



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

October 13, 1989

DALLAS, TEXAS 75222

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

Circular 89-60

SUBJECT

**Revisions to Bulletin 11 - Automated Clearing House
Operations**

DETAILS

Bulletin 11 has been revised to incorporate changes to ACH operations required by the changes to the large-dollar risk reduction program. Those changes to the risk reduction program affecting ACH were described in our Circular 88-7 dated January 20, 1988, and were effective July 18, 1988. Information published in Circular 88-7 has now been incorporated into Bulletin 11.

The entire Bulletin should be reviewed and retained in your Bulletins Binder, and you should discard earlier issues of Bulletin 11 since wording changes have been made to numerous paragraphs. Appendix B now provides the 1989 fee schedule and Appendix C has been added to illustrate wording of an "Agreement Concerning ACH Credit Originations for Certain Depository Institutions." The agreement illustrated in Appendix C is a specific result of the new risk policies defined in Circular 88-7.

ATTACHMENT

A revised copy of Bulletin 11 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, Lila Hice at (713) 652-1650 or Louise Moore at (713) 652-1581; and at the San Antonio Branch, Herb Barbee or Jennifer Pruitt at (512) 224-2141.

Sincerely yours,

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

BULLETIN 11

Automated Clearing House Operations



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 OPERATIONS
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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), (iii) requiring execution of agreements (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 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) "Interdistrict transaction" means a transaction that is handled by different Reserve Banks.
- (n) "Intradistrict 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, ad-

justment, 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 gov-

erning credit and debit items, and (c) authorized by the originator's local Reserve Bank, may send an item to this Bank. An item presorted 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 on magnetic tape which meets specifications approved by this Bank. 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.

10.A. An originator's local Reserve Bank may re-

quire an originator to execute the agreement set forth as Appendix C, and to give the Reserve Bank prior notice and separate sorts by settlement date of credit and debit items to be sent to it or another Reserve Bank. The originator's local Reserve Bank also may require the originator to provide pre-funding for, and may substitute itself for the originator with respect to, a credit item(s) in accordance with the agreement if the Reserve Bank judges that there may not be sufficient funds in the originator's account on the settlement date(s) to cover the item(s).

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 depositing files on magnetic tape should ordinarily send their items to the El Paso Branch; originators domiciled in the Houston territory depositing files on magnetic tape should ordinarily send their items to the Houston Branch; originators domiciled in the San Antonio territory depositing files on magnetic tape 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 intradistrict transaction by sending or making available an item we receive to the receiver. We handle an interdistrict 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 will 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 it 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 refuse to permit the use of credit given for a debit item 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.

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 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.

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.

REVOCACTION 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, ac-

cordingly.

RETURN OF ITEMS AND FUNDS

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 automated return to any other Reserve Bank where it is authorized to originate items. 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's ACH Division 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.

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 interdistrict 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 return 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.

ADVICES 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 promptly 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 Federal Reserve's Inter-District Settlement Fund), if

- (1) the Reserve Bank has made reasonable 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
FOR AUTOMATED CLEARING HOUSE OPERATIONS

Cutoff Hours¹

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, notifications of change (NOCs), and return debit items of \$2,500.00 or more.

	Closing Times for Deposit of Files ²			
	"With Remake" Deadlines ³		Final Closing Times	
	Day Cycle	Night Cycle	Day Cycle	Night Cycle
Interdistrict				
Mixed	7:00 a.m.	7:30 p.m.	9:30 a.m.	10:00 p.m.
Presorted	7:30 a.m.	8:00 p.m.	10:30 a.m.	11:00 p.m.
Intradistrict	9:30 a.m.	10:00 p.m.	Noon	12:30 a.m.

	Closing Times for Exceptional Returns and NOCs	
	Day Cycle	Night Cycle
Paper Returns and NOCs	6:00 a.m.	7:00 p.m. ⁴

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. These deadlines also apply to return items and NOCs deposited in files; any such debit returns of \$2,500 or more must be deposited by the business day following receipt or settlement, whichever is later.

3. 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.

4. Applies only to paper debit returns of \$2,500 or more, which must be deposited by the business day following receipt or settlement, whichever is later.

**Appendix A (Continued)
TIME SCHEDULE
FOR AUTOMATED CLEARING HOUSE OPERATIONS**

	<u>Day Cycle</u>	<u>Night Cycle</u>
Electronic returns generated via CATIE telephone system or terminal access to history database	9:30 a.m.	7:00 p.m.
Dishonored Returns	Noon	

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

Items with an effective date later than the effective date window will be returned to the originator.

Settlement Dates

If an effective date is not specified, or if an item specifies an effective date the same as or earlier than the banking day of receipt and processing by us, the settlement date is the banking day following receipt by us.

