



FEDERAL RESERVE BANK
OF DALLAS

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS
75265-5906

January 31, 1994

Notice 94-12

TO: The Chief Operating Officer of
each financial institution in the
Eleventh Federal Reserve District

SUBJECT

**Addition of Appendix to
Operating Circular 8 (Collection of Cash Items)**

DETAILS

A new appendix (Appendix 4) has been added to Operating Circular 8 (Collection of Cash Items). Appendix 4 sets forth the terms under which Reserve Banks will provide the new presentment point services under same-day settlement, which became effective January 1, 1994. The appendix also provides the terms of liability for other payor bank services.

These new services differ from other payor bank services in that they are offered principally for items not handled by Reserve Banks for collection (same-day settlement checks), rather than for items collected by Reserve Banks. Appendix 4 also specifically provides that it supersedes existing payor bank service arrangements to the extent of any inconsistency.

ENCLOSURE

Enclosed is the new Appendix 4. Please file it along with your copy of Operating Circular 8, which was issued on November 19, 1993.

MORE INFORMATION

For more information regarding collection of cash items, please contact Terry Campbell, (214) 922-6603, at the Dallas Office; Eloise Guinn, (915) 521-8201, at the El Paso Office; Luke Richards, (713) 652-1544, at the Houston Office; or Herb Barbee, (210) 978-1402, at the San Antonio Office.

For additional copies of this Bank's notice or Appendix 4 to Operating Circular 8, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

APPENDIX 4

PRESENTMENT POINT AND OTHER PAYOR BANK SERVICES

PRESENTMENT POINT SERVICES

A paying bank may request this Bank to act as a presentment point for receipt of same-day settlement checks (as agent of the paying bank) by submitting a letter designating us as either a primary or an alternate presentment point. The request is effective 10 banking days after receipt of the letter or at a later date set forth in the letter. Same-day settlement checks are checks (as defined in Regulation CC) presented in accordance with Section 229.36(f) and other provisions of Regulation CC. A paying bank requesting a presentment point service agrees to the terms of this Appendix.

PRIMARY PRESENTMENT POINT SERVICE

By designating an office of this Bank as a primary presentment point, the paying bank designates that office as the presentment point for all collecting banks for same-day settlement checks bearing an encoded routing number of the paying bank that is associated with the check processing region of the designated office. If we receive checks identified as same-day settlement checks or other items for a paying bank that has not requested a presentment point service, we will handle the items as fine sorted cash items for collection by us under our Operating Circular. We will, upon request, provide a list of paying banks for which we act as primary presentment point. The paying bank should notify collecting banks that are using this Bank as a primary presentment point before terminating its designation of this Bank as a presentment point.

ALTERNATE PRESENTMENT POINT SERVICE

By designating an office of this Bank as an alternate presentment point with respect to a designated collecting bank, the paying bank designates that office as a presentment point for checks in accordance with a separate agreement between the paying bank and the designated collecting bank. If we receive checks identified as same-day settlement checks or other items for a paying bank that has not requested an alternate presentment point service with respect to the collecting bank from which the items are received, or a primary presentment point service, we will handle the items as fine sorted cash items for collection by us under our Operating Circular.

GENERAL

Collecting banks should directly contact a paying bank that has designated this Bank as a presentment point, before presenting checks at this Bank, concerning any conditions or requirements for such presentment consistent with the provisions of this Appendix. All items delivered to an office of this Bank as a presentment point for a paying bank must be separately packaged from items delivered to us for collection; they must state "SAME-DAY SETTLEMENT" and designate the name of the presenting bank and the name of the paying bank in accordance with our requirements. Items will be considered presented to the paying bank only when the package is delivered to the location specified by us for delivery of same-day settlement checks.

This Bank will time-stamp the packages presented to a paying bank, provide verification of receipt to the delivery agent, store the items for pickup by the paying bank, and provide verification of the time of delivery to the paying bank. If requested by the paying bank, this Bank will provide the enhanced service of notifying the paying bank concerning the identity of the collecting bank, the time of delivery, and the dollar amount of each presentment of same-day settlement checks.

