

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-210
September 15, 1972

CHANGES IN RESERVES AND PAYMENT OF CASH LETTERS

To All Banks in the Eleventh
Federal Reserve District:

I am writing to remind you that revisions in the Board's Regulations D and J that were approved in June will go into effect beginning September 21.

Every commercial bank in the nation will be affected in some way by these changes which are meant to benefit both the banking system and the public at large. For your easy reference, I have enclosed copies of amendments to regulations and our operating bulletins relating to these changes.

The Regulation J revisions apply to all commercial banks to which Federal Reserve offices present cash items for payment. The enclosed documents explain the operating details of this change.

For member banks, the revisions in Regulation D--which involve a restructuring in reserve requirements--will take effect in two steps beginning the week of September 21-27.

Under the restructuring, reserve requirements on net demand deposits will be based on the following ratios:

Amount of Net Demand Deposits	Reserve Percentages Applicable
First \$2 million or less	8 Percent
Over \$2 million to \$10 million	10 Percent
Over \$10 million to \$100 million	12 Percent
Over \$100 million to \$400 million	13 Percent
Over \$400 million	17-1/2 Percent

With one exception, the reserve ratios in this table will go into effect beginning with the statement week of September 21-27 (based on the average level of net demand deposits held during the week of September 7-13). The one exception is the reserve ratio on net demand deposits between \$100 million and \$400 million for the present reserve city banks. This ratio (now 17-1/2 percent) will be reduced to 16-1/2 percent for the statement week ending September 27, and to 13 percent for the statement week ending October 4, when all of the reserve ratios in the table will be in effect.

Member banks should note that the waiver of penalties on reserve deficiencies that have been arranged with this Reserve Bank become effective in the statement week of September 21-27. This Bank will also be receptive to requests from member banks in need of temporary credit to tide them over the period of adjustment to the new check collection rules.

In the event that the new regulation results in a significant impairment of the liquidity of a nonmember bank or materially affects its ability to serve its community, the Board will exercise its power to provide Federal Reserve credit on substantially the same terms as are applicable to member banks for as long as is necessary to enable such a bank to adjust to the new situation, but not beyond June 30, 1974. Nonmember banks that feel they might qualify for this assistance should contact the Federal Reserve office serving the territory in which they are located.

For member banks, all of the following material is enclosed:

1. Amendments to Regulation D effective September 21, 1972.
2. Supplements to Regulation D effective January 7, 1971, and in effect through September 20, 1972, effective for the period September 21, 1972 to September 27, 1972, and effective September 28, 1972.
3. Supplement A of Bulletin 4 effective September 21, 1972.
4. An amendment to Regulation J effective September 21, 1972.
5. Revised Bulletin 11 effective September 21, 1972.

For nonmember banks, only the following material is enclosed:

1. An amendment to Regulation J effective September 21, 1972.
2. Revised Bulletin 11 effective September 21, 1972.

The various amendments, supplements and bulletins should be filed in the appropriate ring binder furnished by this Bank.

If you have any further questions relating to these changes, please do not hesitate to call an officer at the Federal Reserve office serving your bank.

Yours very truly,

P. E. Coldwell

President

Enclosures

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D†

As amended effective January 7, 1971, and in effect through September 20, 1972

SECTION 204.5—RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

(1) **If not in a reserve city—**

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) 12½ per cent of its net demand deposits up to \$5 million, plus 13 per cent of such deposits in excess of \$5 million.

(2) **If in a reserve city** (except as to any bank located in such a city which is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2(a)(2), to maintain the reserves specified in subparagraph (1) of this paragraph)—

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawals shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) 17 per cent of its net demand deposits up

to \$5 million, plus 17½ per cent of such deposits in excess of \$5 million.

(b) **Currency and coin.** The amount of a member bank's currency and coin shall be counted as reserves in determining compliance with the reserve requirements of paragraph (a) of this section.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,⁸ or institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 20 per cent of the amount by which the daily average amount of such deposits during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period exceeds the lesser of (i) 3 per cent of such member bank's daily average deposits subject to paragraph (a) of this section during the current computation period or during the computation period ending November 25, 1970, whichever is greater, or (ii) the lowest corresponding daily average total for any computation period beginning on or after December 24, 1970. An excess or deficiency in reserves in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b).⁹

