

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-37
March 10, 1977

REVISION OF BULLETINS 8, 9, AND 11

TO ALL BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Effective April 1, 1977, all Federal Reserve offices will put in place uniform procedures designed to expedite the collection of photocopies of lost or destroyed cash items. These procedures were developed by the Joint Industry Exception Item Task Force, consisting of representatives of the American Bankers Association (ABA), Bank Administration Institute (BAI), and the Federal Reserve. The new procedures are described as follows:

Obtaining and Processing Photocopies

1. A Federal Reserve office will:

- a. Adjust with the paying financial institution for an item reported "listed not enclosed" provided that the paying financial institution reports the item was missing during first pass (in proof) processing and initiates the missing item procedure within 5 business days after the date of the cash letter listing the missing item.

Note: Items discovered missing during the second and subsequent pass processing at paying financial institutions or their processing centers should be reproduced from microfilm made prior to or during in-proof processing or a photocopy should be requested without entry.

- b. Charge back to the sending financial institution the value of all missing items adjusted with a paying financial institution, items discovered missing during Federal Reserve first pass processing, and items known to be lost or destroyed while being transported.
- c. Request photocopies of checks reported missing or mutilated during subsequent pass processing at the Federal Reserve. A charge back to the sending financial institution will be made if the photocopy is not provided within 15 calendar days from the date a Federal Reserve office makes such a request of the sending bank.

Banks and others are encouraged to use the following toll-free incoming WATS numbers in contacting this Bank: 1-800-492-4403 (intrastate) and 1-800-527-4970 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

- d. At the end of 15 calendar days, the Federal Reserve will automatically charge an item back to the sending institution if the sending financial institution does not provide a photocopy of the item (bearing a current bank endorsement) requested under paragraph 1.c., an indemnity agreement as currently required, and a copy of the Federal Reserve's request for photocopy. After charge back, the provisions of paragraph 2, below, shall apply.
2. The Federal Reserve will handle photocopies as cash item adjustments if, within 30 calendar days from the date of charge, the sending financial institution provides a photocopy of an item (bearing a current bank endorsement) charged back, an indemnity agreement as currently required, and a copy of the Federal Reserve charge back notice. If the photocopy and required documentation are not supplied within the 30-calendar-day period, the sending bank must deal directly with the paying bank or forward the photocopy through the Federal Reserve on a without entry adjustment basis.
3. The Federal Reserve will continue to accept photocopies in cash item channels, thereby providing an efficient system for the collection of large numbers of items in cases where an entire check shipment is lost or destroyed.
4. The adjustment departments in Federal Reserve offices will handle the photocopies (except those photocopies presented for payment under paragraph 3 above) and the paying financial institutions will accept an immediate charge for the photocopies presented for payment.

Return of Photocopy by Payor Institution

5. Immediate credit will be granted to the paying financial institution by the Federal Reserve upon the return of a photocopy handled under this procedure, provided:
 - a. The photocopy is returned through return item channels within the midnight deadline for any of the same reasons that the original might be returned.
 - b. The drawer of the original item refuses to permit payment of the photocopy or the paying financial institution is unable to contact the drawer and return is made within 30 calendar days after the date of charge. Photocopies returned under this provision must be made through check adjustment channels and must be accompanied by a signed statement that the drawer has refused payment of the photocopy or that the financial institution has been unable to contact the drawer.

- c. The original item has been paid. The paying financial institution may return a photocopy, the original of which has been paid within 30 calendar days after the date of charge. A photocopy returned in this manner must be made through check adjustment channels and must be accompanied by a photocopy (front and back) of the paid original item and complete source of receipt documentation.
- d. Any photocopies returned by the paying financial institution after 30 calendar days, but within 9 months after the date of charge, will be handled by the Federal Reserve on a without entry basis. Supporting documentation referred to in paragraph 5.c., above, will be required.

General

- 6. Photocopies of cash items will no longer be handled as noncash items. However, photocopies of certain noncash items will continue to be handled as noncash items, in accordance with Bulletin 9, entitled "Collection of Noncash Items."

