

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **9133**
August 25, 1981]

CHECK COLLECTION
— Amendment to Regulation J
— Implementation of Access to and Pricing of This Bank's Services

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

In accordance with the Monetary Control Act of 1980, the Federal Reserve System made its check collection services available to all depository institutions and began charging for the use of such services on August 1, 1981. Enclosed is the text of an amendment to Subpart A of Regulation J, "Collection of Checks and Other Items and Transfer of Funds," of the Board of Governors of the Federal Reserve System, implementing that action. Also enclosed is the Second Supplement to this Bank's Operating Circular No. 4 on the "Collection of Cash Items," and Appendix H to that operating circular setting forth our schedule of charges for check collection services. Together, these documents implement the pricing of and expanded access to our check collection services.

The amendment to Regulation J redefines the terms "sender" and "bank" so that each term includes "depository institutions" as defined in section 19(b) of the Federal Reserve Act, as amended by the Monetary Control Act.

A description of our check collection services was included in our Circular No. 9046, dated April 2, 1981. A copy of that circular will be furnished upon request directed to our Circulars Division.

If you have any questions regarding our new access or pricing policies, or want to obtain additional information on that subject, please feel free to contact any of the following officers of this Bank:

At the Head Office —

John F. Sobala, Assistant Vice President (Tel. No. 212-791-5997)

At our Cranford Office —

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

At our Jericho Office —

Joseph M. O'Connell, Regional Manager (Tel. No. 516-997-4500)

At our Utica Office —

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

At our Buffalo Branch —

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

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[Second Supplement to
Operating Circular No. 4
(Revised effective November 13, 1980)
Effective August 12, 1981]

COLLECTION OF CASH ITEMS

Access and Pricing

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

Operating Circular No. 4 is amended as follows:

1. The following sentence is added to the end of paragraph 17:
Senders that by arrangement deliver cash items payable in other Districts to us or to another designated location for consolidated shipment are requested to notify us prior to making any change in that arrangement.
2. Paragraphs 18, 19 and 20 are deleted.
3. Paragraph 46 and its heading are amended to read as follows:

Charges

46. Our Schedule of Prices (Appendix H to this operating circular) shows the prices at which we offer our various cash item collection services. We may make the charge to the account maintained or used by the sender or other bank requesting the service.

ANTHONY M. SOLOMON,
President.

[Enc. Cir. No. 9133]

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix H to
Operating Circular No. 4**
 Effective August 1, 1981

SCHEDULE OF PRICES

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

1. We offer cash item collection services at the prices indicated in the following schedules. The charges are expressed in cents per item and are charged to the account maintained or used by the institution that sends the item to this Bank.

Mixed and Other Fed cash letters

2. We accept mixed and other Fed cash letters at each designated office only from an institution located in the territory served by that office.

Sent To:

Federal Reserve Office	Mixed Cash Letters	Other Fed Cash Letters	Non-Machineable
	<i>(cents per item)</i>	<i>(cents per item)</i>	<i>(cents per item)</i>
Head Office	2.87	5.30	9.04
Buffalo	} 1.66	} 3.99	} 6.08
Jericho			
Cranford			
Utica			

Other cash letters

3. Other cash letters are accepted at the collecting Federal Reserve office from an institution located in any Federal Reserve office territory. If the items are sent by consolidated shipment, a surcharge of 0.64 cents per item is added for each item for the use of Federal Reserve transportation.

Sent To:

Federal Reserve Office	City	County or RCPC	Package Sort	Group Sort	Non-Machineable
	(cents per item)	(cents per item)	(cents per item)	(cents per item)	(cents per item)
Boston	} 1.60	1.81	0.42	1.65	5.54
Lewiston					
Windsor Locks					
New York	2.74	2.87	0.47	—	9.04
Buffalo	} 1.51	1.66	0.79	1.46	6.08
Jericho					
Cranford					
Utica					
Philadelphia	1.79	2.30	0.87	1.98	5.33
Cleveland	} 1.48	1.92	0.82	—	5.12
Cincinnati					
Pittsburgh					
Columbus					
Richmond	1.39	1.85	0.67	—	5.54
Baltimore	1.67	1.97	0.63	—	5.86
Charlotte	1.29	1.50	0.49	—	5.24
Columbia	1.37	1.52	0.44	—	4.68
Charleston	1.40	1.75	0.52	—	5.30
Atlanta	} 1.46	1.86	0.98	—	6.13
Birmingham					
Jacksonville					
Nashville					
New Orleans					
Miami					
Chicago	2.36	2.94	0.94	—	6.29
Detroit	1.46	1.57	0.56	—	3.97
Des Moines	1.65	1.99	0.73	—	5.88
Indianapolis	1.24	1.50	0.48	—	3.23
Milwaukee	1.41	1.82	0.61	—	3.59
St. Louis	} 2.06	2.51	0.78	—	5.09
Little Rock					
Louisville					
Memphis					
Minneapolis	} 1.80	2.22	0.62	2.10	5.60
Helena					

