

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 10195 ]  
[ October 1, 1987 ]

**COLLECTION OF NONCASH ITEMS**

**Revision of Operating Circular No. 6**

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

Enclosed is a copy of this Bank's Operating Circular No. 6, revised effective October 1, 1987. The revisions generally reflect the current securities collection operations of this Bank and other Federal Reserve offices. The most significant amendments, discussed more fully below, (1) allow a Reserve Bank to refuse to handle securities deposited by a paying bank that has not authorized payment for securities by a charge to its account on the Reserve Bank's books; (2) clarify that this Bank is not responsible for determining whether a payor has complied satisfactorily with the time limits for returning securities; (3) eliminate several restrictions on the collection of noncash items; (4) change the sorting requirements for Government coupons in Appendix B; and (5) establish in Appendix D the rules for the collection of certain time items by this Bank. Paragraphs have also been rearranged to reflect the usual division of the handling of noncash items between securities and check departments at both depository institutions and this Bank. Thus, provisions relating to the handling of check items have been included in paragraphs 9-15, and other special provisions relating to the handling of securities and other time items have been included in paragraphs 16-26.

Paragraph 8 allows a Reserve Bank to refuse to handle securities *deposited by* a paying bank that has refused to authorize payment for securities by a charge to its account on the Reserve Bank's books, but Reserve Banks may handle securities *payable by* banks that have refused to give such authorization. Nevertheless, a Reserve Bank reserves the right under paragraph 8 to refuse to handle noncash items payable by a bank or nonbank payor that has failed to take all actions necessary for timely payment or return of such items; such a provision is necessary so that a Reserve Bank may continue to exercise discretion in deciding to handle a noncash item, such as where the payor is in troubled financial condition.

Paragraph 26 was amended to clarify that this Bank does not assume responsibility for determining whether a payor has complied satisfactorily with the time limits for returning securities. Paragraphs 6, 22, and 29 were also amended to eliminate several restrictions on the collection of noncash items. Paragraph 6 was amended to permit this Bank to handle a noncash item payable by or through an office of the sender. An amendment to paragraph 22 removes the requirement that this

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Bank return missorted coupon cash letters. Paragraph 29 was amended to give a sender that maintains or uses an account with this Bank and that has noncash items payable in another District the option of sending items directly to another Reserve Bank. These provisions are analogous to several of the amendments to the cash item collection circular that removed similar restrictions.

Appendix B, which covers Government "Coupons Received for Payment," was amended to strike a provision for sorting by current and uncurrent due dates and to include substitute provisions. According to the new provisions, coupons from United States obligations should be sorted in ascending order of coupon value *and* by progressive due date where the coupons have the same denomination.

Appendix D was added to provide for the collection of certain time items in accordance with the noncash collection rules of Regulation J, this Operating Circular, and Appendix D. The collection of time items is expected to commence on October 8, 1987. Any item that we handle as a noncash item under this Operating Circular will be eligible for collection under this new arrangement if it is (i) commercial paper or (ii) a bankers' acceptance payable by, at, or through a participating depository institution. A depository institution wanting to participate in this arrangement must execute a letter in the form of Appendix D-1 or Appendix D-2, whichever is appropriate.

Finally, the circular has been amended to reflect the discontinuance of coupon operations at the Buffalo Branch.

If you have any questions about the revised circular you may contact:

New York (Head Office)	— Catherine G. Marzi, Manager, Safekeeping Department (212-720-7726)
Buffalo Branch	— David P. Schwarzmueller Operations Officer (716-849-5018)
Cranford Office	— Fred A. Denesevich Regional Manager (201-272-9000)
Jericho Office	— Anthony N. Sagliano Regional Manager (516-997-4500)
Utica Office	— Angus J. Kennedy Regional Manager (315-768-2220)

E. GERALD CORRIGAN,  
*President.*

**FEDERAL RESERVE BANK  
OF NEW YORK**

**[ Operating Circular No. 6  
Revised effective October 1, 1987 ]**

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*To All Depository Institutions in the Second  
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## General

1. Subpart A of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System and this operating circular apply to the handling of all noncash items that we accept for collection and all bank drafts and other forms of payment that we receive for noncash items and that we elect to handle as noncash items. Regulation J and our Operating Circular No. 4 apply to the handling of bank drafts and other forms of payment that we receive for noncash items and that we elect to handle as cash items. This circular is issued pursuant to Sections 4, 13, 14(e), and 16 of the Federal Reserve Act and related statutes in conformity with Regulation J. It is binding on the sender, on each collecting bank, paying bank, and nonbank payor to which we or a subsequent collecting bank present or send a noncash item, and on other parties interested in the item, including the owner.

2. Each Reserve Bank has issued a circular substantially similar to this one. When a noncash item is sent to another Reserve Bank, that Reserve Bank handles the item subject to its operating circular. We give credit to the sender for the item in accordance with this circular. When we send or present a noncash item direct to a bank (other than a Reserve Bank) or nonbank payor in another Federal Reserve District, that bank or nonbank payor is governed by this circular.

3. All terms defined in Regulation J have the same meaning in this circular. The term "bank" includes a depository institution as defined in Section 19 of the Federal Reserve Act. Many terms used in this circular, including terms not defined in Regulation J, have specialized meanings that have developed through law, custom, and commercial usage. The term "security" includes bonds, debentures, coupons, and similar securities. Unless otherwise stated, all references to the Bank include our Head Office and our Buffalo Branch.