Copies of revised pages of Bulletins 8, 9, and 11 are enclosed. They should be inserted in the proper bulletins and the corresponding pages should be removed and destroyed. If you have any questions or comments with respect to the revisions of these bulletins, please contact J. A. Clymer, Assistant Vice President, at Ext. 6337, or the appropriate officer at our El Paso, Houston, or San Antonio Branch.

Additional copies of these revisions will be furnished upon request to the Secretary's Office of this Bank, Ext. 6267.

Sincerely yours,

Robert H. Boykin

First Vice President

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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, MISSING OR DESTROYED CASH ITEMS: PHOTOGRAPHIC COPIES

12.00 Credit for missing or destroyed cash items

Credit given for cash items discovered to be missing or destroyed will be charged back to senders as follows:

(a) We will charge back the credit given for a cash item which (i) is discovered to be missing during the initial proving of an incoming cash letter by this Bank, or by a subsequent collecting bank or by the paying bank, or (ii) is known to be missing or destroyed in transit to a subsequent collecting bank or to the paying bank, and which is reported to this Bank as missing or destroyed in accordance with our "Instructions to Collecting Banks and Paying Banks."

(b) We will request the sender to furnish us with a properly prepared photographic copy of a cash item discovered to be missing or destroyed after the initial proving of an incoming cash letter by this Bank or by a subsequent collecting bank which is reported to this Bank as missing or destroyed in accordance with our "Instructions to Collecting Banks and Paying Banks." We will charge back the credit given for such item if such a copy, together with a copy of the request therefor, is not received by this Bank, or by a prior collecting Federal Reserve Bank which has made a similar request (and which should forward such copy to us when received), within fifteen (15) calendar days from the date the request was sent by the first collecting Federal Reserve Bank.

12.05 Handling of photographic copies

We will handle as a cash item a properly prepared photographic copy of a cash item:

(a) If (i) the credit given for the original cash item was charged back by this or a prior collecting Federal Reserve Bank as provided in subparagraph (a) or (b) of paragraph 12.00, and (ii) such copy, together with a copy of the advice of chargeback, is received by this Bank, or by a prior collecting Federal Reserve Bank which has charged such amount back (and which forwards such copy and advice to us when received), within thirty (30) calendar days from the date the amount of such cash item was charged back by the first collecting Federal Reserve Bank, or

(b) If such copy, together with a copy of the request therefor, is received by this or a prior collecting Federal Reserve Bank within the time provided in subparagraph (b) of paragraph 12.00, but new credit will not be given for such copy, or

(c) If the original cash item is known to be missing or destroyed in transit to the first collecting Federal Reserve Bank.

12.10 Reference to Bulletin 11

The attention of senders is called to our "Instructions to Collecting Banks and Paying Banks" to the effect that we will present, send, or forward a photographic copy subject to all the rules as to payment or remittance for, and return of, cash items, other than instructions regarding protest and wire advice of nonpayment, and subject also to the right of a paying bank to return the photographic copy for credit or refund within thirty (30) calendar days from the banking day of its receipt by such paying bank:

(a) If the copy is accompanied by a statement, signed by an authorized representative of the paying bank, that the drawer of the original cash item has refused payment of the photographic copy or that the paying bank has been unable to contact such drawer, or

(b) If the copy is accompanied by a photographic copy of both front and back of the original paid cash item together with a statement, signed by an authorized representative of the paying bank, that such original has been paid and giving information as to the receipt of such original by the paying bank.

12.15 Federal Reserve Bank responsibility

No Federal Reserve Bank shall have any responsibility for determining whether the paying bank took all action necessary to entitle it to recover

its payment or remittance for a photographic copy of a cash item or whether the return of the copy to it by a subsequent collecting bank was timely. Nor shall a Federal Reserve Bank have any responsibility for determining whether a report of a missing or destroyed cash item by a subsequent collecting bank or the paying bank, or whether a statement with respect to the handling of a photographic copy of a cash item by the paying bank, is correct.

12.20 Photographic copy legend

A properly prepared photographic copy must bear a current endorsement of the sender and the following legend, or one of the 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 missing 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."

12.25 Photographic copies handled without entry

(a) A sender may send to us without entry a properly prepared photographic copy which it did not send on time as provided in paragraph 12.05, with a request that we ask the paying bank or a subsequent collecting bank to pay or remit therefor, in which event we shall credit the sender and charge the paying bank or subsequent collecting bank only if the letter specifically authorizes us to do so.

