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## **AUTOMATIC HOLDS ON CASHIER'S CHECKS**

During compliance examinations, we have recently noted some banks have been automatically placing holds on any cashiers' checks. The purported justifications for these holds are the frequent reports of counterfeit cashiers' checks circulating through the monetary system; thereby, giving banks a reasonable cause to doubt all cashiers' checks' collectibility. The FDIC has issued numerous Special Alerts warning of counterfeit cashier's checks from various institutions and banks are wise to be cautious. However, it is not permissible to automatically hold these funds beyond the statutory availability schedules simply because the deposit is a cashier's check.

Availability of Funds and Collection of Checks (as implemented by the Federal Reserve Board's Regulation CC) requires banks to make funds deposited into accounts available for withdrawal based upon specific availability schedules. Banks are required to make funds deposited in an account by cashier's check available for withdrawal not later than the business day after the banking day on which the funds are deposited.<sup>1</sup>

The exceptions to this availability schedule are limited to the six reasons in Regulation CC that allow the bank to place an exception hold on deposited funds. The exceptions are (1) new accounts, (2) large deposits (in excess of \$5,000), (3) redeposited checks, (4) repeated overdrafts, (5) reasonable cause to doubt collectibility, and (6) during certain emergency conditions. Regulation CC states that the "reasonable cause to believe a check is uncollectible requires the existence of facts that would cause a well-grounded belief in the mind of a reasonable person. Such belief shall not be based on the fact that the check is of a particular class." Banks must have information about the specific cashier's check or the issuing bank in order to doubt collectibility and cannot automatically doubt the collectibility of all cashiers' checks as a class.

Some of the other allowed exceptions might justify placing a hold on the funds. For example, if the cashier's check was in excess of \$5,000, the bank could use the "large deposit" exception to hold the funds in excess of \$5,000 for a longer period of time.

We encourage FDIC supervised institutions to review these requirements with appropriate bank personnel in conjunction with the bank's practices and policies for compliance with Regulation CC.

If you have any questions concerning this information, please contact us by e-mail at [scans@fdic.gov](mailto:scans@fdic.gov) or call us at the Chicago Regional Office Banker Hotline, 312.382.6926.

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<sup>1</sup> This requirement covers deposits of official checks in an account held by a payee of the check; in person to an employee of the depository bank; and with a special deposit slip or deposit envelope, if such slip or envelope is required by the depository bank.