



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

February 21, 1990

DALLAS, TEXAS 75222

Circular 90-09

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

SUBJECT

Amendments to Bulletin 8

DETAILS

The Federal Reserve Bank of Dallas' Bulletin 8, "Collection of Cash Items and Returned Checks," has been amended. The first amendment requires the routing number address of a cash item to be in the same Reserve Bank availability zone, or in an availability zone with faster availability in the same check processing region, as the printed bank address on the item. The second amendment clarifies that the provisions related to the payment for cash items on nonstandard holidays also applies to returned checks. These amendments were effective July 17, 1989.

In addition, the amendments to Bulletin 8 described below were effective January 1, 1990.

The time frame for presenting a photocopy of an item to a Reserve Bank after the cash item or return check has been charged back has been changed from 30 banking days to 20 banking days. The time frame for a paying bank to dispute an allegation of late return has been increased from 15 calendar days to 20 banking days.

A two year time limit has been set for commencing an action against a Reserve Bank for negligence, in handling cash items. The Reserve Banks will generally continue to maintain cash item research records for only one year.

The "Competitive Equality Banking Act of 1987" (CEBA) amended the statutes governing the time frames for payment of and claims on U.S. Treasury (government) checks to generally limit payment to checks negotiated to a financial institution within one year after the date of issue, unless it is negotiated to a financial institution no later than October 1, 1990. CEBA also generally limits reclamation claims by the Treasury and claims against the Treasury to one year after the payment or issuance of a government check.

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).

Exhibits I and II of Bulletin 8, regarding late return item claims, have also been revised. Changes to Exhibit I, "Banks Claim of Late Return," clarify that a late return item claim can be made only once and in respect to the first time a check of \$100.00 or more was returned by the paying bank. The change to Exhibit II, "Paying Bank's Response to Claim of Late Return," requires the completed form to be returned to the local Federal Reserve office within 20 banking days after the Reserve Bank sent the claim of late return, otherwise, the charge will stand.

ENCLOSURES

Enclosed is the revised Bulletin 8. Please file it in your regulations binder and remove the old version.

MORE INFORMATION

If you have any questions or would like additional information, please contact Robert L. Whitman, (214) 698-4357 at the Dallas Office, Eloise Guinn, (915) 544-4730 at the El Paso Branch, Luke E. Richards, (713) 652-1544 at the Houston Branch, or Herb Barbee, (512) 224-2141 at the San Antonio Branch.

Sincerely,

A handwritten signature in cursive script, reading "William H. Waller". The signature is written in black ink and is positioned below the typed name "Sincerely,".

BULLETIN 8

**COLLECTION of
CASH ITEMS**



FEDERAL RESERVE BANK OF DALLAS

SCOPE

This bulletin contains the terms and conditions under which we will handle cash items for collection and other instructions regarding the handling, return, and adjustment of cash items.

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COLLECTION OF CASH ITEMS
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GENERAL

1. Subpart A of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System ("Board"), Subpart C of Regulation CC ("Regulation CC") of the Board, this bulletin, and our time schedules apply to the handling of all cash items that we accept for forward collection, all returned checks that we accept for return, and any form of payment that we receive for such items. This bulletin also contains instructions to paying and collecting banks for handling and paying cash items received from us, and instructions to returning and depository banks for handling and paying returned checks received from us. This bulletin is issued pursuant to Sections 4, 13, 14(e), and 16 of the Federal Reserve Act, the Expedited Funds Availability Act, and relating statutes and in conformity with Regulations J and CC. It is binding on each party interested in an item we handle.

2. Each Reserve Bank has issued a bulletin substantially similar to this one. When we send a cash item or a returned check to another Reserve Bank, that Reserve Bank handles the item subject to its bulletin and time schedules. We give credit for the item in accordance with our time schedules.

3. The definitions of terms set forth or incorporated in Regulation J, including terms defined in Regulation CC, apply in this bulletin, except as otherwise provided in this bulletin. The term "bank" includes a depository institution as defined in Section 19 of the Federal Reserve Act. The term "item" includes a cash item and a returned check. The term "cash item" excludes a returned check, and the term "returned check" includes a cash item, and a check as defined in Regulation CC, that is re-

turned by a paying bank. The terms "prior" or "subsequent" with respect to a bank are used in relation to our handling of an item. For example, a subsequent collecting bank is one that handles a cash item after we handle it. Many terms used in this bulletin have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to this Bank include our Head Office and our San Antonio, Houston, and El Paso Branches.

4. This bulletin applies to any State or political subdivision of a State to which we present direct, as cash items, bills, notes, and warrants that are issued by the State or political subdivision and that are payable in the Eleventh Federal Reserve District. Each such issuer is treated as a paying bank and each day on which the issuer is open for the regular conduct of its affairs or the accommodation of the public is treated as a "banking day" for the issuer.

ITEMS THAT WE HANDLE AS CASH ITEMS

5. A sender may send the following items to us for handling as cash items, unless otherwise provided in this bulletin:

(a) Checks payable in a State,¹ including post dated checks, except checks that cannot be collected at par;

(b) Government checks, postal money orders, redeemed savings bonds, and food coupons²; and

(c) Other demand items, collectible at par in funds acceptable to the Reserve Bank of the Federal Reserve District ("District")³ in which

¹ Under Section 210.2 of Regulation J, "State" means a State of the United States, the District of Columbia, Puerto Rico, or a territory, possession or dependency of the United States.

² The provisions that govern the collection of Government checks, postal money orders and redeemed savings bonds are contained in Appendices A, B, and C of this bulletin. Provisions governing the collection of food coupons are contained in Bulletin 5.

³ The Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam, American Samoa and the Northern Mariana Islands are deemed to be in the Twelfth District. Regulation J, note 1.

the items are payable, that we are willing to accept as cash items.

6. When we accept an instrument for credit to our own account, the account of another Reserve Bank, or any account on our books, we handle the instrument as a cash item if it qualifies as a cash item even though it is sent to us by one other than a "sender," as defined in Section 210.2 of Regulation J.

