



American Revolution Bicentennial

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 76-139
October 19, 1976

REVISION OF BULLETINS 8 AND 11

TO ALL BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

It has been observed that check processing equipment in use by some paying banks places an endorsement or other identifying stamp of the paying bank on the reverse side of items presented to it for payment in lieu of the traditional "paid" stamp on the face of the items. If such items are returned unpaid without cancellation of the paying bank's endorsement, the Federal Reserve may route the items back to the paying bank on the assumption that the endorsements are that of a prior collecting bank. In order to make collecting and paying banks aware of the possible liability associated with this practice, this Bank's Bulletin 8, Section 11, Paragraph 11.00, and Bulletin 11, Section 7, Paragraph 7.00, are being appropriately revised effective November 1, 1976. The revisions provide that:

- (1) Paying banks should not return items bearing their uncanceled endorsements, and
- (2) Reserve Banks will assume no responsibility for any delay caused by misrouting of such return items by a Federal Reserve Bank.

Copies of the revised pages of Bulletins 8 and 11 are enclosed. Member banks and others who maintain Regulations Binders should file the pages in their binders and the corresponding pages should be removed and destroyed. If you have any questions or comments with respect to the revision of these bulletins, please contact J. A. Clymer, Assistant Vice President at this Bank, at (214) 651-6337, or the appropriate officer at our El Paso, Houston, or San Antonio Branch.

Additional pages of the revised pages of Bulletins 8 and 11 will be furnished upon request to the Secretary's Office of this Bank (214) 651-6267.

Sincerely yours,

T. W. Plant

First Vice President

Enclosures

items payable in any other Federal Reserve district to justify direct sending and this Bank authorizes such sender to send such items direct to the Federal Reserve Bank of such other Federal Reserve district, we reserve the right to decline to accept any such items from such sender.

10.10 Direct sending of cash items to other offices of this Bank

Member banks and other senders maintaining or using accounts with one office of this Bank which have a substantial volume or dollar amount of cash items payable in the territory of any other office of this Bank which they wish to collect through this Bank are required to apply to us for authority to send such items direct to such other office; provided, however, that we may, in our discretion, withdraw such authority at any time. Appropriate instructions will be transmitted to the member banks and other senders which are authorized to send direct.

10.15 Right to refuse intradistrict items authorized for direct sending

In the event that any sender maintaining or using an account with one office of this Bank has, in our judgment, a sufficient volume or dollar amount of cash items payable in the territory of another office of this Bank to justify direct sending and this Bank authorizes such sender to send such items direct to such other office of this Bank, we reserve the right to decline to accept any such items from such sender.

10.20 Reimbursement of transportation costs for member banks

Each member bank which sends cash items direct to other Federal Reserve Banks will be reimbursed by us at First Class Airmail or common carrier rates, whichever is usually lower, but not for insurance, on all such items sent direct under our authority. Reimbursement also is allowable under similar conditions for cash items sent direct to other offices of this Bank. In the interest of expeditious and economical handling, those direct-sending member banks that by arrangement deliver cash items payable in other Federal Reserve territories to this Bank for consolidated shipment should not deviate from the arrangement except upon prior approval of this Bank. Transportation costs of such consolidated shipments will be paid by us. A direct-sending member bank that has made an arrangement with this Bank for consolidated

shipment from an office of this Bank located in the same city as the member bank will not normally be reimbursed by us when cash items are sent direct outside of the consolidated shipment, except on Saturdays, Sundays, and holidays.

10.25 Claims for reimbursement

Claims for reimbursement of transportation costs of direct sendings should be filed with us by the tenth day of the month following the month in which such costs were incurred, using Form TR-115, a supply of which will be furnished upon request.

10.30 Methods of shipment

Each direct-sending member bank should give constant attention to methods of shipment and should change the method in any case in which shipment can be made by another method at a lower cost and without loss of time in presentment. In cases in which we pay the transportation costs, we reserve the right to require a change in method of shipment in any situation where, by the use of another method, a more efficient handling by the receiving Federal Reserve office will result, or presentment can consistently be made more promptly, or at a lower cost and without loss of time.

Section 11, HIGH-SPEED PROCESSING

11.00 Standardization, sorting, routing, and mechanized processing

To facilitate the sorting, routing, and mechanized processing of cash items, and thereby promote earlier presentment and earlier return of unpaid items, it is urged that:

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

(2) The appropriate transit number-routing symbol in fractional form be clearly imprinted in the upper right corner of all cash items payable by or through all par remitting banks, preferably in Gothic type, 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) Cash items be otherwise conformed to the standards prescribed by the ABA, including a minimum width of $2\frac{3}{4}$ inches, a maximum width of $3\frac{2}{3}$ inches, a minimum length of 6 inches, and a maximum length of $8\frac{3}{4}$ inches, and be restricted to a single thickness of card or paper.

