

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 6016 ]  
August 14, 1967 ]

COLLECTION OF CASH ITEMS AND NONCASH ITEMS

New Regulation and Operating Circulars, Effective September 1, 1967

To the Member and Nonmember Banks of the  
Second Federal Reserve District, and Others Concerned:

Enclosed are copies of the following documents, all effective September 1, 1967:

Regulation J of the Board of Governors of the Federal Reserve System, "Collection of Checks and Other Items by Federal Reserve Banks"

Operating Circular No. 4 of this Bank, "Collection of Cash Items"

Operating Circular No. 6 of this Bank, "Instructions to Collecting Banks and Paying Banks"

Operating Circular No. 8 of this Bank, "Collection of Noncash Items"

Regulation J has been revised (a) to combine in a single regulation all provisions relating to the collection of cash items (contained in the current Regulation J, which is to be superseded) and noncash items (contained in the current Regulation G, which is to be revoked), (b) to bring such provisions into closer conformity with the Uniform Commercial Code and current banking practices, and (c) to spell out in more precise language the terms and conditions under which the Reserve Banks receive and handle for collection cash and noncash items. Notice that these changes were being proposed was published in the *Federal Register* of April 20, 1967, and a copy of a statement that was part of the notice was sent to you in our Circular No. 5970, dated April 18, 1967.

Coincident with the revision of Regulation J, this Bank, in common with the other Reserve Banks, has revised its operating circulars relating to the collection of cash and noncash items, the provisions of which will be essentially uniform throughout the Federal Reserve System. In order to make the material easier to use, the provisions relating to the collection of cash items will now be contained in two documents instead of one: Operating Circular No. 4, "Collection of Cash Items," addressed to those banks that send cash items to us for collection, and Operating Circular No. 6, "Instructions to Collecting Banks and Paying Banks," addressed to all banks that, as collecting banks or paying banks, receive cash items from us. A bank that has any questions with respect to the collection of cash items should look to one circular or the other, depending upon the bank's status with respect to the cash item involved.

Because of the rather numerous changes reflected in the enclosed documents, we suggest your careful review of all their provisions. Some of the more significant changes are indicated below.

## Definitional structure

While some of the definitions in the revised Regulation J have antecedents in the current Regulations G and J, the revision contains a series of interrelated definitions. A keystone of the definitional structure is the definition of "item." Based upon that term, the terms "cash item" and "noncash item" have been defined and are used as the pivot for the regulatory scheme in the revised regulation and operating circulars. The use of "cash item" as an operative term also avoids a number of difficulties that have arisen under the current Regulation J, which is cast in terms of "checks," in that its use recognizes the existence of a significant group of cash items other than checks (e.g., "payable through" items) to which the provisions of the regulation and the operating circulars will apply.

## Applicability to subsequent parties in the collection process

Section 210.3 of the revised regulation provides that the regulation shall be binding not only upon each sender of a cash or noncash item but also upon subsequent parties in the collection process—collecting banks, paying banks, and nonbank payors. In addition, this provision conforms to principles expressed in section 4-103 of the Uniform Commercial Code.

Paragraph 10 of our revised Operating Circular No. 4, paragraph 2 of our new Operating Circular No. 6, and paragraph 12 of our revised Operating Circular No. 8 provide that those operating circulars will also be binding upon such subsequent parties.

Section 210.12 of the revised regulation contains provisions governing the return by payor banks of unpaid cash items and the recovery of conditional payments made for the returned items. The requirements as to time for return follow generally the pattern of section 4-301 of the Uniform Commercial Code with some minor modifications, but section 210.12 extends those requirements to all cash items, including "payable through" items. In addition, this section expressly provides for (1) a warranty by the returning bank that it returned the item within the time limits provided by the regulation and (2) an indemnity agreement by that bank to the Federal Reserve Bank for any loss resulting from the latter's giving credit for the item.

Paragraph 10 of our new Operating Circular No. 6 contains directions to a subsequent collecting bank governing the return by it of an unpaid cash item that has been returned by a paying bank to it; and provides that a collecting bank which recovers the amount of a remittance made by it for a cash item returned to us by it will give a warranty and make an indemnity agreement similar to those given and made by a paying bank under the revised regulation.

## Uniform protest instructions

The uniform protest instructions with respect to cash items and with respect to noncash items incorporated in the enclosed operating circulars require protest of any dishonored item of \$1,000 or over that appears on its face to have been drawn at a place that is not within any State, unless it bears the appropriate no-protest symbol (or, in the case of a noncash item, unless contrary instructions appear in the sender's collection letter or the item bears the appropriate no-protest symbol). The term "State" is defined to mean any State of the United States, the District of Columbia, Puerto Rico, or any territory, possession, or dependency of the

United States. These instructions, which have also been adopted by the Bank Management Committee of the American Bankers Association, should have the effect of reducing the number of items that will be protestable if dishonored.

#### **Collection charges for checks handled as noncash items**

The long-standing System policy against the imposition of collection charges with respect to checks handled as noncash items is continued in paragraph 38 of the revised Operating Circular No. 8, with one exception. Paragraph 38 permits a paying bank or collecting bank to make a collection charge with respect to a check insofar as the charge reflects expenses actually incurred by the bank in handling such check that it would *not* have incurred had the check been handled as a cash item. The creation of this exception resulted from the recognition of equities that favor a collection charge in the circumstances specified in that paragraph.

#### **Presentment provisions**

The provisions in the revised regulation and operating circulars relating to presentment for payment of cash and noncash items are substantially new. They prescribe the presentment-for-payment requirements applicable to Federal Reserve Banks and subsequent collecting banks and are intended to provide a uniform nationwide procedure patterned after the more modern statutory provisions. Among other things, the revised regulation recognizes (a) presentment at a place designated by the bank by which an item is payable or by a nonbank payor, and (b) direct sending both to paying banks and, on a limited basis, to nonbank payors, in accordance with the Uniform Commercial Code.

The provisions of section 210.8 of the revised regulation, as to presentment of noncash items for acceptance, are entirely new in the regulatory scheme. Since Reserve Banks and subsequent collecting banks occasionally receive noncash items that require presentment for acceptance or that they are instructed to so present, it was thought advisable to define the boundaries within which those banks might act in making this special type of presentment. These provisions are implemented in paragraphs 41 and 42 of our revised Operating Circular No. 8. Paragraph 41 states the terms and conditions under which this Bank will handle such items; paragraph 42 states our practice with respect to such items after acceptance or refusal to accept.

#### **Handling of items not MICR encoded**

Effective September 1, 1967, the Federal Reserve Banks will classify as items requiring special handling checks, drafts, and similar items received by them on which the payor's routing symbol-transit number has not been MICR encoded. Accordingly, our revised Operating Circulars Nos. 4 and 8 provide that this Bank will not handle such items as cash items unless, in our judgment, special circumstances justify such handling.

#### **Photographic copies of lost or destroyed items**

The revised operating circulars now contain provisions giving expression to the long-standing System policy of handling properly prepared photographic copies of lost or destroyed

items as if they were the items themselves. Paragraph 40 of the revised Operating Circular No. 4 and paragraph 24 of the new Operating Circular No. 6 provide that we will receive as cash items, and encourage paying banks and nonbank payors to handle as cash items, all properly prepared photographic copies of lost or destroyed items that were eligible for cash-item handling, if such copies bear a current endorsement of the sender and an appropriate guaranty both of missing endorsements and of the validity of the copy. Paragraph 43 of the revised Operating Circular No. 8 provides similarly for the noncash-item treatment of photocopies of lost or destroyed noncash items; and paragraph 44 of that operating circular provides for the noncash-item handling of a photocopy of an eligible cash item that the paying bank or nonbank payor is willing to handle only as a noncash item.

#### Carriers qualifying for high-speed processing

Paragraph 5(c) of our revised Operating Circular No. 4 expresses the existing general rule that a cash item must be of no more than a single thickness of paper; and it incorporates two exceptions to that rule. One exception is made for the photographic copies of otherwise qualified items, discussed above, which ordinarily comprise more than a single thickness of paper. The second exception recognizes the present desirability of permitting the high-speed handling of mutilated, erroneously encoded, and other substandard cash items that are contained in carriers qualifying for that kind of handling. In this connection, we urge senders to place their endorsement stamp on the items themselves as well as on the carriers.

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Additional copies of the enclosures will be furnished upon request.

ALFRED HAYES,  
*President.*

**BOARD OF GOVERNORS**  
of the  
**FEDERAL RESERVE SYSTEM**

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**COLLECTION OF CHECKS AND OTHER ITEMS**  
**BY FEDERAL RESERVE BANKS**



**REGULATION J**  
**(12 CFR 210)**

**As revised effective September 1, 1967**



## INQUIRIES WITH RESPECT TO THIS REGULATION

**Any inquiry relating to this regulation should be addressed to the Federal Reserve Bank of the Federal Reserve district in which the inquiry arises. Copies of such Banks' operating letters that are referred to in this regulation are available upon request to the issuing Bank.**

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## STATUTORY AUTHORITY

This regulation is issued under authority of provisions of sections 13, 16, and 11(i) of the Federal Reserve Act (12 U.S.C. 342; 360, 248(o); and 248(i)) which, together with related provisions of law, are published in the Appendix hereto.

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## REGULATION J

(12 CFR 210)

As revised effective September 1, 1967

### COLLECTION OF CHECKS AND OTHER ITEMS BY FEDERAL RESERVE BANKS\*

#### SECTION 210.1—AUTHORITY AND SCOPE

(a) Pursuant to the provisions of section 13 of the Federal Reserve Act, as amended (12 U.S.C. § 342), section 16 of the Federal Reserve Act (12 U.S.C. § 248 (o); 12 U.S.C. § 360), section 11(i) of the Federal Reserve Act (12 U.S.C. § 248(i)), and other provisions of law, the Board of Governors of the Federal Reserve System has promulgated this Part governing the collection of checks and other cash items and the collection of noncash items by the Federal Reserve Banks.

(b) The Federal Reserve Banks, as depositaries and fiscal agents of the United States, handle certain items as cash items or noncash items. To the extent contemplated by regulations issued by, and arrangements made with, the United States Treasury Department and other Government Departments, the handling of such items by the Federal Reserve Banks is governed by the provisions of this Part. The operating letters of the Federal Reserve Banks shall include such information regarding the currently effective provisions of those regulations and arrangements (as well as any similar regulations and arrangements hereafter issued or made) as they shall deem necessary and appropriate for the guidance of banks concerned with the collection or payment of such items.

#### SECTION 210.2—DEFINITIONS

As used in this Part, unless the context otherwise requires:

(a) The term "item" means any instrument for the payment of money, whether negotiable or not, which is payable in a Federal Reserve district,<sup>1</sup> is sent by a sender or a nonbank depositor to a Federal Reserve Bank for handling under this Part, and is collectible in funds acceptable to the Federal Reserve Bank of the district in which the instrument is payable; except that the

\* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 210; cited as 12 CFR 210. The words "this Part", as used herein, mean Regulation J.

<sup>1</sup> For the purposes of this Part, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District; and Guam shall be deemed to be in or of the Twelfth Federal Reserve District.



term does not include any check which cannot be collected at par.<sup>2</sup>

(b) The term “check” means any draft drawn on a bank and payable on demand.

(c) The term “draft” means any item which is either a “draft” as defined in the Uniform Commercial Code or a “bill of exchange” as defined in the Uniform Negotiable Instruments Law.

(d) The term “bank draft” means any check drawn by one bank on another bank.

(e) The term “sender”, in respect of an item, means a member bank, a nonmember clearing bank, a Federal Reserve Bank, an international organization, or a foreign correspondent.

(f) The term “nonmember clearing bank” means a bank, not a member of the Federal Reserve System, which maintains with a Federal Reserve Bank the balance referred to in the first paragraph of section 13 of the Federal Reserve Act, and any corporation which maintains an account with a Federal Reserve Bank in conformity with the requirements of § 211.7 of Part 211 of this chapter (Regulation K).

(g) The term “international organization” means any international organization for which the Federal Reserve Banks are empowered to act as depositaries or fiscal agents subject to regulation by the Board of Governors of the Federal Reserve System and for which a Federal Reserve Bank has opened and is maintaining an account.

(h) The term “foreign correspondent” means any of the following for which a Federal Reserve Bank has opened and is maintaining an account: A foreign bank or banker, or foreign state as defined in section 25(b) of the Federal Reserve Act (12 U.S.C. § 632), or a foreign correspondent or agency referred to in section 14(e) of that Act (12 U.S.C. § 358).

(i) The term “cash item” means:

(1) Any check other than a check classified as a noncash item in accordance with paragraph (j) of this section; or

(2) Any other item payable on demand and collectible at par which the Federal Reserve Bank of the district in which the item is payable may be willing to accept as a cash item.

<sup>2</sup>The Board of Governors publishes from time to time a “Federal Reserve Par List”, which indicates the banks upon which checks are collectible at par through the Federal Reserve Banks, and publishes a supplement thereto each month to show changes subsequent to the last complete list.

