



FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

Circular No. 84-111
November 26, 1984

TO: All depository institutions using automated clearinghouse (ACH) services in the Eleventh Federal Reserve District

ATTENTION: Operations Officer/Reserve Account Manager

SUBJECT: ACH interim holiday float procedure

DETAILS: On February 15, 1984, the Board of Governors of the Federal Reserve System issued a press release that included information on plans to reduce and price ACH float. Several categories of ACH float -- delayed interregional transmission, return item and midweek bank closing float -- previously have been addressed. The purpose of this circular is to describe plans for addressing another category of ACH float -- holiday float. Holiday float occurs when ACH items are deposited for settlement on a date when either the originating depository institution, the receiving depository institution or the Federal Reserve offices maintaining the accounts of these institutions are closed.

In the February circular, it was indicated that to the extent feasible, ACH holiday float would be addressed by deferring debits and credits to originators of ACH transactions for items destined for closed receiving institutions. In addition, it was indicated that any ACH holiday float arising as a result of one Federal Reserve office involved in a transaction being closed would be eliminated by modifying the ACH software to defer settlement to the originating institution.

The Federal Reserve intends to take a two-phased approach to handling ACH holiday float. The first phase will be implemented on December 26, 1984. This phase is designed to allocate ACH holiday float to those institutions that are directly responsible for its creation. The second phase consists of a software

solution designed to almost completely eliminate holiday float. This phase will be implemented in late 1985. This circular addresses the first phase of implementation.

On December 26, 1984, all Reserve Banks will implement a policy to recover from originators of ACH transactions the value of debit float and to compensate them for the value of credit float generated as a result of Reserve Bank holiday schedules and the observance of nonstandard holidays by depository institutions. Originating institutions will have the option of paying for debit float through explicit charges or as-of adjustments and will be granted as-of adjustments for the value of credit float. Specifically, the policy is designed to address float arising when:

- 1) items are originated to be settled on a day the originating institutions and/or its Federal Reserve office is observing a holiday, but the receiving institutions is open, and
- 2) items are originated to be settled on a day when the receiving institution and/or its Federal Reserve office is observing a holiday, but the originating institution and its Federal Reserve office are open.

As part of this new procedure, the holiday schedule of originating and receiving institutions -- not that of their settling correspondents -- will be used to determine whether a holiday closing condition exists. This change will bring the ACH service into conformity with other Federal Reserve payment services with respect to determining holiday closings.

Attached is a description of the types of circumstances that would lead to the creation of ACH holiday float. To assist institutions that originate ACH files, a member of this Bank's staff will contact each originator within the next two weeks to offer further information about the new procedure. A 1985 Federal Reserve System holiday calendar showing the nonstandard holidays observed by depository institutions located in each Federal Reserve District also has been prepared and will be available within the next two weeks.

ATTACHMENTS: ACH holiday float policy
MORE INFORMATION: B.B. Sessions, Extension 6403
ADDITIONAL COPIES: Public Affairs Department, Extension 6289

ACH Holiday Float Policy

<u>Type of Closing</u> ^{1/}	<u>Current</u>	<u>Interim Policy</u> <u>Effective December 26, 1984</u>
Originating institution or its Federal Reserve office is closed.	Settlement for debits and credits is deferred to the originating institution only, leading to credit or debit float for the Federal Reserve.	Settlement for debits and credits originated would be deferred to the originating institution. Debit float will be charged back to the originator using as-of adjustments or, at the option of the originator, explicit charge. Originators will be granted as-of adjustments for the value of credit float.
Receiving institution or its Federal Reserve office is closed.	Settlement for debits and credits is deferred to the receiving institution, leading to debit or credit float for the Federal Reserve.	Settlement for debits and credits received will be deferred to the receiving institution. Debit float will be charged back to the originator using as-of adjustments or, at the option of the originator, explicit charge. Originators will be granted as-of adjustments for the value of credit float.

^{1/} Under current procedure, an institution's closing status is determined based on the holiday schedule of settling correspondents, if a correspondent's account with the Federal Reserve is used to function accounting entries. Under the new policy, closing status will be based on the holiday schedule of the originating/receiving institution.