



FEDERAL RESERVE SYSTEM

12 CFR Part 210

[Docket No. OP-1472]

Federal Reserve Policy on Payment System Risk; Procedures for Measuring Daylight Overdrafts

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Policy statement.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) has adopted revisions to part II of the Federal Reserve Policy on Payment System Risk (PSR policy) related to the procedures for measuring balances intraday in institutions' accounts at the Federal Reserve Banks (Reserve Banks). The changes relate to the Board's procedures for posting debit and credit entries to institutions' Federal Reserve accounts for automated clearinghouse (ACH) debit transactions and commercial check transactions. Elsewhere in the **Federal Register** under Docket No. R-1473, the Board has adopted related changes to the Board's Regulation J that affect when paying banks settle for check transactions presented to them by the Reserve Banks. Additionally, in this document, the Board has adopted a set of principles for establishing future posting procedures for the Reserve Banks' same-day ACH service. The Board has also adopted a change in

language of the PSR policy intended to clarify the Reserve Banks' administration of the policy for U.S. branches and agencies of foreign banking organizations. Finally, the Board has adopted two technical revisions to the posting procedures to reflect deposit deadlines already in effect for Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits.

DATES: *Effective Dates:* The policy changes related to the set of principles for establishing future posting procedures for the Reserve Banks' same-day ACH service, the Reserve Banks' administration of the policy for U.S. branches and agencies of foreign banking organizations, and the technical revisions to the posting procedures for Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions will take effect on **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**. The policy changes to the Board's procedures for posting debit and credit entries to institutions' Federal Reserve accounts for ACH debit and commercial check transactions will take effect on July 23, 2015. All items scheduled to settle on this date and after will post according to the new posting rule procedures for these transactions, regardless of date of deposit.

FOR FURTHER INFORMATION CONTACT:

Susan V. Foley, Senior Associate Director (202/452-3596), Jeffrey D. Walker, Assistant Director (202/721-4559), or Michelle D. Olivier, Senior Financial Services Analyst (202/452-2404), Division of Reserve Bank Operations and Payment Systems, Board of Governors of the Federal Reserve System; for users of Telecommunications Device for the Deaf (TDD) only, contact 202/263-4869.

SUPPLEMENTARY INFORMATION:**I. Background**

On December 10, 2013, the Board requested comment on several changes to part II of the PSR policy intended to enhance the efficiency of the payment system.¹ Technology and processing improvements have enabled payment systems and depository institutions to achieve significant efficiencies since the Board first established the procedures, referred to as posting rules, to measure depository institutions' intraday Federal Reserve account balances. The proposed changes to these posting rules are intended to align them with current operations and processing times and to strategically position the rules for future advancements in the speed of clearing and settlement.

¹ 78 FR 74130 (Dec. 10, 2013). The Board's PSR policy is available at www.federalreserve.gov/paymentsystems/psr_policy.htm.

Commercial and government ACH debit transactions

The Board proposed moving the posting times for commercial and government ACH debit transactions processed overnight to 8:30 a.m. from 11:00 a.m. eastern time (ET) to coincide with the posting time for ACH credit transactions processed overnight.² Under the proposal, other types of ACH transactions, including same-day ACH and certain ACH return items, would not be affected and would continue to post at 5:00 p.m.

The Board outlined four potential benefits to shifting earlier the posting for ACH debit transactions. First, posting ACH debit transactions according to the proposed posting rules would simplify account management by allowing institutions to fund the net of all ACH activity at a single posting time, rather than funding debit and credit transactions separately. Second, the change would increase liquidity early in the day both for institutions that originate ACH debit transactions over the FedACH network and for those institutions that originate ACH debit transactions over the Electronic Payments Network (EPN), the other ACH operator, but have

² All times are eastern time unless otherwise specified.

In 2008, the Board requested comment on moving the posting time of ACH debit transactions from 11:00 a.m. to 8:30 a.m. to coincide with the posting of ACH credit transactions but decided not to pursue the change because of economic conditions at the time and the additional costs and liquidity pressures that could be placed on some institutions. The request for comment and the subsequent notice of the Board's decision not to pursue the proposed changes can be found, respectively, at 73 FR 12443 (Mar.7, 2008) and 73 FR 79127 (Dec. 24, 2008).

transactions delivered to receiving institutions over the FedACH network (interoperator transactions).³ Third, moving the posting time for ACH debit transactions to 8:30 a.m. would align the Reserve Banks' FedACH settlement times with those of EPN. The Board believes that this change would remove any potential competitive disparities between the two ACH operators and their participants arising from the different settlement times for ACH debit transactions. Fourth, the earlier posting of ACH debit transactions would increase the efficiency of the ACH network by aligning better the settlement of ACH debit transactions with their processing. Additionally, posting ACH debit transfers at 8:30 a.m. would better conform to the Board's principles for measuring daylight overdrafts, specifically the principle that encourages posting times to be as close as possible to the delivery of payments to the receiving institution.⁴

Commercial check transactions

³ Liquidity refers to balances in Federal Reserve accounts to make payments. An increase in liquidity involves higher account balances, which could result in fewer daylight overdrafts.

⁴ The Board's four principles for measuring daylight overdrafts are as follows: (1) The measurement procedures should not provide intraday float to participants. (2) The measurement procedures should reflect the times at which payor institutions are obligated to pay for transactions. (3) The users of payment services should be able to control their use of intraday credit. (4) The Reserve Banks should not obtain any competitive advantage from the measurement procedures. The Board developed the principles in the early 1990s; for the latest version, refer to 73 FR 12443 (Mar.7, 2008).

The Board proposed several revisions to its posting rules for commercial check transactions to reflect today's nearly 100 percent electronic check-processing environment. Specifically, the Board proposed to post commercial check transactions, both credits and debits, at 8:30 a.m., 1:00 p.m., and 5:30 p.m., with the specific posting time depending on when a check is deposited with the Reserve Banks (for credit) or presented by the Reserve Banks (for debit).⁵ Credits associated with any commercial checks received by the Reserve Banks' deposit deadlines would post on a rolling basis at the next available posting time at least 30 minutes after receipt by the Reserve Banks.⁶ Similarly, debits associated with electronic check

⁵ Under the current posting rules, commercial check credits post according to one of two options: (1) All credits post at a single, float-weighted posting time, or (2) fractional credits post between the hours of 11:00 a.m. and 6:00 p.m., depending on the institution's preference. The second option lets the institution receive portions of its available check credits on the clock hours between 11:00 a.m. and 6:00 p.m. The option selected applies to all check deposits posted to an institution's account. Both crediting options are based on surveys of check presentment times and vary across time zones. Commercial check debits are posted on the next clock hour at least one hour after presentment beginning at 11:00 a.m. for paper checks and 1:00 p.m. local time for electronic checks, and ending at 3:00 p.m. local time.

