

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 10244]
June 29, 1988

**WIRE TRANSFERS OF FUNDS
Revision of Operating Circular No. 8**

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

Enclosed is a copy of this Bank's Operating Circular No. 8, revised June 29, 1988, on wire transfers of funds, together with Appendices A through D to the operating circular. The operating circular has been revised principally to add two new appendices (C and D) concerning (1) the use of third-party wire transfer of funds and book-entry securities processing arrangements, and (2) the use of licensed software on our Fedline terminal. Appendix B, the schedule of charges, revised effective January 1, 1988, is unchanged.

Appendix C sets forth the terms of the agreement under which a depository institution that maintains a deposit and securities account at this Bank may have the origination and receipt of its on-line wire transfers of funds and book-entry securities conducted by a third-party service provider. Appendix D sets forth the specific terms of the agreement between this Bank and a depository institution that sends and receives transfers through a Fedline terminal that uses software provided by this Bank.

Questions concerning these new appendices may be directed to Andrew Heikaus, Manager, Funds Transfer Department (Tel. No. 212-720-5561).

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Operating Circular No. 8**
Revised June 29, 1988]

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 and 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.

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 accept only 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.

Third-party wire transfer arrangements

19. The terms of the agreement under which a depository institution that maintains a deposit and securities account at this Bank may have the origination and receipt of its on-line wire transfers of funds and book-entry securities conducted by a third-party service provider are contained in Appendix C to this operating circular.

Use of licensed software

20. The terms of the agreement between this Bank and a depository institution that sends and receives transfer items through a terminal using software provided by this Bank are contained in Appendix D to this operating circular.

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

21. 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.

22. 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.

23. 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

24. 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.

25. 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.

26. 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

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

General

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

29. 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

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

Effect of this circular on previous circular

31. This circular supersedes our Operating Circular No. 8, revised March 21, 1984.

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix A to
Operating Circular No. 8**

Revised June 29, 1988

**WIRE TRANSFERS OF FUNDS
Time Schedule and Additional Terms**

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

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 A.

Opening hour

2. This Bank accepts transfer items and requests (interdistrict and intradistrict) beginning at 8:30 a.m., Eastern Time.

Closing hours

Interdistrict transfers

3. This Bank accepts interdistrict transfer items (on-line instructions) until 5:00 p.m., Eastern Time, and interdistrict transfer requests (telephonic instructions) until 4:30 p.m., Eastern Time, each business day. In its discretion, this Bank may accept interdistrict transfer items and requests after these times, but the completion of such transfers is also at the discretion of the transferee's Reserve Bank.

Intradistrict transfers

4. This Bank accepts intradistrict transfer items (on-line instructions) un-

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til 6:00 p.m., Eastern Time, and intradistrict transfer requests (telephonic instructions) until 5:30 p.m., Eastern Time, each business day. In its discretion, this Bank may accept intradistrict transfer items and requests after these times.

Settlement period

5. This Bank accepts settlement transfer items (on-line instructions) until 6:30 p.m., Eastern Time, and settlement transfer requests (telephonic instructions) until 6:00 p.m., Eastern Time, each business day. A settlement transfer is a transfer between a transferor and a transferee (a) for their own accounts, or (b) for the account on the books of the transferor or the transferee of a respondent that is (i) subject to Federal Reserve reserve requirements (whether or not such respondent actually maintains reserves), 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 or to the transferor or transferee. Settlement transfers may be used to make or to adjust for net settlement transactions. This Bank reserves the right, in its discretion, to refuse to handle a transfer that is received during the settlement period but that does not comply with the requirements for transfers during such period. This Bank also may, in its discretion, accept settlement transfer items and requests after these times, but the completion of interdistrict settlement transfers is also at the discretion of the transferee's Reserve Bank.

Requests for payment

6. This Bank accepts requests for payment until the closing hour for the type of transfer requested (interdistrict, intradistrict, or settlement) as set forth in paragraphs 3, 4, and 5 above. However, originators are responsible for allowing sufficient time for receivers to respond within these closing hours.

Extension of closing hours

7. 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 14, 17, 19, and 21 of this Appendix.

A request for an extension may be made to the Head Office by calling 212-720-5069 or 720-5073.

