



**FEDERAL RESERVE BANK  
OF DALLAS**

**WILLIAM H. WALLACE**  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

January 8, 1988

Circular 88-2

**TO:** All financial institutions in the  
Eleventh Federal Reserve District

**SUBJECT**

**Revisions to Bulletins 6 and 11**

**DETAILS**

Enclosed are revised copies of Bulletin 6, "Wire Transfer of Funds" and Bulletin 11, "Automated Clearing House Items." The revisions affect liability provisions and certain other technical matters, as noted below.

Previously, the Board of Governors amended Regulation J to limit Reserve Bank liability in handling transfers of funds to direct damages. As required by the Board, a similar amendment has been made with respect to the handling of ACH items. Liability in handling ACH items may differ between credit and debit items. At the same time, an amendment has been made to clarify the measure of damages provisions in both the ACH circular and the funds transfer circular in regard to non-value messages, such as prenotifications and notifications of change in the ACH and requests for payment and service messages in Fedwire.

Both bulletins have been revised to clarify that depository institutions should be prepared to resend items if notified by a Reserve Bank that the items were lost during processing, for example, if a computer outage occurred.

Finally, various technical changes have been made to the ACH bulletin to clarify the distinction between remotely originated and presort files. An agreement directly between an originator and a remote Reserve Bank will no longer be necessary for remote origination if an agreement exists with the originator's local Reserve Bank.

**ENCLOSURES**

Revised Bulletins 6 and 11 are enclosed. Please include these in your Regulations Binders.

**MORE INFORMATION**

For more information please contact John Rogers, Legal Department, at (214) 651-6228; Lyne Carter, Electronic Payments Department, at (214) 651-6175; or Larry Ripley, Electronic Payments Department at (214) 651-6118.

Sincerely yours,

A handwritten signature in cursive script, reading "William H. Waller". The signature is written in dark ink and is positioned to the right of the typed name "William H. Waller".

## **BULLETIN 6**

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# **Wire Transfers of Funds**

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**FEDERAL RESERVE BANK OF DALLAS**

### **SCOPE**

This bulletin sets forth general information pertaining to transfers of funds through this Bank. The procedures established are designed to increase the speed and efficiency of such transactions, and they may be used, among other things, for federal funds transfers and in lieu of a draft drawn on correspondent institutions to cover anticipated charges to an account on our books.

**BULLETIN 6  
WIRE TRANSFERS OF FUNDS  
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## STATUTES AND REGULATIONS

1. Subpart B of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System and this bulletin and time schedule apply to wire transfers of funds handled by this Bank. This bulletin is issued pursuant to Sections 4, 11A, 13, 14, 16, and 19 of the Federal Reserve Act and related statutes in conformity with Regulation J. It is binding on transferors, transferees, beneficiaries, and other parties interested in an item.

2. Each Reserve Bank has issued a bulletin substantially similar to this one. When we send a transfer item to another Reserve Bank, that Reserve Bank handles the item under its bulletin.

3. All terms defined in Regulation J have the same meaning in this bulletin. Some terms used in this bulletin, including terms not defined in Regulation J, have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to this Bank will include our Head Office and our El Paso, Houston, and San Antonio Branches.

## ISSUANCE OF TRANSFER ITEMS AND TRANSFER REQUESTS

4. A transferor maintaining or using an account with an office of this Bank may send a transfer item to or make a transfer request of that office. We may refuse to act on, or may impose conditions to acting on, a transfer item or request if we have reason to believe that the balance in the transferor's account is not sufficient to cover the item. A transferor, other than a Reserve Bank, that uses our wire transfer of funds facilities shall maintain with us a balance of actually and finally collected funds in accordance with Section 210.31(a) of Regulation J.

5. A transfer item or request must be in the format prescribed by us.

6. The text of a transfer item may not exceed 380 characters including punctuation, third party information, and any other instructions, except with our approval.

7. We only accept a transfer item or request that instructs us to transfer funds on our banking day of receipt or, with our approval, on the next banking day.

8. A transferor may send a transfer item to us by electronic means under arrangements with us, or, in unusual circumstances and in our discretion, in other media approved by Section 210.28 of Regulation J. The transferor must authenticate a transfer item at the time it is sent by codes or procedures we prescribe. A transfer item contained in a letter, memorandum, or similar writing must be signed by an authorized officer of the transferor whose signature is on file with us.

## TRANSFER REQUESTS

9. A "transfer request", as defined in Regulation J refers to a transfer of funds initiated by telephone, and differs from a request for payment described in paragraph 11. A transfer request may be made by telephone under arrangements with us (see note 1). The transferor must authenticate a transfer request at the time it is made by codes or procedures we prescribe (see note 2). We may record a transfer request. We reserve the right to require a transferor to confirm a transfer request by a letter of confirmation over authorized signature(s). We assume no liability for loss resulting from a transfer of funds based on a communication that is in the form of a transfer item and that does not expressly indicate that it is a confirmation.

10. We reserve the right to refuse to handle a transfer item or request under conditions different from those imposed by this bulletin or Regulation J.

### REQUESTS FOR PAYMENT

11. A request for payment is a message sent by an institution authorized to be a transferee, requesting an institution authorized to be a transferor to send a transfer item to the transferor's Reserve Bank for credit to the institution requesting the payment. We handle a request for payment, or a negative response, involving only on-line institutions, subject to our time and fee schedules, and without transferring funds. A request for payment is not an item, and in itself, imposes no obligation on the recipient to respond.

### HANDLING OF TRANSFER ITEMS AND REQUESTS

12. We will notify a transferor of a significant delay in executing transfers of funds within a reasonable time after we learn of the delay.

