

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 10173
June 3, 1987]

ACH Debits on Mandatory Nonstandard Holidays

*To All Depository Institutions, and Others Concerned,
in the Second Federal Reserve District:*

Effective July 2, 1987, the Board of Governors of the Federal Reserve System has modified the procedure used by Federal Reserve Banks to recover the value of float generated in automated clearing house ("ACH") operations due to mandatory nonstandard holiday closings by eliminating the exception procedure for institutions that object to receiving debits on mandatory nonstandard holidays.

On June 12, 1986, the Board adopted a modification to the float recovery procedures used by Reserve Banks when processing ACH debits on days when a receiving institution is closed due to a mandatory nonstandard holiday (a State or local holiday not observed on a regional or national basis). 51 *Fed. Reg.* 21421. This policy stated that if a receiver of an ACH debit transaction is closed on a mandatory nonstandard holiday, the Reserve Bank will debit the receiver's account as though the institution were open or assess the cost of the float through an explicit charge or an as-of adjustment. Nevertheless, if, after consultation with its Reserve Bank, an institution still objected to receiving debits on mandatory nonstandard holidays, the Reserve Bank would not charge the institution on such days, but would use the preexisting procedures for recovering the ACH float that results. This policy became effective on April 1, 1987.

On May 14, 1987, the National Automated Clearing House Association ("NACHA"), the national trade association for depository institutions participating in the ACH service, adopted a rule requiring its member institutions to accept debit charges to their reserve or clearing accounts for debit transactions settling on legal State holidays when the institutions are required to be closed. Under Reserve Bank operating circulars, NACHA rules are incorporated by reference and therefore apply to all ACH participants. Because the NACHA rule change requires all its members to accept the debit charges on mandatory nonstandard holidays, there was a question whether the Board's exception procedure in its policy would preempt the NACHA rule.

Because industry practice appears to call for payment of ACH debits on mandatory nonstandard holidays, the Board has determined to modify its policy to conform with the rule adopted by NACHA. Therefore, the exception procedure will no longer apply after July 2.

Questions on this matter may be directed to Andrew Heikaus, Manager, Funds Transfer Department (Tel. No. 212-720-5561).

E. GERALD CORRIGAN,
President.