



**FEDERAL RESERVE BANK
OF DALLAS**

TONY J. SALVAGGIO
FIRST VICE PRESIDENT

DALLAS, TEXAS
75265-5906

January 23, 1996

Notice 96-02

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

SUBJECT

**Revisions to Operating Circular 17
(Electronic Check Presentment Services)**

DETAILS

The Federal Reserve Bank of Dallas has revised Operating Circular 17, "Electronic Check Presentment Services," effective February 15, 1996. The changes are restricted to Appendices A through D, which detail each electronic check service. The changes represent the following improvements to the services:

- The deadline to request return item pulls will be extended from 11:00 a.m. to 1:00 p.m. on the day following electronic presentment.
- Instead of microfilm, check images may be used as the long-term storage mechanism for truncated checks at the discretion of the Fed.
- The retention period of checks truncated at the Fed will be changed from 90 to 45 calendar days.
- The names of each service referenced in the appendices have been changed as part of the effort to standardize Federal Reserve services nationally.

ATTACHMENT

A copy of Appendices A through D of Operating Circular 17 is attached.

MORE INFORMATION

For more information concerning Electronic Check Services or Check Imaging Services, please contact Bill Morse (214) 922-5139, 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, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

A handwritten signature in cursive script, reading "Tony J. Saluzzio". The signature is written in dark ink and is positioned below the word "Sincerely,".

APPENDIX A

TRUNCATION

GENERAL

A-1. This Appendix sets forth the terms of our Truncation Service. The agreement under which this service is provided to an institution consists of our Operating Circular 17 (*Electronic Check Presentment Services*), including this Appendix, and the institution's request for the service, submitted as provided in paragraph A-15.

SERVICE DESCRIPTION

A-2. We record MICR-line information from an eligible item and present the item by transmission of the MICR-line information. In addition, for an institution subscribing to our Truncation Service, we will

- (a) provide this service for any eligible item in a fine sort package;
- (b) return an eligible item;
- (c) retain an eligible item for at least 45 days;
- (d) retain microfilm or image data of the eligible item for seven years, unless a longer period of time is required by state law;
- (e) respond to a request for information with respect to an eligible item.

The terms under which these services are provided are set forth more specifically in this Appendix and in procedures that we may prescribe.

DEFINITIONS

A-3. In addition to the definitions set forth in Operating Circular 17, unless the context requires otherwise,

- (a) "Instruction to return" means a notice of dishonor or nonpayment.
- (b) "Request for information" means a request that we (i) provide additional information with respect to an eligible item, (ii) transmit a facsimile copy of an eligible item, or (iii) make available an eligible item or a copy thereof.
- (c) "Eligible item" means a cash item described in the request for service submitted as provided in paragraph A-15.

CHECK COPIES

A-4. We microfilm or image the front and back of each eligible item for which the Truncation Service is provided.

RETURN OF ELIGIBLE ITEMS

A-5. If the institution wishes to return an eligible item that has been presented electronically, it must deliver to us an instruction to return the item. The instruction must be delivered by a

APPENDIX A *(continued)*

method that we prescribe and must be received by us within the applicable time frames specified in Regulations J and CC and the Uniform Commercial Code. If the institution is unable to transmit an instruction in accordance with this paragraph, the institution must notify us before 1:00 p.m. on the first day after the MICR-line information is transmitted to the institution. We, in our sole discretion, may extend the 1:00 p.m. deadline for a reasonable period of time to allow the institution to deliver the instruction. The instruction must contain the MICR-line information that we transmitted to the institution with respect to the item, the date we recorded the information, our sequence number for the item, and the reason for return.

A-6. For purposes of Regulations J and CC, the Uniform Commercial Code, and our Operating Circular 17, our receipt of an instruction to return an eligible item constitutes return of the item by the institution. As a returning bank, we will then return the item and, in accordance with our published availability schedules, make the appropriate credit to the account maintained or used by the institution for such purpose.

A-7. A properly submitted instruction to return an item of \$2,500 or more will also serve as a request for us to give notice of nonpayment to the depository bank under Section 229.33 of Regulation CC. For a notice of nonpayment to be delivered to the depository bank by 4:00 p.m. (local time for the depository bank), we must receive the instruction no later than 1:00 p.m. that day.

A-8. We assume no responsibility for determining whether the institution has acted in a timely fashion with respect to returning an item or providing notice of nonpayment to a depository bank.

RETENTION OF PAID ITEMS

A-9. An eligible item that has not been returned is retained by us for at least 45 calendar days from the date on which we first transmit the MICR-line information ("retention period"). During the retention period, we make the eligible item available to the institution as provided herein. The eligible item is destroyed after expiration of the retention period.

