

## Corporate & Financial Weekly Digest

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### **Federal Reserve Issues Proposed Rule on Availability of Funds and Collection of Checks**

The Federal Reserve Board on March 3 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 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. According to the Federal Reserve, 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.

Click [here](#) to read Regulation CC.

Click [here](#) to read more about the design and testing of Regulation CC, including Appendix C forms.