FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. **10663**
October 22, 1993]

PAYMENTS OPERATING CIRCULARS
Uniform Amendments to Operating Circulars Nos. 4, 6, and 10

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

Enclosed are copies of supplements to our Operating Circular No. 4, "Collection of Cash Items and Returned Checks," Operating Circular No. 6, "Collection of Noncash Items," and Operating Circular No. 10, "Automated Clearing House Items." These changes, which are effective immediately, reflect the adoption, by the Board of Governors of the Federal Reserve System, of new posting procedures for purposes of measuring daylight overdrafts and the establishment of an all-electronic ACH.

Questions relating to Operating Circular No. 4 may be directed to Matthew J. Puglisi, Manager, Check Services Department (Tel. No. 201-531-3410); those relating to Operating Circular No. 6 may be directed to Christina H. Ryan, Manager, Safekeeping Department (Tel. No. 212-720-7726); and those relating to Operating Circular No. 10 may be directed to Andrew Heikaus, Manager, Funds Transfer Department (Tel. No. 212-720-5561).

WILLIAM J. McDONOUGH,
President.

Federal Reserve Bank of New York

[Fifth Supplement to
Operating Circular No. 4

Effective October 14, 1993]

COLLECTION OF CASH ITEMS AND RETURNED CHECKS

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

Effective October 14, 1993, Operating Circular No. 4, revised effective September 1, 1988, is amended as follows:

1. Paragraph 17 is amended to read as follows:

> 17. We give immediate or deferred credit for all items that we accept as cash items or returned checks in accordance with our published time schedules and our procedures on intraday posting, as provided in paragraph 19. 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.

2. The following sentence is added after the first sentence of paragraph 18:

> In addition, in some instances credit shown in an account balance monitor during a day does not reflect credit available for purposes of the Board's policy on daylight overdraft measurement.

3. In paragraph 19, the introductory language, and the provisions under "Immediate Credit" and "Deferred Credit," are amended to read as follows:

> 19. We enter credit at full face value in the reserve account or other appropriate account for a cash item or returned check as follows:
>
> ***Immediate Credit***
>
> Immediate credit qualifies as reserve for purposes of Regulation D and is available for use by the bank at one float-weighted posting time per time zone for most cash items unless the sender chooses a unique set of fractions for each of four time zones. Credit for separate sorts of Government checks, postal money orders, items drawn on this Bank, and redeemed savings bonds is available at 8:30 a.m. Eastern Time if received by 12:01 a.m. (local time), or at 5:00 p.m. Eastern Time if received by 4:00 p.m. Eastern Time. Credit for food coupons, nonmachineable cash items and foreign items is available after the close of Fedwire.

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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 day specified in our time schedules and the posting time referred to in this paragraph.

4. Paragraphs 27 through 31 are amended to read as follows:

Settlement for cash letters

27. A paying bank must settle in accordance with Section 210.9(a) of Regulation J for all cash items that it has received[5] from us and not returned in accordance with Regulation J. Settlement 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.

Regulation J refers to the Reserve Banks' operating circulars for the earliest settlement time, which is 11:00 a.m. Eastern Time. Accordingly, the proceeds of any settlement must be available to us by the later of:

(d) the next clock hour that is at least one hour after the paying bank receives the item (but no later than 3:00 p.m. local time); or

(e) 11:00 a.m. Eastern Time.

If presentment to the paying bank is delayed beyond the normal presentment time for any reason, and the paying bank desires that a charge to its account be deferred, it should notify us immediately. If the paying bank's banking day of receipt is not a banking day for us, settlement shall be made on our next banking day in accordance with Section 210.9(a)(4) of Regulation J; 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. The proceeds of any settlement must be available to us on such next banking day by the later of:

(f) the next clock hour that is at least one hour after the paying bank ordinarily would receive the item (but no later than 3:00 p.m. local time); or

(g) 11:00 a.m. Eastern Time.

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 Section 210.9(a)(3) 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 settle for the amount of the item on that day or compensate us for the value of the float associated with the item and settle for the amount of the item on the next day that is a banking

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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.

day for both the paying bank and us. The proceeds of any settlement must be available to us on either:

(a) the day the cash item is made available by the later of:

(1) the next clock hour that is at least one hour after the paying bank ordinarily would have received the item (but no later than 3:00 p.m. local time); or

(2) 11:00 a.m. Eastern Time; or

(b) the next day that is a banking day for both the paying bank and us by the later of:

(1) the next clock hour that is at least one hour after the paying bank ordinarily would receive the item (but no later than 3:00 p.m. local time); or

(2) 11:00 a.m. Eastern Time.

A list of standard Reserve Bank holidays is set forth in paragraph 79 of this circular. A list of other holidays that are not considered voluntary ("mandatory nonstandard holidays") is published separately from time to time. 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 us 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 receives settlement 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. A paying or depositary bank may settle for our cash letter or return letter in an amount different from the total of the letter only if the paying bank returns an item by the time set forth in Section 210.9(a) of Regulation J, and notifies us of the return, or the paying or depositary bank notifies us of an error in the letter on the adjustment form we provide. Debits and credits for errors in entries relating to cash items, and other credit adjustments, in the amount of $1 million or more are made at 11:00 a.m. Eastern Time and hourly thereafter as they are determined. Debits and credits for other adjustments are made after the close of Fedwire. 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 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.

Claims and actions

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 ob jection 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. Reserve Banks generally keep records for only one year. 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 229.38(g) of Regulation CC requires that any action for a violation of Regulation CC, including an action for breach of warranty under Section 229.34, be brought within one year after the date of the occurrence of the violation. 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 under Regulation J, except as otherwise provided in Section 229.38(g) of Regulation CC, be commenced within two years after the claim accrues.