⁶ Immediate credit would not be passed for deferred-availability deposit products. Customer availability for files deposited for these services would be the same as if the file were received at a deposit deadline before 8:00 a.m. the next business day.

Currently, the Reserve Banks' electronic check deposit deadlines are 9:00 p.m. on the previous business day, and 1:00 a.m., 5:00 a.m., and 10:00 a.m. on the settlement day. The paper check deposit deadline is 7:00 p.m. on the previous business day. As a result, depositing banks could expect credit for all electronic items deposited for the 9:00 p.m., 1:00 a.m., and 5:00 a.m. deposit deadlines to post at 8:30 a.m., and credit for electronic items deposited for the 10:00 a.m. deadline to post at 1:00 p.m. Paper items deposited by 7:00 p.m. on the previous day would post at 8:30 a.m.

transactions would post on a rolling basis at the next available posting time that is at least 30 minutes after presentment to the paying bank. To accommodate the extra time required to make paper presentments, debits for the few remaining paper commercial check transactions, which account for less than one-tenth of 1 percent of checks processed by the Reserve Banks, would post at the final posting time of 5:30 p.m. on the day the paper check is presented to the paying bank.⁷

Under the current posting rules and Regulation J, at least one hour must elapse between presentment and posting to allow limited verification of cash letters. The Board proposed reducing this requirement from one hour to 30 minutes. As a result of the widespread use of electronic check-handling methods and the extremely small value of paper presentments, the Board believes 30 minutes is now sufficient for institutions to verify cash

⁷ The posting of debits associated with electronic presentments earlier than the debits associated with paper check presentments may contribute marginally to a given paying bank's incentive to require that checks be presented to it in paper form. Electronic check presentment is now pervasive, however, and the Board does not believe that a paying bank that receives presentments electronically would be swayed by the later posting time to return to paper presentment.

Credits for checks presented in paper form would not be delayed to accommodate the extra time required for presentment and would post at the next available posting time at least 30 minutes after receipt by the Reserve Banks. The Reserve Banks will monitor the value of commercial checks presented in paper form, and should it increase materially, the Board may propose changes to the posting rules to reduce float.

letters.⁸ Additionally, as part of the proposed posting rules, the Reserve Banks would present multiple electronic cash letters per day to institutions that receive electronic presentments, with the first presentment by 8:00 a.m. for settlement at 8:30 a.m.⁹

The Board also proposed to revise the posting rules for large-value check corrections and adjustments amounting to \$1 million or more.¹⁰ In alignment with the proposed posting times for commercial check transactions, the Board proposed to move the settlement of large-value credit corrections and adjustments to begin at 8:30 a.m. and hourly thereafter on the half-hour depending on when the discrepancy is detected.¹¹

Additionally, the Board proposed to post large-value debit corrections after

⁸ The Board issued a companion document requesting comment on proposed changes to Regulation J, under which a paying bank would be required to settle for an item by as early as 8:30 a.m. and as soon as one half-hour after it receives the item from the Reserve Banks. The request for comment can be found at 78 FR 74041 (Dec. 10, 2013). Elsewhere in the Federal Register under Docket No. R-1473, the Board adopted these changes to Regulation J.

⁹ The timing and frequency of presentments is subject to change by the Reserve Banks to align better with processing advancements and product type.

¹⁰ Corrections are account entries made to correct discrepancies detected by a Reserve Bank during the initial processing of checks. Adjustments are account entries made to correct discrepancies detected by an institution after entries have posted to Federal Reserve accounts.

¹¹ Currently, credit corrections and adjustments amounting to \$1 million or more post at 11:00 a.m. and hourly thereafter, coinciding with the current posting rules for commercial checks.

the close of the Fedwire Funds Service, the same time as large-value debit adjustments are posted.¹²

The Board outlined four potential benefits from the proposed changes to its commercial check posting rules. First, the proposed posting rules would give earlier availability for items deposited with the Reserve Banks based on an institution's deposit behavior and would provide earlier availability for credit adjustments and corrections. Second, these changes would simplify the posting rule structure and, as a result, reduce the administrative burden on institutions and Reserve Banks. Third, the proposed rules would reduce the amount of intraday float currently provided by the Reserve Banks as a result of posting rules that do not adequately reflect current operations.¹³ Fourth, the proposals would align the posting rules with the significant shift over the past decade from paper to electronic check clearing. The proposed commercial check posting rules would conform better to the Board's principles for measuring daylight overdrafts, specifically the principles that discourage providing intraday float and

¹² Currently, debit corrections amounting to \$1 million or more post at 11:00 a.m. and hourly thereafter.

¹³ Under the current posting rules, check credits and paper check debits begin posting at 11:00 a.m., whereas electronic check debits begin posting at 1:00 p.m. local time. As a result, the current measurement procedures provide intraday float, which has increased over time as electronic deposits and presentments have expanded.

encourage posting times to be as close as possible to the delivery of payments to the receiving institution.

As part of its posting rule proposals, the Board assessed the effect of the ACH debit and commercial check transaction posting rule changes on institutions' account balances and daylight overdraft fees both separately and combined. The Board recognized that the combined effect of the changes would, on average, reduce institutions' Federal Reserve account balances at 8:30 a.m. for the majority of master accounts that settle ACH and commercial check activity (94 percent of approximately 3,500 master accounts) based on second-quarter 2013 payment data.¹⁴ Less than 1 percent of these institutions, only 33 institutions, would incur overdraft fees in any of the six two-week reserve maintenance periods within the quarter analyzed. The low incidence of fees can be attributed to the current levels of pledged collateral and collateralized daylight overdrafts receiving a zero fee,

¹⁴ Although most institutions that maintain master accounts are involved in both ACH and commercial check activity, approximately half of these institutions settle their activity through a correspondent rather than their own master account.

In connection with the 2013 proposal, analysis reflects activity at the master account level from the second quarter 2013 and is intended to be illustrative only. All institutions should consider their own historical payment activity when evaluating the effect of the posting rule changes.

The average balance calculation only includes days in the second quarter of 2013 for which institutions had ACH debit or commercial check payment activity. The simulation of balances focused only on balances held at 8:30 a.m., while the analysis of fees and collateral took into account balances held and collateral pledged over the entire 21.5-hour Fedwire operating day.

the \$150 fee waiver covering modest amounts of uncollateralized overdrafts, and the high balances held in Federal Reserve accounts. Twenty-eight of the 33 institutions are eligible to incur daylight overdrafts and could avoid paying higher fees by pledging (additional) collateral, holding higher balances and receiving interest on their Federal Reserve balances, or arranging early-morning funding. The remaining 5 institutions are ineligible to receive intraday credit and would need to increase funding in their accounts either by holding higher balances (and in some cases potentially receiving interest on their Federal Reserve balances) or by arranging early-morning funding.¹⁵

For both the ACH debit and commercial check posting rule proposals, the Board proposed an effective date of no less than six months from the publication of the revised PSR policy to give institutions sufficient time to make any necessary changes.

