## FEDERAL RESERVE BANK
### OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

December 27, 1991

DALLAS, TEXAS 75222

**Notice 91-98**

**TO:** The Operating Officer responsible for transfers of funds at each financial institution in the Eleventh Federal Reserve District

### SUBJECT

### Operating Circular 6
### (Wire Transfers of Funds)

### DETAILS

As stated in Circular 90-92 and Circular 90-93, all the bulletins issued by the Federal Reserve Bank of Dallas will be renamed and reissued as Operating Circulars in order to conform to the language used in the Uniform Commercial Code. Accordingly, Bulletin 6 is being reissued as Operating Circular 6 (Wire Transfers of Funds).

### ENCLOSURE

Enclosed is Operating Circular 6. Please file it in your Operating Circulars (Bulletins) binder and discard the old version.

### MORE INFORMATION

For more information regarding transfers of funds, please contact the persons listed below at the Dallas Office:

| | | | |
|---|---|---|---|
| Jonnie Miller | (214) 651-6290 | or | (800) 333-4460, ext. 6290 |
| Vinton Myers | (214) 698-4349 | or | (800) 333-4460, ext. 4349 |
| Larry Ripley | (214) 651-6118 | or | (800) 333-4460, ext. 6118 |

For additional copies of this Bank's notice or Operating Circular 6, please contact the Public Affairs Department at (214) 651-6289.

Sincerely,

*Tony J. Salvaggio*

# Operating Circular

Federal Reserve Bank of Dallas

# 6

## Wire Transfers of Funds

# Scope

Subpart B of Regulation J of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 210, Subpart B) and Operating Circular 6 apply to funds transfers through Fedwire and this Bank. Operating Circular 6 is issued in conformity with Section 210.25(c) of Regulation J and is an operating circular as referred to in Section 4A-107 of Article 4A of the Uniform Commercial Code. It is binding on any sender that sends a payment order directly to this Bank, any receiving bank that receives a payment order directly from this Bank, and any beneficiary that receives a credit with respect to a payment order to an account maintained or used at this Bank. In addition, it is binding on other parties to a funds transfer, any part of which is carried out through Fedwire, to the same extent that Regulation J is binding on those parties.

# Table of Contents

## WIRE TRANSFERS OF FUNDS

## GENERAL

1. Each Federal Reserve Bank issues an operating circular substantially similar to this Operating Circular. When we issue a payment order to another Federal Reserve Bank, that Reserve Bank processes the payment order under its Operating Circular.

## DEFINITIONS

2. Unless otherwise stated in this Operating Circular, all terms defined in Regulation J, including terms defined in Article 4A of the Uniform Commercial Code (UCC) to the extent consistent with Regulation J, have the same meanings in this Operating Circular.

3. The term "payment order," for the purposes of Subpart B of Regulation J and this Operating Circular, covers only messages

    A. designated as Type Code 10 (funds transfer), 15 (foreign transfer), or 16 (settlement transaction); and

    B. designated as Subtype Code 00 (structured funds transfer), 02 (reversal of transfer), 08 (reversal of a prior-day transfer), 20 (as-of adjustment), 32 (funds transfer honoring request for funds), or 40 (structured funds transfer).

4. The term "online" refers to the transmission of a payment order to or from this Bank by electronic means, excluding transmission by telephone orally.

5. Unless otherwise stated in this Operating Circular, all references to "this Bank," "we," "our," and "us" are to our Dallas Office and our El Paso, Houston, and San Antonio Branches.

## ISSUANCE OF PAYMENT ORDERS

6. A payment order must be in the medium and format we prescribe. This Bank is not bound by instructions to us in a payment order other than information required by our format specifications. This Bank is not responsible for the accuracy of a routing number contained in and/or verbally supplied from a publication, list, or automated file issued or maintained by a Reserve Bank if the routing number becomes inaccurate after the effective date of the publication, list, or automated file.

## SECURITY PROCEDURES

7. The security procedures we offer to verify the authenticity of a payment order are described in Appendix 1 to this Operating Circular. Before issuing a payment order to or receiving a payment order from this Bank, a sender or receiving bank must execute an agreement with this Bank in the form shown in Appendix 1-A. A sender is deemed to agree to a security procedure used in issuing a payment order to us.

8. Each sender and receiving bank shall prevent any disclosure, except on a "need to know" basis, of any aspects of the security procedures it agrees to with this Bank. The sender or receiving bank shall notify us immediately if the confidentiality of these security procedures is compromised and shall act to prevent the security procedures from being further compromised.

## RECEIPT, ACCEPTANCE, AND EXECUTION OF PAYMENT ORDERS

9. If an online sender does not receive an acknowledgment of receipt of a payment order it issues to us, the sender should notify us promptly.

10. If we notify a sender that a payment order has been lost because of computer outage or other reasons, the sender should be prepared to resend the payment order to us.

11. We may record by audio recording device any telephone call relating to a payment order.

12. A receiving bank must manage its communications connection so as to permit the bank to receive, on a timely basis, payment orders sent to it during its funds transfer business day.

