

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8642]
September 28, 1979

CHECK COLLECTION OPERATING CIRCULARS

Revisions Reflecting Photocopy and Fine-Sort Changes

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

Enclosed are revisions of our Operating Circulars No. 4, "Collection of Cash Items," and No. 6, "Instructions to Collecting Banks and Paying Banks," together with the Fifth Supplement to our Operating Circular No. 5, "Time Schedules—Availability of Credit for Cash Items."

Operating Circulars No. 4 and No. 6 have been revised principally to—

- (a) Incorporate the outstanding supplements to the previous editions of those circulars;
- (b) Reflect the new procedures for handling photocopies of missing or destroyed cash items announced in our Circular No. 8580, dated May 25, 1979; and
- (c) Include updated procedures (in paragraphs 13 and 14 of O.C. 4 and in paragraphs 5 and 13 of O.C. 6) relating to the interterritory fine-sort program announced in our Circular No. 8621, dated August 10, 1979.

The Fifth Supplement to Operating Circular No. 5 reflects the elimination of the minimum volume requirement of 200 items per package in end-point sorted cash letters, as announced in our Circular No. 8621.

If you have any questions regarding these changes, please call:

Head Office

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

Buffalo Branch

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

Jericho Office

Leonard I. Bennetts, Manager
(Tel. No. 516-997-4569)

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 will be furnished upon request.

THOMAS M. TIMLEN,
First Vice President.

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 4
Revised September 18, 1979]

COLLECTION OF CASH ITEMS

To All Member Banks in the Second Federal
Reserve District, and Others Concerned¹:

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¹ 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."

General

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, its Buffalo Branch, and its Cranford, Jericho, and Utica Offices.

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, except checks drawn upon any bank included in the current "Memorandum on Exchange Charges" published by the Board of Governors, which indicates the banks that would make exchange charges on checks presented, sent or forwarded by Federal Reserve Banks and consequently would not be paying their checks at par.

(b) Government checks, postal money orders, and food coupons.²

(c) Such other demand items, collectible at par in funds acceptable to the Federal Reserve Bank of the District³ in which such items are payable, as we may be willing to accept as cash items.

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

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

³ 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 and American Samoa shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

(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 41 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 paragraphs 46-49 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 A.B.A. routing number of the paying bank (or nonbank payor), and the dollar amount of the item 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 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.

7. This Bank will not handle any item if the item has been dishonored two or more times. We reserve the right, in our discretion, to return or to handle as a noncash item any item which has 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.

12. Under Section 4-204(1) of the Uniform Commercial Code, a collecting bank must send items by reasonably prompt methods, taking into consideration any relevant instruction, the nature of the items, the number of such items on hand, the cost of collection involved, and the methods generally used by it or others to present such items. In furtherance of the purpose of this requirement, and in the interest of good banking, the indirect routing of cash items is discouraged, and senders may not send to us or to other Federal Reserve Banks for our account any items payable in other Federal Reserve Districts which bear the endorsements of banks located in other Federal Reserve Districts, in cases where it is evident that such items have been routed indirectly.

Preparation of cash letters by senders

13. All cash items sent to us, or to another Federal Reserve Bank direct for our account, may be listed without description. All cash letters and tape listings accompanying such cash letters should be dated and identified with the name and nine-digit routing number, if any, of the sender.

14. Each sender is urged to maintain adequate records to enable it to identify its depositors or other endorsers on items sent to Federal Reserve Banks for handling so that, if such an item is lost or destroyed while in transit to a Federal Reserve Bank or thereafter, the sender may take appropriate action with respect to the item. Federal Reserve Banks do not generally maintain copies or descriptions of items handled, and do not maintain any records with respect to items contained in presorted cash letters to be handled by Reserve Banks without endorsement. Federal Reserve Banks have no responsibility for describing lost or destroyed

cash items charged back to a sender or for obtaining reimbursement or insurance for a sender's costs or other loss with respect to such items, except as provided in Appendix A with respect to Government checks. Senders are also advised that Treasury regulations (31 CFR 103) require the maintenance of records of certain items handled.

15. A sender located in a city, town, metropolitan or similar area is strongly urged to exchange directly cash items payable at banks also located in that area. We reserve the right to require that a sender located in such an area must sort, list, and package such items according to the office of the paying bank at which such items are payable. We also reserve the right to require such separate sorts of cash items as we may deem appropriate; and we reserve the right to require both separate sorts and deposits in separate cash letters of Government checks, postal money orders, and food coupons. Other instructions relative to sorting and listing of cash items are set forth in our time schedules.