Principles for future posting rules for the Reserve Banks' same-day ACH service

Given the Board's expectations that the Reserve Banks' same-day ACH service will evolve, with the potential establishment of additional processing cycles that require new posting times for settlement, the Board

¹⁵ These institutions include bankers' banks and Federal Home Loan Banks, and not all would be eligible to earn interest on their Federal Reserve balances.

proposed establishing a set of principles that would be applied to any new same-day ACH posting rules.¹⁶ Under the proposal, the Board would generally request public comment on changes to the posting rules only when the changes deviate from the principles. Such principles would apply to the Reserve Banks' voluntary (opt-in) same-day ACH service and to any future same-day ACH service, such as a universal same-day ACH service covering all participants in the ACH network.¹⁷ These principles, which would apply in addition to the current four posting-rules principles, were proposed as follows:¹⁸

- 1) For each same-day ACH transmission deadline, the Reserve Banks will establish expected distribution times for the same-day ACH files.
 - a. The Reserve Banks will post settlement for same-day ACH debit transactions no earlier than 15 minutes after the Reserve

¹⁶ The current processing schedule has a 2:00 p.m. deadline for submitting same-day, forward ACH transactions for settlement at 5:00 p.m. Return same-day ACH transactions post at 5:30 p.m.

¹⁷ In 2011, NACHA, a not-for-profit association that manages the development, administration, and governance of the ACH network for participating depository institutions, proposed amendments to its operating rules to enable ACH debit and credit transfers to be cleared and settled on the same day that they are originated. The expedited service would require the participation of all receiving institutions in the ACH network, going beyond the Reserve Banks' voluntary service. Although the majority of NACHA's voting members were in favor of the proposal, NACHA did not receive the 75 percent positive votes required for passage. NACHA is currently evaluating modifications to its earlier proposal to address concerns expressed regarding it.

¹⁸ These four posting-rule principles are outlined in a footnote earlier in this document.

Banks' expected distribution times for the associated same-day ACH file.

b. The Reserve Banks will post settlement for ACH credit and debit transactions associated with a particular same-day ACH file distribution time at the same time.

2) The Reserve Banks will not post settlement for same-day ACH transactions between 6:30 p.m. and 8:30 a.m. on the next processing day.

3) The Reserve Banks will post settlement for same-day ACH transactions exchanged with another operator to support universal same-day ACH during the operating hours for the Reserve Banks' National Settlement Service (NSS).¹⁹

The Board proposed that the principles for future posting rules for the Reserve Banks' same-day ACH service would be effective on final approval.

Language clarification in section II.G.3

¹⁹ NSS is a multilateral settlement service owned and operated by the Reserve Banks. The service is offered to institutions that settle for participants in clearinghouses, financial exchanges, and other clearing and settlement groups. Settlement agents, acting on behalf of those institutions in a settlement arrangement, electronically submit settlement files to the Reserve Banks. Files are processed upon receipt, and entries are automatically posted to the institutions' Federal Reserve accounts. The NSS file submission window is currently 8:30 a.m. to 5:00 p.m.

The Board proposed a language clarification to part II of the PSR policy to explain more clearly the Reserve Banks' administration of the PSR policy as it relates to U.S. branches and agencies of foreign banking organizations (FBOs). The proposed language would clarify that U.S. branches and agencies of the same foreign bank (also referred to as an FBO family) are expected to manage their accounts so that the daylight overdraft position in each account does not exceed the capacity allocated to that account from the FBO family's net debit cap.²⁰ In the past, the Reserve Banks monitored the master accounts of FBO families on a consolidated basis rather than requiring an FBO family to allocate its net debit cap if it wanted to incur daylight overdrafts in more than one account across the Federal Reserve.

The Board proposed that the language change clarifying the Reserve Banks' administration of the policy for U.S. branches and agencies of FBOs would be effective on final approval.

²⁰ The previous language in the PSR policy that related to the administration of multiple master accounts was somewhat ambiguous and could have been interpreted to allow the Federal Reserve to administer these accounts as is the current practice (separate administration for the multiple master accounts) or the previous practice (consolidated administration).

III. Summary of Public Comments and Analysis

The Board received thirteen comment letters in response to its PSR policy proposals.²¹ Comments were submitted by seven depository institution trade organizations, one private-sector clearing and settlement system, one commercial banking organization, one bankers' bank, one government-sponsored enterprise, and two individuals. Most commenters expressed support for the posting-rule proposals' intent to improve the speed and efficiency of the payment system but also raised specific concerns. The Board considered these comments in finalizing its changes to the PSR policy, as discussed in more detail below.

Effect on credit unions and small institutions

Five commenters, including four depository institution trade organizations and a bankers' bank, expressed concerns regarding the effect of the ACH debit and commercial check posting rule proposals on credit unions and small institutions.²² The commenters were supportive of the proposals' intent but believed that credit unions and smaller institutions

²¹ The comment letters are available at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.

²² Commenters were the Credit Union National Association, Georgia Credit Union League, Missouri Credit Union Association, National Association of Federal Credit Unions, and Midwest Independent Bank.

might be disproportionately affected and the proposals could lead to more-frequent and larger daylight overdrafts and associated fees. Given the concerns raised by commenters related to these types of institutions, the Board performed additional analysis on the effect of the combined ACH debit and commercial check proposals on these institutions based on second-quarter 2013 payment data, consistent with the 2013 proposal. Of the approximately 3,500 master accounts maintained by institutions that settle ACH and commercial check activity, almost 800 (22 percent) are maintained by natural person credit unions. The combined posting rule proposals would, on average, reduce account balances held in Federal Reserve accounts at 8:30 a.m. for 94 percent of these institutions. Out of those credit unions that would experience lower balances, only 1 credit union would incur higher daylight overdraft fees as a result of the proposals, and this credit union was already incurring fees under the current posting rules. The average increase in fees over the quarter under the proposed posting rules would be \$132 per reserve maintenance period.²³ To avoid fee increases,

²³ The average calculation includes all reserve maintenance periods in the quarter.

this credit union could pledge on average \$7 million of additional collateral.²⁴

Excluding natural person credit unions, an additional 2,500 master accounts of the approximately 3,500 master accounts maintained by institutions that settle ACH and commercial check activity are maintained by institutions with assets of less than \$10 billion. The combined posting rule proposals would reduce, on average, account balances held in Federal Reserve accounts at 8:30 a.m. for 95 percent of these institutions. Out of those small institutions that would experience lower balances, approximately 1 percent, only 25 institutions, would incur higher fees as a result of the proposals. More than one-third of the 25 institutions were already incurring fees under the current posting rules, and the average increase in fees over the quarter under the proposed posting rules would be \$66 per reserve maintenance period. To avoid fee increases, these 25 institutions could pledge on average \$10 million of (additional) collateral.

