



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

December 29, 1988

DALLAS, TEXAS 75222

Circular 88-95

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

SUBJECT

**Regulation CC Compliance - Check Return Notification and Quality of
QRC Deposits**

DETAILS

Beginning January 1, 1989, depository institutions on-line for Funds Transfer Activity must receive Check Return Notifications on-line. This requirement was previously announced in conjunction with the September 1, 1988 implementation of Regulation CC. Therefore, institutions with electronic connections to the Federal Reserve for the Funds Transfer service will be required to receive the wire notification of Check Returns (Code 30 transactions) over their on-line connection.

Since the implementation of the Reg CC in September, the quality of return item letters being deposited at the Reserve Banks has received considerable attention. While substantial improvement has been seen in the preparation of qualified return checks (QRC's), problems continue with inadequately prepared return checks rejecting during high speed processing. Rejects are the result of non-readable MICR amount and/or routing transit encoding, absence of a "2" in position 44, invalid routing and transit numbers, and inferior quality carrier documents or add-on strips.

Beginning February 1, 1989, QRC return letters that have a reject rate greater than 15% will be reclassified as raw, resulting in a higher item price and deferred credit. Fee and availability schedule for return check services were included in our Circular 88-42 dated July 1, 1988.

MORE INFORMATION

For more information, please contact Robert L. Whitman (214) 698-4357 at the Dallas office, Robert W. Schultz (915) 544-4730 at the El Paso Branch, Luke E. Richards (713) 652-1544 at the Houston Branch, or Taylor H. Barbee (512) 224-2141 at the San Antonio Branch.

Sincerely yours,

William H. Wallace