

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9477]
April 1, 1983]

FEDERAL RESERVE CHECK SERVICES

New Magnetic Tape Service

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

Enclosed is a copy of this Bank's Appendix I, entitled "Magnetic Tape Service," to Operating Circular No. 4.

The Appendix sets forth the terms under which this Bank will provide an information service to facilitate the payment of certain cash items. Purchasers of this new service will receive a magnetic tape containing the MICR line data from cash items that are payable by, at, or through their institution or the correspondents for which they handle cash items.

If you have any questions about this new service, please contact one of the individuals listed below:

At our Head Office –

Fred A. Denesevich, Regional Manager (Tel. No. 212-791-6838)

At our Buffalo Branch –

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

At our Cranford Office –

Whitney R. Irwin, Regional Manager (Tel. No. 201-272-9000)

At our Jericho Office –

Louis J. Brendel, Regional Manager (Tel. 516-997-4500)

At our Utica Office –

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

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix I to
Operating Circular No. 4
(Revised effective November 13, 1980)**

Effective April 1, 1983

MAGNETIC TAPE SERVICE

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

1. This Appendix to Operating Circular No. 4 contains the terms under which this Bank will provide an information service that will facilitate the payment of machineable cash items by Second Federal Reserve District paying banks and processors of cash items. Depository institutions or processors that purchase this service will receive, in addition to cash items that are payable by, at, or through their institution or the correspondents for which they handle cash items, a magnetic tape containing MICR line data from such cash items. This service will be available to a depository institution or processor only after it executes and delivers to us a Magnetic Tape Purchaser's Agreement in the form specified in the Exhibit to this Appendix.

Definitions

2. As used in this Appendix:

- (a) "Captured cash letter" means a cash letter containing cash items whose MICR lines have been recorded on a specific tape.
- (b) "Cash item" is an item specified in paragraph 4 of our Operating Circular No. 4.
- (c) "Dedicated tape" means a tape that is not accompanied by a cash letter but that indicates that the information contained within it has been taken from a specified cash letter.
- (d) "Machineable" describes an item that is MICR computer acceptable.

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(e) "Tape" means magnetic electronic image tape that will capture fully preprinted and post-encoded MICR line information, including the paying bank's or nonbank payor's Federal Reserve routing symbol, institutional identifier, and dollar amount of the item, from all machineable cash items within one or more given cash letters, and, in addition, will indicate the sequence in which cash items appear in a given cash letter.

(f) "Receiver" means the depository institution or processor that receives a tape from this Bank.

(g) "Validation program" means a computer software package that is designed to insure that debits and credits are being made to the appropriate customer's account, in the correct amounts. Such a program would also identify misroutings or misencodings, and would list such items so that they could be timely returned by the receiver.

Price

3. A depository institution or processor purchasing tape from this Bank will be charged according to our listed rates. By agreeing to purchase this service, a depository institution or processor authorizes this Bank to charge its account or will submit to the Bank authorization to charge the account of its correspondent.

Delivery

4. Tape will be delivered to a receiver at the same time as the captured cash letter unless the tape is dedicated tape. This Bank will not be liable for any loss resulting from any delay in delivery due to causes that are beyond the control of this Bank.

5. Dedicated tape may be delivered to a receiver at a time earlier or later than the time a captured cash letter is delivered, but no later than 2:00 p.m. of the day on which such a captured cash letter is delivered. Both tape and dedicated tape will be delivered to the location where cash items are delivered, unless the Bank is otherwise directed in the Magnetic Tape Purchaser's Agreement, in which case there shall be an additional transportation charge.

6. The decision whether tape shall be dedicated will be mutually agreed to by this Bank and the receiver.

Status

7. In preparing the tape, this Bank will act as an independent contractor of the receiver.

Responsibilities of the receiver

8. Before purchasing tape, the receiver is expected to be completely familiar with the specifications of the tape and with the information that is recorded on it. These specifications are available from the Check Processing Department of the office of this Bank serving the receiver. The parties agree that the receiver is in the best position to evaluate the capability of its system, and to determine whether the tape will perform on its system in accordance with applicable specifications.

9. This magnetic tape service is rendered on the understanding that the receiver will have in place its own validation program. The development of this program and its operation is the sole responsibility of the receiver.

Machineability

10. The decision whether a particular cash item is machineable is a decision committed to the discretion of this Bank. This Bank agrees that it will exercise this discretion in good faith.

11. Information from the MICR line of non-machineable cash items will not be captured on the tape, but these items will nonetheless be delivered physically to the receiver. The receiver is expected to have the resources needed to handle such non-machineable items.

In-transit loss

12. This Bank will not be responsible for the loss of a tape, or the information contained within a tape, if such a loss occurs while the tape is in transit to the receiver, or if such a loss is caused by circumstances beyond this Bank's control.

Warranty

13. This Bank shall not be liable for any error, omission, or inaccuracy in the tape or in the information contained within the tape, nor shall it be liable for any error, omission, malfunction, or inaccuracy caused by the equipment used to process the tape. *This Bank disclaims all express or implied warranties with respect to the tape, including, without limitation, warranties of merchantability and fitness.*

Term

14. This Bank will provide tape to a depository institution or processor within 15 business days after this Bank receives the Magnetic Tape Purchaser's Agreement, unless a shorter period is mutually agreed to in writing by this Bank and the receiver. Either this Bank or the receiver may terminate the Magnetic Tape Purchaser's Agreement on 30 days' prior written notice. Termination will become effective 30 calendar days after the date the notice is postmarked.

Exclusive use

15. Information contained within the tape is for the sole use of the receiver, and such information may not be disclosed to any third party except the paying bank, nonbank payor, or drawee of the relevant item, unless disclosure is required by law or the prior written consent of this Bank has been obtained.

General

16. The Magnetic Tape Purchaser's Agreement is not assignable by either this Bank or the receiver, without the prior written consent of the other.

17. The Magnetic Tape Purchaser's Agreement and this Appendix contain the entire understanding between this Bank and the receiver. Any representation, promise, modification, or amendment shall not be binding upon either party unless reduced to a writing that is signed by an authorized representative of both parties.

18. This Bank reserves the right to amend this Appendix at any time but will endeavor to give 14 calendar days' prior written notice of any amendments.

ANTHONY M. SOLOMON,
President.

EXHIBIT

MAGNETIC TAPE SERVICE AGREEMENT

[Letterhead of Depository Institution]

[Date]

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

or

[Buffalo Branch
Federal Reserve Bank
of New York
P.O. Box 961
Buffalo, New York 14240]

or

[Cranford Office
Federal Reserve Bank
of New York
Two Jackson Drive
Cranford, New Jersey 07016]

or

[Jericho Office
Federal Reserve Bank
of New York
113 South Service Road
Jericho, New York 11753]

or

[Utica Office
Federal Reserve Bank
of New York
Oneida County Airport
Oriskany, New York 13424]

Attention: Check Processing Department
Gentlemen:

We hereby agree to the terms of the Magnetic Tape Service set forth in Appendix I to your Operating Circular No. 4. We authorize you to charge or credit our account on your books and to make other appropriate adjustments in connection with our acquisition of the service set forth in that Appendix.

[The tape shall be delivered to,
and the receiver shall pay a delivery charge of \$..... per
delivery.]*

[Name of Institution]

By:
Authorized Signature(s)

* Strike if inapplicable. Cf. Appendix I, ¶ 5.