The Board recognizes that many institutions are holding higher balances in their Federal Reserve accounts today, and although second-quarter 2013 payment data indicate that only a very limited number of credit

²⁴ The average calculation only includes reserve maintenance periods for which the credit union required (additional) collateral.

unions and institutions with assets less than \$10 billion would incur higher fees under the proposal, over time, more of these institutions may need to alter their account management in response to the posting rule changes. Nevertheless, the Board believes that institutions have the tools to mitigate any adverse impact. For each two-week reserve maintenance period, institutions receive a \$150 fee waiver, which is intended to reduce the burden on institutions that incur a small amount of uncollateralized daylight overdrafts. Many institutions have considerable room for additional daylight overdrafts under the waiver. In addition, institutions could post (additional) collateral, hold higher balances overnight, or arrange early morning funding. Interest on balances in Federal Reserve accounts would help compensate those institutions that hold higher balances overnight in their Federal Reserve accounts.

Effect on institutions ineligible for access to intraday credit

One commenter, representing the interests of five Federal Home Loan Banks without regular access to the discount window and thus without access to intraday credit under the PSR policy because of their classification as government-sponsored enterprises, expressed concern that the proposed posting rule for ACH debit transactions would be excessively burdensome

for institutions ineligible for access to intraday credit.²⁵ The commenter believed that, in addition to account management changes necessary to avoid incurring daylight overdrafts, such as holding higher balances overnight or finding alternative liquidity sources, the proposal might require these institutions to reduce their income-generating investments of overnight funds. The commenter also believed that, if adopted, the new posting rule for ACH debit transactions might cause institutions ineligible for access to intraday credit to re-evaluate the provision of ACH services to their customers and the fees associated with ACH services. The Board acknowledges that institutions ineligible for access to intraday credit may face additional challenges as a result of the proposed posting rule for ACH debit transactions. Of the 26 institutions ineligible to incur daylight overdrafts that participate in FedACH, 22 on average would experience lower balances at 8:30 a.m. under the proposed posting rule for ACH debit transactions. Only 4 of these 22 institutions, however, would incur daylight overdrafts according to the Board's analysis of second-quarter 2013 payment data. The average maximum overdrafts incurred by these 4 institutions over

²⁵ Edge and agreement corporations, bankers' banks that have not waived their exemption from reserve requirements, limited-purpose trust companies, government-sponsored enterprises including Federal Home Loan Banks (FHLBs), and international organizations do not have regular access to the discount window and are not permitted to incur daylight overdrafts in their Federal Reserve accounts. Voluntary collateralization of daylight overdrafts and the \$150 fee waiver are not available to these institutions.

the quarter analyzed ranged from just under \$100,000 to slightly below \$100 million, with an average of \$33 million across the 4 institutions. These institutions would need to arrange early-morning funding or hold higher balances overnight based on expected settlement of ACH activity.²⁶ The Board understands that there may be costs associated with these actions, and institutions would need to weigh the costs and benefits of their account-management options. In addition, the Board acknowledges that some institutions that would experience lower balances might also need to manage their Federal Reserve accounts more closely to avoid daylight overdrafts under the proposed posting rule for ACH debit transactions.

A limited number of institutions that are ineligible for access to intraday credit may need to manage their Federal Reserve accounts to avoid daylight overdrafts as a result of the earlier posting time for ACH debit transfers. The Board believes that these institutions can reasonably manage their Federal Reserve accounts for activity settling at 8:30 a.m. given the availability of Fedwire Funds beginning at 9:00 p.m. the previous calendar day. The Board believes that the associated burden of closer account management by a small number of institutions is outweighed by the benefits

²⁶ Only one of the four institutions is eligible to earn interest on its Federal Reserve account balance.

of the earlier posting time discussed earlier, including the long-run efficiency of the payment system.

Competitive disparity between Reserve Bank and private-sector services

In response to the Board's ACH debit and commercial check posting rule proposals, The Clearing House (TCH), which owns EPN, was supportive of the Board's intent to align and modernize the posting rules but expressed several short-term and long-term competitive disparity concerns. Specifically, TCH was concerned that the posting rules might give the Reserve Banks an unfair advantage over private-sector clearing and settlement systems as a result of underlying legal differences and the limited settlement hours of NSS. TCH also stated that in the long run, the Board should ensure that all processes related to the posting and settlement of Reserve Bank priced services do not provide an advantage to Reserve Bank priced services over those of other clearing and settlement systems. TCH stated that, in the short-term, the posting rules should avoid disrupting the settlement of clearing and settlement systems, specifically EPN's 8:30 a.m. settlement of ACH transactions over NSS. Two additional commenters, U.S. Bank and NACHA, endorsed and emphasized the importance of addressing TCH's concerns related to the proposed posting rules for ACH debit and commercial check transactions.

Reserve Bank priced services settle transactions in participants' Federal Reserve accounts through direct entries to the Federal Reserve's accounting system whereas private-sector clearing and settlement systems typically use Fedwire Funds, ACH, or NSS to settle transactions in participants' Federal Reserve accounts. The Board has traditionally encouraged the use of NSS for multilateral settlement arrangements to mitigate counterparty credit risk. The establishment of posting rules outside of the NSS operating day could potentially create competitive disparities between Reserve Bank and private-sector clearing and settlement systems. The posting rules proposed for ACH debit and commercial check transactions occur within the NSS file submission window, with the exception of the final posting time for commercial check transactions at 5:30 p.m. and the posting of a limited number of check debit and small-dollar credit corrections and adjustments after the close of Fedwire. The Reserve Banks will extend the NSS file submission window until 5:30 pm. beginning in January 2015. In regard to the posting of debit corrections and adjustments after the close of Fedwire Funds, such late posting ensures that an institution could not receive a debit correction or adjustment before the associated transaction posted. Given the minimal occurrence of large-value check corrections and adjustments and the low value of other check

corrections and adjustments, the Board does not believe posting these transactions after the close of Fedwire creates a significant competitive disparity between Reserve Bank and private-sector service providers.²⁷

Additionally, TCH was concerned that the Reserve Banks' priced services personnel could view participants' Federal Reserve account balances, daylight overdraft capacity, and placement on the real-time monitor and use that information to restrict transactions or payment services as a means of managing potential settlement failures.²⁸ Although the Reserve Banks' priced services personnel may have the ability to view

²⁷ In addition to debit corrections and adjustments, small-dollar credit corrections and adjustments also post after the close of the Fedwire Funds Service.

