

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10582**]
[October 16, 1992]

CHANGES IN NONCASH COLLECTION SERVICES

**Revision of Operating Circular No. 6;
Third Supplement to Operating Circular No. 4**

Effective October 1, 1992

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

On July 30, we notified you that, beginning October 1, 1992, this Bank would no longer process for collection most non-security time and demand items, because of the very small number of these items received for collection in recent years by Federal Reserve Banks.

Accordingly, enclosed — for depository institutions in this District and those who maintain sets of our operating circulars — is a copy of (a) our Operating Circular No. 6, "Collection of Noncash Items," revised October 1, 1992, and (b) the Third Supplement, effective October 1, 1992, to our Operating Circular No. 4, "Collection of Cash Items and Returned Checks." The enclosures reflect the above changes. Additional, single copies can be obtained at this Bank (33 Liberty Street) from the Issues Division on the first floor, or by calling our Circulars Division (Tel. No. 212-720-5215 or 5216).

Questions on this matter should be directed to Stephen J. Bernatowicz, Chief, Coupon and Safekeeping Division (Tel. No. 212-720-5081), or Christina H. Ryan, Manager, Safekeeping Department (Tel. No. 212-720-7726).

E. GERALD CORRIGAN,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

**Operating Circular No. 6
Revised effective October 1, 1992**

COLLECTION OF NONCASH ITEMS

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

CONTENTS

<u>Topic</u>	<u>Paragraph No.</u>
General	1-3
Items that we handle as noncash items	4-7
Preparation of cash letters and collection letters	8-15
Coupons	8-11
Mixed coupon deposits	12
Securities other than coupons	13-15
Availability of credit	16
Presentment of securities	17
Payment for securities	18
Direct routing to other Districts	19
Claims and actions	20
Requesting wire advice	21-22
Protest	23
Return of items	24
Charges	25-26
Right to amend	27
Effect of this circular on previous circular	28
Appendix A — Payment for Coupons	
Appendix A-1 — Account Holder Coupon Agreement	
Appendix A-2 — Non-Account-Holder Coupon Agreement and Correspondent Authorization	
Appendix B — Collection of Time Items	
Appendix B-1 — Participant Agreement for Collection of Time Items	
Appendix B-2 — Participant Agreement for Collection of Time Items and Correspondent Authorization	

[Enc. Cir. No. 10582]

General

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

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

3. The definition of terms set forth or incorporated in Regulation J apply in this circular. The term "bank" includes a depository institution as defined in Section 19 of the Federal Reserve Act. Many terms used in this circular have specialized meanings that have developed through law, custom, and commercial usage. The term "security" includes a bond, debenture, coupon, or similar security, but excludes an obligation — of the United States, of a U.S. agency or instrumentality, or of certain international organizations — that a Reserve Bank pays as fiscal agent of the obligor. Unless otherwise stated, all references to the Bank include our Head Office and our Buffalo Branch.

Items that we handle as noncash items

4. A sender may send maturing securities to us for handling as noncash items, unless otherwise provided in this circular. This Bank also gives credit, subject to final payment, for coupons from obligations of the United States, its agencies and instrumentalities, and of the International Bank for Reconstruction and Development and the Inter-American Development Bank, as fiscal agent of the obligor. This Bank is also willing to accept certain other time items described in, and governed by, Appendix B to this circular.

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

- (a) the security is payable by or through an office of the sender, unless we elect otherwise; or

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Third Supplement to
Operating Circular No. 4**
(Revised effective September 1, 1988)
Effective October 1, 1992]

**COLLECTION OF CASH ITEMS
AND RETURNED CHECKS**

**Discontinuance of Certain
Noncash Collection Services**

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

In connection with the discontinuance, effective October 1, 1992, of certain noncash collection services, which are reflected in the accompanying revision of this Bank's Operating Circular No. 6, our Operating Circular No. 4 has also been amended, effective October 1, 1992, as follows:

1. Paragraph 7 has been amended by deleting the sentence that follows subparagraph f.

2. Paragraph 8 has been amended to read as follows:

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 if it has been dishonored once, or if we judge that special conditions require that it not be handled as a cash item. We reserve the right to return an item payable by, at or through a bank that has been reported closed.

3. The following two paragraphs have been added following paragraph 10:

10A. This Bank gives credit, subject to final payment, for coupons from obligations of the United States and its agencies and instrumentalities, and of the International Bank for Reconstruction and Development and the Inter-American Development Bank, as fiscal agent of the obligor,

10B. This Bank does not generally collect noncash items other than securities (bonds, debentures, coupons, and similar securities) and certain time items. The collection of such noncash items is governed by our Operating Circular No. 6. If a sender in this District desires that we handle a noncash item (other than a security), the sender must obtain the prior approval of the Manager of our Safekeeping Department, and execute an appropriate agreement with us.

