

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10675**]
December 16, 1993]

COLLECTION OF CHECKS

- **Presentment Point and Payor Bank Services**
- **Electronic Check Presentment Services**

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

Enclosed are copies of a revised Appendix H and a new Appendix J to this Bank's Operating Circular No. 4. Both appendices are effective December 1, 1993.

Presentment Point and Payor Bank Services

The revised Appendix H covers the payor bank services that are currently being offered by the Bank and the new presentment point services that will be offered starting January 3, 1994.

The presentment point services accommodate a revision to Regulation CC (12 CFR Part 229) that permits a depository or collecting bank to present checks directly to the paying bank at a location designated by the paying bank. This Bank, as a service to the paying bank, will provide the location for the presentment of checks for those paying banks that designate an office of this Bank as the presentment point. The services are provided under the terms specified in Section I of Appendix H. We will provide two services. Under the primary presentment point service, we receive checks that are deposited under the standard terms of Regulation CC. Under the alternate presentment point service, we receive checks for a paying bank that has reached a separate agreement with specific collecting banks. To use the services, a paying bank should execute a letter in the form of Appendix H-1. A collecting bank, prior to depositing checks with this Bank, should contact the paying bank directly to receive information on packaging and labeling requirements.

The payor bank services are included in Section II of Appendix H and are essentially the same services that are currently offered by the Bank. The services are the MICR Line Capture Service, the Account Total Service, and the Account Level Sort Service. Paying banks may use these services in conjunction with the presentment point services or separately.

Electronic Check Presentment Services

Appendix J is a new appendix to Operating Circular No. 4 and provides the terms under which we offer electronic check presentment (truncation) services to a paying bank. The appendix replaces the agreement under which these services are currently offered.

Appendix J describes three distinct services: the Check Truncation Service, the Extended MICR Line Capture Service, and the Basic Electronic Presentment Service.

* * *

(OVER)

Please refer to the enclosures for further details. If you have any questions, or need additional copies of the enclosures, we encourage you to contact your account manager or one of the following Check officers at the Federal Reserve office nearest you:

East Rutherford Operations Center

Matthew J. Puglisi,
Manager, Check Services Department
(201) 531-3410

Head Office

Matthew J. Puglisi,
Manager, Check Services Department
(201) 531-3410

Jericho Office

Anthony N. Sagliano,
Regional Check Manager
(516) 997-4569

Utica Office

Angus J. Kennedy,
Regional Check Manager
(315) 768-2220

Buffalo Branch

Robert J. McDonnell,
Operations Officer
(716) 849-5022

Account Managers

Head Office (212) 720-6600
Buffalo Branch (716) 849-5085

WILLIAM J. McDONOUGH,
President.

**FEDERAL RESERVE BANK
OF NEW YORK**

[**Appendix H to
Operating Circular No. 4**]
[**Revised effective December 1, 1993**]

APPENDIX H

PRESENTMENT POINT AND PAYOR BANK SERVICES

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

This Bank offers presentment point services to paying banks as described in Section I of this Appendix and offers other payor bank services as described in Section II of this Appendix. The payor bank services described in Section II may be used in connection with same-day settlement checks or with checks for which this Bank is a collecting bank.

Section I: Presentment Point Services

**Primary Presentment Point Service
Alternate Presentment Point Service**

1. A paying bank may request this Bank to act as a presentment point for receipt of same-day settlement checks (as agent of the paying bank) by submitting a letter designating this Bank as either a primary or alternate presentment point in the form attached as Appendix H-1. The request is effective ten (10) banking days after receipt of the letter or at a later date set forth in the letter. Same-day settlement checks are checks (as defined in Regulation CC) presented in accordance with Section 229.36(f) and other provisions of Regulation CC. A paying bank requesting a presentment point service agrees to the terms of Section I of this Appendix by executing the letter.

— **Primary Presentment Point Service**

2. By designating an office of this Bank as a primary presentment point, the paying bank designates that office as the presentment point for all collecting banks for same-day settlement checks that bear an encoded routing number of the paying bank that is associated with the check processing region of the designated office. If we receive checks identified as same-day settlement checks or other items for a paying bank that has not requested a presentment

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point service, we will handle the items as fine sorted cash items for collection by us under our Circular. We will, upon request, provide a list of paying banks for which we act as primary presentment point. The paying bank should notify collecting banks that are using this Bank as a primary presentment point prior to terminating its designation of this Bank as a presentment point.

— **Alternate Presentment Point Service**

3. By designating an office of this Bank as an alternate presentment point with respect to a designated collecting bank, the paying bank designates that office as a presentment point for checks in accordance with a separate agreement between the paying bank and the designated collecting bank. If we receive checks identified as same-day settlement checks or other items for a paying bank that has not requested an alternate presentment point service with respect to the collecting bank from which the items are received, or a primary presentment point service, we will handle the items as fine sorted cash items for collection by us under our Operating Circular No. 4.