If an item specifies a settlement date that is a standard Reserve Bank holiday, the settlement date is the next banking day for us.

If an item specifies a settlement date that is not a banking day for the originator or the receiver, settlement is effected, with respect to that party, as follows:

ACH Debit Items:

Originator closed: Credit originator's account on settlement date.

Receiver closed: Debit receiver's account on settlement date, or receiver may choose next day debit with "as of" adjustment or explicit charge for float provided that we have received written notification of such election 10 business days in advance of the settlement date that is not a banking day for the receiver.

Appendix A (Continued)
TIME SCHEDULE
FOR AUTOMATED CLEARING HOUSE OPERATIONS

ACH Credit Items:

Originator closed: Debit originator's account on settlement date.

Receiver closed: Credit receiver's account on settlement date.

For purposes of determining the deadline for return, a receiver is not considered to receive an item made available to it on a day it is closed until its next banking day.

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. These times are Central time.

**APPENDIX B
COMMERCIAL AUTOMATED CLEARING HOUSE FEE SCHEDULE**

Debits and Credits Originated	Per Item	Per Addendum
Intradistrict basic fee	\$.010	\$.002
Interdistrict basic fee		
Mixed	\$.017	\$.003
Presorted	\$.012	\$.002
Files deposited, per file	\$1.00	
Tapes deposited, per tape	\$4.00	
Night cycle surcharges*		
Next-day credits, automated notifications of change (NOCs) and prenotes	\$.015	
Next-day debits	\$.035	

Return Items and NOCs

Deposited electronically, returns and NOCs are assessed the same basic fees and surcharges as are applied to debits and credits originated.

Deposited via the CATIE or dedicated terminal methods, returns are assessed a flat per-item fee of \$1.25. No other basic fees or surcharges apply. (NOCs cannot be handled using these methods at present.)

Deposited in paper form, each return and NOC is assessed a \$4.00 handling fee in addition to all fees that would apply if the item were deposited electronically. In addition, the Treasury Department has asked the Federal Reserve to charge depositors of paper government NOCs a \$1.00 per item fee to partially defray the cost of converting these items to electronic form.

Debits and Credits Received	Per Item	Per Addendum
Intradistrict basic fee	\$.010	\$.002
Interdistrict basic fee	\$.017	\$.003

Nonelectronic Output File Fees

Your messenger pickup, per output file	\$4.00
Courier delivery, per file delivered	\$5.00

Telephone Advice

Up to 10 pieces of information	\$4.00
Each additional piece of information	\$.05

*There are no night cycle surcharges for two-day credits or addenda originated, for debits and credits received, or for any return item.

Appendix C
AUTOMATED CLEARING HOUSE OPERATIONS

Agreement Concerning
ACH Credit Originations for
Certain Depository Institutions

A. Certain depository institutions that originate automated clearing house ("ACH") items that are processed by the Federal Reserve Bank of Dallas may experience financial difficulties and face the risk of failure.

B. If an ACH Originator fails to settle for ACH items originated earlier, there is a significant risk of loss to other participants in the ACH system and a significant risk of disruption of the ACH system if settlement does not occur.

C. In order to reduce the risk of loss or disruption, an ACH Originator that has been identified as presenting a high risk of disruption to the payments system agrees to take steps to permit its ACH credit originations to be monitored and to be settled at the time of origination.

Accordingly, the Federal Reserve Bank of Dallas and the ACH Originator agree as follows:

Section 1 — Definitions

For all purposes of this Agreement:

"ACH Originator" means a depository institution that originates for itself or on behalf of others ACH items processed or settled by this Bank, that has been identified by this Bank as having a higher than average level of risk of insolvency, and that has agreed to the terms of this Agreement by executing the letter attached as Appendix C.1.

"Notice of Origination" means a written or electronic statement showing, by settlement date, the total amount of all credit items to be originated and the total amount of all debit items to be originated by the ACH Originator for a given ACH cycle.

"Prefund" means to pay, in actually and finally

collected funds, to this Bank, the total amount of all ACH credit originations shown on a Notice of Origination prior to sending the items to this Bank for processing.

Section 2 — Notification of Origination

2.1 The ACH Originator shall notify this Bank of the amount of all ACH credit and debit items it intends to originate through an ACH cycle showing the total amounts of both debits and credits for each settlement date ("Notice of Origination"). The Notice may be in writing or delivered electronically in a form acceptable to this Bank and shall be delivered to this Bank no later than the deposit deadline for the items to be originated.

2.2 If an ACH Originator submits a Notice of Origination and subsequently discovers the Notice to be in error, the ACH Originator shall submit a revised Notice to this Bank as soon as possible.