E. GERALD CORRIGAN,
President.

[Enc. Cir. No. 10582]

(b) the security is not payable in a Federal Reserve District ("District").¹

6. We do not handle securities more than thirty (30) days prior to their maturity.

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

Preparation of cash letters and collection letters

Coupons

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

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

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

¹ 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) *Unmatured Country Coupon Cash Letter* — Coupons due in the future payable outside New York City.

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

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

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

Mixed coupon deposits

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

Securities other than coupons

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

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

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

14. Securities (other than coupons) should be (a) sorted according to issue, (b) accompanied by the same information as accompanies coupons, and (c) listed and described on the sender’s totaled collection letter in the same manner as provided for coupons in paragraph 8 of this circular.

15. We urge senders to send securities (including coupons) that are payable by any of several paying agents direct to the Reserve Bank that both handles such items and is located in the same District as the paying agent nearest the sender.

Availability of credit

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

Presentment of securities

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

Payment for securities

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

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

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

Direct routing to other Districts

19. A sender that maintains or uses an account with us and that has securities payable in another District whose Reserve Bank handles such items, may send the securities direct to the Reserve office of that District, under pro-

cedures we prescribe. Under Section 210.4 of Regulation J, items sent direct are deemed to have been handled by us.

Claims and actions

20. 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. Reserve Banks generally keep records for only one year. An account holder that fails to advise us of its objection within one calendar year from the date of the entry (and any sender, collecting bank or paying bank that has used the account and has handled the item to which the entry relates) is deemed to have approved the entry, and the statement of account is deemed finally adjusted. This paragraph does not relieve an account holder from the duty of using due diligence in examining statements of account sent to it and of notifying us immediately on discovery of an error. Further, this paragraph does not relieve a Reserve Bank from liability for breach of warranty on an item to which an entry relates. Section 210.6(c) of Regulation J requires that action on a claim against a Reserve Bank for failure to exercise ordinary care or act in good faith be commenced within two years after the claim accrues.

Requesting wire advice

21. Except as provided in paragraph 22, we disregard special instructions noted on or attached to a security or collection or cash letter.

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

Protest

23. Reserve Banks shall not protest any returned noncash item, whether or not drawn or payable at a place not within a State. Each Reserve Bank and collecting bank shall disregard any special instructions or protest noted on a cash or collection letter or otherwise transmitted with a noncash item.

Return of items

24. A subsequent collecting bank, paying bank, or nonbank payor may not return to us for credit or refund a noncash item that has been finally paid, but may return such an item to us only on a without-entry basis (that is, with a request for credit or refund). We grant credit or refund to the subsequent col-

lecting bank, paying bank, or nonbank payor, and charge our sender, only if the sender specifically authorizes us to do so.

Charges

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

26. A bank or nonbank payor may not assess a fee in connection with collecting or paying a bond, debenture, coupon or similar security received directly or indirectly from a Reserve Bank.

Right to amend

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

Effect of this circular on previous circular

28. This circular supersedes our Operating Circular No. 6 (including its Appendices), revised effective October 1, 1987, and the First and Second Supplements thereto, dated August 1, 1988 and January 1, 1990, respectively. (Appendices C and D of the superseded operating circular have become Appendices A and B, respectively, of this operating circular.)

E. GERALD CORRIGAN,
President.

APPENDIX A

PAYMENT FOR COUPONS

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

Method of Payment

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

Time of payment

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

Time for return

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

Payment

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

Termination

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

Right to amend

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

APPENDIX A-1

ACCOUNT HOLDER COUPON AGREEMENT

.....
[Date]

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

Attention: Coupon and Safekeeping Division — Head Office

Gentlemen:

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

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

By:.....
[Authorized signature]

.....
[Title]

APPENDIX A-2

NON-ACCOUNT-HOLDER COUPON AGREEMENT
AND CORRESPONDENT AUTHORIZATION

A. Non-Account-Holder Agreement

.....
[Date]

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

Attention: Coupon and Safekeeping Division — Head Office

Gentlemen:

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

[Name of correspondent]

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

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

By:.....

