



April 4, 2006

AMENDMENTS TO OPERATING CIRCULARS 3 AND 4

To the Chief Operations Officer of Each Depository Institution in the Twelfth District:

The Federal Reserve Banks have amended Operating Circular 3, Collection of Cash Items and Returned Checks, and Operating Circular 4, Automated Clearing House Items.

Operating Circular 3

The amendment includes many technical changes throughout the operating circular. The major changes include the following:

New language in paragraph 5.15 clarifies the agency relationships that are created when a Depository Institution uses a third party service provider to access the Reserve Bank's check processing systems on behalf of the Depository Institution. The amendment expressly provides that the Depository Institution is responsible for the actions of its service provider.

A new paragraph 21.6 addresses certain problems caused by duplicate presentments. This amendment gives the paying bank a choice of returning the duplicates as return items prior to the midnight deadline or of using the PAID adjustments process.

Appendix E has been amended by adding language to establish the terms and conditions under which reject repair services are provided to Depository Institutions that receive MICR presentment.

New language in Appendix G establishes the terms and conditions that apply to presentment point services when those services are provided to electronic receivers. Also, Appendix G includes a section on reject repair services for electronic receivers other than electronic receivers of MICR presentment.

Operating Circular 4

New language in paragraphs 3 and 7 clarifies the scope of the agency relationships that are created when a sending or receiving bank uses another ACH operator or a sending or receiving point. The Depository Institution is bound by the actions of its third party agent, whether that agent is an operator, sending point, receiving point, or a service provider.

The cross border provisions have been moved from paragraph 6 into a new Appendix G.

Appendix B contains several revisions that address inaccuracies in the previous version of the operating circular that resulted from periodic changes in the FedACH service that were not reflected in Appendix B when the service changes occurred.

A new Appendix E supports the recently introduced FedACH Risk Origination Monitoring (FROM) service.

A new Appendix F supports FedACH informational services. Putting informational services into a separate appendix makes it easier to distinguish those parts of the FedACH service that are the core ACH processing services subject to the applicable ACH rules from the purely informational services that the Reserve Banks provide.

The amendments to OC3 and OC4 are effective on May 1, 2006, and your continued use of the Reserve Bank's check collection or FedACH services on or after that date will constitute agreement to the new terms of the applicable operating circular.

Please refer to the official versions of these amended operating circulars at www.frbservices.org/OperatingCirculars/index.html. From this Web site you may read, download or print the OCs. To request a paper copy of revised Operating Circular 3 or 4, please contact the Customer Contact Center (CCC) at (888) 333-7010.