FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. **9650**
March 21, 1984]

FUNDS TRANSFERS AND NET SETTLEMENT ARRANGEMENTS

Changes in Operating Circulars Nos. 8 and 9

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

Enclosed is a copy of this Bank's (a) Operating Circular No. 8, revised March 16, 1984, on wire transfers of funds (including Appendix A thereto); (b) Appendix B, revised effective March 1, 1984, to Operating Circular No. 8, containing the schedule of charges for funds transfer services; and (c) Appendix A, revised effective March 1, 1984, to Operating Circular No. 9, containing time and fee schedules for net settlement arrangements.

The enclosures have been revised to reflect the following changes:

(a) In addition to incorporating the outstanding supplements to the superseded edition, Operating Circular No. 8 reflects changes in the time schedule for requests for payment (paragraph 4 of Appendix A).

(b) The new off-line surcharges for this Bank's funds transfer and net settlement services, announced in our Circular No. 9629, dated January 27, 1984, are reflected in Appendix B to Operating Circular No. 8 and Appendix A to Operating Circular No. 9.

Questions on these matters may be directed to Robert W. Dabbs, Manager, Funds Transfer Department (Tel. No. 212-791-8475).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE BANK OF NEW YORK

Appendix B to
Operating Circular No. 8

Revised effective March 1, 1984

WIRE TRANSFERS OF FUNDS

Schedule of Charges

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

1. The following schedule of charges has been established for this Bank:

Wire Transfers of Funds

A. Originator:

Basic charge per transfer	$0.65
Surcharges:	
Off-line origination	$5.50
Telephone advice to receiver	$3.00

B. Receiver:

Basic charge per transfer	$0.65
Surcharge:	
Telephone advice requested by receiver (no surcharge to receiver when originator requests telephone advice to receiver)	$3.00

Request for Credit Transfer Service

(On-line institutions only)

	Originator	Receiver
Request for payment (Code 1031)	$0.65	No charge
Transfer of funds in response to request for payment (Code 1032)	$0.65	$0.65
Refusal of request for payment (Code 1033)	No charge	No charge

2. This Appendix supersedes Appendix B, revised effective April 29, 1982, to Operating Circular No. 8.

ANTHONY M. SOLOMON,
President.

[Enc.. Cir. No. 9650]

FEDERAL RESERVE BANK OF NEW YORK

Appendix A to
Operating Circular No. 9

Revised effective March 1, 1984

TIME AND FEE SCHEDULES FOR NET SETTLEMENT ARRANGEMENTS

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

Time schedule

1. Organizations participating in net settlement arrangements must begin to submit settlement transaction detail to us by 5 p.m., Eastern Time, or at such earlier time as in the judgment of this Bank will insure completion of all transactions by 6 p.m., Eastern Time.

Fees

2. The following schedule of minimum fees has been established for this Bank's net settlement services governed by Operating Circular No. 9:

Basic settlement charge per entry	$1.30
Surcharges:	
Settlement originated off-line	$8.00
Telephone advice requested	$3.00

3. The following schedule of fees has been established for the CHIPS Settlement Arrangement:

(a) A fee of $0.65 for each payment into or out of the CHIPS Settlement Account; and

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(b) A daily settlement fee based on the number of settling participants:

Number of Settling Participants	*Daily Settlement Fee*
Up to 24	$175
25 to 29	$200
30 to 34	$225
35 to 40	$250

4. We reserve the right to charge higher fees for any net settlement arrangements that result in higher or unusual costs.

Effect of this Appendix on previous Appendix

5. This Appendix supersedes Appendix A, revised effective August 26, 1982, to Operating Circular No. 9.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE BANK OF NEW YORK

[Operating Circular No. 8
Revised March 21, 1984]

WIRE TRANSFERS OF FUNDS

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

1. Subpart B of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System (12 C.F.R. Part 210, Subpart B) and this operating circular and time schedule apply to wire transfers of funds handled by this Bank. This circular is issued pursuant to Sections 4, 13, 14, 16, and 19 of the Federal Reserve Act and related statutes in conformity with Regulation J. It is binding on transferors, transferees, beneficiaries, and other parties interested in an item.

2. Each Reserve Bank has issued a circular substantially similar to this one. When we send a transfer item to another Reserve Bank, that Reserve Bank handles the item under its operating circular.

