

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 8954]
[November 13, 1980]

NEW OPERATING CIRCULARS ON NONCASH COLLECTION
AND WIRE TRANSFERS

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

Enclosed are copies of this Bank's new Operating Circular No. 6, entitled "Collection of Noncash Items," and Operating Circular No. 8, entitled "Wire Transfers of Funds," both effective November 13, 1980. The new circulars replace existing Operating Circulars Nos. 8 and 10 with the same titles. The new circulars were prepared to complement the revisions of Subparts A and B of Regulation J that also become effective November 13, 1980. The revised Regulation J was sent to you with our Circular No. 8937, dated October 21, 1980. The revisions are intended to simplify and clarify the language in both Regulation J and the circulars by restating them in plain English. There are no substantive changes in the regulation or the circulars and care has been taken not to alter legal concepts through stylistic change.

Branches and agencies of foreign banks are eligible for our noncash collection and wire transfer services beginning November 13, 1980. Other nonmember depository institutions will be eligible for these services as the Monetary Control Act of 1980 is implemented. For such institutions, access to wire transfer services is scheduled for January 1981 and access to noncash collection services is scheduled for October 1981.

Collection of noncash items

The revision of the noncash operating circular was undertaken with a view to restating the provisions of the existing circular in clearer language without changing its substantive meaning and to conform the circular to the provisions of the new Regulation J. We are presently reviewing the circular with a view to making substantive changes as well. Accordingly, publication of the circular in this form should not be interpreted as foreclosing later substantive changes. In addition, publication of the circular does not imply any change in the noncash collection services we presently offer. For example, we do not presently handle all the types of items that are classified as noncash items in the circular; the only noncash items we presently handle for depository institutions are coupons and securities.

If you have any questions concerning the noncash operating circular, please call Angus J. Kennedy, Manager, Safekeeping Department (Tel. No. 212-791-7726), Thomas F. Curry, Chief, Coupon Division (Tel. No. 212-791-5081), or Raleigh M. Tozer, Senior Attorney, Legal Department (Tel. No. 212-791-5009).

[OVER]

[Circular No. 8024
November 15, 1980]

Wire transfers of funds

A separate schedule of charges has been added to the wire transfer circular. The only charge presently listed is our normal \$1.50 service charge for transfers of less than \$1,000. The schedule of charges will be amended, of course, to reflect the charges for wire transfer services required by the Monetary Control Act of 1980. Those additional charges are scheduled to be implemented in January 1981.

Appendix A of the wire transfer circular contains our schedule of time limits plus additional terms applicable to banks that have on-line access to our wire transfer services. The additional terms are the terms we presently use in separate letter agreements with on-line banks.

Printing the on-line-access terms in the appendix to the wire transfer circular simplifies our administrative burden. On-line banks can now agree to the terms by sending us a letter in the form of Appendix A-1. All on-line banks will be required to use the new form of agreement. This applies to both existing on-line banks that have already signed a letter agreement and banks that apply for new on-line service. *Banks that are currently on line should execute this agreement and send it to Henry F. Wiener, Manager, Funds Transfer Department, by December 15, 1980.*

If you have any questions concerning the wire transfer circular, please call, at the Head Office, Henry F. Wiener, Manager, Funds Transfer Department (Tel. No. 212-791-5079), Charles J. Mineer, Chief, Funds Transfer Division (Tel. No. 212-791-5073), or Raleigh M. Tozer, Senior Attorney, Legal Department (Tel. No. 212-791-5009); or, at the Buffalo Branch, Robert J. McDonnell, Operations Officer (Tel. No. 716-849-5022).

ANTHONY M. SOLOMON,
President.

NON-ACCOUNT-HOLDER COUPON AGREEMENT
AND CORRESPONDENT AUTHORIZATION

.....
[Date]

Federal Reserve Bank
of New York
33 Liberty Street
New York, New York 10045

or

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

Attention: Coupon Division — Head Office
(Collection, Loans, and Fiscal
Agency Div. — Buffalo Branch)

Gentlemen:

A. Non-Account-Holder Agreement

In order to expedite the payment of corporate and municipal coupons, we agree to the terms of Appendix C of your Operating Circular No. 6, regarding the payment of coupons. We designate

..... as correspondent against whose account on your books credits,
[Name of Correspondent]
debts, and appropriate adjustments may be entered for the payment or return of coupons payable by us.

.....
[Name of payor depository institution]

By:
[Authorized signature]

.....
[Title]

B. Correspondent Authorization

We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of coupons payable by

.....
[Name of payor depository institution]

..... in accordance with Appendix C of your Operating Circular No. 6. You will provide advices of any such entries to both the payor and us. If on any business day we cannot accept any such charge, we will first give notice to the payor and then notify you by telephone and immediately thereafter in writing on or before 2:00 p.m. of the payment date.

.....
[Name of correspondent]

By:
[Authorized signature]

.....
[Title]

ACCOUNT HOLDER COUPON AGREEMENT

.....
[Date]

Federal Reserve Bank
of New York
33 Liberty Street
New York, New York 10045

or

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

Attention: Coupon Division — Head Office
(Collection, Loans, and Fiscal
Agency Div. — Buffalo Branch)

Gentlemen:

In order to expedite the payment of corporate and municipal coupons, we agree to the terms of Appendix C of your Operating Circular No. 6, regarding the payment of coupons. We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of coupons payable by us.

.....
[Name of payor depository institution]

By:
[Authorized signature]

.....
[Title]

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 8
Revised effective November 13, 1980]

WIRE TRANSFERS OF FUNDS

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

1. Subpart B of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System and this operating circular and time schedule apply to wire transfers of funds handled by this Bank. This circular is issued pursuant to Sections 4, 13, 14, 16, and 19 of the Federal Reserve Act and related statutes in conformity with Regulation J. It is binding on transferors, transferees, beneficiaries, and other parties interested in an item.

2. Each Reserve Bank has issued a circular substantially similar to this one. When we send a transfer item to another Reserve Bank, that Reserve Bank handles the item under its operating circular.