ITEMS THAT WE DO NOT HANDLE AS CASH ITEMS

7. A sender should not send to us an item eligible for handling as a cash item under paragraph 5 if:

(a) a passbook, certificate, or other document is attached to the item;

(b) special instructions, including a request for special advice of payment or dishonor, accompany the item;

(c) the item consists of more than a single thickness of paper, except as provided in paragraphs 69 - 70 and 76 regarding photocopies, but we do handle as a cash item a mutilated, erroneously-encoded, or other cash item contained in a carrier that qualifies for handling by high-speed check processing equipment;

(d) except as provided in paragraphs 69 - 70 and 76 regarding photocopies, the item has not been preprinted or postencoded, in accordance with the American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (September, 1983), before we receive it with: (i) the routing number⁴ of the paying bank (or non-bank payor), and (ii) except as provided in our time schedule, the dollar amount of the item. We handle such an item as a cash item, however, when we judge that

special circumstances justify such handling;

(e) the item does not set forth on its face the name of the paying bank and a city and state address of the bank that is located in (1) the same Reserve Bank check processing region as, and (2) a Reserve Bank availability zone that provides the same (or slower) availability than, the address associated with the routing number in magnetic ink on the item; or

(f) except as provided in paragraphs 69 - 70 and 76 regarding photocopies, the item does not bear (i) the routing number of the paying bank in fractional form in the upper right hand corner in at least 8-point Gothic type, or (ii) conform to the dimension standards of the American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (September, 1983) (between 2 3/4 and 3 2/3 inches in width, and 6 and 8 3/4 inches in length). We handle such an item as a cash item, however, when we judge that special circumstances justify such handling.

These items should be sent to us for collection only as noncash items under our Bulletin 9, "Collection of Noncash Items."

8. A sender should not send to us as a cash item an item that has been dishonored two or more times, or a returned check. We reserve the right to return an item or to handle it as a noncash item if it has been dishonored once, or if we judge that special conditions require that it be so handled. We reserve the right to return an item payable by, at, or through a bank that has been reported closed.

9. Under Section 4-204(1) of the Uniform Commercial Code, a collecting bank must send items by reasonably prompt methods. Accordingly, we discourage indirect routing of cash items. A sender should not send to us, or to another Reserve Bank

⁴ The term "routing number" means a number authorized by the Routing Number Policy of the American Bankers Association.

for our account, an item that is payable in another District and that bears the indorsement of a bank located in another District if it is evident that the item has been routed indirectly. Senders should not send to us an item payable by, at, or through an office of the sender.

10. If an item that we do not handle as a cash item is sent to us in a cash letter, we reserve the right, in our discretion, to charge it back and return it to the sender. We do not have any responsibility for delay in handling as a cash item an instrument that should not have been sent to us as a cash item. We also reserve the right to return and charge back a cash letter that does not conform to the sorting requirements of this bulletin and our time schedules.

PREPARATION OF CASH LETTERS AND RETURN LETTERS

11. All cash items and returned checks sent to us may be listed by amount without further description in tape listings accompanying cash letters or return letters. All letters and tape listings should be dated and identified with the sender's (or paying or returning bank's) name and nine-digit routing number, if any.

12. Each sender (or paying or returning bank) should keep records that permit it to identify its depositor or indorser on a cash item or returned check so that the bank can take appropriate action if the item is lost or destroyed. We do not usually keep copies or descriptions of items. We do not keep any records of items in end-point-sorted cash letters or return letters that we handle without our indorsement. We have no responsibility for describing a lost or destroyed item that we charge back to a bank, or for maintaining insurance coverage or obtaining from another person reimbursement for a sender's (or paying or returning bank's) costs or other loss, except as provided in Appendix A concerning Government checks.

13. We require that cash items be separately sorted from returned checks, except as otherwise provided by written agreement. We reserve the right to require separate sorts of cash items and returned checks, and separate sorts of Government checks, postal money orders, redeemed savings bonds and food coupons. We reserve the right to require banks located in the same city, town, metropolitan or similar area to sort, list, and package cash items payable in the same area according to the office of the paying bank where the items are payable. Our time schedules contain other instructions for sorting and listing items.

Indorsements

14. All cash items and returned checks sent to us should be endorsed in accordance with the requirements of Section 229.35 and Appendix D of Regulation CC. If we receive a cash item without the sender's indorsement, or a returned check without a returning bank's indorsement, we may (a) present or send the item as if it bore the indorsement, (b) place on the item the missing indorsement and the date we received it, or (c) return the item for proper indorsement. We handle an end-point-sorted cash letter and return letter without indorsing the items in the letter. We make the warranties stated in Section 210.6(b) of Regulation J by presenting or sending a cash item (and the warranties stated in Section 229.34 of Regulation CC by sending a returned check), whether or not the item bears our indorsement.

Responsibility for Back of Check

15. (a) A bank issuing checks drawn on us is responsible for ensuring that the condition of the back of the check when issued does not adversely affect the ability of a bank to indorse the check legibly in accordance with Section 229.35 and Appendix D of Regulation CC. The issuing bank agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a

result of the condition of the back of the check when issued.

(b) We reserve the right to refuse to accept a deposit of a check if in our judgment the back of the check at the time of the deposit adversely affects our or another bank's ability to indorse the check legibly in accordance with Section 229.35 and Appendix D of Regulation CC. If we do accept the check, the depositor is responsible for the condition of the back of the check, and agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of the condition of the back of the check at the time of deposit.

Direct Sending to Other Reserve Offices

16. A sender (or a paying or returning bank) that maintains or uses an account with us and that has cash items (or returned checks) payable in another District, or in the territory of another office of this Bank, may send the items directly to the Reserve office of that District or territory under procedures we prescribe. Under Sections 210.4(b) and 210.12(f) of Regulation J, items sent direct are deemed to have been handled by us. A sender or bank that by arrangement delivers items payable in another District to us, or to another designated location for consolidated shipment, should give us prior notice of any deviation from that arrangement.

TIME SCHEDULES AND AVAILABILITY OF CREDIT

17. We give immediate or deferred credit for all items that we accept as cash items or returned checks in accordance with our published time schedules. For letters containing items unsorted as to credit availability, we may defer credit for the

longest period prescribed in our time schedules for any item enclosed.

18. Because in many instances our time schedules do not show the actual time required for collection or return, our advices cannot be considered advices of actual payment on the dates we make credit available. Credit is in all instances subject to chargeback by us in the event we do not receive payment in actually and finally collected funds. We reserve the right to refuse to permit a bank to withdraw or otherwise use any credit (immediate or deferred) for a period of time that is reasonable under the circumstances, including a reasonable time for us to receive notice that another bank seeks to recover from us under Section 229.35(b) of Regulation CC.

19. We enter credit at full face value in the reserve account or other appropriate account on the day we receive a cash item or returned check as follows:

Immediate Credit

Immediate credit at once qualifies as reserve for purposes of Regulation D and is available for use by the bank.

Deferred Credit

The amount entered as deferred credit does not qualify as reserve for purposes of Regulation D and is not available for use by the bank until the time specified in our time schedule.

ROUTING NUMBERS; RECORDS

20. We may present or send a cash item, under Section 210.6(a)(2) of Regulation J, on the basis of any routing number or other designation of a paying bank appearing on the item when we receive it.