— **General**

4. Collecting banks should directly contact a paying bank that has designated this Bank as a presentment point, prior to presenting checks at this Bank, concerning packaging and labeling requirements and any other conditions or requirements for such presentment consistent with the provisions of this Section I. All items delivered to an office of this Bank as a presentment point for a paying bank must be separately packaged from items delivered to us for collection, and must state "same-day settlement" and designate the name of the presenting bank and the name of the paying bank in accordance with our requirements. Items will be considered presented to the paying bank only when the package is delivered to the location specified by us for delivery of same-day settlement checks.

5. This Bank will time-stamp the packages presented to a paying bank, provide verification of receipt to the delivery agent, store the items for pick-up by the paying bank, and provide verification of the time of delivery to the paying bank. If requested by the paying bank, this Bank will provide the enhanced service of notifying the paying bank concerning the identity of the collecting bank, the time of delivery and the dollar amount of each presentment of same-day settlement checks.

6. This Bank does not act as a collecting bank in providing presentment point services to a paying bank. This Bank has no responsibility for determining whether the items received comply with delivery, sorting, timeliness or other requirements of the paying bank, or whether the delivery complies with any separate agreement between the paying bank and the collecting bank. This Bank has no responsibility for arranging for settlement or adjustment by the paying bank for items presented, or for arranging delivery of the items to the paying bank or for arranging for return of the items. Collecting banks should not in-

clude same-day settlement checks or other items presented to paying banks in settlement sheets listing items deposited with us for collection by us. If we receive checks identified as same-day settlement checks by means of transportation arranged by a Reserve Bank, such as the Interdistrict Transportation System, we will handle the items as fine-sorted cash items for collection by us under our Operating Circular No. 4.

Other Payor Bank Services

7. A paying bank may request this Bank to perform payor bank services with respect to items delivered under a presentment point service and/or with respect to items to be presented by this Bank and items otherwise presented to the paying bank by a collecting bank and subsequently delivered by the paying bank to us. These services include providing the paying bank with information concerning the total dollar amount of items by customer account, with MICR line information from items, and with special sorts of items. A paying bank requesting payor bank services agrees to the terms of Section II of this Appendix. The terms for payor bank services, other than the presentment point services described above or the electronic presentment services governed by Appendix J "Electronic Check Presentment Services" to this Operating Circular No. 4, are contained in Section II of this Appendix H.

Liability

8. In providing presentment point services to a paying bank (excluding an electronic presentment service, which is governed by Appendix J "Electronic Check Presentment Services" to Operating Circular No. 4), this Bank shall have no responsibility or liability to any person other than the paying bank, and shall be liable only for our own lack of good faith or failure to exercise ordinary care in providing the service. The amount of our liability is limited to the amount of the item, reduced by an amount which could not have been realized by the use of ordinary care, and shall not include any liability for special, incidental or consequential damages even if such damages were foreseeable at the time of the failure to exercise ordinary care or act in good faith.

9. This Bank does not act as a collecting bank in providing presentment point services, regardless of whether we may indorse items that have previously been presented to the paying bank. A paying bank requesting payor bank services shall indemnify this Bank for any loss or expense sustained (including attorneys' fees and expenses of litigation) resulting from (i) a claim that this Bank acts as collecting bank with respect to an item handled under a presentment point service, regardless of whether this Bank has indorsed the item, or (ii) any claim by a person other than the paying bank with respect to an item delivered to us as agent of the paying bank under a presentment point service.

10. If this Bank is delayed in acting beyond time limits applicable to a presentment point service because of interruption of communication or computer facilities, suspension of payments by a bank, war, emergency conditions, fail-

ure of equipment, or other circumstances beyond our control, our time for acting is extended for the time necessary to complete the action, if we exercise such diligence as the circumstances require.

Records

11. We will make available to the paying bank records of our processing of same-day settlement checks in connection with other payor bank services. If we believe that we may be compelled to provide such records or a same-day settlement check to other than the paying bank, such as by legal process, we will notify the paying bank. It is the responsibility of the paying bank to determine whether the record or check should be produced, to assert any defense to such production, and to pay all associated costs.

Termination and Amendment

12. The provisions of this Section I supersede any inconsistent provisions of any other agreement regarding presentment point services. This Bank or the paying bank may terminate a presentment point service by giving not less than ten (10) days prior written notice to the other party. We reserve the right to amend this Section I at any time.

Section II: Payor Bank Services

MICR Line Capture Service Account Total Service Account Level Sort 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 Section II. Three services are available: a MICR line capture service, an account total service, and an account level sort 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 sort 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 or H-2. (Use H-1 if the payor bank services are in connection with presentment point services. Use H-2 if the payor bank services stand alone.)

A. 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. We will also open fine-sorted packages and include them in this service if requested by the receiver. 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 location when the 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 capability 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.

B. 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. We will also open fine-sorted packages and include them in this service if requested by the receiver.