3. All terms defined in Regulation J have the same meaning in this circular. Some terms used in this circular, including terms not defined in Regulation J, have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to this Bank will include our Head Office and our Buffalo Branch.

Issuance of transfer items and transfer requests

4. A transferor maintaining or using an account with an office of this Bank may send a transfer item to or make a transfer request of that office. We may refuse to act on, or may impose conditions to acting on, a transfer item or request if we have reason to believe that the balance in the transferor's account is not sufficient to cover the item. A transferor, other than a Reserve Bank, that uses our wire transfer of funds facilities shall maintain with us a balance of actually and finally collected funds in accordance with Section 210.31(a) of Regulation J.

5. A transfer item or request must be in the format prescribed by us.

6. The text of a transfer item may not exceed 380 characters including punctuation, third party information, and any other instructions, except with our approval.

7. We only accept a transfer item or request that instructs us to transfer funds on our banking day of receipt.

8. A transferor may send a transfer item to us by electronic means under arrangements with us, or, in unusual circumstances and in our discretion, in other media approved by Section 210.28 of Regulation J. The transferor must authenticate a transfer item at the time it is sent by codes or procedures we prescribe. A transfer item contained in a letter, memorandum, or similar writing must be signed by an authorized officer of the transferor whose signature is on file with us.

Transfer requests

9. A transfer request may be made by telephone under arrangements with us. The transferor must authenticate a transfer request at the time it is made by codes or procedures we prescribe. We may record a transfer request. We reserve the right to require a transferor to confirm a transfer request by a letter of confirmation over authorized signature(s). We assume no liability for loss resulting from a transfer of funds based on a communication that is in the form of a transfer item and that does not expressly indicate that it is a confirmation.

10. We reserve the right to refuse to handle a transfer item or request under conditions different from those imposed by this circular or Regulation J.

Handling of transfer items and requests

11. We will notify a transferor of a significant delay in executing transfers of funds within a reasonable time after we learn of the delay.

12. We expect to handle a transfer item or request promptly and to complete a transfer of funds on the banking day requested if we receive the item or request before the closing hours established in our time schedule. We do not guarantee that we or another Reserve Bank will complete a transfer of funds on the day requested. We are not responsible to the transferor or to any other person for any loss or delay resulting from our handling of an item on the basis of

an erroneous routing number or other designation appearing on the item when we receive it, whether or not that designation is consistent with any other designation appearing on the item.

Closing hours

13. Our time schedule (Appendix A of this operating circular) shows the latest hours on each banking day ("closing hours") at which we will accept a transfer item or request. If we receive a transfer item or request after the closing hour we may either refuse to handle it or handle it on the following banking day, except that we may, in our discretion, complete an intraoffice transfer on the day of receipt. In the case of an interoffice transaction received after our closing hour, completion of the transfer on that day is also discretionary with the transferee's Reserve Bank.

Advices of credit and debit

14. We provide an advice of credit for a transfer of funds to a transferee maintaining or using an account with us. We give advice of credit by telephone, telegraph, or other form of electronic telecommunications when we deem that the nature of the transaction justifies it or when the transferor or transferee requests it. The transferee should ascertain the authenticity of an advice of credit at the time of its receipt by codes or procedures we prescribe.

15. The transferee should confirm a telephonic advice of credit that contains third party information or other special instructions, by return telephone call or other arrangements, prior to making the proceeds of the transfer available for withdrawal or other use. The transferee assumes all risk of loss resulting from its failure to make the confirmation. In addition, if there is a discrepancy between an advice given by telephone, telegraph, or other form of electronic telecommunications and a mailed or delivered advice, the transferee is deemed to approve the credit reflected in the mailed or delivered advice unless it sends written objection to us within ten (10) calendar days following its receipt of the mailed or delivered advice. The objection should be sent to the Reserve office at which the transferee maintains or uses an account.

16. We provide an advice of debit to a transferor maintaining or using an account with us. The transferor should carefully examine the advice on receipt, and promptly report any exception. The trans-

feror is deemed to approve a debit if it fails to send written objection within ten (10) calendar days after it receives the advice of debit to the office of this Bank with which it maintains or uses an account.

Charges

17. Our schedule of charges (Appendix B of this operating circular) shows the charges imposed for wire transfer of funds services. We may make the charge to the account of the transferor or transferee requesting the service.

Final payment; right to use funds; transferee's agreement

18. A transfer item is finally paid when the transferee's Reserve Bank sends the item or sends or telephones advice of credit to the transferee, whichever occurs first.

19. On final payment the transferee has the right to withdraw or use funds that have been credited to its account, subject to the right of a Reserve Bank to apply the funds to an obligation owed to it by the transferee.

20. As provided by Section 210.30 of Regulation J, a transferee that receives from us a transfer item, or advice of credit of a transfer item, designating a beneficiary, agrees:

(a) to credit promptly the beneficiary's account or otherwise make the amount of the item available to the beneficiary; or

(b) to notify promptly the office of this Bank with which it maintains or uses an account, if it is unable to do so because of circumstances beyond its control. We will then notify our transferor.

Revocation of transfer items

21. A transferor may ask the office of this Bank to which it has sent a transfer item or request to revoke the transfer item or request. The transferor must authenticate the request for revocation by codes or procedures we prescribe. We may cease acting on the item or request if we receive the request for revocation in sufficient time to give us a reasonable opportunity to comply. If the request is received too late, we may, on request from the transferor:

(a) ask the transferee to return the transferred funds; or

(b) in an interoffice transaction, ask the transferee's Reserve Bank to ask the transferee to return the funds.

22. To correct an erroneous or irregular transfer of funds, we may, on our own initiative or at the request of another Reserve Bank, ask the transferee to return funds previously transferred.

General

23. A transferor sending a transfer item by electronic means should determine that the transfer item has been accepted by our telecommunications and processing equipment.

