

At 6156

FEDERAL RESERVE BANK
OF NEW YORK

April 26, 1968

AUTOMATIC CHARGE PLAN

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

Our Operating Circular No. 6, entitled "Instructions to Collecting Banks and Paying Banks," dated September 1, 1967, provides in paragraph 6 that payment for cash letters may be made by cash or any one of the following four methods that is in a form acceptable to this Bank:

- (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.

In order to facilitate the automation of accounting procedures and to simplify payment procedures for collecting banks and paying banks, this Bank recommends the use of the automatic charge procedure referred to in (c) above and urges banks in the Second Federal Reserve District to adopt this method.

Cash letter agreement plan (automatic charge)

Under the automatic charge arrangement, payment for cash letters will be made on an automatic basis by a charge to the reserve or other account of the paying bank on the books of the Head Office or Buffalo Branch of this Bank. This charge will be made on the first banking day of this Bank following the paying bank's first banking day after the dispatch of the cash letter, that is, on the day on which payment is now normally due. A nonmember bank having no account with us, or any other bank desiring to do so, may arrange to have the automatic charge made to the reserve account on our books of a correspondent member bank.

An advice of the automatic charge will be sent to the paying bank so as to arrive on the same day that the charge is being made. If the charge is to be made to the reserve account of a correspondent member bank, an advice will be sent to the correspondent member bank as well.

The advice of charge will contain a request that the paying bank prove the dollar amounts listed thereon against the dollar amounts of the applicable cash letters received from us. If they do not agree, or if the cash letters are not received, the paying bank should immediately notify, by collect telephone or telegraph message, the Accounting Department at the appropriate office of this Bank. Adjustments for differences of \$1,000 or over will be made in the

(OVER)

reserve or other account on our books, as of the automatic charge date. Adjustments for other differences will be made as we receive appropriate notice of them. Adjustments also will be made in the event that our cash letters are received late.

Implementation of cash letter agreement plan (automatic charge)

We request that you communicate with the Head Office or Buffalo Branch of this Bank as soon as you are prepared to proceed with the implementation of the automatic charge arrangement. We will then send you the appropriate form of letter agreement; specimens marked *Standard Form* and *Correspondent Form* are enclosed. If the charges are to be made to a bank's own account, a letter agreement substantially in the form of the *Standard Form* will be forwarded to you for official signature and return to this Bank. If a member bank or nonmember bank wishes to arrange for its automatic charges to be made to the reserve account of its correspondent member bank, a letter agreement substantially in the form of the *Correspondent Form* will be forwarded to you for official signature and return; and, in such correspondent situation, we shall also wish you to arrange for the correspondent member bank to furnish us with a letter of authorization substantially in the form enclosed, marked *Correspondent Authorization Letter*.

Upon receipt by us of the appropriate signed letter agreement, we shall notify you of the date on which the automatic charge arrangement shall become effective.

* * *

Inquiries regarding this circular should be directed, at the Head Office, to John E. Flanagan, Manager, Accounting Department, or James H. Booth or Emil J. Riccardi of that Department, or, at the Buffalo Branch, to Ronald B. Gray, Assistant Cashier, or Mrs. Evalyn E. Joyce of the Accounting Division.

ALFRED HAYES,
President.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212 732-5700

Standard Form

(Date)

(Name and address of Bank)

Gentlemen:

This letter sets forth the terms and conditions of the Automatic Charge Agreement between us providing an arrangement for the payment of cash letters sent to you by the Head Office and Buffalo Branch of this Bank by means of a debit to your account on our books at our Head Office or Buffalo Branch on a specified date after dispatch of the cash letter, and constitutes your authorization to us to make all debits and credits to your account under the arrangement referred to.

1. We shall debit on the automatic charge date to your account on our books the full amount of each cash letter we send you containing items payable by or through you. The automatic charge date for each such cash letter shall be our first banking day next following your first banking day after the date of dispatch of the cash letter. The date shown on the cash letter shall be deemed to be the date of dispatch.

2. Promptly after dispatch of a cash letter, we shall send you an advice of automatic charge, specifying the automatic charge date of the cash letter. Such advice should be received by you not later than the applicable automatic charge date.

