FEDERAL RESERVE BANK OF NEW YORK

[Circular No. **10261**
September 30, 1988]

COLLECTION OF CASH ITEMS AND RETURNED CHECKS

Revision of Operating Circular No. 4

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

In order to implement changes made necessary by the passage of the Expedited Funds Availability Act, the adoption of Regulation CC, and amendments to Regulation J, the Federal Reserve Bank of New York is amending Operating Circular No. 4 and reissuing it in its entirety (including Appendix H, even though it has not been changed). The new Operating Circular No. 4 is enclosed and is effective September 1, 1988. A new Appendix I, "Redeemed Savings Bonds," will be added shortly, to be effective in October 1988. In addition, Operating Circular No. 5, "Time Schedules," which has been replaced by separately issued time schedules for some time, is hereby officially superseded.

The deadlines and fees for this Bank's notice of nonpayment service (see paragraphs 55-59 of the operating circular) are as follows:

Origination by	*Deadline*	*Fee*
Wire	12 noon	$1.75
Telephone call to Fed	9 a.m.	$4.25
Physical check to Fed	9 a.m.	$5.25

This information will be included in the "Collection and Return Item Price Schedules for In-Zone Depositors" the next time it is revised.

Also enclosed are revised forms for the disputed return procedure described in paragraphs 48-50 of the operating circular. The two forms are the "Bank's Claim of Late Return" form and the "Paying Bank's Response to Claim of Late Return" form.

E. GERALD CORRIGAN,
President.

FEDERAL RESERVE BANK OF NEW YORK

Operating Circular No. 4
Revised effective September 1, 1988

COLLECTION OF CASH ITEMS AND RETURNED CHECKS

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

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[Enc. Cir. No. 10261]

General

1. Subpart A of Regulation J ("Regulation J") of the Board of Governors of the Federal Reserve System ("Board"), Subpart C of Regulation CC ("Regulation CC") of the Board, this operating circular, and our time schedules apply to the handling of all cash items that we accept for forward collection, all returned checks that we accept for return, and any form of payment that we receive for such items. This circular also contains instructions to paying and collecting banks for handling and paying cash items received from us, and instructions to returning and depositary banks for handling and paying returned checks received from us. This circular is issued pursuant to Sections 4, 13, 14(e), and 16 of the Federal Reserve Act, the Expedited Funds Availability Act, and related statutes and in conformity with Regulations J and CC. It is binding on each party interested in an item we handle.

2. Each Reserve Bank has issued a circular substantially similar to this one. When we send a cash item or a returned check to another Reserve Bank, that Reserve Bank handles the item subject to its operating circular and time schedules. We give credit for the item in accordance with our time schedules. The territories of the Second Federal Reserve District are as follows: the **Head Office** territory consists of New York, Bronx, Kings, Queens, and Richmond counties in New York State, Puerto Rico and the United States Virgin Islands; the **Buffalo Branch** territory consists of Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Livingston, Monroe, Niagara, Ontario, Orleans, Steuben, Wayne, Wyoming, and Yates counties in New York State; the **Downstate Regional Check Processing Center** ("RCPC") serves Rockland, Orange, Westchester, Dutchess, Sullivan, Ulster, and Putnam counties in New York State and Fairfield County, Connecticut; the **Long Island RCPC** serves Nassau and Suffolk counties in New York State; the **Northeastern New York RCPC** serves all the remaining counties in New York; and the **North Jersey RCPC** serves the 12 northernmost counties in New Jersey.

3. The definitions of terms set forth or incorporated in Regulation J, including terms defined in Regulation CC, apply in this circular, except as otherwise provided in this circular. The term "bank" includes a depository institution as defined in Section 19 of the Federal Reserve Act. The term "item" includes a cash item and a returned check. The term "cash item" excludes a returned check, and the term "returned check" includes a cash item, and a check as defined in Regulation CC, that is returned by a paying bank. The terms "prior" or "subsequent" with respect to a bank are used in relation to our handling of an item. For example, a subsequent collecting bank is one that handles a cash item after we handle it. Many terms used in this circular have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to this Bank include our Head Office, our Buffalo Branch, and our Cranford, Jericho, and Utica Offices.

4. This circular applies to any State or political subdivision of a State to which we present direct, as cash items, bills, notes, and warrants that are issued by the State or political subdivision and that are payable in the Second Federal Reserve District. Each such issuer is treated as a paying bank and each day on which the issuer is open for the regular conduct of its affairs or the accommodation of the public is treated as a "banking day" for the issuer.

Items that we handle as cash items

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

a. Checks payable in a State,[1] including postdated checks, except checks that cannot be collected at par;

b. Government checks, postal money orders, redeemed savings bonds, and food coupons[2]; and

c. Other demand items, collectible at par in funds acceptable to the Reserve Bank of the Federal Reserve District ("District")[3] in which the items are payable, that we are willing to accept as cash items.

6. 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 cash item if it qualifies as a cash item even though it is sent to us by one other than a "sender," as defined in Section 210.2 of Regulation J.

Items that we do not handle as cash items

7. A sender should not send to us an item eligible for handling as a cash item under paragraph 5 if:

a. A passbook, certificate, or other document is attached to the item;

b. Special instructions, including a request for special advice of payment or dishonor, accompany the item;

c. The item consists of more than a single thickness of paper, except as provided in paragraphs 69-70 and 76 regarding photocopies, but we do handle as a cash item a mutilated, erroneously encoded, or other cash item contained in a carrier that qualifies for handling by high-speed check processing equipment;

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[1] 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.

[2] The provisions that govern the collection of Government checks, postal money orders, redeemed savings bonds and food coupons are contained in Appendices A, B, C, and I of this circular.

[3] The Virgin Islands and Puerto Rico are deemed to be in the Second District, and Guam, American Samoa and the Northern Mariana Islands are deemed to be in the Twelfth District. Regulation J, note 1.

d. Except as provided in paragraphs 69-70 and 76 regarding photocopies, the item has not been preprinted or postencoded, in accordance with the American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (September, 1983), before we receive it with: (i) the routing number[4] of the paying bank (or nonbank payor), and (ii) except as provided in our time schedule, the dollar amount of the item. We handle such an item as a cash item, however, when we judge that special circumstances justify such handling;

e. The item does not state on its face the name and city and state address of the paying bank associated with the routing number on the item; or

f. Except as provided in paragraphs 69-70 and 76 regarding photocopies, the item does not bear (i) the routing number of the paying bank in fractional form in the upper right corner in at least 8-point Gothic type, or (ii) conform to the dimension standards of the American National Standard Specifications for Placement and Location of MICR Printing, X9.13 (September, 1983) (between 2¾ and 3⅔ inches in width, and 6 and 8¾ inches in length). We handle such an item as a cash item, however, when we judge that special circumstances justify such handling.

These items should be sent to us for collection only as noncash items under our Operating Circular No. 6, "Collection of Noncash Items."

8. A sender should not send to us as a cash item an item that has been dishonored two or more times, or a returned check. We reserve the right to return an item or to handle it as a noncash item if it has been dishonored once, or if we judge that special conditions require that it be so handled. We reserve the right to return an item payable by, at or through a bank that has been reported closed.

9. Under Section 4-204(1) of the Uniform Commercial Code, a collecting bank must send items by reasonably prompt methods. Accordingly, we discourage indirect routing of cash items. A sender should not send to us, or to another Reserve Bank for our account, an item that is payable in another District and that bears the indorsement of a bank located in another District if it is evident that the item has been routed indirectly. Senders should not send to us an item payable by, at or through an office of the sender.

10. If an item that we do not handle as a cash item is sent to us in a cash letter, we reserve the right, in our discretion, to charge it back and return it to the sender. We do not have any responsibility for delay in handling as a cash

[4] The term "routing number" means a number authorized by the Routing Number Policy of the American Bankers Association.

item an instrument that should not have been sent to us as a cash item. We also reserve the right to return and charge back a cash letter that does not conform to the sorting requirements of this circular and our time schedules.

Preparation of cash letters and return letters

11. All cash items and returned checks sent to us may be listed by amount without further description in tape listings accompanying cash letters or return letters. All letters and tape listings should be dated and identified with the sender's (or paying or returning bank's) name and nine-digit routing number, if any.

12. Each sender (or paying or returning bank) should keep records that permit it to identify its depositor or indorser on a cash item or returned check so that the bank can take appropriate action if the item is lost or destroyed. We do not usually keep copies or descriptions of items. We do not keep any records of items in end-point-sorted cash letters or return letters that we handle without our indorsement. We have no responsibility for describing a lost or destroyed item that we charge back to a bank, or for maintaining insurance coverage or obtaining from another person reimbursement for a sender's (or paying or returning bank's) costs or other loss, except as provided in Appendix A concerning Government checks.

13. We require that cash items be separately sorted from returned checks. We reserve the right to require separate sorts of cash items and returned checks, and separate sorts of Government checks, postal money orders, redeemed savings bonds and food coupons. We reserve the right to require banks located in the same city, town, metropolitan or similar area to sort, list, and package cash items payable in the same area according to the office of the paying bank where the items are payable. Our time schedules contain other instructions for sorting and listing items.

Indorsements

14. All cash items and returned checks sent to us should be indorsed in accordance with the requirements of Section 229.35 and Appendix D of Regulation CC. If we receive a cash item without the sender's indorsement, or a returned check without a returning bank's indorsement, we may (a) present or send the item as if it bore the indorsement, (b) place on the item the missing indorsement and the date we received it, or (c) return the item for proper indorsement. We handle an end-point-sorted cash letter and return letter without indorsing the items in the letter. We make the warranties stated in Section 210.6(b) of Regulation J by presenting or sending a cash item (and the warranties stated in Section 229.34 of Regulation CC by sending a returned check), whether or not the item bears our indorsement.

Responsibility for back of check

15. (a) A bank issuing checks drawn on us is responsible for ensuring that the condition of the back of the check when issued does not adversely affect the ability of a bank to indorse the check legibly in accordance with Section 229.35 and Appendix D of Regulation CC. The issuing bank agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of the condition of the back of the check when issued.