A-10. We retain the microfilm or image data of an eligible item for seven years from the date on which we first transmit the MICR-line information ("storage period"), unless a longer period of time is required by state law. During the storage period, we make the microfilm or image data available to the institution as provided herein. The microfilm or image data is destroyed after expiration of the storage period.

A-11. Upon termination of services under this Appendix, we, at our discretion,

- (a) either retain all items and microfilm or image data of items then being held for the institution for the remainder of the retention period or storage period;
- (b) or deliver all such items and microfilm or image data to the institution.

REQUESTS FOR INFORMATION

A-12. During the retention period or storage period for an eligible item, the institution may submit a request for information with respect to the item. The request must contain the MICR-line information that we recorded from the item, the date we recorded the information, and our sequence number for the item. We will respond to the request by sending the item, or a facsimile or microfilm copy or image copy thereof, to the institution no later than the end of our second banking day after the day we receive the request. During the retention period, if we receive a request by 10:00 a.m. on a banking day for us, we will attempt to respond to the

APPENDIX A *(continued)*

request by 2:00 p.m. that day, but we make no representation or warranty that we will do so. A request for information submitted before the eligible item has been finally paid does not constitute dishonor of the item.

A-13. We make available an eligible item, or a microfilm copy, or image copy thereof, only as provided in the preceding paragraph or in response to the order of a court of competent jurisdiction, a grand jury subpoena, or other legal process. If we believe that we may be compelled to provide an item or a copy to other than the institution, we shall promptly notify the institution. It shall be the responsibility of the institution to determine whether the item or copy should be produced and to assert any defense to such production. The institution is responsible for the cost of producing any item or copy, as well as the cost of defending against such production.

WARRANTY

A-14. We warrant that an eligible item processed hereunder will be held by us in accordance with this Appendix and will not be sent to the institution except as provided herein.

REQUESTS FOR SERVICE

A-15. Any institution wishing to receive our Truncation Service must submit a written request in a form that we prescribe.

APPENDIX B

MICR PRESENTMENT PLUS

GENERAL

B-1. This Appendix sets forth the terms of our MICR Presentment Plus Service, under which an eligible item is shipped to an institution two days after electronic presentment is made. The agreement under which this service is provided to an institution consists of our Operating Circular 17 (*Electronic Check Presentment Services*), including this Appendix, and the institution's request for the service, submitted as provided in paragraph B-16.

SERVICE DESCRIPTION

B-2. We record MICR-line information from an eligible item and present the item by transmission of the MICR-line information. In addition, for an institution subscribing to our MICR Presentment Plus Service, we will

- (a) provide this service for any eligible item in a fine sort package;
- (b) return an eligible item;
- (c) respond to a request for information with respect to an eligible item;
- (d) ship the eligible item to the institution;
- (e) if requested by the institution, retain microfilm or image data of the eligible item for seven years, unless a longer period of time is required by state law.

The terms under which these services are provided are set forth more specifically in this Appendix and in procedures that we may prescribe.

DEFINITIONS

B-3. In addition to the definitions set forth in Operating Circular 17, unless the context requires otherwise,

- (a) "Instruction to return" means a notice of dishonor or nonpayment.
- (b) "Request for information" means a request that we (i) provide additional information with respect to an eligible item, (ii) transmit a facsimile copy of an eligible item, or (iii) make available an eligible item or a copy thereof.
- (c) "Eligible item" means a cash item described in the request for service submitted as provided in paragraph B-16.

CHECK COPIES

B-4. If requested by the institution, we microfilm or image the front and back of each eligible item for which the MICR Presentment Plus Service is provided.

B-5. We retain microfilm or image data of an eligible item for seven years from the date on which we first transmit the MICR-line information ("storage period"), unless a longer period of time is required by state law. During the storage period, we make the microfilm or image data available to the institution as provided herein. The microfilm or image data is destroyed after expiration of the storage period.

APPENDIX B *(continued)*

B-6. During the storage period for a microfilm copy of an eligible item, the institution may submit a request for information with respect to the copy. The request must contain the MICR-line information that we recorded from the item, the date we recorded the information, and our sequence number for the item. We will respond to the request by sending a microfilm copy of the item to the institution no later than the end of our second banking day after the day we receive the request.

B-7. We make available a microfilm copy of an eligible item only as provided in the preceding paragraph or in response to the order of a court of competent jurisdiction, a grand jury subpoena, or other legal process. If we believe that we may be compelled to provide a copy to other than the institution, we shall promptly notify the institution. It shall be the responsibility of the institution to determine whether the copy should be produced and to assert any defense to such production. The institution is responsible for the cost of producing any copy, as well as the cost of defending against such production.

B-8. Upon termination of services under this Appendix, we, at our discretion,

- (a) either retain all microfilm or image data of items then being held for the institution for the remainder of the storage period;
- (b) or deliver all microfilm or image data to the institution.