### Items that we handle as noncash items

4. A sender may send the following items to us for handling as noncash items, unless otherwise provided in this circular:

#### *Time items*

- (a) An evidence of indebtedness or order to pay that is not payable on demand and that we are willing to accept as a noncash item, including:
  - (i) A maturing acceptance or bankers' acceptance drawn on a depositor in a Reserve Bank; and
  - (ii) A maturing security (other than an obligation of the United States, one of its agencies or instrumentalities, or one of certain international organizations).<sup>1</sup>

Special provisions governing time items are found in paragraphs 16-27 of this circular.

<sup>1</sup> When we receive for collection coupons and other obligations of the United States, its agencies and instrumentalities and obligations of certain international organizations, we pay them as fiscal agent of the United States, of the international organization, or of the agency or instrumentality. See Appendix B of this circular.

### *Demand items*

- (b) A check or other demand item that would ordinarily be handled as a cash item, if:
- (i) A passbook, certificate, or other document is attached to the item;
  - (ii) Special instructions, such as a request for special advice of payment or dishonor, accompany the item;
  - (iii) In our judgment special conditions require that the item not be handled as a cash item;
  - (iv) The item consists of more than a single thickness of paper, except as provided in paragraph 11 of this circular regarding photocopies, and except that we handle as a cash item a mutilated, erroneously encoded, or other item contained in a carrier that qualifies for handling by high-speed check processing equipment; or
  - (v) The item has not been preprinted or post-encoded, as prescribed by the American Bankers Association, before we receive it with (1) the Federal Reserve routing symbol and the suffix of the institutional identifier<sup>2</sup> of the paying bank (or nonbank payor), or (2) the dollar amount of the item. We handle these items as cash items when we judge that special circumstances justify cash item handling. We reserve the right to refuse to handle as a noncash item an item that is not amount encoded if the item could be sent as a cash item under our time schedule.

Special provisions governing these demand items are found in paragraphs 9-15 of this circular.

- (c) Any other demand item, drawn on a bank, that is not collectible as a cash item, including:<sup>3</sup>
- (i) A bill of exchange or draft with a security, bill of lading, or other document attached; and
  - (ii) A draft or order on a savings deposit with a passbook attached.

Special provisions governing these items are referred to in paragraph 24 of this circular.

<sup>2</sup> The terms "routing number," "routing symbol," and "institutional identifier" have the meanings given by the Routing Number Task Force of the American Bankers Association and the Federal Reserve System.

<sup>3</sup> Provisions governing collection of payment vouchers on letters of credit for Government grants and contributions are contained in Appendix A of this circular.



5. When we accept an instrument for credit to our own account, the account of another Reserve Bank, or any account on our books, we handle the instrument as a noncash item if it qualifies as a noncash item even though it is sent to us by one other than a "sender," as defined in § 210.2 of Regulation J.

**Items that we do not handle**

6. A sender should not send to us for handling as a noncash item an item described in paragraph 4 of this circular, if:

- (a) The item is payable by or through an office of the sender, unless we elect otherwise;
- (b) The item is a Government check, postal money order (United States postal money order, United States international postal money order, or domestic-international postal money order), or food coupon;
- (c) The item is a check and cannot be collected at par;
- (d) The item has been dishonored two or more times, unless we elect otherwise;
- (e) The item is a note or certificate of deposit;
- (f) The item is a draft, whether accepted or not, that is payable at a bank but not drawn on a bank; or
- (g) The item is not payable in a Federal Reserve District ("District").<sup>4</sup>

7. We do not handle time items more than thirty (30) days prior to their maturity.

8. We may refuse to handle securities deposited by a paying bank that has refused to authorize payment for securities by a charge to an account on our books. We reserve the right to refuse to handle noncash items payable by a paying bank (or nonbank payor) that has in the past failed to take all action necessary for payment or return of noncash items within required times. We also reserve the right to distinguish among classes of noncash items, and to require deposits in separate collection letters of noncash items, as we may deem appropriate.

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<sup>4</sup> The Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam and American Samoa in the Twelfth District. Regulation J, n. 1.

## **CHECKS AND OTHER DEMAND ITEMS HANDLED AS NONCASH ITEMS**

### **Preparation of collection letters**

9. A sender should send demand noncash items to us with a separate collection letter different in form from a cash item letter. The collection letter should include: (a) the sender's collection number; (b) a description of the item; (c) the name of the paying bank or nonbank payor; (d) the place of payment, maturity, and amount of the item; (e) a clear identification of any documents attached to the item; and (f) any special instructions on handling, including instructions on protest and advice of credit or nonpayment.

### **Availability of proceeds**

10. We give credit for demand noncash items (as well as securities in collection letters) when we receive payment in actually and finally collected funds, or advice from another Reserve Bank of such payment. This credit at once qualifies as reserves for purposes of Regulation D and is available for withdrawal or other use by the sender. If payment is by bank draft or by check drawn on a bank other than the paying bank, we give credit, subject to payment in actually and finally collected funds, in accordance with the time schedules issued under our Operating Circular No. 4, "Collection of Cash Items."

### **Photographic copies**

11. We handle as a noncash item a correctly prepared photocopy of a lost or destroyed item that was a check or other demand item without securities, bills of lading, or other documents attached and that was eligible for handling as a noncash item.

12. A correctly prepared photocopy must bear the sender's current indorsement and the following or equivalent signed legend:

This is a photocopy of the original item which we indorsed and which was reported missing or destroyed in the regular course of bank collection. We guarantee all prior and any missing indorsements and the validity of this copy. Upon payment of this copy in lieu of the original item, we agree to hold each collecting bank and the payor bank harmless from any loss suffered, if payment is stopped on the original item and it is unpaid.

13. We present or send the copy, as a noncash item, to the paying bank (or nonbank payor) named on the original item. If the paying bank (or nonbank payor) refuses to handle the copy, we will return it to the sender.