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.

C. Account Level Sort Service

(These terms apply only to the account level sort 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 outsourced items with the normal presentment of cash items, if possible. Requests for extensive outsourcing, however, may result in a later presentment of these items.

General Terms

(These terms apply to all three payor bank 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 ensure 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. This Bank does not verify customer account information, MICR line information, or special sorts provided to a receiver, and it is the receiver's responsibility to validate the accuracy of such information or sorts before relying on it or providing it to its customer, or to advise its customer that the information has not been verified.

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 (unless the receiver requests the optional reject re-entry service), 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. Liability. In providing payor bank services to a paying bank, this Bank will be liable only to the paying bank using customer account information provided under this Appendix II and shall be liable only for our own lack of

good faith or failure to exercise ordinary care. *In providing the customer account information, MICR line information, or special sorts to the paying bank, this Bank expressly disclaims any and all warranties, express, statutory, or implied, with respect to the information, including, but not limited to warranties of merchantability and fitness for a particular purpose.* The amount of our liability is limited to the amount of the item, reduced by an amount that could not have been realized by the use of ordinary care and shall not include any liability for special, incidental, or consequential damages, including, but not limited to damages occurring to the paying bank's customer(s), even if such damages were foreseeable at the time of the failure to exercise ordinary care or to act in good faith.

14. **Indemnity.** This Bank does not act as a collecting bank in providing payor bank services, regardless of whether we may indorse items that have previously been presented to the paying bank. A paying bank shall indemnify this Bank for any loss or expense sustained (including attorneys' fees and expenses of litigation) resulting from a claim that this Bank acts as a collecting bank with respect to an item otherwise presented to a receiver by a collecting bank and subsequently delivered to this Bank by the receiver for handling under a payor bank service to the receiver, regardless of whether this Bank has indorsed the item.

15. **Term.** We will provide tape or listings to a depository institution or processor within 10 business days after this Bank receives the agreement specified in Appendix H-1 (or H-2), 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.

16. **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.

17. **Delay.** If this Bank is delayed in acting beyond time limits applicable to a payor bank service because of interruption of communication or computer facilities, suspension of payments by a bank, war, emergency conditions, failure of equipment, or other circumstances beyond our control, our time for acting is extended for the time necessary to complete the action, if we exercise such diligence as the circumstances require.

18. **Records.** We will make available to the paying bank records of our processing of checks for payor bank services. If we believe that we may be compelled to provide such records to other than the paying bank, such as by legal process, we will notify the paying bank. It is the responsibility of the paying

bank to determine whether the record should be produced, to assert any defense to such production, and to pay all associated costs.

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

20. Entire agreement. This Section II contains the entire understanding between this Bank and the receiver regarding payor bank services. 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.

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

Effect of this Appendix on previous Appendix

This Appendix supersedes our Appendix H, revised effective September 1, 1988.

WILLIAM J. McDONOUGH,
President.

Appendix H-1

**PRESENTMENT POINT SERVICES
(AND ASSOCIATED PAYOR BANK SERVICES)**

[Letterhead of depository institution]

[Date]

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

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

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, NY 14240
or

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

East Rutherford Operations
Center
100 Orchard Street
East Rutherford, NJ 07073-2002

Attention: Manager, Check Processing Division

We request that you provide the [Presentment Point Service] [MICR Line Capture Service] [Account Total Service] [Account Level Sort Service] (as indicated below) to us and agree to the terms set forth in the applicable portions of Sections I and II of 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 these services.

Paying Bank ABA#: _____

Paying Bank Name: _____

Address: _____

Contact Name: _____

Title: _____

Telephone: (____) _____

Effective Date: _____ (Service Startup)

We designate your _____ office as the presentment point.

SERVICES REQUESTED

(Circle One)

<i>Primary Presentment Point</i>	YES	NO
<i>Alternate Presentment Point</i>	YES	NO
[if YES, complete Exhibit 1 listing of eligible collecting banks]		
<i>Enhanced Presentment Point</i>	YES	NO
Method via: Facsimile	YES	NO # = () _____
Telephone	YES	NO # = () _____
_____	YES	NO _____
<i>SDS Payor Bank Services</i>	YES	NO
<i>MICR Line Capture</i>	YES	NO
Method via: Transmission	YES	NO # = () _____
Magnetic Tape	YES	NO # = () _____
Fedline	YES	NO _____
Receipt Option: Separate	YES	NO [SDSM SDSN SDSO]
Receipt Option: Combined with	YES	NO [MICRA MICRB MICRB]
<i>Account Totals</i>	YES	NO
[if YES, complete Exhibit 2 listing of eligible account numbers]		
Method via: Transmission	YES	NO # = () _____
Magnetic Tape	YES	NO # = () _____
_____	YES	NO _____
Receipt Option: Separate	YES	NO [SDSA SDSB SDSC]
Combined with	YES	NO [KADA KADB KADB]
<i>Account Level Sort Service</i>	YES	NO