(b) We reserve the right to refuse to accept a deposit of a check if in our judgment the back of the check at the time of the deposit adversely affects our or another bank's ability to indorse the check legibly in accordance with Section 229.35 and Appendix D of Regulation CC. If we do accept the check, the depositor is responsible for the condition of the back of the check, and agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of the condition of the back of the check at the time of deposit.

Direct sending to other Reserve offices

16. A sender (or a paying or returning bank) that maintains or uses an account with us and that has cash items (or returned checks) payable in another District, or in the territory of another office of this Bank, may send the items directly to the Reserve office of that District or territory under procedures we prescribe. Under Sections 210.4(b) and 210.12(f) of Regulation J, items sent direct are deemed to have been handled by us. A sender or bank that by arrangement delivers items payable in another District to us, or to another designated location for consolidated shipment, should give us prior notice of any deviation from that arrangement.

Time schedules and availability of credit

17. We give immediate or deferred credit for all items that we accept as cash items or returned checks in accordance with our published "Collection and Return Item Price Schedules for In-Zone Depositors" (referred to herein as our "time schedules"). For letters containing items unsorted as to credit availability, we may defer credit for the longest period prescribed in our time schedules for any item enclosed.

18. Because in many instances our time schedules do not show the actual time required for collection or return, our advices cannot be considered advices of actual payment on the dates we make credit available. Credit is in all instances subject to chargeback by us in the event we do not receive payment in actually and finally collected funds. We reserve the right to refuse to permit a bank to withdraw or otherwise use any credit (immediate or deferred) for a

period of time that is reasonable under the circumstances, including a reasonable time for us to receive notice that another bank seeks to recover from us under Section 229.35(b) of Regulation CC.

19. We enter credit at full face value in the reserve account or other appropriate account on the day we receive a cash item or returned check as follows:

Immediate Credit

Immediate credit at once qualifies as reserve for purposes of Regulation D and is available for use by the bank.

Deferred Credit

The amount entered as deferred credit does not qualify as reserve for purposes of Regulation D and is not available for use by the bank until the time specified in our time schedules.

Routing numbers; records

20. We may present or send a cash item, under Section 210.6(a)(2) of Regulation J, on the basis of any routing number or other designation of a paying bank appearing on the item when we receive it. We are not responsible for any delay resulting from our acting on a designation of a paying bank, whether inscribed by magnetic ink or other means, even if the designation is inconsistent with another designation of the paying bank on the item.

21. If in our judgment processing of an unencoded or misencoded cash item requires it, we may inscribe on the item, in magnetic ink or otherwise, (a) the amount of the item, or (b) the routing number of the paying bank (or nonbank payor). The sender assumes the risk of loss resulting from any delay caused by our inscribing the item and presenting or sending it accordingly, except in the case of an item that is not amount encoded and is classified as a cash item in our time schedule.

22. In addition to the recordkeeping provisions of this circular (see paragraphs 12 and 75), Treasury regulations (31 Code of Federal Regulations, Part 103) require that banks keep legible records of many items. These regulations apply whether or not the item is capable of being photocopied.

Delivery and presentment

23. We do not by this operating circular, or otherwise, agree to present, or cause presentment of, a cash item earlier than is required by the Uniform Commercial Code. We have no responsibility for giving notice to a sender of anticipated delays in presentment or return of cash items unless the delay is expected to involve at least ten paying banks and to last at least three banking days.

24. A paying bank may request delivery of cash items to be made at an

off-premise location in the same Reserve office territory as that where the paying bank is located, as provided in Appendix E. A paying bank may also pick up cash items at this Bank by arrangement with us. The paying bank is considered to receive a cash item when it is delivered as requested or made available for pickup as arranged.

25. A paying bank may request delivery of cash items to be made at an off-premise location in a different Reserve office territory from that where the paying bank is located, as provided in this paragraph and in Appendix E.

(a) In appropriate cases, we will attempt to arrange public transportation, at the paying bank's expense, to the out-of-territory location that ensures delivery in the ordinary course on the same banking day that delivery would have been made within the territory where the paying bank is located ("same-day delivery").

(b) If we arrange same-day delivery, the paying bank is considered to receive the cash items when the items are delivered to the out-of-territory location as requested, or when the items are shipped if the scheduled transportation is cancelled or rescheduled and we do not arrange alternate same-day delivery.

(c) If we do not arrange same-day delivery, the paying bank may arrange for transportation of the items to the out-of-territory location, and is considered to receive the cash items when we make the items available for shipment as requested.

26. We may commingle cash items delivered to or picked up by the paying bank's agent with other cash items delivered to or picked up by that agent. A cash item is considered presented when received by the paying bank or its agent (other than a payable through bank).

Payment for cash letters

27. A paying bank must pay for all cash items that it has received from us and not returned prior to the close of its banking day of receipt.[5] Payment shall be made at par and by:

(a) a debit to an account on our books;

(b) cash; or

(c) in our discretion, any other form of payment.

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[5] A paying bank is deemed to receive a cash item on its next banking day if it receives the item:

(1) on a day other than a banking day for it; or

(2) on a banking day for it, but

(a) after its regular banking hours;

(b) after a cut-off hour established by it in accordance with the Uniform Commercial Code; or

(c) during afternoon or evening periods when it is open for limited functions only.

The proceeds of any payment shall be made available to us by the close of our banking day on the banking day on which the paying bank receives the items. If the paying bank's banking day of receipt is not a banking day for us, payment shall be made by the close of our next banking day; we may make appropriate adjustments as of the day of receipt (unless that day is a Saturday or Sunday) for purposes of computing reserves under the Board's Regulation D. We charge against a paying bank's reserve or clearing account the amounts of cash letters that the paying bank receives directly or indirectly from us, unless it makes other arrangements for payment pursuant to Appendix D or issues instructions to the contrary with respect to a specific cash letter.

28. As provided in § 210.9(a)(2) of Regulation J, a paying bank that closes voluntarily on a day that is a banking day for us shall, with respect to a cash item made available to the paying bank on that day, either

(a) pay the amount of the item by the close of our banking day on that day, or

(b) compensate for the value of the float associated with the item and pay the amount of the item on the banking day of receipt of the item by the paying bank.

A list of standard Reserve Bank holidays, and of other holidays not considered voluntary ("mandatory nonstandard holidays"), is set forth in paragraphs 79-81 of this circular. We may charge the account on our books maintained or used by the paying bank for the amount of the item on the day we make the item available, unless the paying bank elects to compensate for the float associated with the item. The paying bank may elect to eliminate float by "as of" adjustment or pay for the float by explicit charge, as we prescribe with respect to interterritory float. An item is available to the paying bank if we deliver it or are prepared to deliver it as if the paying bank were open. A paying bank that pays for an item made available to it, or compensates for the float associated with the item, is not considered to receive the item until its next banking day, such as for purposes of determining the deadline for return of the item. We do not charge a paying bank on a mandatory nonstandard holiday for items made available on that day.

29. A subsequent collecting bank (other than a Reserve Bank) that is paid for a cash item shall make the proceeds available to us not later than the close of our banking day on the day the subsequent collecting bank receives the proceeds.

Differences and adjustments

30. Unless a paying or depositary bank has otherwise agreed with us, a paying or depositary bank may pay for our cash letter or return letter in an amount different from the total of the letter if the accompanying items do not

prove to the amount of the letter. The bank should furnish at the time of payment a complete explanation of the difference on the form we provide. We request that banks not report adjustments of $1.00 or less. We adjust for an amount encoding error on a cash item or a qualified returned check (a) upon receipt from a sender or a bank, within six (6) calendar months from the date of the entry relating to the item, of a request and a photocopy of the front and back of the item showing the error, and (b) subject to receipt from the bank or the sender of the item, as the case may be, of the amount of the requested credit or refund.

31. We provide a statement of account to each bank maintaining an account on our books. 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 of the date of the entry (and any bank that has used the account and has handled the cash item or returned check 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.

Missent items

32. If we send to a bank, on the understanding that it is the paying bank, a cash item that does not contain either the routing number or the name of the bank as paying bank, and the bank determines not to pay the item, the bank shall send the item back to us promptly on a without entry basis with a request for credit or refund and a notation clearly indicating the reason for nonpayment, and we will promptly grant the credit or refund. The bank shall not send the item to us in a cash letter or return letter.

33. A check, as defined in Section 229.2(k) of Regulation CC, that contains the routing number of a bank is considered to be payable by the bank, even if the check does not contain the name of the bank or contains the name of another bank. Therefore, a paying bank shall handle a cash item on which it is identified only by routing number as a cash item drawn on it. The paying bank is encouraged to invalidate any erroneous use of its MICR routing number on the face of the item prior to return by obliterating only the start and stop symbols of the routing number (and by cancelling any erroneous fractional routing number) to prevent redelivery to the paying bank.

Returned checks

34. A paying bank may return a cash item received from us and for which it has previously made payment only if it returns the item within the deadline

of Section 210.12(a) of Regulation J, Section 229.30(c) of Regulation CC and the Uniform Commercial Code. A paying bank may return to us a cash item received from us without making payment to us if it returns the item prior to the close of its banking day of receipt. If the paying bank receives a settlement from a returning bank for a cash item received from us and returned by it, but for which it has not previously made payment to us, it shall immediately remit the settlement to us.

35. A paying or returning bank may send to us a returned check not handled by us for forward collection only if it sends the returned check within the deadline of Regulation CC and the Uniform Commercial Code. A bank shall not commingle returned checks with cash items.

36. A paying or returning bank that sends a returned check to us and receives settlement for the returned check (a) warrants to us and subsequent parties that its return of the check was within the deadline of Regulations CC and J and the Uniform Commercial Code, and (b) agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of its breach of this warranty. The paying or returning bank also makes the other warranties and agreements set forth in Section 210.12 of Regulation J and in Section 229.34 of Regulation CC.

37. We do not by this operating circular, or otherwise, agree to handle a returned check more expeditiously than is required by Section 229.31 of Regulation CC, or to convert a returned check into a qualified returned check. We have no responsibility for giving notice of anticipated delays in return of returned checks unless the delay is expected to involve at least ten depositary banks and to last at least three banking days.