(j) The term “noncash item” means any item which the receiving Federal Reserve Bank, in its operating letters, shall have classified as an item requiring special handling and any item normally received by the Federal Reserve Bank as a cash item if such bank decides that special conditions require that it be handled as a noncash item.

(k) The term “paying bank” means:

(1) The bank by which an item is payable and to which it is presented, unless the item is payable or collectible through another bank and is sent to such other bank for payment or collection; or

(2) The bank through which an item is payable or collectible and to which it is sent for payment or collection.

(l) The term “nonbank payor” means any payor of an item, other than a bank.

(m) The term “nonbank depositor” means any department, agency, instrumentality, independent establishment, or officer of the United States, or any corporation other than a sender, which maintains or uses an account with a Federal Reserve Bank. Except as may otherwise be provided by any applicable statutes of the United States or regulations issued or arrangements made thereunder, the provisions of this Part and of the operating letters of the Federal Reserve Banks applicable to a sender are applicable to a nonbank depositor.

(n) The term “State” means any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession or dependency of the United States.

(o) The term “banking day” means any day during which a bank is open to the public for carrying on substantially all its banking functions.

#### SECTION 210.3—GENERAL PROVISIONS

In order to afford both to the public and to the banks of the country a direct, expeditious, and economical system for the collection of items and the settlement of balances, each Federal Reserve Bank shall receive and handle cash items and noncash items in accordance with the terms and conditions set forth in this Part; and the provisions of this Part and the operating letters of the Federal Reserve Banks shall be binding upon the sender of a cash item or a noncash item and shall be binding upon each collecting bank, paying bank, and nonbank payor to which the Federal Reserve Bank, or any subsequent collecting

bank, presents, sends, or forwards a cash item or a noncash item received by the Federal Reserve Bank.

SECTION 210.4—SENDING OF ITEMS TO FEDERAL  
RESERVE BANKS

(a) Subject to the provisions of this Part and of the operating letters of the Federal Reserve Banks, any sender (other than a Federal Reserve Bank) may send to the Federal Reserve Bank with which it maintains or uses an account any cash item or noncash item payable in any Federal Reserve district; but, as permitted or required by such Federal Reserve Bank, such sender may send direct to any other Federal Reserve Bank any cash item or noncash item payable within the district of such other Federal Reserve Bank.

(b) With respect to any cash item or noncash item, sent direct by a sender (other than a Federal Reserve Bank) in one district to a Federal Reserve Bank in another district, in accordance with paragraph (a) of this section, the relationships and the rights and liabilities existing between the sender, the Federal Reserve Bank of its district and the Federal Reserve Bank to which the item is sent will be the same, and the provisions of this Part will apply, as though the sender had sent such item to the Federal Reserve Bank of its district and such Federal Reserve Bank had forwarded the item to the other Federal Reserve Bank.

(c) The Federal Reserve Banks shall receive cash items at par.

SECTION 210.5—SENDER'S AGREEMENT

(a) By its action in sending any cash item or noncash item to a Federal Reserve Bank, the sender shall be deemed to authorize the receiving Federal Reserve Bank and any other Federal Reserve Bank or other collecting bank to which such item may be forwarded, to handle such item subject to the provisions of this Part and of the operating letters of the Federal Reserve Banks; to warrant its own authority to give such authority; and to agree that such provisions shall, insofar as they are made applicable thereto, govern the relationships between such sender and the Federal Reserve Banks with respect to the handling of such item and its proceeds.

(b) The sender shall be deemed to warrant to each Federal Reserve Bank handling such item (1) that it has good title to the item or is authorized to obtain payment on behalf of one who

has good title, whether or not such warranty is evidenced by its express guaranty of prior indorsements on such item, and (2) such other matters and things as the Federal Reserve Bank shall warrant in respect of such item consistently with paragraph (b) of § 210.6; but the provisions of this paragraph shall not be deemed to constitute a limitation upon the scope or effect of any warranty by a sender arising under the law of any State applicable to it; and such sender shall be deemed to agree to indemnify each Federal Reserve Bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from the failure of such sender to have the authority to make the warranty and the agreement referred to in paragraph (a) of this section, resulting from any action taken by the Federal Reserve Bank within the scope of its authority in handling such item, or resulting from any warranty or agreement with respect thereto made by the Federal Reserve Bank consistently with paragraph (b) of § 210.6.

#### SECTION 210.6—STATUS AND WARRANTIES OF FEDERAL RESERVE BANK

(a) A Federal Reserve Bank will act only as the agent of the sender in respect of each cash item or noncash item received by it from the sender, but such agency shall terminate not later than the time when the Federal Reserve Bank shall have received payment for the item in actually and finally collected funds and shall have made the proceeds available for withdrawal or other use by the sender. A Federal Reserve Bank will not act as the agent or the subagent of any owner or holder of any such item other than the sender. A Federal Reserve Bank shall not have, nor will it assume, any liability to the sender in respect of any such item and its proceeds except for its own lack of good faith or failure to exercise ordinary care.<sup>3</sup>

(b) By its action in presenting, or sending for presentment and payment, or forwarding any cash item or any noncash item, a Federal Reserve Bank shall be deemed to warrant to a subsequent collecting bank and to the paying bank and any other

<sup>3</sup> No Federal Reserve Bank shall be responsible to the sender of any cash item, or any other owner or holder thereof, for any delay resulting from the action taken by the Federal Reserve Bank in presenting, sending, or forwarding the item on the basis of (a) any A.B.A. transit number or routing symbol appearing thereon at the time of its receipt by the Federal Reserve Bank, whether inscribed by magnetic ink or by any other means, and whether or not such transit number or routing symbol is consistent with each other form of designation of a paying bank (or nonbank payor) then appearing thereon, or (b) any other form of designation of a paying bank (or nonbank payor) then appearing thereon, whether or not consistent with any A.B.A. transit number or routing symbol then appearing thereon.

payor (1) that it has a good title to the item or is authorized to obtain payment on behalf of one who either has a good title or is authorized to obtain payment on behalf of one who has such title, whether or not such warranty is evidenced by its express guaranty of prior indorsements on such item, and (2) to the extent prescribed by the law of any State applicable either to the Federal Reserve Bank as a collecting bank or to the subsequent collecting bank, that the item has not been materially altered; but otherwise the Federal Reserve Bank shall not have, and shall not be deemed to assume, any liability (except for its own lack of good faith or failure to exercise ordinary care) to such paying bank or other payor.

#### SECTION 210.7—PRESENTMENT FOR PAYMENT

(a) Any cash item or any noncash item may be presented for payment by a Federal Reserve Bank or a subsequent collecting bank, or may be sent by a Federal Reserve Bank or a subsequent collecting bank for presentment and payment, or may be forwarded by a Federal Reserve Bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment, as provided under applicable rules of State law or otherwise as permitted by this section.

(b) Presentment may be made at a place where the bank by which the item is payable has requested that presentment be made. Presentment of an item payable by a nonbank payor, other than through a paying bank, may be made at a place where the nonbank payor has requested that presentment be made. Presentment may also be made pursuant to any special collection agreement not inconsistent with the terms of this Part, or may be made through a clearing house subject to the rules and practices thereof.

(c) Any cash item or noncash item, payable in the district of the receiving Federal Reserve Bank, may be presented or sent direct to the paying bank, if any; may be sent direct to any place where the bank through which the item is payable has requested that the item be sent; and, when payable by a nonbank payor other than through a paying bank, may be presented direct to the nonbank payor, but documents, securities or other papers accompanying a noncash item may not be delivered to the nonbank payor thereof before payment of the item, unless the sender has specifically authorized such delivery.

(d) Any cash item or noncash item, payable in a Federal Reserve district other than the district of the receiving Federal

Reserve Bank, will ordinarily be forwarded to the Federal Reserve Bank of the district in which the item is payable: *Provided, however,* That with the concurrence of the Federal Reserve Bank of the district in which the item is payable, the receiving Federal Reserve Bank may present, send, or forward the item as if it were payable in its own district.

#### SECTION 210.8—PRESENTMENT OF NONCASH ITEMS FOR ACCEPTANCE

Whenever a noncash item provides that it must be presented for acceptance or is payable elsewhere than at the residence or place of business of the drawee, or whenever the date of payment of a noncash item depends upon presentment for acceptance, a Federal Reserve Bank or a subsequent collecting bank to which it has been sent by a Federal Reserve Bank may, if so instructed by the sender, present the item for acceptance in any manner authorized by law; but no Federal Reserve Bank or subsequent collecting bank shall, upon the acceptance of any such item, deliver to the drawee thereof any accompanying documents unless specifically instructed by the sender to do so. Each Federal Reserve Bank shall include in its operating letters a statement of the circumstances under which a sender may send such noncash items to the Federal Reserve Bank for presentment for acceptance, and of the terms and conditions (which shall not be inconsistent with the provisions of this Part) upon which such presentment may be made. Except as herein provided, no Federal Reserve Bank shall have or assume any obligation to present any noncash item for acceptance or to send it for presentment for acceptance.

#### SECTION 210.9—REMITTANCE AND PAYMENT

(a) A Federal Reserve Bank may require the paying bank or collecting bank to which it has presented, sent, or forwarded any cash item or noncash item pursuant to § 210.7 to pay or remit for such item in cash, but is authorized, in its discretion, to permit such paying bank or collecting bank to authorize or cause payment or remittance therefor to be made by a debit to an account on the books of such Federal Reserve Bank or to pay or remit therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Bank draft, transfer of funds or bank credit, or any other form of payment or remittance authorized by applicable State law. A Federal Reserve Bank may require the nonbank payor to which it has presented

any cash item or noncash item pursuant to § 210.7 to pay therefor in cash, but is authorized, in its discretion, to permit such nonbank payor to pay therefor in any of the following which is in a form acceptable to such Federal Reserve Bank: Cashier's check, certified check, or other bank draft or obligation.

(b) A Federal Reserve Bank shall not be liable for the failure of a collecting bank or paying bank or nonbank payor to pay or remit for any such cash item or noncash item, nor for any loss resulting from the acceptance of any form of payment or remittance other than cash authorized in paragraph (a) of this section; nor shall any Federal Reserve Bank which acts in good faith and exercises ordinary care be liable for the nonpayment of, or failure to realize upon, any bank draft or other form of payment or remittance which it may accept in accordance with paragraph (a) of this section.

(c) Any bank draft or other form of payment or remittance received by a Federal Reserve Bank in payment of, or in remittance for, any cash item may likewise be handled as a cash item subject to all the applicable terms and conditions of this Part; and any bank draft or other form of remittance or payment received by a Federal Reserve Bank in payment of, or in remittance for, any noncash item may, at the option of the Federal Reserve Bank, be handled either as a cash item or as a noncash item, subject to all the applicable terms and conditions of this Part.

#### SECTION 210.10—TIME SCHEDULE AND AVAILABILITY OF CREDITS WITH RESPECT TO CASH ITEMS

(a) Each Federal Reserve Bank shall include in its operating letters a time schedule for each of its offices indicating when the amount of any cash item received by it from any sender or sent by any sender to another Federal Reserve office for the account of such Federal Reserve Bank will be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) and become available for withdrawal or other use by the sender. The sender (other than a foreign correspondent) will be given either immediate credit or deferred credit for such amount in accordance with such time schedule. A foreign correspondent will ordinarily be given credit for such amount only when the Federal Reserve Bank has received payment for the item in actually and finally collected funds: *Provided, however,* That the Federal Reserve Bank may in its discretion give immediate or deferred credit for such amount in accordance with such time schedule.

(b) Notwithstanding the provisions of its time schedule, a Federal Reserve Bank may in its discretion refuse at any time to permit the withdrawal or other use of credit given for any cash item for which the Federal Reserve Bank has not yet received payment in actually and finally collected funds.

SECTION 210.11—AVAILABILITY OF PROCEEDS OF  
NONCASH ITEMS

(a) Credit will be given for the proceeds of a noncash item when the receiving Federal Reserve Bank has received payment for such item in actually and finally collected funds or advice from another Federal Reserve Bank of such payment to it, and the amount of such item shall not be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) or become available for withdrawal or other use by the sender prior to the receipt of such payment or advice, except to the extent provided in paragraph (c) of this section.

(b) A Federal Reserve Bank shall be deemed to have received payment for a noncash item in actually and finally collected funds as soon as it has received payment therefor in cash or has received any other form of payment or remittance therefor which is, or has become, final and irrevocable.

(c) A Federal Reserve Bank may, prior to the time provided in paragraph (a) of this section, give credit for the proceeds of a noncash item received by it from a sender, subject to payment in actually and finally collected funds, in accordance with a time schedule included in its operating letters, indicating when the proceeds of such noncash items will be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) and become available for withdrawal or other use by the sender.

(d) Notwithstanding paragraph (c) of this section, a Federal Reserve Bank may, in its discretion, refuse at any time to permit the withdrawal or other use of credit given for any noncash item for which the Federal Reserve Bank has not yet received payment in actually and finally collected funds.