²⁸ For the limited number of institutions that may expose the Federal Reserve and other payment system participants to risk of loss, the Reserve Banks have implemented tools, including the Account Balance Monitoring System (ABMS), which can monitor institutions' payment activity in real time. ABMS verifies that institutions have sufficient balances to fund their Fedwire Funds, NSS, and certain ACH credit transactions as these payment files are submitted and processed. ABMS may reject these transactions if there are insufficient funds to cover the associated payments, regardless of whether the payment files are processed by the Reserve Banks or submitted by private-sector clearing and settlement systems through NSS.

Institutions that are monitored in real time must fund the total amount of their commercial ACH credit originations in order for the transactions to be processed. If the Federal Reserve receives commercial ACH credit transactions from institutions monitored in real time after the scheduled close of the Fedwire Funds Service, these transactions are currently processed at 12:30 a.m. the next business day, or by the ACH deposit deadline, whichever is earlier. ABMS provides intraday account information to the Reserve Banks and institutions and is used primarily to give authorized Reserve Bank personnel a mechanism to control and monitor account activity for selected institutions. For more information on ACH transaction processing, refer to the "ACH Settlement Day Finality Guide" available through the Federal Reserve Financial Services website at <http://www.frbsservices.org>.

account balances in the normal course of business operations, they do not have access to daylight overdraft capacity or risk control information. The Reserve Banks, like other clearing and settlement systems, use a range of risk-management tools that may include requiring minimum balances and collateral to manage the inherent risk of providing services, but Reserve Bank priced services personnel do not influence the application of these controls to be able to affect the outcome of settlement and do not have the ability to apply such controls.²⁹

TCH encouraged the Board to ensure that, in the long run, all processes related to the posting and settlement for Reserve Bank priced services more broadly do not provide an advantage to the Reserve Banks over the private-sector clearing and settlement systems as a result of legal or settlement differences between providers. In the normal course, the Board will continue to assess Reserve Bank priced service proposals for new products, pricing, or posting rules to determine if any competitive advantage is derived from legal differences. In the case of settlement, the Board believes that potential competitive disparities can be addressed by expanding

²⁹ The Federal Reserve's "Standards Related to Priced-Service Activities of the Federal Reserve Banks" states that "No Reserve Bank personnel with responsibility for priced services, unless acting in the capacity of president or first vice president, will also be responsible for monetary policy, bank supervision, or lending areas. Priced-service personnel will not make policy decisions affecting monetary policy, bank supervision, or lending matters." http://www.federalreserve.gov/paymentsystems/pfs_standards.htm

NSS operating hours to encompass more of the Fedwire Funds day. Private-sector clearing and settlement systems would then generally have the ability if needed to settle transactions in participants' Federal Reserve accounts over similar hours as Reserve Bank priced services.³⁰

In the short run, TCH also requested that the Board delay the posting of ACH debit transactions until after 8:30 a.m. to avoid potentially disrupting EPN's 8:30 a.m. settlement over NSS.³¹ TCH believed that posting FedACH debit transactions at 8:30 a.m. could lower EPN participants' Federal Reserve account balances and increase the likelihood that a participant would have insufficient funds to settle its activity over EPN. The Board believes there are several factors that minimize the likelihood of such an outcome. The posting of ACH debit and credit transactions simultaneously at 8:30 a.m. may result in an increase in balances held by institutions that are large originators of ACH debit

³⁰ Commercial check debit and small-dollar credit corrections and adjustments post after the close of Fedwire. Given the minimal occurrence of large-value check corrections and adjustments and the low value of other check corrections and adjustments, the Board does not believe posting these transactions after the close of Fedwire provides a competitive advantage to the Reserve Bank priced services.

³¹ TCH also requested a clarification on how FedACH debit and credit transactions would post simultaneously at 8:30 a.m. Under the proposed posting rules, both ACH debit and credit transactions would be assigned the same posting time, 8:30 a.m., and post exactly at the same time for purposes of measuring an institution's daylight overdraft balance. Debit and credit transactions would not be netted before posting; however, because all transactions would post exactly at the same minute, the institution's account balance would only change by the net of its activity.

transactions; many of the largest ACH debit originators are EPN customers. The posting-rule change benefits not only FedACH participants that originate debit transactions but also EPN customers that originate debit transactions destined to FedACH customers, which settle according to the Board's posting rules. Institutions currently hold high balances, and most have access to daylight overdrafts, with total daylight overdraft capacity calculated as multiples of capital for healthy institutions, to ensure the smooth functioning of the payment system. Although high balances may not remain, balances are not likely to drop precipitously in the near term, giving institutions time to adjust account-management activity, if needed, to ensure sufficient balances for all payment activity settling at 8:30 a.m. In addition, the Reserve Banks debit funds to cover ACH credit transactions for any institution on the highest level of control under the real-time monitor at the time of file submission, not when the payments settle under the posting rules. The Reserve Banks also will extend the NSS file submission window from 7:30 a.m. to 5:30 p.m., beginning in January 2015, and are evaluating potential further expansion of NSS hours in the future. Given these factors, the Board continues to believe that posting ACH debit transactions at 8:30 a.m. is the best option for the long-run safety and efficiency of the payment system.

The Board acknowledges some of the competitive concerns expressed by TCH and agrees with the need to have settlement options available at the same time to avoid introducing potential competitive disparities. In the near term, the Board believes that extending the NSS file submission window from 7:30 a.m. to 5:30 p.m. mitigates any adverse competitive effect of the ACH debit and commercial check posting rule changes. In the long run, the Board believes that any competitive disparity concerns resulting more broadly from Reserve Banks' ability to settle transactions outside of NSS hours can be addressed by further expanding NSS operating hours, and potentially functionality.

The Board has adopted the posting rules for ACH debit and commercial check transactions as proposed.

Effective dates for posting rule proposals

As part of its posting rules proposals for ACH debit and commercial check transactions, the Board proposed a six-month implementation period before the new posting rules would become effective. Five commenters, including four depository institution trade associations and one government-sponsored enterprise, indicated that an effective date six months after the publication of the final rule in the **Federal Register** would allow enough

time to make necessary operational changes.³² One commenter, the National Association of Federal Credit Unions, requested a one-year implementation period to allow institutions additional time to determine if they were affected by the proposed posting rules and, if so, to raise capital. Given commenters' feedback, the Board is adopting an implementation period of no less than six months as proposed, and the posting rule changes for ACH debit and commercial check transactions will take effect on July 23, 2015. All items scheduled to settle on this date and after will post according to the new posting rule procedures, regardless of the date of deposit.