13. A receiving bank, whether offline or online, agrees to indemnify us for any loss we incur as a result of its delay in receiving a payment order if the delay results from the bank's failure to be able to receive payment orders from us during our funds transfer business day.

14. We do not assume any responsibility for completion of a funds transfer on the day requested except as provided in Regulation J.

## AS-OF ADJUSTMENTS

15. We may make an as-of adjustment pursuant to Section 210.32(b) of Regulation J as follows:

A. We will normally process and apply an as-of adjustment to the reserve maintenance period during which the transaction giving rise to the obligation to pay interest occurred so that there will be no impact on aggregate reserves. If we determine that procedure is not feasible, in our sole discretion, we will process and apply the as-of adjustment to the current reserve period.

B. If an as-of adjustment would be applied to one of the last three days of a reserve maintenance period, we may apply it to either the current or the future reserve maintenance period.

C. If we delay execution of a payment order (see Section 4A-305(a) of Article 4A of the UCC), we may make an as-of credit adjustment to the receiving bank's account. If the sender was not debited at the time, we will make an offsetting as-of debit adjustment to the sender's account.

D. If we misdirect a payment order (see Sections 4A-303(c) and 4A-305(b) of Article 4A), we may make an as-of credit adjustment to the account of the bank that should have received the order. If the bank that received the misdirected order agrees, we will make an offsetting as-of debit adjustment to the receiving bank's account.

E. If we issue a payment order in an amount less than the amount that was intended (see Sections 4A-303(b) and 4A-305(b) of Article 4A), we may make an as-of credit adjustment to the receiving bank's account. If the sender was not debited in the appropriate amount, we will make an as-of debit adjustment to the sender's account.

F. If we issue a duplicate payment order or a payment order that is in an amount more than was intended (see Sections 4A-303(a) and 4A-305(b) of Article 4A), we may, if the sender's account was not debited in the appropriate amount, make an as-of credit adjustment to the sender's account. If the bank that received the order agrees, we will make an as-of debit adjustment to the receiving bank's account.

G. If we delay rejection of a payment order (see Sections 4A-209(b) and 4A-210(b) of Article 4A), we may make an as-of credit adjustment to the sender's account.

H. We will apply offsetting as-of adjustments to the same reserve maintenance period to the extent feasible.

## CUTOFF HOURS

16. The time schedule in Appendix 2 to this Operating Circular shows our funds transfer business days and the latest hour on each funds transfer business day (cutoff hour) by which we will execute a payment order received on that day. We may, in our discretion, extend our cutoff hour or our funds transfer business day. In the case of a payment order calling for an inter-District funds transfer received during an extended funds transfer business day, execution of a corresponding payment order on that day is also discretionary with the receiving bank's Federal Reserve Bank.

## ADVICES OF CREDIT AND DEBIT; REPORTING OF ERRORS

17. We provide an advice of credit by electronic data transmission to an online receiving bank that receives a payment order or notice from us. We provide an advice of credit by telephone to an offline receiving bank that receives a payment order or notice from us. We do not give telephone advice of credit for a transfer identified as a Type Code 16 settlement transaction to an offline receiving bank unless the receiving bank has notified us in writing that it maintains an account for another bank or has otherwise requested telephone advice for these transfers. We also provide an advice of credit to a receiving

bank and an advice of debit to a sender in its account statement.

18. In addition to the requirement for prompt notice under Section 210.28(c) of Regulation J and Sections 4A-204 and 4A-304 of Article 4A of the UCC, a sender or receiving bank shall notify us immediately if it learns of or discovers, from any source other than an advice of debit from this Bank, the possibility of error or lack of authority in the transmission or processing of a payment order. A receiving bank must also notify us immediately of any discrepancy between a payment order or advice of credit we send to the receiving bank by telephone or electronic data transmission and an advice of credit we subsequently mail or deliver to the receiving bank. See also paragraph 10.

## CHARGES

19. The fees imposed for funds transfer services are listed in this Bank's fee schedule.

## NON–VALUE MESSAGES

20. We handle messages that do not result in accounting entries—designated as Subtype Code 01 (request for reversal), 07 (request for reversal of prior-day transfer), 31 (request for credit transfer), 33 (refusal of request for funds), or 90 (service message). These messages are not payment orders but are subject to our format and media requirements, security procedures, and time and fee schedules. This Operating Circular does not impose any obligation on the recipient to respond to a request for reversal or credit transfer. A Federal Reserve Bank's liability for damage caused by its failure to exercise ordinary care or act in good faith in processing a non–value message may not exceed the amount of any fee paid to a Reserve Bank for the message.

## CANCELLATION AND AMENDMENT OF PAYMENT ORDERS

21. By requesting cancellation or amendment of a payment order, the sender may be liable under Section 4A-211 of Article 4A of the UCC unless the request states "NO INDEMNITY."

## RIGHT TO AMEND

22. We reserve the right to amend this Operating Circular at any time.

# APPENDIX 1

## FUNDS TRANSFER SECURITY PROCEDURES

GENERAL

The following security procedures are offered by the Federal Reserve Bank of Dallas to each sender that is authorized to send a payment order to us and to each receiving bank that receives a payment order from us, for the purpose of verifying the authenticity of a payment order or a communication amending or canceling a payment order (collectively, a "payment order"). The security procedures are not used to detect errors in the transmission or the content of the payment order.