### **Presentment for acceptance**

14. Senders may send to us, for presentment for acceptance, a nonaccepted



noncash item: (1) that provides that it must be presented for acceptance; (2) that is payable elsewhere than at the residence or place of business of the drawee; or (3) whose date of payment depends on presentment for acceptance.

- (a) Senders must deposit noncash items to be presented for acceptance in a separate collection letter that states that the items are to be presented for acceptance and that sets forth any other instructions consistent with this paragraph and paragraph 15 of this circular.
- (b) A Reserve Bank or subsequent collecting bank may present an item for acceptance in any manner authorized by law.
- (c) A subsequent collecting bank to which we send an item for presentment for acceptance should give us prompt notice of acceptance or refusal of the item.
- (d) A Reserve Bank or subsequent collecting bank shall not, upon acceptance of an item, deliver any accompanying documents to the drawee unless specifically instructed by the sender to do so.

15. We, or a subsequent collecting bank, will present the noncash item for acceptance. If the item is not accepted, it will be returned to the sender. If it is accepted and

- (a) If the item is payable thirty (30) days or less after sight, or by its terms matures thirty (30) days or less after we receive it, the item will be held for presentment for payment by us, by the subsequent collecting bank, or by the drawee bank; or, if the sender requests, the item will be returned to the sender, or
- (b) If the item is payable more than thirty (30) days after sight, or by its terms matures more than thirty (30) days after we receive it, the item will be returned to the sender.

## COUPONS AND OTHER SECURITIES

### Preparation of cash letters and collection letters

#### *Securities other than coupons*

16. A sender shall separate securities (other than coupons) that it sends to us for collection into the following classes, with a totaled separate letter for each class:

- (a) *Country Collection Letter* — Securities (other than coupons) payable outside of New York City.
- (b) *City Collection Letter* — Securities (other than coupons) payable in New York City.

We give credit for securities (other than coupons) in collection letters when we receive payment in actually and finally collected funds, as provided in paragraph 10 of this circular.

17. Securities (other than coupons) should be (a) sorted according to issue, (b) accompanied by the same information as accompanies coupons, and (c) listed and described on the sender's totaled collection letter in the same manner as provided for coupons in paragraph 19 of this circular.

#### *Coupons*

18. A sender shall enclose coupons in a separate sealed window envelope for each issue, series, and maturity so that the face of a coupon is visible. Envelopes should conform to our specifications. The sender should list in the space provided on the envelopes: (a) the sender's and its depositor's names, (b) the sender's collection number, and (c) a brief description of the coupons enclosed, including the number of coupons, denomination value, and total dollar value. A sender should list and describe each envelope by collection number on its totaled letter and enclose a completed standard deposit ticket with each letter. Some insurance that Reserve Banks obtain may be conditioned on verification by a bank of the contents of window envelopes when the coupons are enclosed, and on the bank's retention of a complete description of the coupons, including serial numbers. We may charge back to the sender securities lost in transit if the sender does not supply adequate records.

19. A sender shall separate coupon envelopes into the following classes, with a totaled separate letter and a completed standard deposit ticket for each class and, as to matured coupons, for each maturity date:

- (a) *Matured City Coupon Cash Letter* — Due or past due coupons payable in New York City.
- (b) *Unmatured City Coupon Cash Letter* — Coupons due in the future payable in New York City.
- (c) *Matured Country Coupon Cash Letter* — Due or past due coupons payable outside New York City.
- (d) *Unmatured Country Coupon Cash Letter* — Coupons due in the future payable outside New York City.

In this classification, maturity is determined with reference to the date of first receipt by a Reserve Bank.

20. We handle coupons contained in sealed window envelopes on a "said to contain" basis. We have no responsibility for verifying that the envelopes actually contain the coupons listed and described in the sender's collection letter or on the envelopes.



21. Before sending a coupon to us, a sender should determine whether an ownership certificate is required by law or by the issuer to be attached to the coupon.

#### **Mixed coupon deposits**

22. We may return, at the sender's expense, a coupon cash letter containing a mixture of matured and unmatured coupons or of country and city coupons, or may handle it and defer credit for the longest period prescribed in our time schedules for any item enclosed.

#### **Acceptances and other noncash items**

23. Acceptances and demand items with documents attached should be sorted and listed in accordance with paragraph 9 of this circular.

#### **Availability of credit**

24. We give credit for bankers' acceptances and coupons subject to payment in actually and finally collected funds, as provided in our time schedules. Credit for bankers' acceptances and coupons qualifies as reserves for purposes of Regulation D and is available for withdrawal or other use as specified in our time schedules. Because our time schedules do not show the time required for collection in actually and finally collected funds of bankers' acceptances and coupons, our advices cannot be considered advices of final payment on the dates we make credit available. We reserve the right to refuse to permit a sender to withdraw or otherwise use any credit until we receive payment in actually and finally collected funds.

25. Neither we nor a subsequent collecting bank undertake to present time items on the maturity date unless we receive them sufficiently in advance of the maturity date to permit timely presentment or sending for presentment, using the means that we normally use for that purpose.

#### **Payment for securities**

26. Except as otherwise agreed between a Reserve Bank and a paying bank (or nonbank payor), we or a subsequent collecting bank may present, or send for presentment, to the paying bank (or nonbank payor) any security, with the understanding that:

- (a) payment may be deferred without dishonor pending reasonable examination to determine whether the security is properly payable; but
- (b) payment shall be made or the security returned in any event before the close of the paying bank's (or nonbank payor's) business day next following the day of maturity or presentment, whichever is later.

