



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

July 22, 1988

DALLAS, TEXAS 75222

Circular 88-47

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

SUBJECT

Revision to Bulletin 11, Automated Clearing House Operations

DETAILS

The Federal Reserve Bank of Dallas is amending its Bulletin 11 to implement the ACH risk policy effective July 18, 1988, and to exclude applicability of NACHA rules providing for arbitration procedures and payment of legal fees in suits against ACH associations.

The following changes are furnished to advise you of the amendments which will shortly be incorporated in a revised Bulletin 11 of this Bank. Reference is to those paragraphs currently in Bulletin 11 effective 08-87; material in brackets should be deleted and new material is underlined. Until the new Bulletin 11 is received, you may rely on substitution of the amended paragraphs for those of like number in your current Bulletin 11. The time schedule that is in this circular should be substituted for the section entitled "Cutoff Hours" in Appendix A.

Paragraph 3c is amended as follows to exclude from the applicable ACH rules provisions governing arbitration of disputes among participants (effective immediately) or providing for payment of legal expenses to an ACH association in suits against the association (effective April 10, 1989):

(c) ". . . 'Applicable ACH rules' does not include . . . provisions . . . (such as settlement or indemnity agreements), (iv) governing arbitration of disputes among participants, or (v) providing for payment of legal expenses to an ACH association in suits against the association; but such provisions"

Amendments to Paragraphs 10, 22, 24, and 32 of Bulletin 11 and the ACH time schedule to implement risk policies approved by the Board of Governors, as noted below, are effective July 18, 1988, and include: (1) Monitoring and Settlement of Items Originated by Problem Banks; (2) Deadlines for Large-Dollar Debit Returns; (3) Charging Originators of Credits Closed on Nonstandard Holidays. The first amendment inserts a new Paragraph 10A.

"10A. An originator's local Reserve Bank may require an originator to give it prior notice of and funding or collateral for a credit item(s) to be sent to it or another Reserve Bank if it judges that there may not be sufficient funds in the originator's account on the settlement date(s) to cover the item(s)."

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"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] if it judges that there may not be sufficient funds in the originator's account to cover chargeback or return of the item. 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."

* * * *

"24. A Reserve Bank [does not settle] may, in its sole discretion, cease settling 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."

* * * *

"32. (a) 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 in accordance with applicable ACH rules. A receiver may also send an [or in the case of] automated return[s by returning the item to its Reserve Bank or] to any other Reserve Bank where it is authorized to originate items [in accordance with applicable ACH rules]. Notwithstanding the foregoing, a receiver must return a debit item in an amount of \$2,500.00 or more received from or through this Bank by returning the item in the manner provided in applicable ACH rules by the special closing times for such return item set forth in the Reserve Bank's time schedule. The receiver is accountable for the amount of such an item if it is not received by the Reserve Bank by such special closing times.

(b) A receiver may also obtain reversal of a debit for a debit item by returning an adjustment item in accordance with applicable ACH rules.

(c) The receiver's Reserve Bank converts a paper return item to automated form. The receiver's Reserve Bank may employ automated systems to generate electronic return items upon receipt of certain codes by telephone from certain receivers. A Reserve Bank receiving a return 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 reverses the debit and credit previously made in settlement of the item."

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"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), and return debit items of \$2,500.00 or more.

	Closing Times ^{1/}			
	Files With Remakes ^{2/}		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.
Presort				
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.	Noon	12:30 a.m.
Intraoffice	9:30 a.m.	10:00 p.m.	Noon	12:30 a.m.
		<u>Day Cycle</u>	<u>Night Cycle</u>	
Paper Returns (<u>other than debit items of \$2,500.00 or more</u>) and NOCs		6:00 a.m.		
Dishonored Returns		Noon		

Automated Return
Debit Items of
\$2,500.00 or more

Applicable Night Cycle
Closing Time on the
Receiver's Banking
Day Following the
Settlement Date or
Following Receipt of
the Item, Whichever
is Later.

Paper or Telephone
Return Debit Items
of \$2,500.00 or more

7:00 p.m. on the
Receiver's Banking Day
Following the Settlement
Date or Following Receipt
of the Item, Whichever
is Later.

Effective Date Windows

Items should specify an effective date within the following effective date windows, computed from the banking day of receipt and processing by us:

<u>Class</u>	<u>Effective Date Window</u>
Credit Items	One (1) to Two (2) Banking Days
Debit Items	One (1) Banking Day Only

If an effective date is not specified or if an item specifies an effective date no later than the banking day of receipt and processing by us, the settlement date is the banking day following the day of receipt and processing by us. If an item is to be settled on a date that is a Reserve Bank banking day, then settlement occurs on that day without regard to whether it is a banking day for the originator and the receiver.

Delivery Schedule

Output files are available for pickup by or delivery to receivers by (1) 4:00 p.m. weekdays for day cycle output and (2) 6:00 a.m. weekdays for night cycle output."

MORE INFORMATION

For more information on the bulletin, please contact one of the following individuals. For additional copies of the bulletin, please contact the Public Affairs Department at (214) 651-6289.

Information on Bulletin 11:

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Sincerely yours,