We are not responsible for any delay resulting from our acting on a designation of a paying bank, whether inscribed by magnetic ink or other means, even if the designation is inconsistent with another designation of the paying bank on the item.

21. If in our judgment processing of an unencoded or misencoded cash item requires it, we may inscribe on the item, in magnetic ink or otherwise, (a) the amount of the item, or (b) the routing number of the paying bank (or nonbank payor). The sender assumes the risk of loss resulting from any delay caused by our inscribing the item and presenting or sending it accordingly, except in the case of an item that is not amount encoded and is classified as a cash item in our time schedule.

22. In addition to the record keeping provisions of this bulletin (see paragraphs 12 and 75), Treasury regulation (31 Code of Federal Regulations, Part 103) require that banks keep legible records of many items. These regulations apply whether or not the item is capable of being photocopied.

DELIVERY AND PRESENTMENT

23. We do not by this bulletin, or otherwise, agree to present, or cause presentment of, a cash item earlier than is required by the Uniform Commercial Code. We have no responsibility for giving notice to a sender of anticipated delays in presentment or return of cash items unless the delay is expected to involve at least ten paying banks and to last at least three banking days.

24. A paying bank may request delivery of cash items to be made at an off-premise location in the same Reserve office territory as that where the paying bank is located. For arrangements involving delivery of cash letters to a processing organization, execution of special presentment agreement Form

TR-411 is required. A paying bank may also pick up cash items at this Bank by arrangement with us. The paying bank is considered to receive a cash item when it is delivered as requested or made available for pickup as arranged.

25. A paying bank may request delivery of cash items to be made at an off-premise location in a different Reserve office territory from that where the paying bank is located, as provided in this paragraph. For arrangements involving delivery of cash letters to a processing organization, execution of special presentment agreement Form TR-411 is required.

(a) In appropriate cases, we will attempt to arrange public transportation, at the paying bank's expense, to the out-of-territory location that ensures delivery in the ordinary course on the same banking day that delivery would have been made within the territory where the paying bank is located ("same-day delivery").

(b) If we arrange same-day delivery, the paying bank is considered to receive the cash items when the items are delivered to the out-of-territory location as requested, or when the items are shipped if the scheduled transportation is cancelled or rescheduled and we do not arrange alternate same-day delivery.

(c) If we do not arrange same-day delivery, the paying bank may arrange for transportation of the items to the out-of-territory location, and is considered to receive the cash items when we make the items available for shipment as requested.

26. We may commingle cash items delivered to or picked up by the paying bank's agent with other cash items delivered to or picked up by that agent, unless otherwise requested by the paying bank. A

cash item is considered presented when received by the paying bank or its agent (other than a payable through bank).

PAYMENT FOR CASH LETTERS

27. A paying bank must pay for all cash items that it has received from us and not returned prior to the close of its banking day of receipt.⁵ Payment shall be made at par and by:

- (a) a debit to an account on our books;
- (b) cash; or
- (c) in our discretion, any other form of payment.

The proceeds of any payment shall be made available to us by the close of our banking day on the banking day on which the paying bank receives the items. If the paying bank's banking day of receipt is not a banking day for us, payment shall be made by the close of our next banking day; we may make appropriate adjustments as of the day of receipt (unless that day is a Saturday or Sunday) for purposes of computing reserves under the Board's Regulation D. Our terms for payment for cash items are contained in Bulletin 12 of this Bank.

28. As provided in .210.9(a)(2) of Regulation J, a paying bank that closes voluntarily on a day that is a banking day for us shall, with respect to a cash item made available to the paying bank on that day, either (a) pay the amount of the item by the close of our banking day on that day, or (b) compensate for the value of the float associated with the item and pay the amount of the item on the banking day of receipt of the item by the paying bank. A list of standard Reserve Bank holidays, and of other holi-

days not considered voluntary ("mandatory non-standard holidays"), is set forth in our time schedule. We may charge the account on our books maintained or used by the paying bank for the amount of the item on the day we make the item available, unless the paying bank elects to compensate for the float associated with the item. The paying bank may elect to eliminate float by "as of" adjustment or pay for the float by explicit charge, as we prescribe with respect to inteterritory float. An item is available to the paying bank if we deliver it or are prepared to deliver it as if the paying bank were open. A paying bank that pays for an item made available to it, or compensates for the float associated with the item, is not considered to receive the item until its next banking day, such as for purposes of determining the deadline for return of the item. We do not charge a paying bank on a mandatory nonstandard holiday for items made available on that day.

29. A subsequent collecting bank (other than a Reserve Bank) that is paid for a cash item shall make the proceeds available to us not later than the close of our banking day on the day the subsequent collecting bank receives the proceeds.

Differences and Adjustments

30. Unless a paying or depository bank has otherwise agreed with us, a paying or depository bank may pay for our cash letter or return letter in an amount different from the total of the letter if the accompanying items do not prove to the amount of the letter. The bank should furnish at the time of payment a complete explanation of the difference on the form we provide. We request that banks not report adjustments of \$1.00 or less. We adjust for an amount encoding error on a cash item or a qualified

⁵. A paying bank is deemed to receive a cash item on its next Banking day if it receives the item:

- (1) on a day other than a banking day for it; or
- (2) on a banking day for it, but
 - (a) after its regular banking hours;
 - (b) after a cut-off hour established by it in accordance with the Uniform Commercial Code; or
 - (c) during afternoon or evening periods when it is open for limited functions only.

returned check (a) upon receipt from a sender or a bank, within six (6) calendar months from the date of the entry relating to the item, of a request and a photocopy of the front and back of the item showing the error, and (b) subject to receipt from the bank or the sender of the item, as the case may be, of the amount of the requested credit or refund.

31. We provide a statement of account to each bank maintaining an account on our books. An account holder must promptly advise us in writing of an objection to an entry in our statement of its account. An account holder that fails to advise us of its objection within one calendar year of the date of the entry (and any bank that has used the account and has handled the cash item or returned check to which the entry relates) is deemed to have approved the entry, and the statement of account is deemed finally adjusted. Reserve Banks generally keep records for only one year. This paragraph does not relieve an account holder from the duty of using due diligence in examining statements of account sent to it and of notifying us immediately on discovery of an error. Further, this paragraph does not relieve a Reserve Bank from liability for breach of warranty on an item to which an entry relates. Section 229.38(g) of Regulation CC requires that any action for a violation of Regulation CC be brought within one year after the date of the occurrence of the violation. Section 210.6(c) of Regulation J requires that action on a claim against a Reserve Bank for failure to exercise ordinary care or act in good faith under Regulation J be commenced within two years after the claim accrues.