(b) If a returned photographic copy or a report of a missing or destroyed cash item is received without entry from the paying bank or subsequent collecting bank, we will credit or make refund to the paying bank or subsequent collecting bank and charge the sender only if the latter specifically authorizes us to do so.

(c) This Bank reserves the right to make special arrangements involving revised procedures to facilitate the handling of photographic copies of large numbers of missing or destroyed cash items.

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- (d) All telegraph, cable, and telephone charges; and
- (e) Protest fees.

Section 11, RETURN OF NONCASH ITEMS

11.00 General

A noncash item for which final payment has been received by a Federal Reserve Bank cannot be returned to a Federal Reserve Bank by a subsequent collecting bank, a paying bank, or nonbank payor for credit or refund. However, such an item may be returned to us without entry and with a request that we ask our sender to make refund therefor, in which event we will make refund to the subsequent collecting bank, paying bank, or nonbank payor, as the case may be, and charge our sender only if the latter specifically authorizes us to do so.

11.05 Noncash items to be presented for acceptance

We will receive from senders, for presentment for acceptance, any nonaccepted noncash item which provides that it must be presented for acceptance, or which is payable elsewhere than at the residence or place of business of the drawee, or the date of payment of which depends upon presentment for acceptance, subject to the following terms and conditions:

- (1) Noncash items to be presented for acceptance must be deposited by senders in a separate collection letter which states that such items are to be so presented and sets forth any other instructions of the sender, not inconsistent with the provisions of this section and section 11.10 hereof, regarding such items.
- (2) A Federal Reserve Bank or a subsequent collecting bank may present any such item for acceptance in any manner authorized by law.
- (3) Any subsequent collecting bank to which this Bank forwards any such item for presentment for acceptance will give us prompt notice of acceptance or refusal of the item.
- (4) No Federal Reserve Bank or subsequent collecting bank shall, upon the acceptance of any such item, deliver to the drawee thereof any accompanying documents unless specifically instructed by the sender to do so.

11.10 Effect of section 11.05

A noncash item received by us under section 11.05 hereof will be presented for acceptance by us or by a subsequent collecting bank selected by us. If the item is not accepted, it will be returned to the sender; if accepted and:

- (1) If the item is payable 30 days or less after sight or by its terms matures 30 days or less after the receipt thereof by us, the item will be held for presentment for payment by us, by the subsequent collecting bank, or by the drawee bank; or if the sender so requests, the item will be returned to the sender; or
- (2) If the item is payable more than 30 days after sight or by its terms matures more than 30 days after the receipt thereof by us, the item will be returned to the sender.

Section 12, PHOTOGRAPHIC COPIES

12.00 Requirements for handling

In the event we receive, as a noncash item, a properly prepared photographic copy of a lost or destroyed item which was a check or other demand item without securities, bills of lading, or other documents attached and which was eligible for handling as a noncash item and the 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 item 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 item, the undersigned will hold each collecting bank and the payor bank harmless from any loss suffered, provided the original item is unpaid and payment is stopped thereon."

We will handle the copy as follows:

- (1) We will present or send the copy, as a noncash item, to the paying bank (or nonbank payor) named on the original item, subject to all the terms and conditions of this bulletin; or
- (2) If such paying bank (or nonbank payor) refuses to handle the copy, we will return the copy to the sender.

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

less of amount, endorsed by the United States Treasury, or endorsed for credit to the United States Treasury, 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 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 there-

of. Under certain conditions when the cash letter is returned intact, tracing and identification of mutilated or destroyed cash items is expedited.

Section 8, MISSING OR DESTROYED CASH ITEMS; PHOTOGRAPHIC COPIES

8.00 Credit for missing or destroyed cash items

The amount paid or remitted for cash items discovered to be missing or destroyed will be credited or refunded to subsequent collecting banks or paying banks as follows:

(a) We will credit or refund the amount paid or remitted for a cash item which is discovered to be missing during the initial proving of an incoming cash letter by a subsequent collecting bank or the paying bank, or which is known to be missing or destroyed in transit to a subsequent collecting bank or the paying bank, and concerning which a report is received by this Bank, or by a subsequent collecting Federal Reserve Bank (which sends such report to us when received) within five (5) business days of such subsequent collecting or paying bank from the date of the cash letter which listed the missing or destroyed item.