RETURN OF ELIGIBLE ITEMS

B-9. If the institution wishes to return an eligible item that has been presented electronically but has not yet been shipped to the institution, it must deliver to us an instruction to return the item. The instruction must be delivered by a method that we prescribe and must be received by us within the applicable time frames specified in Regulations J and CC and the Uniform Commercial Code. If the institution is unable to transmit an instruction in accordance with this paragraph, the institution must notify us before 1:00 p.m. on the first day after the MICR-line information is transmitted to the institution. We, in our sole discretion, may extend the 1:00 p.m. deadline for a reasonable period of time to allow the institution to deliver the instruction. The instruction must contain the MICR-line information that we transmitted to the institution with respect to the item, the date we recorded the information, our sequence number for the item, and the reason for return.

B-10. For purposes of Regulations J and CC, the Uniform Commercial Code, and our Operating Circular 17, our receipt of an instruction to return an eligible item constitutes return of the item by the institution as long as we receive the instruction before the time specified in the preceding paragraph. As a returning bank, we will then return the item and, in accordance with our published availability schedules, make the appropriate credit to the account maintained or used by the institution for such purpose.

B-11. A properly submitted instruction to return an item of \$2,500 or more will also serve as a request for us to give notice of nonpayment to the depository bank under Section 229.33 of Regulation CC. For a notice of nonpayment to be delivered to the depository bank by 4:00 p.m. (local time for the depository bank), we must receive the instruction no later than 1:00 p.m. that day.

B-12. We assume no responsibility for determining whether the institution has acted in a timely fashion with respect to returning an item or providing notice of nonpayment to a depository bank.

APPENDIX B *(continued)*

SHIPMENT OF ITEMS

B-13. An eligible item processed under this Appendix will be shipped to the institution on our second banking day after the day on which we transmit to the institution the MICR-line information with respect to the item.

REQUESTS FOR INFORMATION

B-14. An institution may request information with respect to an eligible item as long as we receive the request no later than 10:00 a.m. on our first banking day after the day on which we transmit to the institution the MICR-line information with respect to the item. If we receive a request by 10:00 a.m. on a banking day for us, we will attempt to respond to the request that day, but we make no representation or warranty that we will do so. A request for information submitted before the eligible item has been finally paid does not constitute dishonor of the item.

ITEM NOT AVAILABLE

B-15. The institution is advised that after 5:00 p.m. on our first banking day after the day we transmit MICR-line information with respect to an eligible item, the item may be in transit between our office and the institution, or may otherwise be unavailable, and the item and the information it contains may not become available until the institution actually receives the item.

REQUESTS FOR SERVICE

B-16. Any institution wishing to receive our MICR Presentment Plus Service must submit a written request in a form that we prescribe.

APPENDIX C

MICR PRESENTMENT

GENERAL

C-1. This Appendix sets forth the terms of our MICR Presentment Service, under which an eligible item is shipped to an institution on the day electronic presentment is made. The agreement under which this service is provided to an institution consists of our Operating Circular 17 (*Electronic Check Presentment Services*), including this Appendix, and the institution's request for the service, submitted as provided in paragraph C-6.

SERVICE DESCRIPTION

C-2. We record MICR-line information from an eligible item and present the item by transmission of the MICR-line information. In addition, for an institution subscribing to our MICR Presentment Service, we will

- (a) provide this service for any eligible item in a fine sort package;
- (b) ship the eligible item to the institution.

The terms under which these services are provided are set forth more specifically in this Appendix and in procedures that we may prescribe.

DEFINITIONS

C-3. In addition to the definitions set forth in Operating Circular 17, unless the context requires otherwise, "eligible item" means a cash item described in the request for service submitted as provided in paragraph C-6.

SHIPMENT OF ITEMS

C-4. An eligible item processed under this Appendix will be shipped to, or made available for pickup by, the institution or its agent on the banking day we transmit the MICR-line information with respect to the item to the institution, or its agent for receiving such information.

ITEM NOT AVAILABLE

C-5. The institution is advised that on the day we transmit MICR-line information with respect to an eligible item, the item will, for some period of time, be in transit between our office and the institution, or will otherwise be unavailable, and the item and the information it contains will not become available until the institution actually receives the item.

REQUESTS FOR SERVICE

C-6. Any institution wishing to receive our MICR Presentment Service must submit a written request in a form that we prescribe.

APPENDIX D

OFF-PEAK MICR PRESENTMENT

GENERAL

D-1. This Appendix sets forth the terms of our Off-Peak MICR Presentment Service, under which an eligible item is shipped to an institution on the day after electronic presentment is made. The agreement under which this service is provided to an institution consists of our Operating Circular 17 (*Electronic Check Presentment Services*), including this Appendix, and the institution's request for the service, submitted as provided in paragraph D-16.