⁸ Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

⁹ The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

† The Board of Governors on June 20, 1972, adopted a system of reserve requirements that will take effect in two phases beginning September 21, 1972. This slip sheet contains the supplement to Regulation D effective during the period January 7, 1971, to September 20, 1972; the supplement effective September 21, 1972, to September 27, 1972; and the supplement effective September 28, 1972.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

Effective for the period September 21, 1972, to September 27, 1972

SECTION 204.5—RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

(1) **If not in a reserve city—**

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) (a) 8 per cent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$160,000 plus 10 per cent of its net demand deposits in excess of \$2 million if its aggregate net demand deposits are in excess of \$2 million but less than \$10 million, (c) \$960,000 plus 12 per cent of its net demand deposits in excess of \$10 million if its aggregate net demand deposits are in excess of \$10 million but less than \$100 million, or (d) \$11,760,000 plus 13 per cent of its net demand deposits in excess of \$100 million, except that in the case of a bank that was considered located in a reserve city prior to September 21, 1972, the reserve percentage shall be 16½ per cent of its net demand deposits in excess of \$100 million.

(2) **If in a reserve city** (except as to any bank located in such a city that is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2(a)(2), to maintain the reserves specified in subparagraph (1) of this paragraph)—

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no with-

drawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) \$61,260,000 plus 17½ per cent of its net demand deposits in excess of \$400 million.

(b) **Currency and coin.** The amount of a member bank's currency and coin shall be counted as reserves in determining compliance with the reserve requirements of paragraph (a) of this section.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,⁸ or institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 20 per cent of the amount by which the daily average amount of such deposits during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period exceeds the lesser of (i) 3 per cent of such member bank's daily average deposits subject to paragraph (a) of this section during the current computation period or during the computation period ending November 25, 1970, whichever is greater, or (ii) the lowest corresponding daily average total for any computation period beginning on or after December 24, 1970. An excess or deficiency in reserves in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b).⁹

⁸ Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

⁹ The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

SUPPLEMENT TO REGULATION D

As amended effective September 28, 1972

SECTION 204.5—RESERVE REQUIREMENTS

(a) **Reserve percentages.** Pursuant to the provisions of section 19 of the Federal Reserve Act and § 204.2(a) and subject to paragraph (c) of this section, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

(1) **If not in a reserve city—**

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) (a) 8 per cent of its net demand deposits if its aggregate net demand deposits are \$2 million or less, (b) \$160,000 plus 10 per cent of its net demand deposits in excess of \$2 million if its aggregate net demand deposits are in excess of \$2 million but less than \$10 million, (c) \$960,000 plus 12 per cent of its net demand deposits in excess of \$10 million if its aggregate net demand deposits are in excess of \$10 million but less than \$100 million, or (d) \$11,760,000 plus 13 per cent of its net demand deposits in excess of \$100 million.

(2) **If in a reserve city** (except as to any bank located in such a city that is permitted by the Board of Governors of the Federal Reserve System, pursuant to § 204.2(a)(2), to maintain the reserves specified in subparagraph (1) of this paragraph)—

(i) 3 per cent of (A) its savings deposits and (B) its time deposits, open account, that constitute deposits of individuals, such as Christmas club accounts and vacation club accounts, that are made under written contracts providing that no withdrawal shall be made until a certain number of periodic deposits have been made during a period of not less than 3 months; and

(ii) 3 per cent of its other time deposits up to \$5 million, plus 5 per cent of such deposits in excess of \$5 million; and

(iii) \$50,760,000 plus 17½ per cent of its net demand deposits in excess of \$400 million.

(b) **Currency and coin.** The amount of a member bank's currency and coin shall be counted as reserves in determining compliance with the reserve requirements of paragraph (a) of this section.

(c) **Reserve percentages against certain deposits by foreign banking offices.** Deposits represented by promissory notes, acknowledgments of advance, due bills, or similar obligations described in § 204.1(f) to foreign offices of other banks,⁸ or institutions the time deposits of which are exempt from the rate limitations of Regulation Q pursuant to § 217.3(g) thereof, shall not be subject to paragraph (a) of this section or to § 204.3(a)(1) and (2); but during each week of the four-week period beginning October 16, 1969, and during each week of each successive four-week ("maintenance") period, a member bank shall maintain with the Reserve Bank of its district a daily average balance equal to 20 per cent of the amount by which the daily average amount of such deposits during the four-week ("computation") period ending on the Wednesday fifteen days before the beginning of the maintenance period exceeds the lesser of (i) 3 per cent of such member bank's daily average deposits subject to paragraph (a) of this section during the current computation period or during the computation period ending November 25, 1970, whichever is greater, or (ii) the lowest corresponding daily average total for any computation period beginning on or after December 24, 1970. An excess or deficiency in reserves in any week of a maintenance period under this paragraph shall be subject to § 204.3(a)(3), as if computed under § 204.3(a)(2), and deficiencies under this paragraph shall be subject to § 204.3(b).⁹

⁸ Any banking office located outside the States of the United States and the District of Columbia of a bank organized under domestic or foreign law.