Endorsements

16. 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 routing number of the sender, if any, in prominent type on both sides of the endorsement.

17. 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

18. 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 designated in the "Memorandum or Exchange Charges" published by the Board of Governors or may have been reported closed.

19. 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

20. Except as provided in paragraph 21 hereof, all Federal Reserve Banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire advice⁵ 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 \$2,500 or over:

(i) which appears on its face to have been drawn at a place which is not within any State,⁶ 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 \$2,500, or

(ii) any item of \$2,500 or over unless it is protestable under subparagraph (a).

(c) WIRE ADVICE of nonpayment of any item of \$2,500 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 all endorsers preceding the Federal Reserve Bank or their routing numbers, if any.

(d) DO NOT WIRE ADVICE of nonpayment of:

(i) any item of less than \$2,500, or

(ii) any item of \$2,500 or over unless such advice is required by subparagraph (c).

21. DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any cash item, regardless of amount, endorsed by the

⁵ For the purposes of this operating circular, the term "wire" includes telephone, telegraph, cable, or other form of electronic telecommunications.

⁶ 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.

United States Treasury, or endorsed for credit to the United States Treasury, 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.

22. If any sender desires to have any cash item (other than a Government check, postal money order, or food 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.

23. 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, nor shall this Bank have any responsibility for giving wire advice of nonpayment unless a wire advice of nonpayment required hereunder is received from the paying bank or any other bank.

Communications concerning cash items

24. All communications between this Bank and its senders pertaining to payment, nonpayment, or tracing of cash items or in connection with receiving or transmitting pertinent information or instructions with respect to cash items, will be sent over the Federal Reserve communications system, over commercial telegraphic wires or cables, without charge to such senders. A Federal Reserve Bank may, in its discretion, use the telephone in lieu of commercial wire or cable for any purpose indicated by this paragraph.

Time schedules and availability of credit

25. 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 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.

26. 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

27. 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 or other appropriate account upon the day of receipt, and the proceeds will at once be counted as reserves 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

28. 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 reserves for the purpose 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 or other appropriate account and will then be counted as reserves 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

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

30. We will send to member banks and other depositors maintaining an account on our books statements of account, which may be supported by advices, with respect to entries in such an account made by us in accordance with the provisions of Regulation J and our operating circulars. If, within one calendar year from the date of any entry in such an account, such a depositor fails to advise us in writing of its objection to such an entry, the depositor, and any sender, collecting bank or paying bank using the account maintained by the depositor which has handled the item to which the entry relates, shall be deemed to have approved the entry and the statement of account shall be deemed finally adjusted. The foregoing shall not relieve such a depositor from the duty of exercising due diligence to examine statements of account sent to it and of notifying us immediately upon discovery of any error, nor shall it apply to claims

based upon the breach of a warranty in respect of an item to which an entry relates by a Federal Reserve Bank.

Information to senders regarding return items

31. 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; and (c) 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 and any other Federal Reserve Bank and the sender, and between this Bank and any other Federal Reserve Bank shall become and remain final.

32. 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.

33. 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

34. Member 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 banks and other senders which are authorized to send direct.

35. 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 offices of this Bank

36. A sender may apply to us for authority to send cash items directly to any office of this Bank other than the office with which it maintains an account or participates in a regional check processing center.

37. In the event that any sender maintaining or using an account with an office of this Bank has, in our judgment, a sufficient volume or dollar amount of cash items drawn on paying banks served by another 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

38. Each sender approved by us which sends cash items direct to other Federal Reserve offices will be reimbursed by us at first class air-mail or common carrier rates, whichever is usually lower, but not for insurance, on all such items sent direct under our authority. Similar reimbursements may be made for cash items sent direct to other offices of this Bank. In the interest of expeditious and economical handling, those senders that by arrangement deliver cash items payable in other Federal Reserve Districts to this Bank or any other designated location for consolidated shipment should not deviate from this arrangement except upon prior approval of this Bank. Transportation costs of such consolidated shipments will be paid by us, but senders will not be reimbursed by us for

transportation costs and consolidation costs associated with moving direct-send cash items to a designated consolidated shipping point. A sender which has an arrangement with this Bank for consolidated shipment from an office of this Bank located in the same city as the sender, or from any other designated consolidated shipping point, will not normally be reimbursed by us when cash items are sent direct outside of the consolidated shipment, except on Sundays and holidays.

