

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-95

August 8, 1983

ENDORSEMENT OF RETURN ITEMS
BY PAYING FINANCIAL INSTITUTIONS

TO ALL DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

It has been observed that check processing equipment in use by some paying financial institutions and demand deposit accounting (DDA) processors place an endorsement on the reverse side of the item in lieu of the traditional "PAID" stamp on the face of the item.

Federal Reserve Bank of Dallas Operating Bulletin No. 8 (Page 6, Paragraph 35) provides that paying financial institutions should not return items bearing their uncanceled endorsements or other identifying stamp on the back. This provision is designed to prevent misrouting of return items. Returning such items unpaid without cancellation of the endorsement or stamp may cause the Federal Reserve to route the item back to the paying or processing financial institution on the assumption that the endorsements are those of a prior collecting financial institution.

If the uncanceled endorsement or other identifying stamp of the payor causes this Reserve Bank to misroute an item, this Bank, as further provided in Paragraph 35, will assume no responsibility for any delay caused by misrouting such return items. The paying financial institution then might be held liable for any losses resulting from the delay.

Questions concerning this matter should be directed to Charles R. Hunter, (214) 651-6160 at the Head Office; Martin E. Ramsey, (915) 544-4730 at the El Paso Branch; Louis Moore, (713) 659-4433 at the Houston Branch; or Rene G. Gonzales, (512) 224-2141 at the San Antonio Branch.

Sincerely yours,



William H. Wallace
First Vice President