ONLINE SECURITY PROCEDURE

The Online Security Procedure is available to any bank that issues or receives a payment order by means of an encrypted dedicated or dial-up communications line between its computer and this Bank's computer, utilizing a hardware–software system certified by this Bank.

The Online Security Procedure is incorporated in the hardware and software associated with the computer. In general, the procedure includes access controls, such as the identification code and the confidential password that allow a customer to access this Bank's funds transfer system, and also includes encryption of a payment order during the transmission process. The procedure is more specifically described in the Computer Interface Protocol Specification (CIPS) and the Fedline User's Guide, which are available from this Bank.

OFFLINE SECURITY PROCEDURE

The Offline Security Procedure is available to any bank that issues or receives a payment order orally by telephone. It is also used when a bank that normally issues or receives a payment order by means of an encrypted dedicated or dial-up communications line, using the Online Security Procedure, is unable to do so because of an equipment or communications failure or other circumstances.

In general, when a payment order is issued, the Offline Security Procedure involves the use of an identification code by an employee of the sender and may involve a callback or listen-back procedure by us. When our customer is acting as a receiving bank, the security procedure involves the use of an identification code provided by us to an employee of the customer, and the customer is required to call us back to authenticate the payment order before making the proceeds available to its customer or otherwise acting with respect to the payment order.

The names of the employees of the sender or receiving bank who are authorized to authenticate or issue a payment order must be on a list of employees that the bank provides to us.

# APPENDIX 1-A

## FUNDS TRANSFER SECURITY PROCEDURES AGREEMENT

(Date)

Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

Attention: Manager
Electronic Payments Department

We agree to the provisions of the Reserve Bank's Operating Circular 6, *Wire Transfers of Funds*, and its appendixes, as amended from time to time.

If we use an encrypted communications line with access controls for the transmission or receipt of a payment order to or from the Reserve Bank, we choose the Online Security Procedure offered by you as generally described in Appendix 1 to the circular, as such security procedure may be modified from time to time by you. This security procedure will be used for the purpose of verifying that a payment order or a communication amending or canceling a payment order (collectively, a "payment order") was issued or received by us.

If we use the telephone to orally transmit or receive a payment order to or from the Reserve Bank, we reject the Online Security Procedure offered by you and choose the Offline Security Procedure generally described in Appendix 1 to the circular, as such security procedure may be modified from time to time by you. This security procedure will be used for the purpose of verifying that a payment order was issued or received by us. We understand that the Offline Security Procedure may be deemed commercially reasonable pursuant to Section 4A-202(c) of Article 4A of the Uniform Commercial Code.

Whenever we use your Offline Security Procedure, we agree to be bound by any payment order, whether or not authorized, issued in our name and accepted by you in compliance with such procedure.

We understand that the Online and Offline Security Procedures will not be used to detect errors in the transmission or content of a payment order.

We also understand and agree that the security procedures established by this agreement may be changed only by an amendment to Appendix 1 or other written agreement. This agreement may not be changed by an oral agreement or by a course of dealing or custom.

_____

Name of Sender/Receiving Bank/Agent

_____

Nine-Digit Routing Number

By: _____

Authorized Signature

Title: _____

# APPENDIX 2

## TIME SCHEDULE FOR FUNDS TRANSFERS THROUGH FEDWIRE

OPENING HOUR

We accept payment orders beginning at 7:30 a.m. Central Standard Time. In unusual circumstances and in our discretion, we may accept payment orders before this time.

CUTOFF HOURS

We accept payment orders online until 5:00 p.m. Central time and accept payment orders offline until 4:30 p.m. Central time each funds transfer business day.

We accept settlement payment orders from an online sender until 5:30 p.m. Central time and from an offline sender until 5:00 p.m. Central time each funds transfer business day. A settlement payment order sent during the settlement period must be designated by Type Code 16. A settlement payment order is a payment order in which both the originator and the beneficiary are either (1) a bank subject to Federal Reserve reserve requirements (whether or not it actually maintains reserves) or (2) a participant in a net settlement arrangement approved by a Reserve Bank as an eligible originator or beneficiary of a settlement payment order sent during the settlement period.

FUNDS TRANSFER BUSINESS DAYS

Our funds transfer business days are all days except the following standard holidays that are observed by Reserve Banks:[1]

> All Saturdays
> All Sundays
> New Year's Day (January 1)
> Martin Luther King, Jr. Day (third Monday in January)
> Presidents Day (third Monday in February)
> Memorial Day (last Monday in May)
> Independence Day (July 4)
> Labor Day (first Monday in September)
> Columbus Day (second Monday in October)
> Veterans Day (November 11)
> Thanksgiving Day (fourth Thursday in November)
> Christmas Day (December 25)

If January 1, July 4, November 11, or December 25 falls on a Sunday, the next following Monday is a standard Reserve Bank holiday.

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[1] The New Orleans Branch of the Federal Reserve Bank of Atlanta closes on Mardi Gras.