⁹ The term "computation period" in § 204.3(a)(3) and (b) shall, for this purpose, be deemed to refer to each week of a maintenance period under this paragraph.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

RESERVES OF MEMBER BANKS

AMENDMENTS TO REGULATION D

1. Effective September 21, 1972, sections 204.51 through 204.57 are revoked.

2. Effective September 21, 1972, section 204.2(a)(2) and (3) are amended to read as follows:

SECTION 204.2—COMPUTATION OF RESERVES

(a) Amounts of reserves to be maintained. * * *

(2) A member bank in a reserve city is deemed to have a character of business similar to banks outside of reserve cities whenever it has average net demand deposit balances of \$400 million or less for the second computation period preceding the current reserve maintenance period. The Board grants permission to any such bank or banks to maintain for the current period the reserve balances that are in effect for member banks

not located in reserve cities. Such permission and any other permission granted by the Board to maintain reduced reserves is automatically suspended for the current reserve maintenance period with respect to any member bank in a reserve city that has average net demand deposit balances of more than \$400 million for the second computation period preceding the current reserve maintenance period. Any such bank shall maintain for the current period the reserve balances in effect for banks located in reserve cities.

(3) For the purposes of this Part, each city having a Federal Reserve office is a reserve city. In addition, any city, town, village or other community, whether or not incorporated, is a reserve city for a reserve computation period if it contains a head office of any member bank that had average daily net demand deposit balances of more than \$400 million for the second computation period preceding the current reserve maintenance period.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

REGULATION J

[Amendments]

PART 210 – COLLECTION OF CHECKS AND OTHER ITEMS BY FEDERAL RESERVE BANKS

Payment of Cash Items Upon Presentment

Effective September 21, 1972, the Board has amended its Regulation J as follows:

Section 210.9(a) is amended to read:

SECTION 210.9 – REMITTANCE AND PAYMENT

(a) (1) **Cash item.** A paying bank becomes accountable for the amount of each cash item received by it from or through a Federal Reserve Bank at the close of the paying bank's banking day on which the cash item was so received^{4/} if it retains such item after the close of such banking day, unless, prior to such time, it pays or remits for the item as herein provided. Payment or remittance therefor shall be effected on such day of receipt by:

(i) debit to an account on the books of a Federal Reserve Bank; or

(ii) payment in cash; or

(iii) in the discretion of the Federal Reserve Bank, any other form of payment or remittance:

Provided, that the proceeds of any such payment or remittance in any form herein stated shall be available to the Federal Reserve Bank not later than the close of the banking day for such Federal Reserve Bank on the day on which such item was so received by the paying bank. If the banking day on which an item is received by a paying bank is not a banking day for the Federal Reserve Bank from which the item was received, any payment or remittance made hereunder shall be effected on the banking day of both such Federal Reserve Bank and such paying bank next following the day of receipt of such item.

(2) **Noncash item.** A Federal Reserve Bank may require the paying bank or collecting bank to which it has presented, sent, or forwarded any non-cash item pursuant to section 210.7 to pay or remit for such item in cash, but is authorized, in its discretion, to permit such paying bank or collecting bank to authorize or cause payment or remittance therefor to be made by a debit to an account on the books of such Federal Reserve Bank or to pay or remit therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Bank draft, transfer of funds or bank credit, or any other form of payment or remittance authorized by applicable State law.

(3) **Nonbank payor.** A Federal Reserve Bank may require the nonbank payor to which it has presented any cash item or noncash item pursuant to section 210.7 to pay therefor in cash, but is authorized, in its discretion, to permit such nonbank payor to pay therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Cashier's check, certified check, or other bank draft or obligation.

^{4/} A cash item received by a paying bank shall be deemed to have been received by the bank on its next banking day if the item is received under one of the following circumstances: (1) on a day other than a banking day for it, or (2) on a banking day for it, but (a) after its regular banking hours, or (b) after a "cut-off hour" established by it in accordance with applicable State law, or (c) during afternoon or evening periods when it is open for limited functions only.