3. All terms defined in Regulation J have the same meanings in this circular. Some terms used in this circular, including terms not defined in Regulation J, have specialized meanings that have developed through law, custom, and commercial usage. Unless otherwise stated, all references to this Bank will include our Head Office and our Buffalo Branch.

Issuance of transfer items and transfer requests

4. A transferor maintaining or using an account with an office of this Bank may send a transfer item to or make a transfer request of that office. We may refuse to act on, or may impose conditions to acting on, a transfer item or request if we have reason to believe that the balance in the transferor's account is not sufficient to cover the item. A transferor, other than a Reserve Bank, that uses our wire transfer of funds facilities shall maintain with us a balance of actually and finally collected funds in accordance with Section 210.31(a) of Regulation J.

5. A transfer item or request must be in the format prescribed by us.

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6. The text of a transfer item may not exceed 380 characters including punctuation, third party information, and any other instructions, except with our approval.

7. We only accept a transfer item or request that instructs us to transfer funds on our banking day of receipt.

8. A transferor may send a transfer item to us by electronic means under arrangements with us, or, in unusual circumstances and in our discretion, in other media approved by Section 210.28 of Regulation J. The transferor must authenticate a transfer item at the time it is sent, by codes or procedures we prescribe. A transfer item contained in a letter, memorandum, or similar writing must be signed by an authorized officer of the transferor whose signature is on file with us.

Transfer requests

9. A "transfer request," as defined in Regulation J, refers to a transfer of funds initiated by telephone, and differs from a request for payment described in paragraph 11. A transfer request may be made by telephone under arrangements with us. The transferor must authenticate a transfer request at the time it is made, by codes or procedures we prescribe. We may record a transfer request. We reserve the right to require a transferor to confirm a transfer request by a letter of confirmation over authorized signature(s). We assume no liability for loss resulting from a transfer of funds based on a communication that is in the form of a transfer item and that does not expressly indicate that it is a confirmation.

10. We reserve the right to refuse to handle a transfer item or request under conditions different from those imposed by this circular or Regulation J.

Requests for payment

11. A request for payment is a message sent by an institution authorized to be a transferee requesting an institution authorized to be a transferor to send a transfer item to the transferor's Reserve Bank for credit to the institution requesting the payment. We handle a request for payment, or a negative response, involving only on-line institutions, subject to our time and fee schedules, and without transferring funds. A request for payment is not an item and in itself imposes no obligation on the recipient to respond.

Handling of transfer items and requests

12. We will notify a transferor of a significant delay in executing transfers of funds within a reasonable time after we learn of the delay.

13. We expect to handle a transfer item or request promptly and to complete a transfer of funds on the banking day requested if we receive the item or request before the closing hours established in our time schedule. We do not guarantee that we or another Reserve Bank will complete a transfer of funds on the day requested. We are not responsible to the transferor or to any other person for any loss or delay resulting from our handling of an item on the basis of an erroneous routing number or other designation appearing on the item when we receive it, whether or not that designation is consistent with any other designation appearing on the item.

Closing hours

14. Our time schedule (Appendix A to this operating circular) shows the latest hours on each banking day ("closing hours") at which we will accept a transfer item or request. If we receive a transfer item or request after the closing hour we may either refuse to handle it or handle it on the following banking day, except that we may, in our discretion, complete an intra-office transfer on the day of receipt. In the case of an interoffice transaction received after our closing hour, completion of the transfer on that day is also discretionary with the transferee's Reserve Bank.

Advices of credit and debit

15. We provide an advice of credit for a transfer of funds to a transferee maintaining or using an account with us. We give advice of credit by telephone, telegraph, or other form of electronic telecommunication when we deem that the nature of the transaction justifies it or when the transferor or transferee requests it. The transferee should ascertain the authenticity of an advice of credit at the time of its receipt by codes or procedures we prescribe. We do not give telephone advice of credit for a transfer, identified as a settlement transfer, between a transferor or transferee for their own accounts, or for the account of another institution authorized to be a transferor, unless the transferee has given a standing order for advice of all transfers of funds.