24. A transferor or transferee must prevent the disclosure outside of it, or within it except on a "need to know" basis, of any of the codes or other security procedures relating to transfers of funds. The transferor or transferee should notify us immediately if the confidentiality of these procedures is compromised, and act to prevent any further disclosure.

Right to amend

25. We reserve the right to amend this circular at any time.

Effect of this circular on previous circular

26. This circular supersedes our Operating Circular No. 10, Revised effective September 1, 1977, and its First Supplement, dated February 1, 1979.

ANTHONY M. SOLOMON,
President.

APPENDIX A

TIME SCHEDULE AND ADDITIONAL TERMS

1. This Appendix A to Operating Circular No. 8 shows the hours during which this Bank handles transfer items and requests. This Appendix also contains additional terms applicable to transferors or transferees sending or receiving transfer items through terminals or computers linked to this Bank's terminals or computers. Terms defined in Subpart B of Regulation J (12 C.F.R. Part 210, Subpart B) have the same meanings in this Appendix.

Closing hours

Interdistrict transfers

2. This Bank accepts interdistrict transfer items and requests until 3 p.m. Eastern time each business day. In its discretion, this Bank may accept transfer items or requests after 3 p.m., but the completion of such transfers is also at the discretion of the transferee's Reserve Bank.

Intradistrict transfers

3. This Bank accepts intradistrict transfer items and requests until 4 p.m. Eastern time each business day. In its discretion, this Bank may accept transfer items or requests after 4 p.m.

Extension of closing hours

4. In its discretion, this Bank may grant requests for extensions of the closing hours in the following circumstances:

- (a) Breakdown of telephone service or our telecommunications system;
- (b) Extension of the closing hour for United States Treasury and Federal Agency securities transfers; or
- (c) Other unusual or unanticipated circumstances, including those referred to in paragraphs 12, 15, and 17 of this Appendix.

A request for an extension may be made to the Head Office by calling 212-791-5070 or 791-5074, or to the Buffalo Branch by calling 716-849-5064.

5. Each Wednesday, or, if Wednesday is a legal holiday, on the preceding business day, a 30 minute settlement period will follow the regular or the extended closing hour for intradistrict transfers to permit depository institutions to adjust their account balances. During this period, this Bank accepts only transfer items or requests for transfers of funds to Second District depository institutions; this Bank will not accept a transfer item or request designating a beneficiary during this period.

Use of linked terminal or computer

6. A transferor or transferee that executes and delivers to us a letter in the form attached as Appendix A-1 of this operating circular and sends or receives a transfer item through a terminal or computer on its premises that is linked to terminals and related computer systems at this Bank is also subject to the provisions of paragraphs 6-15 of this Appendix A. Such a terminal or computer at a depository institution is referred to herein as "linked equipment."

7. Each instruction that this Bank receives through linked equipment in the name of a depository institution will have the same force and effect as if the instruction was given in a writing signed by an authorized officer of the transferor and constitutes this Bank's authority to charge that depository institution's account in the amount stated in the message. Each message this Bank sends to a transferee through linked equipment regarding a transfer of funds to that depository institution constitutes an advice of credit to the depository institution's account in the amount stated in the message.

8. This Bank may charge the account of users of linked equipment monthly or as otherwise mutually agreed, for use of the linked equipment.

9. Each depository institution is responsible for improper or unauthorized use of its linked equipment.

10. Funds transfer messages must conform to the formats and standards prescribed by this Bank in its Communications System Standards.

11. Each depository institution shall use its best efforts to prevent the disclosure outside of that institution, or within it except on a "need to know" basis, of any of the security procedures used by this Bank in authenticating instructions or advices of credit.

Failure of on-line sending terminals or message switching system

12. In the event of failure of a depository institution's linked equipment, the depository institution may request an extension in the closing hour to enable transfers to be sent over other linked equipment or to allow for repair. If a reasonable extension of the closing hour would not permit the depository institution to send all of its transfers of funds, it may request to send its employees to this Bank to input transfer of funds instructions into this Bank's terminals. The effect of such input will be the same as if these instructions had been input through the depository institution's linked equipment and received by this Bank over the Communications System. Before any such employee is permitted to input transfers into this Bank's terminals, the employee shall deliver to this Bank a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank. The employee must also show proper identification. All instructions brought by such employees must be contained in sealed envelopes with the signature of an authorized officer across the seal. Such envelopes must be opened only in the presence of this Bank's supervisory personnel. Employees using this Bank's terminals are subject at all times to the supervision of our staff.

13. A depository institution is also authorized to request transfers by telephone as provided for in Operating Circular No. 8. Such requests must include the appropriate test word from the list provided.

Failure of on-line receiving terminals

14. In the event a depository institution's linked equipment is unable to receive transfer of funds messages from this Bank, this Bank will reroute all incoming transfers of funds messages to a terminal located in its Funds Transfer Division or other appropriate printout devices. Whenever practicable, this Bank will advise the depository institution by telephone of credits received and promptly mail advices of credit, or, if requested, deliver the advices to the depository institution's messenger. The messenger must have acceptable identification and deliver a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank, naming the messenger.

Failure of off-line preparation equipment

15. In the event a depository institution's data preparation equipment fails, the depository institution may request an extension in the

closing hour to enable it to prepare instructions on other equipment or to allow for repair. If a reasonable extension would not permit the depository institution to send all of its transfers, the depository institution may request to send its employees to this Bank to prepare instructions on this Bank's equipment. The employee is required to deliver to us a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank, naming the persons to be permitted to operate our equipment. The employee must also show acceptable identification. Employees of a depository institution using this Bank's equipment are subject at all times to the supervision of this Bank's staff.

16. It is anticipated that after the instructions are prepared, the depository institution's employees will transmit the instructions using the depository institution's linked equipment in the usual manner. If this is not possible because of time constraints, one or more of the depository institution's employees may be authorized to transmit the instructions using this Bank's terminals as provided in paragraph 14.