2.3 The Notice of Origination shall include a credit item originated through another Reserve Bank (remote origination), a credit item delivered directly to the receiving institution's Reserve Bank (consolidated presort origination) and a credit item originated using a private service bureau, ACH service provider, or correspondent.

2.4 This Bank from time to time may verify the accuracy of the Notice of Origination by comparing the Notice to the credit and debit items actually originated. The Reserve Bank may point out discrepancies and require explanations. If the ACH Originator continues to submit inaccurate Notices, the Reserve Bank may elect to refuse to process ACH credit originations of the ACH Originator, or this Bank may elect to refuse to provide ACH or net settlement services to the institution.

Appendix C (Continued)
AUTOMATED CLEARING HOUSE OPERATIONS

Agreement Concerning
ACH Credit Originations for
Certain Depository Institutions

Section 3 — Prefunding of ACH Credits

3.1 From time to time, this Bank, in its discretion, may, by notice to the ACH Originator, require that the ACH Originator irrevocably make available to this Bank, in actually and finally collected funds, the total amount of all ACH credit originations shown on the Notice of Origination prior to the time this Reserve Bank processes the items (to "Prefund"). The ACH Originator may Prefund its credit originations by Fedwire, by transfer from another depository institution, by obtaining an advance from this Bank or by maintaining a sufficient balance of actually and finally collected funds in its reserve or clearing account. Unless the ACH Originator indicates that it will Prefund in another way and actually does so, the ACH Originator authorizes this Bank, prior to processing the items, to deduct from the ACH Originator's reserve or clearing account the amount needed to Prefund the ACH credits.

3.2 If the ACH Originator fails or refuses to Prefund the full amount of its ACH credits in a cycle, this Bank may, in its discretion, refuse to process items that have not been Prefunded, or process the items, reserving the right to cease settling for the items on the settlement date. If the ACH Originator only partially Prefunds the amount of its ACH credits and does not indicate which items have been Prefunded, this Bank, in its sole discretion, shall determine which items shall be considered to have been Prefunded.

3.3 If the ACH Originator Prefunds the ACH credits, the ACH Originator's obligation to settle in respect of the Prefunded ACH credit items up to the amount of the Prefunding shall be automatically satisfied and discharged and replaced by an irrevocable obligation of this Bank to settle for the Prefunded items on the settlement date.

Section 4 — Miscellaneous

4.1 This Bank reserves the right to defer the availability of some or all of the credit arising from debit ACH items originated by the ACH Originator.

4.2 If the amount of Prefunding exceeds the total amount of credits actually originated by the ACH Originator, this Bank shall return the excess to the ACH Originator.

4.3 If the amount of Prefunding is less than the total amount of credits actually originated, this Bank, in its sole discretion, may select, in any order, which items shall be considered to have been Prefunded or may refuse to settle for all the items.

4.4 To the extent of any inconsistency between this Agreement and the Bulletin, the provisions of this Agreement shall govern.

4.5 The ACH Originator indicates its agreement to the terms of this Agreement by executing a letter in the form of Attachment C-1. If the ACH Originator elects to Prefund using the account of a Correspondent on this Bank's books, the ACH Originator and the Correspondent must both execute a letter in the form of Attachment C-2.

4.6 The Correspondent may terminate its authorization to this Bank to charge its account by notice in writing to the Manager, ACH Operations. The notice shall not be effective, however, as to any items originated or debits made prior to the time the Manager receives the notice.

4.7 This Bank reserves the right to amend this Agreement from time to time by publishing an amendment to this Appendix. We endeavor to give at least seven days notice of an amendment.

Attachment C-1
ACH Originator Agreement

[letterhead of ACH Originator]

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Manager, ACH Operations

Gentlemen:

We agree to the terms of Appendix C to your Bulletin 11 "Automated Clearing House Operations" as it may be amended from time to time. We agree to Prefund ACH credit originations as required by you from time to time and authorize you to deduct the amount of the required Prefunding from our reserve or clearing account prior to the time we originate ACH credit items.

[Name of ACH Originator]

Attachment C-2
ACH Originator and Correspondent Agreement

[letterhead of ACH Originator]

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Manager, ACH Operations

Gentlemen:

A. ACH Originator Agreement

We (the "ACH Originator") agree to the terms of Appendix C to your Bulletin 11 "Automated Clearing House Operations" as it may be amended from time to time. We agree to Prefund our ACH credit originations as required by you from time to time and designate _____ as our Correspondent for the purpose of providing you an account from which you may deduct the amount of the required Prefunding.

[Name of ACH Originator]

B. Correspondent Agreement

We agree to act as Correspondent for the ACH Originator. We authorize you to deduct from our reserve or clearing account on your books, from time to time, the amount of any required Prefunding prior to the time the ACH Originator originates ACH credit items.

[Name of ACH Correspondent]