[Name of Institution]

By: _____

[Authorized Signature[s]]

EXHIBIT 1

**Listing of Collecting Banks Eligible to
Present SDS C/L's at the Federal Reserve Bank
Under An ALTERNATE PRESENTMENT POINT AGREEMENT with:**

ABA#: _____ (PAYING BANK)
NAME: _____

EFFECTIVE DATE: _____ (for presentments on this date)

ELIGIBLE DEPOSITORY INSTITUTIONS:

ABA#: _____	BANK NAME: _____
ABA#: _____	BANK NAME: _____
ABA#: _____	BANK NAME: _____
ABA#: _____	BANK NAME: _____
ABA#: _____	BANK NAME: _____

[Extend this list as needed for all eligible depository institutions.]

Exhibit 2

Listing of Account Numbers
in the ACCOUNT TOTAL SERVICE for:

ABA #: _____ - _____ - ____ (PAYING BANK)

NAME: _____

ACCOUNT NUMBER: _____

ACCOUNT NUMBER: _____

ACCOUNT NUMBER: _____

ACCOUNT NUMBER: _____

ACCOUNT NUMBER: _____

ACCOUNT NUMBER: _____

[Extend this list as needed for all eligible account numbers.]

SPECIAL EDITING REQUIREMENTS:

PAYOR BANK SERVICES

[Letterhead of depository institution]

[Date]

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

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

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, NY 14240
or

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

East Rutherford Operations
Center
100 Orchard Street
East Rutherford, NJ 07073-2002

Attention: Manager, Check Processing Division

We request that you provide the [MICR Line Capture Service] [Account Total Service] [Account Level Service] (specify) to us and agree to the applicable 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]]

**FEDERAL RESERVE BANK
OF NEW YORK**

**Appendix J to
Operating Circular No. 4
Effective December 1, 1993**

APPENDIX J

ELECTRONIC CHECK PRESENTMENT SERVICES

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

General

1. This Appendix J and its appendices set forth the terms under which we provide certain electronic check presentment services to a paying bank. These services generally entail the presentment of a check via electronic transmission of data obtained from its MICR-line, with the check itself being kept by us or delivered subsequent to the electronic presentment. We may also, from time to time, offer other electronic presentment services by special agreement.

2. This Appendix J constitutes a special collection agreement as authorized by Regulation J of the Board of Governors of the Federal Reserve System ("Regulation J"), and a truncation agreement as authorized by Regulation CC of the Board of Governors of the Federal Reserve System ("Regulation CC"). Services provided hereunder are performed in conjunction with the services provided pursuant to our Operating Circular No. 4, "Collection of Cash Items and Returned Checks," and are also governed by Regulation J, Regulation CC, and our Operating Circular No. 5, "Electronic Access."

Definitions

3. The definitions set forth in or adopted by Regulation J apply in this Circular except as otherwise provided. As between this Bank and a paying bank receiving services hereunder, references to "this Appendix" include any appendix hereto describing a service being provided to the paying bank. Many terms used in this Appendix have specialized meanings that have developed through law, custom and commercial usage. Unless otherwise stated, all references to "this Bank," "us," "our" or "we" include the Federal Reserve Bank of New York, our branch in Buffalo, New York, our Operations Center in East Rutherford, New Jersey, and our offices in Jericho and Utica, New York.

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4. As used in this Appendix, unless the context otherwise requires:
- (a) "Institution" means a paying bank that subscribes to one or more of the services provided pursuant to this Appendix;
 - (b) "deliver" or "delivery" means to cause information, a notice, an instruction, or an eligible item to be received;
 - (c) "eligible item" means a cash item drawn on, or payable at or through, the Institution that (i) contains in the MICR-line the symbol, routing number or account number designating the item as an eligible item, (ii) is in an amount less than the cut-off amount, if any, agreed to by this Bank and the Institution, and (iii) otherwise complies with all other eligibility requirements that we may specify. A photocopy is an eligible item.
 - (d) "MICR-line information" means the information inscribed in the MICR-line on an eligible item;
 - (e) "over-the-counter item" means an eligible item that has already been presented to the Institution, or to its agent for receiving presentment, that is delivered to us for processing in accordance with this Appendix. Notwithstanding any other provision of this Appendix, the electronic transmission of MICR-line data obtained from an over-the-counter item does not constitute presentment of the item, and we are not a collecting bank with respect to such item.
 - (f) "receive" or "receipt" means when MICR-line information, an eligible item, or a notice, instruction or request comes to the attention of the entity to which it is directed or is tendered at the place and in the manner designated for receipt. MICR-line information that we transmit but that is not actually received due to the failure of the Institution or its agent to manage its electronic connection in accordance with the terms of this Appendix is deemed to be received at the time of transmission.
 - (g) "record," when referring to MICR-line information on an eligible item, means to reproduce the information in a form suitable for electronic transmission; and
 - (h) "transmit" or "transmission," when referring to MICR-line information we have recorded, means sending such information electronically to the Institution or its agent for receiving such information, or making such information available in a file that can be accessed electronically by the Institution or its agent.