Failure of this Bank's Communications System

17. If this Bank's Communications System fails, this Bank will, if practicable, process all transfers when it is again operating, extending the closing hour if necessary. If, however, necessary repairs are expected to take a longer period of time or if the Communications System will be inoperative long after the stated closing hour, this Bank will advise specified on-line depository institutions as soon as possible and request that the clearing procedure described below be followed. This Bank will also advise specified on-line depository institutions at that time, if possible, of any transfers made that have not been or will not be processed. As an alternative to the clearing procedure, particularly if only a limited number of transfers remain to be processed in the day, this Bank will process the rest of the day's transfers on the following business day and make "as of" adjustments to each depository institution's reserve account for purposes of reserve accounting, where appropriate.

18. To effect the clearing procedure mentioned above, this Bank will request that specified on-line depository institutions advise each other by telephone or other means of each credit to the other's account. At the end of the day, each specified depository institution will advise this Bank of the total credits to each other specified depository institution and the offsetting total debit to its own account, using a test word provided for this eventuality. This Bank will

telephone each specified depository institution to verify the total debits and credits. On the following day, each specified depository institution will send this Bank a detailed listing of the individual transfers included in the totals reported to this Bank.

Failure of the Communications System in another District

19. In the event of the failure of equipment at another Federal Reserve office, including Culpeper, disrupting the transfer of funds to depository institutions in another District, this Bank will, if practicable, process all transfers when it is again operative, extending its closing hour if necessary. If, in this Bank's judgment, this is not practicable, this Bank will process all transfers the following day and make "as of" adjustments to reserve accounts for purposes of reserve accounting, where appropriate.

20. In connection with the matters specified in paragraphs 12 through 19 of this Appendix, a depository institution authorizes this Bank to rely and act upon any instructions or advice that this Bank receives in the depository institution's name that this Bank reasonably believes to be genuine, whether such instructions or advice is delivered by means of telecommunication, telephone message containing the appropriate test word, or letter allegedly signed by an authorized officer of the depository institution whose signature is on file with this Bank, to the same extent to which this Bank would be authorized to rely or act upon instructions contained in a letter or other writing properly signed by an authorized officer of the depository institution. The depository institution assumes full responsibility for any and all actions of its employees while they are on this Bank's premises or using this Bank's equipment, whether or not such actions are within the scope of their employment.

21. When this Bank requests, each user of linked equipment shall provide to the Manager of this Bank's Funds Transfer Department a description of its security procedures to prevent improper or unauthorized use of linked equipment. This Bank will treat confidentially any information so supplied.

22. This Bank reserves the right without prior notice to terminate the use of linked equipment by any depository institution.

23. This Bank reserves the right to amend the provisions of this Appendix at any time without notice. This Bank will endeavor, however, to give at least 30 calendar days' notice of any revision.

APPENDIX A-1

ON-LINE AGREEMENT

[To be typed on the depository institution's letterhead]

Federal Reserve Bank of New York
33 Liberty Street
New York, New York 10045

Attention: Manager
Funds Transfer Department

Dear Sirs:

We hereby agree to the terms contained in Appendix A to your Operating Circular No. 8.

We reserve the right to terminate this agreement by written or telegraphic notice to the Manager of your Funds Transfer Department, which notice shall be effective on receipt. Termination shall not, however, affect your right to make all debits or credits required by or incidental to any instruction that we send you before the termination is effective.

.....
[Name of depository institution]

By:
[Authorized signature]

.....
[Title]

FEDERAL RESERVE BANK
OF NEW YORK

[Operating Circular No. 6
Revised effective November 13, 1980]

COLLECTION OF NONCASH ITEMS

To All Depository Institutions in the Second
Federal Reserve District, and Others Concerned:

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[Enc. Cir. No. 8954]

General

1. Subpart A of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System and this operating circular apply to the handling of all noncash items that we accept for collection and all bank drafts and other forms of payment that we receive for noncash items and that we elect to handle as noncash items. Regulation J and our Operating Circular No. 4 apply to the handling of bank drafts and other forms of payment that we receive for noncash items and that we elect to handle as cash items. This circular is issued pursuant to Sections 4, 13, 14(e), and 16 of the Federal Reserve Act and related statutes in conformity with Regulation J. It is binding on the sender, on each collecting bank, paying bank and nonbank payor to which we or a subsequent collecting bank presents or sends a noncash item, and on other parties interested in the item, including the owner.

2. Each Reserve Bank has issued a circular substantially similar to this one. When we send a noncash item to another Reserve Bank, that Reserve Bank handles the item subject to its operating circular. We give credit to the sender for the item in accordance with this circular.

3. All terms defined in Regulation J have the same meaning in this circular. Many terms used in this circular, including terms not defined in Regulation J, have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to this Bank include our Head Office and our Buffalo Branch.

Items that we handle as noncash items

4. A sender may send the following items to us for handling as noncash items, unless otherwise provided in this circular:

Time items

(a) An evidence of indebtedness or order to pay that is not payable on demand and that we are willing to accept as a non-cash item, including:

(i) maturing acceptances and bankers' acceptances drawn on depositors in a Reserve Bank; and

(ii) maturing bonds, debentures, coupons, and similar securities (other than obligations of the United States, its agencies and instrumentalities, and certain international organizations).¹

Demand items

(b) A check or other demand item that would ordinarily be handled as a cash item, if:

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

(ii) special instructions, such as a request for special advice of payment or dishonor, accompany the item;

(iii) in our judgment special conditions require that that item not be handled as a cash item;

(iv) the item consists of more than a single thickness of paper, except as provided in paragraph 40 of this circular regarding photocopies, and except that we handle as a cash item a mutilated, erroneously encoded or other item contained in a carrier that qualifies for handling by high-speed check processing equipment; or

(v) the item has not been preprinted or post-encoded, as prescribed by the American Bankers Association, before we receive it with (1) the Federal Reserve routing symbol and the suffix of the institutional identifier² of the paying bank (or nonbank payor), or (2) the dollar amount of the item. We handle these items as cash items when we judge that special circumstances justify cash-item handling.