13. We expect to handle a transfer item or request promptly and to complete a transfer of funds on the banking day requested if we receive the item or request before the closing hours established in our time schedule. We do not guarantee that we or another Reserve Bank will complete a transfer of funds on the day requested. We are not responsible to the transferor or to any other person for any loss or delay resulting from our handling of an item on the basis of an erroneous routing number or other designation appearing on the item when we receive it, whether or not that designation is consistent with any other designation appearing on the item.

### CLOSING HOURS

14. Our time schedule shows the latest hours on each banking day ("closing hours") at which we will accept a transfer item or request (Appendix A). If we receive a transfer item or request after the closing hour we may either refuse to handle it or handle it on the following banking day, except that we may complete a same-day transfer on the day of receipt. In the case of an interdistrict transaction received after our closing hour, completion of the transfer on that day is also discretionary with the transferee's Reserve Bank.

### ADVICES OF CREDIT AND DEBIT

15. We provide to a transferee maintaining or using an account with us, an advice of credit for a transfer of funds. This advice may be combined with other advices of credit in a statement. We give advice of credit by telephone, telegraph, or other form of electronic telecommunications when we deem that the nature of the transaction justifies it or when the transferor or transferee requests it. The transferee should ascertain the authenticity of an advice of credit at the time of its receipt by codes or procedures we prescribe (see note 3). We do not give telephone advice of credit for a transfer, identified as a settlement transfer, between a transferor or transferee for their own accounts, or for the account of another institution authorized to be a transferor, unless the transferee has made a standing order for advice of all transfers of funds.

16. The transferee should confirm a telephonic advice of credit that contains third-party information or other special instructions, by return telephone call or other arrangements prior to making the proceeds of the transfer available for withdrawal or other use. The transferee assumes all risk of loss resulting from its failure to make the confirmation. In addition, if there is a discrepancy between an advice given by telephone, telegraph, or other form of electronic telecom-

munications and a mailed or delivered advice, the transferee is deemed to approve the credit reflected in the mailed or delivered advice unless it sends written objection to us within ten (10) calendar days following its receipt of the mailed or delivered advice. The objection should be sent to the Reserve office at which the transferee maintains or uses an account.

17. We provide an advice of debit to a transferor maintaining or using an account with us. This advice may be combined with other advices of debit in a statement. The transferor should carefully examine the advice on receipt, and promptly report any exception. The transferor is deemed to approve a debit if it fails to send written objection with ten (10) calendar days after it receives the advice of debit to the office of this Bank with which it maintains or uses an account.

## CHARGES

18. Our schedule of charges shows the charges imposed for wire transfer of funds services (Appendix B). We may make the charge to the account of the transferor or transferee requesting the service.

## FINAL PAYMENT; RIGHT TO USE FUNDS; TRANSFEREE'S AGREEMENT

19. A transfer item is finally paid when the transferee's Reserve Bank sends the item or sends or telephones advice of credit to the transferee, whichever occurs first.

20. On final payment the transferee has the right to withdraw or use funds that have been credited to its account, subject to the right of a Reserve Bank to apply the funds to an obligation owed to it by the transferee.

21. As provided by Section 210.30 of Regulation J, a transferee that receives from us a transfer item, or advice of credit of a transfer item, designating a beneficiary, agrees:

- (a) to credit promptly the beneficiary's account or otherwise make the amount of the item available to the beneficiary; or
- (b) to notify promptly the office of this Bank with which it maintains or uses an account, if it is unable to do so because of circumstances beyond its control. We will then notify our transferors.

22. A transferee that arranges with us to receive transfer items by electronic means must manage its communications link so as to permit us to send transfer items to it on a timely basis during its day. We are not responsible for any delay in sending a transfer item or other message to such a transferee, if the delay results from the transferee's failure to so manage its link.

## REVOCATION OF TRANSFER ITEMS

23. A transferor may ask the office of this Bank to which it has sent a transfer item or request to revoke a transfer item or request. The transferor must authenticate the request for revocation by codes or procedures we prescribe. We may cease acting on the item or request if we receive the request for revocation in time as to give us a reasonable opportunity to comply. If the request is received too late, we may, on request from the transferor:

- (a) ask the transferee to return the transferred funds; or
- (b) in an interoffice transaction, ask the transferee's Reserve Bank to ask the transferee to return the funds.

24. By requesting a revocation, unless the request states "NO INDEMNITY", the transferor agrees that the transferor will indemnify the



transferee for any loss or expense sustained (including attorneys' fees and expenses of litigation) resulting from the return of the funds by the transferee, except any loss or expense resulting from the transferee's lack of good faith or failure to exercise ordinary care.

25. To correct an erroneous or irregular transfer of funds, we may, on our own initiative or at the request of another Reserve Bank, ask the transferee to return funds previously transferred.

### SERVICE MESSAGES

26. We handle for a transferor or transferee a service message in a prescribed format concerning a previously sent or received transfer of funds. A service message, request for payment message, or negative response, is not an item but is generally handled as an item. A Reserve Bank shall not be liable for any damage caused by a Reserve Bank's failure to exercise ordinary care or act in good faith in handling a service message, a request for payment message, or a negative response, in excess of the amount of any fee paid for the message.

### GENERAL

27. A transferor sending a transfer item by electronic means should determine that the transfer item has been accepted by our telecommunications and processing equipment. A transferor should be prepared to resend a transfer item to us if we notify it that the item has been lost because of a computer outage or other reason.

28. A transferor or transferee must prevent the disclosure outside of it, or within it except on a "need to know" basis, of any of the codes or other security procedures relating to transfers of funds. The transferor or transferee should notify us immediately if the confidentiality of these

procedures is compromised, and act to prevent any further disclosure.