Basic Service

5. As provided in this Circular, we record MICR-line information for each eligible item, perform repair or key entry services for an eligible item rejected during processing, and present each eligible item to the Institution by transmitting the MICR-line information that we have recorded. We may also

perform a variety of related check services in accordance with one or more of the appendices to this Appendix. The procedures with which this Bank and the Institution are to comply in providing or receiving a particular service are set forth in the applicable appendix and in procedures that we may publish.

Presentment

6. We record MICR-line information obtained from eligible items and transmit it to the Institution, together with our sequence number for each item, the total dollar amount of the items for which information is being transmitted, and the date the information was recorded. MICR-line information is transmitted, in accordance with the time schedule that we specify, on each of our banking days that we receive eligible items, except that if the Institution is closed on a day that is a banking day for us, we transmit the information on the next day that is a banking day for both the Institution and us. The Institution shall establish a cut-off hour no earlier than 2:00 p.m. local time for the Institution for receipt of MICR-line information. The Institution shall give us prompt notice of its failure to receive MICR-line information on a day that is a banking day for both the Institution and us.

7. For purposes of Regulation J, Regulation CC, and our Operating Circular No. 4, the receipt of MICR-line information obtained from an eligible item, other than an over-the-counter item, by the Institution or its agent for such purpose constitutes presentment of the item. The Institution waives any right it may have with respect to exhibition or production of an eligible item presented under this Appendix.

8. If we are unable for any reason to transmit MICR-line information, we may elect to handle any affected eligible items outside of the terms of this Appendix. If we elect to do so, we will handle the eligible items as cash items pursuant to our Operating Circular No. 4, and any issue relating to the items will be governed by that Circular.

Settlement

9. We debit the account of the Institution or its designated correspondent for the total dollar amount of eligible items for which the MICR-line information has been transmitted to the Institution that day, as provided in our Operating Circular governing the collection of cash items. The amount of the debit may include both over-the-counter item amounts and the amounts of items that we have presented to the Institution. If the Institution is closed for a mid-week or non-standard holiday and we are open, we debit the Institution in accordance with our standard procedure for mid-week closings and non-standard holidays. If we are unable to obtain payment for an eligible item and we exercise our right of charge-back under Section 210.13 of Regulation J, we may remove the item from our retention files and return it.

Reserve Bank Warranties and Liability

10. With respect to MICR-line information transmitted to the Institution under this Appendix, we warrant to the Institution that, except as provided in paragraphs 11 and 12, the MICR-line information transmitted accurately represents the information inscribed on the MICR-line of the eligible item.

11. If we repair or key enter MICR-line information with respect to an eligible item because we have difficulty in recording the information, we warrant that such MICR-line information accurately represents the amount and routing number information as it appears on the item.

12. Notwithstanding any provision of Regulation CC or State law, we make no warranties with respect to account number or check number information that we transmit to the Institution under this Appendix. The Institution is encouraged to validate the accuracy of the account number and check number information it receives from us.

13. Our recording, transmitting, repairing or key entering MICR-line information shall not constitute a breach of any warranty imposed by law with respect to alteration of an item. In addition, we are not responsible for determining whether an eligible item is properly payable under applicable law, including but not limited to determining: (a) the genuineness of the signature of any drawer appearing on an eligible item; (b) whether any or all required signatures appear on an eligible item; (c) whether an eligible item is stale; (d) whether an eligible item is postdated; (e) whether an eligible item is properly indorsed or bears genuine indorsements; (f) whether a stop payment order has been issued for an eligible item; and, (g) whether an eligible item is a photocopy and, if so, whether it has been prepared and submitted in proper fashion.

14. With respect to any claim arising out of our recording and transmission of MICR-line information to the Institution, our liability is governed by Section 210.6 of Regulation J. With respect to any other action that we take or service we perform pursuant to this Appendix, we act as agent of the Institution and are not liable to the Institution except for our breach of the warranties expressly set forth herein, or for our own lack of good faith or failure to exercise ordinary care.

15. Our liability for breach of any warranty set forth in this Appendix or imposed under applicable law, or for our lack of good faith or failure to exercise ordinary care is limited to the actual amount of the eligible item or the amount of the MICR-line information transmitted by us with respect to the item, whichever is greater, reduced by an amount which could not have been realized by the use of ordinary care. We do not have or assume any liability to any person other than the Institution.

16. The Institution shall give us prompt written notice of any claim by or against the Institution that may give rise to a claim against us hereunder.