(c) Any other demand item, drawn on a depositor in a Reserve Bank, that is not collectible as a cash item, including:³

(i) bills of exchange and drafts with securities, bills of lading, or other documents attached; and

¹ When we receive for collection coupons and other obligations of the United States, its agencies and instrumentalities and obligations of certain international organizations, we pay them as fiscal agent of the United States, of the international organization, or of the agency or instrumentality. See Appendix B of this circular.

² The terms "routing number," "routing symbol" and "institutional identifier" have the meanings given by the Routing Number Task Force of the American Bankers Association and the Federal Reserve System.

³ Provisions governing collection of payment vouchers on letters of credit for Government grants and contributions are contained in Appendix A of this circular.

(ii) drafts and orders on savings deposits with pass-books attached.

5. When we accept an instrument for credit to our own account, the account of another Reserve Bank, or any account on our books, we handle the instrument as a noncash item if it qualifies as a non-cash item even though it is sent to us by one other than a "sender," as defined in Section 210.2 of Regulation J.

Items that we do not handle

6. We do not handle as a noncash item an item described in paragraph 4 of this circular if:

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

(b) The item is payable by or through an office of the sender;

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

(d) The item is a check and cannot be collected at par;

(e) The item has been dishonored two or more times, unless we elect otherwise;

(f) The item is a note or certificate of deposit;

(g) The item is a draft, whether accepted or not, that is payable at a bank but not drawn on a bank; or

(h) The item is not payable in a Federal Reserve District ("District").⁴

7. We do not handle time items more than thirty (30) days prior to their maturity.

Collection and presentment

8. Neither we nor a subsequent collecting bank undertake to present time items on the maturity date unless we receive them sufficiently in advance of the maturity date to permit timely presentment or sending for presentment, using the means that we normally use for that purpose.

⁴ The Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam and American Samoa in the Twelfth District. Regulation J, note 1.

9. In the absence of specific instructions to the contrary, we or a subsequent collecting bank may present, or send for presentment, to the paying bank (or nonbank payor) any bond, coupon, debenture, or similar security, with the understanding that:

(1) payment may be deferred without dishonor pending reasonable examination to determine whether the security is properly payable; but

(2) payment shall be made or the security returned in any event before the close of the paying bank's (or nonbank payor's) business day next following the day of maturity or presentment, whichever is later.

We reserve the right to refuse to handle noncash items payable by a paying bank (or nonbank payor) that has in the past failed to take all action necessary for payment or return of noncash items within these times.

Preparation of collection letters and cash letters

General

10. We reserve the right to distinguish among classes of noncash items, and to require deposits in separate collection letters of noncash items, as we may deem appropriate.

11. Except as otherwise provided in this circular regarding coupons and other securities in cash letters, a sender should send noncash items to us with a separate collection letter different in form from a cash-item letter. The collection letter should include: (a) the sender's collection number; (b) a description of the item; (c) the name of the paying bank or nonbank payor; (d) the place of payment, maturity, and amount of the item; (e) a clear identification of any documents attached to the item; and (f) any special instructions on handling, including instructions on protest and advice of credit or nonpayment. Except as provided in paragraphs 29 and 30 of this circular regarding uniform instructions, we disregard special instructions noted on or attached to a noncash item itself if they are not supported by like instructions in the collection letter.

Indorsements

12. All noncash items (other than bonds, coupons, debentures, and similar securities) sent to us, or to another Reserve Bank direct for our account, should be indorsed: (a) without restriction to, or to the order of, the Reserve Bank to which sent, (b) to, or to the order of, any bank, banker, or trust company, or (c) with equivalent words or abbreviations. The sender's indorsement should be dated and should show its institutional identifier, if any, in prominent type on both sides of the indorsement.

13. If we receive a noncash item (other than a bond, coupon, debenture, or similar security) without the sender's indorsement, we may: (a) present or send the item as if it bore the sender's indorsement, (b) place on the item the sender's name and the date we received it, or (c) return the item to the sender for proper indorsement. We make the warranties stated in Section 210.6(b) of Regulation J by presenting or sending a noncash item (or an instrument that we handle as a noncash item under paragraph 5 of this circular) whether or not the item bears our indorsement.

Securities sent for collection

14. A sender shall separate bonds, debentures, and similar securities (other than coupons) that it sends to us for collection into the following classes, with a totaled separate letter for each class:

(a) *Country Collection Letter* — Bonds, debentures, and similar securities (other than coupons) payable outside of New York City or Buffalo; and

(b) *City Collection Letter* — Bonds, debentures, and similar securities (other than coupons) payable and presented in New York City or Buffalo.

We give credit for securities in collection letters when we receive payment in actually and finally collected funds, as provided in paragraph 23 of this circular.

15. Bonds, debentures, and similar securities (other than coupons) should be (a) sorted according to issue, (b) accompanied by the same information as accompanies coupons, and (c) listed and described on the sender's totaled collection letter in the same manner as provided for coupons in paragraph 17 of this circular.

16. We urge senders to send bonds, debentures, coupons, and similar securities that are payable by any of several paying agents direct to the Reserve Bank of the District in which the paying agent nearest the sender is located.

Coupons

17. A sender shall enclose coupons in a separate sealed window envelope for each issue, series and maturity so that the face of a coupon is visible. Envelopes should conform to our specifications. The sender should list in the space provided on the envelopes (a) the sender's and its depositor's names, (b) the sender's collection number, and (c) a brief description of the coupons enclosed, including the number of coupons, denomination value, and total dollar value. A sender should list and describe each envelope by collection number on its totaled letter and enclose a completed standard deposit ticket with each letter. Some registered mail insurance that Reserve Banks obtain may be conditioned on verification of the contents of window envelopes when the coupons are enclosed, and on the sender's retention of a description of the coupons.