Use of linked terminal or computer

8. A transferor or transferee that executes and delivers to us a letter in the form of Appendix A-1 to 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 8-25 of this Appendix A. Such a terminal or computer at a depository institution is referred to herein as "linked equipment."

9. 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.

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

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

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

13. 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

14. 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.

15. 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

16. 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

17. 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.

18. 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 14.

Failure of this Bank's communications system

19. 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.

20. 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

21. 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

22. In connection with the matters specified in paragraphs 14 through 21 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.

23. A transferee that arranges with us to receive transfer items by electronic means must manage its communications link so as to permit us to send transfer items to it on a timely basis during its day. We are not responsible for any delay in sending a transfer item or other message to such a transferee, if the delay results from the transferee's failure to so manage its link.

24. 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.

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

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

Effect of this Appendix on previous Appendix

27. This Appendix supersedes Appendix A, dated March 21, 1984, and the First Supplement, dated March 6, 1986, to Operating Circular No. 8.

E. GERALD CORRIGAN,
President.

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

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]

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix B to
Operating Circular No. 8**

Revised effective January 1, 1988

WIRE TRANSFERS OF FUNDS

Schedule of Charges

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

This Bank's schedule of charges for wire transfers of funds is as follows:

Wire Transfers of Funds and Other Messages

A. Originator:

Basic charge per message \$0.47

Surcharges:

Off-line origination. \$6.00

Telephone advice to receiver \$3.50

B. Receiver:

Basic charge per message \$0.47

Surcharge:

Telephone advice requested by receiver
(no surcharge to receiver when originator
requests telephone advice to receiver) ... \$3.50

Fixed Monthly Fees for On-line Connections

Dedicated leased line	\$ 400
Dial-up line	\$ 60

Installation Fees for On-line Connections

Basic installation	\$ 300
Vendor charges	Pass-through actual costs
Hardware compatibility testing	\$2,500
Software compatibility testing	\$4,000
Retraining	\$ 150

Effect of this Appendix on previous Appendix

This Appendix supersedes Appendix B, revised effective January 1, 1987, to Operating Circular No. 8.

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix C to
Operating Circular No. 8**

June 29, 1988

**WIRE TRANSFERS OF FUNDS
Third-Party Wire Transfer Arrangements**

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

1. This Appendix C to Operating Circular No. 8 establishes the terms of the agreement under which a depository institution (the "Institution") holding an account with the Federal Reserve Bank of New York ("this Bank") pursuant to Operating Circular No. 7 or No. 7A, may have the on-line origination and receipt of wire transfers of funds, to and from its reserve or clearing account (the "Account"), and on-line transactions in book-entry securities to and from the Institution's on-line securities accounts (the "Securities Accounts"), conducted by a third party (the "Service Provider"). Terms defined in Subpart B of Regulation J (12 C.F.R. Part 210, Subpart B) have the same meaning in this Appendix C.

2. An Institution and a Service Provider that have (i) executed and delivered to this Bank a Letter of Authorization in the form of Appendix C-1 to Operating Circular No. 8, including any documents required by this Appendix C, (ii) complied with the requirements of paragraph 13 of this Appendix C, and (iii) both signed On-Line Agreements in the form of Appendix A-1 to Operating Circular No. 8 (in their capacities as an account-holding depository institution and a third-party service provider), shall be subject to the provisions of this Appendix C.

Third-party transfer arrangement

3. The Service Provider will send and receive transfer items for which the Institution is the transferor or transferee. Notwithstanding the operational routing of such transfer items through the Service Provider, this Bank will

make all debit and credit entries relating to such transfer items to the Institution's Account.

4. The sending of a transfer item, a request for revocation, or an administrative message, or the receipt of a transfer item, an advice of credit, an advice of debit, or an administrative message by the Service Provider shall constitute such sending or receipt by the Institution.

Responsibilities of the Institution

5. It shall be the duty of the Institution to ensure that the Service Provider complies with the provisions of this Appendix C, Operating Circular No. 8, Subpart B of Regulation J (12 C.F.R. Part 210, Subpart B), and any other relevant operating circular of this Bank as well as any policy or regulation of the Board of Governors of the Federal Reserve System with respect to the wire transfer of funds. However, the use of this third-party transfer arrangement, and the provision of these services by the Service Provider to the Institution, shall in no way affect or diminish any obligation or duty of the Institution to this Bank, including the Institution's responsibilities for managing its Account, for any associated required reserve maintenance, for complying with its cross-system or Fedwire net-debit cap, and for complying with any operating circular of this Bank or any policy or regulation of the Board of Governors binding upon such Institution.