Indemnification by Institution

17. The Institution shall indemnify, hold harmless and defend this Bank from any claim, demand, loss, liability, or expense, including attorneys' fees and expenses of litigation, made against us by any person (including, but not limited to, any other bank, other business entity, clearing house or governmental authority), or incurred by us, in connection with our performance of services hereunder as agent of the Institution, but excluding any claim, demand, loss, liability or expense that results from our failure to exercise ordinary care or act in good faith. The Institution's indemnification obligation specifically extends to, but is not limited to, claims, demands, loss, liability or expense arising in connection with any allegation that we have acted as a collecting bank in handling an over-the-counter item. The Institution's indemnification obligation shall survive the termination of services provided pursuant to this Appendix.

Fees

18. Fees for our electronic presentment services are set forth in a fee schedule that we publish and amend from time to time. Such fees are charged to an account on our books designated by the Institution.

Termination

19. We or the Institution may terminate the services provided under this Appendix by giving not less than thirty (30) days prior written notice to the other party. In addition, we may, upon notice to the Institution, immediately terminate provision of the services hereunder if we, in our sole discretion, determine that the financial condition of the Institution poses a risk to us if we continue to provide the services.

20. We may refuse to accept an item for electronic presentment to the Institution if we believe the Institution has failed to comply with the terms of this Appendix, Regulation J, Regulation CC, or Operating Circular No. 4. In addition, if at any time we, in our sole discretion, determine that the amount of one or more eligible items is excessive in relation to the financial condition of the Institution, we may refuse to handle any such item under this Appendix.

Miscellaneous

21. If either party is delayed in acting beyond the time limits provided in this Appendix because of interruption of communication or computer facilities, suspension of payments by a bank, war, emergency conditions, failure of equipment, or other circumstances beyond its control, the time for acting is extended for the time necessary to complete the action, if the party exercises such diligence as the circumstances require.

22. It is the responsibility of the Institution to ensure that it has obtained all necessary resolutions, signature cards and authorizations from customers whose items will be processed pursuant to this Appendix. The Institution is also

responsible for obtaining all necessary approvals from its board of directors and from the appropriate governing or regulatory bodies before receiving services hereunder.

23. We reserve the right to amend this Appendix at any time without prior notice.

WILLIAM J. McDONOUGH,
President.

CHECK TRUNCATION SERVICE

General

1. This Appendix J-1 sets forth the terms of our Check Truncation Service. The agreement under which this service is provided to an Institution consists of Appendix J, "Electronic Check Presentment Services," this Appendix J-1, and the Institution's request for services and letter agreeing to these terms in the form attached hereto as Appendix J-1-A.

Service Description

2. In addition to recording MICR-line information from an eligible item and presenting the item by transmission of the MICR-line information, for an Institution subscribing to our Check Truncation Service we will:

- (a) provide this service for any eligible item contained in a fine sort package.
- (b) return an eligible item;
- (c) retain an eligible item for a period of ninety (90) days;
- (d) retain a microfilm copy of the eligible item for seven (7) years;
- (e) respond to a request for information with respect to an eligible item;

The terms under which these services are provided are set forth more specifically in this Appendix J-1 and in procedures that we may prescribe.

Definitions

3. In addition to the definitions set forth in Appendix J, unless the context otherwise requires:

- (a) "instruction to return" means a notice of dishonor or nonpayment.
- (b) "request for information" means a request that we: (i) provide additional information with respect to an eligible item, (ii) transmit a facsimile copy of an eligible item, or (iii) make available an eligible item or a copy thereof.
- (c) "eligible item" means a cash item in the amount of \$10,000 or less, unless otherwise agreed by the Institution and us.

Microfilming

4. We make a microfilm copy of the front and back of each eligible item for which the Check Truncation Service is provided.

Return of Eligible Items

5. If the Institution wishes to return an eligible item that has been presented electronically, it must deliver to us an instruction to return the item. The

instruction must be delivered using a method that we prescribe and must be received by us within the applicable timeframes specified in Regulations J and CC and the Uniform Commercial Code, but in no event will an instruction be effective if it is received after 4:00 p.m. on our first banking day following the day the MICR-line information from the item was transmitted to the institution. (Note that there is an earlier cut-off hour if notice of nonpayment service is requested). The instruction must contain the MICR-line information that we transmitted to the Institution with respect to the item, the date we recorded the information, our sequence number for the item, and the reason for return.

6. For purposes of Regulations J and CC, the Uniform Commercial Code, and our Operating Circular No. 4, our receipt of an instruction to return an eligible item constitutes return of the item by the Institution. As a returning bank we will then return the item and, in accordance with our published availability schedules, make the appropriate credit to the account maintained or used by the Institution for such purpose.

7. A properly submitted instruction to return an item of \$2,500 or more will also serve as a request for us to give notice of nonpayment to the depository bank under Section 229.33 of Regulation CC. For a notice of nonpayment to be delivered to the depository bank by 4:00 p.m. local time for the depository bank, we must receive the instruction no later than the cut-off hour for truncation item service, as set forth in our time schedule.