Preparation of returned checks

38. A paying bank shall clearly write or stamp on the face of a returned check that it is a returned check and the reason for nonpayment as provided in Section 229.30(d) of Regulation CC. We may handle the returned check even if it does not indicate the reason for nonpayment. We reserve the right to send back to the paying or returning bank a returned check if the depositary bank has been reported closed. Paragraphs 11-19 and 30-31 apply to the preparation and sending of, and the availability of credit and adjustments for, returned checks.

Qualified returned checks; identification of depositary bank

39. We may rely on:

(a) the amount of a qualified returned check encoded in magnetic ink;

(b) the presence or absence of a "2" in magnetic ink in position 44 of the MICR line as to whether the returned check is a qualified returned check;

(c) the identification of the depositary bank by nine-digit routing number in magnetic ink on a qualified returned check; and

(d) the identification of the depositary bank by routing number on the face of a returned check received in a separate sort of items requiring such identification;

whether or not the amount or identification is consistent with any other information on the returned check. The paying or returning bank from which we receive the check agrees to indemnify us for any loss or expense incurred by us (including attorneys' fees and expenses of litigation) as a result of our reliance on such amount or identification.

Delivery to depositary bank

40. We deliver returned checks to a depositary bank at the same location and subject to the same terms under which we deliver cash items payable by the bank, except as follows. If we do not usually deliver cash items to the bank for payment, we deliver returned checks to the depositary bank in accordance with Section 229.32(a) of Regulation CC, which may include delivery by mail. If a depositary bank requests delivery of returned checks at a location other than the location to which we deliver cash items, or other than by mail, we will deliver returned checks to a location on an existing Reserve Bank courier route in appropriate cases, or will arrange delivery as otherwise agreed with the depositary bank. A depositary bank may also arrange to pick up returned checks at this Bank.

41. We deliver returned checks to a depositary bank separately sorted from cash items, unless we and the depositary bank agree otherwise.

Payment for returned checks

42. A depositary bank must pay for a returned check in full so that the proceeds are available to us by the close of our banking day on the banking day the depositary bank receives[6] the returned check. If the depositary bank's banking day of receipt is not a banking day for us, payment shall be made by the close of our next banking day; we may make appropriate adjustments as of the day of receipt (unless that day is a Saturday or Sunday) for purposes of computing reserves under the Board's Regulation D.

43. A depositary bank shall pay us for a returned check in the same manner it pays us for a cash item received for payment. If we do not usually send cash items to the depositary bank for payment, the depositary bank shall pay by:

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[6] A depositary bank is deemed to receive a returned check on its next banking day if it receives the item:

(1) on a day other than a banking day for it; or

(2) on a banking day for it, but after its regular banking hours.

(a) debit to an account on our books;

(b) cash;

(c) wire transfer; or

(d) in our discretion, any other form of payment.

44. A subsequent returning bank (other than a Reserve Bank) that is paid for a returned check shall make the proceeds available to us not later than the close of our banking day on the day the subsequent returning bank receives the proceeds, and shall pay in the same manner as for cash items received for payment.

45. If we send a returned check or notice of nonpayment to a bank on the understanding that it is the depositary bank, and the bank determines that it is not the depositary bank, but the bank is able to identify the depositary bank, we encourage the bank to send the returned check or notice promptly to the depositary bank. If the bank is unable to identify the depositary bank, the bank shall promptly send the check or notice back to us on a without entry basis with a request for credit or refund, and we will promptly grant the credit or refund. The bank shall not send the returned check to us in a cash letter or return letter.

Breach of warranty; cash items and returned checks

46. A bank that has received a cash item or returned check from us and that has paid us for the item may request, on a without entry basis, a credit or refund based on a claim of breach of warranty, including a claim by a paying bank of forged indorsement with affidavit of forgery. We make refund to the requesting bank and charge the bank from which we received the cash item or returned check only if the latter bank specifically authorizes us to do so. The bank shall not send the item to us in a cash letter or return letter.

Bank's liability for judgment and expenses

47. Under Sections 210.5 and 210.12 of Regulation J, we may charge the account maintained or used by the bank from which we have received a cash item or returned check for the amount of any judgment and attorneys' fees and expenses incurred by us in certain actions against us or another Reserve Bank (or in certain actions where defense is tendered to us or another Reserve Bank), including actions alleging breach of warranty, if we have tendered defense of the action to the bank. We assume no responsibility for defending the action if the bank does not accept tender of the defense.

Disputed return procedure

48. If a depositary bank that settles for a returned check in an amount of $100.00 or more believes that the paying bank has returned the check late and breached its warranty under Section 229.34(a)(1) of Regulation CC, the bank

may dispute the return by furnishing us (or its Reserve Bank) with the returned check and a signed statement that the bank believes that the paying bank did not return the check within the paying bank's deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC. This procedure may not be used unless the item was handled by this Bank or another Reserve Bank either for forward collection as a cash item or for return as a returned check. The procedure may be used only once and only with respect to the first time the check was returned by the paying bank. The statement must be on a form provided by this Bank and must be sent by the bank within two (2) calendar months after the date the returned check was received by the depositary bank. Upon receipt of the statement, we credit the amount of the returned check to the bank's account (or to the account of the forwarding Reserve Bank). We also charge that amount to the account of, and send the returned check and statement to, the paying bank or the paying bank's Reserve Bank.

49. We will revoke the credit given to the disputing bank and recredit the paying bank or other Reserve Bank if:

(a) for any reason we cannot obtain the amount of the credit from the paying bank or other Reserve Bank; or,

(b) we (or another Reserve Bank) receive from the paying bank, within fifteen (15) calendar days after we (or the other Reserve Bank) sent the check and the bank's statement to the paying bank, the returned check and a statement, on a form provided by us, that is signed by an officer of the paying bank and that:

(i) states that the paying bank returned the check within its deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC, and

(ii) shows the banking day of receipt and the date of return of the check by the paying bank, and explains any difference in dates exceeding one banking day.

50. In handling disputed return forms, we assume no responsibility for determining whether the paying bank returned a check within its deadline under the U.C.C., Regulation J, or Section 229.30(c) of Regulation CC. A bank may be subject to criminal penalties under Federal and/or State law for knowingly making a false statement to influence the action of a Reserve Bank in granting a credit. We undertake to handle forms and make entries under the dispute procedure within a reasonable time after receipt, but not within the timeframes for handling an item.

Notice of nonpayment

51. A paying bank that determines to return a returned check in the amount of $2,500 or more must provide notice of nonpayment to the depositary bank under Section 229.33 of Regulation CC. The paying bank must ensure that the notice is received by the depositary bank by 4:00 p.m. (local time for

the depositary bank) on the second business day following the banking day on which the check was presented to the paying bank. If the day the paying bank is required to provide notice is not a banking day for the depositary bank, the notice must be received by the depositary bank on its next banking day. The following days are not considered business or banking days for purposes of the deadline for notice of nonpayment: Saturdays and Sundays; January 1; the third Monday in January; the third Monday in February; the last Monday in May; July 4; the first Monday in September; the second Monday in October; November 11; the fourth Thursday in November; and December 25. If January 1, July 4, November 11, or December 25 fall on a Sunday, the next following Monday also is not considered a business or banking day for this purpose. Additional nonbanking days may be observed by the depositary bank.

52. A paying bank may provide notice of nonpayment by any reasonable means, including:

a. return of the returned check to the depositary bank,

b. telephone call, or telex or other form of telegraph to the depositary bank, or

c. return of the returned check to us, telephone call to us, or Fedwire to the depositary bank, with a request that we forward notice of nonpayment, as provided below.

Content of notice of nonpayment

53. Notice of nonpayment must include the:

a. name and routing number of the paying bank,

b. name of the payee(s),

c. amount of the item,

d. date of the depositary bank's indorsement,

e. account number of the customer(s) of the depositary bank,

f. branch name or number of the depositary bank from its indorsement,

g. trace number associated with the indorsement of the depositary bank, and

h. reason for nonpayment.

The notice may include other information from the check that may be useful in identifying the check and the customer. A written notice must also include the name and routing number of the depositary bank from its indorsement. If the paying bank is not sure of a piece of information, it shall include the required information to the extent possible, and identify questionable information with question marks. If the paying bank cannot identify the depositary bank, it is authorized but not required to give notice to the earliest collecting

bank it can identify indicating that it questions whether the bank is the depositary bank.

Acceptance of notice by depositary bank

54. The depositary bank shall accept notices during its banking day:

(a) At the telephone or telegraph number indicated in its indorsement, or if the number is not present or legible, at the general purpose telephone or telegraph number of its head office or branch indicated in the indorsement;

(b) At any other telephone or telegraph number held out by the bank for receipt of notice of nonpayment; and

(c) In the case of written notice, at a location at which presentment of checks for forward collection is requested; and

(A) at a branch, head office or other location consistent with the name and address in the indorsement,

(B) if no address appears in its indorsement, at the branch or head office associated with the routing number of the bank in its indorsement, or

(C) if no routing number or address appears in its indorsement, at any branch or head office of the bank.

The depositary bank may transfer a telephone call and may use a recording device.

Provision of notice from the returned check by this Bank (Physical Item Service)

55. A paying bank may request us to provide notice of nonpayment on its behalf by signing and delivering to us a letter requesting this service. The request shall apply to all returned checks in the amount of $2,500 or more for which notice of nonpayment is required, that are returned by the paying bank to us, and that are separately sorted and identified as checks for which notice is desired ("applicable returned checks"). If we receive applicable returned checks by our cut-off hour for physical item notice, as set forth in our time schedule, on a banking day for us, we will provide notice of nonpayment to the depositary bank by 4:00 p.m. (local time for the depositary bank) that day, or on the next banking day if that day is not a banking day for the depositary bank. For the paying bank to comply with its obligation under Section 229.33 of Regulation CC, we must receive the returned check no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank.