6. The Institution shall have the duty to monitor, during the course of the business day, funds transfer activity handled on its behalf by the Service Provider through receipt of advices from this Bank or from the Service Provider.

7. The board of directors of the Institution shall have the duty to ensure that an audit program of the third-party transfer arrangement is maintained that, at least annually, shall review and confirm that transfer activity processed by the Service Provider is effectuated in accordance with the terms of this Appendix C and is consistent with any additional internal controls established by the Institution's board of directors.

8. The Institution shall have the duty to maintain adequate back-up facilities and procedures, acceptable to this Bank, to provide alternative funds transfer origination and receipt capability, independent of the Service Provider, in the event of an equipment failure or other developments affecting the adequacy of funds transfer services provided by the Service Provider. This Bank reserves the right, in its sole discretion and without prior notice, to require the Institution to suspend its use of the Service Provider and conduct its transfer activity through the established back-up arrangement. In the event that a back-up arrangement involves a substitute Service Provider, that substitute shall have agreed to the terms of this Appendix C.

Affiliate Service Provider

9. If the Institution and the Service Provider are affiliates,* transfers of funds sent by the affiliate Service Provider shall either (i) be individually authorized and approved by the Institution, or (ii) be sent by the Service Provider against specific credit limits that are approved by the Institution and communicated to the Service Provider, established for particular (a) customers, (b) accounts, or (c) affiliated institutions of the Institution (a "Credit Limit"). The Institution shall have a duty to periodically review the appropriateness of the individual Credit Limits.

10. In the case of an affiliate Service Provider where the Institution does *not* individually authorize and approve each transfer of funds, it shall be the duty of the affiliate Service Provider (i) to ensure, on a real-time basis, that the aggregate transfer activity of the Institution does not result in an overdraft in the Institution's Account in excess of the Fedwire net-debit cap established by the Institution pursuant to the Board of Governors' policy on reducing risk in large-dollar systems (Federal Reserve Regulatory Service ¶7-065), and (ii) to obtain the specific authorization of the Institution before sending a transfer of funds that would exceed an applicable Credit Limit.

Non-affiliate Service Provider

11. If the Institution and the Service Provider are not affiliates, the Institution and the Service Provider each warrant that the Service Provider is (i) a depository institution, (ii) a nonbank operations subsidiary of the Institution or of the parent holding company of the Institution, or (iii) an independent company subject to examination pursuant to Section 7 of the Bank Service Corporation Act (12 U.S.C. §1867), by virtue of providing bank services.

12. Each transfer of funds sent on behalf of the Institution by a Service Provider that is not an affiliate shall be individually authorized and approved by the Institution.

Approval requirements

13. The Institution's board of directors shall adopt resolutions that (i) authorize the operational relocation of its funds transfer activity to the Service Provider, in a form substantially similar to that in Appendix C-2, (ii) establish Fedwire net-debit caps with respect to funds transfer activity to be conducted by the Service Provider (if overdraft privileges for the Account are desired by the Institution and permitted by this Bank), and (iii) in the case of an affiliate service provider, establish Credit Limits with respect to transfers initiated on behalf

* For purposes of this Appendix C, the Institution and the Service Provider are affiliates if (a) at least eighty (80) percent of the voting stock of both the Institution and the Service Provider are commonly owned or (b) either the Institution or the Service Provider own at least eighty (80) percent of the voting stock of the other.

of, or sent to, any other depository institution affiliated with the Institution. Copies of these resolutions shall be attached and delivered to this Bank with the Appendix C-1 Letter of Authorization.

14. The Institution warrants that both it and the Service Provider have notified their Federal and State supervisors of their intended participation in this third-party transfer arrangement and that no unresolved objections have been raised by such supervisors, specifically with respect to the safety and soundness of the arrangement and the applicability of State law restrictions on branching.