We assume no responsibility for determining whether a paying bank (or nonbank payor) has taken all action necessary for return of securities within applicable times.

## **OTHER GENERAL PROVISIONS**

### **Indorsements**

27. Noncash items (other than securities) sent to us, or to another Reserve Bank direct for our account, should be indorsed: (a) without restriction to, or to the order of, the Reserve Bank to which sent, (b) to, or to the order of, any bank, banker, or trust company, or (c) with equivalent words or abbreviations. The sender's indorsement should be dated and should show its institutional identifier, if any, in prominent type on both sides of the indorsement.

28. If we receive a noncash item (other than a security) without the sender's indorsement, we may (a) present or send the item as if it bore the sender's indorsement, (b) place on the item the sender's name and the date we received it, or (c) return the item to the sender for proper indorsement. We make the warranties stated in Section 210.6(b) of Regulation J by presenting or sending a noncash item (or an instrument that we handle as a noncash item under paragraph 5 of this circular) whether or not the item bears our indorsement.

### **Direct routing to other districts**

29. A sender that maintains or uses an account with us and that has noncash items payable in another District may send the items directly to the Federal Reserve office of that District under procedures we prescribe. Under Section 210.4 of Regulation J, items sent direct are deemed to have been handled by us.

### **Statements of account**

30. An account holder must promptly advise us in writing of an objection to an entry in our statement of its account. An account holder that fails to advise us of its objection within one calendar year from the date of the entry (and any sender, collecting bank or paying bank that has used the account and has handled the item to which the entry relates) is deemed to have approved the entry, and the statement of account is deemed finally adjusted. This paragraph does not relieve an account holder from the duty of using due diligence in examining statements of account sent to it and of notifying us immediately on discovery of an error. Further, this paragraph does not relieve a Reserve Bank from liability for breach of warranty on an item to which an entry relates.



## **Return of items**

31. A subsequent collecting bank, paying bank, or nonbank payor may not return to us for credit or refund a noncash item that has been finally paid, but may return such an item to us only on a without entry basis (that is, with a request for credit or refund). We grant credit or refund to the subsequent collecting bank, paying bank, or nonbank payor, and charge our sender, only if the sender specifically authorizes us to do so.

## **Uniform instructions**

32. Except as provided in paragraphs 35 and 36 of this circular, we disregard special instructions noted on or attached to a noncash item itself if they are not supported by the instructions in the collection or cash letter.

33. Except as provided in paragraph 27 of this circular with respect to securities, we handle all noncash items subject to the instruction: "Do not hold after maturity or for convenience of payor." We disregard any contrary instruction in the collection letter or otherwise. We reserve the right, without prior notice to the sender, to recall any noncash item and return it to the sender, when we judge that the item is being held contrary to this instruction.

## **Instructions on protest and advice of nonpayment**

34. Absent specific instructions to the contrary in the sender's collection letter, and except as provided in paragraph 36 of this circular, we handle noncash items subject to the following uniform instructions regarding protest:

- (a) **PROTEST** a dishonored item of \$2,500 or over (except a security)—
  - (i) that appears on its face to have been drawn at a place not within a State,<sup>5</sup> unless the item bears on its face the American Bankers Association no-protest symbol of a Reserve Bank or of a preceding bank indorser; or
  - (ii) that bears on its face the legend, "PROTEST REQUIRED," of a Reserve Bank or a preceding bank indorser.
- (b) **DO NOT PROTEST** any other item.

35. **DO NOT PROTEST AND DO NOT WIRE<sup>6</sup> ADVICE** of nonpayment of a check handled as a noncash item, regardless of amount, indorsed by or for credit to the United States Treasury, or bearing on its face or in an indorsement the legend "This check is in payment of an obligation to the United States and must be paid at par. N.P. Do not wire nonpayment." or words of similar import.

<sup>5</sup> Under Section 210.2 of Regulation J, "State" means a State of the United States, the District of Columbia, Puerto Rico, or a territory, possession, or dependency of the United States.

<sup>6</sup> For purposes of this circular "wire" includes telephone, telegraph, cable, and other forms of electronic telecommunications.

36. The paying bank, or if none, the subsequent collecting bank, is responsible for making any required protest, except as otherwise provided by the rules or practices of any clearing house through which the item was presented or by agreement between us and the paying bank or collecting bank. If there is no paying or subsequent collecting bank, we will make any necessary protest.

37. We assume no responsibility for determining whether another bank has made a protest or given a wire advice.

#### **Requesting wire advice**

38. A sender that desires wire advice of credit or of nonpayment should use the term "WIRE FATE." A wire advice of credit message indicates that we have posted a credit to the sender's reserve or other account. With respect to bankers' acceptances drawn on depositors in a Reserve Bank and coupons, wire advice of credit does not necessarily mean that we have received actually and finally collected funds. We assume no responsibility for any other instruction given by a sender regarding wire advice of payment or nonpayment.

#### **Charges**

39. Our schedule of charges shows the charges imposed for noncash item collection services. We may make the charge to the account maintained or used by the sender or other bank requesting the service.

40. (a) No bank or nonbank payor may make a charge in connection with collecting or paying a bond, debenture, coupon, or similar security received directly or indirectly from a Reserve Bank. We recognize that a bank acting as agent to collect any other noncash item renders a service in presenting, collecting, and paying, for which it may make a reasonable charge.

(b) No paying or collecting bank may make a charge in connection with collecting or paying a check that we handle as a noncash item, unless the charge (i) reflects expenses that the bank actually incurs in collecting the check as a noncash item and that it would not have incurred if the check had been handled as a cash item, and (ii) is clearly not an exchange charge or in the nature of a charge for payment.