Sent To:

Federal Reserve Office	City	County or RCPC	Package Sort	Group Sort	Non-Machineable
	<i>(cents per item)</i>	<i>(cents per item)</i>	<i>(cents per item)</i>	<i>(cents per item)</i>	<i>(cents per item)</i>
Kansas City	2.12	2.80	0.45	0.89	7.55
Denver	1.24	1.63	0.72	—	7.98
Oklahoma City	1.52	1.90	0.67	—	6.94
Omaha	1.27	1.76	0.46	—	6.26
Dallas Houston San Antonio El Paso	} 1.74	2.22	0.80	1.64	7.19
San Francisco Los Angeles Portland Salt Lake City Seattle	} 1.54	1.71	0.58	—	7.99

4. We reserve the right to amend this Appendix at any time.

ANTHONY M. SOLOMON,
President.

Board of Governors of the Federal Reserve System

**COLLECTION OF CHECKS AND OTHER ITEMS
AND TRANSFER OF FUNDS**

AMENDMENT TO REGULATION J

(effective August 12, 1981)

[Docket No. R-0357]

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final rule.

SUMMARY: The Board has amended Subpart A of Regulation J, governing the collection of checks and other items by Reserve Banks, to implement the Monetary Control Act of 1980. This amendment redefines the terms "sender" and "bank" so that each term includes "depository institutions" as defined in section 19(b) of the Federal Reserve Act, as amended by the Monetary Control Act.

EFFECTIVE DATE: August 12, 1981.

FOR FURTHER INFORMATION CONTACT: Lee S. Adams, Senior Counsel (202/452-3623), or Joseph R. Alexander, Attorney (202/452-2489), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980, Title I of Pub. L. No. 96-221, 94 Stat. 132, expands access to Reserve Bank check collection services to all depository institutions. The Board is amending Subpart A of Regulation J to bring this regulation into conformance with this expanded access by broadening the definition of "sender" in Subpart A to include a depository institution as defined in section 19(b) of the Federal Reserve Act.

The amendment also defines the term "bank" to include a depository institution as defined in section 19(b). The Consumer Checking Account Equity Act of 1980, Title III of Pub. L. No. 94-221, 94 Stat. 145, authorized depository institutions (as defined in 12 U.S.C. § 1832(b)) to offer NOW accounts and credit unions to offer share draft accounts beginning December 31, 1980. The Board believes depository institutions (including credit unions) should be considered "banks" (at least to the extent that they offer third-party payment accounts equivalent to checking accounts), for purposes of Article 4 of the Uniform Commercial Code ("U.C.C.") and Subpart A of Regulation J.

The Board issued this amendment (along with several other amendments to Subpart A) for comment on April 27, 1981. The majority of those commenting on the proposals favored adopting this amendment. Some commentators did express concern that defining nonbank depository institutions (such as credit unions and savings and loan associations) as banks could foster public confusion regarding the differences between these institutions and commercial banks. Several comments, while favoring approval of the amendment, urged the Board to take steps to insure that the identification of nonbank depository institutions as banks be strictly limited to the cash item collection field.

The Board has considered these comments and has decided to adopt the amendments as proposed. Subpart A follows very closely the provisions of the U.C.C. and the Board believes that where possible the terminology used should be the same. Under the U.C.C., nonbank payors must pay or dishonor an instrument before the close of business on the day presentment is made. U.C.C. § 3-506(2). Payor banks, however, are given deferred posting rights by Article 4 of the U.C.C. The Board believes that the best way to implement the congressional intent that nonmember institutions be given access to Federal Reserve services on the same basis as member banks is to amend Regulation J to insure that nonmember institutions be accorded deferred posting and other rights and responsibilities associated with check clearing operations under Article 4. To avoid confusion between Article 4 and Subpart A, the Board has defined nonbank depository institutions as banks for purposes of Regulation J. With this action, however, the Board does not mean to suggest that there are no longer any differences between banks and nonbank depository institutions, and the Board does not intend by this amendment to affect any other laws or regulations which establish distinctions among the various types of depository institutions.