(e) Where a Federal Reserve Bank receives, in payment or remittance for a noncash item, a bank draft or other form of remittance or payment which, in accordance with paragraph (c) of § 210.9, it elects to handle as a noncash item, the proceeds of the noncash item for which the payment or remittance was made shall neither be counted as reserve for the purposes of Part 204 of this chapter (Regulation D) nor become available for with-



drawal or other use until such time as the Federal Reserve Bank receives payment in actually and finally collected funds for such bank draft or other form of remittance or payment, in accordance with the provisions of this section.

SECTION 210.12—RETURN OF CASH ITEMS

(a) A paying bank which receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, shall, unless it returns such item unpaid before midnight of the banking day of receipt,<sup>4</sup> either pay or remit therefor on the banking day of receipt, or, if acceptable to the Federal Reserve Bank concerned, authorize or cause payment or remittance therefor to be made by debit to an account on the books of the Federal Reserve Bank not later than the banking day for such Federal Reserve Bank on which any other acceptable form of timely payment or remittance would have been received by the Federal Reserve Bank in the ordinary course: *Provided*, That such paying bank shall have the right to recover any payment or remittance so made if, before it has finally paid the item, it returns the item before midnight of its banking day next following the banking day of receipt or takes such other action to recover such payment or remittance within such time and by such means as may be provided by applicable State law: *And further provided*, That the foregoing provisions shall not extend, nor shall the time herein provided for return be extended by, the time for return of unpaid items fixed by the rules and practices of any clearing house through which the item was presented or fixed by the provisions of any special collection agreement pursuant to which it was presented.

(b) Any paying bank which takes or receives a credit or obtains a refund for the amount of any payment or remittance made by it in respect of a cash item received by it from or through a Federal Reserve Bank shall be deemed (1) to warrant to such Federal Reserve Bank, to a subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment or remittance

<sup>4</sup> A cash item received by a paying bank either:

- (1) on a day other than a banking day for it, or
- (2) on a banking day for it, but—
  - (a) after its regular banking hours, or
  - (b) after a "cut-off hour" established by it in accordance with applicable State law, or
  - (c) during afternoon or evening periods when it is open for limited functions only,

shall be deemed to have been received by the bank on its next banking day.

within the time or times limited therefor by the provisions of this Part, by the applicable rules and practices of any clearing house through which the item was presented, by the applicable provisions of any special collection agreement pursuant to which it was presented, and, except as a longer time may be afforded by the provisions of this Part, by applicable State law; and (2) to agree to indemnify such Federal Reserve Bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from its action in giving such credit or making such refund, or in making any charge to, or obtaining any refund from, the sender. No Federal Reserve Bank shall have any responsibility to such paying bank or any subsequent collecting bank or to the sender of the item or any other prior party thereon for determining whether the action hereinabove referred to was timely.

#### SECTION 210.13—CHARGEBACK OF UNPAID CASH ITEMS AND NONCASH ITEMS

If a Federal Reserve Bank does not receive payment in actually and finally collected funds for any cash item or noncash item for which it gave credit subject to payment in actually and finally collected funds, the amount of such item shall be charged back to the sender, regardless of whether or not the item itself can be returned. In such event, neither the owner or holder of any such item nor the sender shall have the right of recourse upon, interest in, or right of payment from, any reserve balance, clearing account, deposit account, or other funds of the paying bank or of any collecting bank, in the possession of the Federal Reserve Bank. No draft, authorization to charge, or other order, upon any reserve balance, clearing account, deposit account, or other funds in the possession of a Federal Reserve Bank, issued for the purpose of paying or remitting for any cash items or non-cash items handled under the terms of this Part, will be paid, acted upon, or honored after receipt by such Federal Reserve Bank of notice of suspension or closing of the bank making the payment or remittance for its own or another's account.

#### SECTION 210.14—TIMELINESS OF ACTION

If, because of interruption of communication facilities, suspension of payments by another bank, war, emergency conditions or other circumstances beyond its control, any bank (including a Federal Reserve Bank) shall be delayed beyond the time limits provided in this Part or the operating letters of the

Federal Reserve Banks, or prescribed by the applicable law of any State in taking any action with respect to a cash item or a noncash item, including forwarding such item, presenting it or sending it for presentment and payment, paying or remitting for it, returning it or sending notice of dishonor or nonpayment, or making or providing for any necessary protest, the time of such bank, as limited by this Part or the operating letters of the Federal Reserve Banks, or by the applicable law of any State, for taking or completing the action thereby delayed shall be extended for such time after the cause of the delay ceases to operate as shall be necessary to take or complete the action, provided the bank exercises such diligence as the circumstances require.

#### SECTION 210.15—EFFECT OF DIRECT PRESENTMENT OF CERTAIN WARRANTS

Whenever a Federal Reserve Bank exercises its option to present direct to the payor any bill, note or warrant issued and payable by any State or any county, district, political subdivision or municipality of any State, such bill, note or warrant being a cash item not payable or collectible through a bank, the provisions of §§ 210.9, 210.12, and 210.13 and the operating letters of the Federal Reserve Banks shall be applicable to the payor as if it were a paying bank, the provisions of § 210.14 shall be applicable to it as if it were a bank, and each day on which the payor shall be open for the regular conduct of its affairs or the accommodation of the public shall be treated as if it were a banking day for it, within the meaning and for the purposes of § 210.12.

#### SECTION 210.16—OPERATING LETTERS

Each Federal Reserve Bank shall issue operating letters (sometimes referred to as operating circulars or bulletins), not inconsistent with this Part, governing the details of its operations in the handling of cash items and noncash items, and containing such other matters as are required by the provisions of this Part. Such letters may, among other things, classify cash items and noncash items, require separate sorts and letters, and provide different closing times for the receipt of different classes or types of cash items and noncash items.

APPENDIX  
STATUTORY PROVISIONS

**Federal Reserve Act**

The first paragraph of section 13 (12 U.S.C. 342) provides:

Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district, and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided further*, That nothing in this or any other section of this Act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Board of Governors of the Federal Reserve System, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

The fourteenth and fifteenth paragraphs of section 16 (12 U.S.C. 360 and 248(o)) provide:

Every Federal reserve bank shall receive on deposit at par from member banks or from Federal reserve banks checks and drafts drawn upon any of its depositors, and when remitted by a Federal reserve bank, checks and drafts drawn by any depositor in any other Federal reserve bank or member bank upon funds to the credit of said depositor in said reserve bank or member bank. Nothing herein contained shall be construed as prohibiting a member bank from charging its actual expense incurred in collecting and remitting funds, or for exchange sold to its patrons. The Board of Governors of the Federal Reserve System

shall, by rule, fix the charges to be collected by the member banks from its patrons whose checks are cleared through the Federal reserve bank and the charge which may be imposed for the service of clearing or collection rendered by the Federal reserve bank.

The Board of Governors of the Federal Reserve System shall make and promulgate from time to time regulations governing the transfer of funds and charges therefor among Federal reserve banks and their branches, and may at its discretion exercise the functions of a clearing-house for such Federal reserve banks, or may designate a Federal reserve bank to exercise such functions, and may also require each such bank to exercise the functions of a clearing house for its member banks.

Section 11 (i) (12 U.S.C. 248(i)) provides :

The Board of Governors of the Federal Reserve System shall be authorized and empowered: \*\*\* (i) To require bonds of Federal reserve agents, to make regulations for the safeguarding of all collateral, bonds, Federal reserve notes, money or property of any kind deposited in the hands of such agents, and said board shall perform the duties, functions, or services specified in this Act, and make all rules and regulations necessary to enable said board effectively to perform the same.

Section 14 (e) (12 U.S.C. 358) provides :

Every Federal reserve bank shall have power: \*\*\* (e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Board of Governors of the Federal Reserve System and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Board of Governors of the Federal Reserve System, to open and maintain banking accounts for such foreign correspondents or agencies, or for foreign banks or bankers, or for foreign states as defined in section 25 (b) of this Act. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal re-

serve bank, with the consent of or under the order and direction of the Board of Governors of the Federal Reserve System, any other Federal reserve bank may, with the consent and approval of the Board of Governors of the Federal Reserve System, be permitted to carry on or conduct, through the Federal reserve bank opening such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the board.

The sixth paragraph of section 25 (b) (12 U.S.C. 632) provides:

For the purposes of this section, \* \* \* (2) the term "foreign state" includes any foreign government or any department, district, province, county, possession, or other similar governmental organization or subdivision of a foreign government, and any agency or instrumentality of any such foreign government or of any such organization or subdivision; (3) the term "central bank" includes any foreign bank or banker authorized to perform any one or more of the functions of a central bank; \* \* \*.

#### **OTHER STATUTES**

**Bretton Woods Agreements Act (22 U.S.C. 286d):**

SEC. 6. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

**Inter-American Development Bank Act (22 U.S.C. 283d):**

SEC. 6. Any Federal Reserve bank which is requested to do so by the Bank shall act as its depository or as its fiscal agent and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

**International Development Association Act (22 U.S.C. 284d):**

SEC. 6. Any Federal Reserve bank which is requested to do so by the Association, shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

**International Finance Corporation Act (22 U.S.C. 282d):**

SEC. 6. Any Federal Reserve bank which is requested to do so by the Corporation shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

**Asian Development Bank Act (22 U.S.C. 285d):**

SEC. 6. Any Federal Reserve bank which is requested to do so by the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Operating Circular No. 4  
Revised effective September 1, 1957 ]

**COLLECTION OF CASH ITEMS**

*To the Member Banks and Nonmember Clearing Banks  
of the Second Federal Reserve District, and Others Concerned<sup>1</sup>:*

1. Regulation J of the Board of Governors of the Federal Reserve System (hereinafter referred to as Regulation J), this operating circular, and our time schedules prescribe the terms and conditions upon which we will handle cash items for collection. This operating circular, our Operating Circular No. 6, and our time schedules are issued pursuant to the provisions of Sections 4, 13, 14(e), and 16 of the Federal Reserve Act and the provisions of related statutes and in conformity with the provisions of Regulation J. All terms defined in Regulation J and used herein have the meanings stated in that regulation.

2. Unless otherwise stated, all references to the Federal Reserve Bank of New York, or "this Bank," will include the Head Office and its Buffalo Branch.

**Items which will be handled as cash items**

3. Except as otherwise provided by this operating circular, the following items may be sent to this Bank for handling as cash items in accordance with and subject to the provisions of Regulation J, of this operating circular, and of our time schedules:

(a) Checks drawn upon any bank included in the current "Federal Reserve Par List," which indicates the banks upon which checks are collectible at par through the Federal Reserve Banks and is furnished from time to time and supplemented each month to show changes subsequent to the last complete list.

(b) Government checks, postal money orders, and food stamp coupons.<sup>2</sup>

(c) Such other demand items, collectible at par in funds acceptable to the Federal Reserve Bank of the District<sup>3</sup> in which such items are payable, as we may be willing to accept as cash items.

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<sup>1</sup> Instructions pertaining to the handling of cash items by collecting and paying banks are contained in our Operating Circular No. 6, entitled "Instructions to Collecting Banks and Paying Banks."

<sup>2</sup> Provisions governing the collection of the foregoing cash items are contained in Appendix A, Appendix B, and Appendix C, respectively, of this operating circular.

<sup>3</sup> For the purposes of this operating circular, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, and Guam shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

4. Whenever any instrument is accepted by us for credit to our own account, the account of another Federal Reserve Bank, or any account on our books, we will handle the instrument as a cash item if it would have been a cash item but for the fact that it was not sent to us by a sender.

#### Items which will not be handled as cash items

5. This Bank will not handle any item as a cash item if

(a) A passbook, certificate, or any other document is attached to the item; or

(b) Special instructions, including requests for special advice of payment or dishonor, accompany the item; or

(c) The item consists of more than a single thickness of paper, except as provided in paragraph 40 of this operating circular; *provided, however,* that any mutilated, erroneously encoded, or other cash item contained in a carrier qualifying under existing standards for handling by high-speed check-processing equipment will be handled by us as a cash item; or

(d) Except as provided in paragraph 40 of this operating circular, the item has not been preprinted, or post-encoded before its receipt by us, with the routing symbol and the suffix of the transit number of the paying bank (or nonbank payor) in magnetic ink in E-13B type in the manner prescribed, and at the location assigned, by the A.B.A.; *provided, however,* that this Bank will handle such items as cash items when, in our judgment, special circumstances justify such handling.

Such items, if sent to this Bank for collection, should be sent only as noncash items and, if so sent, will be received by us for collection subject to all the terms and conditions of Regulation J and of our operating circular relating to the collection of noncash items.

6. In the event that an item which will not be handled as a cash item by virtue of paragraph 5 is sent to any Federal Reserve Bank in a cash letter, the Federal Reserve Bank will treat it as follows:

(a) An item of \$1,000 or over received from a sender located outside the city of the receiving Federal Reserve office will be charged back and entered for collection as a noncash item; and

(b) Any other item will be charged back and returned.