39. 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.

40. 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

41. 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 A.B.A. 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 fractional routing number 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 $3\frac{3}{8}$ inches, a minimum length of 6 inches, and a maximum length of $8\frac{3}{4}$ inches, and be restricted to a single thickness of card or paper.

42. 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. 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.

43. 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. 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 A.B.A. 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. number or routing symbol then appearing thereon.

44. The attention of senders is called to the provisions of our Operating Circular No. 6, entitled "Instructions to Collecting Banks and Paying Banks" to the effect that:

"Cash items returned by collecting banks and paying banks should not bear on the back the endorsement, paid or other identifying stamp of the paying bank unless that stamp has been cancelled. This Bank or another Reserve Bank which has handled an item shall not assume any responsibility to the sender, to any other owner or holder of the item, or to any other person, for any delay resulting from action taken by a Reserve Bank in returning an item on the basis of the uncanceled endorsement, paid or other identifying stamp of the paying bank on the back of the item."

Missing or destroyed cash items; Photographic copies

45. We will charge back to the sender the credit given for a cash item which (i) is discovered to be missing by a Federal Reserve Bank, (ii) is known to be missing or destroyed in transit to a subsequent collecting bank or the paying bank, or (iii) is discovered to be missing during the initial proving of an incoming cash letter by a subsequent collecting bank or the paying bank and which is reported to this Bank as missing or destroyed in accordance with our Operating Circular No. 6, "Instructions to Collecting Banks and Paying Banks."

46. We will handle as a cash item a properly prepared photographic copy of a cash item if—

(a) (i) the credit given for the original cash item was charged back by this or a prior collecting Federal Reserve Bank as provided in paragraph 41, and (ii) such copy, together with a copy of the advice of chargeback, is received by this Bank, or by the prior col-

lecting Federal Reserve Bank which forwards such copy and advice to us when received), within thirty (30) business days from the date the amount of such cash item was charged back by the first collecting Federal Reserve Bank, or

(b) (i) the original cash item was contained in an entire shipment of cash items which is known to be missing or destroyed in transit to the first collecting Federal Reserve Bank, (ii) the sender has determined that several items contained in the original shipment remain unpaid, and (iii) the photographic copy is received in a photocopy cash letter identified as containing nonmachineable photographic copies of a portion of a lost or destroyed shipment of cash items.

47. The attention of senders is called to our Operating Circular No. 6, "Instructions to Collecting Banks and Paying Banks," to the effect that we will present, send or forward a photographic copy subject to all the rules as to payment or remittance for, and return of, cash items, other than instructions regarding protest and wire advice of nonpayment, and subject also to the right of a paying bank to return the photographic copy for credit or refund within twenty (20) business days from the banking day of its receipt by such paying bank if—

(a) the copy is accompanied by a statement, signed by an authorized representative of the paying bank, that the drawer of the original cash item has refused to authorize payment of the photographic copy or that the paying bank has been unable to contact such drawer, or

(b) the copy is accompanied by a photographic copy of both front and back of the original paid cash item together with a statement, signed by an authorized representative of the paying bank, that such original has been paid and giving information as to the receipt of such original by the paying bank.

48. 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 for a photographic copy of a cash item or whether the return of the copy to it by a subsequent collecting bank was timely. Nor shall a Federal Reserve Bank have any responsibility for determining whether a report of a missing or destroyed cash item by a subsequent collecting bank or the paying bank, or whether a statement with respect to the handling of a photographic copy of a cash item by the paying bank, is correct.

49. A properly prepared photographic copy must bear a current endorsement of the sender and the following legend, or one of the 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 missing 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."

50. If a returned photographic copy or a report of a missing or destroyed cash item is received without entry from the paying bank or subsequent collecting bank, we will credit or make refund to the paying bank or subsequent collecting bank and charge the sender only if the latter specifically authorizes us to do so.

Right to amend

51. 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

52. This circular and its appendices supersede our Operating Circular No. 4, Revised effective July 1, 1974; the First through Eighth Supplements thereto, dated January 1, 1975, May 21, 1975, February 2, 1976, November 9, 1976, April 1, 1977, May 13, 1977, March 28, 1978, and December 20, 1978, respectively; and the September 1978 revision of Appendix A to Operating Circular No. 4.