3. When you receive the advice of automatic charge, you should promptly prove such advice against the cash letters being charged for. If the dollar amounts on the advice and those of the cash letters do not prove, or if you have not received any cash item listed in a cash letter or in an advice, or if you object to the automatic charge for any other reason, it will be understood that you will immediately notify us. However, you need not give us immediate notice of any such difference of less than \$1,000.

In instances in which you have given us such immediate notice of a difference of \$1,000 or over in the advice of charge (including the amounts of any missent items included in the advice), we shall make the appropriate credit or debit to your account on, or as of, the automatic charge date by separate entry.

We shall make the appropriate debit or credit to your account for any other difference of which you have notified us on the banking day on which we receive notice of such difference or on the automatic charge date, whichever is later.

4. All unpaid cash items returned by you shall be accompanied by a separate return item cash letter form for credit to your account on our books by separate entry. We shall give such credit on the day of receipt by us of any unpaid return item received before the close of business on a banking day for us; otherwise, credit will be given on the banking day following such receipt.

You may also return, without entry, a cash item which you have paid hereunder, but which you have not returned on time. Such items will be handled by us for refund from our sending bank in accordance with the provisions of our Operating Circular No. 6.

5. If you have not received a cash letter listed in an advice of automatic charge before the automatic charge date, it is understood that you will immediately notify us of that fact.

In instances in which you have given us such immediate notice, we shall credit the amount of that cash letter to your account on, or as of, the automatic charge date by separate entry. Otherwise, we shall credit the amount of the missing cash letter on the banking day on which we receive notice of its nonreceipt or on the automatic charge date, whichever is later.

If you thereafter receive a cash letter which was so credited and which has not been listed in a subsequent advice of charge, you shall immediately notify us of its receipt and we shall debit the amount of such delayed cash letter to your account on, or as of, our first banking day next following your banking day of receipt of the cash letter.

6. Under this Automatic Charge Agreement:

(a) The term "banking day" shall mean, in respect of either party hereto, any calendar day during which an office of that party is open to the public for carrying on substantially all its banking functions; any other calendar day shall be deemed to be a day of closing. In this connection it is understood that you will furnish us with a current list of your days of closing and that any day (other than Sunday) not so reported shall be deemed a banking day for you.

(b) All automatic charges will be for the full amount of our cash letters on the applicable automatic charge date.

(c) We shall make all necessary debits and credits to effect adjustments hereunder, including credits for return items, by separate entry. Such entries may be made on an "as-of" basis as specifically provided above or as may be mutually agreed upon from time to time. We shall mail you an advice of debits and credits to your account hereunder.

(d) You will be deemed to have immediately notified us hereunder if you communicate the relevant facts to the Accounting Department at the office of this Bank at which your account is maintained on the same day that you learn of them, if that day is a banking day for you, or, if it is not, on your next following banking day.

You should communicate with such Accounting Department, during banking hours of a banking day for us, by collect telephone call, and, at any other time, by collect telegram.

(e) Any notice under this agreement which is received by us before the close of business on a banking day for us will be deemed to have been received on that day; notice received by us after the close of business on such a day or on a day which is not a banking day for us will be deemed to have been received by us on our next following banking day.

If you have requested us, under a separate agreement, to deliver cash letters to your agent for processing, you hereby appoint such processing agent as your agent who may give the notices called for hereunder and who may forward return items to us as provided above. Receipt of cash letters by your processing agent shall be deemed to be the receipt of such cash letters by you.

This agreement may be terminated at any time by either of us by written or telegraphic notice of termination. The agreement shall terminate five days after receipt of such notice or at such later time as may be stated in the notice.

If the above provisions are agreeable to you, please sign the enclosed copy of this letter in the space provided therefor and return such copy to us, together with a list of your days of closing.