7. We reserve the right, in our discretion, to return or to handle as a noncash item any item which has previously been dishonored or if special conditions require that it be handled as a noncash item, and this Bank shall decide whether such special conditions exist.

8. A cash item payable by or through one office of a bank will not be received from another office of the same bank for collection as either a cash item or a noncash item by us or by any other Federal Reserve Bank.



## Terms and conditions of collection

9. Regulation J prescribes terms and conditions under which all Federal Reserve Banks will collect checks and other cash items for the senders thereof. Such terms and conditions and the terms and conditions of this operating circular, our Operating Circular No. 6, and our time schedules will apply to the handling of all cash items which we accept for collection thereunder and to the handling of all bank drafts and other forms of payment or remittance which we receive for such items.

10. Section 210.3 of Regulation J provides that the provisions of that regulation and of the operating circulars of the Federal Reserve Banks shall be binding upon the sender of a cash item and shall be binding upon each collecting bank, paying bank, and nonbank payor to which the Federal Reserve Bank, or any subsequent collecting bank, presents, sends, or forwards a cash item received by the Federal Reserve Bank. Section 210.16 of Regulation J provides that each Federal Reserve Bank shall issue operating circulars not inconsistent with the provisions of that regulation governing the details of its operations in the handling of cash items and containing such other matters as are required by the provisions of that regulation.

11. A cash item payable in any other Federal Reserve District and forwarded for collection to the Federal Reserve Bank of such other District by us or sent direct to such Federal Reserve Bank for our account by a sender which maintains or uses an account with us will be handled by such Federal Reserve Bank subject to the terms and conditions of Regulation J and of the applicable operating circulars and time schedules of such Federal Reserve Bank; but we will give credit to the sender for such item in accordance with our time schedules.

## Preparation of cash letters by senders

12. All cash items sent to us, or to another Federal Reserve Bank direct for our account, may be listed without description. However, each sender should bear in mind the importance of maintaining adequate records to enable it to identify its depositors or other endorsers on such items, so that, in the event any such item is lost or destroyed while in transit to a Federal Reserve Bank, or is thereafter lost or destroyed, the sender may be in a position to take appropriate action with respect to the item.<sup>4</sup> All cash letters and tape listings accompanying such cash letters should be dated and identified with the name and the A.B.A. transit number, if any, of the sender.

13. We reserve the right to require such separate sorts of cash items as we may deem appropriate; and we reserve the right to require

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<sup>4</sup> In the event of the loss or destruction of a cash item while in transit, this Bank will not indemnify the sender or any prior party for costs incurred or expenses sustained in identifying the item, reconstructing it, or obtaining a substitute item and processing it for collection, nor for any other loss or expense arising from the loss or destruction.

both separate sorts and deposits in separate cash letters of Government checks, postal money orders, and food stamp coupons. Other instructions relative to sorting and listing of cash items are set forth in our time schedules.

### Endorsements

14. All cash items sent to us, or to another Federal Reserve Bank direct for our account, should be endorsed without restriction to, or to the order of, the Federal Reserve Bank to which sent, or endorsed to, or to the order of, any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. The endorsement of the sender should be dated and should show the A.B.A. transit number of the sender, if any, in prominent type on both sides of the endorsement.

15. In the event a cash item is received by a Federal Reserve Bank from a sender without the endorsement thereon of such sender, the Federal Reserve Bank may present, send, or forward the item as if it bore such endorsement, or place on the item the name of such sender and the date of its receipt by the Federal Reserve Bank, or return the item to the sender for proper endorsement by the sender. This Bank makes the warranties stated in Section 210.6(b) of Regulation J by presenting, sending, or forwarding a cash item. These warranties arise whether or not such item bears the endorsement of this Bank.

### Presentment for payment

16. As contemplated by Section 210.7 of Regulation J, any cash item may be presented for payment by a Federal Reserve Bank or a subsequent collecting bank, may be sent by a Federal Reserve Bank or a subsequent collecting bank for presentment and payment, or may be forwarded by a Federal Reserve Bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment. However, this Bank and the other Federal Reserve Banks reserve the right to return without presentment any cash item payable by or through a bank which is not on the "Federal Reserve Par List" or may have been reported closed.

17. We do not by this operating circular, or otherwise, agree to present any item, or to cause any item to be presented, earlier than such item is required to be presented, in the exercise of ordinary care, under the provisions of applicable State law.

### Uniform instructions regarding protest and advice of nonpayment

18. Except as provided in paragraph 19 hereof, all Federal Reserve Banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire

advice<sup>5</sup> of nonpayment, except that Government checks will not be protested; and any contrary or special instructions noted on cash letters or otherwise transmitted with cash items will be disregarded:

(a) PROTEST any dishonored item of \$1,000 or over:

(i) which appears on its face to have been drawn at a place which is not within any State,<sup>6</sup> unless it bears on its face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

(ii) which bears on its face the legend, "PROTEST REQUIRED," of a Federal Reserve Bank or of a preceding bank endorser.

(b) DO NOT PROTEST:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless it is protestable under subparagraph (a).

(c) WIRE ADVICE of nonpayment of any item of \$1,000 or over, unless it has not been paid because of a missing, irregular, or unsatisfactory endorsement or unless it bears on its face the legend, "DO NOT WIRE NONPAYMENT," of a Federal Reserve Bank or of a preceding bank endorser. Include in the advice of nonpayment, the amount of the item, the reason for nonpayment, the date of our cash letter, the name of the drawer or maker, and the names of the two endorsers immediately preceding the Federal Reserve Bank or their A.B.A. transit numbers, if any.

(d) DO NOT WIRE ADVICE of nonpayment of:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless such advice is required by subparagraph (c).

19. DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any cash item, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, or bearing on its face or in an endorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment" or words of similar import.

20. If any sender desires to have any cash item (other than a Government check, postal money order, or food stamp coupon) handled by us or by any other Federal Reserve Bank under any instructions differing from the uniform instructions given above, it will be necessary for such sender to forward such item as an individual noncash item, with the instructions noted in the letter of transmittal, for collection and credit when paid, in accordance with the terms of our current operating circular relating to the collection of noncash items.

<sup>5</sup> For the purposes of this operating circular, the term "wire" includes telephone, telegraph, and cable.

<sup>6</sup> The term "State" is defined in Section 210.2(n) of Regulation J to mean any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession, or dependency of the United States.

21. This Bank shall have no responsibility for determining whether any other bank has (a) made or provided for the protest of any cash item protestable under the provisions of this operating circular or (b) given any wire advice of nonpayment required under the provisions hereof.

#### Communications by wire; costs and charges

22. Telegrams pertaining to payment, nonpayment, or tracing of cash items, or in connection with receiving or transmitting pertinent information or instructions, will be sent to the extent practicable over the Federal Reserve Leased Wire System without cost to member and nonmember clearing banks. The cost of all such telegrams and cables sent over commercial wires will be charged to the senders from which the items were received, and commercial wire telegrams and cables to such senders will be sent collect. A Federal Reserve Bank may, in its discretion, use the telephone in lieu of telegraph or cable for any purpose indicated by this paragraph.

#### Time schedules and availability of credit

23. Section 210.16 of Regulation J provides that the Federal Reserve Banks may classify cash items, require separate sorts and cash letters, and provide different closing times for the receipt of different classes or types of cash items. In conformity with that provision, we publish and furnish to member and nonmember clearing banks and other senders time schedules containing further provisions with regard to separate sorts and cash letters and which indicate when credit for cash items will become available for withdrawal and other use by the senders after receipt by us. For all items accepted as cash items, the senders will be given immediate credit or deferred credit, in accordance with such time schedules and as provided in Regulation J. Credit for cash letters containing items unsorted as to availability may be deferred for the longest period of availability prescribed by the current time schedules of this Bank with respect to any item enclosed.

24. Time schedules do not in many instances show the actual time required for collection, and advices from us showing the availability of items cannot be considered as advices of actual payment on the dates of availability. Credit will in all instances be subject to receipt of payment by us in actually and finally collected funds.

#### *Immediate credit*

25. For all such cash items as are accepted for immediate credit in accordance with our current time schedules, immediate credit will be given upon our books at full face value in the reserve account, nonmember clearing account, or other appropriate account upon the day of receipt, and the proceeds will at once be counted as reserve

for the purposes of Regulation D and become available for withdrawal and other use by the sender; *provided, however*, that we may in our discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which we have not yet received payment in actually and finally collected funds.

### *Deferred credit*

26. For all such cash items as are accepted for deferred credit in accordance with our current time schedules, deferred credit will be entered upon our books at full face value, but the proceeds will not be counted as reserve for the purposes of Regulation D nor become available for withdrawal or other use by the sender until the expiration of the time specified in our time schedules, at which time credit will be transferred from the deferred account to the reserve account, nonmember clearing account, or other appropriate account and will then be counted as reserve for the purposes of Regulation D and become available for withdrawal and other use by the sender; *provided, however*, that we may in our discretion refuse at any time to permit the withdrawal or other use of credit given for any item for which we have not yet received payment in actually and finally collected funds.

### **Instructions to collecting banks and paying banks**

27. Instructions pertaining to the handling of cash items by collecting banks and paying banks are set forth in our Operating Circular No. 6.

### **Information to senders regarding return items**

28. The attention of senders is called to our "Instructions to Collecting Banks and Paying Banks" to the effect that (a) each paying bank which takes or receives a credit or obtains a refund in respect of a cash item received by it from or through a Federal Reserve Bank warrants to such Federal Reserve Bank, to a subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment within the times limited therefor; (b) a collecting bank which returns an unpaid item to a Federal Reserve Bank warrants to such Federal Reserve Bank and to the sender and all prior parties that its return of the item was timely; (c) no Federal Reserve Bank shall have any responsibility for determining whether the paying bank took all action necessary to entitle it to recover such payment or whether the return of the item to it by a collecting bank was timely; and (d) if a paying or collecting bank, in accordance with applicable State law, makes a direct return to the depository bank of an unpaid cash item which it has received from or through us or any other Federal Reserve Bank, any provisional credit for the item between such paying or collecting bank and this Bank or any other Federal Reserve Bank, between this Bank

or any other Federal Reserve Bank and the sender, and between this Bank and any other Federal Reserve Bank shall become and remain final.

29. If a cash item is returned without entry, we will make refund to the returning bank and charge the sender only if the latter specifically authorizes us to do so.

#### Direct sending of cash items to other Federal Reserve Banks

30. Member and nonmember clearing banks and other senders maintaining or using accounts with us which have a substantial volume or dollar amount of cash items payable in any other Federal Reserve District which they wish to collect through the Federal Reserve Banks are required to apply to us for authority to send such items direct to the Federal Reserve Bank of the District in which such items are payable for collection and credit to us; *provided, however*, that we may, in our discretion, withdraw such authority at any time. Appropriate instructions will be transmitted to the member and nonmember clearing banks and other senders which are authorized to send direct.

31. In the event that any sender maintaining or using an account with us has, in our judgment, a sufficient volume or dollar amount of cash items payable in any other Federal Reserve District to justify direct sending and this Bank authorizes such sender to send such items direct to the Federal Reserve Bank of such other Federal Reserve District, we reserve the right to decline to accept any such items from such sender.

#### Direct sending of cash items to other office of this Bank

32. Each member or nonmember clearing bank or other sender maintaining or using an account with the Head Office which has a substantial volume or dollar amount of cash items payable in the City of Buffalo which it wishes to collect through this Bank is required to apply to us for authority to send such items to the Buffalo Branch, and each member or nonmember clearing bank or other sender maintaining or using an account with the Buffalo Branch which has a substantial volume or dollar amount of cash items payable in New York City which it wishes to collect through this Bank is required to apply to us for authority to send such items to the Head Office.

33. In the event that any sender maintaining or using an account with one office of this Bank has, in our judgment, a sufficient volume or dollar amount of cash items payable in the territory of the other office of this Bank to justify direct sending and this Bank authorizes such sender to send such items direct to such other office of this Bank, we reserve the right to decline to accept any such items from such sender unless the items are sent direct.

## Reimbursement of transportation costs for member banks

34. Each member bank which sends cash items direct to other Federal Reserve Banks will be reimbursed by us for postage or other transportation costs, not including insurance, on all such items sent direct under our authority. Each member bank which maintains or uses an account with the Head Office and which sends cash items payable in Buffalo direct to the Buffalo Branch and each member bank which maintains or uses an account with the Buffalo Branch and which sends cash items payable in New York City direct to the Head Office will be reimbursed by us for postage or other transportation costs, not including insurance, on all such items sent direct under our authority. In the interest of expeditious and economical handling, those direct-sending member banks that by arrangement deliver cash items payable in other Federal Reserve Districts or in the city in which the other office of this Bank is located to this Bank for consolidated shipment should not deviate from the arrangement except upon prior approval of this Bank. Transportation costs of such consolidated shipments will be paid by us.