Missent Items

32. If we send to a bank, on the understanding that it is the paying bank, a cash item that does not contain either the routing number or the name of the bank as paying bank, and the bank determines not to pay the item, the bank shall send the item back to us promptly on a without entry basis with a request for credit or refund and a notation clearly indicating the reason for nonpayment, and we will promptly grant the credit or refund. The bank shall

not send the item to us in a cash letter or return letter.

33. A check, as defined in Section 229.2(k) of Regulation CC, that contains the routing number of a bank is considered to be payable by the bank, even if the check does not contain the name of the bank or contains the name of another bank. Therefore, a paying bank shall handle a cash item on which it is identified only by routing number as a cash item drawn on it. The paying bank is encouraged to invalidate any erroneous use of its MICR routing number on the face of the item prior to return by obliterating only the start and stop symbols of the routing number (and by cancelling any erroneous fractional routing number) to prevent redelivery to the paying bank.

RETURNED CHECKS

34. A paying bank may return a cash item received from us and for which it has previously made payment only if it returns the item within the deadline of Section 210.12(a) of Regulation J, Section 229.30(c) of Regulation CC and the Uniform Commercial Code. A paying bank may return to us a cash item received from us without making payment to us if it returns the item prior to the close of its banking day of receipt. If the paying bank receives a settlement from a returning bank for a cash item received from us and returned by it, but for which it has not previously made payment to us, it shall immediately remit the settlement to us.

35. A paying or returning bank may send to us a returned check not handled by us for forward collection only if it sends the returned check within the deadline of Regulation CC and the Uniform Commercial Code. A bank shall not commingle returned checks with cash items.

36. A paying or returning bank that sends a returned check to us and receives settlement for the returned check (a) warrants to us and subsequent parties that its return of the check was within the

deadline of Regulations CC and J and the Uniform Commercial Code, and (b) agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of its breach of this warranty. The paying or returning bank also makes the other warranties and agreements set forth in Section 210.12 of Regulation J and in Section 229.34 of Regulation CC.

37. We do not by this bulletin, or otherwise, agree to handle a returned check more expeditiously than is required by Section 229.31 of Regulation CC, or to convert a returned check into a qualified returned check. We have no responsibility for giving notice of anticipated delays in return of returned checks unless the delay is expected to involve at least ten depository banks and to last at least three banking days.

Preparation of Returned Checks

38. A paying bank shall clearly write or stamp on the face of a returned check that it is a returned check and the reason for nonpayment as provided in Section 229.30(d) of Regulation CC. We may handle the returned check even if it does not indicate the reason for nonpayment. We reserve the right to send back to the paying or returning bank a returned check if the depository bank has been reported closed. Paragraphs 11-19 and 30-31 apply to the preparation and sending of, and the availability of credit and adjustments for, returned checks.

Qualified Returned Checks; Identification of Depository Bank

39. We may rely on:

(a) the amount of a qualified returned check encoded in magnetic ink;

(b) the presence or absence of a "2" in magnetic ink in position 44 of the MICR line as to whether the returned check is a qualified re-

turned check;

(c) the identification of the depository bank by nine-digit routing number in magnetic ink on a qualified returned check; and

(d) the identification of the depository bank by routing number on the face of a returned check received in a separate sort of items requiring such identification;

whether or not the amount or identification is consistent with any other information on the returned check. The paying or returning bank from which we receive the check agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of our reliance on such amount or identification.

Delivery to Depository Bank

40. We deliver returned checks to a depository bank at the same location and subject to the same terms under which we deliver cash items payable by the bank, except as follows. If we do not usually deliver cash items to the bank for payment, we deliver returned checks to the depository bank in accordance with Section 229.32(a) or Regulation CC, which may include delivery by mail. If a depository bank requests delivery of returned checks at a location other than the location to which we deliver cash items, or other than by mail, we will deliver returned checks to a location on an existing Reserve Bank courier route in appropriate cases, or will arrange delivery as otherwise agreed with the depository bank. A depository bank may also arrange to pick up returned checks at this Bank.

41. We deliver returned checks to a depository bank separately sorted from cash items, unless we and the depository bank agree otherwise.

Payment for Returned Checks

42. A depository bank must pay for a returned

check in full so that the proceeds are available to us by the close of our banking day on the banking day the depository bank receives⁶ the returned check. If the depository bank's banking day of receipt is not a banking day for us, payment shall be made by the close of our next banking day; we may make appropriate adjustments as of the day of receipt (unless that day is a Saturday or Sunday) for purposes of computing reserves under the Board's Regulation D. A depository bank that closes voluntarily on a day that is a banking day for us shall pay for a returned check or compensate for the float as provided with respect to cash items in paragraph 28 of this circular.

43. A depository bank shall pay us for a returned check in the same manner it pays us for a cash item received for payment. If we do not usually send cash items to the depository bank for payment, the depository bank shall pay by:

- (a) debit to an account on our books;
- (b) cash;
- (c) wire transfers; or
- (d) in our discretion, any other form of payment.

44. A subsequent returning bank (other than a Reserve Bank) that paid for a returned check shall make the proceeds available to us not later than the close of our banking day on the day the subsequent returning bank receives the proceeds, and shall pay in the same manner as for cash items received for payment.

45. If we send a returned check or notice of non-payment to a bank on the understanding that it is the depository bank, and the bank determines that it is not the depository bank, but the bank is able to identify the depository bank, we encourage the

bank to send the returned check or notice promptly to the depository bank. If the bank is unable to identify the depository bank, the bank shall promptly send the check or notice back to us on a without entry basis with a request for credit or refund, and we will promptly grant the credit or refund. The bank shall not send the returned check to us in a cash letter or return letter.

BREACH OF WARRANTY; CASH ITEMS AND RETURNED CHECKS

46. A bank that has received a cash item or returned check from us and that had paid us for the item may request, on a without entry basis, a credit or refund based on a claim of breach of warranty, including a claim by a paying bank of forged indorsement with affidavit of forgery. We make refund to the requesting bank and charge the bank from which we received the cash item or returned check only if the latter bank specifically authorizes us to do so. The bank shall not send the item to us in a cash letter or return letter.

BANK'S LIABILITY FOR JUDGMENT AND EXPENSES

47. Under Sections 210.5 and 210.12 of Regulation J, we may charge the account maintained or used by the bank from which we have received a cash item or returned check for the amount of any judgment and attorneys' fees and expenses incurred by us in certain actions against us or another Reserve Bank (or in certain actions where defense is tendered to us or another Reserve Bank), including actions alleging breach of warranty, if we have tendered defense of the action to the bank. We assume no responsibility for defending the action if

⁶. A depository bank is deemed to receive a returned check on its next banking day if it receives the item:

- (1) on a day other than a banking day for it; or
- (2) on a banking day for it, but after its regular banking hours.

the bank does not accept tender of the defense.