[Authorized signature]

.....
[Title]

B. Correspondent Authorization

Gentlemen:

We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of coupons payable byin accordance

[Name of payor depository institution]

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

.....
[Name of correspondent]

By:.....
[Authorized signature]

.....
[Title]

APPENDIX B

COLLECTION OF TIME ITEMS

INTRODUCTION

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

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

B. Definition of terms

1. In this Appendix:

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

PARTICIPANT'S AGREEMENT

Eligibility of time items

2. An evidence of indebtedness or order to pay that is not payable on demand is eligible for collection if it is: (i) commercial paper, (ii) a bankers' acceptance payable by, at, or through a participant, or (iii) a note, draft, or certificate of deposit, and if we are willing to accept it as a noncash item.

Collection and presentment

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

4. A sending participant delivering an item for handling shall stamp or write a restrictive indorsement on the item. The indorsement shall contain the date, the name of the sending participant and the ABA transit number (the number to be shown at least twice), and the following words: "For collection. Pay any bank." In addition to its indorsement, the sending participant shall indicate clearly on the reverse of each item the telephone number to be called if the receiving participant elects to return the item unpaid. The indication shall be in substantially the following form: "If this item is to be returned unpaid, please call (*name*) at (*phone number*)." If we receive an item without the sender's indorsement, we may (a) present or send the item as if it bore the sender's indorsement, (b) place on the item the sender's name and the date we received it, or (c) return the item to the sender for proper indorsement.

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

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

the envelopes appear intact. We inform the authorized representative of the sending participant of any discrepancies noted, and until the discrepancies are corrected, we do not accept for collection any envelopes delivered with the delivery sheet. We may, in our discretion, correct on behalf of the sending participant any errors on the delivery sheets in accordance with any instruction we receive, either in writing or verbally, from the sending participant.

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

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

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

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

Debits and credits

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

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

Returns and missent items

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

Liability of this bank

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

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

CORRESPONDENT'S AUTHORIZATION

15. To implement the Participant's Agreement for the collection of eligible

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

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

APPENDIX B-1

**PARTICIPANT AGREEMENT FOR COLLECTION OF
TIME ITEMS**

[To be typed on participant's letterhead]

.....
[Date]

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

Attention: Manager, Safekeeping Department

Gentlemen:

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

.....
[Name of participant]

By:.....
[Authorized signature]

.....
[Title]

APPENDIX B-2

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

[To be typed on participant's letterhead]

A. Participant Agreement

.....
[Date]

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

Attention: Manager, Safekeeping Department

Gentlemen:

We agree to the terms of Appendix B to your Operating Circular No. 6 regarding the collection of certain time items. We designate
[Name of correspondent] as 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 under the terms of Appendix B.

.....
[Name of participant]

By:.....
[Authorized signature]

.....
[Title]

B. Correspondent Authorization

We authorize you to charge or credit our account on your books and to make appropriate adjustments in connection with the payment or return of items payable by, at, or through in accordance

[Name of participant]

with the Correspondent Authorization in Appendix B to your Operating Circular No. 6.

.....
[Name of correspondent]

By:.....
[Authorized signature]

.....
[Title]

**FEDERAL RESERVE BANK
OF NEW YORK**

[
Third Supplement to
Operating Circular No. 4
(Revised effective September 1, 1988)
Effective October 1, 1992
]

**COLLECTION OF CASH ITEMS
AND RETURNED CHECKS**

**Discontinuance of Certain
Noncash Collection Services**

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

In connection with the discontinuance, effective October 1, 1992, of certain noncash collection services, which are reflected in the accompanying revision of this Bank's Operating Circular No. 6, our Operating Circular No. 4 has also been amended, effective October 1, 1992, as follows:

1. Paragraph 7 has been amended by deleting the sentence that follows subparagraph f.

2. Paragraph 8 has been amended to read as follows:

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 if it has been dishonored once, or if we judge that special conditions require that it not be handled as a cash item. We reserve the right to return an item payable by, at or through a bank that has been reported closed.

3. The following two paragraphs have been added following paragraph 10:

10A. This Bank gives credit, subject to final payment, for coupons from obligations of the United States and its agencies and instrumentalities, and of the International Bank for Reconstruction and Development and the Inter-American Development Bank, as fiscal agent of the obligor,

10B. This Bank does not generally collect noncash items other than securities (bonds, debentures, coupons, and similar securities) and certain time items. The collection of such noncash items is governed by our Operating Circular No. 6. If a sender in this District desires that we handle a noncash item (other than a security), the sender must obtain the prior approval of the Manager of our Safekeeping Department, and execute an appropriate agreement with us.

E. GERALD CORRIGAN,
President.

[Enc. Cir. No. 10582]