16. The transferee should confirm a telephonic advice of credit that contains third-party information or other special instructions, by return telephone call or other arrangements, prior to making the proceeds of the transfer available for withdrawal or other use. The transferee assumes all risk of loss resulting from its failure to make the confirmation. In addition, if there is a discrepancy between an advice given by telephone, telegraph, or other form of electronic telecommunication and a mailed or delivered advice, the transferee is deemed to approve the credit reflected in the mailed or delivered advice unless it sends written objection to us within ten (10) calendar days following its receipt of the

mailed or delivered advice. The objection should be sent to the Reserve Bank office at which the transferee maintains or uses an account.

17. We provide an advice of debit to a transferor maintaining or using an account with us. The transferor should carefully examine the advice on receipt, and promptly report any exception. The transferor is deemed to approve a debit if it fails to send written objection within ten (10) calendar days after it receives the advice of debit to the office of this Bank with which it maintains or uses an account.

Charges

18. Our schedule of charges (Appendix B to this operating circular) shows the charges imposed for wire transfer of funds services.

Final payment; right to use funds; transferee's agreement

19. A transfer item is finally paid when the transferee's Reserve Bank sends the item or sends or telephones advice of credit to the transferee, whichever occurs first.

20. On final payment the transferee has the right to withdraw or use funds that have been credited to its account, subject to the right of a Reserve Bank to apply the funds to an obligation owed to it by the transferee.

21. As provided by Section 210.30 of Regulation J, a transferee that receives from us a transfer item, or advice of credit of a transfer item, designating a beneficiary agrees:

(a) to credit promptly the beneficiary's account or otherwise make the amount of the item available to the beneficiary; or

(b) to notify promptly the office of this Bank with which it maintains or uses an account, if it is unable to do so because of circumstances beyond its control. We will then notify our transferor.

Revocation of transfer items

22. A transferor may ask the office of this Bank to which it has sent a transfer item or request to revoke the transfer item or request. The transferor must authenticate the request for revocation by codes or procedures we prescribe. We may cease acting on the item or request if we receive the request for revocation in sufficient time to give us a reasonable opportunity to comply. If the request is received too late, we may, on request from the transferor:

(a) ask the transferee to return the transferred funds; or

(b) in an interoffice transaction, ask the transferee's Reserve Bank to ask the transferee to return the funds.

23. By requesting a revocation, unless the request states "NO INDEMNITY," the transferor agrees that the transferor will indemnify the transferee for any loss or expense sustained (including attorneys' fees and expenses of litigation) resulting from the return of the funds by the transferee, except any loss or expense resulting from the transferee's lack of good faith or failure to exercise ordinary care.

24. To correct an erroneous or irregular transfer of funds, we may, on our own initiative or at the request of another Reserve Bank, ask the transferee to return funds previously transferred.

Service messages

25. We handle for a transferor or transferee a service message in a prescribed format concerning a previously sent or received transfer of funds.

General

26. A transferor sending a transfer item by electronic means should determine that the transfer item has been accepted by our telecommunications and processing equipment.

27. A transferor or transferee must prevent the disclosure outside of it, or within it except on a "need to know" basis, of any of the codes or other security procedures relating to transfers of funds. The transferor or transferee should notify us immediately if the confidentiality of these procedures is compromised, and act to prevent any further disclosure.

Right to amend

28. We reserve the right to amend this circular at any time.

Effect of this circular on previous circular

29. This circular supersedes our Operating Circular No. 10, revised effective November 13, 1980, and the First through Fourth Supplements thereto.

ANTHONY M. SOLOMON,
President.

APPENDIX A

TIME SCHEDULE AND ADDITIONAL TERMS

1. This Appendix A to Operating Circular No. 8 shows the hours during which this Bank handles transfer items and requests. This Appendix also contains additional terms applicable to transferors or transferees sending or receiving transfer items through terminals or computers linked to this Bank's terminals or computers. Terms defined in Subpart B of Regulation J (12 C.F.R. Part 210, Subpart B) have the same meanings in this Appendix.

Closing hours

Interdistrict and intradistrict transfers

2. This Bank accepts interdistrict and intradistrict transfer items (on-line instructions) until 4:30 p.m., Eastern Time, and interdistrict and intradistrict transfer requests (telephonic instructions) until 3:30 p.m., Eastern Time, each business day. In its discretion, this Bank may accept such transfer items and requests after these times, but the completion of interdistrict transfers is also at the discretion of the transferee's Reserve Bank.