Final Regulatory Flexibility Act Analysis

The Board has considered the requirements imposed by the Regulatory Flexibility Act, 5 U.S.C. §§ 601-612, with respect to the impact of the rulemaking on small financial institutions. The Board does not believe that the amended rule will impose additional reporting, recordkeeping, or other compliance burdens on such small businesses, and consequently the Board need not consider alternatives to the rule that would minimize its impact on small businesses. Finally, no other federal regulations duplicate, overlap, or conflict with the amended Regulation J.

Pursuant to its authority under section 13 of the Federal Reserve Act, as amended, 12 U.S.C. § 342; section 16 of the Federal Reserve Act, 12 U.S.C. §§ 248(o), 360; and section 11(i) of the Federal Reserve Act, 12 U.S.C. § 248(i), the Board hereby amends Regulation J (12 C.F.R. pt. 210) as follows:

In section 210.2, new paragraph (b) is added, and existing paragraphs (b) through (k) are redesignated paragraphs (c) through (l) and revised to read as follows:

SECTION 210.2--DEFINITIONS

As used in this subpart, unless the context otherwise requires:

* * * * *

- (b) "Bank" includes a depository institution as defined in section 19 of the Federal Reserve Act (12 U.S.C. § 461(b)).
- (c) "Bank draft" means a check drawn by one bank on another bank.
- (d) "Banking day" means a day during which a bank is open to the public for carrying on substantially all its banking functions.
- (e) "Cash item" means:
 - (1) a check other than one classified as a noncash item under this section; or
 - (2) any other item payable on demand and collectible at par that the Reserve Bank of the District in which the item is payable is willing to accept as a cash item.
- (f) "Check" means a draft, as defined in the Uniform Commercial Code, that is drawn on a bank and payable on demand.
- (g) "Item" means an instrument for the payment of money, whether negotiable or not, that is:
 - (1) payable in a Federal Reserve District^{1/} ("District");
 - (2) sent by a sender to a Reserve Bank for handling under this subpart; and

^{1/} For purposes of this subpart, the Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam and American Samoa in the Twelfth District.

(3) collectible in funds acceptable to the Reserve Bank of the District in which the instrument is payable.

Unless otherwise indicated, "item" includes both cash and noncash items. "Item" does not include a check that cannot be collected at par,^{2/} or an "item" as defined in section 210.26 that is handled under subpart B.

- (h) "Nonbank payor" means a payor of an item, other than a bank.
- (i) "Noncash item" means an item that a receiving Reserve Bank classifies in its operating circulars as requiring special handling. The term also means an item normally received as a cash item if a Reserve Bank decides that special conditions require that it handle the item as a noncash item.
- (j) "Paying bank" means:
- (1) the bank by which an item is payable, unless the item is payable or collectible through another bank and is sent to the other bank for payment or collection; or
 - (2) the bank through which an item is payable or collectible and to which it is sent for payment or collection.
- (k) "Sender" means any of the following that sends an item to a Reserve Bank: a depository institution, a clearing institution, another Reserve Bank, an international organization, a foreign correspondent, or a branch or agency of a foreign bank maintaining reserves under section 7 of the International Banking Act of 1978 (12 U.S.C. §§ 347d, 3105).
- (1) "Depository institution" means a depository institution as defined in section 19(b) of the Federal Reserve Act. (12 U.S.C. § 461(b))

^{2/} The Board publishes a "Memorandum on Exchange Charges," listing the banks that would impose exchange charges on cash items and other checks forwarded by Reserve Banks and therefore would not pay at par.

(2) "clearing institution" means:

- (i) an institution that is not a depository institution, but maintains with a Reserve Bank the balance referred to in the first paragraph of section 13 of the Federal Reserve Act (12 U.S.C. § 342); or
- (ii) a corporation that maintains an account with a Reserve Bank in conformity with section 211.4 of this chapter (Regulation K).

(3) "International Organization" means an international organization for which a Reserve Bank is empowered to act as depository or fiscal agent and maintains an account.

(4) "Foreign correspondent" means any of the following for which a Reserve Bank maintains an account: a foreign bank or banker, a foreign state as defined in section 25(b) of the Federal Reserve Act (12 U.S.C. § 632), or a foreign correspondent or agency referred to in section 14(e) of that Act (12 U.S.C. § 358).

(1) "State" means a State of the United States, the District of Columbia, Puerto Rico, or a territory, possession, or dependency of the United States.

By order of the Board of Governors August 13, 1981.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]