DISPUTED RETURN PROCEDURE

48. If a depository bank that settles for a returned check in an amount of \$100.00 or more believes that the paying bank has returned the check late and breached its warranty under Section 229.34(a)(1) of Regulation CC, the bank may dispute the return by furnishing us (or its Reserve Bank) with the returned check and a signed statement that the bank believes that the paying bank did not return the check within the paying bank's deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC. This procedure may not be used unless the item was handled by this Bank or another Reserve Bank either for forward collection as a cash item or for return as a returned check. The procedure may be used only once and only with respect to the first time the check was returned by the paying bank. The statement must be on a form provided by this Bank and must be sent by the bank within two (2) calendar months after the date the returned check was received by the depository bank. Upon receipt of the statement, we credit the amount of the returned check to the bank's account (or to the account for the forwarding Reserve Bank). We also charge that amount to the account of, and send the returned check and statement to, the paying bank or the paying bank's Reserve Bank.

49. We will revoke the credit given to the disputing bank and recredit the paying bank or other Reserve Bank if:

- (a) for any reason we cannot obtain the amount of the credit from the paying bank or other Reserve Bank; or,
- (b) we (or another Reserve Bank) receive from the paying bank, within twenty (20) banking days of the Reserve Bank after we (or the other Reserve Bank) sent the check and the bank's

statement to the paying bank, the returned check and a statement, on a form provided by us, that is signed by an officer of the paying bank and that:

- (i) states that the paying bank returned the check within its deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC, and
- (ii) shows the banking day of receipt and the date of return of the check by the paying bank, and explains any difference in dates exceeding one banking day.

50. In handling disputed return forms, we assume no responsibility for determining whether the paying bank returned a check within its deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC. A bank may be subject to criminal penalties under Federal and/or State law for knowingly making a false statement to influence the action of a Reserve Bank in granting a credit. We undertake to handle forms and make entries under the dispute procedure within a reasonable time after receipt, but not within the time frames for handling an item.

NOTICE OF NONPAYMENT

51. A paying bank that determines to return a returned check in the amount of \$2,500 or more must provide notice of nonpayment to the depository bank under Section 229.33 of Regulation CC. The paying bank must ensure that the notice is received by the depository bank by 4:00 p.m. (local time for the depository bank) on the second business day following the banking day on which the check was presented to the paying bank. If the day the paying bank is required to provide notice is not a banking day for the depository bank, the notice must be received by the depository bank on its next banking day. The following days are not

considered business or banking days for purposes of the deadline for notice of nonpayment: Saturdays and Sundays; January 1; the third Monday in January; the third Monday in February; the last Monday in May; July 4; the first Monday in September; the second Monday in October; November 11; the fourth Thursday in November; and December 25. If January 1, July 4, November 11, or December 25 falls on a Sunday, the next following Monday also is not considered a business or banking day for this purpose. Additional non banking days may be observed by the depositary bank.

52. A paying bank may provide notice of nonpayment by any reasonable means, including:

- (a) return of the returned check to the depositary bank,
- (b) telephone call, or telex or other form of telegraph to the depositary bank, or
- (c) return of the returned check to us, telephone call to us, or Fedwire to the depositary bank, with a request that we forward notice on nonpayment, as provided below.

Content of Notice of Nonpayment

53. Notice of nonpayment must include the:

- (a) name and routing number of the paying bank,
- (b) name of the payee(s),
- (c) amount of the item,
- (d) date of the depositary bank's indorsement,
- (e) account number of the customer(s) of the depositary bank,
- (f) branch name or number of the depositary bank from its indorsement,

(g) trace number associated with the indorsement of the depositary bank, and

(h) reason for nonpayment.

The notice may include other information from the check that may be useful in identifying the check and the customer. A written notice must also include the name and routing number of the depositary bank from its indorsement. If the paying bank is not sure of a piece of information, it shall include the required information to the extent possible, and identify questionable information with question marks. If the paying bank cannot identify the depositary bank, it is authorized but not required to give notice to the earliest collecting bank it can identify indicating that it questions whether the bank is the depositary bank.

Acceptance of Notice by Depositary Bank

54. The depositary bank shall accept notices during its banking day:

(a) at the telephone or telegraph number indicated in its indorsement, or if the number is not present or legible, at the general purpose telephone number or telegraph number of its head office or branch indicated in the indorsement;

(b) at any other telephone or telegraph number held out by the bank for receipt of notice of nonpayment; and

(c) in the case of written notice:

(i) at a location at which presentment of checks for forward collection is requested; and

(A) at a branch, head office or other location consistent with the name and address in the indorsement,

(B) if no address appears in its indorsement, at the branch or head

office associated with the routing number of the bank in its indorsement, or

(C) if no routing number or address appears in its indorsement, at any branch or head office of the bank.

The depository bank may transfer a telephone call and may use a recording device.

**Provision of Notice from the Returned Check by This Bank
(Physical Item Service)**

55. A paying bank may request us to provide notice of nonpayment on its behalf by signing and delivering to us a letter in the form attached as Exhibit III. The request shall apply to all returned checks in the amount of \$2,500 or more for which notice of nonpayment is required, that are returned by the paying bank to us, and that are separately sorted and identified as checks for which notice is desired ("applicable returned checks"). If we receive applicable returned checks by our cut-off hour for physical item notice, as set forth in our time schedule, on a banking day for us, we will provide notice of nonpayment to the depository bank by 4:00 p.m. (local time for the depository bank) that day, or on the next banking day if that day is not a banking day for the depository bank. For the paying bank to comply with its obligation under Section 229.33 of Regulation CC, we must receive the returned check no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank.

56. Upon our acceptance of such a request, beginning on an agreed effective date, we will provide notice of nonpayment for applicable returned checks received by our cut-off hour on behalf of the paying bank under the standard of care and measure of damages set forth in Section 210.38 of Regulation CC. We will otherwise handle applicable returned

checks as provided elsewhere in Regulations CC and J and this bulletin. We will provide notice of nonpayment for applicable returned checks received after our cut-off hour for notice of nonpayment as if the checks had been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by the failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depository bank if the paying bank learns that we have not received applicable returned checks by our cut-off hours, and should indicate to the depository bank that the notice may be duplicated by us.

**Telephone Notice to This Bank
(Telephone Notice Service)**

57. A paying bank may request us to forward to the depository bank notice of nonpayment given by telephone to us by signing and delivering to us a letter in the form attached as Exhibit III. The request shall apply to all returned checks for which notice of nonpayment is telephoned to us. If we receive telephone notice by our cut-off hour for telephone notice, as set forth in our time schedule, on a banking day for us, we will forward notice of nonpayment to the depository bank by 4:00 p.m. (local time for the depository bank) that day, or on the next banking day if that day is not a banking day for the depository bank. For the paying bank to comply with its obligations under Section 229.33 of Regulation CC, we must receive the notice no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank.