(b) We will credit or refund the amount paid or remitted for a cash item (i) which is discovered to be missing or destroyed after the initial proving of an incoming cash letter by a subsequent collecting bank, (ii) concerning which a report is received by this Bank, or by a subsequent collecting Federal Reserve Bank (which sends such report to us when received), within five (5) business days of such subsequent collecting bank from the date of the cash letter which listed the missing or destroyed item and (iii) the amount of which we have charged back to the sender after the fifteen day period provided in subparagraph (b) of paragraph 12.00 of our Bulletin 8 entitled "Collection of Cash Items."

8.05 Handling of photographic copies

In the event we receive a properly prepared photographic copy of a cash item in accordance with our Bulletin 8 entitled "Collection of Cash Items," we will present, send, or forward such copy as a cash item subject to all the rules as to payment or remittance for, and return of, cash items, other than the instructions regarding protest and wire advice of nonpayment, but new

payment or remittance shall not be required for a photographic copy where payment or remittance for the original cash item has not been credited or refunded. Such a photographic copy will also be presented, sent, or forwarded subject to the right of a paying bank to return the copy for credit or refund within thirty (30) calendar days from the banking day of its receipt by such paying bank, provided:

(a) The copy is accompanied by a statement, signed by an authorized representative of the paying bank, that the drawer of the original cash item has refused payment of the photographic copy or that the paying bank has been unable to contact such drawer, or

(b) The copy is accompanied by a photographic copy of both front and back of the paid original cash item together with a statement, signed by an authorized representative of the paying bank, that such original has been paid and giving (i) the name and routing number, if any, of the bank or other person from which such original was received and (ii) the date on which such original was received by the paying bank or, in the event such original was received from this Bank, the date of the cash letter that contained such original and the dollar amounts of the items listed prior and subsequent to such original in such cash letter, together with the total amount of the cash letter, the batch or package therein which contained the original cash item, and the sequence number of the original cash item, if any.

8.10 Time limits

Any subsequent collecting bank which receives an unpaid photographic copy from a paying bank for return to us should forward the return copy to us before midnight of its next banking day following the banking day of its receipt of the return copy.

8.15 Federal Reserve Bank responsibility

No Federal Reserve Bank shall have any responsibility for determining whether the paying bank took all action necessary to entitle it to recover its payment or remittance for a photographic copy of a cash item within the times limited therefor, by the provisions of paragraph 8.05 or whether any subsequent collecting bank returned the copy to it within the time limited therefor by paragraph 8.10. Nor shall a Federal Reserve Bank have any responsibility for determining

whether a report of a missing or destroyed cash item by a subsequent collecting bank or the paying bank, or whether a statement with respect to the handling of a photographic copy of a cash item by the paying bank, is correct.

8.20 Photographic copy legend

A properly prepared photographic copy will bear a current endorsement of the sender and the following legend, or one of the 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 missing 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."

8.25 Photographic copies handled without entry

(a) (i) A paying bank, or a subsequent collecting bank, may return without entry, with appropriate documentation, a photographic copy which the paying bank or subsequent collecting bank did not return within the time provided in paragraph 8.05, provided such return is made within nine (9) calendar months from the banking day of its receipt by such paying bank, and (ii) a paying bank, subsequent collecting bank, or this Bank may report without entry as missing or destroyed a cash item which it discovered to be missing or destroyed either after the time provided in paragraph 8.00 or after the initial proving of the incoming cash letter. In the event we receive such a without entry return photographic copy or such a without entry report of a missing or destroyed cash item with a request that we ask our sender to make refund therefor, we shall credit or make refund to the paying bank or subsequent collecting bank and charge our sender only if the latter specifically authorizes us to do so.

(b) If a properly prepared photographic copy is received without entry from a sender, we will credit the sender and charge the paying bank or a subsequent collecting bank only if the latter specifically authorizes us to do so.

(c) This Bank reserves the right to make special arrangements involving revised procedures to facilitate the handling of photographic copies of large numbers of missing or destroyed cash items.

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."