

Federal Reserve Bank of San Francisco
101 Market Street, San Francisco, California 94105

March 9, 2011

To State Member Banks, Bank
Holding Companies, Financial Holding
Companies, and Foreign Bank Offices
in the Twelfth Federal Reserve District

Federal Reserve Proposes Amendments to Regulation CC Regarding Collection of Checks and Availability of Funds

The Federal Reserve Board on March 3, 2011 requested public comment on proposed amendments to Regulation CC (Availability of Funds and Collection of Checks) to encourage banks to clear and return checks electronically, add provisions that govern electronic items cleared through the check-collection system, and shorten the "exception" hold periods on deposited funds.

To encourage electronic collection and return of checks between banks, the proposal provides that a depository bank would be entitled to the expeditious return of a check only if it agrees to receive returned checks electronically. In addition, the proposal would permit the bank responsible for paying a check to require that checks presented to it for same-day settlement be presented electronically. More generally, the proposal would apply Regulation CC's collection and return provisions, including warranties, to electronic check images that meet certain requirements.

Additionally, due to the faster collection and return timeframes that result from electronic collection and return, the proposal would shorten the safe-harbor period for an exception hold to four business days, which should enable the depository bank to learn of the return of virtually all unpaid checks before being required to make these deposits available for withdrawal. The proposal also eliminates the references in Regulation CC to "nonlocal" checks. The distinction between local and nonlocal checks is tied to Federal Reserve Bank check processing regions. As of February 2010, the Reserve Banks have ceased operations in all but one of their check processing offices, such that there is now only one check processing region, and all checks are local to each other. Local checks are generally subject to a two-business-day hold period.

Appendix C to the regulation sets forth model funds-availability forms that banks may use as the basis of their disclosures to customers. The proposal includes new model forms that were developed using consumer testing and that set forth funds-availability policies in a manner that is designed to be more easily understood by consumers.

The Board's *Federal Register* notice is attached. Comments on the proposal are due June 3, 2011.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco's website, at <http://www.frbsf.org/banking/letters>.

For additional information, please contact:

Federal Reserve Bank of San Francisco
Banking Supervision and Regulation
(801) 322-7853

Attachment: [Proposed Rule \(1.85 MB PDF\)](#)

Model forms

1. [C-1 \(30 KB PDF\)](#) Next-day availability
2. [C-2 \(23 KB PDF\)](#) Next-day availability and section 229.13 exceptions
3. [C-3A \(34 KB PDF\)](#) Next-day availability, case-by-case holds to statutory limits on check deposits without cash-withdrawal limitation, and section 229.13 exceptions
4. [C-3B \(41 KB PDF\)](#) Next-day availability, case-by-case holds to statutory limits on check deposits with cash-withdrawal limitation, and section 229.13 exceptions
5. [C-4A \(38 KB PDF\)](#) Holds to statutory limits on all deposits without cash-withdrawal limitation
6. [C-4B \(37 KB PDF\)](#) Holds to statutory limits on all deposits with cash-withdrawal limitation
7. [C-9 \(19 KB PDF\)](#) Exception or reasonable-cause hold notice
8. [C-10 \(22 KB PDF\)](#) One-time notice for large-deposit and redeposited-check exception holds
9. [C-11 \(22 KB PDF\)](#) One-time notice for repeated-overdraft exception holds
10. [C-12A \(23 KB PDF\)](#) Case-by-case hold notice without cash-withdrawal limitation
11. [C-12B \(25 KB PDF\)](#) Case-by-case hold notice with cash-withdrawal limitation
12. [C-13 \(21 KB PDF\)](#) Notice at locations where employees accept consumer deposits
13. [C-14 \(21 KB PDF\)](#) Notice at locations where employees accept consumer deposits (case-by-case holds)