairman of the Board.

C O P Y

X-7193-b

FEDERAL RESERVE BANK
OF CLEVELAND

Date

National Bank

Gentlemen:

We have charged your account to cover the items listed below forwarded to the _____ for collection and remittance, but that bank was placed in the hands of the National Bank Examiner before actual payment was received.

Unless you notify us to do otherwise, we will include these items in the claim which we will file against the assets of the failed bank.

Under the law now in effect we as the agent collecting bank are also permitted by giving notice to the Receiver or Examiner in charge to elect to treat checks drawn on a closed bank as dishonored and secure their return. In the event such checks are treated as dishonored the holders will have recourse against prior parties but they cannot be included in our claim.

The statute requires this election to be "exercised with reasonable diligence". Therefore, in the event you desire that we elect to treat any of the checks as dishonored, you must forward your instructions together with the name of the Drawer and Payee to us as soon as possible. Protest will be waived on all items so returned unless we are specifically instructed to the contrary.

Very truly yours,

Assistant Cashier.
Amount of items

Date and total of your cash letter