35. Claims for reimbursement of transportation costs should be submitted monthly on our forms, a supply of which will be furnished upon request. A member bank should submit its claims to the office of this Bank with which it maintains its reserve account. Upon approval of the claim, the reserve account of the member bank will be credited with the amount thereof.

36. Each direct-sending member bank should give constant attention to methods of shipment and should change the method in any case in which shipment can be made by another method at a lower cost and without loss of time in presentment. In cases in which we pay the transportation costs, we reserve the right to require a change in method of shipment in any situation where, by the use of another method, a more efficient handling by the receiving Federal Reserve Bank will result, or presentment can consistently be made more promptly, or at a lower cost and without loss of time.

## Standardization, sorting, routing, and mechanized processing

37. To facilitate the sorting, routing, and mechanized processing of cash items, and thereby promote earlier presentment and earlier return of unpaid items, it is urged that:

(a) In conformity with the A.B.A. Magnetic Ink Character Recognition Program, the routing symbol and the suffix of the transit number be encoded on all cash items in magnetic ink in E-13B type in the manner prescribed, and at the location assigned, by the A.B.A.

(b) The appropriate transit number-routing symbol in fractional form be clearly imprinted in the upper right corner of all cash items payable by or through all par-remitting banks, preferably in Gothic type, the face of which measures at least 8 points vertically or 1/9 of an inch from the top to the bottom of the individual characters.

(c) Cash items be otherwise conformed to the standards prescribed by the A.B.A., including a minimum width of  $2\frac{3}{4}$  inches, a maximum width of  $3\frac{2}{3}$  inches, a minimum length of 6 inches, and a maximum length of  $8\frac{1}{4}$  inches, and be restricted to a single thickness of card or paper.

38. If, in our judgment, the processing of any cash item by us requires the inscription thereon in magnetic ink, or otherwise, of the A.B.A. transit number, the routing symbol, or both, of the paying bank (or nonbank payor) or requires the inscription thereon in magnetic ink of the amount of such item, we may so inscribe the item and present, send, or forward it accordingly; and the sender of such item shall be deemed to assume the risk of loss resulting from delay caused by the act of inscribing such amount or such number, symbol, or both.

39. This Bank may present, send, or forward any cash item, in accordance with the provisions of Section 210.6 of Regulation J, on the basis of:

(a) Any A.B.A. transit number or routing symbol appearing thereon at the time of its receipt by us, whether inscribed by magnetic ink or by any other means, and whether or not such transit number or routing symbol is consistent with each other form of designation of the paying bank (or nonbank payor) then appearing thereon; or

(b) Any other form of designation of the paying bank (or nonbank payor) then appearing thereon, whether or not consistent with any A.B.A. transit number or routing symbol then appearing thereon.

### Photographic copies

40. In the event we receive, as a cash item, a properly prepared photographic copy of a lost or destroyed item which was eligible for handling as a cash item, which copy bears a current endorsement of the sender and the following legend, or one of equivalent effect, signed by or in behalf of the sender:

"This is a photographic facsimile of the original check which was endorsed by the undersigned and reported lost, stolen or destroyed while in the regular course of bank collection. All prior and any missing endorsements and the validity of this facsimile are hereby guaranteed, and upon payment hereof in lieu of the original check, the undersigned will hold each collecting bank and the payor bank harmless from any loss suffered, provided the original check is unpaid and payment is stopped thereon."

we will handle the copy as follows:

(a) We will present or send the copy as a cash item to the paying bank (or nonbank payor), subject to all the rules as to remittance for, and return of, cash items; or

(b) If such paying bank (or nonbank payor) declines to handle the copy as a cash item but is willing to handle it as a noncash item, we will charge back to the sender the amount of the copy and will present



or send the copy to the paying bank (or nonbank payor) as a noncash item under the terms of our current operating circular relating to the collection of noncash items; or

(c) If such paying bank (or nonbank payor) refuses to handle the copy, we will charge back the amount of the copy and return the copy to the sender.

### Right to amend

41. The right is reserved to withdraw, to add to, or to amend, at any time, any of the provisions of this operating circular and of our time schedules.

### Effect of this circular on previous circular

42. This circular, together with our Operating Circular No. 6, issued simultaneously herewith and entitled "Instructions to Collecting Banks and Paying Banks," supersedes our Operating Circular No. 4, Revised effective September 1, 1964, and the First Supplement thereto, dated April 26, 1965.

ALFRED HAYES,  
*President.*

## APPENDIX A

### GOVERNMENT CHECKS

1. Government checks drawn on the Treasurer of the United States will be handled by us as cash items in accordance with, and subject to, the provisions of Treasury Department Circular No. 176 (31 Code of Federal Regulations, Part 202). With respect to matters not covered by that circular, the terms and conditions of Regulation J applicable to cash items, of this operating circular, and of our time schedules shall be applicable to all such Government checks. Section 25 of Treasury Department Circular No. 176 (31 C.F.R. § 202.25) relates to the handling and payment of checks drawn on the Treasurer of the United States received by Federal Reserve Banks. Copies of that section will be furnished upon request.

2. We will give immediate credit, subject to payment in actually and finally collected funds, for Government checks as provided in our time schedules. Such checks will be forwarded by us to the Treasurer of the United States and shall be subject in all cases to examination and payment by the Treasurer. Under Treasury Department Circular No. 176, the Treasurer has reserved the right to examine and to refuse payment of all Government checks handled by the Federal Reserve Banks.

3. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, is not applicable to Government checks. In the event that the Treasurer of the United States refuses payment of any Government check upon first examination and such check, or photographic copy thereof, is returned to this Bank as outlined in Treasury Department Circular No. 176, the amount of such check will be charged back to the account of the sender and simultaneously credited to the account of the Treasurer. This Bank shall have no responsibility to the sender of any Government check, or any other owner or holder thereof, with respect to the nonpayment of any such check and return by the Treasurer of any such check or photographic copy thereof.

4. The attention of senders is directed to 31 U.S.C. §§ 122 and 129, to the effect that (a) claims on a Government check which appears of record to have been paid, must be made within six years after the date of issuance of the check and (b) an action to enforce liability upon a forged or unauthorized signature or endorsement or alteration of any Government check must be commenced within six years after the presentment of the check, or written notice of such a claim given within that period, provided that, if a claim is made upon an apparently paid check, the six-year period with respect to the commencement of an action or the giving of written notice will be extended an additional 180 days.

## APPENDIX B

### POSTAL MONEY ORDERS

1. Postal money orders (United States postal money orders; United States international postal money orders; domestic-international postal money orders) will be handled by us as cash items in accordance with an agreement made by the Postmaster General, in behalf of the United States, and by the Federal Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. With respect to matters not covered by that agreement, the terms and conditions of Regulation J applicable to cash items, of this operating circular, and of our time schedules shall be applicable to all such postal money orders.

2. We will give immediate credit for postal money orders received from a sender maintaining or using an account with us as provided in our time schedules. Simultaneously with such credit, we will debit the amount of such money orders against the general account of the Treasurer of the United States under such symbol numbers as may be assigned by the Treasurer of the United States; and such credit to the account of the sender shall then become final as between us and the sender.

3. The agreement between the Postmaster General and the Federal Reserve Banks provides, in effect, that no claim for refund or otherwise with respect to any postal money order debited against the general account of the Treasurer of the United States and delivered to the representative of the Post Office Department as provided in said agreement (other than a claim based upon the negligence of a Federal Reserve Bank) shall be made against or through any Federal Reserve Bank; that, if the Post Office Department makes any such claim with respect to any such money order, such money order will not be returned or sent to a Federal Reserve Bank, but the Post Office Department will deal directly with the bank or the party against which such claim is made; and that the Federal Reserve Banks will assist the Post Office Department in asserting such claim, including making their records and any relevant evidence in their possession available to the Post Office Department. Section 210.12 of Regulation J, relating to the return of cash items by the paying banks, is not applicable to postal money orders.

## APPENDIX C

### FOOD STAMP COUPONS

1. Food stamp coupons will be handled by us as cash items in accordance with an agreement made by the Secretary of Agriculture, in behalf of the United States, and by the Federal Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. With respect to matters not covered by such agreement, the terms and conditions of Regulation J applicable to cash items, of this operating circular, and of our time schedules shall be applicable to such coupons. We will receive food stamp coupons only from member banks, nonmember clearing banks which maintain accounts with us, and nonmember banks which have arranged with us to send coupons to us for collection for credit to the account of a member bank on our books. All such banks sending coupons to us should follow the instructions set forth in an outline of procedures for commercial banks in handling such coupons under the current Food Stamp Program, prepared by the United States Department of Agriculture.

2. We will accept food stamp coupons received by us in accordance with the following terms and conditions:

(a) Redeemed food stamp coupons should be forwarded to the office of this Bank maintaining the reserve account or nonmember clearing account to which the proceeds of the coupons are to be credited. We will give immediate credit for deposits of redeemed food stamp coupons as provided in our time schedules. Such credit will not be final and will be subject to reclamation and adjustment.

(b) Food stamp coupons should be separately sorted by denominations and should be deposited in a separate cash letter. The sending bank's transmittal letter should be clearly stamped or marked "FOOD STAMP COUPONS." The transmittal letter should show the total number of, and the total amount of, each denomination of coupons enclosed. Food stamp coupons should be forwarded to us by the means ordinarily used by the sender for checks and other cash items; such shipments will be at the risk of the Department of Agriculture. Sending banks should retain customers' deposit slips and any other pertinent records which would assist in substantiating reimbursement claims against the Department of Agriculture for coupons lost in transit.

(c) In accordance with the regulations of the United States Department of Agriculture (7 Code of Federal Regulations, Chapter 16), a portion of a food stamp coupon consisting of less than three fifths of a whole coupon shall not be accepted for redemption. Any coupon accepted for redemption shall show on its back either (i) the FOOD STAMP AUTHORIZATION NUMBER or (ii) the name of the authorized retail food store and, if involved, the authorized wholesale food concern. Each coupon shall also be cancelled by the first bank which receives it by indelibly marking "PAID" or "CANCELLED," together with the name of the bank or its A.B.A. transit number, on the face of the

coupon by means of an appropriate stamp. No coupon should be endorsed by any bank.

(d) Additional information concerning the collection of food stamp coupons will be furnished by us upon request.

3. Nonmember banks which do not maintain accounts with this Bank and which have not arranged with us to deposit food stamp coupons for collection for credit to an account of a member bank on our books should forward redeemed food stamp coupons through ordinary collection channels.

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Operating Circular No. 6 ]  
September 1, 1967

**INSTRUCTIONS TO COLLECTING BANKS  
AND PAYING BANKS**

*To the Member and Nonmember Banks  
of the Second Federal Reserve District, and Others Concerned:*

1. This operating circular contains instructions to be followed in the handling of, and payment or remittance for, checks and other cash items contained in cash letters received from this Bank.

2. This operating circular, our Operating Circular No. 4, entitled "Collection of Cash Items," and our time schedules are issued pursuant to the provisions of Sections 4, 13, 14(e), and 16 of the Federal Reserve Act and the provisions of related statutes and in conformity with the provisions of Regulation J of the Board of Governors of the Federal Reserve System (hereinafter referred to as Regulation J). All terms defined in Regulation J and used herein have the meanings stated in that regulation.<sup>1</sup> The attention of collecting banks, paying banks, and nonbank payors is also directed to the fact that Section 210.3 of Regulation J provides that the provisions of that regulation and of the operating circulars of the Federal Reserve Banks shall be binding upon each collecting bank, paying bank, and nonbank payor to which the Federal Reserve Bank, or any subsequent collecting bank, presents, sends, or forwards a cash item received by the Federal Reserve Bank.

3. Unless otherwise stated, all references to the Federal Reserve Bank of New York, or "this Bank," will include the Head Office and its Buffalo Branch.

**Presentment for payment**

4. As contemplated by Section 210.7 of Regulation J, any cash item may be presented for payment by a Federal Reserve Bank or a

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<sup>1</sup> For the purposes of this operating circular as well as for the purposes of Regulation J, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, and Guam shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

subsequent collecting bank, may be sent by a Federal Reserve Bank or a subsequent collecting bank for presentment and payment, or may be forwarded by a Federal Reserve Bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment.

## Endorsements

5. The attention of paying banks and collecting banks is called to the fact that, in the event a cash item is received by a Federal Reserve Bank from a sender without the endorsement thereon of such sender, the Federal Reserve Bank may present, send, or forward the item as if it bore such endorsement, or place on the item the name of such sender and the date of its receipt by the Federal Reserve Bank, or return the item to the sender for proper endorsement by the sender. This Bank makes the warranties stated in Section 210.6(b) of Regulation J by presenting, sending, or forwarding a cash item or an instrument which it handles as a cash item pursuant to paragraph 4 of our Operating Circular No. 4. These warranties arise whether or not such item bears the endorsement of this Bank.

