

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 10211]
[December 31, 1987]

DISPUTED RETURNS OF UNPAID CASH ITEMS
Eleventh Supplement to Operating Circular No. 4

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

In accordance with uniform Federal Reserve System policy, the procedure for disputing the timeliness of return of cash items has been amended to require that the sender's allegation of late return be submitted *within six months from the date of return of the item*. In addition, the paying bank's denial of late return form must be received by the Reserve Bank within 15 banking days *after the date the Reserve Bank* sent the sender's allegation of late return form to the paying bank; otherwise no credit will be given to the paying bank. The revised procedure is summarized as follows:

1. If a sending bank asserts, within six months from the date of return of the item, that it has incurred a financial loss as a result of the late return of an item, its Federal Reserve office, without examining the circumstances of the case, will upon receipt of the unpaid item and a written statement (on a form prescribed by us) alleging late return of the item and damages to the sender, provisionally credit the sending bank's account and provisionally debit the paying bank's account for the amount of the item.
2. If, within 15 business days (for the Reserve Bank) after the item has been forwarded to the paying bank, the paying bank asserts that the return of the questioned item was timely and returns the item accompanied by a statement (on a form prescribed by us) of the details of its timely handling, the Federal Reserve office, again without examining the circumstances of the case, will recredit the paying bank and reverse the credit to the sender's account.
3. If the banks involved wish to dispute the representations made in the statements described above, it is expected that they will correspond directly with each other to resolve the dispute.

Enclosed is a copy of the Eleventh Supplement to our Operating Circular No. 4, "Collection of Cash Items," reflecting the foregoing changes.

(OVER)

Also enclosed are forms that should be used by sending or paying banks when requesting credit for a late return item; the form should be submitted to this Bank in duplicate.

If you have any questions on this matter, you may contact any of the following:

Head Office

Matthew J. Puglisi, Manager, Check Adjustment Department (Tel. No. 212-720-6551)

Buffalo Branch

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

Cranford Office

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

Jericho Office

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

Utica Office

Angus J. Kennedy, Regional Manager (Tel. No. 315-768-2200)

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Eleventh Supplement to
Operating Circular No. 4**
(Revised effective November 13, 1980)
December 31, 1987

COLLECTION OF CASH ITEMS

Disputed Returns of Unpaid Cash Items

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

Effective December 31, 1987, paragraph 38 of Operating Circular No. 4 is amended to read as follows:

38. If a sender (other than a Reserve Bank) believes that a paying bank has returned a cash item late, the sender may dispute the return one time by the following procedure:

(a) The sender may furnish us (or another Reserve Bank), within six calendar months from the date of return of the item or other notice by this or the other Reserve Bank, with the item and, on a form prescribed by us, a signed statement that the sender believes that the paying bank did not take all action necessary to recover its payment within the time limits of Regulation J. We will credit the amount of the item to the sender's account (or the account of the forwarding Reserve Bank). We will charge that amount to the account of (and send the item and statement to) the collecting or paying bank to which we had originally presented or sent the item.

(b) We will revoke the credit given to the sender and recredit the collecting or paying bank if:

(i) for any reason we cannot obtain the amount of the credit from the paying bank, or

(ii) we (or another Reserve Bank) receive the item with a properly executed statement from the paying or collecting bank within fifteen (15) banking days (for the Reserve Bank) after we (or the other Reserve Bank) sent the item and the sender's statement to the collecting or paying bank.

(c) A properly executed paying bank's statement must:

[Enc. Cir. No. 10211]

(OVER)

- (i) be on a form prescribed by us,
- (ii) be signed by an officer of the paying bank,
- (iii) show the banking day of receipt and the date of return of the item by the paying bank, and explain any difference in dates exceeding one banking day, and
- (iv) state that the paying bank took all action necessary to recover its payment within the time limits of Regulation J.

E. GERALD CORRIGAN,
President.

Paying Institution's Response to Late Return Item Claim

- Date: _____

TO: PAYOR'S Federal Reserve Bank of _____
(_____ Branch) (_____ Office)

Your advice of debit dated _____ forwarded to us a claim of late return of an item in the amount of \$ _____.

We certify that our records indicate that this item was received by us or our processor as a cash item on (banking date) _____ in your cash letter dated _____, in the amount of \$ _____, tape total \$ _____, listed between items for \$ _____ and \$ _____.

Our institution sent this return item to _____, in a return letter dated _____, totaling \$ _____, tape total \$ _____, listed between items for \$ _____ and \$ _____.

Notice of nonpayment was given to _____ by wire (date) * _____ or telephone (date) * _____ for this item.

If the number of banking days from the banking day of receipt to the date of return exceeds one banking day the explanation for the delay is as follows: _____

We took all action necessary to entitle us to recover our payment within the time limits of Regulation J. Please credit our account and advise.

(Paying Institution) By: _____
(Officer's Signature)

*Enter "none" if no wire or telephone notification was given.

Prepare and submit in duplicate. Failure to provide all information requested and/or failure to return to your local Federal Reserve Office completed forms with the return item within 15 business days from date of charge will result in claim being returned without entry.

Reserve Banks will, in no case, examine the items in question or the statements of alleged facts to ascertain the validity of the claims in carrying out this procedure.

Knowingly making a false statement on this Form to influence the action of a Federal Reserve Bank in granting a credit may subject the signing party to criminal penalties under Federal or State law.

Sender's Late Return Item Claim

Date: _____

TO: SENDER'S Federal Reserve Bank of _____
(_____ Branch) (_____ Office)

The returned cash item described below and attached is being delivered to you because of LATE RETURN.

1. Amount _____
2. Dated _____
3. Payor R/T \$ _____
4. Payor Location (City) _____ (State) _____
5. Drawn by (Drawer) _____
6. Payable to (Payee) _____
7. Check No. _____
8. Our institution sent this cash item to _____
in a cash letter dated _____, totaling \$ _____,
tape total \$ _____, listed between items for
\$ _____ and \$ _____.
9. This item was apparently returned by the paying institution on
(date) _____.
10. We received the return item on (date) _____ from your
bank in a return item letter dated _____ totaling
\$ _____, tape total \$ _____, listed between
items for \$ _____ and \$ _____.

We claim that, according to our records and the endorsements and stamp on the item, the paying institution did not take all action necessary to recover its payment within the time limits of Regulation J and we certify that, as to notice of dishonor, we received:

(CHECK ONE)

- () Wire or telephone advice on (Date) _____
() No advice other than the returned item.

This late return caused us to incur financial loss, because of lack of authority to charge the item back to our customer, or for other reasons.

Please credit our account provisionally and advise.

(Sending Institution)

By: _____
(Officer's Signature)

Prepare and submit in duplicate. Failure to provide all information requested will result in claim being returned without entry.

Reserve Banks will, in no case, examine the items in question or the statements of alleged facts to ascertain the validity of the claims in carrying out this procedure.

Knowingly making a false statement on this Form to influence the action of a Federal Reserve Bank in granting a credit may subject the signing party to criminal penalties under Federal or State law.