18. A sender shall separate coupon envelopes into the following classes, with a totaled separate letter and a completed standard deposit ticket for each class and, as to matured coupons, for each maturity date:

(a) *Matured City Coupon Cash Letter* — Due or past due coupons payable and presented in New York City or Buffalo;

(b) *Unmatured City Coupon Cash Letter* — Coupons due in the future payable and presented in New York City or Buffalo;

(c) *Matured Country Coupon Cash Letter* — Due or past due coupons payable outside New York City or Buffalo; and

(d) *Unmatured Country Coupon Cash Letter* — Coupons due in the future payable outside New York City or Buffalo.

In this classification, maturity is determined with reference to the date of first receipt by a Reserve Bank. We give credit for coupons in cash letters, subject to payment in actually and finally collected funds, as provided in paragraph 25 of this circular.

19. We will return a coupon cash letter containing a mixture of matured and unmatured coupons. If a coupon cash letter contains a

mixture of country and city coupons, we reserve the right either to return it or to handle it as a country coupon cash letter. We will charge to the sender's account any postage, insurance, and other transportation expenses that we incur in returning such a cash letter.

20. We handle coupons contained in sealed window envelopes on a "said to contain" basis. We have no responsibility for verifying that the envelopes actually contain the coupons listed and described in the sender's collection letter or on the envelopes.

21. Before sending a coupon to us, a sender should determine whether an ownership certificate is required by law or by the issuer to be attached to the coupon.

Direct routing to other districts

22. We authorize, and may require, a sender that maintains or uses an account with us to send a noncash item payable in another District direct to the Reserve office of that District. We urge senders to send such an item direct whenever feasible. We may refuse to accept such an item from a sender that has a substantial volume of noncash items payable in another District. Under Section 210.4 of Regulation J, items sent direct are deemed to have been handled by us.

Availability of proceeds

23. We give credit for noncash items (other than bankers' acceptances and coupons) when we receive payment in actually and finally collected funds, or advice from another Reserve Bank of such payment. This credit at once qualifies as reserve for purposes of Regulation D and is available for withdrawal or other use by the sender. Credit for bankers' acceptances and coupons does not qualify as reserve and is not available for use until the time specified. We reserve the right to refuse to permit a sender to withdraw or otherwise use any credit until we receive payment in actually and finally collected funds. If payment is by bank draft or by check drawn on a bank other than the paying bank, we give credit, subject to payment in actually and finally collected funds, in accordance with the time schedules issued under our Operating Circular No. 4, "Collection of Cash Items."

24. We give credit for bankers' acceptances drawn on depositors in a Reserve Bank, subject to payment in actually and finally collected

funds, in accordance with the following schedule, if we receive the bankers' acceptances sufficiently in advance to permit us to forward them in time to reach the place of payment at least one banking day before maturity:

<u>Place Payable</u>	<u>Credit Available</u>
Reserve Bank or Branch cities	On maturity date
Elsewhere	1 banking day after maturity

25. We give credit for coupons in a coupon cash letter, subject to payment in actually and finally collected funds, in accordance with the following schedule:

For due and past due coupons, and for future due coupons that we do not receive sufficiently in advance of maturity:

<u>Place Payable</u>	<u>Credit Available</u>
Payable and presented in New York City	3 banking days after receipt
Payable and presented in Buffalo	3 banking days after receipt
Elsewhere	8 banking days after receipt

For future due coupons that we receive by the second banking day prior to maturity:

<u>Place Payable</u>	<u>Credit Available</u>
Payable and presented in New York City or Buffalo	1 banking day after maturity

For future due coupons that we receive by the sixth banking day prior to maturity:

<u>Place Payable</u>	<u>Credit Available</u>
Outside New York City or Buffalo	2 banking days after maturity

26. A member bank or other account holder must promptly advise us in writing of an objection to an entry in our statement of its account. An account holder that fails to advise us of its objection within one calendar year from the date of the entry (and any sender, collecting bank or paying bank that has used the account and has handled the item to which the entry relates) is deemed to have approved the

entry, and the statement of account is deemed finally adjusted. This paragraph does not relieve an account holder from the duty of using due diligence in examining statements of account sent to it and of notifying us immediately on discovery of an error. Further, this paragraph does not relieve a Reserve Bank from liability for breach of warranty on an item to which an entry relates.

Return of noncash items

27. A subsequent collecting bank, paying bank, or nonbank payor may not return to us for credit or refund a noncash item that has been finally paid, but may return such an item to us only on a without-entry basis (that is, with a request for credit or refund). We grant credit or refund to the subsequent collecting bank, paying bank, or nonbank payor, and charge our sender, only if the sender specifically authorizes us to do so.

Uniform instructions

28. Except as provided in paragraph 9 of this circular, we handle all noncash items subject to the instruction: "Do not hold after maturity or for convenience of payor." We disregard any contrary instruction in the collection letter or otherwise. We reserve the right, without prior notice to the sender, to recall any noncash item and return it to the sender, when we judge that the item is being held contrary to this instruction.

Instructions on protest and advice of nonpayment

29. Absent specific instructions to the contrary in the sender's collection letter, and except as provided in paragraph 30 of this circular, we handle noncash items subject to the following uniform instructions regarding protest:

(a) PROTEST a dishonored item of \$2,500 or over (except a bond, debenture, coupon, or similar security) —

(i) that appears on its face to have been drawn at a place not within a State,⁵ unless the item bears on its face the American Bankers Association no-protest symbol of a Reserve Bank or of a preceding bank indorser; or

⁵ Under Section 210.2 of Regulation J, "State" means a State of the United States, the District of Columbia, Puerto Rico, or a territory, possession or dependency of the United States.

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

(b) DO NOT PROTEST any other item.

30. DO NOT PROTEST AND DO NOT WIRE⁶ ADVICE of nonpayment of a check handled as a noncash item, regardless of amount, indorsed by or for credit to the United States Treasury, or bearing on its face or in an indorsement 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.