(c) When a paying or collecting bank makes a permissible charge in connection with collecting or paying a check and deducts it from its payment to us, we give credit to the sender for the net proceeds.

#### **Right to amend**

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



**Effect of this circular on previous circular**

42. This circular supersedes our Operating Circular No. 6, revised effective November 13, 1980, the First and Second Supplements thereto, dated March 15, 1982 and January 2, 1985, respectively, and Appendix C-1 and C-2 thereto, revised effective November 13, 1980.

E. GERALD CORRIGAN,  
*President.*





## APPENDIX A

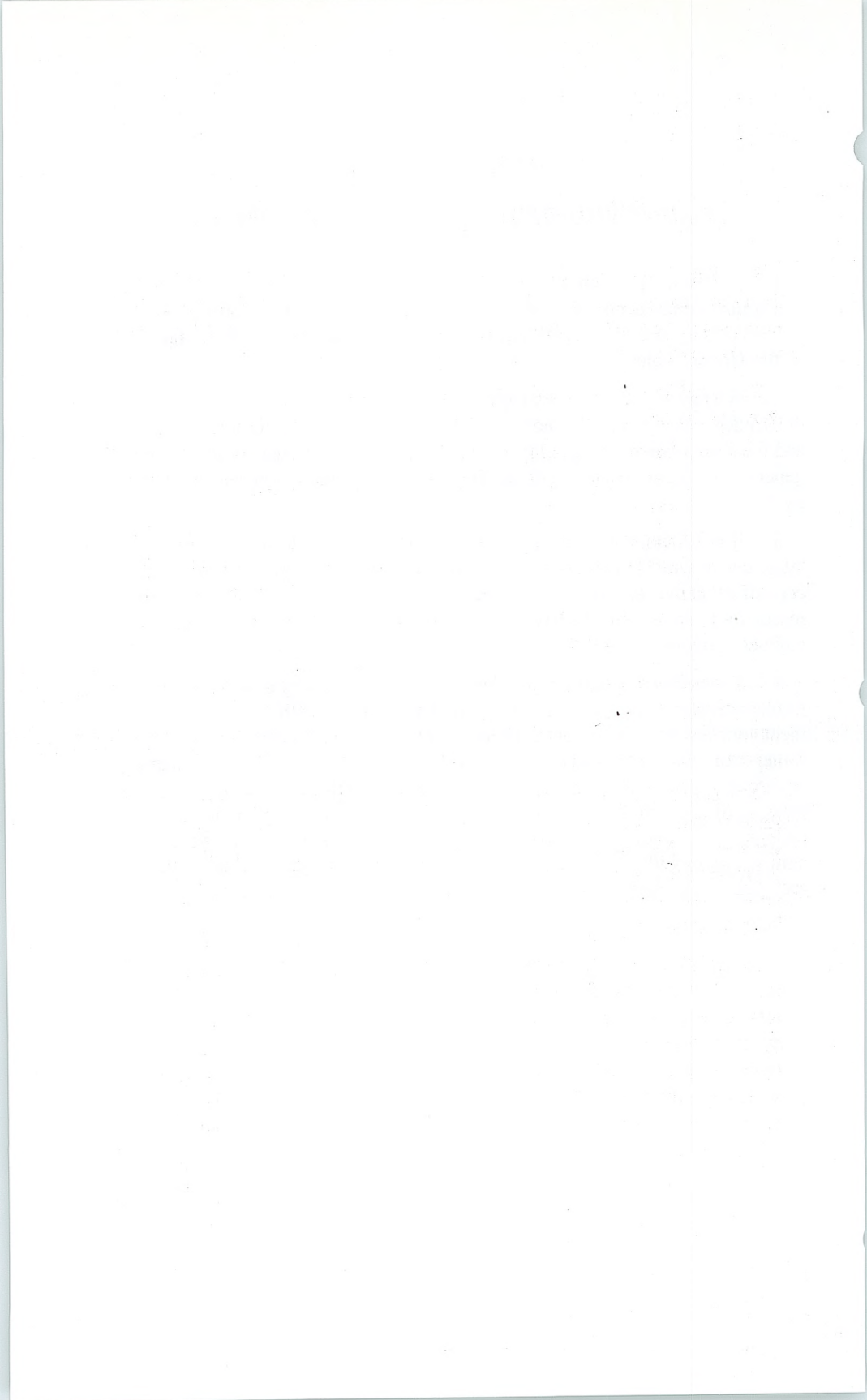
### PAYMENT VOUCHERS ON LETTERS OF CREDIT

1. We handle payment vouchers on letters of credit for Government grants and contributions as noncash items under an agreement between the Secretary of the Treasury and the Federal Reserve Banks as depositaries and fiscal agents of the United States.

2. We pay vouchers as fiscal agents of the United States by giving credit to the sender's reserve or other account. The credit becomes final as between us and the sender when we debit the amount of the payment vouchers against the general account of the United States Treasury under symbol numbers assigned by it.

3. If we do not pay a payment voucher, we promptly advise the sender by telephone or wire at the cost of the Treasury, and forward the voucher, and any copy of it that may accompany it, to the Treasury Department with advice of the reason for nonpayment. We have no further obligation or liability regarding the payment voucher.

4. The agreement between the Secretary of the Treasury and the Reserve Banks provides that: (a) no claim for refund or otherwise with respect to a payment voucher debited against the general account of the United States Treasury (other than a claim based on a Reserve Bank's negligence) may be made against or through a Reserve Bank; (b) the Federal agency will deal directly with the party against which the claim is made; and (c) any Reserve Bank indorsement or legend containing the words "prior indorsement guaranteed" or words of similar import will have no effect except to identify the voucher as having been received by the Reserve Bank.





