

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9543]
[August 25, 1983]

NEW INTERTERRITORY RETURN ITEM PROCEDURES

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

In our Circular No. 9494, dated May 12, 1983, we advised depository institutions in this District of the approval by the Board of Governors of the Federal Reserve System of procedures designed to eliminate or price the remaining categories of Federal Reserve check float, as prescribed by the Monetary Control Act of 1980. With regard to the Board's action, institutions were advised that Reserve Banks would revise the availability for interterritory return items, effective August 1, 1983.

Enclosed is a copy of the Sixth Supplement to our Operating Circular No. 4, Revised effective November 13, 1980, reflecting appropriate changes to our agreements with respect to availability for return items, as required by the Board's May 3 Order. Accordingly, credit for return item cash letters deposited at the Head Office of this Bank, including our Cranford, Jericho, and Utica Offices, and at our Buffalo Branch, are deferred for one day if *intraterritory* and *interterritory* return items are deposited as a single return item cash letter. The one-day deferral of credit on *intraterritory* return items may be avoided by separately sorting all or some of those items from *interterritory* returns.

Questions regarding these new return item procedures may be directed to the following:

At our Head Office

Donald R. Moore, Manager, Check Processing Department (Tel. No. 212-791-5346)

At our Cranford Office

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

At our Jericho Office

Louis J. Brendel, Regional Manager (Tel. No. 516-997-4500)

At our Utica Office

Harry Curth, Regional Manager (Tel. No. 315-736-8321)

At our Buffalo Branch

David P. Schwarzmuller, Operations Officer (Tel. No. 716-849-5018)

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

Sixth Supplement to
Operating Circular No. 4
(Revised effective November 13, 1980)
Effective August 1, 1983

COLLECTION OF CASH ITEMS

Availability for Returned Items

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

Operating Circular No. 4 has been amended as follows:

1. Paragraph B. 4. of Appendix D, entitled "Immediate Settlement Agreement and Correspondent Authorization" is amended to read as follows:

B. Immediate Settlement Agreement

* * *

4. (a) All unpaid cash items returned by the paying bank must be accompanied by a separate return item cash letter form for credit to the paying bank's, or its Correspondent's, account. The paying bank may separately return interterritory and intraterritory return items. The paying bank may also return, without entry, a cash item that it has paid hereunder, but which it has not returned within the time limits necessary to revoke a provisional settlement. This Bank handles such an item under the terms of its operating circulars. The Second Federal Reserve District comprises: (1) the territory served by the Head Office of this Bank, including our Cranford, Jericho, and Utica Offices; and (2) the territory served by our Buffalo Branch. An *intraterritory* return item is an item to be returned by an office of Reserve Bank to its sender located anywhere in the same territory. An item to be returned anywhere else is an *interterritory* return item.

(b) *Items returned to Head Office or to Cranford, Jericho, or Utica Offices.* Reserve Bank gives credit on Reserve Bank's next following banking day for items in a cash letter containing only intraterritory return items, if the items are received prior to 12:00 midnight of a banking day for Reserve Bank. Reserve Bank gives credit on Reserve Bank's second banking day following receipt for items in a cash letter containing any interterritory return items, if the items are received prior to 12:00 midnight of a banking day for Reserve Bank. Items in a cash letter containing any interterritory return items

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received at the Head Office on Friday prior to 12:00 noon, however, are credited on Reserve Bank's next following banking day.

(c) *Items returned to the Buffalo Branch.* Reserve Bank gives credit for items in a cash letter containing only intraterritory return items on the day of receipt if the items are received prior to 12:00 noon of a banking day for Reserve Bank. Reserve Bank gives credit for items in a cash letter containing any interterritory return items on Reserve Bank's next following banking day if the items are received prior to 12:00 noon of a banking day for Reserve Bank.

2. Appendix F, entitled "Manhattan, Bronx and Brooklyn ("MB&B") Collection Arrangement," is amended by revising paragraphs 4, 5 and 6 of the Paying Bank Agreement to read as follows:

4. Items presented to the paying bank hereunder may be returned unpaid only if they have been sorted, packaged, and listed as hereinafter provided and are returned to Reserve Bank within the periods prescribed by this paragraph.

(a) Missent or ineligible items and demand notes may be returned not later than 12:00 midnight of the day of presentment, provided that as to demand notes the paying bank has advised Reserve Bank by telephone not later than 3:00 p.m. of that day that such items are to be returned.

(b) A cash item drawn by the paying bank on itself to Reserve Bank's order may be returned not later than 3:00 p.m. of the day of presentment, or not later than 12:00 midnight if, in the latter event, the paying bank notifies Reserve Bank in writing by 3:00 p.m., or notifies Reserve Bank by telephone at 3:00 p.m. confirmed in writing by 5:00 p.m. of that day, of its intention to return the item.

