



**FEDERAL RESERVE BANK
OF DALLAS**

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

November 22, 1989

Circular 89-74

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

SUBJECT

Changes to Eleventh District ACH operations

DETAILS

The Federal Reserve Bank of Dallas will centralize its paper return and NOC processing and provide new electronic advices to increase efficiency in its ACH operations and to expedite the all-electronic ACH.

Background

In February 1985, the Federal Reserve System began automating paper ACH return items and notifications of change (NOCs) received from financial institutions to speed up the process of returning items and effecting changes to ACH payments. In 1986 to facilitate the return process, the Federal Reserve Bank of Dallas began using a history data base that captures and retains for a period of 10 calendar days all ACH items sent to receiving financial institutions in the Eleventh District.

Since 1987, the Dallas Fed has also provided its customers several methods of access to the history data base for the purpose of creating electronic return items. Current access methods include a Touch-Tone telephone service called CATIE and access via the RESPONSE network using dedicated RESPONSE terminals or the new Fedline software. Our RESPONSE network software also provides customers the ability to format ACH transactions (including return item and NOC information) into files and the ability to transmit these files to the Federal Reserve Bank of Dallas for processing.

All these methods provide for faster credit and lower costs for depositors as paper commercial returns and NOCs carry a \$4.00 charge for handling and conversion to electronic form.

These electronic alternatives to the deposit of paper items have proven extremely popular, and approximately 80 percent of all Eleventh District ACH returns are now deposited in automated form.

Enhancements

On December 4, 1989, the Federal Reserve Bank of Dallas will further enhance CATIE. This enhancement will allow institutions to use additional criteria to select the correct ACH item from our history data base in order to create a return.

In the past, a returning institution may have discovered that more than one item on the data base had the same trace number, and in such instances, CATIE could only advise that the unique item could not be located. However, with the new CATIE enhancement, the correct item can be located. Therefore, effective December 4, 1989, the only return items that institutions without a RESPONSE connection must deposit with the Fed on paper will be those that were originally processed more than 10 calendar days earlier and have rolled off the data base. A copy of the new CATIE script is attached for your review.

In light of the availability of this broad range of automated ACH services and the resulting reduction in paper processing volume, the Federal Reserve Bank of Dallas will consolidate its paper ACH return item and NOC keying operations at our Houston office effective January 2, 1990. Paper items may be deposited with your local Federal Reserve Office, but those items will not be regarded as officially received until they reach our Houston office. Under the consolidated operation, these items must be time-and-date stamped at the Houston office, and our other offices require at least one extra day to forward locally deposited items to Houston.

As an alternative, institutions in the Dallas, El Paso and San Antonio territories may send their paper returns and NOCs directly to our Houston office. In either case, institutions are encouraged to use the pre-addressed ACH return envelopes provided by the Dallas Fed to ensure returns reach the appropriate destination as quickly as possible. Houston envelopes are available upon request.

We expect any additional delays incurred in the deposit of paper returns to increase the number of such items being classified untimely. This problem will most critically affect those institutions located outside the Houston territory returning large-dollar debit items on paper (debit items with a dollar value of \$2,500 or greater). These institutions will almost certainly miss the deposit deadlines for such items and may incur losses from those items for their failure to meet the deposit deadlines. Therefore, we encourage institutions to make arrangements to avoid such untimely returns while reducing costs by using one of the electronic alternatives described above in lieu of paper deposits.

New Advices

Effective February 5, 1990, the Dallas Fed will provide RESPONSE customers ACH advices via the network. Printed advices will no longer be provided with tapes and paper listings for those institutions with electronic connections. Instead, the advice will be delivered to your personal computer, data link or bulk data connection as an additional file in a print format so that it may be printed immediately at your institution.

Financial institutions that use their electronic connection for access to multiple Federal Reserve services should advise their staff operating that connection device that the ACH advice will be delivered via that connection and that they should be prepared to provide the advice to the ACH staff.

At the same time, the Federal Reserve Bank of Dallas will begin providing advices to institutions that receive flexible settlement files. Notice of this new service was recently provided to institutions that receive such files. We wish to remind those institutions to be prepared to accept an advice regarding that flexible settlement file for any such file processed and delivered to your institution on or after February 5, 1990.

