



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

June 3, 1987

DALLAS, TEXAS 75222

Circular 87-38

TO: The Chief Executive Officer of all
financial institutions in the Eleventh
Federal Reserve District

SUBJECT

**Announcement of a modification to the policy concerning automated
clearinghouse (ACH) charges incurred on mandatory nonstandard holidays**

DETAILS

Many financial institutions in this District plan to observe a holiday on July 3, 1987. All Federal Reserve Banks will be open on July 3. The Board of Governors recently has modified its procedures for handling ACH transactions on a day when Reserve Banks are open but financial institutions observe a mandatory holiday.

In 1986, the Federal Reserve Board adopted a modification to the float recovery procedures used by Reserve Banks when processing ACH debits on days when a receiving institution was closed due to a mandatory nonstandard holiday -- a state or local holiday not observed by the local Federal Reserve Bank. This policy stated that if a receiver of ACH transactions was closed on a nonstandard holiday, the Reserve Bank would credit or debit the receiver's account as though the institution were open. A receiver of ACH debits could also ask its Reserve Bank to delay debiting the account and, instead, assess the cost of float to the institution through an explicit charge or an as-of adjustment. The policy contained an option for an institution that after consultation with its Reserve Bank continued to object to receiving ACH debits on days that it is closed for a mandatory nonstandard holiday to have these charges deferred, and the Reserve Bank would recover the cost of the resulting float by other methods.

On May 14, 1987, the National Automated Clearing House Association (NACHA) adopted a rule requiring its member institutions to accept debit charges to their reserve or clearing accounts for debit transactions settling on holidays when the institutions are required to be closed. Reserve Bank operating circulars incorporate NACHA rules by reference and, therefore, they apply to all ACH participants. Because the NACHA rule change requires all its members to accept debits on mandatory nonstandard holidays, there was a

question as to whether the exception procedure in the Board's policy would pre-empt the NACHA rule.

Because industry practice appears to call for payment of ACH debits on mandatory nonstandard holidays, the Federal Reserve Board has decided to modify its policy to conform with the rule adopted by NACHA. Therefore, the exception procedure will no longer be available.

This ruling does not affect the nonstandard holiday check clearing or funds transfer procedures for the Eleventh District announced in our Circular 87-3, dated January 9, 1987.

Since the Federal Reserve Bank of Dallas will be open on July 3, regular courier runs will be made to deliver ACH items only (on July 3, cash letters will only be dispatched to institutions located in Louisiana). Institutions closed on July 3 should make arrangements with the courier for drop off of ACH items on that date.

MORE INFORMATION

For more information on ACH charges, please contact Ms. Jonnie K. Miller, manager of electronic services, at (214) 651-6290, or Mr. Larry C. Ripley, assistant vice president, at (214) 651-6118.

Sincerely yours,

William H. Wallace