31. The paying bank, or if none, the subsequent collecting bank, if any, is responsible for making any required protest, except as otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between us and the paying bank or collecting bank. If there is no paying or subsequent collecting bank, we will make any necessary protest.

32. We assume no responsibility for determining whether another bank has made a protest or given a wire advice.

Requesting wire advice

33. A sender that desires wire advice of credit or of nonpayment should use the term "WIRE FATE." A wire advice-of-credit message indicates that we have posted a credit to the sender's reserve or other account. With respect to bankers' acceptances drawn on depositors in a Reserve Bank and coupons, wire advice of credit does not necessarily mean that we have received actually and finally collected funds. We assume no responsibility for any other instruction given by a sender regarding wire advice of payment or nonpayment.

Charges

34. We give wire advice of credit without charge for a noncash item or coupon cash letter of \$1,000 or over, and we make a \$1.50 service charge for giving wire advice of credit for an item or letter of less than \$1,000. We do not make any charge for wire advices of nonpayment or for messages pertaining to tracing noncash items.

⁶ For purposes of this circular, "wire" includes telephone, telegraph, cable and other forms of electronic telecommunications.

35. Except as provided in paragraph 37 of this circular, we make no charge for our services in collecting noncash items. No bank or nonbank payor may make a charge in connection with collecting or paying a bond, debenture, coupon or similar security received directly or indirectly from a Reserve Bank. We recognize that a bank acting as agent to collect any other noncash item renders a service in presenting, collecting, and paying, for which it may make a reasonable charge. When a bank makes this charge and deducts it from its payment, we give credit to the sender for the net proceeds.

36. No paying or collecting bank may make a charge in connection with collecting or paying a check that we handle as a non-cash item, unless the charge (1) reflects expenses that the bank actually incurs in collecting the check as a noncash item and that it would not have incurred if the check had been handled as a cash item, and (2) is clearly not an exchange charge or in the nature of a charge for payment. When a paying or collecting bank makes this charge and deducts it from its payment, we give credit to the sender for the net proceeds.

37. Items sent to us for collection are subject to the following charges:

- (a) Charges made by collecting or paying banks referred to in the two preceding paragraphs; and
- (b) Any of the following charges that may be made by a Reserve Bank:
 - (i) a charge for handling and collecting securities;
 - (ii) a \$0.50 per item service charge on noncash items returned unpaid and unprotested;
 - (iii) postage, insurance, express, or other transportation charges incurred in forwarding items;
 - (iv) telegraph, cable, and telephone charges; and
 - (v) protest fees.

Presentment for acceptance

38. Senders may send to us, for presentment for acceptance, a nonaccepted noncash item: (a) that provides that it must be presented for acceptance; (b) that is payable elsewhere than at the residence or place of business of the drawee; or (c) whose date of payment depends on presentment for acceptance.

(a) Senders must deposit noncash items to be presented for acceptance in a separate collection letter that states that the items are to be presented for acceptance and that sets forth any other instructions consistent with this paragraph and paragraph 39 of this circular.

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

(c) A subsequent collecting bank to which we send an item for presentment for acceptance should give us prompt notice of acceptance or refusal of the item.

(d) A Reserve Bank or subsequent collecting bank shall not upon acceptance of an item, deliver any accompanying documents to the drawee unless specifically instructed by the sender to do so.

39. We, or a subsequent collecting bank, will present the non-cash item for acceptance. If the item is not accepted, it will be returned to the sender. If it is accepted and

(a) if the item is payable 30 days or less after sight, or by its terms matures 30 days or less after we receive it, the item will be held for presentment for payment by us, by the subsequent collecting bank, or by the drawee bank; or, if the sender requests, the item will be returned to the sender; or

(b) if the item is payable more than 30 days after sight, or by its terms matures more than 30 days after we receive it, the item will be returned to the sender.

Photographic copies

40. We handle as a noncash item a correctly prepared photocopy of a lost or destroyed item that was a check or other demand item without securities, bills of lading or other documents attached and that was eligible for handling as a noncash item.

41. A correctly prepared photocopy must bear the sender's current indorsement and the following or equivalent signed legend:

This is a photocopy of the original item which we indorsed and which was reported missing or destroyed in the regular course of bank collection. We guarantee all prior and any missing indorsements and the validity of this copy. Upon payment of this copy in lieu of the original item, we agree to hold each collecting bank and the payor bank harmless from any loss suffered, if payment is stopped on the original item and it is unpaid.

42. We present or send the copy, as a noncash item, to the paying bank (or nonbank payor) named on the original item. If the paying bank (or nonbank payor) refuses to handle the copy, we will return it to the sender.

Right to amend

43. We reserve the right to amend this circular at any time.

Effect of this circular on previous circular

44. This circular supersedes our Operating Circular No. 8, Revised effective January 1, 1975, and the First through Eighth Supplements thereto, dated May 15, 1975, October 1, 1975, February 2, 1976, April 1, 1976, May 13, 1977, July 11, 1977, March 28, 1978, and October 9, 1979.

ANTHONY M. SOLOMON,
President.

APPENDIX A

PAYMENT VOUCHERS ON LETTERS OF CREDIT

1. We handle payment vouchers on letters of credit for Government grants and contributions as noncash items under an agreement between the Secretary of the Treasury and the Federal Reserve Banks as depositaries and fiscal agents of the United States.

2. We pay vouchers as fiscal agents of the United States by giving credit to the sender's reserve or other account. The credit becomes final as between us and the sender when we debit the amount of the payment vouchers against the general account of the United States Treasury under symbol numbers assigned by it.

3. If we do not pay a payment voucher, we promptly advise the sender by wire at the expense of the Treasury, and forward the voucher, and any copy of it that may accompany it, to the Treasury Department with advice of the reason for nonpayment. We have no further obligation or liability regarding the payment voucher.