15. In the case of an affiliate Service Provider where the Institution does not individually authorize and approve each transfer of funds, the Institution shall provide this Bank and its Federal and State supervisors with an opinion of counsel, acceptable to such supervisors, that the third-party transfer arrangement is consistent with the principles of corporate separateness and does not violate any State law restrictions on branching.

Book-entry securities transfers

16. The Institution may also authorize the Service Provider to send and receive on-line transactions in United States Treasury and agency book-entry securities to and from the Institution's Securities Accounts, provided that this is stated in the Appendix C-1 Letter of Authorization and that both the Institution and the Service Provider have executed an On-Line Agreement with respect to on-line transactions in book-entry securities, pursuant to this Bank's Operating Circular No. 21A. Notwithstanding the operational routing of such on-line transactions through the Service Provider, this Bank will make all debit and credit entries relating to such on-line book-entry securities transactions to the Institution's Securities Accounts and to the Institution's reserve or clearing account.

17. The origination or receipt of an on-line transaction, or the receipt of a transfer acknowledgment or any other communication from this Bank with respect to book-entry securities, by the Service Provider shall constitute such origination or receipt by the Institution.

18. All other provisions of this Appendix C, except for paragraphs 3, 4, 10, and 13(ii), shall apply with respect to on-line book-entry securities transactions conducted by the Service Provider on behalf of the Institution.

19. It shall be the duty of the Institution to ensure that the Service Provider complies with the provisions of this Bank's Operating Circulars Nos. 21 and 21A, and any other relevant operating circular of this Bank as well as any policy or regulation of the Board of Governors with respect to transactions in book-entry securities.

General

20. No individual with direct, day-to-day responsibilities over funds transfer operations may hold such a position in more than one affiliated institution participating in a third-party transfer arrangement.

21. The Institution and the Service Provider each agree to defend, indemnify, and hold harmless this Bank against any claim, loss, cost, or expense, including but not limited to attorneys' fees and expenses of litigation, resulting from the third-party transfer arrangement or the acts or omissions of either the Institution or the Service Provider or their agents except, however, for any claim, loss, cost, or expense arising out of this Bank's failure to exercise ordinary care.

22. The terms of this Appendix C shall be construed in accordance with and governed by Federal law, and the laws of the State of New York to the extent such laws are not inconsistent with Federal law.

23. The Institution and the Service Provider may terminate their participation in the third-party transfer arrangement with thirty (30) days' written or telegraphic notice to this Bank and the other party. This Bank reserves the right without prior notice to terminate the use of the third-party transfer arrangement by the Institution.

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

E. GERALD CORRIGAN,
President.

APPENDIX C-1

THIRD-PARTY TRANSFER LETTER OF AUTHORIZATION

[To be typed on the letterhead of the
account-holding depository institution]

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

Attention: Manager,
Funds Transfer Department

We hereby agree to the terms contained in Appendix C to your Operating Circular No. 8, and have complied with all of its prerequisites in order to establish a third-party transfer arrangement with respect to on-line wire transfers of funds [and on-line book-entry securities transactions].

[Insert name of Service Provider], the Service Provider, is [an affiliate of this depository institution, as defined in the footnote to Paragraph 9 of Appendix C to Operating Circular No. 8 [or] [insert one of the categories of institutions specified in paragraph 11 of Appendix C to Operating Circular No. 8].

We each reserve the right to terminate this Agreement by written or telegraphic notice to each other and to the Manager of your Funds Transfer Department, which notice shall be effective thirty (30) days after receipt.

.....
[Name of depository institution]

By:
[Authorized signature]

.....
[Name and Title]

.....
[Name of Service Provider]

By:
[Authorized signature]

.....
[Name and Title]

APPENDIX C-2

MODEL RESOLUTIONS AUTHORIZING OPERATIONAL RELOCATION OF WIRE TRANSFER ACTIVITY TO A THIRD-PARTY SERVICE PROVIDER

I hereby certify that the following resolutions were duly adopted at a meeting of the *[Type of governing body, e.g., board of directors or trustees]* of the *[Official name of institution]*, the ("Institution"), duly authorized and existing under the laws of _____, which meeting was duly called and held on the _____ day of _____, 19____, and that those resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation, statutes, or bylaws of the Institution.

