

## **FEDERAL RESERVE SYSTEM**

### **12 CFR Part 229**

**[Regulation CC; Docket No. R-1372]**

#### **Availability of Funds and Collection of Checks**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Final rule; technical amendment.

**SUMMARY:** The Board of Governors (Board) is amending the routing number guide to next-day availability checks and local checks in Regulation CC to delete the reference to the head office of the Federal Reserve Bank of Dallas and to reassign the Federal Reserve routing symbols currently listed under that office to the head office of the Federal Reserve Bank of Cleveland. The Board is also amending the routing number guide to delete the reference to the Los Angeles branch office of the Federal Reserve Bank of San Francisco and to reassign the routing symbols currently listed under that office to the head office of the Federal Reserve Bank of Cleveland. These amendments reflect the restructuring of check-processing operations within the Federal Reserve System. The Board is also providing advance notice about anticipated future amendments in connection with the Reserve Banks' restructuring such that by early next year there will only be a single check-processing region for purposes of Regulation CC. Accordingly, at that time there will no longer be any checks that would be considered nonlocal.

**DATES:** The amendments to appendix A that delete the listings for the Dallas head office and revise the listings for the Cleveland head office are effective October 17, 2009.

The amendments to appendix A that delete the listings for the Los Angeles branch office and revise the listings for the Cleveland head office are effective November 14, 2009.

**FOR FURTHER INFORMATION CONTACT:** Jeffrey S. H. Yeganeh, Financial Services Manager (202/728-5801), or Joseph P. Baressi, Financial Services Project Leader (202/452-3959), Division of Reserve Bank Operations and Payment Systems; or Dena L. Milligan, Attorney (202/452-3900), Legal Division. For users of Telecommunications Devices for the Deaf (TDD) only, contact 202/263-4869.

#### **SUPPLEMENTARY INFORMATION:**

##### **Background**

Regulation CC establishes the maximum period a depository bank may wait between receiving a deposit and making the deposited funds available for withdrawal.<sup>1</sup> A

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<sup>1</sup> For purposes of Regulation CC, the term "bank" refers to any depository institution, including commercial banks, savings institutions, and credit unions.

depository bank generally must provide faster availability for funds deposited by a “local check” than by a “nonlocal check.” A check is considered local if it is payable by or at or through a bank located in the same Federal Reserve check-processing region as the depository bank.

Appendix A to Regulation CC contains a routing number guide that assists banks in identifying local and nonlocal banks and thereby determining the maximum permissible hold periods for most deposited checks. The appendix includes a list of each Federal Reserve check-processing office and the first four digits of the routing number, known as the Federal Reserve routing symbol, of each bank that is served by that office for check-processing purposes. Banks whose Federal Reserve routing symbols are grouped under the same office are in the same check-processing region and thus are local to one another.

### **Final Amendments to Appendix A**

On October 17, 2009, the Reserve Banks will transfer the check-processing operations of the head office of the Federal Reserve Bank of Dallas to the head office of the Federal Reserve Bank of Cleveland. On November 14, 2009, the Reserve Banks will transfer the check-processing operations of the Los Angeles branch office of the Federal Reserve Bank of San Francisco to the head office of the Federal Reserve Bank of Cleveland. As a result of these changes, some checks that are drawn on and deposited at banks located in the Dallas, Los Angeles, and Cleveland check-processing regions and that currently are nonlocal checks will become local checks subject to faster availability schedules. To assist banks in identifying local and nonlocal checks and making funds availability decisions, the Board is amending the lists of routing symbols in appendix A associated with the Federal Reserve Banks of Dallas, San Francisco, and Cleveland to reflect the transfer of check-processing operations from the Dallas head office and the Los Angeles branch office to the head office of the Federal Reserve Bank of Cleveland. To coincide with the effective date of the underlying check-processing changes, the amendments to appendix A are effective October 17 and November 14, 2009, respectively. The Board is providing notice of the amendments at this time to give affected banks ample time to make any needed processing changes. Early notice also will enable affected banks to amend their availability schedules and related disclosures if necessary and provide their customers with notice of these changes.<sup>2</sup>

### **Information About Anticipated Future Changes to Regulation CC**

The Federal Reserve Banks initially announced in November 2008 that decreases in check volume necessitated transition to a single paper-check-processing site in order to comply with the cost recovery provisions of the Monetary Control Act.<sup>3</sup> On July 31,

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<sup>2</sup> Section 229.18(e) of Regulation CC requires that banks notify account holders who are consumers within 30 days after implementing a change that improves the availability of funds.