4. The agreement between the Secretary of the Treasury and the Reserve Banks provides that: (a) no claim for refund or otherwise with respect to a payment voucher debited against the general account of the United States Treasury (other than a claim based on a Reserve Bank's negligence) may be made against or through a Reserve Bank; (b) the Federal agency will deal directly with the party against which the claim is made; and (c) any Reserve Bank indorsement or legend containing the words "prior indorsement guaranteed" or words of similar import will have no effect except to identify the voucher as having been received by the Reserve Bank.

APPENDIX B
COUPONS RECEIVED FOR PAYMENT

1. When we receive for collection coupons from obligations of the United States and its agencies and instrumentalities and of the International Bank for Reconstruction and Development and the Inter-American Development Bank, we pay them as fiscal agent of the obligor.

2. Senders should list coupons on schedules and enclose them in envelopes showing the name of the sender, as follows:

(a) Coupons from obligations of the United States should be enclosed in separate envelopes according to current or uncurrent interest due dates and denomination. Coupons are current only if they bear interest due dates of February 15, March 15, May 15, June 15, August 15, September 15, November 15, or December 15, and if they are presented for payment on or before the interest due date, or before the next interest due date. For example, a coupon that bears an interest due date of August 15 and that is presented by September 14 in the same year, should be classified as current. All other coupons are considered as bearing uncurrent interest due dates.

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

We furnish on request envelopes and schedules to be used for coupons.

3. Senders should, when required by law, attach certificate forms obtained from the nearest District Director of Internal Revenue to coupons from obligations of the United States and its agencies and instrumentalities that are sent to us for collection. We receive, from senders that maintain or use accounts with another Reserve Bank, coupons from obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank, for payment for the account of the other Reserve Bank, if the coupons are listed on separate schedules and enclosed, according to issue and denomination, in envelopes showing the name of the sender.

4. We give immediate credit in the sender's reserve or other account, subject to final payment, for due or past due coupons that are listed in a separate totaled letter and are received by us by 3:00 p.m. on our banking day.

APPENDIX C
PAYMENT FOR COUPONS

1. This Bank presents or forwards for presentment coupons payable in the second Federal Reserve District under Regulation J, our Operating Circular No. 6, and this Appendix C. As used in this Appendix C, unless the context otherwise requires, "payor" means a member bank, nonmember bank, or nonbank payor of a coupon.

Method of payment

2. A depository institution that maintains an account with this Bank agrees to these terms by executing an Account Holder's Coupon Agreement attached as Appendix C-1. If the charge is not to be posted to the payor's account on this Bank's books, but instead to the account of another depository institution ("Correspondent"), the payor and its Correspondent agree to these terms by executing a Non-Account Holder Coupon Agreement and Correspondent Authorization attached as Appendix C-2. Under those agreements, we may charge to an account on our books the amount of coupons presented or forwarded for presentment by us. Alternatively, payors may pay in cash. In addition, we will continue to accept payment for coupons we send to the New York Clearing House Association based on a due bill signed by members of the Association.

Time of payment

3. A coupon shall be paid on the "payment date," unless it is presented with special payment instructions. A coupon presented with special payment instructions shall be paid in accordance with those instructions. The "payment date" is the later of the banking day following the banking day a coupon is presented to the payor or the banking day following the maturity date of the coupon. For a coupon delivered through the mails, however, the payment date is the third banking day following the banking day that the coupon was mailed to the payor, subject to the modifications of the next two sentences. If the coupon reaches the payor before its close of business hours two business days prior to the payment date, the payor shall promptly telephone the Coupon Division at the Head Office for coupons received from that office, or the Collection, Loans, and Fiscal Agency Division at the Buffalo Branch for coupons received from the branch, and we will designate a payment date pursuant to the rule in the third sentence of this paragraph. If a coupon reaches the payor after the close of business on the banking day prior to the payment date,

the payor will promptly telephone the Coupon Division at the Head Office for coupons received from that office, or the Collection, Loans, and Fiscal Agency Division at the Buffalo Branch for coupons received from the branch, to establish a new later payment date. We review registered mail return receipts to ensure that payment is being made at the proper time.

Time for return

4. In order to receive a refund for a charge made to an account on our books, the payor must return the coupon by the close of the payor's banking day on the payment date. We will give credit on the banking day we receive the unpaid coupon if we receive it during our business hours. If we receive it after our business hours, we will give credit on our next following banking day.

Payment

5. On the payment date, we will charge to the payor's or Correspondent's account on our books the amount of coupons payable on the payment date. We will provide each payor and/or Correspondent with a daily advice of all debits, credits, and adjustment entries made to its account on our books for coupons presented to it. The payor or Correspondent should examine the advice promptly, and notify us immediately of any discrepancies between the advice and its records. We will then make any appropriate adjustments, including "as of" adjustments for reserve accounting purposes, to the account charged.

Termination

6. We may revoke an authorization under this Appendix C at any time by prior written notification to a payor or its Correspondent. The revocation shall be effective when received by the Correspondent or by the payor. A payor or a Correspondent may revoke an authorization under this Appendix C by prior written notification. The revocation shall be effective when received by the Coupon Division at the Head Office from a payor in the Head Office territory, or by the Collection, Loans, and Fiscal Agency Division at the Buffalo Branch from a payor in the Buffalo Branch territory. Termination shall not affect our right to make any charge or credit required by, or incidental to, any transaction before the termination is effective.

Right to amend

7. We reserve the right to withdraw, add to, or amend any portion of this Appendix upon seven calendar days' prior notice to each payor or Correspondent that has agreed to its provisions.

FEDERAL RESERVE BANK
OF NEW YORK

Appendix B to
Operating Circular No. 8
Effective November 13, 1980

SCHEDULE OF CHARGES

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

This Bank has established the following schedule of charges for wire transfers of funds handled by this Bank, effective November 13, 1980:

Transfers of funds of \$1,000 or over	No charge
Transfers of funds of less than \$1,000	\$1.50

There shall, however, be no charge for transfers of funds made by a Federal Reserve Bank or by the Federal government.

ANTHONY M. SOLOMON,
President.

[Enc. Cir. No. 8954]