### RIGHT TO AMEND

29. We reserve the right to amend this bulletin at any time.

#### 1. (Refer to item 9)

- (a) We will accept telephone requests for transfers of funds in accordance with the Code Word Authentication Procedure outlined in note 2. Telephone requests may be communicated by depository institutions as follows:

Office	Area Code	Telephone Number	Extension Number
Dallas	800	442-7276* (intrastate)	6110
	800	527-9200* (interstate)	6110
El Paso	800	442-7276* (intrastate)	6110
	800	527-9200* (interstate)	
Houston	800	442-7276* (intrastate)	6110
San Antonio	800	442-7276* (intrastate)	6110

\* Toll-free incoming WATS number.

#### 2. (Refer to item 9)

- (a) A Code Word Authentication Procedure is utilized between depository institutions and our office. It is designed to detect and prevent the processing of unauthorized telephone transfers of funds requests.
- (b)(1) We will furnish code word authentication lists to each depository institution as the need arises. A replacement will be supplied by us as needed based on usage. To insure that code word lists do not become outdated through disuse or fluctuation in activity, all code word authentication lists, if not earlier exhausted, will become null and void at the end of exactly six calendar months from the initiation date shown on the lists.
- (2) The use by any person of a code word which passes our code word authentication check shall be deemed to be a person authorized by the depository institution to request transfers of funds on its behalf.
- (3) Depository institutions should promptly acknowledge receipt of the code word

authentication lists. A list will not be activated by us until we have received a signed acknowledgement by an officer of a depository institution whose signature is on file with us.

- (c) Each transfer of funds request will require a separate sequence number and code word and these must be the next sequential, unused sequence number and code word shown on the code word authentication list. Otherwise, it will not pass our code word authentication check.
- (d) At the bottom of each listing, it is noted that the list is for authorized use only. Since the sequence number and code word will be the **only** method of verifying the authenticity of a transfer request, it is strongly suggested that only those individuals authorized to transfer funds at each depository institution have access to the code words. This will help ensure the confidentiality of the depository institution's list and integrity of the authentication procedure.
- (e) All telephone requests for transfers of funds will be automatically recorded on recording devices and any depository institution utilizing this method to transfer funds hereby consents to the recording of such conversations. A written letter confirming a transfer of funds will not be required unless specifically requested by this Bank.
- (f) Requests for transfers of funds utilizing the mails, Western Union wires, TWX messages, and TELEX

messages normally will not be honored. Requests utilizing these means of transmission should not be made and will be accepted only where prior arrangements have been made or in emergency situations.

- (g) We intend to verify by call-back selected transfers of funds involving third-party information. Final processing of transfers may be delayed due to the time necessary to effect call-back verification. Your cooperation in expediting this verification will facilitate timely processing of such transfers.
- (h) Telephone transfer requests not utilizing the Code Word Authentication Procedure may be handled on an exception basis at our discretion. Such transfer requests will be authenticated on a call-back basis and the final processing of the transfers may be delayed due to the time necessary to effect the call-back verification.

3. (Refer to item 15)

A depository institution receiving and acting on any telephone notification runs the risk that it is invalid or unauthorized. At any time during normal business hours, the manager or supervisor of the Transfers of Funds Division at the Head Office is prepared to corroborate any transfer of funds for which telephone notification has been given by us and received by a depository institution. **Receiving depository institutions are encouraged to utilize this service**, especially for third-party advices received by telephone.

**Appendix A**  
**SCHEDULE OF TIME LIMITS**  
**(Closing Hours for Telegraphic Transfers of Funds**  
**for Consummation on Day of Receipt)**

**I. Closing Hours****A. Interdistrict Transfers**

We accept interdistrict transfer items (on-line instructions) until 4:00 p.m., and interdistrict transfer requests (telephonic instructions) until 3:30 p.m., Central Time each business day. (For the El Paso Territory of the Eleventh Federal Reserve District, the times are 3:00 p.m. and 2:30 p.m., respectively, Mountain Time). At our discretion, we may accept interdistrict transfer items and requests after these times, but the completion of such transfers is also at the discretion of the transferee's Reserve Bank.

**B. Intradistrict Transfers**

We accept intradistrict transfer items (on-line instructions) until 4:00 p.m., and intradistrict transfer requests (telephonic instructions) until 3:30 p.m., Central Time each business day. (For the El Paso Territory of the Eleventh Federal Reserve District, the times are 3:00 p.m. and 2:30 p.m., respectively, Mountain Time). At our discretion, we may accept intradistrict transfer items and requests after these times.

**C. Requests for Payment**

We accept requests for payment (subtype code 31) from on-line financial depository institutions until the respective closing hours for interdistrict, intradistrict and net settlement transfer items. Originators of such requests are responsible for allowing sufficient time for receivers to respond within the closing hours specified.

**II. Settlement Period**

We accept settlement transfer items (on-line instructions) until 5:30 p.m., and settlement transfer requests (telephonic instructions) until 5:00 p.m.,

Central Time each business day. (For the El Paso Territory of the Eleventh Federal Reserve District, the times are 4:30 p.m. and 4:00 p.m., respectively, Mountain Time). A settlement transfer is a transfer between a transferor and transferee for their own accounts, or for the account on the books of the transferor or transferee of a respondent subject to Federal Reserve requirements (whether or not such respondent actually maintains reserves). A settlement transfer must be identified with type code 16, and may contain third-party information relating only to such respondents or to the transferor or transferee. Settlement transfers may be used to make or to adjust for net settlement transactions. We reserve the right, in our discretion, to refuse to handle a transfer that is received during the settlement period but that does not comply with the requirements for transfers during such period. We also may, in our discretion, accept settlement transfer items and requests after these times, but the completion of interdistrict settlement transfers is also at the discretion of the transferee's Reserve Bank. Immediate telephone advice is not provided for settlement transfers.