Elsewhere in the **Federal Register** under Docket No. R-1473, the Board also adopted necessary related changes to the Board's Regulation J (12 CFR part 210) regarding the timing of when paying banks settle for check transactions presented to them by the Reserve Banks effective on July 23, 2015.

Principles for future posting rules for the Reserve Banks' same-day ACH service

Two commenters, TCH and U.S. Bank, raised account-management and competitive disparity concerns regarding the second

³² Commenters were the American Bankers Association, Credit Union National Association, Georgia Credit Union league, Missouri Credit Union Association, and a joint letter from five Federal Home Loan Banks.

principle proposed by the Board for future posting rules for the Reserve Banks' same-day ACH service. The principle stated that the Reserve Banks would not post settlement for same-day ACH transactions between 6:30 p.m. and 8:30 a.m. the next processing day. Commenters' concerns related to the Reserve Banks' ability to settle same-day ACH transactions until 6:30 p.m. Specifically, the commenters were concerned that posting these transactions up to the close of the Fedwire Funds Service would not allow sufficient time between the settlement of same-day ACH transactions and the close of Fedwire Funds for institutions to settle other positions amongst themselves, and that the period between 5:00 p.m. and 6:30 p.m. was outside of current NSS operating hours, putting any future private-sector same-day ACH service providers at a potential disadvantage relative to the Reserve Banks' service. To address this concern, the Board has modified the second principle to read, "The Reserve Banks will not post settlement for same-day ACH transactions between the close of the Reserve Banks' National Settlement Service and 8:30 a.m. the next processing day." The modified principle requires that settlement post within the NSS operating day before the close of Fedwire Funds. As a result of the modification, the third proposed posting rule principle, which stated that

the Reserve Banks will post settlement for same-day ACH transactions exchanged with another operator to support universal same-day ACH during the operating hours for the Reserve Banks' NSS, is no longer needed. The Board has removed the third principle from the final principles for establishing future posting rules for the Reserve Banks' same-day ACH service. The revised principles are as follows:

- 1) For each same-day ACH transmission deadline, the Reserve Banks will establish expected distribution times for the same-day ACH files.
 - a. The Reserve Banks will post settlement for same-day ACH debit transactions no earlier than 15 minutes after the Reserve Banks' expected distribution times for the associated same-day ACH file.
 - b. The Reserve Banks will post settlement for ACH credit and debit transactions associated with a particular same-day ACH file distribution time at the same time.
- 2) Settlement will not post between the close of the Reserve Banks' National Settlement Service and 8:30 a.m. on the next processing day.

In addition, five commenters, including one commercial banking organization, one private-sector clearing and settlement system, and three depository institution trade organizations indicated their preference that the

Board always request comment on new same-day ACH posting rule proposals, regardless of whether these rules conformed to the posting rule principles.³³ Commenters believed it was important to request comment, given that future material considerations may emerge that may not be addressed by the principles and any alterations to the current same-day ACH service may require institutions to make significant changes. The Board continues to believe that the principles provide a reasonable gating mechanism to enable flexibility in the evolution of same-day ACH while still constraining settlement to the NSS operating day during core business hours. The Board expects that institutions can reasonably manage their Federal Reserve accounts during the core business day. The Board will assess each future posting rule for same-day ACH to determine if public comment may be warranted based on the specific circumstances and the environment at that time and in conformance with the Board's "Principles for Pricing of Federal Reserve Bank Services."³⁴ Those principles provide that that the Board will request comment on proposed fee or service changes

³³ Commenters were U.S. Bank, TCH, Credit Union National Association, Georgia Credit Union League, and Missouri Credit Union Association.

³⁴ The Board's "Principles for Pricing of Federal Reserve Bank Services" are available at http://www.federalreserve.gov/paymentsystems/pfs_principles.htm.

that would have significant longer-run effects on the nation's payment system.

The Board has adopted the same-day ACH principles as revised earlier, effective on **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]**.

Language clarification to section II.G.3

The Board received no comments on its proposed language clarification to part II of the PSR policy regarding operational changes in the administration of the policy as it relates to U.S. branches and agencies of FBOs. The Board has adopted the proposed language changes to section II.G.3 of the PSR policy as proposed effective on **[Insert Date of Publication in the Federal Register]**.

IV. Additional Technical Revisions to the Posting Rules

The Board has revised the PSR policy's posting rules to conform to the current deposit deadline for Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits, which post at 8:30 a.m. The posting rule currently reflects a previous deposit deadline for these items at 12:01 a.m. local time or the local

deposit deadline, whichever is later.³⁵ Additionally, the Board has revised the posting rules to conform to the current deposit deadline for Treasury checks, postal money orders, and savings bond redemptions in separately sorted deposits which post at 5:00 p.m. The posting rule currently reflects a previous deposit deadline for these items at 4:00 p.m.³⁶ The Board is removing these obsolete deposit deadline references and, in both cases, indicating that the posting time will apply to items deposited by the latest applicable deposit deadline preceding the posting time.

As the updated deposit deadlines are already in effect for the transactions described earlier, institutions' Federal Reserve account balances are not affected by these updates to the incorrectly stated deposit deadlines in the posting rules. These revisions are effective on **[Insert Date of Publication in the Federal Register]**.

V. Competitive Impact Analysis

The Board conducts a competitive impact analysis when it considers a rule or policy change that may have a substantial effect on payment system participants, such as that being proposed for the posting of ACH debit and

³⁵ At this time, for posting at 8:30 a.m., the electronic deposit deadline is 5:00 a.m. the same day and the paper check deposit deadline is 7:00 p.m. on the previous business day.

³⁶ At this time, the deposit deadline is 10:00 a.m. for items posting at 5:00 p.m.

commercial check transactions. Specifically, the Board determines whether there would be a direct and material adverse effect on the ability of other service providers to compete with the Federal Reserve due to differing legal powers or due to the Federal Reserve's dominant market position deriving from such legal differences.³⁷ The Board believes that there are no adverse effects resulting from the changes due to legal differences.

Shifting the posting of ACH debit transactions to 8:30 a.m. brings the settlement of ACH debit transactions processed by the Reserve Banks' FedACH service in line with the private-sector ACH operator, EPN. The posting-rule change benefits not only FedACH participants that originate debit transactions but also EPN customers that originate debit transactions destined to FedACH customers, which settle according to the Board's posting rules. The Board also believes that the implementation window will provide ample time for institutions to make account-management changes, if any.