Section 210.12(a) is amended to read:

SECTION 210.12 – RETURN OF CASH ITEMS

(a) A paying bank that receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, and that pays or remits for such item as provided in section 210.9(a) of this Part shall have the right to recover any payment or remittance so made if, before it has finally paid the item, it returns the item before midnight of its banking day next following the banking day of receipt or takes such other action to recover such payment or remittance within such time and by such means as may be provided by applicable State law: **Provided**, that the foregoing provisions shall not extend, nor shall the time herein provided for return be extended by, the time for return of unpaid items fixed by the rules and practices of any clearing house through which the item was presented or fixed by the provisions of any special collection agreement pursuant to which it was presented.

Section 210.13 is amended to read:

SECTION 210.13 – CHARGEBACK OF UNPAID CASH ITEMS AND NONCASH ITEMS

If a Federal Reserve Bank does not receive payment for any cash item in accordance with the provisions of section 210.9(a), the amount of such

item may be charged back to the sender, regardless of whether or not the item itself can be returned. If a Federal Reserve Bank does not receive payment in actually and finally collected funds for any cash item or noncash item for which it gave credit subject to payment in actually and finally collected funds, the amount of such item shall be charged back to the sender, regardless of whether or not the item itself can be returned. In the event the amount of the item is charged back, neither the owner or holder of any such item nor the sender shall have the right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other funds of the paying bank or of any collecting bank, 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 funds in the possession of a Federal Reserve Bank, issued for the purpose of paying or remitting for any cash items or noncash items handled under the terms of this Part, will be paid, acted upon, or honored after receipt by such Federal Reserve Bank of notice of suspension or closing of the bank making the payment or remittance for its own or another's account.

Section 210.15 is amended to substitute the term “§ 210.9” for the term “§ 210.12” appearing at the end of section 210.15.

Supplement A **COMPUTATION OF RESERVE TO BE CARRIED WITH THE** **FEDERAL RESERVE BANK BY MEMBER BANKS**

(For definitions of the terms gross demand deposits, deductions allowed in computing reserves, cash items in process of collection, net demand deposits, time deposits, and currency and coin, see Regulation D of the Board of Governors of the Federal Reserve System. Reference to call report item numbers, shown below, are to those in the form used at the June 1972 call.)

1. GROSS DEMAND DEPOSITS:

- (a) Demand deposits of banks¹ (close of business) - - - - - \$.....
 (Corresponds to items 1, 7, and 8 in Schedule E of call report of condition)
- (b) U. S. Government demand deposits² (close of business) - - - - -
 (Corresponds to item 4 in Schedule E of call report of condition)
- (c) Other demand deposits (close of business) - - - - - \$.....
 (Corresponds to items 2, 5, 6, and 9 in Schedule E of call report of condition)

2. DEDUCTIONS ALLOWED IN COMPUTING RESERVES:

- (a) Cash items in process of collection, except to the extent included in item 2(b) (including checks with Federal Reserve banks in process of collection and checks on hand which will be presented for payment or forwarded for collection on the following business day) (close of business) - - - - -
 (Corresponds to item 1 in Schedule D of call report of condition)
- (b) Balances subject to immediate withdrawal due from other banks (including cash items forwarded to a correspondent bank for collection and credit and charged to "Due from banks," but excluding balances due from Federal Reserve banks, from foreign banks or branches thereof, or from foreign branches of domestic banks.¹) (close of business) - - - - -
 (Corresponds to item 2 in Schedule D of call report of condition)

3. NET DEMAND DEPOSITS (item 1 minus item 2) - - - - -

4. TOTAL TIME DEPOSITS³ (close of business) - - - - -

- (a) Savings deposits (close of business) - - - - -
 (Corresponds to item 1 in Schedule F of call report of condition)
- (b) Other time deposits (close of business) - - - - -
 (Corresponds to items 3, 4, 6, 7, 8, 9, and 10 in Schedule F of call report of condition)

5. RESERVES REQUIRED⁴:

- (a) On net demand deposits (item 3 above) - - - - -
- (b) On all savings deposits (item 4(a) above);
 and on other time deposits up to 5 million,
percent - - - - -
- (c) On all other time deposits,percent - - - - -
- (d) Total reserves required to be maintained - - - - -

6. Currency and Coin (close of business) - - - - -

(Corresponds to item 5 in Schedule D of call report of condition)

7. Reserve to be maintained with Federal Reserve Bank⁵ - - - - -

(Item 5(d) minus item 6)

¹Reciprocal interbank demand deposits with banks in the United States, except American branches of foreign banks, must be reported net.