(NOTE: Settlement totals on flex settlement advice will NOT be included on the final advice for the day's ACH Work. The flex settlement advice will be the ONLY advice that provides the settlement totals for the flex settlement file.)

ATTACHMENT

A revised CATIE script for handling ACH transactions is attached.

FOR MORE INFORMATION

For more information, please contact one of the following individuals.

Dallas

B.B. Sessions	(214) 651-6403
Tracy Whitten	(214) 698-4349
Larry Ripley	(214) 651-6118

El Paso

Eloise Guinn	(915) 544-4730
Jane Pyke	(915) 544-4730

Houston

Marilyn Salmon	(713) 652-1582
Lilia Hice	(713) 652-1650
Louis Moore	(713) 652-1581

San Antonio

Herb Barbee	(512) 224-2141
Jennifer Pruitt	(512) 224-2141

Sincerely yours,



ATTACHMENT

CATIE Procedure for Telephonic Return of ACH Transactions Processed within the Last Ten Days by the Dallas Fed

1. **Dial CATIE directly at (214) 651-6632 from any Touch-Tone phone,** or call (800) 443-1549 toll-free from Texas. From Louisiana or New Mexico, you may call toll-free (800) 527-9200 and ask the Bank operator for extension 6632. When CATIE answers and prompts you to do so,
2. **Enter your institution's nine-digit ABA transit-routing number.** (Note: If you make any mistakes while entering data at any step in this procedure, simply pause momentarily, and CATIE will erase the incorrect data and prompt you to re-enter. Don't hesitate for more than a few seconds after this re-entry prompt, for CATIE is designed to respond with "BYE" and terminate the call in order to free up any lines that are not in active use.) When prompted by CATIE, next
3. **Enter your two-digit personal identifier and your six-digit password.** After verifying the validity of these codes, CATIE will invite you to enter the function code for return items, or if you hold, will name the various options and function codes on the menu.
4. **Enter "3" for the return item option.** CATIE will then prompt you to
5. **Enter the 15-digit trace number of the first item to be returned.** CATIE will then search the Fed's data base for the unique electronic image of that ACH item and, having found it, will state whether it is a debit or a credit, as well as the dollar amount of the item, so that you can be sure the correct item has been retrieved. In some cases, more than one item on the data base will have the same trace number, and since CATIE cannot then find a unique image, you will need to enter additional information at CATIE's prompting (Step 6). If the correct item has been retrieved, then CATIE will prompt you to enter the two-digit return reason code (Step 8).
6. **Enter the Effective Entry Date in month, day, year (MMDDYY) format.** CATIE will verify the date entered by quoting it back to you. CATIE will ask that you press "#" if the date is correct or "*" if the date is incorrect. If you press "*", you will be asked to re-enter the date. When you have entered a correct Effective Entry Date, CATIE will prompt you to enter the amount of the item in dollars and cents without commas or decimal points.
7. **Enter the amount of the item.** CATIE will verify the amount entered by quoting the amount back to you. CATIE will ask that you press "#" if the amount is correct or "*" if the amount is incorrect. If you press "*", you will be asked to re-enter the amount. When you have entered the correct amount, CATIE will advise you that the item has been retrieved uniquely and prompt you to enter the two-digit return reason code. If for some reason (usually an originator's error) the item is a true duplicate (same trace number, effective entry date and amount) CATIE will advise you that the item must be returned by some other method - for

example on paper.

8. **Enter the two-digit return reason code.** CATIE will then prompt you to enter "1" in order to enter a date of death (if the reason for the return item is the death of the recipient) or alternatively "0" if the return is for another reason. If you enter "1", CATIE will prompt you to enter a six-digit date of death in MMDDYY format. With this step completed, CATIE generates an electronic return item, deposits it for processing with the Fed, and states "return item accepted." CATIE will also furnish you with an "item number", which is your confirmation that the return has been deposited with the Fed. You should record this number in case you have any questions about this item later.
9. **Enter "7" to return the next item.** CATIE will then prompt you to repeat steps (5) and (6) above. When you wish to terminate the call,
10. **Enter "9" to exit from CATIE.**

CATIE RETURNS GENERATED BY 9:30 a.m. DALLAS TIME SETTLE THE SAME DAY.

Revised 11/89