THOMAS M. TIMLEN,
First Vice President.

APPENDIX A

GOVERNMENT CHECKS

1. Government checks drawn on the United States Treasury will be handled by us as cash items in accordance with, and subject to, the provisions of Treasury Department Circular No. 21 (31 Code of Federal Regulations, Part 240). Copies of that circular will be furnished upon request. 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.

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, after handling by us as fiscal agent of the United States in accordance with requirements of the United States Treasury, shall be subject in all cases to examination and payment by the United States Treasury. Under Treasury Department Circular No. 21, the United States Treasury 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 United States Treasury 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. 21, the amount of such check will be charged back to the account of the sender and simultaneously credited to the account of the United States Treasury. 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 United States Treasury 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 on 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.

Rev. 9/78

APPENDIX B

POSTAL MONEY ORDERS

1. Postal money orders (United States postal money orders, United States international postal money orders, and domestic-international postal money orders) will be handled by us as cash items in accordance with an agreement between the United States Postal Service and 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 United States Treasury under such symbol numbers as may be assigned by the United States Treasury; and such credit to the account of the sender shall then become final as between us and the sender.

3. The agreement between the United States Postal Service 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 United States Treasury and delivered to the representative of the United States Postal Service 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 United States Postal Service 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 United States Postal Service will deal directly with the bank or the party against which such claim is made; and that the Federal Reserve Banks will assist the United States Postal Service in asserting such claim, including making their records and any relevant evidence in their possession available to the United States Postal Service. Section 210.12 of Regulation J, relating to the return of cash items by the paying banks, is not applicable to postal money orders.

Rev. 1/75

APPENDIX C

FOOD COUPONS

1. Food 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 coupons only from member banks, other senders that maintain accounts with us, and non-member 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 coupons received by us in accordance with the following terms and conditions:

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

(b) Food coupons should be separately sorted by denomination and should be deposited in a separate cash letter. The sending bank's transmittal letter should be clearly stamped or marked "FOOD COUPONS." The transmittal letter should show the total number of, and the total amount of, each denomination of coupons enclosed. Food 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, only to the extent and under the conditions stated in 7 Code of Federal Regulations, Chapter II, Section 272.5(c). 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 II), a portion of a food 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 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. 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 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 coupons for collection for credit to an account of a member bank on our books should forward redeemed food coupons through ordinary collection channels.

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 6
Revised September 18, 1979]

INSTRUCTIONS TO COLLECTING BANKS
AND PAYING BANKS

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

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[Enc. Cir. No. 8642]

General

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.¹ 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, its Buffalo Branch, and its Cranford, Jericho and Utica Offices.

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 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 Cir-

¹ 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 and American Samoa shall be deemed to be in or of the Twelfth Federal Reserve District. See Regulation J, note 1.

cular No. 4. These warranties arise whether or not such item bears the endorsement of this Bank. Reserve Banks handle end-point sorted cash letters received from senders without endorsing the items in the cash letters. Collecting banks and paying banks should maintain records to enable them to identify the source of receipt of such items. In addition, Treasury Regulations (31 Code of Federal Regulations, Part 103) require that banks maintain legible records of many items. These regulations apply whether or not the item is capable of being photocopied.

Payment for cash letters

6. Payment or remittance for our cash letter must be made by a paying bank for all accompanying cash items which shall not have been returned by said bank prior to the close of its banking day on which such cash items are received.² Such payment or remittance shall be made at par and in the manner hereafter provided:

- (a) Debit to an account on the books of this Bank;
- (b) Cash; or
- (c) In the discretion of this Bank, any other form of payment or remittance.

The proceeds of any such payment or remittance in any form herein stated shall be available to this Bank not later than the close of the banking day for this Bank on which such items were so received by the paying bank. If the banking day on which such items are received by a paying bank is not a banking day for this Bank, any payment or remittance made hereunder shall be effected on the next banking day of both this bank and such paying bank next following the day of receipt of such item. If payment or remittance for an item is effected by means of a debit to an account on the books of this or another Federal Reserve Bank on a banking day for such Federal Reserve Bank following the banking day of receipt of the item by the paying bank because such day of receipt was not a banking day for such Federal Reserve Bank, this or such other Federal Reserve Bank may make appropriate adjustments as of such day of receipt (unless such day is a Saturday) for purposes of computation of reserves under Regulation D of the Board of Governors of the Federal Reserve System.