<sup>3</sup> See [www.frb services.org/files/communications/pdf/check/110608\\_restructure\\_announcement.pdf](http://www.frb services.org/files/communications/pdf/check/110608_restructure_announcement.pdf).

2009, the Reserve Banks reaffirmed that decreasing check-processing volume was likely to necessitate the transition to a single check-processing center by the first quarter of 2010.<sup>4</sup> The Reserve Banks are taking these steps in response to the continued nationwide decline in check usage, as well as the rapidly increasing use of electronic check-clearing methods, and to meet the cost recovery requirements of the Monetary Control Act of 1980. For the information and planning needs of banks, the Board is today providing notice that, assuming check volumes continue to evolve in line with the Reserve Banks' expectations, the Reserve Banks intend to change their check-processing infrastructure such that by early next year there will be only a single check-processing region for purposes of Regulation CC. Accordingly, at that time there will no longer be any checks that would be considered nonlocal.

### **Administrative Procedure Act**

The public comment requirements of section 553(b) of the Administrative Procedure Act do not apply to these amendments to Appendix A of Regulation CC because the amendments involve matters of agency organization. The Monetary Control Act requires cost recovery for Federal Reserve Bank priced services over the long term, which from time to time necessitates changes in the internal organization of Reserve Bank services in order to meet the statutory mandate. The rapid decline in paper check volumes, generally, and the decline in paper checks sent to the Reserve Banks for collection have significantly reduced the need for Federal Reserve check-processing locations and the ability of Reserve Banks to recover the costs of maintaining those locations. In order to achieve the Monetary Control Act requirement of long-run full cost recovery, the Reserve Banks have adjusted their check service infrastructure to reduce the number of check-processing regions. In light of the fact that the Reserve Banks are receiving a high percentage of checks electronically, the consolidation of check processing centers and the accompanying amendments to Appendix A of Regulation CC are required by law. As a result of the consolidation of Federal Reserve check-processing offices, amendments to Appendix A are necessary because the statutory and regulatory terms "local" and "nonlocal" are defined in terms of "check-processing regions"—the geographic areas served by a Federal Reserve check-processing office.

In addition, the Board finds, in accordance with APA section 553(d), good cause for making the amendments to Appendix A relating to the transfer of check-processing operations from Dallas to Cleveland effective without 30 days advance publication. On August 14, 2009, the Federal Reserve Banks, by letter, informed depository institutions within Dallas's check-processing region of the October 17 transfer of check-processing operations from Dallas to Cleveland. That letter was then published on the Federal Reserve Financial Services' website. Accordingly, the affected depository institutions are aware of and making preparations for the transfer of paper check-processing operations from Dallas to Cleveland.

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<sup>4</sup> See [www.frbservices.org/files/communications/pdf/check/073109\\_check\\_restructure\\_acceleration.pdf](http://www.frbservices.org/files/communications/pdf/check/073109_check_restructure_acceleration.pdf).

## **Paperwork Reduction Act**

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR 1320 Appendix A.1), the Board has reviewed the final rule under authority delegated to the Board by the Office of Management and Budget. The technical amendments to Appendix A of Regulation CC will delete the references to the head office of the Federal Reserve Bank of Dallas and the Los Angeles branch office of the Federal Reserve Bank of San Francisco and reassign the routing symbols listed under those offices to the head office of the Federal Reserve Bank of Cleveland. The depository institutions that are located in the affected check-processing regions and that include the routing numbers in their disclosure statements would be required to notify customers of the resulting change in availability under § 229.18(e). However, the Board believes that all procedures for notifying customers of any change in funds availability are in place, and therefore, the Board anticipates that no additional burden will be imposed as a result of this rulemaking.

