

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9622
January 27, 1984]

ADDITIONAL PAYOR BANK SERVICES

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

Enclosed is a copy of this Bank's Appendix H, entitled "Payor Bank Services," to Operating Circular No. 4. It supersedes Appendix I to that circular, which was sent to you on April 1, 1983.

The new Appendix sets forth the terms under which this Bank will provide additional information services to facilitate the provision of timely cash management account data. Three services are available: a MICR Line Capture Service, an Account Total Service, and an Account Level Sorting Service. These services are part of the Federal Reserve's implementation of noon presentment and the proposed implementation of the High Dollar Group Sort Program.

If you wish to use any of these services, or if you have any questions about them, please contact your Account Manager or one of the following persons:

At our Head Office

Steven J. Garofalo, Operations Analysis Officer (Tel. No. 212-791-5322)

At our Buffalo Branch

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

At our Cranford Office

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

At our Jericho Office

Anthony N. Sagliano, Regional Manager (Tel. No. 516-997-4500)

At our Utica Office

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

ANTHONY M. SOLOMON,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

Appendix H to
Operating Circular No. 4
(Revised effective November 13, 1980)
Effective January 26, 1984

**PAYOR BANK SERVICES:
MICR Line Capture Service
Account Total Service
Account Level Sorting Service**

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

The Federal Reserve Bank of New York provides information services to a paying bank or processor of cash items ("receiver") under the terms of this Appendix. Three services are available: a MICR line capture service, an account total service, and an account level sorting service. The MICR line capture service provides a magnetic tape containing MICR line data from all high-speed cash items. The account total service provides a total of the amounts of cash items to be charged to particular accounts of the paying bank. The account level sorting service provides a pocket outsort or outsorts of high-speed cash items drawn on specified accounts of the paying bank. A receiver may arrange for each service separately or all three services. These services are available to a receiver that has agreed to these terms in the form specified in the Exhibit to this Appendix.

I. MICR Line Capture Service

(These terms apply only to the MICR line capture service.)

1. We prepare a magnetic tape during processing of high-speed cash letters by capturing fully preprinted and post-encoded MICR line information, including the Federal Reserve routing symbol of the paying bank or nonbank payor, the institutional identifier, and the dollar amount of the item, from all high-speed cash items. Items that are rejected for incomplete MICR line data are not included.

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2. We deliver the tape along with the cash items or make the tape available at the Bank's offices when the cash items are being dispatched. The tape will be delivered to the location where cash items are delivered unless the receiver directs otherwise and agrees to reimburse this Bank for the alternate delivery. A receiver that has compatible telecommunications software and equipment may also request that this Bank arrange to transmit the information from the tape electronically. This Bank is not liable for any loss resulting from any delay in delivery of the tape or the information from the tape resulting from causes that are beyond the control of this Bank.

3. Before purchasing the MICR Line Capture Service, the receiver shall familiarize itself completely with the specifications for 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 and the information recorded on it will perform on its system in accordance with applicable specifications.

II. Account Total Service

(These terms apply only to the account total service.)

4. We prepare a written listing of account totals during processing of cash letters from all high-speed cash items. Those account totals also include items of \$50,000 or more that were rejected in our high-speed processing or that were received by us in non-high-speed cash letters, when so identified by this Bank. A total can also be provided for any specified range of accounts.

5. We deliver the written listing of account totals with the cash items or make the listing available at the Bank's offices at or about the time the cash items are being dispatched. At the request of the receiver, we will provide telephone notice of a limited number of account totals or a facsimile transmission of the listing to compatible facsimile equipment. A receiver that has compatible telecommunications software and equipment may also request that this Bank arrange to transmit electronically the information from the listing. This Bank is not liable for any loss resulting from delay in delivery or availability of the listing.

III. Account Level Sorting Service

(These terms apply only to the account level sorting service.)

6. We outsort items drawn on specified accounts or a range of accounts during processing of all high-speed cash letters.

7. We deliver the outsourced items with the normal presentment of cash items, if possible. Requests for extensive outsourcing, however, may result in a later presentment of these items.

IV. General terms

(These terms apply to all three services.)

8. *Validation procedures.* This Bank renders these services on the understanding that the receiver has in place a validation procedure that enables the receiver to insure that debits and credits are made to the appropriate customer accounts, in the correct amounts. The procedure should also identify misrouted or misencoded items, and enable the receiver to return such items in a timely manner. The development of such a procedure and its operation is the responsibility solely of the receiver.

9. *Price.* A receiver using these services will be charged according to our listed rates. By agreeing to purchase these services, a receiver authorizes this Bank to charge its account or will submit to the Bank authorization to charge the account of its correspondent.

10. *Status.* In these services, this Bank acts as an independent contractor of the receiver.

11. *High-speed items.* (a) The decision whether a particular cash item is a high-speed item or contained in a high-speed cash letter is a decision committed to the discretion of this Bank. This Bank agrees that it will exercise this discretion in good faith.

(b) Information from the MICR line of non-high-speed cash items will not be captured on the magnetic tape or account total listing, but these items will nonetheless be delivered physically to the receiver. The receiver is expected to have the resources needed to handle such non-high-speed items.

12. *In-transit loss.* This Bank is not responsible for the loss of a tape (or the information contained on it) or an account total listing, if the loss occurs while the tape or listing is in transit to the receiver, or if the loss is caused by circumstances beyond this Bank's control.

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

14. *Term.* We will provide tape or listings to a depository institution or processor within 15 business days after this Bank receives the agreement specified in the Exhibit to this Appendix, 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 agreement on 30 days' prior written notice. Termi-

nation will become effective 30 calendar days after the date the notice is post-marked. Account number changes must be submitted in writing to this Bank and will be made as frequently as weekly at the receiver's request.

15. *Exclusive use.* Information contained within the tape or listing is for the sole use of the receiver, and the 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.

16. *Assignment.* The agreement is not assignable by either this Bank or the receiver, without the prior written consent of the other.

17. *Entire agreement.* The agreement and this Appendix contain the entire understanding between this Bank and the receiver. No representation, promise, modification, or amendment shall be binding upon either party unless reduced to a writing that is signed by an authorized representative of both parties.

18. *Right to amend.* 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.

Effect of this appendix on previous appendix

19. This Appendix supersedes Appendix I, effective April 1, 1983, to our Operating Circular No. 4.

ANTHONY M. SOLOMON,
President.

Exhibit to Appendix H to Operating Circular No. 4

**MICR LINE CAPTURE SERVICE
ACCOUNT TOTAL SERVICE
AND/OR
ACCOUNT LEVEL SORTING 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 request that you provide the [MICR Line Capture Service] [Account Total Service] [Account Level Sorting Service] (*specify*) to us and agree to the terms set forth in Appendix H 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 the service set forth in that Appendix.

[Name of Institution]

By:
[Authorized signature(s)]