² A cash item received by a paying bank shall be deemed to have been received by the bank on its next banking day if the item is received under one of the following circumstances:

- (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.

Collecting banks

7. A subsequent collecting bank (other than a Federal Reserve Bank) to which the paying bank has paid or remitted for a cash item as herein provided shall pay or remit the proceeds to the Federal Reserve Bank which forwarded the item to it in such fashion that the proceeds thereof will be available to such Federal Reserve Bank not later than the close of the banking day, for such Federal Reserve Bank, on which the proceeds were received by such subsequent collecting bank.

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 (BK 166) provided by this Bank. Paying banks are requested to refrain from reporting adjustments of \$1.00 or less.

9. We will send to member banks and other depositors maintaining an account on our books statements of account, which may be supported by advices, with respect to entries in such an account made by us in accordance with the provisions of Regulation J and our operating circulars. If, within one calendar year from the date of an entry in such an account, such a depositor fails to advise us in writing of its objection to such an entry, the depositor, and any sender, collecting bank or paying bank using the account maintained by the depositor which has handled the item to which the entry relates, shall be deemed to have approved the entry and the statement of account shall be deemed finally adjusted. The foregoing shall not relieve such a depositor from the duty of exercising due diligence to examine statements of account sent to it and of notifying us immediately upon discovery of any error, nor shall it apply to claims based upon the breach of a warranty in respect of an item to which an entry relates by a Federal Reserve Bank.

Return items

10. 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. However, any such paying bank may return any such unpaid item to us for refund.

11. 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) 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.

12. 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.

13. A collecting bank or paying bank sending to this Bank a return item that does not bear our endorsement thereby warrants to us and to the sender of the item and all prior parties that the item was presented, sent or forwarded by us to the collecting or paying bank and that the collecting or paying bank will provide source of receipt information on request.

14. 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.

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

16. If the cash item is being dishonored and returned for the first time, the paying bank is urged to stamp a symbol in the form of a five-pointed star (e.g., ★) in the upper right hand area of the face of the item. If the cash item is being dishonored and returned for the second time, the paying bank should invalidate the MICR routing number on the face of the item in such a manner that the item will no longer qualify for handling by high-speed automated check processing equipment. No Federal Reserve Bank shall have any responsibility for handling as a cash item an item whose MICR routing number has not been invalidated as required.

17. 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

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

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.

18. 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.

19. 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

20. Except as provided in paragraph 21 hereof, all paying banks and collecting banks must receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire advice⁴ 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 \$2,500 or over:

(i) which appears on its face to have been drawn at a place which is not within any State,⁵ 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

⁴ For the purposes of this operating circular, the term "wire" includes telephone, telegraph, cable, or other form of electronic telecommunications.

(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 \$2,500, or

(ii) any item of \$2,500 or over unless it is protestable under subparagraph (a).

(c) WIRE ADVICE of nonpayment of any item of \$2,500 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 all endorsers preceding the Federal Reserve Bank or their routing numbers, if any.

(d) DO NOT WIRE ADVICE of nonpayment of:

(i) any item of less than \$2,500, or

(ii) any item of \$2,500 or over unless such advice is required by subparagraph (c).

21. DO NOT PROTEST AND DO NOT WIRE ADVICE of nonpayment of any cash item, regardless of amount, endorsed by the United States Treasury, or endorsed for credit to the United States Treasury, 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.

22. 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.

23. 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, nor shall this Bank have any responsibility for giving wire advice of nonpayment unless a wire advice

⁵ 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.

of nonpayment required hereunder is received from the paying bank or any other bank.

Standardization, sorting, routing, and mechanized processing

24. 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 A.B.A. 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 routing number 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.

25. 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. 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 A.B.A. 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. 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. 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.

26. Cash items returned by collecting banks and paying banks should not bear on the back the endorsement, paid or other identifying stamp of the paying bank unless that stamp has been cancelled. This bank or another Reserve Bank which has handled an item shall not assume any responsibility to the sender, to any other owner or holder of the item, or to any other person, for any delay resulting from action taken by a Reserve Bank in returning an item on the basis of the uncanceled endorsement, paid or other identifying stamp of the paying bank on the back of the item.