Very truly yours,

Vice President

Enclosure

Accepted:

_____, 19__

(Name of bank)

By _____
(Signature) (Title)

By _____
(Signature) (Title)

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N. Y. 10045

AREA CODE 212 732-5700

Correspondent Form

(Date)

(Name and address of Bank)

Gentlemen:

This letter sets forth the terms and conditions of the Automatic Charge Agreement between us providing an arrangement for the payment of cash letters sent to you by the Head Office and Buffalo Branch of this Bank by means of a debit to the account on our books at our Head Office or Buffalo Branch of a Correspondent Bank appointed by you pursuant to paragraph 7 hereof on a specified date after dispatch of the cash letter, and constitutes your authorization to us to make all debits and credits to the account of Correspondent Bank under the arrangement referred to.

1. We shall debit on the automatic charge date to the account on our books of Correspondent Bank the full amount of each cash letter we send you containing items payable by or through you. The automatic charge date for each such cash letter shall be our first banking day next following your first banking day after the date of dispatch of the cash letter. The date shown on the cash letter shall be deemed to be the date of dispatch.

2. Promptly after dispatch of a cash letter, we shall send to you and to Correspondent Bank an advice of automatic charge, specifying the automatic charge date of the cash letter. Such advice should be received by you not later than the applicable automatic charge date.

3. When you receive the advice of automatic charge, you should promptly prove such advice against the cash letters being charged for. If the dollar amounts on the advice and those of the cash letters do not prove, or if you have not received any cash item listed in a cash letter or in an advice, or if you object to the automatic charge for any other reason, it will be understood that you will immediately notify us. However, you need not give us immediate notice of any such difference of less than \$1,000.

In instances in which you have given us such immediate notice of a difference of \$1,000 or over in the advice of charge (including the amounts of any missent items included in the advice), we shall make the appropriate credit or debit to the account of Correspondent Bank on, or as of, the automatic charge date by separate entry.

We shall make the appropriate debit or credit to the account of Correspondent Bank for any other difference of which you have notified us on the banking day on which we receive notice of such difference or on the automatic charge date, whichever is later.

4. All unpaid cash items returned by you shall be accompanied by a separate return item cash letter form for credit to the account of Correspondent Bank on our books by separate entry. We shall give such credit on the day of receipt by us of any unpaid return item received before the close of business on a banking day for us; otherwise, credit will be given on the banking day following such receipt.

You may also return, without entry, a cash item which you have paid hereunder, but which you have not returned on time. Such items will be handled by us for refund from our sending bank in accordance with the provisions of our Operating Circular No. 6.

5. If you have not received a cash letter listed in an advice of automatic charge before the automatic charge date, it is understood that you will immediately notify us of that fact.

In instances in which you have given us such immediate notice, we shall credit the amount of that cash letter to the account of Correspondent Bank on, or as of, the automatic charge date by separate entry. Otherwise, we shall credit the amount of the missing cash letter on the banking day on which we receive notice of its nonreceipt or on the automatic charge date, whichever is later.

If you thereafter receive a cash letter which was so credited and which has not been listed in a subsequent advice of charge, you shall immediately notify us of its receipt and we shall debit the amount of such delayed cash letter to the account of Correspondent Bank on, or as of, our first banking day next following your banking day of receipt of the cash letter.

6. Under this Automatic Charge Agreement:

(a) The term "banking day" shall mean, in respect of either party hereto, any calendar day during which an office of that party is open to the public for carrying on substantially all its banking functions; any other calendar day shall be deemed to be a day of closing. In this connection it is understood that you will furnish us with a current list of your days of closing and that any day (other than Sunday) not so reported shall be deemed a banking day for you.

(b) All automatic charges will be for the full amount of our cash letters on the applicable automatic charge date.

(c) We shall make all necessary debits and credits to effect adjustments hereunder, including credits for return items, by separate entry. Such entries may be made on an "as-of" basis as specifically provided above or as may be mutually agreed upon from time to time. We shall mail to you and to Correspondent Bank an advice of debits and credits to its account hereunder.

(d) You will be deemed to have immediately notified us hereunder if you communicate the relevant facts to the Accounting Department at the appropriate office of this Bank on the same day that you learn of them, if that day is a banking day for you, or, if it is not, on your next following banking day. You should communicate with such

Accounting Department, during banking hours of a banking day for us, by collect telephone call, and, at any other time, by collect telegram.