## Payment for cash letters

6. A paying bank must, unless it returns the accompanying cash items unpaid before midnight of the banking day of receipt,<sup>2</sup> either pay or remit for our cash letter, at par, on the banking day of receipt or, under terms agreed to with this Bank, authorize or cause payment or remittance therefor to be made, at par, by debit to an account on our books not later than the banking day for this Bank on which any other acceptable form of timely payment or remittance would have been received by us in the ordinary course. This Bank may require the paying bank to which it has presented or sent any cash item to pay or remit therefor in cash, but payment may be made, in our discretion, by any of the following methods which is in a form acceptable to us:

- (a) Authorization to charge an account on our books of a member or nonmember clearing bank.
- (b) Bank draft.
- (c) Cash letter agreement plan (automatic charge).
- (d) Other forms where special arrangements have been made.

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<sup>2</sup> A cash item received by a paying bank either:

(1) on a day other than a banking day for it, or

(2) on a banking day for it, but

(a) after its regular banking hours, or

(b) after a "cut-off hour" established by it in accordance with applicable State law, or

(c) during afternoon or evening periods when it is open for limited functions only,

shall be deemed to have been received by the bank on its next banking day.

## Collecting banks

7. A collecting bank (other than a Federal Reserve Bank) to which we have forwarded any cash item may be required to remit for such item in cash, but subject to the approval of this Bank, remittance may be made by any of the methods referred to in paragraph 6 of this operating circular. In such cases, this Bank will give instructions to the collecting bank (other than a Federal Reserve Bank) relative to such bank's handling of the item and the proceeds of its collection, if any.

## Differences and adjustments

8. Unless a paying bank has otherwise agreed with this Bank, when a paying bank pays or remits for our cash letter in an amount not in agreement with the total of the cash letter because the accompanying cash items do not prove to the amount of the cash letter, a complete explanation of the difference should be furnished on the appropriate form provided by this Bank.

## Return items

9. If a paying bank returns to us an unpaid cash item in accordance with the provisions of Section 210.12 of Regulation J,<sup>3</sup> it may recover any payment or remittance theretofore made by it for such item by requesting a credit therefor to an account on our books; and paying banks are urged to follow this procedure to the extent practicable. Items so returned for credit should be listed on a separate letter captioned "Return Items" and must not include any other items. For convenience we have available for use a return item cash letter form, a supply of which will be furnished upon request. However, any such paying bank may return any such unpaid item to us for refund or, unless it has otherwise agreed with this Bank, it may deduct the amount of any such item from its remittance for our cash letter.

10. Any collecting bank which receives an unpaid cash item from a paying bank for return to us is hereby directed to forward the return item to us before midnight of its next banking day following the banking day of its receipt of the return item, or as such time may be extended by operation of the provisions of Section 210.14 of Regulation J. A collecting bank which takes or receives a credit or obtains a refund for the amount of any remittance made by it in respect of a cash item forwarded to it by us and returned to us by it thereby (a) warrants to us and to the sender of the item and all prior parties thereon that its return of the unpaid item to us was timely, and (b)

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<sup>3</sup> The provisions of Section 210.12 of Regulation J are set forth in the Appendix to this operating circular.



agrees to indemnify us for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from its breach of such warranty.

11. In accordance with paragraph (b) of Section 210.12 of Regulation J, each paying bank which takes or receives a credit or obtains a refund in respect of a cash item received by it from or through us warrants to us, to any subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment within the times limited therefor.

12. A paying bank, or a collecting bank, may return to us without entry a cash item which the paying bank or collecting bank did not return on time, with a request that we ask our sender to make refund therefor, in which event we shall make refund to the paying bank or collecting bank and charge our sender only if the latter specifically authorizes us to do so.

13. Each cash item returned unpaid should bear a notation clearly indicating the reason for nonpayment.

14. No Federal Reserve Bank shall have any responsibility for determining whether the paying bank took all action necessary to entitle it to recover its payment or remittance within the times limited therefor by the provisions of Regulation J or whether any collecting bank returned the item to it within the time limited therefor by paragraph 10 of this operating circular.

15. For its own protection each paying bank and collecting bank returning cash items to us for any reason should maintain adequate records to permit the reproduction or tracing of any items lost or destroyed in transit.

16. If a paying bank or a collecting bank makes, in accordance with applicable State law, a direct return to the depository bank of an unpaid cash item which it has received from or through us or any other Federal Reserve Bank, any provisional credit for the item between such paying bank or collecting bank and this Bank or any other Federal Reserve Bank, between this Bank or any other Federal Reserve Bank and the sender, and between this Bank and any other Federal Reserve Bank shall become and remain final.

### **Uniform instructions regarding protest and advice of nonpayment**

17. Except as provided in paragraph 18 hereof, all paying banks and collecting banks must receive, handle, and forward cash items in accordance with the following uniform instructions regarding protest and wire advice<sup>4</sup> of nonpayment; and any contrary or special instruc-

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<sup>4</sup> For the purposes of this operating circular, the term "wire" includes telephone, telegraph, and cable.

tions noted on cash letters or otherwise transmitted with cash items are to be disregarded:

(a) **PROTEST** any dishonored item of \$1,000 or over:

(i) which appears on its face to have been drawn at a place which is not within any State,<sup>5</sup> unless it bears on its face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

(ii) which bears on its face the legend, "PROTEST REQUIRED," of a Federal Reserve Bank or of a preceding bank endorser.

(b) **DO NOT PROTEST**:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless it is protestable under subparagraph (a).

(c) **WIRE ADVICE** of nonpayment of any item of \$1,000 or over, unless it has not been paid because of a missing, irregular, or unsatisfactory endorsement or unless it bears on its face the legend, "DO NOT WIRE NONPAYMENT," of a Federal Reserve Bank or of a preceding bank endorser. include in the advice of nonpayment, the amount of the item, the reason for nonpayment, the date of our cash letter, the name of the drawer or maker, and the names of the two endorsers immediately preceding the Federal Reserve Bank or their A.B.A. transit numbers, if any.

(d) **DO NOT WIRE ADVICE** of nonpayment of:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless such advice is required by subparagraph (c).

18. **DO NOT PROTEST AND DO NOT WIRE ADVICE** of nonpayment of any cash item, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, or bearing on its face or in an endorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment" or words of similar import.

19. The paying bank shall be responsible for making or providing for any protest of a cash item protestable under the provisions of this operating circular and for giving any wire advice of nonpayment required by the provisions hereof, except as may be otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between this Bank and the paying bank.

20. This Bank shall have no responsibility for determining whether any other bank responsible therefor has (a) made or provided for the protest of any cash item protestable hereunder or (b) given any wire advice of nonpayment required hereunder.

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<sup>5</sup> The term "State" is defined in Section 210.2(n) of Regulation J to mean any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession, or dependency of the United States.

## Standardization, sorting, routing, and mechanized processing

21. To facilitate the sorting, routing, and mechanized processing of cash items, and thereby promote earlier presentment and return of unpaid items, paying banks are urged:

(a) In conformity with the A.B.A. Magnetic Ink Character Recognition Program, to preprint the routing symbol and the suffix of the transit number on all cash items in magnetic ink in E-13B type in the manner prescribed, and at the location assigned, by the A.B.A.

(b) To clearly imprint the appropriate transit number-routing symbol in fractional form in the upper right corner of all cash items payable by or through such paying banks, preferably in Gothic type, the face of which measures at least 8 points vertically or  $1/9$  of an inch from the top to the bottom of the individual characters.

(c) To conform cash items to the standards prescribed by the A.B.A., including a minimum width of  $2\frac{3}{4}$  inches, a maximum width of  $3\frac{2}{3}$  inches, a minimum length of 6 inches, and a maximum length of  $8\frac{3}{4}$  inches, and to restrict cash items to a single thickness of card or paper.

22. The attention of paying banks and collecting banks is called to the provisions of our Operating Circular No. 4, entitled "Collection of Cash Items," to the effect that:

(a) This Bank may present, send, or forward any cash item, in accordance with the provisions of Section 210.6 of Regulation J, on the basis of:

(i) Any A.B.A. transit number or routing symbol appearing thereon at the time of its receipt by us, whether inscribed by magnetic ink or by any other means, and whether or not such transit number or routing symbol is consistent with each other form of designation of the paying bank (or nonbank payor) then appearing thereon; or

(ii) Any other form of designation of the paying bank (or nonbank payor) then appearing thereon, whether or not consistent with any A.B.A. transit number or routing symbol then appearing thereon; and

(b) If, in our judgment, the processing of any cash item by us requires the inscription thereon in magnetic ink, or otherwise, of the A.B.A. transit number, the routing symbol, or both, of the paying bank (or nonbank payor) or requires the inscription thereon in magnetic ink of the amount of such item, we may so inscribe the item and present, send, or forward it accordingly; and the sender of such item shall be deemed to assume the risk of loss resulting from delay caused by the act of inscribing such amount or such number, symbol, or both.

## Cash letters received in mutilated condition

23. In the event that our cash letter is received in a mutilated condition, please telephone this Bank before attempting to function any portion thereof. Under certain conditions when the cash letter is returned intact, tracing and identification of mutilated or destroyed cash items is expedited.

## Photographic copies

24. In the event we receive, as a cash item, a properly prepared photographic copy of a lost or destroyed item which was eligible for handling as a cash item, which copy bears a current endorsement of the sender and the following legend, or one of equivalent effect, signed by or in behalf of the sender:

"This is a photographic facsimile of the original check which was endorsed by the undersigned and reported lost, stolen or destroyed while in the regular course of bank collection. All prior and any missing endorsements and the validity of this facsimile are hereby guaranteed, and upon payment hereof in lieu of the original check, the undersigned will hold each collecting bank and the payor bank harmless from any loss suffered, provided the original check is unpaid and payment is stopped thereon."

we will present or send the copy as a cash item to the paying bank (or nonbank payor), subject to all the rules as to payment or remittance for, and return of, cash items; and we urge paying banks (and nonbank payors) to accept such photocopies for handling as cash items. However, if a paying bank (or nonbank payor) declines to handle the copy as a cash item but is willing to handle it as a noncash item, we will charge back to the sender the amount of the copy and will present or send the copy to the paying bank (or nonbank payor) as a noncash item under the terms of our current operating circular relating to the collection of noncash items; or, if such paying bank (or nonbank payor) refuses to handle the copy, we will charge back the amount of the copy and return the copy to the sender.

## Right to amend

25. The right is reserved to withdraw, to add to, or to amend, at any time, any of the provisions of this operating circular.

## Effect of this circular on previous circular

26. This circular, together with our Operating Circular No. 4, issued simultaneously herewith and entitled "Collection of Cash Items," supersedes our Operating Circular No. 4, Revised effective September 1, 1964, and the First Supplement thereto, dated April 26, 1965.

ALFRED HAYES,  
*President.*

## APPENDIX

### RETURN OF CASH ITEMS

Section 210.12 of Regulation J, captioned "Return of Cash Items," provides as follows:

"(a) A paying bank which receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, shall, unless it returns such item unpaid before midnight of the banking day of receipt,<sup>4</sup> either pay or remit therefor on the banking day of receipt, or, if acceptable to the Federal Reserve Bank concerned, authorize or cause payment or remittance therefor to be made by debit to an account on the books of the Federal Reserve Bank not later than the banking day for such Federal Reserve Bank on which any other acceptable form of timely payment or remittance would have been received by the Federal Reserve Bank in the ordinary course; provided that such paying bank shall have the right to recover any payment or remittance so made if, before it has finally paid the item, it returns the item before midnight of its banking day next following the banking day of receipt or takes such other action to recover such payment or remittance within such time and by such means as may be provided by applicable State law; and further provided that the foregoing provisions shall not extend, nor shall the time herein provided for return be extended by, the time for return of unpaid items fixed by the rules and practices of any clearing house through which the item was presented or fixed by the provisions of any special collection agreement pursuant to which it was presented.

"(b) Any paying bank which takes or receives a credit or obtains a refund for the amount of any payment or remittance made by it in respect of a cash item received by it from or through a Federal Reserve Bank shall be deemed (1) to warrant to such Federal Reserve Bank, to a subsequent collecting bank, and to the sender and all prior parties that it took all action necessary to entitle it to recover such payment or remittance within the time or times limited therefor by the provisions of this part, by the applicable rules and practices of any clearing house through which the item was presented, by the applicable provisions of any special collection agreement pursuant to which it was presented, and, except as a longer time may be afforded by the provisions of this part, by applicable State law; and (2) to agree to indemnify

<sup>4</sup> A cash item received by a paying bank either:

- (1) on a day other than a banking day for it, or
- (2) on a banking day for it, but
  - (a) after its regular banking hours, or
  - (b) after a 'cut-off hour' established by it in accordance with applicable State law, or
  - (c) during afternoon or evening periods when it is open for limited functions only,shall be deemed to have been received by the bank on its next banking day."

such Federal Reserve Bank for any loss or expense sustained (including but not limited to attorneys' fees and expenses of litigation) resulting from its action in giving such credit or making such refund, or in making any charge to, or obtaining any refund from, the sender. No Federal Reserve Bank shall have any responsibility to such paying bank or any subsequent collecting bank or to the sender of the item or any other prior party thereon for determining whether the action hereinabove-referred to was timely."