²Includes deposits in Treasury tax and loan account, Series E bond account, and Savings note account.

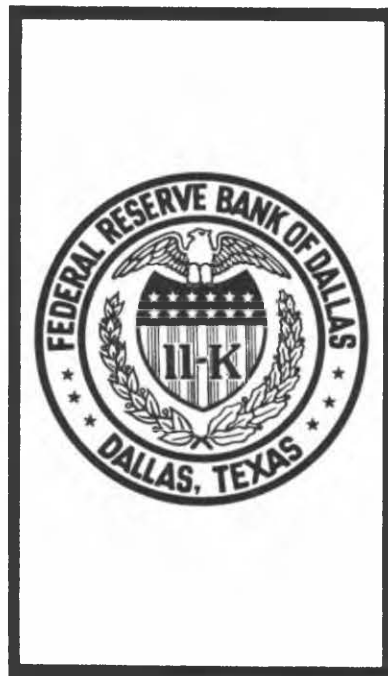
³Christmas savings, vacation club, and similar types of time deposit accounts should be included with Savings deposits (item 4a) and excluded from Other time deposits (item 4b) for purposes of this report. Except for this difference, item references noted apply.

⁴For current required reserve percentage against the deposit totals, see latest supplement to Regulation D.

⁵This amount is the total cumulative reserve to be maintained with the Federal Reserve Bank in the second reserve period following the period for which this computation is made and it does not take into consideration the 2 percent carry-forward provision of Regulation D. For the average daily reserve, divide by seven.

BULLETIN 11

Instructions to Collecting and Paying Banks



FEDERAL RESERVE BANK OF DALLAS

SCOPE

This bulletin sets forth the instructions to be followed in the handling of, and payment or remittance for, checks and other cash items contained in cash letters received from this bank.

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SUPPLEMENT A, Return of Cash Items

Section 1, DEFINITIONS AND GENERAL PROVISIONS

This bulletin is directed to the member banks of the Eleventh Federal Reserve District and others concerned:

1.00 Collection contract

Attention of collecting banks, paying banks, and nonbank payors is directed to section 210.3 of Regulation J which provides that the provisions of that regulation and of the operating bulletins of this bank are binding upon each collecting bank, paying bank, and nonbank payor to which this bank or any subsequent collecting bank, presents, sends, or forwards a cash item received by us.

1.05 Authority

This bulletin, our Bulletin 8, and our time schedules (Bulletin 10) are issued pursuant to the provisions of sections 4, 13, 14(e), and 16 of the Act and the provisions of related statutes and in conformity with the provisions of Regulation J.

1.10 Definitions, reference to Regulation J

All terms defined in Regulation J and used herein shall have the meanings stated in that regulation.¹

1.15 Reference to Bulletin 1

Definitions and rules of construction applicable to this bulletin are found in our Bulletin 1, General Provisions, and are incorporated herein by reference.

1.20 Use of term "wire"

For the purposes of this bulletin, the term "wire" includes telephone, telegraph, and cable.

1.25 Applicability of this bulletin

The provisions of this bulletin are applicable to any state, or any county, district, political subdivision, or municipality thereof to which we present direct, as cash items, any bills, notes,

¹For the purposes of this bulletin as well as for the purposes of Regulation J, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District; Guam and American Samoa shall be deemed to be in or of the Twelfth Federal Reserve District.

and warrants issued by such state, county, political subdivision, or municipality and payable in this district. Each such issuer to which cash items are presented is treated as a paying bank for all purposes of Regulation J and operating bulletins issued in conformity therewith.

Section 2, PRESENTMENT FOR PAYMENT

As contemplated by section 210.7 of Regulation J any cash item:

- (1) may be presented for payment by us or a subsequent collecting bank,
- (2) may be sent by us or subsequent collecting bank for presentment and payment, or
- (3) may be forwarded by us to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment.

Section 3, ENDORSEMENTS

3.00 Cash item without endorsement

If a cash item is received by a Federal Reserve bank from a sender without the endorsement thereon of such sender, we may

- (1) present, send, or forward the item as if it bore such endorsement,
- (2) place on the item the name of such sender and the date of its receipt by us, or
- (3) return the item to the sender for proper endorsement by the sender.