1. RESOLVED, that *[Insert the title of authorized officers]* of the Institution, and their successors in office, be, and any *[Insert appropriate number]* of them, hereby is/are authorized to execute an agreement with *[Insert name of service provider]* (the "Service Provider") and the Federal Reserve Bank of New York (the "Reserve Bank"), whereby the Service Provider may on behalf of the Institution conduct the origination and receipt of wire transfer of funds from or to the Institution's reserve or clearing account [; order the transfer of securities held in the Institution's book-entry securities accounts, and accept delivery of securities into the Institution's book-entry securities accounts against payment and a corresponding charge to the Institution's reserve or clearing account]. Said officers are further authorized to sign an agreement whereby the Institution indemnifies the Reserve Bank for any claim, loss, or expense sustained (including but not limited to attorneys' fees and litigation costs) resulting from the Reserve Bank's acting pursuant to the terms of said agreement.

2. RESOLVED, that the Reserve Bank may deem and treat such sending or receipt of any on-line communication by the Service Provider, on behalf of Institution, as if such on-line communication were sent or received by the Institution itself.

3. RESOLVED, that as a condition precedent to entering into an agreement with the Service Provider, the Service Provider must agree that [it will not send to the Reserve Bank any transfer of funds or securities that have not been individually authorized and approved by the Institution]¹ [or] [it will not send to

¹ For use with all non-affiliate service provider arrangements and affiliate service provider arrangements that require individual approval of transfers by the depository institution. See paragraphs 11 and 12 of Appendix C to Operating Circular No. 8.

the Reserve Bank any transfer of funds that would exceed the limits adopted by the Institution from time to time and communicated to the Service Provider].²

4. RESOLVED, that these resolutions and all of the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of their revocation shall have been given to and received by the Reserve Bank; and that a duly certified copy of these resolutions, with the seal of this Institution attached, be furnished to the Reserve Bank.

I, the undersigned (Cashier/Comptroller/Secretary)³ of the Institution, do hereby certify that the foregoing resolutions are true and correct copies of resolutions of the [governing body] of the Institution duly adopted in accordance with and as authorized by its charter and bylaws at a meeting of said board duly called and held on _____, 19____, at which meeting a quorum of all of the [directors or trustees] were present and acting throughout, and that those resolutions have not been rescinded or modified and are now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Institution.

DATED: _____, 19____.

.....
[Signature of certifying official]

.....
[Name and Title]

[CORPORATE SEAL]

² For use with affiliate service provider arrangements that do not require individual approval of transfers by the depository institution. The limits referred to in Paragraph 3 include the sender net-debit cap, specific limits on transfers to affiliates, and the specific customer credit limits. See paragraphs 9 and 10 of Appendix C to Operating Circular No. 8.

³ The certifying official must be the Cashier, Comptroller, or Secretary of the Institution or another officer of similar or higher rank. The official also must have the authority to certify the statements in this document and not be a person designated in paragraph 1.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix D to
Operating Circular No. 8**
June 29, 1988

**WIRE TRANSFERS OF FUNDS
Licensed Software Agreement**

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

1. This Appendix D to Operating Circular No. 8 is an agreement between the Federal Reserve Bank of New York ("Reserve Bank") and a depository institution ("User") that sends or receives transfer items through a terminal using software from time to time provided by the Reserve Bank ("Licensed Software"). The entire configuration of Licensed Software installed on the terminal is referred to as the "Fedline terminal." Terms defined in Subpart B of Regulation J (12 C.F.R. Part 210, Subpart B) have the same meanings in this Appendix B.

2. Any User using Licensed Software must have also executed an on-line agreement in the form of Appendix A-1 to Operating Circular No. 8.

3. The Reserve Bank shall:

- (a) provide to User one copy of Licensed Software and appropriate documentation as available for each license fee paid;
- (b) replace a copy of Licensed Software that is defective or damaged by User with another copy of Licensed Software, provided User returns the copy that is defective or damaged to the Reserve Bank;
- (c) supply from time to time logon identifications ("logon IDs") and encryption keys; and
- (d) provide training on Reserve Bank's premises in the use of the Fedline terminal to appropriate personnel of the User.