**III. Net Settlement**

Organizations participating in net settlement arrangements must begin to submit settlement transaction detail to us by such time as, in the judgment of this Reserve Bank, will insure completion of all transactions by 5:00 p.m., Central Time. (For the El Paso Territory of the Eleventh Federal Reserve District, the time is 4:00 p.m., Mountain Time).

**IV. Opening Hour**

We accept transfer items and requests (interdistrict and intradistrict) beginning at 8:00 a.m., Central Time. (For the El Paso Territory of the Eleventh Federal Reserve District, the time is 7:00 a.m., Mountain Time).

**Appendix B  
FEE SCHEDULE FOR  
TRANSFERS OF FUNDS SERVICES  
(Effective January 1, 1988)**

**WIRE TRANSFER**

**Originators Charge**

	Telephone Advice	
	No	Yes
Originator Online	\$0.47	\$3.97
Originator Offline	\$6.47	\$9.97

**Receivers Charge**

All receivers will be charged \$0.47 per transfer. Receivers may elect a "standing order for notification" at an additional charge of \$3.50 per advice.

NOTE: Requests for payment (Subtype Code 31) referred to under paragraph 11 of Bulletin 6 will incur a charge of \$0.47 for online institutions since they are currently limited to online institutions. A transfer of funds in response to a transfer request (Subtype Code 32) will likewise incur a charge of \$0.47. A negative response to a Subtype Code 31 message (Subtype Code 33) will incur a charge of \$0.47.

## **BULLETIN 11**

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# **Automated Clearing House Operations**

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**FEDERAL RESERVE BANK OF DALLAS**

### **SCOPE**

This bulletin contains the terms and conditions under which we will process Automated Clearing House items.

**BULLETIN 11  
AUTOMATED CLEARING HOUSE ITEMS  
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## GENERAL

1. This bulletin and our time schedules govern the clearing and settlement of automated clearing house (ACH) items by this Bank. This bulletin is issued pursuant to Section 4, 11A, 13, 16 and 19 of the Federal Reserve Act and related statutes. It is binding on originators, receivers, and other parties interested in an item and on each account holder agreeing to settle for items under this bulletin. This bulletin preempts or supersedes agreements or other arrangements among parties to automated clearing house items only to the extent that provisions of those arrangements are inconsistent with this bulletin.

2. Each Reserve Bank has issued a bulletin substantially similar to this one, containing uniform provisions concerning interoffice transactions, except that the Federal Reserve Bank of New York has issued a bulletin providing only for delivery and settlement of ACH items on behalf of members of an ACH association. When we send an item to another Reserve Bank, that Reserve Bank handles the item subject to its bulletin and time schedules. We give credit to or charge the originator or receiver for the item in accordance with our time schedules.

## DEFINITIONS

3. As used in this bulletin, unless the context otherwise requires:

- (a) "Account holder" means a Reserve Bank, a depository institution, or other institution maintaining an account with a Reserve Bank.
- (b) "Actually and finally collected funds" means cash or any other form of payment that is, or has become, final and irrevocable.
- (c) "Applicable ACH rules" mean ACH rules, copies of which are reasonably available

to affected originators and receivers, and that are designated by a Reserve Bank in its bulletin as applicable to designated ACH transactions. "Applicable ACH rules" does not include provisions in ACH rules that are not applicable to transactions under this bulletin because they are in conflict with regulations and policy guidelines of the Board of Governors of the Federal Reserve System or policy guidelines of the Conference of First Vice Presidents or the Conference of Presidents or applicable law, and provisions (i) limiting the rules' application to members of an ACH association, (ii) requiring dues or fees (other than a reasonable fee for copies of the ACH rules), and (iii) requiring execution of agreements (such as settlement or indemnity agreements); but such provisions may bind members of the ACH association.

- (d) "Approved medium" means any of the following writings specified in this bulletin or in the applicable ACH rules: any form of communications, other than voice, registered on (or in form suitable for being registered on) magnetic tape, disc, or other medium designed to contain in durable form conventional signals used for electronic communication of messages, or output produced from this form of communication.
- (e) "Automated clearing house" or "ACH" means a facility that clears debit and credit items for depository institutions.
- (f) "Automated clearing house rules" or "ACH rules" means the rules and procedures or agreements provided by a group of depository institutions, such as an automated clearing house association, that comprehensively govern the clearing of items among participants in an automated clearing house payment system.



- (g) "Banking day" means a day during which a Reserve Bank, an account holder, originator, or receiver is open to the public for carrying on substantially all its banking functions.
- (h) "Credit item" means an item sent to a Reserve Bank by an originator for debit to the originator's account and for credit to a receiver's account.
- (i) "Debit item" means an item sent to a Reserve Bank by an originator for credit to the originator's account and for debit to a receiver's account.
- (j) "Depository institution" means a depository institution as defined in Section 19(b) of the Federal Reserve Act (12 U.S.C. 461(b)).
- (k) "Effective date" means the date for settlement specified in an item by the originator.
- (l) "Effective date window" means the minimum and maximum number of days following receipt of an item by a Reserve Bank, within which the date specified for settlement of the item must fall for a Reserve Bank to settle for the item on the specified date.
- (m) "Interoffice transaction" means a transaction that is handled by different Reserve Banks.
- (n) "Intraoffice transaction" means a transaction that is handled by a single Reserve Bank.
- (o) "Item" means a writing contained in an approved medium that evidences a right to the payment of money and that is sent to this Bank for clearing and settlement under this bulletin. "Item" does not include: (1) an "item" as defined in Section 210.2 of Regulation J that is handled under Subpart A governing the collection of checks and other items; (2) an "item" as defined in Section 210.26 of Regulation J that is handled under Subpart B governing wire transfers of funds; (3) a payment instruction subject to 31 Code of Federal Regulations, Part 210, governing Federal payments by the ACH method; or (4) a wire transfer of securities by this Bank. An item is deemed to be the same item even if the medium in which it is contained changes during handling of the item. "Item" may include a prenotification or notice in accordance with paragraph 7 or a return item, adjustment, or notice in accordance with paragraphs 32 or 33.
- (p) "Originator" means a depository institution or other authorized institution, whether or not a member of an ACH association, that sends an ACH item to a Reserve Bank.
- (q) "Originator's account " or "receiver's account" means the account at a Reserve Bank the originator or receiver, respectively, maintains or uses under an arrangement between the Reserve Bank and an account holder, for settlement under a bulletin governing ACH items.
- (r) "Originator's local Reserve Bank" means the Reserve Bank in whose territory the originator is domiciled, which may also be the originator's Reserve Bank.
- (s) "Originator's Reserve Bank" means the Reserve Bank office to which an originator sends an item in accordance with the Reserve Bank's bulletin.
- (t) "Receiver" means a depository institution or other authorized institution, whether or not a member of an ACH association, that is designated in an item to receive the item from a Reserve Bank.
- (u) "Receiver's Reserve Bank" means the Reserve Bank office from which the receiver directly or indirectly receives an item.