56. Upon our acceptance of such a request, beginning on an agreed effective date, we will provide notice of nonpayment for applicable returned

checks received by our cut-off hour on behalf of the paying bank under the standard of care and measure of damages set forth in Section 229.38 of Regulation CC. We will otherwise handle applicable returned checks as provided elsewhere in Regulations CC and J and this circular. We will provide notice of nonpayment for applicable returned checks received after our cut-off hour for notice of nonpayment as if the checks had been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by the failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depositary bank if the paying bank learns that we have not received applicable returned checks by our cut-off hour, and should indicate to the depositary bank that the notice may be duplicated by us.

Telephone notice to this Bank (Telephone Notice Service)

57. A paying bank may request us to forward to the depositary bank notice of nonpayment given by telephone to us by signing and delivering to us a letter requesting the service. The request shall apply to all returned checks for which notice of nonpayment is telephoned to us. If we receive telephone notice by our cut-off hour for telephone notice, as set forth in our time schedule, on a banking day for us, we will forward notice of nonpayment to the depositary bank by 4:00 p.m. (local time for the depositary bank) that day, or on the next banking day if that day is not a banking day for the depositary bank. For the paying bank to comply with its obligations under Section 229.33 of Regulation CC, we must receive the notice no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank.

58. Upon our acceptance of such a request, beginning on an agreed effective date, we will forward notice of nonpayment received by our cut-off hour on behalf of the paying bank under the standard of care and measure of damages set forth in Section 229.38 of Regulation CC. We will forward notice of nonpayment received after our cut-off hour as if the telephone notice had been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by the failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depositary bank if the paying bank is unable to meet our cut-off hour.

Fedwire notice to depositary bank (Fedwire System Service)

59. A paying bank may request us to forward to the depositary bank notice of nonpayment given by Fedwire in proper format by signing and delivering to us a letter requesting the service. If we receive Fedwire notice by our cut-off hour for Fedwire notice, as set forth in our time schedule, on a banking day for us, we will forward notice of nonpayment to the depositary bank by 4:00 p.m. (local time for the depositary bank) that day, or on the next banking

day if that day is not a banking day for the depositary bank. For the paying bank to comply with its obligations under Section 229.33 of Regulation CC, we must receive the notice no later than our cut-off hour on our second banking day following the banking day of receipt of the check by the paying bank. We handle Fedwire notice under the standard of care and measure of damages set forth in Section 229.38 of Regulation CC. We will forward notice of nonpayment received after our cut-off hour as if the Fedwire notice had been received prior to our cut-off hour on our next banking day, and shall have no responsibility for loss caused by failure of the paying bank to meet our cut-off hour. The paying bank should itself provide notice of nonpayment to the depositary bank if the paying bank is unable to meet our cut-off hour.

Other provisions

60. Notice of nonpayment should not be given for a returned check drawn on the U.S. Treasury, for a U.S. Postal Service money order, or for a check drawn on a State or a unit of general local government that is not payable through or at a bank, and need not be given for a check deposited in a depositary bank that does not maintain transaction accounts.

61. If a paying bank provides or requests us to forward a notice and subsequently determines to pay an item, the paying bank should provide to the depositary bank a second notice as soon as reasonably possible. The second notice should indicate that it is a second notice cancelling a previous notice and should contain all the information in the original notice to enable the depositary bank to match the second notice with the original notice.

62. A depositary bank that uses an electronic link with us for purposes of wire transfers of funds under Subpart B of 12 CFR Part 210 is deemed to authorize us to provide notice to it by means of that link or another electronic link agreed to by us.* We are not responsible for a delay in sending a notice if the delay results from the depositary bank's failure to manage its link so as to permit us to send notices to it through the close of Fedwire. We may record telephone calls in connection with a notice of nonpayment.

63. We have no responsibility for giving or correcting notice of nonpayment if notice is not properly given by the paying bank except to the extent provided above with respect to notice we provide or forward on behalf of the paying bank.

Protest

64. Reserve Banks shall not protest any returned check, whether or not drawn or payable at a place not within a State. Each Reserve Bank and collecting and paying bank shall disregard any special instructions on protest noted

* This provision is effective January 1, 1989.

on cash letters or otherwise transmitted with a cash item. A sender may instruct a Reserve Bank to provide for protest of a cash item (other than a Government check, postal money order, redeemed savings bond or food coupon) only if the sender sends the item to us for collection and credit as an individual noncash item with the instructions noted in the letter of transmittal.

Charges

65. Our schedule of charges shows the charges imposed for handling cash items, returned checks, notices of nonpayment, and for related services. We may make the charge to the account maintained or used by the bank requesting the service.

Missing or destroyed cash items and returned checks

Mutilated cash letter and return letters

66. A bank that receives from us a cash letter or return letter in a mutilated condition should telephone us before attempting to process any part of it. Sometimes tracing and identification of mutilated or destroyed items can be expedited when the letter is returned to us intact.

Cash items discovered missing or destroyed

67. We credit or refund the amount paid for a cash item if a subsequent collecting bank or the paying bank reports that it discovered during initial proving that the item is missing, or knows that the item was missing or destroyed in transit to a subsequent collecting bank or the paying bank. We credit or refund the amount only if we (or a subsequent collecting bank that promptly sends the report to us) receive the report within five (5) banking days (of the reporting bank) from the date of receipt of the cash letter that listed the item.

68. We charge back to the sender the amount of a cash item (a) that we discover to be missing, or (b) that a subsequent collecting bank or paying bank reports to be missing or destroyed as provided in paragraph 67.

Handling of photocopies of cash items

69. We handle a correctly prepared photocopy as a cash item through our adjustment department if we (or a prior collecting Reserve Bank) receive the photocopy and a copy of the advice of chargeback within thirty (30) banking days (of the Reserve Bank) from the day we (or the prior Reserve Bank) charged back the original item. The prior Reserve Bank should send the photocopy and advice to us when received.

70. If a shipment of cash items is lost or destroyed in transit to the first collecting Reserve Bank, we handle correctly prepared photocopies of the items as cash items through our cash item department in a cash letter if (a) the

sender determines that at least several items in the original shipment remain unpaid, and (b) the photocopy cash letter is identified as containing nonmachineable photocopies of items from a lost or destroyed shipment.

71. We present or send a photocopy as a cash item subject to all the rules as to payment and return of cash items, except for the requirement of notice of nonpayment and as otherwise provided in this paragraph, and except as provided for photocopies of returned checks in paragraphs 76-77. A paying bank has the right to return a photocopy through our adjustment department within twenty (20) banking days from its banking day of receipt if:

(a) the drawer has refused to authorize payment of the photocopy or the paying bank has been unable to contact the drawer, and the paying bank returns the photocopy and a signed statement to that effect; or

(b) the original cash item was paid and the paying bank returns the photocopy, a copy of the front and back of the paid original cash item and a signed statement that the original was paid, together with the name and routing number, if any, of the bank or person from which, and the date on which, the original was received. If the original was received from us, the paying bank should include the date of the cash letter and the amounts of the items listed before and after the original item, the total of the cash letter and the batch or package that contained the original and the sequence number of the original.

72. A correctly prepared photocopy must be a legible copy of the front and back of the cash item and must bear the sender's current indorsement and the following or equivalent signed legend:

> *This is a photocopy of the original check 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 check, we agree to hold each collecting bank and the payor bank harmless from any loss suffered, if payment is stopped on the original check and the original check remains unpaid.*

73. We assume no responsibility for determining whether a return of a photocopy is timely. Nor do we assume any responsibility for determining whether a report by another bank of a missing or destroyed cash item, a statement regarding the handling of a photocopy, or a photocopy of a cash item, is correct. We handle, on a without entry basis, the return of a photocopy of a cash item received by us or a subsequent collecting Reserve Bank within nine (9) months of the banking day of receipt of the photocopy by the paying bank.

We also handle without entry a late report of a missing or destroyed cash item. We undertake to handle reports and photocopies and make entries with respect to missing or destroyed cash items within a reasonable time after receipt, but not within the timeframes for handling an item.

Returned checks discovered missing or destroyed

74. We credit or refund the amount charged to a subsequent returning or depositary bank for a returned check if that bank reports that it discovered during initial proving that the check was missing or destroyed, or knows that the check was missing or destroyed in transit to a subsequent returning bank or depositary bank. We will credit or refund the amount only if we (or a subsequent returning bank that promptly sends the report to us) receive the report within five (5) banking days (of the reporting bank) from the date of receipt of the return letter that listed the check.

75. A paying or returning bank (other than a Reserve Bank) that sends a returned check to a Reserve Bank shall retain a photocopy of the returned check. We charge back to the paying or returning bank the amount of a returned check (a) that we discover to be missing, or (b) that a subsequent returning or depositary bank reports to be missing or destroyed as provided in paragraph 74.

Handling of photocopies of returned checks; notices in lieu of return

76. We handle as a returned check through our adjustment department a legible photocopy of a returned check (front and back), or, if a photocopy is not available to the paying or returning bank, a written notice of nonpayment containing the information specified in paragraph 53. If we charged back the returned check to the paying or returning bank under paragraph 75, we (or a prior returning Reserve Bank) must receive the photocopy or notice and a copy of the advice of chargeback within thirty (30) banking days (of the Reserve Bank) from the day we (or the prior Reserve Bank) charged back the returned check. The prior Reserve Bank should send the photocopy and advice to us when received. The copy or notice shall clearly state that it is a notice in lieu of return. By sending a notice in lieu of return to us for credit, a paying or returning bank warrants that it has not received credit for the returned check, and makes the warranties set forth in Section 229.34 of Regulation CC. The depositary bank may return a photocopy through our adjustment department within twenty (20) banking days from its banking day of receipt if the original returned check was paid and the depositary bank returns a copy of the front and back of the paid original returned check and a signed statement that the original was paid, together with the information required in paragraph 71(b).

77. We assume no responsibility for determining whether a report by another bank of a missing or destroyed returned check, a statement regarding payment of the original returned check, or a photocopy of a returned check, is cor-

rect. A photocopy of a returned check shall not be sent to a Reserve Bank for collection as a cash item. We handle, on a without entry basis, a late report of a missing or destroyed returned check. We undertake to handle reports with respect to missing or destroyed returned checks within a reasonable time after receipt, but not within the timeframes for handling an item.