## APPENDIX B

### COUPONS RECEIVED FOR PAYMENT

1. When we receive for collection coupons from obligations of the United States and its agencies and instrumentalities and of the International Bank for Reconstruction and Development and the Inter-American Development Bank, we pay them as fiscal agent of the obligor.

2. Senders should list coupons or schedules and enclose them in envelopes showing the name of the sender, as follows:

- (a) Coupons from obligations of the United States should be sorted in ascending order of coupon value and by progressive due date in the case of coupons of like denomination.
- (b) Coupons from obligations of agencies or instrumentalities of the United States and of the International Bank for Reconstruction and Development and the Inter-American Development Bank should be enclosed in separate envelopes according to issue and in ascending order of coupon value.

3. Senders should attach appropriate certificate forms (such as the alien withholding exemption form obtained from the nearest District Director of Internal Revenue) to coupons from obligations of the United States and its agencies and instrumentalities that are sent to us for collection.

4. We receive, from senders that maintain or use accounts with another Reserve Bank, coupons from obligations of the International Bank for Reconstruction and Development and the Inter-American Development Bank, for payment for the account of the other Reserve Bank, if the coupons are listed on separate schedules and enclosed, according to issue and denomination, in envelopes showing the name of the sender.

5. We give immediate credit in the sender's reserve or other account, subject to final payment for due or past due coupons that are listed in a separate totaled letter and are received by us by 3:00 p.m. on our banking day. If an envelope contains a mixture of due and future due coupons, we reserve the right to give credit on the latest maturity date for all coupons enclosed. We also reserve the right to return coupons due more than fifteen (15) banking days after receipt.

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## APPENDIX C

### PAYMENT FOR COUPONS

1. This Bank presents or forwards for presentment coupons payable under Regulation J, our Operating Circular No. 6, and this Appendix C ("Appendix"). As used in this Appendix, unless the context otherwise requires, "payor" means a member bank, nonmember bank, or nonbank payor of a coupon.

#### Method of payment

2. A depository institution that maintains an account with this Bank agrees to these terms by executing an Account Holder's Coupon Agreement (Appendix C-1). If the charge is not to be posted to the payor's account on this Bank's books, but instead to the account of another depository institution ("Correspondent"), the payor and its Correspondent agree to these terms by executing a Non-Account-Holder Coupon Agreement and Correspondent Authorization (Appendix C-2). Under those agreements, we may charge to an account on our books the amount of coupons presented or forwarded for presentment by us. Alternatively, payors may pay by check. In addition, we will continue to accept payment for coupons we send to the New York Clearing House Association based on a due bill signed by members of the Association.

#### Time of payment

3. A coupon shall be paid by the payor on the "payment date," unless it is presented with special payment instructions. A coupon presented with special payment instructions shall be paid in accordance with those instructions. The "payment date" is the later of the banking day following the banking day a coupon is presented to the payor or the banking day following the maturity date of the coupon. For a coupon delivered through the mails, however, the payment date is the third banking day following the banking day that the coupon was mailed to the payor, subject to the modifications of the next two sentences. If the coupon reaches the payor before its close of business hours two business days prior to the payment date, the payor shall promptly telephone the Coupon Division at the Head Office, and we will designate a payment date pursuant to the rule in the third sentence of this paragraph. If a coupon reaches the payor after the close of business on the banking day prior to the payment date, the payor will promptly telephone the Coupon Division at the Head Office to establish a new later payment date. We review registered mail return receipts to ensure that payment is being made at the proper time.

**Time for return**

4. A payor may receive a refund for a charge made to its account on our books by returning the coupon. We will give credit on the banking day we process the unpaid coupon.

**Payment**

5. On the payment date, we will charge to the payor's or Correspondent's account on our books the amount of coupons payable on the payment date. We will provide each payor and/or Correspondent with a daily advice of all debits, credits, and adjustment entries made to its account on our books for coupons presented to it. The payor or Correspondent should examine the advice promptly, and notify us immediately of any discrepancies between the advice and its records. We will then make any appropriate adjustments, including "as of" adjustments for reserve accounting purposes, to the account charged.

**Termination**

6. We may revoke an authorization under this Appendix at any time by prior written notification to a payor or its Correspondent. The revocation shall be effective when received by the Correspondent or by the payor. A payor or a Correspondent may revoke an authorization under this Appendix by prior written notification. The revocation shall be effective when received by the Coupon Division at the Head Office. Termination shall not affect our right to make any charge or credit required by, or incidental to, any transaction before the termination is effective.

**Right to amend**

7. We reserve the right to withdraw, add to, or amend any portion of this Appendix upon seven calendar days' prior notice to each payor or Correspondent that has agreed to its provisions.



APPENDIX C-1

ACCOUNT HOLDER COUPON AGREEMENT

.....  
[Date]

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

Attention: Coupon and Safekeeping Division — Head Office

Gentlemen:

In order to expedite the payment of corporate and municipal coupons, we agree to the terms of Appendix C of your Operating Circular No. 6, regarding the payment of coupons. We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of coupons payable by us.

.....  
[Name of payor depository institution]

By: .....  
[Authorized signature]

.....  
[Title]

THE UNIVERSITY OF CHICAGO  
DEPARTMENT OF CHEMISTRY

MEMORANDUM FOR THE RECORD  
DATE: [illegible]  
TO: [illegible]  
FROM: [illegible]

[illegible text]

[illegible text]

[illegible text]



APPENDIX C-2

NON-ACCOUNT-HOLDER COUPON AGREEMENT  
AND CORRESPONDENT AUTHORIZATION

A. Non-Account-Holder Agreement

.....  
[Date]

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

Attention: Coupon and Safekeeping Division — Head Office

Gentlemen:

In order to expedite the payment of corporate and municipal coupons, we agree to the terms of Appendix C of your Operating Circular No. 6, regarding the payment of coupons. We designate .....

