



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

July 10, 2001

DALLAS, TEXAS
75265-5906

Notice 01-52

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

SUBJECT

Amendments to Operating Circulars 3 and 4

DETAILS

The Federal Reserve Banks have amended Operating Circular 3, *Collection of Cash Items and Returned Checks*, and Operating Circular 4, *Automated Clearing House Items*. Circular 3 has been amended to include the following: Appendix G, which addresses check services accessible via the Internet; changes that conform the operating circular to certain adjustments procedures; establishment of a 2:00 p.m. cut-off hour for receipt of items; a new paragraph 5.7 in Appendix F; and a number of minor technical amendments.

Circular 4 has been amended to support the following: implementation of settlement day finality for ACH credit transactions; production implementation of international service to Canada; a new closing time for end-of-day deposits by depository institutions; a clarification regarding the grant of a security interest by a sending or receiving bank to a Reserve Bank; and a requirement that banks implement physical security and management controls described in specified Fed publications.

ATTACHMENTS

Brief summaries of the primary revisions to Operating Circulars 3 and 4 are attached. The summary information does not describe all of the provisions of the circulars or provide complete details on the revisions. You may read, download, and print the revised operating circulars in their entirety from the Federal Reserve's Financial Services web site at www.frbservices.org. From the home page, click on "Industry Topics" and then on "Operating Circulars." Circulars may also be accessed from the individual service areas on the site.

MORE INFORMATION

For additional information about the revisions to Operating Circulars 3 and 4, please contact Diane Holloway, (214) 922-5470, at the Dallas Office; Nicole King, (915) 521-8290, at the El Paso Branch; Cindy Peña, (713) 652-9155, at the Houston Branch; or Rick Flansburg, (210) 978-1661, at the San Antonio Branch. For additional copies of this Bank's notice, contact the Public Affairs Department at (214) 922-5254 or access District Notices on our web site at <http://www.dallasfed.org/banking/notices/index.html>.

Sincerely,

Summary of Changes to Operating Circular 3
Collection of Cash Items and Returned Checks
Effective July 2, 2001

Appendix G, Check Services Accessible by Internet

This new appendix establishes terms under which banks can use the Internet to access Federal Reserve check collection and return services. The appendix includes terms addressing delivery and receipt of data, notice giving, presentment and return of items, duty to retrieve, contingency, and other related FedLine® for the Web¹ conditions.

Changes to Conform to Standard Operating Procedures

Beginning at Section 12.1, changes have been made to conform the circular to adjustments standard operating procedures. Some of the changes include ties to the *Check Adjustments Quick Reference Guide*, change in the dollar amount for which the Federal Reserve does not generally process adjustments, and other changes related to NOIs (items that are not ours), claims for breach of warranty, returns, and photocopies.

Cut-Off Hour

The circular now includes a paragraph (20.1) that establishes a 2:00 p.m. cut-off hour for the receipt of items.

New Paragraph, Appendix F

A paragraph has been added that clarifies the legal effect of receiving a same-day-settlement cash letter after 8:00 a.m. but prior to a paying bank's cut-off hour.

Circular 3 should be reviewed in its entirety to determine other minor technical amendments.

¹ "FedLine" is a registered trademark of the Federal Reserve Banks.

Summary of Changes to Operating Circular 4
Automated Clearing House Items
Effective June 25, 2001

Settlement Day Finality for ACH Credits

Under settlement day finality, settlement for ACH forward credit transactions processed by the Federal Reserve is final when posted to bank accounts at 8:30 a.m. Eastern time. Prefunding is required for any ACH credit originations that settle through the Federal Reserve account of a depository institution that is being monitored in real time. Settlement day finality reduces risk to receiving depository institutions and receivers, and the prefunding requirement permits the Reserve Banks to effectively manage their settlement risk.

International ACH Service to Canada (Effective July 23, 2001)

The Federal Reserve's International ACH Service provides financial institutions with a cost-effective, convenient, and efficient method for exchanging payments between the United States and Canada. This service, which has been operating in pilot mode, is being implemented in production following the implementation of settlement day finality for credit transactions.

Revised End-of-Day Deposit Deadline (Effective July 23, 2001)

The closing time for end-of-day deposits by sending banks is being moved from 3:00 a.m. Eastern time to 2:15 a.m. Eastern time in conjunction with the implementation of interoperator deposit deadlines for ACH transactions the Reserve Banks exchange with private-sector ACH operators (PSOs).

Circular 4 should be reviewed in its entirety to determine other minor technical amendments.