58. Upon our acceptance of such a request, beginning on an agreed effective date, we will forward notice of nonpayment received by our cut-off hour on behalf of the paying bank under the standard of care and measure of damages set forth in Section 229.38 of Regulation CC. We will forward notice of nonpayment received after our cut-off hour as if the

telephone notice had been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by the failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depository bank if the paying bank is unable to meet our cut-off hour.

Fedwire Notice to Depository Bank (Fedwire System Service)

59. A paying bank may request us to forward to the depository bank notice of nonpayment given by Fedwire in proper format by signing and delivering to us a letter in the form attached as Exhibit III. If we receive Fedwire notice by our cut-off hour for Fedwire notice, as set forth in our time schedule, on a banking day for us, we will forward notice of nonpayment to the depository bank by 4:00 p.m. (local time for the depository bank) that day, or on the next banking day if that day is not a banking day for the depository bank. For the paying bank to comply with its obligations under Section 229.33 of Regulation CC, we must receive the notice no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank. We handle Fedwire notice under the standard of care and measure of damages set forth in Section 229.38 of Regulation CC. We will forward notice of nonpayment received after our cut-off hours as if the Fedwire notice has been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depository bank if the paying bank is unable to meet our cut-off hour.

Other Provisions

60. Notice of nonpayment should not be given for a returned check drawn on the U.S. Treasury, for a U.S. Postal Service money order, or for a check drawn on a state or a unit of general local govern-

ment that is not payable through or at a bank, and need not be given for a check deposited in a depository bank that does not maintain transaction accounts.

61. If a paying bank provides or requests us to forward a notice and subsequently determines to pay an item, the paying bank should provide to the depository bank a second notice as soon as reasonably possible. The second notice should indicate that it is a second notice cancelling a previous notice and should contain all the information in the original notice to enable the depository bank to match the second notice with the original notice.

62. A depository bank that uses an electronic link with us for purposes of wire transfers of funds under Subpart B of 12 CFR Part 210 is deemed to authorize us to provide notice to it by means of that link or another electronic link agreed to by us. We are not responsible for a delay in sending a notice if the delay results from the depository bank's failure to manage its link so as to permit us to send notices to it through the close of Fedwire. We may record telephone calls in connection with a notice of nonpayment.

63. We have no responsibility for giving or correcting notice of nonpayment if notice is not properly given by the paying bank except to the extent provided above with respect to notice we provide or forward on behalf of the paying bank.

PROTEST

64. Reserve Banks shall not protest any returned check, whether or not drawn or payable at a place not within a State. Each Reserve Bank and collecting and paying bank shall disregard any special instructions on protest noted on cash letters or otherwise transmitted with a cash item. A sender may instruct a Reserve Bank to provide for protest of a cash item (other than a Government check,

postal money order, redeemed savings bond or food coupon) only if the sender sends the item to us for collection and credit as an individual noncash item with the instructions noted in the letter of transmittal.

CHARGES

65. Our schedule of charges shows the charges imposed for handling cash items, returned checks, notices of nonpayment, and for related services. We may make the charge to the account maintained or used by the bank requesting the service.

MISSING OR DESTROYED CASH ITEMS AND RETURNED CHECKS

Mutilated Cash Letters and Return Letters

66. A bank that receives from us a cash letter or return letter in a mutilated condition should telephone us before attempting to process any part of it. Sometimes tracing and identification of mutilated or destroyed items can be expedited when the letter is returned to us intact.

Cash Items Discovered Missing or Destroyed

67. We credit or refund the amount paid for a cash item if a subsequent collecting bank or the paying bank reports that it discovered during initial proving that the item is missing, or knows that the item was missing or destroyed in transit to a subsequent collecting bank or the paying bank. We credit or refund the amount only if we (or a subsequent collecting bank that promptly sends the report to us) receives the report within five (5) banking days (of the reporting bank) from the date of receipt of the cash letter that listed the item.

68. We charge back to the sender the amount of a cash item (a) that we discover to be missing, or (b)

that a subsequent collecting bank or paying bank reports to be missing or destroyed as provided in paragraph 67.

Handling of Photocopies of Cash Items

69. We handle a correctly prepared photocopy as a cash item through our adjustment department if we (or a prior collecting Reserve Bank) receive the photocopy and a copy of the advice of chargeback or request within twenty (20) banking days (of the Reserve Bank) from the day we (or the prior Reserve Bank) charged back the original item or requested the photocopy. The prior Reserve Bank should send the photocopy and advice to us when received.

70. If a shipment of cash items is lost or destroyed in transit to the first collecting Reserve Bank, we handle correctly prepared photocopies of the items as cash items through our cash item department in a cash letter if (a) the sender determines that at least several items in the original shipment remain unpaid, and (b) the photocopy cash letter is identified as containing nonmachineable photocopies of items from a lost or destroyed shipment.

71. We present or send a photocopy as a cash item subject to all the rules as to payment and return of cash items, except for the requirement of notice of nonpayment and as otherwise provided in this paragraph, and except as provided for photocopies of returned checks in paragraphs 76-77. A paying bank has the right to return a photocopy through our adjustment department within twenty (20) banking days from its banking day of receipt if:

(a) the drawer has refused to authorize payment of the photocopy or the paying bank has been unable to contact the drawer, and the paying bank returns the photocopy and a signed statement to that effect; or

(b) the original cash item was paid and the

paying bank returns the photocopy, a copy of the front and back of the paid original cash item and a signed statement that the original was paid, together with the name and routing number, if any, of the bank or person from which, and the date on which, the original was received. If the original was received from us, the paying bank should include the date of the cash letter and the amounts of the items listed before and after the original item, the total of the cash letter and the batch or package that contained the original and the sequence number of the original.

72. A correctly prepared photocopy must be a legible copy of the front and back of the cash item and must bear the sender's current indorsement and the following or equivalent signed legend:

This is a photocopy of the original check which we indorsed and which was reported missing or destroyed in the regular course of bank collection. We guarantee all prior and any missing indorsement and the validity of this copy. Upon payment of this copy in lieu of the original check, we agree to hold each collecting bank and the payor bank harmless from any loss suffered, if payment is stopped on the original check and the original check remains unpaid.

