

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 7003]
September 20, 1972]

EFFECTIVE DATE OF AMENDMENTS TO REGULATIONS D AND J POSTPONED

*To All Banks in the Second Federal Reserve
District, and Others Concerned:*

Following is the text of a statement issued today by the Board of Governors of the Federal Reserve System:

The Board of Governors of the Federal Reserve System today postponed the effective date of amendments to its regulations D and J which had been scheduled to go into effect on September 21.

This action resulted from the issuance of a temporary restraining order by the U.S. District Court for the District of Columbia on a petition filed by the Independent Bankers Association of America and the Western Independent Bankers.

The amendment to Regulation D represents a restructuring of reserve requirements on demand deposits and will apply the same reserve requirements to member banks of like size, regardless of their location. The amendment to Regulation J will require all banks served by the Federal Reserve check collection system to pay for checks in immediately available funds on the day of presentment.

Strict compliance with the courts order would restrain implementation only as to a limited group of banks and only with respect to Regulation J. However, in view of the adverse effect on the payments mechanism if implementation of the Regulation J proposals were fragmented, and, considering the adverse monetary policy impact should the reserve requirement adjustment under Regulation D be effected without the accompanying Regulation J changes, the Board has determined that it is necessary to postpone the effective date of both regulatory amendments, pending judicial determination and subsequent action by the Board.

Printed at the end of the circular is the text of the Board's order in this matter.

As a result of the postponement of the effective date of the amendments to Regulations D and J, the following documents, which were sent to you with our Circular No. 7001, dated September 15, 1972, are affected as follows:

(a) Second Supplement, Effective September 21, 1972, to Operating Circular No. 4 (Collection of Cash Items), Revised effective September 2, 1969--no change;

(b) Operating Circular No. 5 (Time Schedules--Availability of Credit for Cash Items), Revised effective September 20, 1972--no change;

(c) Appendix No. 1 (New York Head Office Time Schedule) to Operating Circular No. 5, Revised effective September 20, 1972--under paragraph 3 (Deferred Credit), credit for:

(1) Cash letters containing items payable in the New York Head Office territory (routing symbols 0211 through 0217) should be changed from one business day after receipt to two business days after receipt, subject to applicable closing times as indicated;

(2) Items payable in the New York Head Office territory which are fully MICR qualified in both the transit number and amount fields and sorted by depositing banks by means of computer equipment into a separate cash letter for each group of banks listed in separately furnished schedules should be changed from one business day after receipt to two business days after receipt, subject to applicable closing times as indicated;

(d) Appendix No. 1-A (Long Island Regional Check Processing Center (LIRPC) Time Schedule), Effective September 20, 1972--on the reverse side of Appendix No. 1-A, credit for the following classes of items deposited by participating member banks at the Long Island Regional Check Processing Center should be changed from one business day after receipt to two business days after receipt, subject to the applicable closing times as indicated:

(1) Items payable in the New York Head Office territory on banks with routing symbols 0211, 0212, 0213, 0215, 0216, and 0217;

(2) Items payable in the New York Head Office territory fully MICR qualified in both the transit number and amount fields and sorted by depositing banks by means of computer equipment into a separate cash letter for each group of banks listed in separately furnished schedules;

(e) Appendix No. 2 (Buffalo Branch Time Schedule) to Operating Circular No. 5, Revised effective September 20, 1972--on page 2, credit for:

(1) Cash letters containing items payable in the Buffalo Branch territory (routing symbol 0223) should be changed from one business day after receipt to two business days after receipt, subject to the applicable closing times as indicated;

(2) Separate cash letters containing items payable in the Buffalo Branch territory of \$500 and over, if MICR amount encoded, should be changed from one business day after receipt to two business days after receipt, subject to the applicable closing times as indicated;

(f) Operating Circular No. 6 (Instructions to Collecting Banks and Paying Banks), Revised effective September 21, 1972--

(1) Paragraph 6 should be changed to read as follows:

6. A paying bank must, unless it returns the accompanying cash items unpaid before midnight of the banking day of receipt,² 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.

(2) Paragraph 7 should be changed to read as follows:

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,

² 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.

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.

(3) Paragraph 9 should be changed to read as follows:

9. If a paying bank returns to us an unpaid cash item in accordance with the provisions of Section 210.12 of Regulation J,³ 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.

(4) Paragraph (a) of the Appendix to Operating Circular No. 6 should be changed to read 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,⁴ 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

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

⁴ 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."

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."

(g) Operating Circular No. 7 (Saturday Closing), Revised effective September 21, 1972--no change.

If your bank has entered into an Immediate Payment Agreement with this Bank, the effective date of that Agreement is postponed pending judicial determination and subsequent action by the Board of Governors in respect of the amendments to Regulation J. If your bank was, as of September 20, 1972, paying for cash letters pursuant to an Automatic Charge Agreement under which this Bank charges you or your correspondent's reserve account on the banking day following the banking day you receive our cash letter, that Agreement shall remain in effect. If no Automatic Charge Agreement was in effect between you and this Bank, as of September 20, you should continue to pay or remit for our cash letters within the same time and manner as you now do.

In addition, owing to the fact that the amendments to Regulation D restructuring reserve requirements have been postponed, the temporary waivers of penalties and deficiency allowances that have been arranged with certain member banks in this District are also postponed.

Alfred Hayes,
President.

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(Regs. D and J)

12 CFR PART 204--RESERVES OF MEMBER BANKS

12 CFR PART 210--CHECK CLEARING AND COLLECTION

Postponements of Effective Dates of Amendments

As a result of the temporary restraining order entered September 19, 1972, by the U.S. District Court, District of Columbia, upon petition filed by the Independent Bankers Association of America and the Western Independent Bankers, the effective dates for amendments to the Board's Regulation D (12 CFR Part 204) as set forth in the Federal Register of June 28, 1972 (37 Federal Register 12713), and for amendments to the Board's Regulation J (12 CFR Part 210) as set forth in the Federal Register of June 28, 1972 (37 Federal Register 12714), have been postponed by the Board of Governors pending judicial determination and subsequent action by the Board.