SERVICE DESCRIPTION

D-2. We record MICR-line information from an eligible item and present the item by transmission of the MICR-line information. In addition, for an institution subscribing to our Off-Peak MICR Presentment Service, we will

- (a) provide this service for any eligible item in a fine sort package;
- (b) return an eligible item;
- (c) respond to a request for information with respect to an eligible item;
- (d) ship the eligible item to the institution or make it available for pickup;
- (e) if requested by the institution, retain a microfilm copy of the eligible item for seven years, unless a longer period of time is required by state law.

The terms under which these services are provided are set forth more specifically in this Appendix and in procedures that we may prescribe.

DEFINITIONS

D-3. In addition to the definitions set forth in Operating Circular 17, unless the context requires otherwise,

- (a) "Instruction to return" means a notice of dishonor or nonpayment.
- (b) "Request for information" means a request that we (i) provide additional information with respect to an eligible item, (ii) transmit a facsimile copy of an eligible item, or (iii) make available an eligible item or a copy thereof.
- (c) "Eligible item" means a cash item described in the request for service submitted as provided in paragraph D-16.

MICROFILMING

D-4. If requested by the institution, we make a microfilm copy of the front and back of each eligible item for which the Off-Peak MICR Presentment Service is provided.

D-5. Unless the microfilm copy is delivered to the institution pursuant to the institution's instructions, we retain the microfilm copy of an eligible item for seven years from the date on which we first transmit the MICR-line information ("storage period"), unless a longer period of time is required by state law. During the storage period, we make the microfilm copy available

APPENDIX D (*continued*)

to the institution as provided herein. The microfilm copy is destroyed after expiration of the storage period.

D-6. During the storage period for a microfilm copy of an eligible item, the institution may submit a request for information with respect to the copy. The request must contain the MICR-line information that we recorded from the item, the date we recorded the information, and our sequence number for the item. We will respond to the request by sending a microfilm copy of the item to the institution no later than the end of our second banking day after the day we receive the request.

D-7. We make available a microfilm copy of an eligible item only as provided in the preceding paragraph or in response to the order of a court of competent jurisdiction, a grand jury subpoena, or other legal process. If we believe that we may be compelled to provide a copy to other than the institution, we shall promptly notify the institution. It shall be the responsibility of the institution to determine whether the copy should be produced and to assert any defense to such production. The institution is responsible for the cost of producing any copy, as well as the cost of defending against such production.

D-8. Upon termination of services under this Appendix, we, at our discretion,

- (a) either retain all microfilm copies of items then being held for the institution for the remainder of the storage period;
- (b) or deliver all such copies to the institution.

RETURN OF ELIGIBLE ITEMS

D-9. If the institution wishes to return an eligible item that has been presented electronically but has not yet been shipped to the institution, it must deliver to us an instruction to return the item. The instruction must be delivered by a method that we prescribe and must be received by us within the applicable time frames specified in Regulations J and CC and the Uniform Commercial Code. In no event, however, will an instruction be effective if it is received after 5:00 p.m. on the day the MICR-line information from the item is transmitted to the institution. The instruction must contain the MICR-line information that we transmitted to the institution with respect to the item, the date we recorded the information, our sequence number for the item, and the reason for return.

D-10. For purposes of Regulations J and CC, the Uniform Commercial Code, and our Operating Circular 17, our receipt of an instruction to return an eligible item constitutes return of the item by the institution as long as we receive the instruction before the time specified in the preceding paragraph. As a returning bank, we will then return the item and, in accordance with our published availability schedules, make the appropriate credit to the account maintained or used by the institution for such purpose.

D-11. A properly submitted instruction to return an item of \$2,500 or more will also serve as a request for us to give notice of nonpayment to the depository bank under Section 229.33 of Regulation CC.

D-12. We assume no responsibility for determining whether the institution has acted in a timely fashion with respect to returning an item or providing notice of nonpayment to a depository bank.

APPENDIX D *(continued)*

SHIPMENT OF ITEMS

D-13. An eligible item processed under this Appendix will be shipped to, or made available for pickup by, the institution on our banking day after the day we transmit to the institution the MICR-line information with respect to the item.

REQUESTS FOR INFORMATION

D-14. An institution may request information with respect to an eligible item as long as we receive the request no later than 5:00 p.m. on the day we transmit to the institution the MICR-line information with respect to the item. We will attempt to respond to the request that day, but we make no representation or warranty that we will do so. A request for information submitted before the eligible item has been finally paid does not constitute dishonor of the item.

ITEM NOT AVAILABLE

D-15. The institution is advised that after 5:00 p.m. on the day we transmit MICR-line information with respect to an eligible item, the item may be in transit between our office and the institution, or may otherwise be unavailable, and the item and the information it contains may not become available until the institution actually receives the item.

REQUESTS FOR SERVICE

D-16. Any institution wishing to receive our Off-Peak MICR Presentment Service must submit a written request in a form that we prescribe.