8. We assume no responsibility for determining whether the Institution has acted in a timely fashion with respect to returning an item or providing notice of nonpayment to a depository bank.

Retention of Paid Items

9. An eligible item that has not been returned is retained by us for ninety (90) calendar days from the date on which we first transmit the MICR-line information ("Retention Period"). During the Retention Period, we make the eligible item available to the Institution as provided herein. The eligible item is destroyed after expiration of the Retention Period.

10. We retain the microfilm copy of an eligible item for seven (7) years from the date on which we first transmit the MICR-line information ("Storage Period"). During the Storage Period, we make the microfilm copy available to the Institution as provided herein. The microfilm copy is destroyed after expiration of the Storage Period.

11. Upon termination of services hereunder, we, at our discretion, either:
- (a) retain all items and microfilm copies of items then being held for the Institution for the remainder of the Retention or Storage Period; or,
 - (b) deliver all such items and copies to the Institution.

Requests for Information

12. During the Retention or Storage Period for an eligible item, the In-

stitution may submit a request for information with respect to the item. The request must contain the MICR-line information that we recorded from the item, the date we recorded the information, and our sequence number for the item. We will respond to the request by sending the item, or a facsimile or microfilm copy thereof, to the Institution no later than the end of our second banking day after the day we received the request. If we receive a request by 12 noon on a banking day for us we will attempt to respond to the request by 4:30 p.m. that day, but we make no representation or warranty that we will do so. A request for information submitted before the eligible item has been finally paid does not constitute dishonor of the item.

13. We make available an eligible item or a microfilm copy thereof only as provided in paragraph 12, or in response to the order of a court of competent jurisdiction, a grand jury subpoena, or other legal process. If we believe that we may be compelled to provide an item or a copy to other than the Institution, we shall promptly notify the Institution. It shall be the responsibility of the Institution to determine whether the item or copy should be produced and to assert any defense to such production. The Institution is responsible for the cost of producing any item or copy as well as the cost of defending against such production.

Warranty

14. We warrant that an eligible item processed hereunder will be held by us in accordance with this Appendix J-1 and will not be sent to the Institution except as provided herein.

WILLIAM J. McDONOUGH,
President.

Institution's Agreement to Check Truncation Service

[to be typed on Institution's letterhead]

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

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, NY 14240
or

East Rutherford Operations
Center
100 Orchard Street
East Rutherford, NJ 07073-2002

Attention: Manager, Check Processing Division

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

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

We hereby agree to the terms of your Check Truncation Service set forth in Appendix J-1 to your Operating Circular No. 4. We request that you commence this service when the arrangements regarding technical details have been completed.

We authorize you to charge our account on your books for these items and to make appropriate adjustments for these items in accordance with Appendix J to Operating Circular No. 4.

[Name of Institution]

By: _____
[Authorized Signature[s]]

[Title]

[Date]

EXTENDED MICR LINE CAPTURE (E-MICR) SERVICE

General

1. This Appendix J-2 sets forth the terms of our Extended MICR Line Capture (E-MICR) Service under which an eligible item is shipped to an Institution up to five banking days after electronic presentment is made. The agreement under which this service is provided to an Institution consists of our Appendix J, "Electronic Check Presentment Services," this Appendix J-2, and the Institution's request for services and letter agreeing to these terms in the form attached hereto as Appendix J-2-A.

Service Description

2. In addition to recording MICR-line information from an eligible item and presenting the item by transmission of the MICR-line information, for an Institution subscribing to our E-MICR Service we will:

- (a) provide this service for any eligible item contained in a fine sort package;
- (b) return an eligible item;
- (c) respond to a request for information with respect to an eligible item; and
- (d) ship the eligible item to the Institution.

The terms under which these services are provided are set forth more specifically in this Appendix J-2 and in procedures that we may prescribe.

Definitions

3. In addition to the definitions set forth in Appendix J, unless the context otherwise requires:

- (a) "instruction to return" means a notice of dishonor or nonpayment;
- (b) "request for information" means a request that we: (i) provide additional information with respect to an eligible item, (ii) transmit a facsimile copy of an eligible item, or (iii) make available an eligible item or a copy thereof.
- (c) "eligible item" means a cash item in the amount of \$10,000 or less, unless otherwise agreed by the Institution and us.

Return of Eligible Items

4. If the Institution wishes to return an eligible item that has been presented electronically, but that has not yet been shipped to the Institution, it must deliver to us an instruction to return the item. The instruction must be delivered

using a method that we prescribe and must be received by us within the applicable timeframes specified in Regulations J and CC and the Uniform Commercial Code, but in no event will an instruction be effective if it is received after 4:00 p.m. on our first banking day following the day the MICR-line information from the item was transmitted to the Institution. (Note that there is an earlier cut-off hour if the notice of nonpayment service is requested). The instruction must contain the MICR-line information that we transmitted to the Institution with respect to the item, the date we recorded the information, our sequence number for the item, and the reason for return.