Settlement period

3. This Bank accepts settlement transfer items (on-line instructions) until 6:30 p.m., Eastern Time, and settlement transfer requests (telephonic instructions) until 6 p.m., Eastern Time, each business day. A settlement transfer is a transfer between a transferor and transferee (a) for their own accounts, or (b) for the account on the books of the transferor or transferee of a respondent that is (i) subject to Federal Reserve reserve requirements, or (ii) a participant in the Clearing House Interbank Payments System operated by the New York Clearing House Association. A settlement transfer must be identified with type code 16, and may contain third party information relating only to such respondents. Settlement transfers may be used to adjust for net settlement transactions.

Requests for payment

4. This Bank accepts requests for payment until the respective closing hour for the type of transfer requested (interdistrict, intradistrict, or settlement) as set forth in paragraphs 2 and 3 above. However, originators are responsible for allowing sufficient time for receivers to respond within these closing hours.

Extension of closing hours

5. In its discretion, this Bank may grant requests for extensions of the

closing hours in the following circumstances:

(a) Breakdown of telephone service or our telecommunications system;

(b) Extension of the closing hour for United States Treasury and Federal Agency securities transfers; or

(c) Other unusual or unanticipated circumstances, including those referred to in paragraphs 12, 15, 17, and 19 of this Appendix.

A request for an extension may be made to the Head Office by calling 212-791-5069 or 791-5073.

Use of linked terminal or computer

6. A transferor or transferee that executes and delivers to us a letter in the form of Appendix A-1 of this operating circular and sends or receives a transfer item through a terminal or computer on its premises that is linked to terminals and related computer systems at this Bank is also subject to the provisions of paragraphs 6-23 of this Appendix A. Such a terminal or computer at a depository institution is referred to herein as "linked equipment."

7. Each instruction that this Bank receives through linked equipment in the name of a depository institution will have the same force and effect as if the instruction were given in a writing signed by an authorized officer of the transferor and constitutes this Bank's authority to charge that depository institution's account in the amount stated in the message. Each message this Bank sends to a transferee through linked equipment regarding a transfer of funds to that depository institution constitutes an advice of credit to the depository institution's account in the amount stated in the message.

8. This Bank may charge the account of users of linked equipment, monthly or as otherwise mutually agreed, for use of the linked equipment.

9. Each depository institution is responsible for improper or unauthorized use of its linked equipment.

10. Funds transfer messages must conform to the formats and standards prescribed by this Bank in its Communications System Standards.

11. Each depository institution shall use its best efforts to prevent the disclosure outside of that institution, or within it except on a "need to know" basis, of any of the security procedures used by this Bank in authenticating instructions or advices of credit.

Failure of on-line sending terminals or message switching system

12. In the event of failure of a depository institution's linked equipment, the depository institution may request an extension of the closing hour to enable transfers to be sent over other linked equipment or to allow for repair. If a reasonable extension of the closing hour would not permit the depository institution to send all of its transfers of funds, it may ask to send its employees to this Bank to enter transfer of funds instructions into this Bank's terminals. The effect of such input will be the same as if these instructions had been entered through the depository institution's linked equipment and received by this Bank over the communications system. Before any such employee is permitted to enter transfers into this Bank's terminals, the employee shall deliver to this Bank a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank. The employee must also show proper identification. All instructions brought by such employees must be contained in sealed envelopes with the signature of an authorized officer across the seal. Such envelopes must be opened only in the presence of this Bank's supervisory personnel. Employees using this Bank's terminals are subject at all times to the supervision of our staff.

13. A depository institution is also authorized to request transfers by telephone as provided for in Operating Circular No. 8. Such requests must include the appropriate test word from the list provided.

Failure of on-line receiving terminals

14. In the event a depository institution's linked equipment is unable to receive transfer of funds messages from this Bank, this Bank will reroute all incoming transfers of funds messages to a terminal located in its Funds Transfer Division or other appropriate printout devices. Whenever practicable, this Bank will advise the depository institution by telephone of credits received and promptly mail advices of credit, or, if requested, deliver the advices to the depository institution's messenger. The messenger must show acceptable identification and deliver a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank, naming the messenger.