3.05 Warranties

This bank makes the warranties set out in section 210.6(b) of Regulation J by presenting, sending, or forwarding a cash item pursuant to section 3 of our Bulletin 8. These warranties arise whether or not such item bears the endorsement of this bank.

Section 4, PAYMENT FOR CASH LETTERS

4.00 Time of payment

Payment or remittance for our cash letter must be made by a paying bank for all accompanying

cash items which shall not have been returned by said bank prior to the close of its banking day on which such cash items are received.² Such payment or remittance³ shall be made at par and in the manner hereafter provided:

- (a) Debit to an account on the books of this Bank;
- (b) Cash; or
- (c) In the discretion of this Bank, any other form of payment or remittance.

The proceeds of any such payment or remittance in any form herein stated shall be available to this Bank not later than the close of the banking day for this Bank on which such items were so received by the paying bank. If the banking day on which such items are received by a paying bank is not a banking day for this Bank, any payment or remittance made hereunder shall be effected on the next banking day of both this Bank and such paying bank next following the day of receipt of such item.

4.05 Form of payment

This bank may require the paying bank to which it has presented or sent any cash item to pay or remit therefor in cash, but payment may be made, in our discretion by any of the following methods which is in a form acceptable to us:

- (1) authorization to charge the account on our books of a member or nonmember clearing bank,
- (2) cash letter agreement plan (automatic charge; see our Bulletin 12), or
- (3) other forms where special arrangements have been made.

²A cash item received by a paying bank shall be deemed to have been received by the Bank on its next banking day if the item is received under one of the following circumstances:

- (1) On a day other than a banking day for it, or
- (2) On a banking day for it, but
 - (a) After its regular banking hours, or
 - (b) After a "cut-off hour" established by it in accordance with applicable state law, or
 - (c) During afternoon or evening periods when it is open for limited functions only.

³This bank will charge against a member paying bank's reserve account the amounts of cash letters received from or through this bank by such paying bank, in the absence of any arrangement to provide for payments and remittances in some other manner and in the absence of instructions to the contrary with respect to any specific cash letter.

4.10 Collecting banks

A subsequent collecting bank (other than a Federal Reserve Bank) to which the paying bank has paid or remitted for a cash item as herein provided shall pay or remit the proceeds to the Federal Reserve Bank which forwarded the item to it in such fashion that the proceeds thereof will be available to such Federal Reserve Bank not later than the close of the banking day, for such Federal Reserve Bank, on which the proceeds were received by such subsequent collecting bank.

4.15 Differences and adjustments

Unless a paying bank has otherwise agreed with this bank, when a paying bank pays or remits for our cash letter in an amount not in agreement with the total of the cash letter because the accompanying cash items do not prove to the amount of the cash letter, a complete explanation of the difference should be furnished on our appropriate form.

Section 5, RETURN ITEMS

5.00 Recovery

If a paying bank returns to us an unpaid cash item in accordance with the provisions of Section 210.12 of Regulation J,⁴ it may recover any payment or remittance theretofore made by it for such item by requesting a credit therefore to an account on our books; and paying banks are urged to follow this procedure to the extent practicable. However, any such paying bank may return any such unpaid item to us for refund.

5.05 Time for return by collecting banks

Any collecting bank which receives an unpaid cash item from a paying bank for return to us is hereby directed to forward the return item to us before midnight of its next banking day following the banking day of its receipt of the return item, or as such time may be extended by operation of section 210.14 of Regulation J.

5.10 Warranty of collecting banks

A collecting bank which takes or receives a credit or obtains a refund for the amount of any remittance made by it in respect of a cash item forwarded to it by us and returned to us by it thereby

⁴Section 210.12 of Regulation J is set forth in Supplement A to this bulletin.

(1) warrants to us and to the sender of the item and all prior parties thereon that its return of the unpaid item to us was timely, and

(2) agrees to indemnify us for any loss or expense sustained (including but not limited to attorney's fees and expense of litigation) resulting from its breach of such warranty.

5.15 Warranty of paying banks

In accordance with section 210.12(b) of Regulation J, each paying bank which takes or receives credit or obtains a refund in respect of a cash item received by it from or through us, warrants to us, to any subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment within the times limited therefor.

5.20 Return without entry

A paying bank, or a collecting bank, may return to us without entry a cash item which the paying bank or collecting bank did not return on time, with the request that we ask our sender to make refund therefor, in which event we shall make refund to the paying bank or collecting bank and charge our sender only if the latter specifically authorizes us to do so.