Cash letters received in mutilated condition

27. 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.

Missing or destroyed cash items; photographic copies

28. We will credit or refund the amount paid or remitted for a cash item which is discovered to be missing during the initial proving of an incoming cash letter by a subsequent collecting bank or the paying bank, or which is known to be missing or destroyed in transit to a subsequent collecting bank or the paying bank, if we, or a subsequent collecting Federal Reserve Bank (which sends such report to us when received), receive a report from the subsequent collecting or paying bank within five (5) of its business days from the date of the cash letter which listed the missing or destroyed item.

29. In the event we receive a properly prepared photographic copy of a cash item in accordance with our Operating Circular No. 4, "Collection of Cash Items," we will present, send or forward such copy as a cash item subject to all the rules as to payment or remittance for, and return of, cash items, other than the instructions regarding protest and wire advice of nonpayment. Such a photographic copy will also be presented, sent or forwarded subject to the right of a paying bank to return the copy for credit or refund within twenty (20) business days from the banking day of its receipt by such paying bank, provided—

(a) the copy is accompanied by a statement, signed by an authorized representative of the paying bank, that the drawer of the original cash item has refused to authorize payment of the photographic copy or that the paying bank has been unable to contact such drawer, or

(b) the copy is accompanied by a photographic copy of both front and back of the paid original cash item together with a statement,

signed by an authorized representative of the paying bank, that such original has been paid and giving (i) the name and routing number, if any, of the bank or other person from which such original was received and (ii) the date on which such original was received by the paying bank or, in the event such original was received from this Bank, the date of the cash letter that contained such original and the dollar amounts of the items listed prior and subsequent to such original in such cash letter, together with the total amount of the cash letter and of the batch or package therein which contained the original cash item and the sequence number of the original cash item, if any.

30. Any subsequent collecting bank which receives an unpaid photographic copy from a paying bank for return to us should forward the return copy to us before midnight of its next banking day following the banking day of its receipt of the return copy.

31. 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 for a photographic copy of a cash item within the times limited therefor by the provisions of paragraph 29 or whether any subsequent collecting bank returned the copy to it within the time limited therefor by paragraph 30. Nor shall a Federal Reserve Bank have any responsibility for determining whether a report of a missing or destroyed cash item by a subsequent collecting bank or the paying bank, or whether a statement with respect to the handling of a photographic copy of a cash item by the paying bank, is correct.

32. A properly prepared photographic copy will bear a current endorsement of the sender and the following legend, or one of the 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 missing 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."

33. A paying bank, or a subsequent collecting bank (a) may return without entry, with appropriate documentation, a photographic copy which the paying bank or subsequent collecting bank did not return within the time provided in paragraph 29 provided such return is made within nine (9) calendar months from the banking day of its receipt by such paying bank, and (b) may report without entry as missing or destroyed a cash item which it discovered to be missing or destroyed after the time provided in paragraph 28. In the event we receive such a without entry return or report with a request that we ask our sender to make refund therefor, we shall credit or make refund to the paying bank or subsequent collecting bank and charge our sender only if the latter specifically authorizes us to do so.

Right to amend

34. 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

35. This circular supersedes our Operating Circular No. 6, Revised effective September 21, 1972, and the First through Ninth Supplements thereto, dated July 1, 1974, January 1, 1975, February 2, 1976, November 9 1976, April 1, 1977, March 15, 1977, July 1, 1977, March 28, 1978, and December 20, 1978, respectively.

THOMAS M. TIMLEN,
First Vice President.

APPENDIX

RETURN OF CASH ITEMS

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

"(a) A paying bank that receives a cash item from or through a Federal Reserve Bank, otherwise than for immediate payment over the counter, and that pays or remits for such item as provided in § 210.9(a) of this part 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: *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 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

Fifth Supplement to
Operating Circular No. 5
(Revised effective July 1, 1974)
Effective August 15, 1979

TIME SCHEDULES
AVAILABILITY OF CREDIT FOR CASH ITEMS

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

Subparagraph (c) of paragraph 9 of Operating Circular No. 5,
Revised effective July 1, 1974, is amended to read as follows:

(c) All tape listings and recaps should be clearly identified and dated;

THOMAS M. TIMLEN,
First Vice President.