[Name of correspondent]

as correspondent against whose account on your books credits, debits, and appropriate adjustments may be entered for the payment or return of coupons payable by us.

.....  
[Name of payor depository institution]

By:.....  
[Authorized signature]

.....  
[Title]

**B. Correspondent Authorization**

Gentlemen:

We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of coupons payable by ..... in accordance with  
*[Name of payor depository institution]*

Appendix C of your Operating Circular No. 6. You will provide advices of any such entries to both the payor and us. If on any business day we cannot accept any such charge, we will first give notice to the payor and then notify you by telephone and immediately thereafter in writing on or before 2:00 p.m. of the payment date.

.....  
*[Name of correspondent]*

By:.....  
*[Authorized signature]*

.....  
*[Title]*



## APPENDIX D

### COLLECTION OF TIME ITEMS

#### INTRODUCTION

The Federal Reserve Bank of New York collects certain time items in accordance with the noncash collection rules of Regulation J, Operating Circular No. 6, and this Appendix D ("Appendix"). In case of any inconsistency between this Appendix and Operating Circular No. 6, this Appendix shall govern.

A depository institution in the Second Federal Reserve District that maintains an account at this Bank agrees to these terms by executing a letter in the form of Appendix D-1. A depository institution that uses the account at this Bank of another depository institution (the "Correspondent") agrees to these terms by executing a letter in the form of Appendix D-2 that is also executed by the Correspondent.

#### Definition of terms

1. In this Appendix:
  - a. "participant" means a depository institution that agrees to the terms of this Appendix, a "sending participant" sends items to this Bank, a "receiving participant" is the institution that receives items from this Bank;
  - b. "authorized representative" means a person either (i) bearing a pass or identification card with the person's picture that is issued by the participant that he purports to represent and whose signature has been certified to us by the participant or (ii) identified in such other manner as shall be satisfactory to the Federal Reserve Bank of New York; and
  - c. terms defined in Regulation J and Operating Circular No. 6 have the same meanings in this Appendix.

#### PARTICIPANT'S AGREEMENT

##### Eligibility of time items

2. An item that we handle as a noncash item under Operating Circular No. 6 is eligible for collection if it is: (i) commercial paper or (ii) a bankers' acceptance payable by, at, or through a participant.

### Collection and presentment

3. Between the hours of 10:00 a.m. and 1:00 p.m. of each banking day, a sending participant may deliver to a designated window of our Safekeeping Department eligible time items for presentment by us to other depository institutions for payment. We do not accept items except by hand delivery at the designated window. An item may be delivered to us no earlier than one business day prior to its payment date.

4. A sending participant delivering an item for handling shall stamp or write a restrictive indorsement on the item. The indorsement shall contain the date, the name of the sending participant and the ABA transit number (the number to be shown at least twice) and the following words: "For collection. Pay any bank." In addition to its indorsement, the sending participant shall indicate clearly on the reverse of each item the telephone number to be called if the receiving participant elects to return the item unpaid. The indication shall be in substantially the following form: "If this item is to be returned unpaid, please call (*name*) at (*phone number*)."

5. The sending participant shall enclose items in sealed, transparent envelopes approved as to form by us. Each envelope may contain items for only a single receiving participant. The sending participant shall inscribe on each envelope its name and ABA number, the total dollar amount of the items, and the name and ABA number of the receiving participant.

6. When delivering time items to us for collection, the sending participant shall sort the sealed envelopes by the exchange to which the receiving participant belongs and submit three copies of a delivery sheet bearing the name of the sending participant. The delivery sheet must be in a form approved by us and list opposite the name or ABA number of each receiving participant to which an envelope is being presented, the number of envelopes being delivered to the participant, the unique identifying number of each envelope, the total dollar amount of items contained in each envelope and the total dollar amount of items to be presented to each participant. The delivery sheet must also show the total number of envelopes delivered to us by the sending participant and the total dollar amount of all the envelopes. We stamp one copy of the delivery sheet as receipt for delivery and return the copy to the sending participant. By stamping the delivery sheet, we do not indicate that we have verified the delivery sheet, the dollar amounts of the items, or the number of items contained in the envelopes. We verify that the number of envelopes listed on each delivery sheet conforms to the number of envelopes received from the sending participant, that the sum of the dollar amounts said to be contained in each package delivered with the delivery sheet equals the total shown on the delivery sheet and that the envelopes appear intact. We inform the authorized representative of the sending participant of any discrepancies noted, and until the discrepancies are



corrected, we do not accept for collection any envelopes delivered with the delivery sheet. We may, in our discretion, correct on behalf of the sending participant any errors on the delivery sheets in accordance with any instruction we receive, either in writing or verbally, from the sending participant.

7. We may refuse to accept time items from a depository institution that has not agreed to these terms. We also may refuse to accept time items that are payable by, at, or through a depository institution that has not agreed to these terms. We reserve the right to reject envelopes that are damaged or may have been tampered with or that appear to contain ineligible items.

8. We sort the envelopes and prepare appropriate transmittal sheets in duplicate. The transmittal sheet lists each envelope to be presented to the receiving participant, the dollar amount said to be contained in each, the total number of envelopes, and the total dollar amount said to be contained in all the envelopes.