Right to amend

78. We reserve the right to amend this circular, and any appendix, time schedule, or supplement to it, at any time.

Standard Reserve Bank holidays

79. The following standard holidays are observed by Reserve Banks:
All Saturdays
All Sundays
New Year's Day (January 1)
Martin Luther King's Birthday (third Monday in January)
Washington's Birthday (third Monday in February)
Memorial Day (last Monday in May)
Independence Day (July 4)
Labor Day (first Monday in September)
Columbus Day (second Monday in October)
Veterans' Day (November 11)
Thanksgiving Day (fourth Thursday in November)
Christmas Day (December 25)

If January 1, July 4, November 11, or December 25 falls on a Sunday, the next following Monday is a standard Reserve Bank holiday.

Mandatory nonstandard holidays

80. As provided in Section 210.9(a)(2) of Regulation J and Paragraph 28 of our Operating Circular No. 4, we charge paying banks for cash items made available on a day on which the paying bank closes voluntarily, unless the banks compensate us for the value of the float associated with such items. The following is a list of mandatory nonstandard holidays (i.e., holidays, other than standard Reserve Bank holidays, observed by banks in various States but not considered voluntary):

First District (Boston)

Lincoln's Birthday (February 12 (or 11 if February 12 is a Saturday)) — Connecticut
Good Friday — Connecticut
Patriots' Day (Third Monday in April) — Maine
July 3 (if July 4 is a Saturday) — Connecticut

Victory Day (Second Monday in August) — Rhode Island
November 10 (if November 11 is a Saturday) — Connecticut
December 24 (if December 25 is a Saturday) — Connecticut
December 31 (if January 1 is a Saturday) — Connecticut

Second District (New York)
None (See First District for Connecticut.)

Third District (Philadelphia)
None

Fourth District (Cleveland)
Presidential Election Day — Kentucky

Fifth District (Richmond)
Good Friday — Maryland

Sixth District (Atlanta)
State Inaugural Day — Baton Rouge, Louisiana

Seventh District (Chicago)
None

Eighth District (St. Louis)
Presidential Election Day — Kentucky

Ninth District (Minneapolis)
None

Tenth District (Kansas City)
July 3 (if July 4 is a Saturday) — New Mexico
November 10 (if November 11 is a Saturday) — New Mexico
December 24 (if December 25 is a Saturday) — New Mexico
December 31 (if January 1 is a Saturday) — New Mexico

Eleventh District (Dallas)
July 3 (if July 4 is a Saturday) — Texas; New Mexico
November 10 (if November 11 is a Saturday) — Texas; New Mexico
December 24 (if December 25 is a Saturday) — Texas; New Mexico
December 31 (if January 1 is a Saturday) — New Mexico

Twelfth District (San Francisco)
July 3 (if July 4 is a Saturday) — Idaho; Nevada; Oregon
Pioneer Day (July 24 (or 25 if July 24 is a Sunday)) — Utah
Nevada Day (October 31 (or 30 if October 31 is a Saturday or November 1 if October 31 is a Sunday)) — Nevada
November 10 (if November 11 is a Saturday) — Idaho; Nevada; Oregon
Day after Thanksgiving — Nevada
December 24 (if December 25 is a Saturday) — Idaho; Nevada; Oregon
December 31 (if January 1 is a Saturday) — Idaho; Nevada; Oregon

81. Holidays observed by Federally chartered banks are treated the same as holidays observed by State chartered banks in the same area. Weekdays on which a paying bank closes regularly are considered voluntary. Bank holidays because of weather or other emergencies are generally considered to be mandatory.

Effect of this circular on previous circular

82. This circular supersedes our Operating Circular No. 4, revised effective November 13, 1980, the First through Eleventh Supplements thereto, and all appendices thereto.

E. GERALD CORRIGAN,
President.

APPENDIX A

GOVERNMENT CHECKS

1. We handle checks drawn on the United States Treasury ("Government checks") as cash items under Treasury Department Circular No. 21 (31 Code of Federal Regulations, Part 240). Copies of that Circular will be furnished on request. As to matters that Circular does not cover, Regulation J, this circular, and our time schedules apply.

2. We give immediate credit, subject to payment in actually and finally collected funds, for Government checks as provided in our time schedules. After we handle Government checks as fiscal agent of the United States under Treasury requirements, the checks are subject to examination and payment by the United States Treasury. We may reimburse a sender for its reasonable costs of reconstructing a Government check cash letter lost or destroyed in transit between Federal Reserve offices.

3. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to Government checks. If the United States Treasury refuses payment of a Government check upon first examination and returns the check, or a photocopy, to us as outlined in Treasury Department Circular No. 21, we charge back the amount of the check to the sender and credit that amount to the United States Treasury. We have no responsibility to the sender or another owner or holder for the nonpayment and return by the United States Treasury of a Government check or photocopy.

4. Under Federal statute, 31 U.S.C. §§ 3702 and 3712: (a) a claim on a Government check that appears of record to have been paid must be made to the Government within six years after the date of issuance of the check and (b) an action by the Government to enforce liability on a forged or unauthorized signature or indorsement or alteration of a Government check must be commenced within six years after presentment of the check, or written notice of such a claim must be given within that period, but if a claim is made on an apparently paid check, the six-year period is extended an additional 180 days.

APPENDIX B

POSTAL MONEY ORDERS

1. We handle postal money orders (United States postal money orders; United States international postal money orders; domestic-international postal money orders) as cash items under an agreement between the United States Postal Service and the Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. As to matters that agreement does not cover, Regulation J, this circular, and our time schedules apply.

2. We give immediate credit for postal money orders as provided in our time schedules. The credit becomes final as between us and the sender when we debit the amount of the money orders against the general account of the United States Treasury under symbol numbers assigned by it.

3. The agreement between the United States Postal Service and the Reserve Banks provides that: (a) the United States Postal Service may make no claim against or through a Reserve Bank for refund or otherwise with respect to a postal money order debited against the general account of the United States Treasury (other than a claim based on the negligence of a Reserve Bank); (b) the United States Postal Service will deal directly with the bank or the party against which the claim is made; and (c) the Reserve Banks will assist the United States Postal Service in asserting the claim, including making any relevant evidence in their possession available to the United States Postal Service. Section 210.12 of Regulation J, relating to the return of cash items by paying banks, does not apply to postal money orders.

APPENDIX C

FOOD COUPONS

1. We handle food coupons as cash items under an agreement between the Secretary of Agriculture, in behalf of the United States, and the Reserve Banks as depositaries and fiscal agents of the United States pursuant to authorization of the Secretary of the Treasury. As to matters that agreement does not cover, Regulation J, this circular, and our time schedules apply. We receive food coupons only from (a) depository institutions that maintain accounts with us and that are (i) insured by the Federal Deposit Insurance Corporation ("FDIC") or Federal Savings and Loan Insurance Corporation ("FSLIC") or (ii) insured under the Federal Credit Union Act and have retail stores or wholesale food concerns in their field of membership ("eligible credit unions"), and (b) FDIC- and FSLIC-insured depository institutions and eligible credit unions that do not maintain accounts with us but that have arranged with us to send coupons to us for crediting to the account of a depository institution maintaining an account with us. Other depository institutions should forward food coupons through ordinary collection channels.

2. Depository institutions should send redeemed food coupons to the office of this bank that maintains the account to which the proceeds are to be credited. We give immediate credit for properly prepared, redeemed food coupons as provided in our time schedules. This credit is not final and is subject to reclamation and adjustment.

3. Depository institutions sending coupons to us should follow the instructions of the United States Department of Agriculture for handling coupons (7 Code of Federal Regulations Part 278.5). A depository institution must verify the amount of the coupons being redeemed by recording its count on the redemption certificate, and must submit the completed redemption certificate with its deposit.* Depository institutions must not accept for redemption a portion of a food coupon consisting of less than three-fifths of the whole coupon. Any coupon accepted for redemption must show on its back either (a) the authorization number or (b) the name of the authorized retail food store and of the authorized wholesale food concern, if any. Each coupon must also be cancelled by the first depository institution that receives it, be indelibly marking "PAID" or "CANCELLED" on the face of the coupon and must show the depository institution's name or institutional identifier on the coupon or on the strap. We furnish additional information about the collection of food coupons on request.

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* *The requirement of this sentence will be phased in under a schedule determined by the Board of Governors and communicated to the Reserve Banks.*

4. Food coupons should be placed face and top up, bound in standard paper straps, each with 100 coupons of the same denomination. The total number and amount of each denomination of coupons must be shown on the food coupon deposit document. Neither this Bank nor the Department of Agriculture is liable for food coupons lost in transit to this Bank. Sending depository institutions may wish to insure food coupon shipments, and retain records to assist in substantiating insurance claims for coupons lost in transit.

APPENDIX D

IMMEDIATE SETTLEMENT AGREEMENT FOR CASH LETTERS AND RETURN LETTERS AND CORRESPONDENT AUTHORIZATION

A. Introduction

The Federal Reserve Bank of New York ("Reserve Bank") presents or sends for presentment cash items to a payor depository institution ("paying bank") and sends return letters to a depositary bank ("depositary bank") under Regulations J and CC of the Board of Governors of the Federal Reserve System (12 C.F.R. Parts 210 and 229), our applicable operating circulars, and our agreement with the bank permitting immediate settlement of these items by a charge to an account on the books of the Reserve Bank. (Provisions of this Agreement that cover both a depositary bank and a paying bank use the term "bank"). Items may be presented or sent for presentment, or returned, by our Head Office, our Buffalo Branch, or our Cranford, Jericho, or Utica Offices. If the charge is to be posted to the bank's own account, the bank agrees to the terms of this Immediate Settlement Agreement by sending to the Reserve Bank a letter in the form attached as Appendix D-1. If the charge is to be posted to the account of another depository institution ("Correspondent") on the Reserve Bank's books, the bank must agree to the terms of this Immediate Settlement Agreement and designate a Correspondent, as provided in paragraph 7, and the Correspondent must agree to the terms of the Correspondent's Authorization, both by executing and sending to the Reserve Bank a letter in the form attached as Appendix D-2.