5. For purposes of Regulations J and CC, the Uniform Commercial Code and our Operating Circular No. 4, our receipt of an instruction to return an eligible item constitutes return of the item by the Institution so long as we receive the instruction prior to the time specified in paragraph 4. As a returning bank we will then return the item and, in accordance with our published availability schedules, make the appropriate credit to the account maintained or used by the Institution for such purpose.

6. A properly submitted instruction to return an item of \$2,500 or more will also serve as a request for us to give notice of nonpayment to the depository bank under Section 229.33 of Regulation CC. For a notice of nonpayment to be delivered to the depository bank by 4:00 p.m. local time for the depository bank, we must receive the instruction no later than the cut-off hour for E-MICR Service as set forth in our time schedule.

7. We assume no responsibility for determining whether the Institution has acted in a timely fashion with respect to returning an item or providing notice of nonpayment to a depository bank.

Shipment of Items

8. An eligible item processed under this Appendix J-2 will be shipped to the Institution by the fifth banking day following the day on which we transmitted the MICR-line information with respect to the item to the Institution.

Requests for Information

9. An Institution may request information with respect to an eligible item so long as we receive the request no later than 12 noon on our banking day prior to the day we ship the item to the Institution. If we receive a request by 12 noon on a banking day for us, we will attempt to respond to the request by 4:30 p.m. that day, but we make no representation or warranty that we will do so. A request for information submitted before the eligible item has been finally paid does not constitute dishonor of the item.

Item Not Available

10. The Institution is advised that on the banking day we ship the item, the item will be in transit between our office and the Institution, or may otherwise be unavailable, and the item and the information it contains may not be

come available until the Institution actually receives the item. In these circumstances we would not be able to provide return or notice of nonpayment services.

WILLIAM J. McDONOUGH,
President.

Appendix J-2-A

Institution's Agreement to E-MICR Service

[to be typed on Institution's letterhead]

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

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, NY 14240
or

East Rutherford Operations
Center
100 Orchard Street
East Rutherford, NJ 07073-2002
Attention: Manager, Check Processing Division

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

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

We hereby agree to the terms of your E-MICR Service set forth in Appendix J-2 to your Operating Circular No. 4. We request that you commence this service when the arrangements regarding technical details have been completed.

We authorize you to charge our account on your books for these items and to make appropriate adjustments for these items in accordance with Appendix J to Operating Circular No. 4.

[Name of Institution]

By: _____
[Authorized Signature[s]]

[Title]

[Date]

BASIC ELECTRONIC PRESENTMENT SERVICE

General

1. This Appendix J-3 sets forth the terms of our Basic Electronic Presentment Service under which an eligible item is shipped to an Institution on the day electronic presentment is made. The agreement under which this service is provided to an Institution consists of our Appendix J, "Electronic Check Presentment Services," this Appendix J-3, and the Institution's request for services and letter agreeing to these items in the form attached as Appendix J-3-A.

Service Description

2. In addition to recording MICR-line information from an eligible item and presenting the item by transmission of the MICR-line information, for an Institution subscribing to our Basic Electronic Presentment Service we will:

- (a) provide this service for any eligible item contained in a fine sort package;
- (b) respond to a request for information with respect to an eligible item; and
- (c) ship the eligible item to the Institution.

The terms under which these services are provided are set forth more specifically in this Appendix J-3 and in procedures that we may prescribe.

Definitions

3. In addition to the definitions set forth in Appendix J, unless the context otherwise requires:

- (a) "eligible item" means a cash item in the amount of \$10,000 or less, unless otherwise agreed by the Institution and us.

Shipment of Items

4. An eligible item processed under this Appendix will be shipped to the Institution on the day we transmit MICR-line information with respect to the item to the Institution.

Item Not Available

5. The Institution is advised that on the day we transmit MICR-line information with respect to an eligible item, the item may be in transit between our office and the Institution, or may otherwise be unavailable, and the item and the information it contains may not become available until the Institution actually receives the item.

WILLIAM J. McDONOUGH,
President.

Appendix J-3-A

**Institution's Agreement to Basic Electronic
Presentment Service**

[to be typed on Institution's letterhead]

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

Buffalo Branch
Federal Reserve Bank
of New York
160 Delaware Avenue
P.O. Box 961
Buffalo, NY 14240
or

East Rutherford Operations
Center
100 Orchard Street
East Rutherford, NJ 07073-2002

Attention: Manager, Check Processing Division

We hereby agree to the terms of your Basic Electronic Presentment Service set forth in Appendix J-3 to your Operating Circular No. 4. We request that you commence this service when the arrangements regarding technical details have been completed.

We authorize you to charge our account on your books for these items and to make appropriate adjustments for these items in accordance with Appendix J to Operating Circular No. 4.

[Name of Institution]

By: _____
[Authorized Signature[s]]

[Title]

[Date]