

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-135

November 7, 1983

BULLETIN 8
COLLECTION OF CASH ITEMS

BULLETIN 12
AUTOMATIC PAYMENT FOR CASH LETTERS

BULLETIN 13
COLLECTION OF CASH ITEMS THROUGH
THE REGIONAL CHECK PROCESSING CENTERS

(Amendments)

TO ALL DEPOSITORY INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:

Enclosed are amendments to Bulletins 8, 12, 13 of the Federal Reserve Bank of Dallas. These amendments, effective October 1, 1983, are congruent with Phase II of the return item pilot program announced on August 2, 1983.

Appendix D to Bulletin 8 provides the procedures and provisions relevant to the present phase of the return item pilot. The amendments to Bulletins 12 and 13 expand these bulletins to permit the Federal Reserve Bank to make direct return to a participating depository institution as an institution of first deposit and to make charges and adjustments to effect settlement for such return items in the same manner as authorized for return item credits and adjustments.

These amendments should be filed with the related Bulletins in Volume 1 of your regulations binder.

Questions concerning these amendments should be directed to Donald L. Jackson, (214) 651-6118 at the Head Office; Robert W. Schultz, (915) 544-4730 at the El Paso Branch; Vernon L. Bartee, (713) 659-4433 at the Houston Branch; or John A. Bullock, (512) 224-2141 at the San Antonio Branch.

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.

Additional copies of this circular will be furnished upon request to the Public Affairs Department, Extension 6289.

Sincerely yours,

A handwritten signature in cursive script that reads "William H. Wallace". The signature is written in dark ink and is centered on the page.

William H. Wallace
First Vice President

Enclosures

APPENDIX D

RETURN ITEM PILOT PROGRAM

General

1. This Bank is currently conducting for the System a multiphased Return Item Pilot Program designed eventually to develop universal return item procedures permitting direct return to the institution of first deposit. For the duration of the present phase of the Pilot Program ("Pilot"), the following provisions will be effective to vary inconsistent provisions of Bulletin 8, 10, 12 and 13, and will be binding with regard to all parties governed by Regulation J. All provisions of Regulation J and relevant Bulletins of this Bank not so varied will continue in effect and govern actions of parties.

Direct Return

2. If an item which has been handled by this Bank for collection is returned unpaid, and (1) if the depository bank is located within the Eleventh District, (2) if the depository bank participates in this Bank's automatic charge plan, and (3) if an office of this Bank presents cash items to the depository bank or its designated intercept point, we will, in accordance with State law, return the unpaid items direct to the depository bank or its designated intercept point.

Charges

3. When this Bank uses the direct return procedure, the unpaid items will be returned to the depository bank and the related charges in the amount of the return item will be made against the account of the depository bank, its designated correspondent or processor, in accordance with the existing arrangements with that bank for the automatic payment for cash letters under the provisions of our Bulletin 12. The existing agreements, as well as any future agreements, evidenced by executed forms TR-383, TR-384, and/or TR-411 will be deemed to be amended to provide all necessary authorization and appointment of agency relationships to permit this Bank to also make such charges for return items and to make further adjustments to the appropriate account as may be necessary in order that settlement for return items shall be effected in the same manner as authorized by the check processing automated payment arrangements.

Notification of Nonpayment

4. This Bank will provide notification of nonpayment to Eleventh District institutions on all returns of amounts of \$2500 or over, whether or not this Bank has received previous notification, unless our sender provides us with written instructions not to do so. This provision for notification does not serve as substitution for existing wire advice procedures which require prior notification for large return items and does not relieve a paying bank or collecting bank from its responsibilities to follow those requirements.

Processing Fees

5. Processing fees will be charged to payor institutions in accordance with the schedule as published by this Bank from time to time in its circulars.

Automated Processing

6. In order to obtain price incentives as published from time to time with regard to intraterritory returns, payor banks may deposit such returns qualifying for direct return to the institution of first deposit in a manner permitting processing by automated means as set out below.

7. A payor bank depositing returns in a form for automated processing must determine that the institution of first deposit of the item to be return is eligible to receive direct return under the provisions of the Pilot and that the institution of first deposit is located in the same Reserve Bank Office territory as the payor bank. No other items will be acceptable for these automated processing procedures. Eligible institutions may be identified by Exhibit A as kept current by this Bank.

8. Payor banks must attach an encodable strip to the bottom of the cash item or insert this cash item into a transparent carrier document; the strip or carrier must be encoded with (1) the nine-digit transit sorting number of the institution of first deposit and (2) the amount of the item.

9. This Bank will bear no responsibility for the accuracy of the payor bank's determination of the identity of the institution of first deposit.

10. Return items especially prepared for automated processing must not be commingled in a single deposit with non-automated returns and must be deposited with a separate TR-418 form.

ADMENDMENT
RETURN ITEM PILOT PROGRAM

1. Effective October 1, 1983, and for the duration of the Return Item Pilot Program, all participating depository institutions agree that any existing "Automatic Charge Authorization-Agreement Collection of Cash Items", Forms 383 and 384, and "Letter of Authority to Deliver Cash Letters to a Processing Center" Form TR-411x to which it is a party is deemed to be amended and expanded to give all necessary authorizations and appointments to permit the Reserve Banks to make direct return to a participating depository institution as an institution of first deposit and to make charges and adjustments and all entries to the appropriate account to effect settlement for such return items in the same manner as authorized for remittance of cash letters.

2. Any depository institution executing such an agreement agrees to be bound by the provision of this amendment as well as the express terms of that agreement.

ADMENDMENT
RETURN ITEM PILOT PROGRAM

1. Effective October 1, 1983, and for the duration of the Return Item Pilot Program, all participating depository institutions agree that any existing "Automatic Charge Authorization. "Immediate Settlement Agreement (North Texas) (Gulf Coast) (South Texas) Regional Check Processing Center," Forms RC 10a and RC 11a, and "Letter of Authority to Deliver Cash Letters to a Processing Center" Form TR-411x, to which it is a party is deemed to be amended and expanded to give all necessary authorizations and appointments to permit this Bank to make direct return to a participating depository institution as an institution of first deposit and to make charges and adjustments and all entries to the appropriate account to effect settlement for such return items in the same manner as authorized for remittance of cash letters.

2. Any depository institution executing such an agreement agrees to be bound by the provisions of this amendment as well as the express terms of that agreement.