B. Immediate Settlement Agreement

1. Reserve Bank will debit the paying bank's or its Correspondent's account on Reserve Bank's books for the full amount of each cash letter sent to the paying bank hereunder containing cash items payable by, at, or through the paying bank on the banking day of receipt of the cash letter as provided in Section 210.9 of Regulation J and our applicable operating circulars.

2. Reserve Bank will debit the depositary bank's or its Correspondent's account on Reserve Bank's books for the full amount of return letters on the banking day of receipt of the return letters as provided in Section 229.32 of Regulation CC and our applicable operating circulars.

3. Promptly after dispatch of a cash letter or return letter, Reserve Bank

will send the bank and the Correspondent an advice of charge for the cash letter or return letter.

4. When the bank receives the advice of charge, it should promptly prove the advice against the cash letter or return letter being charged for. The bank agrees to notify Reserve Bank immediately if:

(1) the dollar amounts on the advice and those of the cash letter or return letter do not prove;

(2) the bank has not received a cash letter or return letter listed in an advice or an item listed in a cash letter or return letter;

(3) the bank has received a cash item payable by, at, or through it that is not listed in a cash letter or has received a return item for which it is the depositary bank that is not listed in a return letter; or

(4) it objects to the charge for any other reason. However, the bank need not give Reserve Bank immediate notice of any such difference of less than $1,000.

If the bank gives Reserve Bank such notice, in timely fashion, of a difference of $1,000 or over in the advice of charge (including the amounts of any missent items included in the cash letter), Reserve Bank will make the appropriate credit or debit to the bank's or its Correspondent's account and make such "as-of" adjustments as are appropriate for reserve purposes.

If the bank thereafter receives a cash letter or return letter or an item that was so credited and that has not been listed in a subsequent advice of charge, the bank will immediately notify Reserve Bank of its receipt, and Reserve Bank will debit the amount of such delayed or missing cash letter, return letter or item to the bank's, or its Correspondent's, account. If this notice is not timely, Reserve Bank reserves the right to make such as-of adjustments as are appropriate for reserve purposes.

Reserve Bank may make the appropriate debit or credit to the bank's, or its Correspondent's, account for any other difference of which the bank has notified Reserve Bank on the banking day on which Reserve Bank receives notice of the difference.

5. Under this Immediate Settlement Agreement:

(a) The bank will furnish Reserve Bank with its cut-off hour and a current list of its days of closing, and any day, other than Sunday, not so reported shall be deemed to be a banking day for it.

(b) Reserve Bank will make all necessary debits and credits to effect adjustments hereunder by separate entry. Reserve Bank will send the bank and its Correspondent advices of debits and credits hereunder.

(c) The bank will be deemed to have immediately notified Reserve Bank hereunder if it communicates the relevant facts to the appropriate location (the Head Office, Buffalo Branch, or our Cranford, Jericho, or Utica Offices) of this Bank on the same day that it learns of them, if that day is a banking day for it, or, if it is not, on its next following banking day. The bank should communicate with the appropriate location during Reserve Bank's business hours, by telephone call and, at any other time, by telegram.

(d) Any notice under this Immediate Settlement Agreement that is received by Reserve Bank during its business hours will be deemed to have been received on that banking day; notice received after those business hours or on a day that is not a banking day for Reserve Bank will be deemed to have been received on Reserve Bank's next following banking day.

6. This Immediate Settlement Agreement may be terminated at any time by either Reserve Bank or the bank by written or telegraphic notice of termination and will terminate five days after receipt of such notice or at such later time as may be stated in the notice.

7. The bank may designate a Correspondent and may change the Correspondent hereunder by advising Reserve Bank in writing of its intention to do so and by designating and appointing another depository institution that maintains an account with this Reserve Bank as Correspondent. Any designation and appointment of a Correspondent hereunder shall be subject to Reserve Bank's receipt of a duly executed Immediate Settlement Agreement and Correspondent's Authorization in the form attached as Appendix D-2. It is understood that Reserve Bank assumes no responsibility for any obligation of Correspondent to the bank that may arise out of this Agreement or that Authorization.

8. A bank paying for cash letters or return letters by a charge to its own account on our books agrees to maintain to its credit in its account a balance of actually and finally collected funds sufficient to cover charges under this Immediate Settlement Agreement and all other charges to its account.

9. Terms defined in Subpart A of Regulation J and the applicable operating circulars have the same meanings in this Immediate Settlement Agreement unless otherwise stated.

10. Reserve Bank reserves the right to amend any portion of this Immediate Settlement Agreement on seven days' notice to each bank or Correspondent that has agreed to its terms.

11. The paying bank agrees to reimburse Reserve Bank for the expenses

Reserve Bank incurs attributable to cross-zone presentment of items to the paying bank.

12. If the bank has requested that Reserve Bank provide notice of non-payment service in accordance with Operating Circular No. 4, the bank authorizes Reserve Bank to charge or credit the account maintained or used by the bank on Reserve Bank's books and to make other appropriate adjustments in connection with the service.

C. Correspondent's Authorization

1. To implement the bank's Immediate Settlement Agreement, the Correspondent authorizes the Reserve Bank to charge to the Correspondent's account on Reserve Bank's books the amount of items sent to it pursuant to the bank's Immediate Settlement Agreement. Reserve Bank is authorized to make all such debits and credits to the Correspondent's account and to make such other adjustments as are appropriate for reserve purposes, as may be necessary to give effect to the provisions of the bank's Immediate Settlement Agreement. The Correspondent agrees to maintain in its account on Reserve Bank's books, in actually and finally collected funds, balances sufficient to cover all debits to that account in connection with such cash items. It is understood that Reserve Bank assumes no responsibility for any obligations of the bank to the Correspondent that may arise out of charges to the Correspondent's account pursuant to that Agreement or this Authorization.

2. The authority contained in this Authorization may be terminated at any time in writing to the applicable office (the Head Office, the Buffalo Branch, or the Cranford, Jericho, or Utica Offices) of this Bank; however, such termination shall not affect Reserve Bank's right to make all debits or credits required by, or incidental to, the bank's Immediate Settlement Agreement relating to any cash letter or return letter Reserve Bank dispatches prior to the effective date of the termination.

APPENDIX D-1

BANK'S IMMEDIATE SETTLEMENT AGREEMENT

[To be typed on bank's letterhead]

[Date]

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

or

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
Buffalo, New York 14240

or

Cranford Office
Federal Reserve Bank
of New York
2 Jackson Drive
Cranford, New Jersey 07016

or

Jericho Office
Federal Reserve Bank
of New York
113 South Service Road
Jericho, New York 11753

or

Utica Office
Federal Reserve Bank
of New York
Oneida County Airport
Oriskany, New York 13424

Attention: Manager, Check Processing Department

We hereby agree to the terms of the paying bank's Immediate Settlement Agreement for [cash letters] [and] [return letters]* set forth in Appendix D to your Operating Circular No. 4. We authorize you to charge or credit our account on your books and to make other appropriate adjustments in connection with these items as provided by that Agreement.

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

By: . . . . . .
[Authorized signature(s)]

. . . . . .
[Title]

* Include cash letters and/or return letters as appropriate.

APPENDIX D-2

BANK'S IMMEDIATE SETTLEMENT AGREEMENT AND CORRESPONDENT AUTHORIZATION

[To be typed on bank's letterhead]

[Date]

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

or

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
Buffalo, New York 14240

or

Cranford Office
Federal Reserve Bank
of New York
2 Jackson Drive
Cranford, New Jersey 07016

or

Jericho Office
Federal Reserve Bank
of New York
113 South Service Road
Jericho, New York 11753

or

Utica Office
Federal Reserve Bank
of New York
Oneida County Airport
Oriskany, New York 13424

Attention: Manager, Check Processing Department

A. *Bank Agreement*

We hereby agree to the terms of the bank's Immediate Settlement Agreement for [cash letters] [and] [return letters]* set forth in Appendix D to your Operating Circular No. 4. Effective . . . . . ., ..., we designate . . . . . as correspondent

[Name of Correspondent]

against whose account on your books credits and debits and other appropriate

* Include cash letters and/or return letters as appropriate.

adjustments may be entered in connection with the settlement of these cash items as provided by that Agreement.

. . . . . .
[Name of bank]

By: . . . . . .
[Authorized signature(s)]

. . . . . .
[Title]

B. *Correspondent Authorization*

As provided in paragraph 7 of Reserve Bank's Immediate Settlement, we agree to act as Correspondent for . . . . . .
[Name of depository institution]
We authorize Reserve Bank to charge or credit our account on its books and to make other appropriate adjustments in connection with the settlement of items for . . . . . .
[Name of depository institution]
in that Agreement.

. . . . . .
[Name of bank]

By: . . . . . .
[Authorized signature(s)]

. . . . . .
[Title]

APPENDIX E

INTERCEPT AGREEMENT FOR OFF-PREMISES PRESENTMENT OF CASH ITEMS OR RETURN OF RETURN ITEMS

The Federal Reserve Bank of New York ("Reserve Bank"), at the request of a payor depository institution (the "paying bank"), presents or sends for presentment cash items payable in the Second Federal Reserve District and by, at, or through the paying bank to a location other than the premises of the paying bank and, at the request of the depositary bank, delivers return items to a location other than the premises of the depositary bank. Reserve Bank makes such off-premises presentment or delivery under the terms of this Agreement.

1. The paying bank or depositary bank agrees to perform all necessary steps to complete due presentment of cash items or delivery of return items other than those effectively accomplished hereunder.

   a. If the items are delivered to another depository institution, corporation, or other firm ("designated institution"), that designated institution and the bank must execute and deliver to Reserve Bank a letter in the form attached as Appendix E-1.

      i. Presentment or return will be effected during the ordinary hours of business on the day on which the items have been delivered to the designated institution at the designated location, provided that day is a banking day for the bank; or

      ii. If, in accordance with Federal Reserve cross-zone presentment policy, cash items are to be delivered by an Office of this Bank to a designated institution outside the Office's territory, presentment shall be deemed to have been effected during the ordinary hours of business on the day on which the cash items requiring such presentment have been dispatched to the designated institution at the designated location, provided that day is a banking day for the paying bank.

   b. If the items are delivered to the messenger of a designated institution, presentment or return will be effected during the ordinary hours of business on the banking day of delivery to the messenger.

   c. It is understood that the time for determining whether a paying bank may return an item and revoke a provisional payment for a cash item begins to run at the time of presentment as provided in this Agreement.