- (v) "Settlement date" means the date for settlement of an item as provided in this bulletin.

Unless otherwise stated, all references to this Bank include our Head Office and our El Paso, Houston and San Antonio Branches.

## SENDING CREDIT AND DEBIT ITEMS

4. An originator (a) domiciled in the territory of this Bank, or in the territory of another Reserve Bank, (b) maintaining or using an account with a Reserve Bank for settlement under a bulletin governing credit and debit items, and (c) authorized by the originator's local Reserve Bank, may send an item to this Bank. An item pre-sorted to this Bank by an originator domiciled in the territory of another Reserve Bank must designate a receiver located in the territory of this Bank. An originator must designate itself or another person to deliver its items to a Reserve Bank, and that person is considered to be the originator's agent.

5. An originator may send an item to us by electronic means under arrangements with us, or in the following approved media: 1600 or 6250 BPI 9-track magnetic tape. The originator must authenticate items sent to us by codes or procedures we prescribe.

6. Items must be in the format prescribed by applicable ACH rules. We may handle an item on the basis of any routing number or other designation of a receiver appearing in any form on the item when we receive it. We are not responsible for any delay resulting from our acting on any designation of a receiver whether or not the designation is consistent with any other designation on the item.

7. An originator shall send to us a prenotification of an item as required by applicable ACH rules. We handle a prenotification or other notice as

an item, except that no funds are transferred. If the receiver does not maintain or use an account for settlement under a bulletin governing ACH items, we return the prenotification to the originator.

## ORIGINATOR'S AGREEMENTS

8. By sending an item to a Reserve Bank, the originator:

- (a) agrees to comply with the applicable ACH rules and that such rules shall govern the relationships among the originator, the receiver, and other parties interested in the item and covered by the applicable ACH rules;
- (b) authorizes its Reserve Bank, its local Reserve Bank, and the receiver's Reserve Bank to handle the item in accordance with the Reserve Banks' bulletins;
- (c) authorizes the Reserve Bank holding the originator's account to debit or credit, as appropriate, the amount of the item to the originator's account on the settlement date; and
- (d) agrees to indemnify each Reserve Bank handling or settling for the item for any loss or expense sustained (including attorneys' fees and expenses of litigation) resulting from any action taken by the Reserve Bank in accordance with the Reserve Bank's applicable bulletin.

9. The agreement, authorizations, and indemnity in paragraph 8 do not limit any other agreement, authorization, or indemnity, not inconsistent with paragraph 8, made by an originator to a receiver, a Reserve Bank, or another party.

10. By sending a credit item to a Reserve Bank, the originator agrees to have in its account on the settlement date, a balance of actually and finally collected funds sufficient to cover the

amounts of credit items to be debited to the account during that day. In addition to other remedies, the originator's Reserve Bank, the originator's local Reserve Bank, and the Reserve Bank holding the originator's account have a security interest in the assets of the originator, and of the account holder whose account the originator uses for settlement, in the possession of, or held for the account of, the Reserve Bank if:

- (a) the balance in the originator's account at the end of the Reserve Bank's banking day on the settlement date is not sufficient to cover the amounts debited to the account during that day in connection with credit and debit items; or
- (b) the originator suspends payment or is closed at any time during the Reserve Bank's banking day on the settlement date, and does not have a balance sufficient to cover the amounts debited to its account in connection with credit and debit items.

#### APPLICABLE ACH RULES

11. The following ACH rules, as amended from time to time, are applicable to transactions involving originators and receivers sending and receiving items to and from this Bank:

- (a) For transactions between an originator and receiver, whether or not either is a member of an ACH association, the applicable ACH rules are the Operating Rules of the National Automated Clearing House Association, unless other ACH rules apply under subparagraph (b).
- (b) For transactions between an originator and receiver, whether or not either is a member of an ACH association, the applicable ACH rules are the Operating Rules of the Southwestern Automated Clearing House Association, to the extent such rules (i) bind both the originator and the

receiver, or (ii) in the case of a transaction involving a nonmember(s) of an ACH association, generally apply to transactions within the region where the originator and receiver are domiciled. Originators domiciled in the El Paso territory should ordinarily send their items to the El Paso Branch; originators domiciled in the Houston territory should ordinarily send their items to the Houston Branch; originators domiciled in the San Antonio territory should ordinarily send their items to the San Antonio Branch.

12. Except as otherwise provided in this bulletin, we do not have or assume any responsibility for determining whether an originator or receiver complies with applicable ACH rules.