9. Around 5:00 p.m. on the day of receipt we deliver all envelopes for presentment through the NYCHA 2:00 a.m. Time Items Exchange to the New York Clearing House pursuant to the rules of the NYCHA. By noon of the day following the day of receipt we deliver envelopes for presentment through the NYCHA City Collection Department to the New York Clearing House pursuant to the rules of the NYCHA. A receiving participant that does not receive its items through the New York Clearing House shall arrange to have its authorized representative call at the designated window in our Safekeeping Department each banking day between 10:00 a.m. and 1:00 p.m. to receive items payable by, at, or through the receiving participant's main or any branch office and any items to be returned to that receiving participant. Delivery of items to the authorized representative or making the items available for pickup by the authorized representative shall constitute due presentment by the Reserve Bank of the items to the receiving participant with the same force and effect as though the items were presented by the Reserve Bank to the receiving participant for payment at the receiving participant's counter at the time of delivery. We reserve the right to present time items, whether or not payable by a depository institution that has agreed to the terms of this Appendix, in any other manner that we deem appropriate.

10. Upon delivery of time items to the authorized representative of a receiving participant, the authorized representative shall sign a copy of the transmittal sheet acknowledging receipt of the number of envelopes shown on the transmittal sheet.

#### **Debits and credits**

11. We give provisional credit to a sending participant on the day of presentment based on the amount stated in the sending participant's delivery sheet.

We charge the account maintained or used by the receiving participant on the day of presentment based on the amounts stated on envelopes received from sending participants.

#### **Returns and missent items**

12. Items presented through the New York Clearing House shall be returned pursuant to the NYCHA rules. For other items, if a receiving participant decides to return an item unpaid for any reason, or receives a missent item, it shall call the sending participant by 3:00 p.m. on the day of receipt and in all cases either: (i) by 3:00 p.m. on the day of receipt, return the item by hand directly to the sending participant at a location specified by the latter and arrange directly with the sending participant for credit for the returned item; or (ii) by 4:30 p.m. on the day of receipt, return the item to us. Return items shall be sealed in transparent envelopes, approved as to form by us, be marked as returns and refer to the original presentment. For a timely return of an item handled under this arrangement, we credit the account maintained or used by the receiving participant, and revoke the provisional credit to the sending participant, on the banking day following our receipt of the item. A receiving participant that receives a missent envelope (an envelope addressed to another participant) shall call this Bank by 3:00 p.m. by the day of receipt and make the envelope available for pickup by our messenger.

#### **Liability of this bank**

13. We do not examine the contents of the envelopes handled under this arrangement. We are not liable in any way for the contents of the envelopes, for any purportedly lost or missing items, or for any claims arising from a disagreement as to the contents of the envelopes. We are not liable for any other omission, action, or failure to act, except for our own negligence or failure to exercise ordinary care. Participants agree to hold this Bank harmless from (a) any losses or costs arising out of any delivery to an authorized representative of the participant, and (b) any losses or costs arising out of the participant's failure to perform any of its obligations hereunder.

14. This arrangement shall remain in effect as to a participant or correspondent until this Bank receives written notice from the participant or correspondent terminating the arrangement. The notice shall not take effect, however, until the time stated in the notice which may not be earlier than the time of receipt, and the notice shall not effect rights accruing to this Bank or any obligations incurred by the participant or correspondent for items received or presented by this Bank prior to the time of termination.



## **CORRESPONDENT'S AUTHORIZATION**

15. To implement the Participant's Agreement for the collection of eligible time items, the Correspondent authorizes this Bank to charge to the Correspondent's account on this Bank's books the amount of all items payable by, at, or through the participant presented to it under this arrangement. The Correspondent also authorizes this Bank to make all such other debits and credits and to make such other adjustments to the Correspondent's account as may be necessary to give effect to the Participant's Agreement. The Correspondent agrees to maintain in its account on this Bank's books, in actually and finally collected funds, balances sufficient to cover all debits to that account in connection with this arrangement. It is understood that this Bank assumes no responsibility for any obligations of the participant to the Correspondent that may arise out of charges to the Correspondent's account pursuant to that Agreement or this Authorization.

16. We reserve the right to amend any portion of this Appendix on seven calendar days' prior notice to each participant or correspondent through an amendment to this circular.

**APPENDIX D-1**

**PARTICIPANT AGREEMENT FOR COLLECTION OF  
TIME ITEMS**

*[To be typed on participant's letterhead]*

.....  
*[Date]*

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

Attention: Manager, Safekeeping Department

Gentlemen:

We agree to the terms of Appendix D to your Operating Circular No. 6 regarding the collection of certain time items. We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of items payable by, at, or through us under the terms of Appendix D.

.....  
*[Name of participant]*

By:.....  
*[Authorized signature]*

.....  
*[Title]*



APPENDIX D-2

**PARTICIPANT AGREEMENT FOR COLLECTION OF  
TIME ITEMS AND CORRESPONDENT AUTHORIZATION**

*[To be typed on participant's letterhead]*

**A. Participant Agreement**

.....  
*[Date]*

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

Attention: Manager, Safekeeping Department

Gentlemen:

We agree to the terms of Appendix D to your Operating Circular No. 6 regarding the collection of certain time items. We designate .....

*[Name of*

..... as correspondent against whose account on your books,  
*correspondent]*

credits, debits, and appropriate adjustments may be entered in connection with the payment or return of items payable by, at, or through us under the terms of Appendix D.

.....  
*[Name of participant]*

By:.....  
*[Authorized signature]*

.....  
*[Title]*

**B. Correspondent Authorization**

We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of items payable by, at, or through ..... in accordance with  
[Name of participant]  
the Correspondent Authorization in Appendix D of your Operating Circular No. 6.

.....  
[Name of correspondent]

By:.....  
[Authorized signature]

.....  
[Title]