This Bank does not act as a collecting bank in providing presentment point services to a

APPENDIX 4 (continued)

paying bank. This Bank has no responsibility for determining whether the items received comply with delivery, sorting, timeliness, or other requirements of the paying bank or whether the delivery complies with any separate agreement between the paying bank and the collecting bank. This Bank has no responsibility for arranging for settlement or adjustment by the paying bank for items presented or for arranging delivery of the items to the paying bank or for arranging for return of the items. Collecting banks should not include same-day settlement checks or other items presented to paying banks in settlement sheets listing items deposited with us for collection by us. If we receive checks identified as same-day settlement checks by means of transportation arranged by a Reserve Bank, such as the Interdistrict Transportation System, we will handle the items as fine sorted cash items for collection by us under our Operating Circular.

OTHER PAYOR BANK SERVICES

A paying bank may request this Bank to perform payor bank services with respect to items delivered under a presentment point service and/or with respect to items to be presented by this Bank and items otherwise presented to the paying bank by a collecting bank and subsequently delivered by the paying bank to us. These services include providing the paying bank with information concerning the total dollar amount of items by customer account, with MICR-line information from items, and with special sorts of items. A paying bank requesting payor bank services agrees to the terms of this Appendix.

LIABILITY

In providing payor bank services to a paying bank, including a presentment point service but excluding an electronic presentment service (which is governed by our Operating Circular 17, *Electronic Check Presentment Services*), this Bank shall have no responsibility or liability to any person other than the paying bank and shall be liable only for our own lack of good faith or failure to exercise ordinary care in providing the service. In providing customer account information, MICR-line information, or special sorts to the paying bank, this Bank expressly disclaims any and all warranties—express, statutory, or implied—with respect to the information, including but not limited to warranties of merchantability and fitness for a particular purpose. The amount of our liability is limited to the amount of the item, reduced by an amount that could not have been realized by the use of ordinary care, and shall not include any liability for special, incidental, or consequential damages even if such damages were foreseeable at the time of the failure to exercise ordinary care or act in good faith.

This Bank does not verify customer account information, MICR-line information, or special sorts provided to a paying bank. It is the paying bank's responsibility to validate the accuracy of such information or sorts, before relying on it or providing it to its customer, or to advise its customer that the information has not been verified.

This Bank does not act as a collecting bank in providing payor bank services, regardless of whether we may indorse items that have previously been presented to the paying bank. A paying bank requesting payor bank services shall indemnify this Bank for any loss or expense sustained (including attorneys' fees and expense of litigation) resulting from (1) a claim that this Bank acts as collecting bank with respect to an item handled under a presentment point service, or with respect to an item otherwise presented to a paying bank by a collecting bank and subsequently delivered to this Bank by the paying bank for handling under a payor bank service to the paying bank, regardless of whether this Bank has indorsed the item, or (2) any claim by a person other than the paying bank with respect to an item delivered to us as agent of the paying bank under a presentment point service.

If this Bank is delayed in acting beyond time limits applicable to a payor bank service because of interruption of communication or computer facilities, suspension of payments by a

APPENDIX 4 *(continued)*

bank, war, emergency conditions, failure of equipment, or other circumstances beyond our control, our time for acting is extended for the time necessary to complete the action, if we exercise such diligence as the circumstances require.

RECORDS

We will make available to the paying bank records of our processing of same-day settlement checks in connection with other payor bank services. If we believe that we may be compelled to provide such records or a same-day settlement check to other than the paying bank, such as by legal process, we will notify the paying bank. It is the responsibility of the paying bank to determine whether the record or check should be produced, to assert any defense to such production, and to pay all associated costs.

TERMINATION AND AMENDMENT

The provisions of this Appendix supersede any inconsistent provisions of any other agreement regarding payor bank services. This Bank or the paying bank may terminate a payor bank service by giving not less than 10 days' prior written notice to the other party. We reserve the right to amend this Appendix at any time.