

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 79-155
September 12, 1979

REVISIONS TO BULLETINS 8 AND 11

TO ALL BANKS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Reference is made to our Circular No. 79-26 dated February 12, 1979, advising that effective February 15, 1979, all Federal Reserve offices would adopt a uniform procedure for the collection of photocopies of lost cash items.

Enclosed are revised pages to Bulletin 8, "Collection of Cash Items" and Bulletin 11, "Instructions to Collecting and Paying Banks", which reflect the aforementioned uniform procedure changes.

Member banks and others that maintain Regulations Binders should file the revised pages of Bulletins 8 and 11 in their binders. The corresponding pages of the bulletins should be removed and destroyed.

Questions concerning these revisions should be directed to 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

Enclosures

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

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 sender approved by us 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 senders that by arrangement deliver cash items payable in other Federal Reserve districts to this Bank or any other designated location 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, but senders will not be reimbursed by us for transportation costs and consolidation costs associated with moving direct-send cash items to

a designated consolidated shipping point. A sender which has an arrangement with this Bank for consolidated shipment from an office of this Bank located in the same city as the sender, or from any other designated consolidated shipping point, 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

We will charge back to the sender the credit given for a cash item which (i) is discovered to be missing by a Federal Reserve Bank; (ii) is known to be missing or destroyed in transit to a subsequent collecting bank or the paying bank, or (iii) is discovered to be missing during the initial proving of an incoming cash letter by a subsequent collecting bank or 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.'

12.05 Handling of photographic copies

We will handle as a cash item a properly prepared photographic copy of a cash item if (a) (i) the credit given for the original cash item was charged back by this or a prior collecting Federal Reserve Bank as provided in paragraph 12.00 and (ii) such copy, together with a copy of the advice of chargeback, is received by this Bank, or by the prior collecting Federal Reserve Bank which forwards such copy and advice to us when received within thirty (30) business days from the date the amount of such cash item was charged back by the first collecting Federal Reserve Bank, or (b) (i) the original cash item was contained in an entire shipment of cash items which is known to be missing or destroyed in transit to the first collecting Federal Reserve Bank, (ii) the sender has determined that several items contained in the original shipment remain unpaid, and (iii) the photographic copy is received in a photocopy cash letter identified as containing non-machineable photographic copies of a portion of a lost or destroyed shipment of cash items.

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 twenty (20) business days from the banking day of its receipt by such paying bank if

(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 to authorize 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 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

If a return 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.

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, nor shall this Bank have any responsibility for giving wire advice of nonpayment unless a wire advice of nonpayment required hereunder is received from the paying bank or any other bank.

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

*Revised Page to Bulletin 11 — Transmitted with Circular No 79-155
dated 9/2/79
effective 9/6/79*

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.

Section 8, MISSING OR DESTROYED CASH ITEMS; PHOTOGRAPHIC COPIES

8.00 Credit for missing or destroyed cash items

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, if we or a subsequent collecting Federal Reserve Bank (which sends such report to us when received), receive a report of the loss from the subsequent collecting or paying bank within five (5) of its business days from the date of the cash letter which listed the missing or destroyed item.

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. 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 twenty (20) business 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 to authorize 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 and of 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 paying bank or a subsequent collecting bank (a) 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 (b) may report without entry as missing or destroyed a cash item which it discovered to be missing or destroyed after the time provided in paragraph 8.00. In the event we receive such a without entry return or report 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.

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."