5. The first two sentences of paragraph 34 are amended to read as follows:

34. A paying bank may return a cash item received from us and for which it has previously made settlement only if it returns the item within the deadline of Section 210.12(a) of Regulation J, Section 220.30(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 time set forth in Section 210.9(a) of Regulation J....

6. Paragraph 42 is amended to read as follows:

42. A depositary bank must pay in accordance with Section 229.32(b) of Regulation CC for a returned check, that it has received[6] from us. If the depositary bank's banking day of receipt is not a banking day for us, 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. A depositary bank that closes voluntarily on a day that is a banking day for us shall pay for a returned check or compensate us for the float as provided with respect to cash items in paragraph 28 of this circular. The proceeds of payment must be available to us in accordance with Sections 210.9(a) and 210.12(g) of Regulation J by the times set forth in paragraphs 27 and 28 of this circular, even if the returned checks are received by the depositary bank at a location and time different from the location and time of receipt of cash items for forward collection.

William J. McDonough,
President.

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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.

FEDERAL RESERVE BANK OF NEW YORK

First Supplement to Operating Circular No. 6

Effective October 14, 1993

COLLECTION OF NONCASH ITEMS

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

Effective October 14, 1993, Operating Circular No. 6, revised effective October 1, 1992, is amended as follows:

1. The final three sentences of paragraph 13 are amended to read as follows:

   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 qualifies as reserve for purposes of Regulation D and is available for use by the sender after the close of the Fedwire funds transfer system. 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".

2. Paragraph 16 is amended to read as follows:

   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 for coupons qualifies as reserve for purposes of Regulation D and is available for use as specified in our time schedules after the close of the Fedwire funds transfer system. Credit for time items handled under Appendix B qualifies as reserve for purposes of Regulation D and is available for use as specified in Appendix B. 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.

WILLIAM J. MCDONOUGH,
President.

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FEDERAL RESERVE BANK OF NEW YORK

Second Supplement to Operating Circular No. 10

Effective October 14, 1993

AUTOMATED CLEARING HOUSE ITEMS

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

Effective October 14, 1993, this Bank's Operating Circular No. 10 is amended as follows:

1. Subparagraph 6(i) is amended by deleting "type code 38" from the fourth line thereof and inserting "Reserve Bank" in its place.

2. Paragraph 14 is amended by adding the following after the third sentence thereof:

   If we notify a sending institution or its agent of the receipt of a suspected duplicate file or any other problem, we will not process the file without approval by the sending institution or its agent.

3. Paragraph 19 is amended to read as follows:

   19. A receiving institution that receives delivery of items by courier or by mail in emergency circumstances is considered to receive items, for purposes of settlement, by the date the items are available for pick-up by, or electronic transmission or telephone advice to, the receiving institution.

4. Paragraph 25.1 is amended by adding the following to the end thereof:

   Settlement for credit items must be made by the sending institution at 8:30 a.m. Eastern Time, and credit for credit items is available for withdrawal or other use by the receiving institution at that time, subject to the provisions of this circular. Settlement for debit items must be made by the receiving institution at 11:00 a.m. Eastern Time and credit for debit items is available for withdrawal or other use by the sending institution at that time, subject to the provisions of this circular. Settlement for immediate settlement items (including return items as provided in our time schedule) must be made at 5:00 p.m. Eastern Time, and credit for immediate settlement items is available for withdrawal or other use at that time, subject to the provisions of this circular.

5. Paragraph 27 is amended by adding the following to the end thereof:

   If an account holder incurs an overdraft in its account, the account will be subject to any applicable overdraft charges, regardless of whether the overdraft has become due and payable.

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6. Paragraph 40 is amended to read as follows:

40. We accept, from a local ACH, return of an ACH item that we handled originally. A receiving institution may also send a return to any other Reserve Bank to which it is authorized to send items. A receiving institution must return a credit or debit item received from this Bank by returning the item in the manner provided in the applicable ACH rules by the cutoff hour set forth in the Reserve Bank's time schedule. The receiving institution is accountable for the amount of a debit item if the item is not received by the Reserve Bank by that cutoff hour. We convert a paper item to automated form and deliver the item to the sending institution's Reserve Bank.

7. Appendix 1, "ACH Security Procedures," is amended by deleting "via magnetic tape, diskette, or" from the second line of the first paragraph under the heading "Level Two Security Procedure."

8. Appendix 2, "ACH Time and Fee Schedules," is amended by deleting the table labeled "Closing Times" and substituting the following in its place:

Closing Times[1]

	Exchange 1	*Exchange 2*	*Exchange 3*	*Exchange 4*
Interregional: Presort	10:00 a.m.	1:00 p.m.	7:00 p.m.	2:00 a.m.

9. Appendix 2, "ACH Time and Fee Schedules," is also amended by revising the Settlement Statement Time Schedule as follows:

Settlement Statement Time Schedule

The following schedule shows the cutoff hours for receipt by us of electronic transmission of settlement statements from local ACH associations:

Type of Settlement	*Receipt Deadline (Day of Settlement)*
Day Cycle	8:00 a.m.
Night Cycle	8:00 a.m.
Supplemental	4:30 p.m.
Truncation	4:30 p.m.

WILLIAM J. MCDONOUGH,
President.

[1] Closing times represent the end of the deposit window. Files must be completely received (e.g., data transmission fully concluded) by the closing time. Sending institutions using data transmission, especially those having large and/or variable volumes of deposits, should coordinate the beginning of their transmission within the window to ensure completion by the closing time. Presort deposits of 500,000 items or more per exchange must be received one-half hour earlier than the indicated deadline. Times listed are Eastern Time.