5.25 Reason for nonpayment on item

Each cash item returned unpaid should bear a notation clearly indicating the reason for nonpayment.

5.30 Federal Reserve responsibility

No Federal Reserve bank has any responsibility for determining whether the paying bank took all action necessary to entitle it to recover its payment or remittance within the times limited therefor by Regulation J or whether any collecting bank returned the item to it within the time limited therefor by section 5.05 of this bulletin.

5.35 Maintenance of records

For its own protection each paying and collecting bank returns cash items to us for any reason should maintain adequate records to permit the reproduction or tracing of any items lost or destroyed in transit.

5.40 Provisional credits

If a paying bank or a collecting bank makes, in accordance with applicable state law, a direct

return to the depository bank of an unpaid cash item which it has received from or through us or any other Federal Reserve bank, any provisional credit for the item

(1) between such paying bank or collecting bank and this bank or any other Federal Reserve bank,

(2) between this bank or any other Federal Reserve bank and the sender, and

(3) between this bank and any other Federal Reserve bank

shall become and remain final.

Section 6, UNIFORM INSTRUCTIONS REGARDING PROTEST AND ADVICE OF NONPAYMENT

Except as provided in section 6.05 hereof, all paying banks and collecting banks must receive, handle, and forward cash items in accordance with the following uniform instructions regarding protest and wire advice of nonpayment; and any contrary or special instructions noted on cash letters or otherwise transmitted with cash items are to be disregarded:

(1) **PROTEST** any dishonored item of \$1,000 or over:

(a) which appears on its face to have been drawn at a place which is not within any state,⁵ unless it bears on its face the A.B.A. no-protest symbol of a Federal Reserve bank or of a preceding bank endorser, or

(b) which bears on its face the legend, "PROTEST REQUIRED", of a Federal Reserve bank or of a preceding bank endorser.

(2) **DO NOT PROTEST:**

(a) any item of less than \$1,000 or

(b) any item of \$1,000 or over unless it is protestable under subparagraph (1).

(3) **WIRE ADVICE** of nonpayment of any item of \$1,000 or over, unless it has not been paid because of a missing, irregular, or unsatisfactory endorsement or unless it bears on its face the

⁵The term "state" is defined in section 210.2(n) of Regulation J to mean any state of the United States, the District of Columbia, or Puerto Rico, or any territory, possession, or dependency of the United States.

legend, "DO NOT WIRE NONPAYMENT", of a Federal Reserve bank or a preceding bank endorser. Include in the advice of nonpayment, the amount of the item, the reason for nonpayment, the date of our cash letter, the name of the drawer or maker, and the name of the two endorsers immediately preceding the Federal Reserve bank or their A.B.A. transit numbers, if any. Wire advices of nonpayment should be furnished in a form similar to that which is used in the following specimen:

Returning \$1,513.24 insufficient funds yours
18th maker John Doe endorsed 37-2 17th
88-4185 16th and Richard Roe.

- (4) **DO NOT WIRE ADVICE** of nonpayment of:
- (a) any item less than \$1,000, or
 - (b) any item of \$1,000 or over unless such advice is required by subparagraph (3).

6.05 United States obligations

DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any cash item, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, or bearing on its face or in an endorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment" or words of similar import.

6.10 Responsibility of paying bank

The paying bank shall be responsible for making or providing for any protest of a cash item protestable under the provisions of this bulletin and for giving any wire advice of nonpayment required by the provisions hereof, except as may be otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between this bank and the paying bank.

6.15 Responsibility of this bank

This bank shall have no responsibility for determining whether any other bank responsible therefor has (a) made or provided for the protest of any cash item protestable hereunder or (b) given any wire advice of nonpayment required hereunder.

Section 7, PROCEDURES

7.00 Standardization, sorting, routing, and mechanized processing

To facilitate the sorting, routing, and mechanized processing of cash items, and thereby promote earlier presentment and return of unpaid items, paying banks are urged:

(1) In conformity with the A.B.A. Magnetic Ink Character Recognition Program, to preprint the routing symbol and the suffix of the transit number on all cash items in magnetic ink in E-13B type in the manner prescribed, and at the location assigned, by the A.B.A.

(2) To clearly imprint the appropriate transit number-routing symbol in fractional form in the upper right corner of all cash items payable by or through such paying banks, preferably in Gothic type, and the face of which measures at least 8 points vertically or 1/9 of an inch from the top to the bottom of the individual characters.

