

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 77-67
June 21, 1977

NEW SUBPART B TO REGULATION J

TO ALL MEMBER BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

There is quoted below the text of a press release issued on June 16, 1977, by the Board of Governors of the Federal Reserve System announcing an amendment to Regulation J, effective September 1, 1977, to create a new section--Subpart B-- which codifies rules and procedures for the wire transfer of funds between member banks.

The Board of Governors of the Federal Reserve System today amended its Regulation J--which currently deals with check collection--by adding a new section concerning the wire transfer of funds between member banks.

The new part of Regulation J is designated Subpart B. It codifies rules and procedures evolved by the Federal Reserve System since it began wire transfer of funds in 1915, and puts the rules into regulatory form. The existing Regulation J rules for check collection remain unchanged, and become Subpart A of the regulation.

The wire transfer service of the Federal Reserve utilizes the System's computerized communications network linking the Board and all Federal Reserve Banks and their offices, to allow member banks to transfer funds almost instantly from their reserve balances to the reserve accounts of other member banks, for their own account, or for a customer. The most frequent use of this service is the transfer of excess reserves of member banks to banks needing additional reserves, and the transfer of funds for corporations.

The use of wire transfer has risen during the past 10 years from \$6.6 trillion in 1967 to \$35 trillion in 1976. The greatly increased use of the System's wire transfer services led the Board to conclude that it should put rules now contained in Reserve Bank operating circulars into regulatory form clarifying the duties and responsibilities of participants using the System's wire transfer facilities.

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.

Subpart B covers only wire transfers of funds, and does not touch on other electronic payments such as those processed through automated clearing houses (where payments instructions recorded on magnetic tape, rather than on checks, are cleared) or point of sale transactions (in which electronic means are used for verification of checks, or to charge customer's bank accounts for their purchases of goods or services) .

The wire transfer rules adopted by the Board are a revision from proposed wire transfer rules the Board published in November 1973 and republished in revised form in January 1976. The rules adopted today reflect Board consideration of hundreds of comments received on its proposals.

A third subpart to Regulation J is in preparation. It would deal with the processing of payments recorded on magnetic tape using Federal Reserve facilities. The Board included such draft rules in its January 1976 proposal concerning electronic payments.

An appropriate Subpart B to Regulation J, suitable for insertion in your Regulations Binder, will be forwarded to you in the near future.

If you have any questions regarding this matter, please contact Allan Y. Neale at the Dallas office, Ext. 6334, or the Accounting Department at our El Paso, Houston, or San Antonio Branch.

Sincerely yours,

Robert H. Boykin

First Vice President