2. Loss of, or damage to, a cash item occurring after delivery to the des-

ignated institution or its messenger, but prior to the return of the cash item by the paying bank to the Reserve Bank, shall be at the risk of the paying bank. For a cash item handled under the F.R. cross-zone presentment policy, loss of, or damage to the item during delivery required to effect cross-zone presentment, including any handling or transportation between offices of Reserve Bank shall also be at the risk of the paying bank.

3. The bank agrees to comply with the provisions of Reserve Bank's Operating Circular No. 4 to the same extent as if an item presented or returned hereunder had been presented or returned to the office of the bank.

4. The bank agrees to hold Reserve Bank harmless from (a) any losses or costs arising out of any delivery to a designated institution or its messenger, and (b) any losses or costs arising out of the bank's failure to perform any of its obligations hereunder.

5. This Appendix E to Operating Circular No. 4 shall remain in effect as to any bank until the Reserve Bank receives written notice from the bank terminating the arrangement. The notice shall not take effect, however, until 12:00 p.m. of the seventh business day following the date Reserve Bank receives the notice, and the notice shall not affect any rights accruing to Reserve Bank and any obligations incurred hereunder by the payor.

Reserve Bank reserves the right to amend any portion of this Appendix upon seven calendar days' prior notice to each bank, or designated institution.

APPENDIX E-1

PAYING BANK'S, RETURNING BANK'S, AND DESIGNATED INSTITUTION'S AGREEMENT

[To be typed on bank's letterhead]

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

or

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
Buffalo, New York 14240

or

Cranford Office
Federal Reserve Bank
of New York
2 Jackson Drive
Cranford, New Jersey 07016

or

Jericho Office
Federal Reserve Bank
of New York
113 South Service Road
Jericho, New York 11753

or

Utica Office
Federal Reserve Bank
of New York
Oneida County Airport
Oriskany, New York 13424

Attention: Manager, Check Processing Department

A. *Bank's Agreement*

We hereby agree to the terms of Appendix E to Operating Circular No. 4, regarding the [presentment of cash items] [and] [return of return items]* to a location other than the premises of the bank. We hereby designate ..... , to receive delivery of these items.
[Name of the institution to which items are to be delivered]

* Include cash letters and/or return letters as appropriate.

B. *Designated Institution's Agreement*

We agree to receive, as agent for .....
..... , items delivered in accordance with the terms of
[Name of paying bank and/or depositary bank]
Appendix E to your Operating Circular No. 4. The Federal Reserve Bank of New York shall deliver the items to (our messenger who shall call at your [Head Office, Buffalo Branch, Cranford, Jericho, Utica Office]) *or* (our office at .....)
[*Address of office of receiving institution*]

.....
[Name of designated institution]

By:.....
[Authorized signature(s)]

.....
[Title]

APPENDIX F

MANHATTAN, BRONX AND BROOKLYN ("MB&B") COLLECTION ARRANGEMENT

The Federal Reserve Bank of New York ("Reserve Bank") presents items to a paying depository institution ("paying bank") and sends return letters to a depositary bank ("depositary bank") participating in the MB&B Collection Arrangement under Subpart A of Regulation J, Regulation CC, our applicable operating circulars, and this Appendix F. (Provisions of this Appendix that cover both a depositary bank and a paying bank use the term "bank".)

A depository institution that maintains an account with Reserve Bank agrees to these terms by executing a letter in the form of the "Bank MB&B Agreement," attached as Appendix F-1. If the charge is to be posted to the account of another depository institution ("Correspondent"), the bank and its Correspondent agree to these terms by executing a letter in the form of the "Bank's MB&B Agreement and Correspondent Authorization," attached as Appendix F-2.

Bank Agreement

1. The bank will arrange to have its messenger, whose authority shall be evidenced in such form as Reserve Bank may from time to time request, call at Reserve Bank's office each business day, at an hour prescribed by Reserve Bank. The messenger will call for and receive items payable by, at, or through, and return letters returnable to, the bank's main or any branch office as Reserve Bank may deliver to the messenger.

2. Delivery of items to the messenger shall constitute, as appropriate, due presentment or return by Reserve Bank of such items to the bank, with the same force and effect as though the items were presented or returned by Reserve Bank to the bank at the bank's counter at the time of delivery.

3. The bank authorizes Reserve Bank, upon delivery of the items to the messenger, to charge to the bank's, or its Correspondent's, account on Reserve Bank's books, the total amount of the items so delivered.

4. Items presented to the paying bank under this Arrangement may be returned unpaid as provided in Regulations J and CC and Operating Circular No. 4 and the Reserve Bank's time schedules.

5. Reserve Bank reserves the right to amend any portion of this Agreement upon seven calendar days' prior notice to each bank that has agreed to its provisions.

6. A bank paying for cash letters or return letters by a charge to its own account on Reserve Bank's books agrees to maintain to its credit in its account a balance of actually and finally collected funds sufficient to cover charges under this Arrangement and all other charges to its account.

7. If the bank has requested that Reserve Bank provide notice of nonpayment service in accordance with Operating Circular No. 4, the bank authorizes Reserve Bank to charge or credit the account maintained or used by the bank on Reserve Bank's books and to make other appropriate adjustments in connection with the service.

Correspondent Authorization

1. Reserve Bank will charge the Correspondent's account on Reserve Bank's books with the amount of the items delivered by Reserve Bank daily to authorized messengers of the bank designated in the Bank MB&B Agreement and Correspondent Authorization in accordance with the Bank Agreement.

2. The Correspondent authorizes Reserve Bank to charge its account with the amount of the items delivered to the bank. At the time of the exchange, Reserve Bank will make available to the Correspondent, at the window of Reserve Bank's Check Processing Department, a debit advice showing the amount of the charge to its account or, at its request, Reserve Bank will mail the debit advice to the Correspondent.

3. The Correspondent may terminate Reserve Bank's authority to charge its account by writing to the Accounting Department of Reserve Bank. Termination will be effective upon receipt by Reserve Bank, but Reserve Bank may make all charges or credits to the Correspondent's account required by or incidental to the Bank MB&B Agreement relating to items delivered or received by Reserve Bank prior to the time of the termination.

4. Reserve Bank will credit to the Correspondent's account the total amount of all items returned by the paying bank to Reserve Bank in accordance with Regulations CC and J and Operating Circular No. 4 and the Reserve Bank's time schedules.

5. The Correspondent will indemnify Reserve Bank and hold it harmless from any loss Reserve Bank may incur under this agreement except for Reserve Bank's own negligence.

6. Reserve Bank reserves the right to amend any portion of this authorization upon seven calendar days' prior notice to each Correspondent that has agreed to its provisions.

APPENDIX F-1

BANK MB&B AGREEMENT

[To be typed on depository institution's letterhead]

[Date]

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

Attention: Manager, Check Processing Department

We agree to participate in your MB&B Collection Arrangement and to the terms of the Bank Agreement of Appendix F to your Operating Circular No. 4. 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 or the return of items returnable to us under that Arrangement.

.....
[Name of depository institution]

By:.....
[Authorized signature(s)]

.....
[Title]

APPENDIX F-2

BANK MB&B AGREEMENT AND CORRESPONDENT AUTHORIZATION

[To be typed on depository institution's letterhead]

[Date]

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

Attention: Manager, Check Processing Department

A. *Bank Agreement*

We agree to participate in your MB&B Collection Arrangement and to the terms of the Bank Agreement of Appendix F to your Operating Circular No. 4. We designate ..... as correspondent
[Name of Correspondent]
against whose account on your books credits, debits, and appropriate adjustments may be entered in connection with the payment or return of items payable by, at, or through us or the return of items returnable to us under that Arrangement.

.....
[Name of depository institution]

By:.....
[Authorized signature(s)]

.....
[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 or the return of items returnable to . . . . . .
. . . . . in accordance with the Correspondent
[Name of depository institution]
Authorization in Appendix F to your Operating Circular No. 4.

. . . . . .
[Name of correspondent depository institution]

By: . . . . . .
[Authorized signature(s)]

. . . . . .
[Title]

APPENDIX G

THRIFT INSTITUTION COLLECTION ARRANGEMENT ("TICA")

The Federal Reserve Bank of New York ("Reserve Bank") presents items to a paying depository institution ("paying bank") and sends return letters to a depositary bank ("depositary bank") participating in TICA under Subpart A of Regulation J, Regulation CC, our applicable operating circulars, and this Appendix G. (Provisions of this Appendix G that cover both a depositary bank and a paying bank use the term "bank".)

A depository institution that maintains an account with Reserve Bank agrees to these terms by executing a letter in the form of the "Bank TICA Agreement," attached as Appendix G–1. If the charge is to be posted to the account of another depository institution ("Correspondent"), the bank and its Corrrespondent agree to these terms by executing a letter in the form of the "Bank TICA Agreement and Correspondent Authorization," attached as Appendix G–2.

Bank Agreement

1. The bank will arrange to have its messenger, whose authority shall be evidenced in such form as Reserve Bank may from time to time request, call at Reserve Bank's office each business day, at an hour prescribed by Reserve Bank. The messenger will call for and receive items payable by, at, or through, and return letters returnable to, the bank's main or any branch office as Reserve Bank may deliver to the messenger.

2. Delivery of items to the messenger shall constitute, as appropriate, due presentment or return by Reserve Bank of such items to the bank, with the same force and effect as though the items were presented or returned by Reserve Bank to the bank at the bank's counter at the time of delivery.

3. The bank authorizes Reserve Bank, upon delivery of the items to the messenger, to charge to the bank's, or its Correspondent's, account on Reserve Bank's books, the total amount of the items so delivered.

4. Items presented to the paying bank under this Arrangement may be returned unpaid as provided in Regulations J and CC and Operating Circular No. 4 and the Reserve Bank's time schedules.

5. Reserve Bank reserves the right to amend any portion of this Agreement upon seven calendar days' prior notice to each bank that has agreed to its provisions.

