

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8478]
December 21, 1978

COLLECTION OF CASH ITEMS

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

With our Circular No. 8242, dated December 22, 1977, regarding the Federal Reserve System's procedures for handling disputed (late) returns of unpaid cash items, we enclosed samples of a form to be used by sending banks to request credit for alleged late return items and of a form to be used by paying banks to document their handling of items allegedly returned late. As indicated on the sample forms, we require the signature of an officer of the sending or paying bank when either form is submitted to this Bank. To reflect this requirement, paragraph 29A of this Bank's Operating Circular No. 4, "Collection of Cash Items," and paragraph 14 of our Operating Circular No. 6, "Instructions to Collecting Banks and Paying Banks," have been amended.

In another matter, the practice of charging back and entering for collection as noncash items those items for \$1,000 or over improperly included and received in a cash letter from a sending bank located outside the city of the receiving Federal Reserve office will be discontinued. In light of improvements in transportation between sending banks and Federal Reserve offices in recent years, the need for the "charge back and enter for collection" practice no longer exists. Moreover, the volume of this type of item has been reduced substantially during the past few years. Therefore, effective immediately, this Bank will charge back and return all items sent as cash items that cannot be handled as cash items as defined in Operating Circular No. 4. In addition, we reserve the right to charge back and return entire cash letters that do not conform to the sorting requirements of Operating Circular No. 4 and our time schedules, which are set forth in Operating Circular No. 5 and its appendices. Paragraph 6 of Operating Circular No. 4 has been amended to reflect this change in procedures.

Enclosed are copies of (a) the Eighth Supplement, dated December 20, 1978, to this Bank's Operating Circular No. 4 setting forth amended paragraphs 6 and 29A; and (b) the Ninth Supplement, dated December 20, 1978, to Operating Circular No. 6 containing the new paragraph 14. If you have any questions on these matters, please contact:

Head Office

Jerome P. Perlongo, Manager, Check Adjustment and Return Items Department
(Tel. No. 212-791-5292)

Henry F. Wiener, Manager, Check Processing Department
(Tel. No. 212-791-5321)

Buffalo Branch

Robert J. McDonnell, Operations Officer
(Tel. No. 716-849-5022)

Jericho Office

Leonard I. Bennetts, Manager
(Tel. No. 516-997-4500)

Cranford Office

Fred A. Denesevich, Manager
(Tel. No. 201-272-9000)

Utica Office

Robert C. Thoman, Vice President
(Tel. No. 315-736-8321)

Additional copies of the enclosures are available upon request.

PAUL A. VOLCKER,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Eighth Supplement to
Operating Circular No. 4
(Revised effective July 1, 1974)**

December 20, 1978

COLLECTION OF CASH ITEMS

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

Operating Circular No. 4, Revised effective July 1, 1974, is amended as follows:

1. Paragraph 6 is amended to read as follows:

6. In the event that an item which will not be handled as a cash item by virtue of this operating circular is sent to any Federal Reserve Bank in a cash letter, the Federal Reserve Bank will charge it back and return it to the sender. In addition, we reserve the right to return and charge back an entire cash letter which does not conform to the sorting requirements of this operating circular and of our time schedules.

2. Paragraph 29A is amended to read as follows:

29A. If we are once furnished with a cash item accompanied by a statement, signed by an officer of a sender (other than a Federal Reserve Bank), that, upon the information and belief of such sender, the paying bank did not take all action necessary to entitle it to recover its payment or remittance for such cash item within the times limited therefor by the provisions of Regulation J, thereby causing loss to the sender, we shall, on the basis of such statement, charge the amount of the item to the account maintained or used by, and forward the item to, the collecting bank or paying bank to which the item was originally presented, sent or forwarded by this Bank and credit the account on our books of the sender (or Federal Reserve Bank furnishing such item and statement) with that amount; provided, however, that such credit to the sender shall be revoked if for any reason this Bank cannot obtain the amount of such credit from the paying bank, and such credit to the sender shall be revoked if this Bank subsequently receives—not later than fifteen (15) banking days after this Bank forwarded the item to the collecting bank or paying bank as provided in this paragraph—the same cash item accompanied by a statement, signed by an officer of the paying bank, that 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, and the paying bank (or collecting bank furnishing such item and statement) will be credited accordingly. 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 remittance or whether the return of the item to it by a collecting bank was timely.

PAUL A. VOLCKER,
President.

[Enc. Cir. No. 8478]

**FEDERAL RESERVE BANK
OF NEW YORK**

**Ninth Supplement to
Operating Circular No. 6
(Revised effective September 21, 1972)
December 20, 1978**

**INSTRUCTIONS TO COLLECTING BANKS
AND PAYING BANKS**

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

Paragraph 14, as revised by the Third Supplement, effective February 2, 1976, to Operating Circular No. 6, Revised effective September 21, 1972, is amended to read as follows:

14. If we are once furnished with a cash item accompanied by a statement, signed by an officer of a sender (other than a Federal Reserve Bank), that, upon the information and belief of such sender, the paying bank did not take all action necessary to entitle it to recover its payment or remittance for such cash item within the times limited therefor by the provisions of Regulation J, thereby causing loss to the sender, we shall, on the basis of such statement, charge the amount of the item to the account maintained or used by, and forward the item to, the collecting bank or paying bank to which the item was originally presented, sent or forwarded by this Bank and credit the account on our books of the sender (or Federal Reserve Bank furnishing such item and statement) with that amount; provided, however, that such credit to the sender shall be revoked if for any reason this Bank cannot obtain the amount of such credit from the paying bank, and such credit to the sender shall be revoked if this Bank subsequently receives — not later than fifteen (15) banking days after this Bank forwarded the item to the collecting bank or paying bank as provided in this paragraph — the same cash item accompanied by a statement, signed by an officer of the paying bank, that 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, and the paying bank (or collecting bank furnishing such item and statement) will be credited accordingly. 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 remittance or whether the return of the item to it by a collecting bank was timely.

PAUL A. VOLCKER,
President.

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