



FEDERAL RESERVE BANK  
OF DALLAS

WILLIAM H. WALLACE  
FIRST VICE PRESIDENT  
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

June 13, 1988

Circular 88-38

**TO:** The Chief Executive Officer of  
all financial institutions in the  
Eleventh Federal Reserve District

**SUBJECT**

**Reminder of July 18, 1988, implementation of one-day window for  
return of large-dollar ACH debits**

**DETAILS**

**Background:** Our Circular 88-7 dated January 20, 1988, notified you of several measures to reduce risk in the automated clearinghouse (ACH) system that had recently been approved by the Board of Governors of the Federal Reserve System. These measures become effective on July 18, 1988, and require the Federal Reserve to monitor problem institutions that originate ACH credit transactions, provide earlier deadlines for return of ACH debit transactions of \$2,500 or more, and provide revised procedures for charging the originator of ACH credit transactions that settle on nonstandard holidays or midweek closings observed by the originator. This circular is being sent as a reminder of the upcoming implementation of these measures, particularly the fairly tight deadlines for return of large-dollar ACH debits and the potential for loss that may be incurred by the returning institution if these deadlines are missed. The National ACH Association (NACHA) has notified us that these measures have been included in the NACHA rules, and the Southwestern ACH Association (SWACHA) is in process of distributing copies of the NACHA rule changes.

**New Return Deadlines:** According to the measure affecting return of large-dollar debit items, new deadlines for depositing ACH debit returns of \$2,500 or more at the Reserve Banks will be effective July 18, 1988. If these items are deposited in paper form, they must be received by the ACH Division at your local Reserve office (in Dallas, El Paso, Houston or San Antonio) by 7:00 p.m. Central time (6:00 p.m. in El Paso) on the business day following settlement or receipt of the debit item (whichever is later). This is a significant change, since paper returns typically are returned to Reserve Banks by mail or ground transportation and may now take up to a week or more to reach Reserve Banks. (Almost two thousand Eleventh District institutions currently submit paper returns to our four Reserve offices, so it

is likely that many institutions will need to find alternatives to paper as a means to return large-dollar ACH debits.) Beginning July 18, large-dollar ACH debits returned to the Reserve Bank in electronic form must meet the regular night-cycle deposit deadlines on the business day following settlement or receipt (ranging from a 7:30 p.m. Central time cutoff for mixed interdistrict files "with remake" to a cutoff five hours later--12:30 a.m. Central time--for intradistrict files "without remake").

Coincident with the implementation of the new deadlines for return of large-dollar ACH debits, the requirement that returning institutions contact their Reserve Bank to notify staff of these returns is eliminated, since the originator of the large-dollar debit will receive the actual return on the second business day following settlement.

**Faster Return Methods:** The Federal Reserve Bank of Dallas has been encouraging a shift away from paper and magnetic tape media in the ACH mechanism for some time due to the costly manual handling and slow delivery times associated with these media, primarily by offering a variety of types of full electronic connections (computer interface, data link, and personal computer-based) by which financial institutions can originate and receive all types of ACH transactions and can return ACH transactions electronically. Over 200 Eleventh District institutions now have this full electronic capability. Several hundred other Eleventh District institutions have business relationships with service bureaus which have electronic links with the Dallas Fed and also have a means of returning ACH transactions electronically.

**New Return Options:** In the fourth quarter of 1987, the Dallas Fed began offering two additional options for quick return of ACH debits and credits. These options should allow any Eleventh District institution to meet the next-day return requirement for large-dollar debits.

- 1) The first option is a computerized voice response system known as "CATIE" and requires only a Touch-Tone telephone and an access code to use. CATIE allows the caller to utilize toll-free WATS lines provided by the Dallas Fed in order to access our ACH history data base and generate an electronic ACH return. CATIE is available for use each business day beginning at 8:00 a.m. Central time. Institutions located in areas without Touch-Tone service can acquire an inexpensive pulse/tone switchable telephone to simulate Touch-Tone service for use with CATIE. In addition to this potential step, all that is needed in order to gain access to CATIE is to apply for an access code used in conjunction with the institution's ABA number to ensure confidentiality. (See the attached "Help Sheet" for the step-by-step procedure.) Approximately 500 Eleventh District institutions currently use CATIE for ACH returns; volumes per institution range from one return per month to 30 returns daily.
- 2) The second new ACH return option is available to all Eleventh District institutions that are online with a dedicated terminal; using such a terminal, authorized individuals can also access the ACH history data base to generate an ACH return.

Using either of these options, if a return is generated by 9:30 a.m., it will be processed on the day cycle and be settled immediately. Returns generated

after that time will be processed in the night cycle for next-day availability. The price per return for use of either the CATIE or dedicated terminal options is \$1.25, which includes all electronic processing fees. No minimum monthly fees or subscription fees are imposed. The important distinction to keep in mind between the use of these options and full electronic connections is that even though these new options can be used to deposit only ACH returns, they require only a few keystrokes (trace numbers and return reason codes) to generate electronic returns. Therefore, these options may be ideal for low-volume institutions. Full electronic connections can be used to originate and receive all types of electronic ACH transactions but also require them to be composed and formatted in files by your terminal operator.