(c) All other unpaid cash items may be returned not later than 12:00 midnight of the banking day next following the day of presentment. The paying bank may also return a cash item to Reserve Bank by 12:00 midnight on the day of presentment.

(d) An item of \$5,000 or over that was received by the paying bank from a New York Clearing House bank and that is returned by the paying bank to Reserve Bank for endorsement (including bank stamp) shall be certified by the paying bank prior to its return.

5. The paying bank shall return to Reserve Bank unpaid items that the Reserve Bank received from (a) New York Clearing House banks, and (b) the depository institutions participating in the MB&B Collection Arrangement, sorted, packaged, and listed and enclosed in sealed envelopes bearing the names of the respective depository institutions from which Reserve Bank received the items therein contained. All other unpaid return items may be returned in a single return item cash letter, or in two return item cash letters — one containing only intraterritory return items and the other containing all other return items. The Second Federal Reserve District comprises: (1) the territory served by the Head Office of this Bank, including our Cranford, Jericho, and Utica Offices, and (2) the territory served by our Buffalo Branch. An *intraterritory* return item is an item to be returned by an office of Reserve Bank to its sender located anywhere in the same territory. An item to be returned anywhere else is an *interterritory* return item.

6. Items not returned as provided in paragraph 4 shall be deemed to be finally paid. For unpaid items (and protest fees) returned as provided in paragraph 4, Reserve Bank gives credit on the appropriate books of account as follows:

(a) For an item covered by paragraph 4(b), on the day of its return to Reserve Bank provided it has been returned not later than 3:00 p.m.; such an item returned after 3:00 p.m. is credited on the Reserve Bank's next following banking day.

(b) For items in a cash letter containing only intraterritory return items, on the Reserve Bank's banking day next following the day Reserve Bank receives the return item.

(c) For items in a cash letter containing any interterritory return items, on the Reserve Bank's second banking day following the day Reserve Bank receives the return items. Interterritory return items received on Friday prior to 12:00 noon, however, are credited on Reserve Bank's next following banking day.

3. Appendix G, entitled "Thrift Institution Collection Arrangement ("TICA")," is amended by revising paragraphs 4, 5 and 6 of the Paying Bank Agreement to read as follows:

4. Items presented to the paying bank hereunder may be returned unpaid only if they have been sorted, packaged, and listed as hereinafter provided and are returned to Reserve Bank within the periods prescribed by this paragraph.

(a) A missent or ineligible item may be returned not later than 12:00 midnight of the day of presentment.

(b) A cash item drawn by the paying bank on itself to Reserve Bank's order may be returned not later than 3:00 p.m. of the day of presentment, or not later than 12:00 midnight if, in the latter event, the paying bank notifies Reserve Bank in writing by 3:00 p.m., or notifies Reserve Bank by telephone at 3:00 p.m. confirmed in writing by 5:00 p.m. of that day, of its intention to return the item.

(c) All other unpaid cash items may be returned not later than 12:00 midnight of the banking day next following the day of presentment. The paying bank may also return a cash item to Reserve Bank by 12:00 midnight on the day of presentment.

(d) An item of \$5,000 or over that was received by the paying bank from a New York Clearing House bank and that is returned by the paying bank to Reserve Bank for endorsement (including bank stamp) shall be certified by the paying bank prior to its return.

5. The paying bank shall return to Reserve Bank unpaid items that the Reserve Bank received from (a) New York Clearing House banks, and (b) the depository institutions participating in the TICA Collection Arrangement, sorted, packaged, and listed and enclosed in sealed envelopes bearing the names of the respective depository institutions from which Reserve Bank received the items therein contained. All other unpaid return items may be returned in a single return item cash letter, or in two return item cash letters — one containing only intraterritory return items and the other containing all other return items. The Second Federal Reserve District comprises: (1) the territory served by the Head Office of this Bank, including our Cranford,

Jericho, and Utica Offices, and (2) the territory served by our Buffalo Branch. An *intraterritory* return item is an item to be returned by an office of Reserve Bank to its sender located anywhere in the same territory. An item to be returned anywhere else is an *interterritory* return item.

6. Items not returned as provided in paragraph 4 shall be deemed to be finally paid. For unpaid items (and protest fees) returned as provided in paragraph 4, Reserve Bank gives credit on the appropriate books of account as follows:

(a) For an item covered by paragraph 4(b), on the day of its return to Reserve Bank provided it has been returned not later than 3:00 p. m.; such an item returned after 3:00 p. m. is credited on the Reserve Bank's next following banking day.

(b) For items in a cash letter containing only intraterritory return items, on the Reserve Bank's banking day next following the day Reserve Bank receives the return item.

(c) For items in a cash letter containing any interterritory return items, on the Reserve Bank's second banking day following the day Reserve Bank receives the return items for items. Interterritory return items received on Friday prior to 12:00 noon, however, are credited on Reserve Bank's next following banking day.

ANTHONY M. SOLOMON,
President.