

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-26

February 12, 1979

OBTAINING AND PROCESSING PHOTOCOPIES OF LOST CASH ITEMS

**TO ALL BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

Effective February 15, 1979, all Federal Reserve offices will adopt the following uniform procedure for the collection of photocopies of lost cash items; the term "lost cash item" does not include lost Treasury Checks or lost Postal Money Orders.

OBTAINING AND PROCESSING PHOTOCOPIES

Missing Item Procedure

1. A Federal Reserve office will:

- a. Adjust with the paying financial institution for an item, package, or bundle listed not enclosed, provided that the item, package, or bundle was missing during first pass (in-proof) processing and reported within 5 business days following date of the cash letter listing the item. (If reported missing after the 5 business days, procedures are outlined in our Circular No. 76-5 dated January 13, 1976.)

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 immediately to the sending financial institution those items discovered missing during Federal Reserve first pass processing.
- c. Charge back to the sending financial institution within 20 business days those missing items adjusted with the paying

Banks and others are encouraged to use the following 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.

financial institution and those items discovered missing from Federal Reserve second and subsequent pass processing.

Note: Adequate time after processing date should be provided before charge back is effected to determine if internal offsets can be located.

HANDLING PHOTOCOPIES

2. The Federal Reserve Banks will handle photocopies for immediate credit through check adjustment channels if, within 30 business days from date of charge by the local Reserve office serving the sending institution, that institution provides to the Reserve office originating the charge (a) a photocopy of the item or items (in cases of reported missing packages or bundles) charged back, each photocopy bearing a current bank endorsement and an attached indemnity agreement as currently required, and (b) a copy of the local Reserve office charge back notice. If the photocopy and required documentation are not supplied within the 30 business day period, the sending bank should deal directly with the paying bank.
3. The Federal Reserve will continue to accept photocopies in cash item channels, thereby providing a system for the collection of large numbers of items in cases where an entire check shipment is lost or destroyed. Accordingly, the Federal Reserve will provide credit for cash letters containing only photocopies of entire cash item shipments lost or destroyed en route to a Federal Reserve office and will process such photocopies as cash items provided:
 - a. The sending bank first determines that several items contained in the lost or destroyed shipment remain unpaid.
 - b. The resulting photocopy cash letter be submitted as a non-machinable cash letter and identify as containing photocopies of a lost or destroyed check shipment.
 - c. Each photocopy bears a current endorsement of the sending bank and an indemnity agreement as currently required.

Note: When a cash letter containing many checks has been lost or destroyed, sending financial institutions should be encouraged to send photocopies as they become available rather than wait until the reconstruction of the entire lost cash letter is completed.

Upon receipt of cash letters containing only photocopies, but before processing, the receiving Reserve

office should trace several of the photocopies to paying banks to determine if the original checks remain unpaid.

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 20 business days after the date of charge by its local Federal Reserve office. 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 must return through check adjustment channels, a photocopy, the original of which has been paid, within 20 business days after the date of charge by its local Federal Reserve office. A photocopy submitted in this manner must be accompanied by a photocopy (front and back) of the paid original item, a copy of the Federal Reserve charge advice and complete source of receipt documentation.

Note: When the source of receipt of the original item is a Reserve office other than the Reserve office presenting the photocopy, the charge (accompanied by a photocopy, front and back, of the paid original item, copy of charge advice and complete source of receipt documentation) will be made to the Reserve office originating the photocopy.

6. Any photocopies returned by the paying financial institution after 20 business days, but within 9 months after the date of charge by its local Federal Reserve office, 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

7. 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 No. 9, entitled "Collection of Noncash Items."
8. Items located after a photocopy has been presented for payment may be forwarded directly (without entry) to the local Federal Reserve office for proper disposition.

Revision to Bulletin 8, entitled "Collection of Cash Items" and Bulletin 11, entitled "Instructions to Collecting and Paying Banks" will be forwarded to your bank in the near future.

If any questions or comments arise with respect to these procedures, please contact Larry J. Reck, Assistant Vice President at this Bank, Ext. 6337; Robert W. Schultz, Assistant Vice President at the El Paso Branch, (915) 544-4730; Vernon L. Bartee, Assistant Vice President at the Houston Branch, (713) 659-4433; or Thomas H. Robertson, Assistant Vice President at the San Antonio Branch, (512) 224-2141.

Sincerely yours,

Robert H. Boykin

First Vice President