**Fee comparisons:** To decide which return method is best for your institution, it may be useful to compare certain costs of using the various ACH return options once a certain volume level is reached. Assuming an institution returns a total of five intradistrict ACH debits daily for night cycle processing, Federal Reserve fees for this volume vary by method used as follows (prices vary by a few cents per item depending on whether the items are debits or credits, intra- or interdistrict, and whether the day or night cycle is used):

Paper (\$3.75 paper return fee plus \$.055 intradistrict night cycle processing fee)

$\$3.805 \times 5 = \mathbf{\$19.02 \text{ charge per day}}$

CATIE or dedicated terminal option (\$1.25 per item)

$\$1.25 \times 5 = \mathbf{\$6.25 \text{ charge per day}}$

Electronic connection (PC, data link, or computer interface)

$\$.055 \times 5 \text{ plus } \$1 \text{ file deposit fee} = \mathbf{\$1.28 \text{ charge per day}}$

(note: electronic connections can deposit returns mixed with other ACH items in the same file at no additional file deposit fee)

Clearly, as the volume of returns grows, an institution may find its costs of an electronic connection repaid by its use of that connection for ACH returns alone.

#### ATTACHMENT

A help sheet for handling ACH returns using CATIE is attached.

#### MORE INFORMATION

For more information, please contact Jonnie Miller at (214) 651-6290 or Larry Ripley at (214) 651-6118 at the Dallas office; at the El Paso Branch, Eloise Guinn or Jane Pyke at (915) 544-4730; at the Houston Branch, Marilyn Salmon at (713) 652-1582 or Louis Moore at (713) 652-1581; and at the San Antonio Branch, Herb Barbee or Jennifer Pruitt at (512) 224-2141.

Sincerely yours,



**HELP SHEET FOR HANDLING  
ACH RETURN ITEMS THROUGH CATIE**

1. CATIE MAY BE DIALED DIRECTLY FROM ANY STATE AT (214) 651-6632. TO AVOID TOLL CHARGES, DIAL CATIE AT 1-800-443-1549 IF YOUR INSTITUTION IS LOCATED IN TEXAS. IF YOUR INSTITUTION IS LOCATED IN LOUISIANA OR NEW MEXICO, DIAL 1-800-527-9200 AND ASK THE OPERATOR FOR EXTENSION 6632.
2. WHEN PROMPTED, ENTER YOUR 9-DIGIT ABA/TRANSIT ROUTING NUMBER.
3. WHEN PROMPTED, ENTER YOUR 4-DIGIT ACCESS CODE.
4. CATIE WILL RESPOND WITH MENU OPTIONS. ENTER 3 FOR THE ACH RETURN ITEM OPTION.
5. WHEN PROMPTED, ENTER THE 15-DIGIT TRACE NUMBER. (IF ERRORS ARE DETECTED WHILE ENTERING THE TRACE NUMBER, PAUSE MOMENTARILY, AND CATIE WILL ERASE THE DATA AND PROMPT YOU FOR REENTRY. BE AWARE THAT A LONGER PERIOD OF INACTIVITY WILL CAUSE CATIE TO RESPOND WITH "BYE" AND TERMINATE THE CALL.)
6. IF THE ORIGINAL ITEM IS RETRIEVED FROM THE HISTORY DATA BASE, CATIE WILL RESPOND WITH EITHER DEBIT OR CREDIT INFORMATION AND THE DOLLAR AMOUNT. CATIE THEN WILL PROMPT YOU FOR A 2-DIGIT RETURN REASON CODE OR "00" TO TERMINATE THE TRANSACTION. (RETURN REASON CODE 99 AND NOTIFICATIONS OF CHANGE WILL NOT BE ACCEPTED BY CATIE.)
7. IF THE RETURN REASON CODE IS VALID, CATIE WILL RESPOND THAT THE RETURN ITEM WAS ACCEPTED. IF THE RETURN REASON CODE IS INVALID, CATIE WILL TERMINATE THE TRANSACTION. IF RETURN REASON CODES 14 OR 15 ARE ENTERED, CATIE WILL PROMPT YOU FOR A 6-DIGIT DATE OF DEATH IN MM/DD/YY ORDER.
8. IF THE ORIGINAL ITEM IS NOT RETRIEVED FROM THE HISTORY DATA BASE, CATIE WILL RESPOND THAT THE ITEM SHOULD BE PROCESSED ON PAPER THROUGH YOUR LOCAL FEDERAL RESERVE BANK. (ITEMS WITH DUPLICATE TRACE NUMBERS AND ITEMS MORE THAN TWO WEEKS OLD WILL NOT BE RETRIEVED.)
9. BY ENTERING 7 QUICKLY, CATIE WILL PROMPT YOU TO ENTER ANOTHER ACH RETURN ITEM. ENTERING 9 WILL TERMINATE THE CALL.
10. IN ORDER TO ENTER ACH RETURN ITEMS FOR ANOTHER ABA NUMBER, SUCH AS THAT OF AN AFFILIATE, YOU MUST ALSO USE THE ACCESS CODE FOR THAT NUMBER. SEPARATE CALLS TO CATIE MUST BE PLACED TO RETURN ITEMS FOR SEPARATE ABA NUMBERS.