Failure of off-line preparation equipment

15. In the event a depository institution's data preparation equipment fails, the depository institution may request an extension of the closing hour to enable it to prepare instructions on other equipment or to allow for repair. If a reasonable extension would not permit the depository institution to send all of its transfers, the depository institution may ask to send its employees to this

Bank to prepare instructions on this Bank's equipment. The employee is required to deliver to us a letter of authorization, signed by an authorized officer, a specimen of whose signature is on file with this Bank, naming the persons to be permitted to operate our equipment. The employee must also show acceptable identification. Employees using this Bank's equipment are subject at all times to the supervision of this Bank's staff.

16. It is anticipated that, after the instructions are prepared, the depository institution's employees will transmit the instructions using the depository institution's linked equipment in the usual manner. If this is not possible because of time constraints, one or more of the depository institution's employees may be authorized to transmit the instructions using this Bank's terminals as provided in paragraph 12.

Failure of this Bank's communications system

17. If this Bank's communications system fails, this Bank will, if practicable, process all transfers when it is again operating, extending the closing hour if necessary. If, however, necessary repairs are expected to take a long period of time or if the communications system will be inoperative long after the stated closing hour, this Bank will advise specified on-line depository institutions as soon as possible and request that the clearing procedure described below be followed. This Bank will also advise specified on-line depository institutions at that time, if possible, of any transfers made that have not been or will not be processed. As an alternative to the clearing procedure, particularly if only a small number of transfers remain to be processed in the day, this Bank will process the rest of the day's transfers on the following business day and make "as of" adjustments to each depository institution's reserve account for purposes of reserve accounting, where appropriate.

18. To effect the clearing procedure mentioned above, this Bank will request that specified on-line depository institutions advise each other by telephone or other means of each credit to the other's account. At the end of the day, each specified depository institution will advise this Bank of the total credits to each other specified depository institution and the offsetting total debit to its own account, using a test word provided for this eventuality. This Bank will telephone each specified depository institution to verify the total debits and credits. On the following day, each specified depository institution will send this Bank a detailed listing of the individual transfers included in the totals reported to this Bank.

Failure of the communications system in another District

19. In the event of the failure of equipment at another Federal Reserve office, or between Federal Reserve offices, disrupting the transfer of funds to depository institutions in another District, this Bank will, if practicable, process all transfers when it is again operative, extending its closing hour if necessary. If, in this Bank's judgment, this is not practicable, this Bank will process all transfers the following day and make "as of" adjustments to reserve accounts for purposes of reserve accounting, where appropriate.

General

20. In connection with the matters specified in paragraphs 12 through 19 of this Appendix, a depository institution authorizes this Bank to rely and act upon any instructions or advice that this Bank receives in the depository institution's name that this Bank reasonably believes to be genuine — whether such instructions or advice are delivered by means of telecommunication, telephone message containing the appropriate test word, or letter purporting to be signed by an authorized officer of the depository institution whose signature is on file with this Bank — to the same extent to which this Bank would be authorized to rely or act upon instructions contained in a letter or other writing properly signed by an authorized officer of the depository institution. The depository institution assumes full responsibility for any and all actions of its employees while they are on this Bank's premises or using this Bank's equipment, whether or not such actions are within the scope of their employment.

21. When this Bank requests, each user of linked equipment shall provide to the Manager of this Bank's Funds Transfer Department a description of its security procedures to prevent improper or unauthorized use of linked equipment. This Bank will treat confidentially any information so supplied.

22. This Bank reserves the right without prior notice to terminate the use of linked equipment by any depository institution.

23. This Bank reserves the right to amend the provisions of this Appendix at any time without notice. This Bank will endeavor, however, to give at least 30 calendar days' notice of any revision.

APPENDIX A-1

ON-LINE AGREEMENT

[*To be typed on the depository institution's letterhead*]

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

Attention: Manager, Funds Transfer Department

Dear Sirs:

We hereby agree to the terms contained in Appendix A to your Operating Circular No. 8.

We reserve the right to terminate this agreement by written or telegraphic notice to the Manager of your Funds Transfer Department, which notice shall be effective on receipt. Termination shall not, however, affect your right to make all debits or credits required by or incidental to any instructions that we send you before the termination is effective.

. . . .
[Name of depository institution]

By: . . . .
[Authorized signature]

. . . .
[Title]