(3) To conform cash items to the standards prescribed by the A.B.A., including a minimum width of 2³/₄ inches, a maximum width of 3²/₃ inches, a minimum length of 6 inches, and a maximum length of 8³/₄ inches, and to restrict cash items to a single thickness of card or paper.

7.05 Reference to Bulletin 8

The attention of paying banks and collecting banks is called to our Bulletin 8, to the effect that:

(1) This bank may present, send, or forward any cash item, in accordance with section 210.6 of Regulation J, on the basis of:

(a) Any A.B.A. transit number or routing symbol appearing thereon at the time of its receipt by us, whether inscribed by magnetic ink or by any other means, and whether or not such transit number or routing symbol is consistent with each other form of designation of the paying bank (or nonbank payor) then appearing thereon; or

(b) Any other form of designation of the paying bank (or nonbank payor) then appearing thereon, whether or not consistent with any A.B.A. transit number or routing symbol then appearing thereon; and

(2) If, in our judgment, the processing of any cash item by us requires the inscription there-

on in magnetic ink, or otherwise, of the A.B.A. transit number, the routing symbol, or both, of the paying bank (or nonbank payor) or requires the inscription thereon in magnetic ink of the amount of such item, we may so inscribe the item and present, send, or forward it accordingly; and the sender of such item shall be deemed to assume the risk of loss resulting from delay caused by the act of inscribing such amount or such number, symbol, or both.

7.10 Cash letters received in mutilated condition

In the event that our cash letter is received in a mutilated condition, please telephone this bank before attempting to function any portion thereof. Under certain conditions when the cash letter is returned intact, tracing and identification of mutilated or destroyed cash items is expedited.

7.15 Photographic copies

In the event we receive, as a cash item, a properly prepared photographic copy of a lost or destroyed item which was eligible for handling as a cash item, which copy bears a current endorsement of the sender and the following legend, or one of equivalent effect, signed by or in behalf of the sender:

"This is a photographic facsimile of the original check which was endorsed by the undersigned and reported lost, stolen, or destroyed while in the regular course of bank collection. All prior and any missing endorsements and the validity of this facsimile are hereby guaranteed, and upon payment hereof in lieu of the original check, the undersigned will hold each collecting bank and the payor bank harmless from any loss suffered, provided the original check is unpaid and payment is stopped thereon."

we will present or send the copy as a cash item to the paying bank (or nonbank payor) subject to all the rules as to payment or remittance for, and return of, cash items; and we urge paying banks (and nonbank payors) to accept such photocopies for handling as cash items. However, if a paying bank (or nonbank payor) declines to handle the copy as a cash item but is willing to handle it as a noncash item, we will charge back to the sender the amount of the copy and will present or send the copy to the paying bank (or nonbank payor) as a noncash item under the terms of our current bulletin relating to the collection of noncash items; or, if such paying bank (or nonbank payor) refuses to handle the copy, we will charge back the amount of the copy and return the copy to the sender.

Supplement A

RETURN OF CASH ITEMS

Section 210.12 of Regulation J, captioned "Return of Cash Items", provides as follows:

(a) A paying bank that receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, and that pays or remits for such item as provided in § 210.9(a) of this Part shall have the right to recover any payment or remittance so made if, before it has finally paid the item, it returns the item before midnight of its banking day next following the banking day of receipt or takes such other action to recover such payment or remittance within such time and by such means as may be provided by applicable State law: *Provided*, that the foregoing provisions shall not extend, nor shall the time herein provided for return be extended by, the time for return of unpaid items fixed by the rules and practices of any clearing house through which the item was presented or fixed by the provisions of any special collection agreement pursuant to which it was presented.

"(b) Any paying bank which takes or receives a credit or obtains a refund for the amount of

any payment or remittance made by it in respect of a cash item received by it from or through a Federal Reserve bank shall be deemed (1) to warrant to such Federal Reserve bank, to a subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment or remittance within the time or times limited therefor by the provisions of this part, by the applicable rules and practices of any clearing house through which the item was presented, by the applicable provisions of any special collection agreement pursuant to which it was presented, and, except as a longer time may be afforded by the provisions of this part, by applicable State law; and (2) to agree to indemnify such Federal Reserve bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from its action in giving such credit or making such refund, or in making any charge to, or obtaining any refund from, the sender. No Federal Reserve bank shall have any responsibility to such paying bank or any subsequent collecting bank or to the sender of the item or any other prior party thereon for determining whether the action hereinabove-referred to was timely."