4. At Reserve Bank's option, Licensed Software shall be either delivered by Reserve Bank to the User by downloading from the Reserve Bank's host

computer to User's terminal or sent by registered mail, return receipt requested, at the Reserve Bank's expense, or delivered at training. The applicable license fee for Licensed Software shall be due upon delivery or upon mailing of the Licensed Software, and debited to the User's reserve or clearing account.

5. The User shall be required to do the following:

- (a) acquire a terminal and related components including software necessary to use the Licensed Software, meeting specifications provided by the Reserve Bank;
- (b) install the Licensed Software on a terminal;
- (c) connect or obtain connection of necessary telecommunications equipment; and
- (d) maintain or obtain maintenance of the terminal.

6. The User:

- (a) shall not without Reserve Bank's prior written consent (i) modify or transfer for any purpose any copy of the Licensed Software; (ii) reverse assemble or reverse compile such Licensed Software; or (iii) disclose Licensed Software to anyone, except employees of User with a need to know, including inside or outside auditors;
- (b) shall use the Licensed Software only on a terminal for access to the Reserve Bank's message transfer network;
- (c) shall not copy Licensed Software, except that the User may make for each copy of the Licensed Software received from the Reserve Bank under this Agreement a backup copy subject to all the terms and conditions of this Agreement, and the backup copy may be used only when the original copy of the Licensed Software, or the primary terminal in which the Licensed Software is installed, is defective or out of order; and
- (d) shall not, without Reserve Bank's prior written consent, install the Licensed Software or a copy in a terminal or other computer equipment or utilize the Licensed Software installed in the Fedline terminal through other terminals or computer equipment connected to a Fedline terminal, in such a manner as to avoid obtaining additional Fedline terminals or additional copies of the Licensed Software, except as provided in (c) above.

7. The Reserve Bank warrants that it has the right to license or sublicense Licensed Software under the terms of this Agreement and shall indemnify and hold User harmless from any loss, cost, damage, or expense arising from any claim that Reserve Bank's licensing of Licensed Software infringes a patent, copyright, trademark, or other proprietary right of any third party; provided that the Reserve Bank is given prompt written notice of such claim, that the Reserve Bank has sole control of the defense of any such action or proceeding and any settlement negotiations related to such claim, and that User cooperates fully with the Reserve Bank in such defense and negotiations.

8. The User understands that the Fedline terminal, the encryption keys, logon IDs, and passwords can be used to originate and receive funds and other value messages as well as nonvalue messages. The User assumes the sole responsibility and entire risk of use and operation of its Fedline terminal, encryption keys, logon IDs, and passwords, and shall indemnify and defend the Reserve Bank against, and hold the Reserve Bank harmless from, any cost, loss, damage, or other liability resulting therefrom, including but not limited to direct, special, consequential, or incidental damages (including attorneys' fees), except to the extent the same is due to the negligence or willful misconduct of the Reserve Bank. Such damages shall be understood for this purpose as including but not limited to losses from fraud or theft, loss of profit or revenues, loss of use of the Fedline terminal, or losses alleged to be based on any error, defect, or inadequacy of the Fedline terminal, downtime, or claims against the User by others.

9. It is understood between the Reserve Bank and the User that any indemnity contained herein is intended for the exclusive benefit of the Reserve Bank and the User and no third party may claim the benefit of any such indemnity.

10. The User or the Reserve Bank may terminate this Agreement at any time upon written or telegraphic notice. In addition, as provided in paragraph 25 of Appendix A to Operating Circular No. 8, the Reserve Bank may, without prior notice, terminate the User's access to Reserve Bank's message transfer network. Upon termination, the User shall immediately return to the Reserve Bank all copies of the Licensed Software, including backup copies made by User, without refund to the User of all or part of the Software charge.

11. The Reserve Bank reserves the right to amend this Agreement without notice. The Reserve Bank will endeavor, however, to give at least 30 calendar days' notice of any revisions.

12. This Appendix D contains the entire agreement of the parties and supersedes any prior agreement between the parties concerning the use of Licensed Software configured in a Fedline terminal. This Appendix D shall be governed by the Federal law of the United States and the law of the State of New York to the extent that such State law is not inconsistent with Federal law.

E. GERALD CORRIGAN,
President.

APPENDIX D-1

LICENSE 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

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

.....
[Name of depository institution]

By:
[Authorized signature]

.....
[Title]