Under Regulation J, the Reserve Banks have the legal ability to obtain same-day settlement for checks they present before the paying bank's banking day cutoff hour through "auto-charge," that is, a direct debit to the Federal Reserve account of the paying bank or its correspondent settlement

³⁷ Federal Reserve Regulatory Service, 7-145.2.

agent.³⁸ Under the amendments to Regulation J explained elsewhere in this **Federal Register**, the Reserve Banks will have the right to debit the account of the paying bank or its correspondent settlement agent on the next clock hour or half-hour that is at least one half-hour after presentment. In contrast, when a private-sector bank presents a paper check by 8:00 a.m. for same-day settlement, Regulation CC requires the paying bank to settle for the check by sending a Fedwire Funds transfer to the presenting bank by the close of Fedwire (or by another agreed upon method).³⁹ Thus, Reserve Banks may present checks later in the day for same-day settlement than private-sector banks. In addition, Reserve Banks may obtain settlement earlier in the day than private-sector collecting banks and, in turn, may pass credits for deposited checks earlier in the day without incurring significant intraday float.

In March 1998, the Board requested comment on whether the legal differences between rights of the Reserve Banks and the private-sector presenting banks provided the Reserve Banks with a competitive advantage and whether the Board should take action to reduce the differences. Commenters generally concluded that the costs of further changes

³⁸ 12 CFR 210.9(b)(1) and (b)(5).

³⁹ 12 CFR 229.36(f)(2).

outweighed any advantage of the Reserve Banks.⁴⁰ In particular, commenters noted the efficiency of the Reserve Bank's auto-charge process for paying banks, and stated that moving the private-sector presentment deadline to later in the day or eliminating the direct debit of Federal Reserve accounts for check presentments would result in higher costs to paying banks and their business customers in terms of account management, settlement funds transfer fees, and shortened processing windows, and that those costs would outweigh the benefits gained by presenting banks. Based on an analysis of the comments, the Board took no further action.

For the vast majority of checks presented by private-sector banks today, which are presented in electronic form, settlement occurs as agreed between the presenting bank and paying bank. Banks may determine, as part of the agreement between the presenting bank and paying bank, the time at which settlement for checks is required to be funded. Furthermore, for collecting banks and paying banks that opt to use a check clearinghouse, the clearinghouses have the option to use NSS to effect settlement of checks or may settle by directing their members to initiate funds transfers over the Reserve Banks' Fedwire Funds Service. Beginning in January 2015, the NSS file submission window will be 7:30 a.m. to 5:30 p.m. Fedwire Funds

⁴⁰ The request for comment and the subsequent notice of the Board's decision can be found, respectively, at 63 FR 12700 (March 16, 1998) and 63 FR 68701 (December 14, 1998).

operating hours begin at 9:00 p.m. the previous calendar day and end at 6:30 p.m. As adopted in this **Federal Register** document, effective on July 23, 2015, the Reserve Banks will settle commercial check transactions at 8:30 a.m., 1:00 p.m., and 5:30 p.m. and debits from corrections and adjustments amounting to \$1 million or more will settle after the close of Fedwire Funds Service. A limited number of commercial check debit and small-dollar credit corrections and adjustments post after the close of Fedwire. Such late posting ensures that institutions only benefit intraday from detected processing errors and that an institution could not receive a debit correction or adjustment before the associated check transaction posted. Given the minimal occurrence of large-value check corrections and adjustments and the low value of other check corrections and adjustments, the Board does not believe posting these transactions after the close of Fedwire creates a direct and material competitive disparity between Reserve Bank and private-sector service providers.⁴¹

Under the adopted posting rules, the bulk of the Reserve Banks' postings of credits to depositing banks and debits to paying banks for commercial check transactions will shift to earlier in the day. The value of

⁴¹ In addition to debit corrections and adjustments, small-dollar credit corrections and adjustments also post after the close of Fedwire Funds.

checks a bank sends to the Reserve Banks could be higher or lower than the value it receives from the Reserve Banks. As a result, the earlier posting of commercial check transactions may be viewed as more or less attractive, depending on whether the value of an institution's check credits is higher or lower than the value of its check debits. Further, private-sector banks can achieve improvements similar to those provided by the proposed changes through private agreements among participants, as well as the use of the NSS.

Given the factors discussed earlier, the Board does not believe that the changes to the posting rules would have a direct and material adverse effect on other service providers to compete effectively with Reserve Banks in providing similar services.

VI. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. 3506; 5 CFR part 1320 appendix A.1), the Board reviewed the PSR policy changes it is considering under the authority delegated to the Board by the Office of Management and Budget. No collection of information pursuant to the Paperwork Reduction Act are contained in the policy statement.

VII. Federal Reserve Policy on Payment System Risk

Technical revisions to the posting rules

Effective on **[Insert Date of Publication in the Federal Register]**, the “Federal Reserve Policy on Payment System Risk” section II.A. under the heading “Procedures for Measuring Daylight Overdrafts” and the subheadings “Post at 8:30 a.m. eastern time” and “Post at 5:00 p.m. eastern time” is amended as follows.

Post at 8:30 a.m. eastern time:

- +/- Term deposit maturities and accrued interest
- +/- Government and commercial ACH credit transactions⁴²
- + Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits; these items must be deposited by

⁴² Institutions that are monitored in real time must fund the total amount of their commercial ACH credit originations before the transactions are processed by the Reserve Banks. If the Federal Reserve receives commercial ACH credit transactions from institutions monitored in real time after the scheduled close of the Fedwire Funds Service, these transactions are currently processed at 12:30 a.m. the next business day, or by the ACH deposit deadline, whichever is earlier. The Account Balance Monitoring System provides intraday account information to the Reserve Banks and institutions and is used primarily to give authorized Reserve Bank personnel a mechanism to control and monitor account activity for selected institutions. For more information on ACH transaction processing, refer to the ACH Settlement Day Finality Guide available through the Federal Reserve Financial Services website at <http://www.frbservices.org>.

the latest applicable deposit deadline preceding the posting time.

- + Advance-notice Treasury investments
- Penalty assessments for tax payments from the Treasury Investment Program (TIP).⁴³

Post at 5:00 p.m. eastern time:

- +/- FedACH SameDay Service transactions
- +/- Immediate settlement ACH transactions; these transactions include ACH return items and check-truncation items.
- + Treasury checks, postal money orders, and savings bond redemptions in separately sorted deposits; these items must be deposited by the latest applicable deposit deadline preceding the posting time.
- + Local Federal Reserve Bank checks; these items must be presented before 3:00 p.m. eastern time

⁴³ The Reserve Banks will identify and notify institutions with Treasury-authorized penalties on Thursdays. In the event that Thursday is a holiday, the Reserve Banks will identify and notify institutions with Treasury-authorized penalties on the following business day. Penalties will then be posted on the business day following notification.