#### HANDLING OF ITEMS

13. We process and edit ACH items in accordance with applicable ACH rules. We handle an intraoffice transaction by sending or making available an item we receive to the receiver. We handle an interoffice transaction as follows: The originator's Reserve Bank sends an item it receives to the receiver's Reserve Bank. The receiver's Reserve Bank sends or makes available the item it receives to the receiver.

14. This Bank sends items to a receiver, or to a location in the same Federal Reserve territory as that where the receiver is located at the receiver's request, in the following manner:

- (a) By the same means and to the same location used for sending cash items to the receiver, or to others, under Subpart A of Regulation J;
- (b) By courier to a location not receiving cash items, if the delivery point is on a Federal Reserve courier route and, in our opinion, results in savings through consolidation of payment files;

- (c) By electronic means under arrangements with us;
- (d) By the receiver's picking up the items; or
- (e) By mail.

The person to whom delivery is made as requested or who picks up the items is considered to be the receiver's agent.

15. This Bank send items to a location in a different Federal Reserve territory from that where the receiver is located at the receiver's request and expense where, in our judgement, it is appropriate to do so. A receiver that wants such delivery should submit a request to us.

16. A receiver should promptly advise us by telephone if its does not receive a scheduled shipment of items by the settlement date. If a receiver choosing physical delivery of items regularly does not receive them by the date scheduled for settlement, and the items are available for pick-up or electronic transmission on that date, it will be considered to have received the items on that date for purposes of settlement. A receiver may request us, for a fee, to notify it by telephone on the settlement date of certain information with respect to items designating it as receiver. Because we do not verify this information in providing it to a receiver, we make no warranties, express or implied, including without limitation, warranties of merchantability or fitness for a particular purpose. If the receiver provides the telephonic information to its customer, the receiver should either advise the customer that it has not been verified, or verify the information before supplying it to the customer.

#### **TIME SCHEDULES, SETTLEMENT DATES AND EXTENSIONS OF TIME LIMITS**

17. The time schedule made a part of this bulletin shows the cutoff hours for receipt by us of

credit and debit items of various classes. Items or their accompanying media should specify an effective date that is within the effective date window shown for that class of item. If we receive an item after a cutoff hour, we handle it as if received by our next applicable cutoff hour unless, in emergency or other circumstances, we decide to handle it as if received by the first cutoff hour. If the specified effective date is later than the effective date window, we will return the item.

18. Our time schedule also shows the settlement date for items:

- (a) that specify no effective date;
- (b) that specify a settlement date that is not a banking day for the originator or the receiver or for a Reserve Bank involved with the transaction; or
- (c) that specify an effective date earlier than the effective date window shown in the time schedule for those items.

19. The time schedule made a part of this bulletin also shows the time certain operations are scheduled to occur. We act in a timely manner if we take proper action within the time shown in our time schedule. If, because of circumstances beyond our control, we are delayed in acting on an item beyond applicable time limits, the time for acting is extended for the time necessary to complete the action, if we exercise such diligence as the circumstances require.

#### **SETTLEMENT AND AVAILABILITY OF CREDIT**

20. The Reserve Bank holding the originator's account, on the settlement date debits or credits the originator's account in the amount of the item, and credits or debits in the same amount the receiver's account, or the account of the appropriate Reserve Bank.

21. The Reserve Bank holding the receiver's account, on the settlement date credits or debits the receiver's account in the amount of the item and debits or credits in the same amount the originator's account, or the account of the appropriate Reserve Bank.

22. A Reserve Bank may, at any time until its opening of business on the banking day following the settlement date, refuse to permit the use of credit given for a debit item for which the Reserve Bank has not received actually and finally collected funds. A Reserve Bank that does not receive actually and finally collected funds in settlement of a debit item, at or before the opening of business on the banking day following the settlement date, reverses the debit and credit previously made in settlement of the item and promptly notifies the originator and the receiver, or the appropriate Reserve Banks, which notify the originator and receiver.

23. Credit given by a Reserve Bank to a receiver for a credit item is available for use on the settlement date, subject to the Reserve Bank's right to apply the funds to an obligation owed to it by the receiver.

24. A Reserve Bank does not settle for an item after it receives notice of the suspension or closing of the originator or the receiver. In the event of the suspension or closing of an account holder whose account the originator or receiver uses for settlement, settlement is made to another account designated by the originator or receiver.

25. Subject to paragraphs 22 and 23, credit given by us at once qualifies as reserve for purposes of Regulation D of the Board of Governors of the Federal Reserve System.

## SETTLEMENT AGREEMENTS

26. Prior to originating or receiving items, an originator or receiver, and an account holder

whose account the institution desires to use for settlement of the items, must execute a settlement agreement with a Reserve Bank that maintains an account for the institution or account holder. The settlement agreement must provide that in consideration of the clearing and settlement of items by the Reserve Bank for the originator or receiver, and for other originators and receivers, the institution and account holder agree to the applicable Reserve Bank bulletins governing ACH items, and to applicable ACH rules, each as amended from time to time, for the benefit of all parties interested in the items. A settlement agreement with this Bank executed by an originator or receiver and an account holder, if any, in effect on August 1, 1981, providing for settlement of ACH items is considered to comply with this paragraph upon the origination or receipt by such an institution of items on or after such date, unless such originator or receiver ceases to be a member of an ACH association. A settlement agreement or an agreement governing receipt or delivery of items applies to all items (a) sent to the originator's local Reserve Bank, (b) sent remotely to another Reserve Bank, and (c) presorted and sent to another Reserve Bank.