73. We assume no responsibility for determining whether a return of a photocopy is timely. Nor do we assume any responsibility for determining whether a report by another bank of a missing or destroyed cash item, a statement regarding the handling of a photocopy, or a photocopy of a cash item, is correct. We handle, on a without entry basis, the return of a photocopy of a cash item received by us or a subsequent collecting Reserve Bank within nine (9) months of the banking day of receipt of the photocopy by the paying bank. We also handle without entry a late report of a missing or destroyed cash item. We undertake to handle

reports and photocopies and make entries with respect to missing or destroyed cash items within a reasonable time after receipt, but not within the timeframes for handling an item.

Returned Checks Discovered Missing or Destroyed

74. We credit or refund the amount charged to a subsequent returning or depository bank for a returned check if that bank reports that it discovered during initial proving that the check was missing or destroyed, or knows that the check was missing or destroyed in transit to a subsequent returning bank or depository bank. We will credit or refund the amount only if we (or a subsequent returning bank that promptly sends the report to us) receive the report within five (5) banking days (of the reporting bank) from the date of receipt of the return letter that listed the check.

75. A paying or returning bank (other than a Reserve Bank) that sends a returned check to a Reserve Bank shall retain a photocopy of the returned check. We charge back to the paying or returning bank the amount of a returned check (a) that we discover to be missing, or (b) that a subsequent returning or depository bank reports to be missing or destroyed as provided in paragraph 74.

Handling of Photocopies of Returned Checks, Notices In Lieu of Return

76. We handle as a returned check through our adjustment department a legible photocopy of a returned check (front and back), or, if a photocopy is not available to the paying or returning bank, a written notice of nonpayment containing the information specified in paragraph 53. If we charged back the returned check to the paying or returning bank under paragraph 75 or requested the photocopy, we (or a prior returning Reserve Bank) must receive the photocopy or notice and a copy of the advice of chargeback or request within twenty (20) banking days (of the Reserve Bank) from the day we

(or the prior Reserve Bank) charged back the returned check or requested a photocopy. The prior Reserve Bank should send the photocopy and advice to us when received. The copy or notice shall clearly state that it is a notice in lieu of return. By sending a notice in lieu of return to us for credit, a paying or returning bank warrants that it has not received credit for the returned check, and makes the warranties set forth in Section 229.34 of Regulation CC. The depository bank may return a photocopy through our adjustment department within twenty (20) banking days from its banking day of receipt if the original returned check was paid and the depository bank returns a copy of the front and back of the paid original returned check and a signed statement that the original was paid, together with the information required in paragraph 71(b).

77. We assume no responsibility for determining whether a report by another bank of a missing or destroyed returned check, a statement regarding payment of the original returned check, or a photocopy of a returned check, is correct. A photocopy of a returned check shall not be sent to a Reserve Bank for collection as a cash item. We handle, on a without entry basis, a late report of a missing or destroyed returned check. We undertake to handle reports with respect to missing or destroyed returned checks within a reasonable time after receipt, but not within the timeframes for handling an item.

RIGHT TO AMEND

78. We reserve the right to amend this bulletin, and any appendix or supplement to it, at any time.

APPENDIX A
GOVERNMENT CHECKS

1. We handle checks drawn on the United States Treasury ("Government checks") as cash items under Treasury Department Circular No. 21 (31 Code of Federal Regulations, Part 240). Copies of that Circular will be furnished on request. As to matters that circular does not cover, Regulation J, this bulletin, and our time schedules apply.

2. We give immediate credit, subject to payment in actually and finally collected funds, for Government checks as provided in our time schedules. After we handle Government checks as fiscal agent of the United States under Treasury requirements, the checks are subject to examination and payment by the United States Treasury. We may reimburse a sender for its reasonable costs of reconstructing a Government check cash letter lost or destroyed in transit between Federal Reserve offices.

3. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to Government checks. If the United States Treasury refuses payment of a Government check upon first examination and returns the check, or a photocopy, to us as outlined in Treasury Department Circular No. 21, we charge back the amount of the check to the sender and credit that amount to the United States Treasury. We have no responsibility to the sender or another owner or holder for the nonpayment and return by the United States Treasury of a Government check or photocopy. The expeditious return and notice of nonpayment requirements of Regulation CC do not apply to a

Government check, and the Government is not a paying bank under Regulation CC.

4. The Treasury Department is generally not required to pay a Government check (a) issued on or after October 1, 1989, unless it is negotiated to a financial institution within one year after the date of issue, or (b) issued before October 1, 1989, unless it is negotiated to a financial institution no later than October 1, 1990, as provided in Treasury Department Circular No. 21.

5. If the Treasury determines that a Government check has been paid over a forged or unauthorized indorsement, the Treasury may reclaim the amount of the check from the presenting bank or prior indorser within one year after the date of credit by this Bank, as provided in Treasury Department Circular No. 21. This period is extended by 180 days if a timely claim is made against the Government under 31 U.S.C. 3702. Under 31 U.S.C. 3702, a claim on a Government check must be made to the issuing agency within one year after the date of issuance, or within one year after October 1, 1989, whichever is later. Under 31 U.S.C. 3712, an action by the government to enforce liability on a forged or unauthorized signature or indorsement on, or a change in, a Government check generally must be commenced within one year after presentment of the check. This period is extended by three years if the Government gives written notice of a claim one year after presentment of the check.

APPENDIX B
POSTAL MONEY ORDERS

1. We handle postal money orders (United States postal money orders; United States international postal money orders; domestic-international postal money orders) as cash items under an agreement between the United States Postal Service and the Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. As to matters that agreement does not cover, Regulation J, this bulletin, and our time schedules apply.

2. We give immediate credit for postal money orders as provided in our time schedules. The credit becomes final as between us and the sender when we debit the amount of the money orders against the general account of the United States Treasury under symbol numbers assigned by it.

3. The agreement between the United States Postal Service and the Reserve Banks provides that: (a) the United States Postal Service may make no claim against or through a Reserve Bank for refund or otherwise with respect to a postal money order debited against the general account of the United States Treasury (other than a claim based on the negligence of a Reserve Bank); (b) the United States Postal Service will deal directly with the bank or the party against which the claim is made; and (c) the Reserve Banks will assist the United States Postal Service in asserting the claim, including making any relevant evidence in their possession available to the United States Postal Service. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to postal money orders.

APPENDIX C
REDEEMED SAVINGS BONDS AND SAVINGS NOTES

1. We handle redeemed Series A, B, C, D, E and EE Savings Bonds and Savings Notes ("Savings Bonds") as cash items under Treasury Department Circular No. 750 (31 Code of Federal Regulations, Part 321). Copies of that Circular will be furnished on request. As to matters that Circular does not cover, Regulation J, this Circular, and our time schedules apply.