Revisions to section II.G.3 of the PSR policy

Effective **[Insert Date of Publication in the Federal Register]**, section II.G.3 of the “Federal Reserve Policy on Payment System Risk” is amended to clarify the Reserve Banks’ administration of the policy for U.S. branches and agencies of foreign banking organizations as follows.

3. Multi-District institutions

An institution maintaining merger-transition accounts or an Edge or agreement corporation that accesses Fedwire through master accounts in more than one Federal Reserve District is expected to manage its accounts so that the total daylight overdraft position across all accounts does not exceed the institution’s net debit cap. One Reserve Bank will act as the administrative Reserve Bank and will have overall risk-management responsibilities for an institution maintaining master accounts in more than one Federal Reserve District. For domestic institutions that have branches in multiple Federal Reserve Districts, the administrative Reserve Bank generally will be the Reserve Bank where the head office of the bank is located.

U.S. branches and agencies of the same foreign bank (also referred to as an FBO family) are assigned one net debit cap per FBO family. FBO

families that access Fedwire through master accounts in more than one Federal Reserve District are expected to manage their accounts so that the daylight overdraft position in each account does not exceed the capacity allocated to that account from the FBO family's net debit cap. The administrative Reserve Bank generally is the Reserve Bank that exercises the Federal Reserve's oversight responsibilities under the International Banking Act.⁴⁴ The administrative Reserve Bank, in consultation with the management of the foreign bank's U.S. operations and with Reserve Banks in whose territory other U.S. agencies or branches of the same foreign bank are located, may recommend that these agencies and branches not be permitted to incur overdrafts in Federal Reserve accounts. Alternatively, the administrative Reserve Bank, after similar consultation, may recommend that all or part of the foreign family's net debit cap be allocated to the Federal Reserve accounts of agencies or branches that are located outside of the administrative Reserve Bank's District; in this case, the Reserve Bank in whose Districts those agencies or branches are located will be responsible for administering all or part of this policy.⁴⁵

⁴⁴ 12 U.S.C. 3101–3108.

⁴⁵ As in the case of Edge and agreement corporations and their branches, with the approval of the designated administrative Reserve Bank, a second Reserve Bank may assume the responsibility for administering this policy regarding particular foreign branch and agency families. This would often be the case when the payments activity and

Changes to the posting rules for ACH debit and commercial check transactions

Effective on July 23, 2015, the “Federal Reserve Policy on Payment System Risk” section II.A. under the heading “Procedures for Measuring Daylight Overdrafts” is amended as follows.

Procedures for measuring daylight overdrafts⁴⁶

Opening balance (previous day’s closing balance)

Post at 8:30 a.m. eastern time:

+/- Term deposit maturities and accrued interest

+/- Government and commercial ACH transactions⁴⁷

national administrative office of the foreign branch and agency family is located in one District, while the oversight responsibility under the International Banking Act is in another District. If a second Reserve Bank assumes management responsibility, monitoring data will be forwarded to the designated administrator for use in the supervisory process.

⁴⁶ This schedule of posting rules does not affect the overdraft restrictions and overdraft-measurement provisions for nonbank banks established by the Competitive Equality Banking Act of 1987 and the Board’s Regulation Y (12 CFR 225.52).

⁴⁷ Institutions that are monitored in real time must fund the total amount of their commercial ACH credit originations in order for the transactions to be processed. If the Federal Reserve receives commercial ACH credit transactions from institutions monitored in real time after the scheduled close of the Fedwire Funds Service, these transactions are currently processed at 12:30 a.m. the next business day, or by the ACH

- +/- Commercial check transactions, including returned checks⁴⁸
- + Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits; these items must be deposited by the latest applicable deposit deadline preceding the posting time.
- + Advance-notice Treasury investments
- Penalty assessments for tax payments from the Treasury Investment Program (TIP).⁴⁹

Post at 8:30 a.m. eastern time and hourly, on the half-hour, thereafter:

- +/- Main account administrative investment or withdrawal from TIP

deposit deadline, whichever is earlier. The Account Balance Monitoring System provides intraday account information to the Reserve Banks and institutions and is used primarily to give authorized Reserve Bank personnel a mechanism to control and monitor account activity for selected institutions. For more information on ACH transaction processing, refer to the ACH Settlement Day Finality Guide available through the Federal Reserve Financial Services website at <http://www.frbservices.org>.

⁴⁸ For the three commercial check transaction posting times, the Reserve Banks will post credits and debits to institutions' accounts for checks deposited and presented, respectively, at least 30 minutes before the posting time.

⁴⁹ The Reserve Banks will identify and notify institutions with Treasury-authorized penalties on Thursdays. In the event that Thursday is a holiday, the Reserve Banks will identify and notify institutions with Treasury-authorized penalties on the following business day. Penalties will then be posted on the business day following notification.

- +/- Special Direct Investment (SDI) administrative investment
or withdrawal from TIP
- + 31 CFR Part 202 account deposits from TIP
- + Credit corrections amounting to \$1 million or more⁵⁰
- + Credit adjustments amounting to \$1 million or more⁵¹
- Uninvested paper tax (PATAX) deposits from TIP
- Main account balance limit withdrawals from TIP
- Collateral deficiency withdrawals from TIP
- 31 CFR Part 202 deficiency withdrawals from TIP

Post at 11:00 a.m. eastern time and hourly thereafter:

- + Currency and coin deposits

Post at 1:00 p.m. eastern time:

- +/- Commercial check transactions, including returned checks

⁵⁰ Corrections are account entries made to correct discrepancies detected by a Reserve Bank during the initial processing of checks.

⁵¹ Adjustments are account entries made to correct discrepancies detected by an institution after entries have posted to Federal Reserve accounts.

Post at 5:30 p.m. eastern time:

- +/- FedACH SameDay Service return transactions.
- +/- Commercial check transactions, including returned checks

Post after the close of Fedwire Funds Service:

- +/- All other transactions. These transactions include the following: currency and coin shipments; noncash collection; term-deposit settlements; Federal Reserve Bank checks presented after 3:00 p.m. eastern time but before 3:00 p.m. local time; foreign check transactions; small-dollar credit corrections and adjustments; and all debit corrections and adjustments. Discount-window loans and repayments are normally posted after the close of Fedwire as well; however, in unusual circumstances a discount window loan may be posted earlier in the day with repayment 24 hours later, or a loan may be repaid before it would otherwise become due.

Equals:

Closing Balance.

* * * * *

By order of the Board of Governors of the Federal Reserve System,

December 1, 2014.

Robert deV. Frierson,
Secretary of the Board.

BILLING CODE: 6210-01P

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