

February 9, 2004

To the Chief Executive Officers of All Depository Institutions in the Eighth District:

The Federal Reserve Banks are amending their Operating Circular 3 (“OC3”), Collection of Cash Items and Returned Checks. In addition to several minor, technical changes, the amendments include three substantive additions to the coverage of OC3:

- FedImage<sup>SM</sup> Informational Services,
- Electronic Adjustments and the Documents to Follow Archive (“DTF Archive”), and
- Settlement and Adjustment Services for same day settlement (“SDS”) items.

These services are not new. However, the amendments standardize the terms under which we offer the services.

This letter contains a brief summary of the revisions to OC3. This does not describe all of the provisions of the circular or provide complete detail on the revisions.

**Changes in the Body of OC3:**

- In sections 2.1 and 6.1, new language prevents a sending bank from sending any items to a branch of a Reserve Bank that no longer processes checks.
- New sections 12.2 and 12.3 permit depository institutions to make adjustment requests electronically (12.2) and to submit copies of documents for storage in and retrieval from the DTF Archive (12.3). These services are described in greater detail in Appendix H.
- New section 16.3(d) adds FedLine for the Web-Check to the permissible methods by which a payor bank may request a Reserve Bank to send a notification of non payment to a bank of first deposit.
- New language in section 19.8 makes it clear that the sending bank, and not the Reserve Bank, is responsible for the proper preparation of a photocopy in lieu of a missing or destroyed item.
- In section 19.9(c) reference to the former section 19.6(b) has been deleted because that section was deleted from OC3 in a previous amendment.

**Changes in Appendix F:**

- Former section 4.0 has been deleted. This section described the terms of our image services. Image services are now covered by Appendix I, “FedImage<sup>SM</sup> Informational Services.”
- A new section 4.8 has been added to provide for settlement and adjustment services for SDS items. Some Reserve Banks have been providing this service under separate agreements.

- A new sentence at the end of section 5.1 clarifies that a Reserve Bank that provides SDS and adjustment services does not thereby become a collecting bank with respect to the SDS items.
- Under new language in section 6.1 a payor bank that obtains settlement and adjustment services with respect to SDS items indemnifies a Reserve Bank against the risk that a sending bank might make a claim against the Reserve Bank as a result of the settlement and adjustment services provided to the payor bank.

**Other Changes:**

- New language in section 1.1 of Appendix G expands the coverage of FedLine for the Web-Check to include electronic adjustments and the DTF Archive.
- New Appendix H sets forth terms and conditions governing the use of electronic adjustments services and the DTF Archive.
- New Appendix I sets forth terms and conditions governing the FedImage<sup>SM</sup> Informational Service. Appendix H supersedes any existing agreements for FedImage Services.

The amendments will go into effect February 27, 2004. Please refer to the official current version of OC3 at [www.frb services.org/OperatingCirculars/index.html](http://www.frb services.org/OperatingCirculars/index.html). From this web site, you may read, download, and print the Operating Circular. To request a paper copy of an Operating Circular or for additional information about the revision to OC3, please contact your Account Executive.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Byrne". The signature is fluid and cursive, with the first name "Ron" and last name "Byrne" clearly distinguishable.

Ron Byrne  
Vice President