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Operating Circular No. 8  
Revised effective September 1, 1967 ]

**COLLECTION OF NONCASH ITEMS**

*To the Member Banks and Nonmember Clearing Banks  
of the Second Federal Reserve District, and Others Concerned:*

1. Regulation J of the Board of Governors of the Federal Reserve System (hereinafter referred to as Regulation J) and this operating circular prescribe the terms and conditions upon which we will handle noncash items for collection. This operating circular is issued pursuant to the provisions of Sections 4, 13, 14(e), and 16 of the Federal Reserve Act and the provisions of related statutes and in conformity with the provisions of Regulation J. All terms defined in Regulation J and used herein have the meanings stated in that regulation.

2. Unless otherwise stated, all references to the Federal Reserve Bank of New York, or "this Bank," will include the Head Office and its Buffalo Branch.

**Items which will be handled as noncash items**

3. Except as otherwise provided by this operating circular, this Bank will receive for handling as noncash items in accordance with and subject to the provisions of Regulation J and of this operating circular, the following items which are payable in any Federal Reserve District:<sup>1</sup>

***Time items***

(a) Any evidence of indebtedness or order to pay which is not payable on demand and which we may be willing to accept as a noncash item, including but not limited to:

(i) Maturing notes, acceptances, bankers' acceptances, and certificates of deposit.

(ii) Maturing bonds, debentures, coupons, and other similar securities (other than obligations of the United States and its agencies or instrumentalities and of certain international organizations<sup>2</sup>).

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<sup>1</sup> For the purposes of this operating circular, the Virgin Islands and Puerto Rico shall be deemed to be in or of the Second Federal Reserve District, and Guam shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

<sup>2</sup> Obligations, including coupons of the United States and its agencies or instrumentalities and of certain international organizations, when received by us for collection, are paid by us as fiscal agent of the United States, of the international organization, or of the agency or instrumentality. Provisions governing the payment of such coupons are contained in Appendix B of this operating circular.

## ***Demand items***

(b) Any check collectible at par or other demand item which would ordinarily be handled as a cash item

(i) If a passbook, certificate, or any other document is attached to the item; or

(ii) If special instructions, including requests for special advice of payment or dishonor, accompany the item; or special conditions require that the item not be handled as a cash item, and this Bank shall decide whether such special conditions exist; or

(iii) If the item consists of more than a single thickness of paper, except as provided in paragraphs 43 and 44 of this operating circular; *provided, however*, that any mutilated, erroneously encoded, or other item contained in a carrier qualifying under existing standards for handling by high-speed check-processing equipment will be handled by us as a cash item; or

(iv) If the item has not been preprinted, or post-encoded before its receipt by us, with the routing symbol and the suffix of the transit number of the paying bank (or nonbank payor) in magnetic ink in E-13B type in the manner prescribed, and at the location assigned by the A.B.A.; *provided, however*, that this Bank will handle such items as cash items when, in our judgment, special circumstances justify such handling.

(c) Any other demand item which is not collectible as a cash item, including, but not limited to<sup>3</sup>:

(i) Drafts not payable by or through a bank.

(ii) Bills of exchange and drafts with securities, bills of lading, or other documents attached.

(iii) Drafts and orders on savings deposits with passbooks attached.

4. Whenever any instrument is accepted by us for credit to our own account, the account of another Federal Reserve Bank, or any account on our books, we will handle the instrument as a noncash item if it would have been a noncash item but for the fact that it was not sent to us by a sender.

## **Items which will not be handled as noncash items**

5. This Bank will not handle as a noncash item any item described in paragraph 3 of this operating circular if

(a) The item is not a check and is payable in the same community in which an office of the sender is located; or

(b) The item is payable by or through one office of the sender and has been received from another office of the same sender; or

(c) The item is a Government check, postal money order (United States postal money order, United States international postal money order, domestic-international postal money order), or food stamp coupon; or

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<sup>3</sup> Provisions governing the collection of payment vouchers on letters of credit for Government grants and contributions are contained in Appendix A of this operating circular.



- (d) The item is a check and cannot be collected at par; or
- (e) The item has previously been dishonored more than twice.

6. Except as provided in paragraph 41 hereof, time items will not be handled by this Bank more than 30 days prior to their maturity.

#### Direct routing to other Federal Reserve Districts

7. Senders which maintain or use accounts with us are authorized to send, for our account, noncash items payable in other Federal Reserve Districts direct to the Federal Reserve Banks and Branches of the Districts in which the items are payable. Since direct sending of such items expedites handling by Federal Reserve offices and is of advantage to senders, senders are urged to send such items direct whenever feasible.

8. This Bank reserves the right to require any sender which maintains or uses an account with us and which has a substantial volume of noncash items payable in any other Federal Reserve District to send such items direct to the Federal Reserve Bank of the District in which the items are payable; and this Bank will not accept such items from such sender.

#### Direct sending of noncash items to other office of this Bank

9. Member and nonmember clearing banks and other senders maintaining or using accounts with one office of this Bank are authorized to send noncash items payable in the territory of the other office of this Bank direct to such other office.

10. This Bank reserves the right to require any sender which maintains or uses an account with one office of this Bank and which has a substantial volume of noncash items payable in the territory of the other office of this Bank to send such items direct to such other office; and this Bank will not accept such items from such sender unless the items are sent direct.

#### Terms and conditions of collection

11. Regulation J prescribes terms and conditions under which all Federal Reserve Banks will collect noncash items for the senders thereof. Such terms and conditions and the terms and conditions of this operating circular will apply to the handling of all noncash items which we accept for collection. The terms and conditions of Regulation J and of our Operating Circular No. 4 will apply to the handling of bank drafts and other forms of payment or remittance which we receive for such items and elect to handle as cash items; and the terms and conditions of Regulation J and of this operating circular will apply to the handling of bank drafts and other forms of payment or remittance which we receive for such items and elect to handle as noncash items.

12. Section 210.3 of Regulation J provides that the provisions of that regulation and of the operating circulars of the Federal Reserve Banks shall be binding upon the sender of a noncash item and shall be binding upon each collecting bank, paying bank, and nonbank payor to which the Federal Reserve Bank, or any subsequent collecting bank, presents, sends, or forwards a noncash item received by the Federal Reserve Bank. Section 210.16 of Regulation J provides that each Federal Reserve Bank shall issue operating circulars not inconsistent with the provisions of that regulation governing the details of its operations in the handling of noncash items and containing such other matters as are required by the provisions of that regulation.

13. A noncash item payable in any other Federal Reserve District and forwarded for collection to the Federal Reserve Bank of such other District by us or sent direct to such Federal Reserve Bank for our account by a sender which maintains or uses an account with us will be handled by such Federal Reserve Bank subject to the terms and conditions of Regulation J and of the applicable operating circulars of such Federal Reserve Bank; but we will give credit to the sender for such item in accordance with this operating circular.

14. We reserve the right to classify noncash items and to require deposits in separate collection letters of such noncash items as we may deem appropriate.

15. Except as provided in paragraph 16 of this operating circular, this Bank will handle all noncash items subject to the following instruction: "Do not hold after maturity or for convenience of payer"; any contrary instruction in the collection letter or otherwise will be disregarded; and this Bank reserves the right, without prior notice to the sender, to recall any noncash item and return it to the sender whenever, in the judgment of this Bank, such item is being held contrary to such instruction.

**Presentment for payment**

16. In the absence of specific instructions to the contrary, this Bank or any subsequent collecting bank may present to the paying bank (or nonbank payor) for payment, or send for presentment to the paying bank (or nonbank payor) for payment, any bond, coupon, debenture, or other similar security with the understanding that payment may be deferred without dishonor pending reasonable examination to determine whether the security is properly payable, but that payment shall be made or the security returned in any event before the close of the paying bank's (or nonbank payor's) business day next following the day of maturity or presentment, whichever is later.

17. As contemplated by Section 210.7 of Regulation J, any noncash item may be presented for payment by a Federal Reserve Bank or a subsequent collecting bank, may be sent by a Federal Reserve Bank or a subsequent collecting bank for presentment and payment, or may

be forwarded by a Federal Reserve Bank to a subsequent collecting bank with authority to present it for payment or to send it for presentment and payment.

18. Neither this Bank nor any subsequent collecting bank undertakes to present noncash items which are time items on the maturity date unless such items are received by us sufficiently in advance of the maturity date to permit timely presentment by us to the paying bank (or nonbank payor) or forwarding to the subsequent collecting bank for such presentment, utilizing the means which we normally utilize for that purpose.

### Endorsements

19. All noncash items other than bonds, coupons, debentures, and other similar securities sent to us, or to another Federal Reserve Bank direct for our account, should be endorsed without restriction to, or to the order of, the Federal Reserve Bank to which sent, or endorsed to, or to the order of, any bank, banker, or trust company, or endorsed with equivalent words or abbreviations thereof. The endorsement of the sender should be dated and should show the A.B.A. transit number of the sender, if any, in prominent type on both sides of the endorsement.

20. In the event a noncash item other than a bond, coupon, debenture, or other similar security is received by a Federal Reserve Bank from a sender without the endorsement thereon of such sender, the Federal Reserve Bank may present, send, or forward the item as if it bore such endorsement, or place on the item the name of such sender and the date of its receipt by the Federal Reserve Bank, or return the item to the sender for proper endorsement by the sender. This Bank makes the warranties stated in Section 210.6(b) of Regulation J by presenting, sending, or forwarding a noncash item or an instrument which it handles as a noncash item pursuant to paragraph 4 of this operating circular. These warranties arise whether or not such item bears the endorsement of this Bank.

### Preparation of collection letters by senders

#### *General*

21. Except as provided in paragraphs 23, 25, and 27 of this operating circular, noncash items forwarded for collection and credit when paid should be transmitted with a separate collection letter different in form from that in which cash items are listed. The accompanying collection letter should include the collection number assigned to the item by the sender; a description of the item; the name of the paying bank or nonbank payor of the item; the place of payment, the maturity, and the amount of the item; and any special instructions with respect to the item. If documents are attached to the item, they must be clearly and adequately identified in the accompanying collection letter.

22. Any special instructions as to handling, including instructions as to protest and advice of payment or nonpayment, should be incorporated in the collection letter. Except as otherwise provided in paragraphs 28 and 29 of this operating circular, special instructions noted on or attached to the noncash items themselves and not supported by like instructions in the collection letter will be disregarded.

*Coupons and other securities sent for collection*

23. Senders are requested to separate bonds, debentures, coupons, and other similar securities that they send to our Head Office for collection into the following classes, with a separate totaled letter for each class:

(a) *Country Collection Letter*—Bonds, debentures, coupons, and other similar securities payable outside New York City for which credit will be given upon receipt by us of payment in actually and finally collected funds.

(b) *City Collection Letter*—Bonds, debentures, coupons, and other similar securities payable in New York City for which credit will be given upon receipt by us of payment in actually and finally collected funds.

(c) *City Coupon Cash Letter*—Coupons payable in New York City for which credit, subject to payment in actually and finally collected funds, is desired.

A totaled letter containing only coupons payable in New York City will be treated as a coupon cash letter unless it indicates that credit is desired only upon receipt by us of payment in actually and finally collected funds.

24. Senders are urged to send bonds, debentures, coupons, and other similar securities payable by any one of several paying agents direct to the Federal Reserve Bank of the District in which the paying agent nearest to the sender is located.

25. *Coupons.* Coupons sent to us for collection should be enclosed in separate envelopes according to issue. The name of the sender, the name of its depositor, the sender's collection number, and a complete description of the coupons enclosed, including the name of the paying agent thereof, should be visible on or through each envelope containing coupons. Such envelopes should be separately listed and described (either by issue or collection number) on the totaled collection letter of the sender.

26. Before sending coupons to this Bank for collection, senders should ascertain whether ownership certificates are required to be attached thereto by law or by the issuer of such coupons. If so required, the appropriate ownership certificate forms should be attached to the coupons sent to us for collection.

27. *Other Securities.* Securities other than coupons sent to us for collection should be sorted according to issue, should be accompanied by the same information as accompanies coupons sent for collection,

and should also be listed and described on the sender's totaled collection letter in the same manner as coupons sent for collection, as provided in paragraph 25 hereof.

**Uniform instructions regarding protest and advice of nonpayment**

28. In the absence of specific instructions to the contrary in the sender's collection letter and except as provided in paragraph 29 hereof, this Bank will receive, handle, and forward noncash items subject to the following uniform instructions regarding protest:

(a) PROTEST any dishonored item of \$1,000 or over, except a bond, debenture, coupon, or other similar security:

(i) which appears on its face to have been drawn at a place which is not within any State<sup>4</sup>, unless it bears on its face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

(ii) which bears on its face the legend, "PROTEST REQUIRED," of a Federal Reserve Bank or of a preceding bank endorser.