## RECEIVER'S AGREEMENTS

27. A receiver designated in an item, by maintaining or using an account with a Reserve Bank for settlement of credit and debit items and by accepting an item from this Bank:

- (a) agrees to comply with applicable ACH rules and that such rules shall govern the relationships among the originator, the receiver, and other parties interested in the item and covered by the applicable ACH rules;
- (b) agrees to handle the item in accordance with this bulletin;



- (c) authorizes the Reserve Bank holding the receiver's account to credit or debit, as appropriate, the amount of the item to the receiver's account on the settlement date; and
- (d) agrees to indemnify each Reserve Bank handling or settling for the item for any loss or expense sustained (including attorneys' fees and expense of litigation) resulting from a breach of the foregoing agreements or from any action taken by the Reserve Bank holding the receiver's account in accordance with the foregoing authorization.

28. The agreements, authorization and indemnity in paragraph 27 do not limit any other agreement, authorization or indemnity, not inconsistent with paragraph 27, made by a receiver to an originator, a Reserve Bank, or another party.

## REVOCATION OF ITEMS

29. No originator or prior party has a right to revoke an item after it has been received by a Reserve Bank, except as provided for in applicable ACH rules.

30. We may, on our own initiative, cease acting on or settling for a credit item if the Reserve Bank holding the originator's account judges that there may not be sufficient funds in the originator's account on the settlement date to cover the item. We promptly notify the originator and a receiver to which we have sent an item, or the appropriate Reserve Banks, which notify the originator and receiver, of nonpayment of the item.

31. We may initiate a reversing batch of items in accordance with applicable ACH rules, if we discover that we sent a duplicate or erroneous batch of items. We notify the originator or the

appropriate Reserve Bank, which notifies the originator, accordingly.

## RETURN OF ITEMS AND FUNDS

32. A receiver has the right to reversal of credits and debits made under paragraphs 20 or 21 of this bulletin by returning the item to its Reserve Bank, or in the case of automated returns by returning the item to its Reserve Bank or any other Reserve Bank where it is authorized to originate items, in accordance with applicable ACH rules. The receiver's Reserve Bank converts paper items to automated form. A Reserve Bank receiving a returned item or adjustment sends it to the originator, or to the originator's local Reserve Bank, which sends it to the originator. The Reserve Bank(s) holding the originator's and receiver's accounts reverse the debit and credit previously made in settlement of the item.

33. A receiver may send a rejection of prenotification or a notification of change to its Reserve Bank in accordance with applicable ACH rules. Reserve Banks handle these notices or other notices as items, except that no funds are transferred.

34. We do not have or assume any responsibility for determining whether the action taken by a receiver was timely.

## DISPUTED RETURNS

35. An originator may dispute, in accordance with applicable ACH rules, the propriety of a return item by furnishing its Reserve Bank with the item and a claim form. The originator's Reserve Bank reverses the settlement for the return item and sends the item and form to the receiver or, in an interoffice transaction, to the receiver's Reserve Bank, which reverses the settlement for the return item and sends the item and form to the receiver. The receiver may dispute the

originator's claim by furnishing its Reserve Bank with the originator's claim form and other documents in accordance with applicable ACH rules. The receiver's Reserve Bank reinstates the settlement for the return item and sends the claim form and other documents to the originator, or to the originator's local Reserve Bank, which reinstates the settlement for the return item and sends the documents to the originator. A Reserve Bank has no responsibility for determining whether an originator or receiver complies with applicable ACH rules governing this procedure.

36. A receiver should keep records that permit it to identify the source of receipt of items. By sending a returned item or notice to us, a receiver (a) warrants to us, to the originator's Reserve Bank and to the originator that we sent the item to the receiver, and (b) agrees to provide to us on request records showing that we sent the item to it.

## ADVISES TO ACCOUNT HOLDERS

37. We provide, in a statement, advices of credit and debit to account holders for items for which they have agreed to settle. Advices of credit indicate that credit has been given, subject to the provisions of this bulletin. Unless our account holder sends to us prompt written objection to an advice of debit, it is deemed to approve the debit on its own behalf and on behalf of an originator or receiver using the account for settlement.

## RECORDS

38. Originators and receivers should keep records that permit them to resolve questions that arise concerning the handling of items, and to resend items if we notify them that items have been lost because of computer outage or other reason. We do not keep any copies of items

handled after one year from the settlement date, and no claim, except one based on alleged fraud by this Bank, may be made against us after that time.

39. We disclose our records of an item handled, if the person requesting the information is a party to the transaction. Otherwise, we do not disclose records of items handled except in response to valid grand jury subpoenas or court orders.

## PRICING

40. Our fee schedule shows the charges imposed for clearing and settlement of ACH items. We may make the charge as shown in the schedule to the originator's account or receiver's account or to a correspondent account designated by the originator or receiver.

## RESERVE BANK LIABILITY

41. **Limitations on Liability.** This Bank is responsible or liable only to an originator, a receiver or another Reserve Bank, and only for its own failure to exercise ordinary care, or for its own, or its employees', willful misconduct. This Bank does not act as the agent or subagent of another bank or person and is not liable for the insolvency, neglect, misconduct, mistake, or default of another bank or person. This Bank does not make any warranty with respect to an item it handles or settles for under this bulletin.

## 42. Measure of Damages.

- (a) The measure of damages for our failure to exercise ordinary care, or for our own or our employees' willful misconduct, with respect to a credit item (including a return credit item) is limited to damages that are attributable directly and immediately to the failure to exercise ordinary care or to

the willful misconduct, but does not include damages that are attributable to the consequences of such conduct, even if such consequences were foreseeable at the time of such conduct.

- (b) The measure of damages for our failure to exercise ordinary care, or for our own or our employees' willful misconduct, with respect to a debit item (including a return debit item or a debit item adjustment) is the amount of the item reduced by an amount that could not have been realized by the use of ordinary care. Where there is willful misconduct with respect to a debit item, the measure of damages includes other damages that are attributable directly and immediately to the willful misconduct, but does not include damages that are attributable to the consequences of such misconduct, even if such consequences were foreseeable at the time of such misconduct.
- (c) The measure of damages for our failure to exercise ordinary care, or for our own or our employees' willful misconduct, with respect to a prenotification or notice under paragraph 7 or a rejection of prenotification, notification of change or notice under paragraph 33 is limited to the amount of the fee for the notice or message.