(4) The attention of senders is called to our operating letter entitled "Instructions to Collecting Banks and Paying Banks" to the effect that: Cash items returned by collecting banks and paying banks should not bear on the back the endorsement, paid or other identifying stamp of the paying bank unless that stamp has been cancelled. This Bank or another Reserve Bank which has handled an item, shall not assume any responsibility to the sender, to any other owner or holder of the item, or to any other person, for any delay resulting from action taken by a Reserve Bank in returning an item on the basis of the uncanceled endorsement, paid or other identifying stamp of the paying bank on the back of the item.

11.05 Right to encode, assumption of risk by sender

If, in our judgement, the processing of any cash item by us requires the inscription thereon in magnetic ink, or otherwise, of the ABA 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.

11.10 Designation of paying bank or nonbank payor

This Bank may present, send, or forward any cash item, in accordance with the provisions of Section 210.6 of Regulation J, on the basis of:

(1) Any ABA transit number or routing symbol appearing thereon at the time of its receipt by us, whether inscribed by magnetic ink or by 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

(2) Any other form of designation of the paying bank (or nonbank payor) then appearing thereon,

whether or not consistent with any ABA transit number or routing symbol then appearing thereon.

11.15 Nonmachinable items

Any cash item which cannot be processed on our MICR high-speed check-processing equipment and which is received by this Bank on Friday or, if that day be a nonbanking day, on Thursday, may be held over and processed on the following Monday, or, if that day be a nonbanking day, on the next succeeding banking day.

Section 12, 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 handle the copy as follows:

(1) 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 remittance for, and return of, cash items; or

(2) If such 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

(3) 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 GOVERNMENT CHECKS

A-1.00 Terms of handling

Government checks drawn on the United States Treasury will be handled by us as cash items in accordance with, and subject to, the provisions of Treasury Department Circular 21 (31 CFR 360). Copies of that Circular will be furnished upon request. With respect to matters not covered by that Circular, the terms and conditions of Regulation J applicable to cash items, of this bulletin, and of our time schedules shall be applicable to all such Government checks.

A-2.00 Immediate credit

We will give immediate credit, subject to payment in actually and finally collected funds, for Government checks as provided in our time schedules. Such checks will be forwarded by us to the United States Treasury and shall be subject in all cases to examination and payment by the United States Treasury. Under Treasury Circular 21, the United States Treasury has reserved the right to examine and to refuse payment of all Government checks handled by the Federal Reserve Banks.

A-3.00 Returns

Section 210.12 of Regulation J, relating to the return of cash items by paying banks, is not applicable to Government checks. In the event that the United States Treasury refuses payment of any Government check upon first examination and such check, or photographic copy thereof, is returned to this Bank as outlined in Treasury Circular 21, the amount of such check will be charged back to the account of the sender and simultaneously credited to the account of the United States Treasury. This Bank shall have no responsibility to the sender of any Government check, or any other owner or holder thereof, with respect to the nonpayment of any such check and return by the United States Treasury of any such check or photographic copy thereof.

A-4.00 Claims and actions

The attention of senders is directed to 31 U.S.C. 122 and 129, to the effect that (1) claims on a Government check which appears of record to have been paid, must be made within six years after the date of issuance of the check and (2) an

action to enforce liability upon a forged or unauthorized signature or endorsement or alteration of any Government check must be commenced within six years after the presentment of the check, or written notice of such a claim given within that period, provided that, if a claim is made upon an apparently paid check, the six-year period with respect to the commencement of an action or the giving of written notice will be extended an additional 180 days.

Supplement B POSTAL MONEY ORDERS

B-1.00 Terms of handling

Postal money orders (United States postal money orders; United States international postal money orders; domestic-international postal money orders) will be handled by us as cash items in accordance with an agreement made by the United States Postal Service, and by the Federal Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. With respect to matters not covered by that agreement, the terms and conditions of Regulation J applicable to cash items, of this bulletin, and of our time schedules shall be applicable to all such postal money orders.

B-2.00 Immediate credit

We will give immediate credit for postal money orders received from a sender maintaining or using an account with us as provided in our time schedules. Simultaneously with such credit, we will debit the amount of such money orders against the general account of the United States Treasury under such symbol numbers as may be assigned by the United States Treasury; and such credit to the account of the sender shall then become final as between us and the sender.