(e) Any notice under this agreement which is received by us before the close of business on a banking day for us will be deemed to have been received on that day; notice received by us after the close of business on such a day or on a day which is not a banking day for us will be deemed to have been received by us on our next following banking day.

7. You hereby now designate _____ as Correspondent Bank. You may change the appointment of the Correspondent Bank hereunder by designating to us in writing a member bank which maintains an account with us. Any appointment of a Correspondent Bank hereunder shall be subject to our receipt of an undertaking from Correspondent Bank satisfactory to us, authorizing us to make such debits and credits to its account on our books as are provided for herein. It is understood that we assume no responsibility for any obligation of you to Correspondent Bank which may arise out of this agreement.

If you have requested us, under a separate agreement, to deliver cash letters to your agent for processing, you hereby appoint such processing agent as your agent who may give the notices called for hereunder and who may forward return items to us as provided above. Receipt of cash letters by your processing agent shall be deemed to be the receipt of such cash letters by you.

This agreement may be terminated at any time by either of us by written or telegraphic notice of termination. The agreement shall terminate five days after receipt of such notice or at such later time as may be stated in the notice.

If the above provisions are agreeable to you, please sign the enclosed copy of this letter in the space provided therefor and return such copy to us, together with a list of your days of closing.

Very truly yours,

Vice President

Enclosure

Accepted:

_____, 19__

(Name of bank)

By _____
(Signature) (Title)

By _____
(Signature) (Title)

Correspondent authorization letter

(LETTERHEAD OF CORRESPONDENT MEMBER BANK)

Federal Reserve Bank of New York
33 Liberty Street
New York, N. Y. 10045

or

Buffalo Branch of Federal Reserve
Bank of New York
160 Delaware Avenue
Buffalo, N. Y. 14240

Gentlemen:

This letter confirms our arrangement with _____
and with you, whereby you will charge our reserve account on your books
with the amount of the cash letters containing cash items payable by or
through that bank which the New York Head Office and Buffalo Branch of
your Bank sends to that bank in accordance with the terms of your Automatic
Charge Agreement with them.

We accept appointment by _____ as
Correspondent Bank pursuant to paragraph 7 of said Automatic Charge
Agreement, and we will pay you for all such cash letters so sent. You are
hereby authorized and requested to charge our reserve account with the full
amounts thereof and to make such other debits and credits to our reserve
account by separate entry, including credit for return items, as said
Automatic Charge Agreement provides in respect of Correspondent Bank and
at such times as it provides. We further agree to maintain to our credit
in our reserve account on your books a balance of actually and finally
collected funds sufficient to cover all such debits to our account under
said Agreement. It is understood that you assume no responsibility for
any obligations of _____ to us which may
arise out of charges to our reserve account pursuant to this arrangement.

The authority contained herein may be terminated at any time in writing; however, such termination shall not affect your right to make all debits or credits required by, or incidental to, said Automatic Charge Agreement relating to any cash letter dispatched by you prior to the effective date of the termination.

Very truly yours,

By _____
(Signature) (Title)

By _____
(Signature) (Title)

Change in designation
of Correspondent Bank

(LETTERHEAD OF BANK DESIGNATING A NEW CORRESPONDENT BANK)

Federal Reserve Bank of New York
33 Liberty Street
New York, N. Y. 10045

or

Buffalo Branch of Federal Reserve
Bank of New York
160 Delaware Avenue
Buffalo, N. Y. 14240

Gentlemen:

Pursuant to paragraph 7 of our Automatic Charge Agreement, we hereby designate _____ as Correspondent Bank thereunder; and we have arranged with that bank to authorize you to charge its reserve account on your books with the amounts of your cash letters containing cash items payable by or through us which the New York Head Office and Buffalo Branch of your Bank have sent us and to make such other debits and credits, including credits for return items, to its account on your books as said Automatic Charge Agreement provides in respect of the Correspondent Bank and at such times as it provides.

Upon appointment of _____ as Correspondent Bank under said Automatic Charge Agreement, the appointment of _____ thereunder shall terminate.

Very truly yours,

By _____
(Signature) (Title)

By _____
(Signature) (Title)