

S-27  
Reg. D-6

INTERPRETATION OF LAW OR REGULATION

(Copies to be sent to all Federal reserve banks)

August 5, 1937.

Mr. \_\_\_\_\_, Vice President,  
Federal Reserve Bank of \_\_\_\_\_,  
\_\_\_\_\_, \_\_\_\_\_.

Dear Mr. \_\_\_\_\_:

This refers to your letter of June 29, 1937 presenting the question whether member banks in (name of city) may, in computing required reserve balances, deduct from their gross demand deposits matured bonds and coupons payable in (same city) which have been received by them and which are still in the process of collection. This involves the question whether such matured bonds and coupons may be considered as "cash items in process of collection" within the meaning of section 1(g) of Regulation D so as to be deductible from gross demand deposits under section 2(b) of the regulation.

From your letter it is understood that (name of city) banks customarily give immediate deposit credit, or one day deferred deposit credit, for matured bonds and coupons payable in (same city) whether received over-the-counter or through the mails from their depositors and bank correspondents; that such items are customarily received from correspondent banks in cash letters; that after such cash letters have been proved, the matured bonds and coupons therein are sorted according to paying agents (and thereafter according to issues and denominations) preparatory to presentation; that where the paying agents are members of the (same city) Clearing House Association the coupons are cleared through the Clearing House, but the matured bonds are presented over-the-counter; that where the paying agents are not members of the Association, both the matured bonds and coupons are presented over-the-counter; that in the case of items cleared through the Clearing House the presenting bank receives a due bill on the day of clearing which due bill is cleared on the following day in the check clearings; that in the case of items presented over-the-counter to the paying agent, a clearing house check is received the same day in payment for the items, which check is cleared the next day; and that the due bills given for the coupons presented through the Clearing House and the clearing house checks given for the bonds and coupons presented over-the-counter are themselves deductible from gross demand deposits.

It is also understood that your bank handles matured coupons forwarded by your member banks and direct sending banks as cash items, giving one day deferred deposit credit therefor, and in some instances handles matured bonds on the above basis and in other instances handles matured bonds as non-cash items. We further understand that the question presented does not refer to maturing bonds and coupons.

You are advised that, after considering this matter in the light of the facts stated above, the Board of Governors is of the opinion that matured bonds and coupons, to the extent that they are treated and handled by member banks as cash items substantially in accord with the practice described, may properly be included by such banks in "such other items in process of collection, payable immediately upon presentation in the United States, as are customarily cleared or collected by banks as cash items", within the meaning of section 1(g)(3) of Regulation D, and deducted by such banks from the amount of their gross demand deposits in computing their required reserves.

Very truly yours,

(Signed) L. P. Bethea

L. P. Bethea,  
Assistant Secretary.