**43. Reserve Bank Indemnity.** A Reserve Bank handling or settling for an item agrees to indemnify another Reserve Bank that handles or settles for the item for any loss or expense sustained (including attorneys' fees and expense of litigation) as a result of the former Reserve Bank's failure to exercise ordinary care, or as a result of the willful misconduct of the former Reserve Bank or its employees.

**44. Limitations on Claims.** No claim may be made by any person against a Reserve Bank for loss resulting from the Reserve Bank's handling

of or settling for an item after one year from the settlement date of the item.

**45. Recovery by Reserve Bank.** If an action or proceeding is brought against a Reserve Bank that has handled or settled for an item, based on:

- (a) the alleged breach of, or the alleged failure to have the authority to make, any of the warranties, authorizations and agreements referred to in paragraphs 8, 27 and 43 of this bulletin or the alleged breach of applicable ACH rules, by the originator, the receiver or another Reserve Bank, or
- (b) any action by the Reserve Bank in accordance with its bulletin, the Reserve Bank may, upon the entry of a final judgment or decree, recover from the originator, the receiver or the other Reserve Bank, as the case may be, any amount the Reserve Bank is required to pay under the judgment or decree, together with interest, as well as the amount of attorneys' fees and other expenses of litigation incurred.

**46. Methods of Recovery.** The Reserve Bank may recover the amount stated in paragraph 45 of this bulletin by charging the originator's or receiver's account (or if the item was received from, sent to, or settled through another Reserve Bank, by charging the other Reserve Bank through the Inter-District Settlement Fund), if

- (1) the Reserve Bank has made seasonable written demand on the originator, receiver, or other Reserve Bank to assume defense of the action or proceeding; and
- (2) no other arrangement for payment acceptable to the Reserve Bank has been made.

A Reserve Bank that has been charged through the Inter-District Settlement Fund may recover from the originator or receiver in the manner and under the circumstances set forth in this



paragraph. A Reserve Bank's failure to avail itself of the remedy provided in this paragraph does not prejudice its enforcement in any other manner of the indemnity agreements referred to in paragraphs 8, 27 and 43.

**RIGHT TO AMEND**

47. We reserve the right to amend this bulletin at any time.

**Appendix A**  
**TIME SCHEDULE**  
**AUTOMATED CLEARING HOUSE FILES**

**Cutoff Hours**

This time schedule shows the closing hours for receipt by us of ACH formatted files containing debit and/or credit items of various classes including paper returns and notifications of change (NOCs).

	Closing Times <sup>1</sup>			
	Files with remakes		Files without remakes	
	<u>Day cycle</u>	<u>Night cycle</u>	<u>Day cycle</u>	<u>Night cycle</u>
Interoffice:				
Mixed	7:00 a.m.	7:30 p.m.	9:30 a.m.	10:00 p.m.
Presorted				
Consolidated	7:30 a.m.	8:00 p.m.	10:30 a.m.	11:00 p.m.
Direct	9:30 a.m.	10:00 p.m.	12:00 Noon	12:30 a.m.
Intraoffice	9:30 a.m.	10:00 p.m.	12:00 Noon	12:30 a.m.
		<u>Day cycle</u>		
Paper Returns/NOCs		6:00 a.m.		
Dishonored returns		Noon		

1. Closing times represent the end of the deposit window. Originated files must be completely received (e.g. data transmission fully concluded) by the closing time. Originating points using data transmission, especially those having large and/or variable volumes of deposits, should coordinate the beginning of their transmission within the window to insure completion by the closing time. All times are Central Time.

2. Notification of the need for a remake will be provided not later than one-half hour before the final closing time for the particular class of deposit. If for any reason notification is not provided one-half hour before the final closing time, the Reserve Bank will extend its final closing time for that deposit up to one-half hour beyond the time of notification.

**Appendix B**  
**FEE SCHEDULE**  
**AUTOMATED CLEARINGHOUSE ITEMS**

This Bank has established the following schedule of charges for automated clearinghouse services provided by us.

	Per Item	Per Addendum
<b>DEBITS AND CREDITS ORIGINATED:</b>		
Intradistrict basic fee	\$0.010	\$0.002
Interdistrict basic fee		
Unsorted	\$0.017	\$0.003
Presorted, Consolidated	\$0.012	\$0.002
Presorted, Direct Sent	\$0.010	\$0.002
Night Cycle Surcharges: <sup>1</sup>		
Next-day credits, automated		
NOCs and prenotes	\$0.020	
Next-day debits	\$0.045	
Files deposited, per file	\$1.00	
Tapes deposited, per tape	\$3.75	
History Database Access	\$1.25	
(CATIE or dedicated terminal option)		
Paper Item Surcharge: <sup>2</sup>		
Paper return items and		
notification of change (NOCs)	\$3.75	
<b>DEBITS AND CREDITS RECEIVED:</b>		
Intradistrict basic fee	\$0.010	\$0.002
Interdistrict basic fee	\$0.017	\$0.003
Your messenger, per output file	\$3.75	
Our courier, per file delivered	\$4.75	
<b>TELEPHONE ADVICE:</b>		
Up to 10 pieces of information	\$3.50	
Each additional piece of information	\$0.05	

1. There is no surcharge for night cycle two-day credits or for addenda originated, or for debits and credits received.

2. When these items are deposited in paper form, the \$3.75 per item surcharge is added to the appropriate basic fee. Return items, NOCs and prenotes deposited in automated form are billed at the appropriate basic fee, plus the appropriate night cycle surcharge if the item is deposited at night.