

the number of check processing regions listed in appendix A from 44 to 32, thereby resulting in more checks in the affected regions being local to one another. These amendments will take effect on a staggered basis beginning in the second half of 2003 and ending in late 2004. The Board will publish each amendment in the Federal Register at least 60 days before the effective date.

DATES: The final rule will become effective on July 28, 2003.

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SUPPLEMENTARY INFORMATION:

Background

Regulation CC establishes the maximum period a bank may wait between receiving a deposit and making the deposited funds available for withdrawal.¹

Generally, a bank must make funds available for withdrawal within one or two days of deposit if the funds are deposited by certain types of checks that have a relatively low risk of being returned and the deposit meets the other conditions described at § 229.10(c) of Regulation CC.² Items generally subject to next- or second-day availability include checks drawn on the U.S. Treasury; U.S. Postal Service money orders; checks drawn on a Federal Reserve Bank or a Federal Home Loan Bank; checks drawn by a state or unit of general local government; cashier's, certified, or teller's checks; and checks drawn on the same branch or another

branch of the depository bank if both branches are located within the same Federal Reserve check processing region. A depository bank also must give next-day availability for up to the first \$100 of any check or checks deposited on the same banking day that are not otherwise subject to the next-day availability rule.

For checks that are not subject to the next- or second-day availability rules discussed above, depository banks generally must provide faster availability for funds deposited by a "local check" than by a "nonlocal check". A check drawn on a bank is considered local if it is payable by or at a bank located in the same Federal Reserve check processing region as the depository bank. A check drawn on a nonbank is considered local if it is payable through a bank located in the same Federal Reserve check processing region as the depository bank. Otherwise, a check is nonlocal.

Appendix A to Regulation CC contains a routing number guide that assists banks in determining the maximum permissible hold periods for most deposited checks.³ The appendix lists the 9-digit routing numbers for U.S. Treasury checks, postal money orders, and checks drawn on Federal Reserve Banks and Federal Home Loan Banks. Appendix A also lists each Federal Reserve check processing office and the first four digits of the routing numbers, known as the Federal Reserve routing symbol, of the banks that are served by that office. Banks whose Federal Reserve routing symbols are grouped under the same office are in the same check processing region and thus are local to one another.

Final Amendment to Appendix A

Over the past few years, the Federal Reserve Banks and Federal Home Loan Banks have changed their check-related operations, including the routing numbers they use. The Board accordingly is updating appendix A to delete retired routing numbers and insert newly added ones.

With respect to the Federal Reserve Bank routing number list, the Board is deleting routing numbers 0112 0048 8 and 0214 0950 9; correcting the placement of two existing routing numbers, 0220 0026 6 and 0519 0002 3; and adding a new routing number, 0711 0711 0.

With respect to the Federal Home Loan Bank routing number list, the

Board is deleting the following numbers: 0640 0091 0; 0654 0348 0; 0724 1338 2; 0820 0125 0; 1020 0603 8; 1030 0362 9; 1040 0019 7; 1130 1750 8; 1211 3994 4; and 1222 4014 6. In addition, the Board is adding the following numbers: 0430 1862 2 and 1240 0287 4.

The Board also has reorganized and clarified the existing introductory text of appendix A.

These amendments become effective July 28, 2003.

Information About Future Changes to Appendix A

A Federal Reserve study released in 2002 found that the number of checks written in the United States had declined from approximately 50 billion annually in the mid-1990s to about 40 billion annually in 2002. Correspondingly, the number of checks processed by the Federal Reserve Banks has also declined in recent years. The Federal Reserve Banks have decided to reduce the number of locations at which they process checks in response to this changing trend in check usage and to position themselves more effectively to meet the cost recovery requirements of the Monetary Control Act of 1980. Thirteen Reserve Bank offices will no longer process checks, and the checks currently processed at those offices will be processed at other nearby offices, as follows:

Offices that will no longer process checks:	Offices to which check processing will be transferred
Pittsburgh, PA	Cleveland, OH
Richmond, VA	Baltimore, MD
Charleston, WV	Cincinnati, OH
Columbia, SC	Charlotte, NC
Miami, FL	Jacksonville, FL
Indianapolis, IN	Cincinnati, OH
Milwaukee, WI	Chicago, IL
Peoria, IL ⁴	Chicago, IL
Little Rock, AR	Memphis, TN
Louisville, KY	Cincinnati, OH
Omaha, NE	Des Moines, IA
El Paso, TX	Dallas, TX
San Antonio, TX	Dallas, TX

⁴The Peoria office does not serve a separate check processing region. Rather, it is a satellite office of the Federal Reserve Bank of Chicago that is located in the Chicago check processing region.

Because this restructuring will reduce the number of check processing regions, some banks that now are nonlocal to one another will become local. As a result, the status of some nonlocal checks in the affected regions will change. Specifically, some checks that are drawn on and deposited at banks located in the affected regions that currently are nonlocal checks will become local checks subject to faster

¹ For purposes of Regulation CC, the term "bank" refers to any depository institution, including commercial banks, savings institutions, and credit unions.

² Other requirements for next-day availability are that the check be deposited in person to an employee of the depository bank into an account held by the payee of a check. In some cases, next-day availability also requires the use of a special deposit slip and, in the case of a check issued by a state government or unit thereof, that the depository bank be located in the state in which the check was issued. If a deposit meets all the requirements for next-day availability except that it was not made in person to an employee of the bank, the check is entitled to second-day availability. Otherwise, the check is subject to the general availability schedule at 12 CFR 229.12 that applies to local and nonlocal checks. In addition, banks may invoke the exception holds described at 12 CFR 229.13 with respect to checks that generally are subject to next-day or second-day availability.

³ Official checks (certified, cashier's and teller's checks) are the exception, because they are identified by routing number information that is not included in the appendix.