B-3.00 Claims, returns

The agreement between the United States Postal Service and the Federal Reserve Banks provides, in effect, that no claim for refund or otherwise with respect to any postal money order debited against the general account of the United States Treasury and delivered to the representative of the United States Postal Service as provided in said agreement (other than a claim based upon the negligence of a Federal Reserve Bank) shall be made against or through any Federal Reserve

Bank; that, if the United States Postal Service makes any such claim with respect to any such money order such money order will not be returned or sent to a Federal Reserve Bank, but the United States Postal Service will deal directly with the bank or the party against which such claim is made; and that the Federal Reserve Banks will assist the United States Postal Service in asserting such claim, including making their records and any relevant evidence in their possession available to the United States Postal Service. Section 210.12 of Regulation J, relating to the return of cash items by the paying banks is not applicable to postal money orders.

Supplement C FOOD COUPONS

C-1.00 General

Food coupons will be handled by us as cash items in accordance with an agreement made by the Secretary of Agriculture, in behalf of the United States, and by the Federal Reserve Banks as depositories and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. With respect to matters not covered by such agreement, the terms and conditions of Regulation J applicable to cash items, of this bulletin, and of our time schedules shall be applicable to such coupons. We will receive food coupons only from member banks and nonmember banks which have arranged with us to send coupons to us for collection for credit to the account of a member bank on our books. All such banks sending coupons to us should follow the instructions set forth in an outline of procedures for commercial banks in handling such coupons under the current Food Stamp Program, prepared by the United States Department of Agriculture.

C-2.00 Terms and conditions

We will accept food coupons received by us in accordance with the following terms and conditions:

(1) Redeemed food coupons should be forwarded to the office of this Bank maintaining the reserve account to which the proceeds of the coupons are to be credited. We will give immediate credit for deposits of redeemed food coupons as provided in our time schedules. Such credit will not be final and will be subject to reclamation and adjustment.

(2) Food coupons should be separately sorted by denominations and should be deposited in a

separate cash letter. The sending bank's transmittal letter should be clearly stamped or marked "FOOD COUPONS." The transmittal letter should show the total number of, and the total amount of, each denomination of coupons enclosed. Food coupons should be forwarded to us by the means ordinarily used by the sender for checks and other cash items; such shipments will be at the risk of the Department of Agriculture, only to the extent and under the conditions stated in 7 CFR 272.5(c). Sending banks should retain customers' deposit slips and any other pertinent records which would assist in substantiating reimbursement claims against the Department of Agriculture for coupons lost in transit.

(3) In accordance with the regulations of the United States Department of Agriculture (7 CFR 2), a portion of a food coupon consisting of less than three-fifths of a whole coupon shall not be accepted for redemption. Any coupon accepted for redemption shall show on its back either the *AUTHORIZATION NUMBER* or the name of the authorized retail food store and, if involved, the authorized wholesale food concern. Each coupon shall also be cancelled by the first bank which receives it by indelibly marking "PAID" or "CANCELLED," together with the name of the bank or its ABA transit number, on the face of the coupon by means of an appropriate stamp. No coupon should be endorsed by any bank.

(4) Additional information concerning the collection of food coupons will be furnished by us upon request.

C-3.00 Nonmember banks

Nonmember banks which have not arranged with us to deposit food coupons for collection for credit to an account of a member bank on our books should forward redeemed food coupons through ordinary collection channels.

Supplement D FOOD CERTIFICATES

D-1.00 General

Food certificates will be handled by us on the same basis as food coupons. Senders should consult 7 CFR 265.11(b) for information regarding the extent to which, and the conditions under which, the Department of Agriculture assumes the risk of loss of certificates while in the course of shipment.

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 ABA 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 ABA.

(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 ABA, 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.

(4) Cash items returned by collecting banks and paying banks should not bear on the back of the endorsement, paid or other identifying stamp of the paying bank unless that stamp has been cancelled. This Bank or another Reserve Bank which has handled an item, shall not assume any responsibility to the sender, to any other owner or holder of the item, or to any other person, for any delay resulting from action taken by a Reserve Bank in returning an item on the basis of the uncanceled endorsement, paid or other identifying stamp of the paying bank on the back of the item.

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 ABA 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 ABA 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 thereon in magnetic ink, or otherwise, of the ABA 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 de-

stroyed 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 bank-

ing 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."