



FEDERAL RESERVE BANK OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

December 1, 1988

DALLAS, TEXAS 75222

Circular 88-82

TO: All financial institutions in the
Eleventh Federal Reserve District
that receive ACH transactions

SUBJECT

**New procedures for notifying originating agencies of changes in
government ACH payments**

DETAILS

Background: You may recall that in December 1987, in order to speed up the process by which changes are made to individual government payments, the U.S. Treasury's Financial Management Service (FMS) began converting the Notification of Change (NOC) procedure for government ACH payments to the commercial NOC process. In this first phase, receivers of government payments could change account number or routing transit number data included in these payments by depositing automated NOCs with their Federal Reserve Bank in place of sending marked-up 1199A forms directly to originating agencies. No fees are imposed for deposit of automated NOCs.

New Option: The FMS has now announced Phase II of its new NOC procedures. Depository institutions without the capability to create and deposit automated NOCs may now deposit government NOCs with their Reserve Bank in paper form. The Reserve Banks will convert these paper NOCs to electronic form and transmit them to originating agencies exactly as automated NOCs deposited with Reserve Banks are transmitted. The FMS and the Federal Reserve Board have authorized Reserve Banks to charge depositors a \$1.00 conversion fee for each paper government NOC to partially defray handling costs and as an incentive to DIs to automate these items. Phase II will be implemented in the Eleventh Federal Reserve District on January 3, 1989.

Benefits, requirements: The FMS and the Federal Reserve believe that depositing institutions will notice a much faster response by originating agencies to NOCs as a result of converting to the commercial NOC process. Currently, originating agencies normally require 60 to 90 days to effect the change presented to them on a marked-up 1199A form. Also, under the new NOC procedures, originating government agencies will use more automated systems and will have more stringent formatting requirements for NOCs than with the old procedures.

Further Instructions: To assist you in meeting the agencies' requirements, we are preparing detailed instructions for your use in completing the paper NOC forms. We plan to distribute this information to you by mid-December 1988. Following these guidelines will result in a reduction in rejected NOCs which will allow for faster updating of agencies' records. The end result will be better service to your customers.

In Summary: Beginning in January 1989, Eleventh District institutions will have three options for providing government payment notification of change:

- * The old procedure whereby institutions send marked-up 1199A forms directly to agencies
- * The procedure effective December 1987 for depositing automated NOCs
- * The new paper NOC procedure described above.

Automated methods of depositing NOCs offer your institution many advantages. No fees are assessed for deposit of automated NOCs, and the Federal Reserve normally completes processing of automated NOCs in one day. Therefore, I encourage you to use automated methods of depositing these items whenever possible. Of course, you should consider the use of an electronic connection in handling all ACH traffic as well as funds transfer and other electronic services due to the speed, security, and low cost this technology provides.

MORE INFORMATION

For more information on the FMS program and on the benefits of an electronic connection, please contact:

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Sincerely yours,

William H. Wallau