

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9411

January 3, 1936.

SUBJECT: Revised Regulations Governing Telegraphic
Transfers and Federal Reserve Leased Wires.

Dear Sir:

The Governors' Conference on October 23, 1935, approved a report of its standing committee on collections recommending that transfers of funds be made by the Federal Reserve banks for nonmember clearing banks at their expense over commercial wires and that a list of nonmember clearing banks be included in the semi-annual par list. The Board of Governors of the Federal Reserve System concurs in this recommendation and will arrange to have a list of nonmember clearing banks included in the semi-annual par list. Regulations governing the use of Federal Reserve leased wires for the purpose of making telegraphic transfers and otherwise as contained in the Board's letter X-4099 of June 21, 1924, are amended as follows:

1. Telegraphic transfers of funds over the leased wires will be accepted from and paid to member banks only. They must represent bank balances and can be made only for round amounts, i. e., multiples of \$100. The term "bank balance" shall be construed to mean an accumulation of funds comprising an established account carried by one bank with another bank.
2. The information given in telegrams transferring funds over the leased wires must be limited to the name of the sending member bank, name of its correspondent member bank requesting the transfer, name of the member bank receiving credit, and name of its correspondent member bank.

3. The Federal reserve code, including test word, must be used for all messages involving the transfer of funds and, in the interest of economy, all other telegrams should be sent in code when its use shortens the message materially.

4. In addition to the usual mail advice to the bank receiving credit for telegraphic transfers of funds, immediate advice by telegraph, or otherwise, should be given by the Federal reserve bank receiving the transfer in cases where the sending bank or the credited bank has stated that other than the usual mail advice is necessary, or where the nature of the transaction or the amount involved indicates that the additional expense is justified, as to which the receiving Federal Reserve bank will exercise its discretion. All such wire advices should be at the expense of the bank receiving credit and, therefore, should be sent collect.

5. Requests for telegraphic transfers of funds for consummation on date of receipt should not be accepted by Federal reserve banks later than thirty (30) minutes prior to the closing hour of the Federal reserve bank to which transfer is to be made. Any telegraphic transfers of funds requested after such time will be made at the discretion of the Federal reserve bank receiving credit.

6. The leased wires shall not be used for tracing or advising payment or non-payment of any non-cash collection items, nor for transferring the proceeds thereof.

7. The leased wires shall not be used for reconciling exceptions in accounts between Federal reserve banks, except where a loss might be involved.

8. Any loss resulting from negligence on the part of the Federal reserve system in the transmission of telegrams transferring funds over the leased wires through relay stations shall be borne by the sending Federal reserve bank, unless responsibility can be definitely placed upon the Federal reserve bank to which the telegram was addressed.

9. Telegrams must be worded as concisely as possible. Telegrams should not be sent when communication by mail will suffice. For the purpose of enforcing these regulations, provision should be made in each Federal reserve bank so that any misuse of the leased wires will be brought to the attention of a designated officer for reference to the originating department, or, in the case of incoming messages, to the sending Federal reserve bank.

The following clauses under the respective headings should be included by all Federal Reserve banks in their circulars to member

and nonmember clearing banks relating to telegraphic transfers of funds.

TRANSFERS OVER LEASED WIRES

1. Only transfers of bank balances in round amounts, that is multiples of \$100, will be made over the Federal reserve leased wires. The term "bank balance" shall be construed to mean an accumulation of funds comprising an established account maintained by a member bank with its Federal reserve bank or with another member bank.

2. Telegraphic transfers of funds over the leased wires will be made for and paid to member banks only. Such transfers will be made without cost to member banks.

3. The descriptive data in telegrams transferring bank balances over the leased wires must be limited to the amount to be transferred, name of the member bank to receive credit, and when necessary, name of its correspondent member bank, and name of member bank with which request originated.

4. Transfers of the proceeds of individual collection items will not be made over the leased wires.

5. The Federal reserve banks maintain, at large expense, a leased wire system over which it is necessary to transmit a heavy volume of important communications. Member banks are requested to cooperate with us in attempting to avoid overcrowding the leased wires by not making requests for telegraphic transfers of small amounts, or those which can be made as well through the mails.

TRANSFERS OVER COMMERCIAL WIRES

1. Telegraphic transfers of funds for any purpose and in any amount and without limitation as to descriptive data will be made over the commercial telegraph wires for member banks. While such transfers will be accepted from and paid to member banks only, they may be for the use of any bank, individual, firm or corporation.

2. Telegraphic transfers of bank balances in round amounts, that is multiples of \$100, will be made over the commercial telegraph wires for nonmember clearing banks. Such transfers will be accepted from any member bank for the credit of any nonmember clearing bank, and from any nonmember clearing bank for the credit of any member bank or any other nonmember clearing bank.

3. The cost of all telegrams between Federal reserve banks transferring funds over the commercial telegraph wires will be charged to the member and nonmember clearing banks for which the transfers are made. Member and nonmember clearing banks should prepay the cost of

telegrams requesting such transfers, and telegrams to member and nonmember clearing banks advising credit will be sent "Collect".

LIABILITY OF THE FEDERAL RESERVE BANK

The Federal Reserve Bank of _____ will use due diligence and care in the transfer of funds by telegraph to the receiving Federal reserve bank for credit to the account of the payee bank, but will not be responsible for errors or delays caused by circumstances beyond its control.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

TO ALL GOVERNORS.