2. Savings Bonds sent to us as cash items may be sent in mixed cash letters containing checks and other cash items, or in separately sorted cash letters containing only redeemed Savings Bonds. Each cash letter must show the name, address, and the nine-digit ABA number of the sender, the date of delivery to the Reserve Bank, the total number of pieces transmitted, the value of each of the bundles in the cash letter, and the total value of the cash letter. The cash letter should be accompanied by a detailed listing of all items.

3. Each Savings Bond sent to us must have the redemption value MICR-encoded in the "Amount" field on the face of the Savings Bond. If Savings Bonds are sent to us in a mixed cash letter, the routing/transit number 000090007 must be MICR-encoded in the "R/T" field on all pre-1985 Savings Bonds which do not contain a preprinted MICR-encoded routing/transit number. If a document carrier or MICR strip is used, the redemption value of the Savings Bond must be MICR-encoded in the "Amount" field and 000090007 must be MICR-encoded in the "R/T" field. A Savings Bond must not be MICR-encoded with any other data in any field other than the auxiliary "On-Us" field, and must not be MICR-encoded in the "On-Us" field for any reason.

4. We give immediate credit, subject to payment and adjustment upon audit by Treasury, for Savings Bonds as provided in our time schedules.

After we handle Savings Bonds, as fiscal agent of the United States, the Savings Bonds are subject to audit by the Treasury Department. We make an adjustment required by the Treasury Department by notifying the sender and charging back or crediting the amount of the adjustment to the sender. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to Savings Bonds.

5. Savings Bonds submitted in separately sorted cash letters are not subject to cash item deposit/processing charges. We forward paying agent fees received from the Treasury Department to the sender on a monthly basis for Savings Bonds that are submitted in separately sorted cash letters. Payment of these fees is made only by the automated clearing house methods under 31 Code of Federal Regulations, Part 210. Inquiries regarding Savings Bonds submitted in separately sorted cash letters should be directed to Pittsburgh Branch, Federal Reserve Bank of Cleveland, P.O. Box 867, Pittsburgh, Pennsylvania, 15230-0867.

6. Savings Bonds submitted in mixed cash letters are subject to cash item deposit/processing charges. No paying agent fees will be paid for Savings Bonds submitted in mixed cash letters. Inquiries concerning Savings Bonds submitted in mixed cash letters should be directed to the sender's local Reserve Bank office.

7. A record of the serial number and amount paid for each Savings Bond must be retained by the sender. Film records of the front and back of a Savings Bond must be kept confidential, and prints therefrom may be made only with the permission of the Bureau of the Public Debt or a Federal Reserve Bank.

EXHIBIT I
BANK'S CLAIM OF LATE RETURN¹

Date _____

TO: Return Check Division
Federal Reserve Bank of Dallas [_____ Branch]
(Local Reserve Bank address)

The returned check ("item") described below and attached hereto is being delivered to you:

- 1. Amount \$ _____ (Must be \$100.00 or more.)
2. Dated _____
3. Paying bank _____
4. Paying bank R/T No. _____
5. Paying Bank location _____
6. Drawn by (drawer) _____
7. Payable to (payee) _____
8. Check No. _____

We sent this item to _____, in a cash letter
dated _____, totaling \$ _____, tape total \$ _____,
listed between items for \$ _____, and \$ _____.

This item was apparently returned by the paying bank on _____.

We received the item from _____,
on _____, in a (CHECK ONE) < [] intermingled cash letter
[] return item letter > dated _____,
totaling \$ _____, tape total \$ _____,
listed between items for \$ _____, and \$ _____.

We claim that, according to our records and the data on the item, the paying bank did not take all action necessary to
recover its payment within the deadline in Regulations J and CC, and we certify that, as to notice of non-payment of the item, we
received:

(CHECK ONE) [] advice by (method) _____ on _____
[] no advise other than the returned check.

This late return caused us to incur financial loss. Please provisionally credit our account and advise.

(Bank) _____
(Officer's Signature) _____
(R/T No.) _____

¹ This form may be submitted only with respect to the first time the item was sent for collection and must be sent in dupli-
cate within two (2) months after the date you received the item as a returned check. In addition, the item must have been collected
and/or returned through the Federal Reserve check collection system. Failure to provide all information requested will result in
the claim being rejected.

Knowingly making a false statement to influence the action of a Federal Reserve Bank may subject the signing party to
criminal penalties under federal and/or state law.

EXHIBIT II

PAYING BANK'S RESPONSE TO CLAIM OF LATE RETURN¹

Date _____

TO: Return Check Division
Federal Reserve Bank of Dallas [_____ Branch]
(Local Reserve Bank address)

With your advice of debit dated _____, you forwarded to us a claim of late return with respect to a returned check ("item") in the amount of \$ _____.

We certify that our records indicate that this item was received by us or our processor from _____

_____:

as a cash item on (banking day) _____,

in a cash letter dated _____,

in the amount of \$ _____ tape total \$ _____,

listed between items for \$ _____ and \$ _____,

and that the item was returned to _____

in our (CHECK ONE) < intermingled cash letter > dated _____,
 return item letter

in the amount of \$ _____ tape total \$ _____,

listed between items for \$ _____ and \$ _____.

Notice of non-payment of this item was given to _____

by (method) _____ on _____ (Enter "none" if no notice was given).

If the number of banking days between the banking day of receipt and the date of the return exceeds one banking day, the explanation for the delay is as follows:

We took all action necessary to entitle us to recover our payment within the deadline in Regulations J and CC. Please credit our account and advise.

(Paying Bank) _____

(Officer's Signature) _____

(R/T No.) _____

¹ Prepare and submit in duplicate. If you fail to send all of the information requested to us within twenty (20) banking days (of the Reserve Bank) after the date we sent this form to you, the provisional credit given the claimant and our debit to your account will become final. In that case, you may be able to recover the amount of the item from the claimant if your return of the item was in fact timely, but you must deal directly with the claimant.

Knowingly making a false statement to influence the action of a Federal Reserve Bank may subject the signing party to criminal penalties under federal and/or state law.

EXHIBIT III

Paying Bank's Notification Agreement
(to be typed on paying bank's letterhead)

(Date)

Federal Reserve Bank
of _____

Attention: Return Check Division

- Head Office El Paso Branch
- Houston Branch San Antonio Branch

Gentlemen:

We request that, in accordance with your Bulletin 8, you provide notice of nonpayment for large dollar cash items that we decide not to pay. We elect to provide the information required by:

- returning the physical item to you
- telephone notification to you
- Fedwire System (RESPONSE Network)

We authorize you to charge our billing account maintained or used by us on your books and to make other appropriate adjustments with this service.

(Name of Paying Bank)

(Nine Digit ABA Number)

By: _____
(Authorized Signature)

(Title)