(b) DO NOT PROTEST:

(i) any item of less than \$1,000, or

(ii) any item of \$1,000 or over unless it is protestable under subparagraph (a).

29. DO NOT PROTEST AND DO NOT WIRE ADVICE<sup>5</sup> of nonpayment of any check handled as a noncash item, regardless of amount, endorsed by the Treasurer of the United States, or endorsed for credit to the Treasurer of the United States, or bearing on its face or in an endorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment" or words of similar import.

30. The paying bank, if any, shall be responsible for making or providing for any protest of a noncash item protestable under the provisions of this operating circular, except as may be otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between this Bank and the paying bank. If there is no paying bank, the responsibility shall be that of the subsequent collecting bank, if any, except as may be otherwise provided by applicable clearing house rules or practices or by agreement between this Bank and such collecting bank. If there is no paying bank or subsequent collecting bank, this Bank will make or provide for any necessary protest.

31. This Bank shall have no responsibility for determining whether another bank responsible therefor has (a) made or provided for the

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<sup>4</sup> The term "State" is defined in Section 210.2(\*) of Regulation J to mean any State of the United States, the District of Columbia, or Puerto Rico, or any territory, possession, or dependency of the United States.

<sup>5</sup> For the purposes of this operating circular, the term "wire" includes telephone, telegraph, and cable.

protest of any dishonored noncash item in accordance with specific instructions in the sender's collection letter or in accordance with the provisions of this operating circular or (b) given any wire advice requested with respect to any noncash item.

### Communications by wire; costs and charges

32. When instructed to do so by the sender, this Bank will request wire advice of payment or nonpayment of noncash items and will transmit by wire any information received. A service charge of \$1.50 will be made against the sender's account for each message transmitted over the Federal Reserve Leased Wire System pertaining to payment, nonpayment, or tracing of items, and in connection with receiving or transmitting any other information or instructions. The cost of all cables and telegrams transmitted over commercial wire facilities will be charged to the senders from which the items were received, and commercial wire telegrams and cables to such senders will be sent collect. A Federal Reserve Bank may, in its discretion, use the telephone in lieu of telegraph or cable for any purpose indicated in this paragraph and charge the senders therefor.

### Interpretation of terms requesting wire advice

33. The terms listed below, when used in advices or communications in connection with noncash items, will be understood to have the meanings indicated, as follows:

(a) "WIRE PAYMENT" when it is desired that the collecting bank furnish wire advice that payment has been made by the paying bank or nonbank payor. It will be understood that senders requesting "WIRE PAYMENT" wish to be advised when payment has been made to the collecting bank rather than when the proceeds are credited to the reserve account, nonmember clearing account, or other appropriate account with the Federal Reserve Bank. When a Federal Reserve Bank gives such advice of payment, it does not necessarily imply that actually and finally collected funds are in its possession.

(b) "WIRE NONPAYMENT" when wire advice of dishonor only is desired.

(c) "WIRE FATE" or "WIRE PAYMENT OR NONPAYMENT" when wire advice of payment or nonpayment by the paying bank or nonbank payor is desired.

(d) "WIRE CREDIT" when wire advice of final payment and of credit to the reserve account, nonmember clearing account, or other appropriate account is desired.

### Availability of proceeds of noncash items

34. Except as hereinafter provided with respect to bankers' acceptances, due and past due coupons, and certificates of deposit, credit for the proceeds of noncash items, with the usual advice, will be given as directed in a reserve account, nonmember clearing account,

or other appropriate account, upon receipt by this Bank of payment in actually and finally collected funds or upon receipt of advice from another Federal Reserve Bank of such payment.

35. Credit for bankers' acceptances and certificates of deposit will be given, subject to payment in actually and finally collected funds, in accordance with the following schedule, if received by this Bank sufficiently in advance to permit forwarding in time to reach the place of payment at least one banking day before maturity:

<i>Place payable</i>	<i>Credit available</i>
Federal Reserve Bank or Branch cities .....	On maturity date
Elsewhere .....	1 banking day after maturity

36. Credit for due and past due coupons payable in New York City and listed to our Head Office in a separate totaled coupon cash letter will be given, subject to payment in actually and finally collected funds, one banking day after receipt if received by us by 9 a.m., or two banking days after receipt if received by us after 9 a.m.

### Collection charges

37. Except as hereinafter provided, the Federal Reserve Banks make no charge for their services in collecting noncash items. However, it is recognized that any other bank acting as agent to collect any such item renders a service in presenting, collecting, and remitting, for which a reasonable charge may be made if it cares to do so; and when such a charge is made and deducted from the payment or remittance received by us for the item, we will give credit to the sender for the net proceeds.

38. No charge may be made by a paying bank or collecting bank in connection with the collection or payment of any check that may be handled as a noncash item; *provided, however*, that a collecting bank or paying bank may make a collection charge in connection with such item if such charge reflects expenses actually incurred by it in collecting such check as a noncash item which it would not have incurred had the check been handled as a cash item and if such charge is clearly not an exchange charge nor in the nature of a charge for payment. When such a charge is made and deducted from the payment or remittance received by us for the item, we will give credit to the sender for the net proceeds.

39. Items sent to the Federal Reserve Banks for collection are subject to the following charges:

(a) Charges made by collecting banks or paying banks referred to in the two preceding paragraphs hereof; and

(b) Charges made by the Federal Reserve Banks:

(i) A charge, at their discretion, for handling and collecting securities;

- (ii) A service charge, at their discretion, of 50¢ per item on all noncash items returned unpaid and unprotested;
- (iii) Postage, insurance, or express, or other transportation charges incurred in forwarding items;
- (iv) All telegraph, cable, and telephone charges; and
- (v) Protest fees.

#### Return of noncash items

40. A noncash item for which final payment has been received by a Federal Reserve Bank cannot be returned to a Federal Reserve Bank by a subsequent collecting bank, a paying bank, or nonbank payor for credit or refund. However, such an item may be returned to us without entry and with a request that we ask our sender to make refund therefor, in which event we will make refund to the subsequent collecting bank, paying bank, or nonbank payor, as the case may be, and charge our sender only if the latter specifically authorizes us to do so.

#### Noncash items to be presented for acceptance

41. This Bank will receive from senders, for presentment for acceptance, any non-accepted noncash item which provides that it must be presented for acceptance, or which is payable elsewhere than at the residence or place of business of the drawee, or the date of payment of which depends upon presentment for acceptance, subject to the following terms and conditions:

(a) Noncash items to be presented for acceptance must be deposited by senders in a separate collection letter which states that such items are to be so presented and sets forth any other instructions of the sender, not inconsistent with the provisions of this paragraph and paragraph 42 hereof, regarding such items.

(b) A Federal Reserve Bank or a subsequent collecting bank may present any such item for acceptance in any manner authorized by law.

(c) Any subsequent collecting bank to which this Bank forwards any such item for presentment for acceptance will give us prompt notice of acceptance or refusal of the item.

(d) No Federal Reserve Bank or subsequent collecting bank shall, upon the acceptance of any such item, deliver to the drawee thereof any accompanying documents unless specifically instructed by the sender to do so.

42. A noncash item received by this Bank under paragraph 41 hereof will be presented for acceptance by us or by a subsequent collecting bank selected by us. If the item is not accepted, it will be returned to the sender; if accepted and

(a) If the item is payable 30 days or less after sight or by its terms matures 30 days or less after the receipt thereof by this Bank, the item will be held for presentment for payment by us, by the subsequent collecting bank, or by the drawee if a bank; or, if the sender so requests, the item will be returned to the sender; or



(b) If the item is payable more than 30 days after sight or by its terms matures more than 30 days after the receipt thereof by this Bank, the item will be returned to the sender.

### Photographic copies

43. In the event we receive, as a noncash item, a properly prepared photographic copy of a lost or destroyed item which was a check or other demand item without securities, bills of lading, or other documents attached and which was eligible for handling as a noncash item and the copy bears a current endorsement of the sender and the following legend, or one of equivalent effect, signed by or in behalf of the sender:

"This is a photographic facsimile of the original item which was endorsed by the undersigned and reported lost, stolen or destroyed while in the regular course of bank collection. All prior and any missing endorsements and the validity of this facsimile are hereby guaranteed, and upon payment hereof in lieu of the original item, the undersigned will hold each collecting bank and the payor bank harmless from any loss suffered, provided the original item is unpaid and payment is stopped thereon."

we will handle the copy as follows:

(a) We will present or send the copy, as a noncash item, to the paying bank (or nonbank payor) named on the original item, subject to all the terms and conditions of this operating circular; or

(b) If such paying bank (or nonbank payor) refuses to handle the copy, we will return the copy to the sender.

44. We will also handle as a noncash item, subject to all the terms and conditions of this operating circular, a properly prepared photographic copy of a cash item which, in accordance with paragraph 40 of our Operating Circular No. 4, we have charged back to the sender and entered for collection as a noncash item, provided that the paying bank (or nonbank payor) is willing to handle the copy as a non-cash item.

### Right to amend

45. The right is reserved to withdraw, add to, or amend at any time any of the provisions of this operating circular.

### Effect of this circular on previous circular

46. This circular supersedes our Operating Circular No. 8, Revised effective September 1, 1964, and the First Supplement thereto, dated April 26, 1965.

ALFRED HAYES,  
*President.*

## APPENDIX A

### PAYMENT VOUCHERS ON LETTERS OF CREDIT

1. Payment vouchers on letters of credit for Government grants and contributions will be handled by us as noncash items in accordance with an agreement made by the Secretary of the Treasury and by the Federal Reserve Banks as depositories and fiscal agents of the United States.

2. As fiscal agent of the United States, we will effect payment of such vouchers by credit to the reserve or nonmember clearing or other account of the sender which has forwarded the vouchers to us for payment. Simultaneously with such credit, we will debit the amount of such payment vouchers against the general account of the Treasurer of the United States under such symbol numbers as may be assigned by the Treasurer of the United States. At that time the payment of such payment vouchers shall become final payment as between us and the sender.

3. In the event that we do not pay any payment voucher forwarded to us for payment by a sender which maintains or uses an account with us, we will promptly advise such sender of the nonpayment thereof, by wire at the cost of the Treasurer of the United States, and will forward such voucher and any copy thereof which may accompany it, with advice as to the reason for nonpayment, to the Treasury Department; and we will have no further obligation or further liability in respect of such payment voucher.

4. The agreement between the Secretary of the Treasury and the Federal Reserve Banks provides, in effect, that no claim for refund or otherwise with respect to any payment voucher debited against the general account of the Treasurer of the United States shall be made against or through any Federal Reserve Bank; that, if any Federal agency makes any such claim with respect to any such payment voucher (other than a claim based on the negligence of a Federal Reserve Bank) such payment voucher will not be returned or sent to a Federal Reserve Bank, but such Federal agency will deal directly with the party against which such claim is made; and that, if any Federal Reserve Bank shall stamp or otherwise place on any payment voucher any endorsement or legend containing the words "prior endorsement guaranteed" or words of similar import, such endorsement, legend, or words will have no effect whatsoever except to identify the payment voucher as having been received by such Federal Reserve Bank.

## APPENDIX B

### COUPONS RECEIVED FOR PAYMENT

1. Coupons from obligations of the United States and its agencies and instrumentalities and coupons from obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank, when received by us for collection, are paid by us as fiscal agent of the United States, of the agency or instrumentality, or of the International Bank for Reconstruction and Development or the Inter-American Development Bank. We will receive such coupons in accordance with the following procedures.

2. We will receive, from senders who maintain or use accounts with us, coupons listed on schedules and enclosed in envelopes showing the name of the sender, as follows:

(a) Coupons from obligations of the United States should be enclosed in separate envelopes according to current or uncurrent interest due dates and denomination. Only coupons that bear an interest due date of February 15, March 15, May 15, June 15, August 15, September 15, November 15, or December 15 and are presented for payment on or before such interest due date or before the next such interest due date will be considered as bearing current interest due dates (for example, if a coupon bearing an interest due date of August 15, 1967 is presented not later than September 14, 1967, it should be classified as "current"); and all other coupons will be considered as bearing uncurrent interest due dates.

(b) Coupons from obligations of agencies or instrumentalities of the United States and coupons from obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank should be enclosed in separate envelopes according to issue and denomination.

The envelopes and schedules to be used for such coupons will be furnished by us upon request.

3. Ownership certificate forms, when required by law, must be attached to coupons from obligations of the United States and its agencies and instrumentalities sent to us for collection. Such forms should be obtained by the sender from the nearest District Director of Internal Revenue.

4. We will receive, from senders who maintain or use accounts with any other Federal Reserve Bank, coupons from obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank, for payment for the account of such other Federal Reserve Bank, if such coupons are listed on separate schedules and enclosed in envelopes, showing the name of the sender, according to issue and denomination.

5. Immediate credit, subject to final payment, will be given for due or past due coupons received by us for payment, in the reserve or nonmember clearing or other appropriate account, if listed in a separate totaled letter and received by us by 3 p.m. on any banking day for us.