6. A bank paying for cash letters or return letters by a charge to its own account on Reserve Bank's books agrees to maintain to its credit in its account

a balance of actually and finally collected funds sufficient to cover charges under this Arrangement and all other charges to its accounts.

7. If the bank has requested that Reserve Bank provide notice of nonpayment service in accordance with Operating Circular No. 4, the bank authorizes Reserve Bank to charge or credit the account maintained or used by the bank on Reserve Bank's books and to make other appropriate adjustments in connection with the service.

Correspondent Authorization

1. Reserve Bank will charge the Correspondent's account on Reserve Bank's books with the amount of the items delivered by Reserve Bank daily to authorized messengers of the bank designated in the Bank TICA Agreement and Correspondent Authorization in accordance with the Bank Agreement.

2. The Correspondent authorizes Reserve Bank to charge its account with the amount of the items delivered to the bank. At the time of the exchange, Reserve Bank will make available to the Correspondent, at the window of Reserve Bank's Check Processing Department, a debit advice showing the amount of the charge to its account or, at its request, Reserve Bank will mail the debit advice to the Correspondent.

3. The Correspondent may terminate Reserve Bank's authority to charge its account by writing to the Accounting Department of Reserve Bank. Termination will be effective upon receipt by Reserve Bank, but Reserve Bank may make all charges or credits to the Correspondent's account required by or incidental to the Bank TICA Agreement relating to items delivered or received by Reserve Bank prior to the time of the termination.

4. Reserve Bank will credit to the Correspondent's account the total amount of all items returned by the paying bank to Reserve Bank in accordance with Regulations CC and J and Operating Circular No. 4 and the Reserve Bank's time schedules.

5. The Correspondent will indemnify Reserve Bank and hold it harmless from any loss Reserve Bank may incur under this agreement except for Reserve Bank's own negligence.

6. Reserve Bank reserves the right to amend any portion of this authorization upon seven calendar days' prior notice to each Correspondent that has agreed to its provisions.

APPENDIX G-1

BANK TICA AGREEMENT

[To be typed on depository institution's letterhead]

[Date]

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

Attention: Manager, Check Processing Department

We agree to participate in your Thrift Institution Collection Arrangement and to the terms of the Bank Agreement of Appendix G to your Operating Circular No. 4. 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 or the return of items returnable to us under that Arrangement.

.....
[Name of depository institution]

By:.....
[Authorized signature(s)]

.....
[Title]

APPENDIX G-2

BANK TICA AGREEMENT AND CORRESPONDENT AUTHORIZATION

[To be typed on depository institution's letterhead]

[Date]

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

Attention: Manager, Check Processing Department

A. *Bank Agreement*

We agree to participate in your Thrift Institution Collection Arrangement and to the terms of the Bank Agreement of Appendix G to your Operating Circular No. 4. We designate ..... as correspondent
[Name of Correspondent]
against whose account on your books credits, debits, and appropriate adjustments may be entered in connection with the payment or return of items payable by, at, or through us or the return of items returnable to us under that Arrangement.

.....
[Name of depository institution]

By:.....
[Authorized signature(s)]

.....
[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 or the return of items returnable to . . . . . .
. . . . . in accordance with the
[Name of depository institution]
Correspondent Authorization in Appendix G to your Operating Circular No. 4.

. . . . . .
[Name of correspondent depository institution]

By: . . . . . .
[Authorized signature(s)]

. . . . . .
[Title]

APPENDIX H

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

The Federal Reserve Bank of New York provides information services to a paying bank or processor of cash items ("receiver") under the terms of this Appendix. Three services are available: a MICR line capture service, an account total service, and an account level sorting service. The MICR line capture service provides a magnetic tape containing MICR line data from all high-speed cash items. The account total service provides a total of the amounts of cash items to be charged to particular accounts of the paying bank. The account level sorting service provides a pocket outsort or outsorts of high-speed cash items drawn on specified accounts of the paying bank. A receiver may arrange for each service separately or all three services. These services are available to a receiver that has agreed to these terms in the form specified in Appendix H-1.

I. MICR Line Capture Service

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

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

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

3. Before purchasing the MICR Line Capture Service, the receiver shall familiarize itself completely with the specifications for the tape and with the information that is recorded on it. These specifications are available from the Check Processing Department of the office of this Bank serving the receiver. The parties agree that the receiver is in the best position to evaluate the capa-

bility of its system, and to determine whether the tape and the information recorded on it will perform on its system in accordance with applicable specifications.

II. Account Total Service

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

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

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

III. Account Level Sorting Service

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

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

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

IV. General terms

(These terms apply to all three services.)

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

9. *Price.* A receiver using these services will be charged according to our listed rates. By agreeing to purchase these services, a receiver authorizes

this Bank to charge its account or will submit to the Bank authorization to charge the account of its correspondent.

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

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

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

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

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

14. *Term.* We will provide tape or listings to a depository institution or processor within 15 business days after this Bank receives the agreement specified in Appendix H-1, unless a shorter period is mutually agreed to in writing by this Bank and the receiver. Either this Bank or the receiver may terminate the agreement on 30 days' prior written notice. Termination will become effective 30 calendar days after the date the notice is postmarked. Account number changes must be submitted in writing to this Bank and will be made as frequently as weekly at the receiver's request.

15. *Exclusive use.* Information contained within the tape or listing is for the sole use of the receiver, and the information may not be disclosed to any third party except the paying bank, nonbank payor, or drawee of the relevant item, unless disclosure is required by law or the prior written consent of this Bank has been obtained.

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

17. *Entire agreement.* The agreement and this Appendix contain the entire understanding between this Bank and the receiver. No representation,

promise, modification, or amendment shall be binding upon either party unless reduced to a writing that is signed by an authorized representative of both parties.

18. *Right to amend.* This Bank reserves the right to amend this Appendix at any time, but will endeavor to give 14 calendar days' prior written notice of any amendments.

APPENDIX H-1

MICR LINE CAPTURE SERVICE
ACCOUNT TOTAL SERVICE
AND/OR
ACCOUNT LEVEL SORTING SERVICE AGREEMENT

[Letterhead of Depository Institution]

[Date]

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

or

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
Buffalo, New York 14240

or

Cranford Office
Federal Reserve Bank
of New York
2 Jackson Drive
Cranford, New Jersey 07016

or

Jericho Office
Federal Reserve Bank
of New York
113 South Service Road
Jericho, New York 11753

or

Utica Office
Federal Reserve Bank
of New York
Oneida County Airport
Oriskany, New York 13424

Attention: Manager, Check Processing Department

We request that you provide the [MICR Line Capture Service] [Account Total Service] [Account Level Sorting Service] *(specify)* to us and agree to the terms set forth in Appendix H to your Operating Circular No. 4. We authorize you to charge or credit our account on your books and to make other appropriate adjustments in connection with the service set forth in that Appendix.

. . . . . .
[Name of Institution]

By:. . . . . .
[Authorized signature(s)]

BANK'S CLAIM OF LATE RETURN*

Date: .....

TO: Federal Reserve Bank of New York
Check Processing Department
(Buffalo Branch) (..... Office)

The returned check ("item") described below and attached hereto is being delivered to you:

1. Amount $.....**
2. Dated.....
3. Paying bank .....
4. Paying bank R/T No. .....
5. Paying bank location .....
6. Drawn by (drawer) .....
7. Payable to (payee) .....
8. Check No.....

We sent this item to ....., in a cash letter dated....., totaling $....., tape total $....., listed between items for $..... and $.....

This item was apparently returned by the paying bank on .....

We received the item from ..... on ....., in a return item letter dated ....., totaling $....., tape total $....., listed between items for $..... and $.....

We claim that, according to our records and the data on the item, the paying bank did not take all action necessary to recover its payment within the deadline in Regulations J and CC, and we certify that, as to notice of non-payment of the item, we received:

(*Check One*)

☐ Advice by ..... on .....
(*Method*)

☐ No advice other than the returned check.

This late return caused us to incur financial loss. Please provisionally credit our account and advise.

.....
Bank

By:.....
Officer's Signature

---

*This form may be submitted only with respect to the first time the item was sent for collection and must be sent in duplicate within two (2) months after the date you received the item as a returned check. In addition, the item must have been collected and/or returned through the Federal Reserve check collection system. Failure to provide *all* information requested will result in the claim being rejected.

Knowingly making a false statement to influence the action of a Federal Reserve Bank may subject the signing party to criminal penalties under federal and/or state law.

**Must exceed $100.00.

PAYING BANK'S RESPONSE TO CLAIM OF LATE RETURN*

Date: . . . . . .

TO: Federal Reserve Bank of New York
Check Processing Department
(Buffalo Branch) (. . . . . Office)

With your advice of debit dated . . . . . , you forwarded to us a claim of late return with respect to a returned check ("item") in the amount of $ . . . . . .

We certify that our records indicate that this item was received by us or our processor from . . . . . :

as a cash item on (banking day) . . . . . ,

in a cash letter dated . . . . . ,

in the amount of $ . . . . . ,

tape total $ . . . . . ,

listed between items for $ . . . . . and $ . . . . . ,

and that the item was returned to . . . . . in our return item letter dated . . . . . .

in the amount of $ . . . . . ,

tape total $ . . . . . ,

listed between items for $ . . . . . and $ . . . . . .

Notice of non-payment of this item was given to . . . . . .
by . . . . . on . . . . . .
(*Enter "none" if no notice was given. If notice was given, enter method and date.*)

If the number of banking days between the banking day of receipt and 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 deadline in Regulations J and CC. Please credit our account and advise.

. . . . . .
Paying Bank

By: . . . . . .
Officer's Signature

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*Prepare and submit in duplicate. If you fail to send *all* of the information requested to us within fifteen (15) calendar days after the date we send this form to you, the provisional credit given the claimant and our debit to your account will become final. In that case, you may be able to recover the amount of the item from the claimant if your return of the item was in fact timely, but you must deal directly with the claimant.

Knowingly making a false statement to influence the action of a Federal Reserve Bank may subject the signing party to criminal penalties under federal and/or state law.