## **List of Subjects in 12 CFR Part 229**

Banks, Banking, Reporting and recordkeeping requirements.

## **Authority and Issuance**

For the reasons set forth in the preamble, the Board is amending 12 CFR part 229 to read as follows:

## **PART 229 AVAILABILITY OF FUNDS AND COLLECTION OF CHECKS (REGULATION CC)**

1. The authority citation for part 229 continues to read as follows:

**Authority:** 12 U.S.C. 4001-4010, 12 U.S.C. 5001-5018.

2. Effective October 17, 2009, the Fourth and Eleventh District routing symbol lists in appendix A are amended by removing the headings and listings for the Eleventh Federal Reserve District and revising the listings for the Fourth Federal Reserve District to read as follows:

## **APPENDIX A TO PART 229 – ROUTING NUMBER GUIDE TO NEXT-DAY AVAILABILITY CHECKS AND LOCAL CHECKS**

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**FOURTH FEDERAL RESERVE DISTRICT**

[Federal Reserve Bank of Cleveland]

Head Office

0220	2220
0223	2223
0410	2410
0412	2412
0420	2420
0421	2421
0422	2422
0423	2423
0430	2430
0432	2432
0433	2433
0434	2434
0440	2440
0441	2441
0442	2442
0515	2515
0519	2519
0710	2710
0711	2711
0712	2712
0719	2719
0720	2720
0724	2724
0730	2730
0739	2739
0740	2740
0749	2749
0750	2750
0759	2759
0813	2813
0830	2830
0839	2839
0863	2863
0910	2910
0911	2911
0912	2912
0913	2913
0914	2914
0915	2915

0918	2918
0919	2919
0920	2920
0921	2921
0929	2929
0960	2960
1010	3010
1011	3011
1012	3012
1019	3019
1020	3020
1021	3021
1022	3022
1023	3023
1030	3030
1031	3031
1039	3039
1040	3040
1041	3041
1049	3049
1070	3070
1110	3110
1111	3111
1113	3113
1119	3119
1120	3120
1122	3122
1123	3123
1130	3130
1131	3131
1140	3140
1149	3149
1163	3163

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3. Effective November 14, 2009, the Fourth and Twelfth District routing symbol lists in appendix A are amended by removing the headings and listings for the Twelfth Federal Reserve District and revising the listings for the Fourth Federal Reserve District to read as follows:

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**FOURTH FEDERAL RESERVE DISTRICT**

[Federal Reserve Bank of Cleveland]

Head Office

0220	2220
0223	2223
0410	2410
0412	2412
0420	2420
0421	2421
0422	2422
0423	2423
0430	2430
0432	2432
0433	2433
0434	2434
0440	2440
0441	2441
0442	2442
0515	2515
0519	2519
0710	2710
0711	2711
0712	2712
0719	2719
0720	2720
0724	2724
0730	2730
0739	2739
0740	2740
0749	2749
0750	2750
0759	2759
0813	2813
0830	2830
0839	2839
0863	2863
0910	2910
0911	2911
0912	2912
0913	2913
0914	2914

0915	2915
0918	2918
0919	2919
0920	2920
0921	2921
0929	2929
0960	2960
1010	3010
1011	3011
1012	3012
1019	3019
1020	3020
1021	3021
1022	3022
1023	3023
1030	3030
1031	3031
1039	3039
1040	3040
1041	3041
1049	3049
1070	3070
1110	3110
1111	3111
1113	3113
1119	3119
1120	3120
1122	3122
1123	3123
1130	3130
1131	3131
1140	3140
1149	3149
1163	3163
1210	3210
1211	3211
1212	3212
1213	3213
1220	3220
1221	3221
1222	3222
1223	3223
1224	3224
1230	3230
1231	3231

1232	3232
1233	3233
1240	3240
1241	3241
1242	3242
1243	3243
1250	3250
1251	3251
1252	3252

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By order of the Board of Governors of the Federal Reserve System, acting through the Secretary of the Board under delegated authority, October 8, 2009.

Jennifer J. Johnson (signed)  
Jennifer J. Johnson  
Secretary of the Board.