

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9094]
June 19, 1981

Cross-Zone Presentment of Cash Items

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

Enclosed is the First Supplement, effective June 18, 1981, to this Bank's Operating Circular No. 4, "Collection of Cash Items." The Supplement adds provisions governing the cross-zone presentment of cash items and restores a footnote that had previously been a part of Operating Circular No. 4.

Cross-Zone Presentment

This Bank currently may present items to a payor depository institution at a location other than the premises of the institution if the off-premises location is within the same Reserve office territory as the institution. This existing policy is reflected in a new paragraph, paragraph 23A, of Operating Circular No. 4.

In addition, the Supplement amends the Circular and its Appendices to implement the new Federal Reserve policy on cross-zone presentment. This policy applies when a payor depository institution requests that a Reserve Bank present items to a location outside the Office territory in which the institution is located. For example, if a depository institution in our Utica Office territory asks that we present items drawn on that institution to a processor in the Head Office territory, the cross-zone presentment policy would apply.

Under this policy, this Bank attempts to provide transportation of cross-zone items so that the items are presented outside the territory on the same day that the items would have been presented within the territory. This transportation is arranged at the expense and risk of the payor depository institution. From time to time transportation of these cross-zone items may be interrupted by such things as a delayed air carrier flight or missed connection. In such cases, the items are deemed to have been presented when they are made available at this Bank's Office for shipment. Charges that this Bank collects from the payor institution for cross-zone presentment are in addition to, and will not be superseded by, any charges that we will make to the sender when this Bank begins charging for its check collection services, currently scheduled for August 1, 1981.

If this Bank is unable to arrange transportation that would result in presentment outside the territory on the same day that presentment would have occurred within the territory, we will assist the payor institution in arranging transportation. For these items, presentment is deemed to occur when this Bank makes the items available to the payor institution at our Office, and the time period for return items commences at that time. New paragraph 23B of Operating Circular No. 4 reflects our policy on cross-zone presentment of items.

A payor depository institution that seeks cross-zone presentment of items should agree to the terms of the "Immediate Settlement Agreement," and the "Intercept Agreement," contained in Appendices D and E to our Operating Circular No. 4. The Supplement amends Appendices D and E. Under the amendments, the payor institution agrees to reimburse this Bank for expenses attributable to cross-zone presentment and agrees to assume the risk of loss or damage

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to the items during the increased handling or transportation required by cross-zone presentment.

Footnote

The footnote that is being restored to the Operating Circular is footnote 3a to paragraph 13. It provides that this Bank is not responsible for cash items lost or destroyed in transit or for any loss or expense arising from the loss or destruction.

Inquiries

If you have any questions regarding the foregoing procedures, please contact:

At the Head Office—

Janet L. Wynn, Operations Analysis Officer
Check Processing Department
(Tel. No. 212-791-6551)

At the Buffalo Branch—

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

At the Cranford Office—

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

At the Jericho Office—

Joseph M. O'Connell, Regional Manager
(Tel. No. 516-997-4569)

At the Utica Office—

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

ANTHONY M. SOLOMON,
President

FEDERAL RESERVE BANK
OF NEW YORK

First Supplement to
Operating Circular No. 4
(Revised effective November 13, 1980)
Effective June 18, 1981.

COLLECTION OF CASH ITEMS

Cross-Zone Presentment

*To All Depository Institutions in the
Second Federal Reserve District:*

Operating Circular No. 4 is amended as follows:

1. Paragraph 11 is amended by deleting the third sentence thereof.
As amended, paragraph 11 reads as follows:

11. We do not by this operating circular, or otherwise, agree to present, or cause presentment of, an item earlier than is required by State law. We have no responsibility for giving notice to senders of anticipated delays in presentment, or return of cash items, unless the delay is expected to involve at least ten paying banks and at least three banking days. We reserve the right to return without presentment an instrument payable by or through a bank that is designated in the Board's "Memorandum on Exchange Charges" or that has been reported closed.

2. Paragraph 13 is amended by adding at the end a new footnote 3a, to read as follows:

3a. If a cash item is lost or destroyed while in transit, we do not indemnify the sender or any prior party for costs incurred or expenses sustained in identifying the item, reconstructing it, or obtaining a substitute item and processing it for collection, or for any other loss or expense arising from the loss or destruction.

3. New paragraphs 23A and 23B are added following paragraph 23, to read as follows:

Delivery and presentment

23A. A paying bank that wants delivery and presentment of cash items to be made at an off-premise location in the same Reserve office territory in which the paying bank is located may submit a request to us in accordance with Appendix E to this Circular. A paying bank may also pick up cash items at this Bank by arrangement with us. The person to whom delivery is made as requested or who picks up the items is considered to be the paying bank's agent. Delivery and presentment of the items occur at the time the items are delivered to the off-premise location or are made available for pick-up as arranged. Cash items delivered to or picked up by a person other than the paying bank may be commingled with other cash items delivered to or picked up by that other person.

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23B. A paying bank that wants delivery and presentment of cash items to be made at an off-premise location in a different Reserve office territory from that in which the paying bank is located may submit a request to us in accordance with the provisions of Appendix E to this Circular relating to cross-zone presentment. In appropriate cases, we attempt to arrange, at the paying bank's expense, transportation to the out-of-territory location that ensures presentment, in the ordinary course, on the same banking day that presentment would have been made within the territory where the paying bank is located ("same-day delivery").

- (a) If we arrange same-day delivery, delivery and presentment to the paying bank occur when the items are delivered to the out-of-territory location as requested, or when the items are shipped, if scheduled transportation is cancelled or rescheduled and we do not arrange alternate same-day delivery.
- (b) If we do not arrange same-day delivery, the paying bank may arrange for transportation of the items to the out-of-territory location, and delivery and presentment to the paying bank is considered to occur when we make the items available for shipment as requested.

The person to whom same-day delivery is made, or who receives the items for shipment if we do not arrange same-day delivery, is considered to be the paying bank's agent. Items delivered or shipped as requested by the paying bank may be commingled with other cash items delivered or shipped to the same person out-of-territory.

4. Appendix D is amended by adding the following paragraph at the end of Section B ("*Immediate Settlement Agreement*"):

11. The paying bank agrees to reimburse Reserve Bank for the expenses Reserve Bank incurs attributable to cross-zone presentment of items to the paying bank.

5. Paragraph 2 of Appendix E is amended by adding at the end of that paragraph the following sentence:

For a cash item handled under the Federal Reserve cross-zone presentment policy, loss of or damage to the item during delivery required to effect cross-zone presentment, including any handling or transportation between offices of Reserve Bank, shall also be at the risk of the paying bank.

ANTHONY M. SOLOMON,
President.