



FEDERAL RESERVE BANK OF DALLAS

2200 N. PEARL ST.
DALLAS, TX 75201-2272

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

October 8, 2004

Notice 04-69

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

SUBJECT

**Revisions to Operating Circular 3:
*Collection of Cash Items and Returned Checks***

DETAILS

With just a few weeks to go before the Check Clearing for the 21st Century Act (Check 21) takes effect on October 28, 2004, the Federal Reserve Banks are completing final preparations. We recently announced final pricing of our comprehensive suite of Check 21-related products, which will complement our existing paper and electronic check collection services and deliver flexible solutions to support your use of Check 21.

Implementing the Reserve Banks' new Check 21-related services involves making changes to the rules that govern the collection of checks and other items by the Reserve Banks. Significant changes are being made to Regulation J and Operating Circular 3: *Collection of Cash Items and Returned Checks* (OC 3). We are providing you with the current status of these efforts because we know that the changes are important in your daily operations.

- Proposed changes to Regulation J were published in a notice of proposed rule-making on June 18, 2004. The public comment period ended in late July, and the Board of Governors of the Federal Reserve System expects to issue the final amendments in October.

- Upon the completion of amendments to Regulation J, we can finalize revisions to OC 3, which governs the details of the Reserve Banks' collection of checks and other items.

Recognizing that OC 3 will be released very close to the effective date of Check 21, we are providing the following highlights of the major revisions:

- Incorporate new Subpart D of Regulation CC, which applies to substitute checks, throughout OC 3.
- Revise the list of items the Reserve Banks handle as cash items to include substitute checks and electronic items.
- Update OC 3 to reflect previously announced policies related to check carrier documents, deposit guidelines on non-imageable check items, and the adoption of DSTU X9.37-2003 format for the Reserve Banks' Check 21 image services.
- Set forth the risks that depositors will assume if deposit guidelines are not followed.
- Revise the terms related to electronic access to Reserve Bank check services.
- Specify the rules that apply to sending and receiving image cash letters and image return cash letters.
- Update the handling procedures of missent cash items.
- Clarify the procedures for adjustment requests.
- Create new warranty and indemnity procedures for claims related to substitute checks and electronic items.
- Add a new appendix to OC 3 that establishes the terms and conditions applicable to the Reserve Banks' new Check 21 products, including FedForwardSM, FedReturnSM, FedReceiptSM and FedReceipt Plus services.

We will forward the final documentation on OC 3 as soon as it is available. Please be assured that we will send separate communications over the next month regarding other changes that will be implemented with Check 21.

We are excited about the changes that Check 21 brings to our industry. Your patience is appreciated as we prepare and distribute the amended Regulation J and the update to Operating Circular 3. Thank you for your continued business relationship with the Federal Reserve Banks.

MORE INFORMATION

If you have questions, please contact one of the account executives listed below or visit www.frbservices.org for the most up-to-date information.

| | |
|----------------|----------------|
| Rick Flansburg | (210) 978-1661 |
| Jim McCammon | (214) 922-5491 |
| Susan Vice | (214) 922-5430 |
| Kathy Waggoner | (713) 652-9146 |

Paper copies of this notice or previous Federal Reserve Bank notices can be printed from our web site at www.dallasfed.org/banking/notices/index.html.

Sincerely,

A handwritten signature in cursive script that reads "Helen E. Holcomb".