



FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

Circular No. 84-91
August 27, 1984

TO: All depository institutions in the Eleventh Federal Reserve District.

ATTENTION: Operations Officer/Reserve Account Manager

SUBJECT: **Policies in issuing and applying "as-of" adjustments**

SUMMARY: Effective October 11, 1984, all Federal Reserve Banks will implement uniform policies in issuing and applying adjustments to reserve and clearing accounts held for depository institutions.

ATTACHMENTS: Letter from the Federal Reserve Bank of Dallas' First Vice President, William H. Wallace regarding policies on "as-of" adjustments

MORE INFORMATION: Robert Feil, Extension 6690 or Evelyn Thomas, Extension 6132

ADDITIONAL COPIES: Public Affairs Department, Extension 6289



FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

August 20, 1984

To: Depository Institutions Maintaining Accounts
at the Federal Reserve:

Effective October 11, 1984, all Federal Reserve Banks will implement uniform policies in issuing and applying adjustments to reserve and clearing accounts held for depository institutions. Such adjustments are commonly referred to as "as-of" adjustments and are made to correct the cumulative effect of errors made either by Reserve Banks or by depository institutions, or to compensate the Federal Reserve for float incurred. In addition to achieving more uniformity among Reserve Banks, implementation of these policies is intended to minimize the effect of these adjustments on the overall availability of total reserves. Following is a description of the "as-of" adjustment policies that will be followed by all Reserve Banks.

General Provisions

When the Reserve Banks make "as-of" adjustments for depository institutions, the effect is to either increase or decrease the cumulative amount of balances held with the Federal Reserve to meet reserve or clearing balance requirements. Generally, adjustments to correct for transaction-related errors will be made only when the original transaction amount is \$10,000 or more. This minimum is applied because the cost of making an adjustment for less than this would exceed the value of the adjustment. In cases where offsetting "as-of" adjustments are to be made to the accounts of two depository institutions, the adjustments ordinarily will be applied simultaneously. This is intended to avoid the impact that mismatched adjustments would have on total reserve availability.

Adjustments for Transaction Errors

Errors made by Reserve Banks. In addition to correcting the underlying error by making a debit or credit accounting entry, the Reserve Bank will also issue an "as-of" adjustment to correct the cumulative effect of the error. Such adjustment will be limited to cover a maximum period of 45 calendar days from the date of the error to the date the depository institution notifies the Reserve Bank. If, after notification, additional time is required to resolve the error, the amount of the "as-of" adjustment will be increased to cover this period. Depository institutions should review their daily Fed statements on a timely basis to determine that all entries are correct and notify the Reserve Bank promptly of any errors.

Errors made by depository institutions. In cases where both depository institutions agree to accept offsetting adjustments in the same reserve maintenance period, "as-of" adjustments may be made to correct errors of record--for example, when a depository institution transfers funds to the wrong institution. "As-of" adjustments generally will not be made to correct errors of omission--for example, when a depository institution fails to transfer funds to another institution--unless the circumstances involved are clearly exceptional. "As-of" adjustments will not be issued to reverse the effects of earlier "as-of" adjustments or to move excess reserves from one reserve period to another.

Adjustments for Data Reporting Errors

Depository institutions submit to the Federal Reserve various deposit reports. Any errors found in such reports should be corrected. Revised reports should be submitted for all periods in error, back as far as six months prior to the discovery of the error and forward until correction of the error. If correction of the error changes the reserve balance requirements for the depository institution, the Reserve Bank will issue "as-of" adjustments. These adjustments will be applied only to future reserve maintenance periods so that the depository institution will have advance notice of the effect on its reserve position.

Holiday Variances Between Reserve Banks

In processing interdistrict cash letters, Federal Reserve System policy provides that an "as-of" adjustment will be made to cover cash letter credits when the Reserve Bank serving the receiving depository institution is closed on a holiday that is not observed by the processing Reserve Bank. The "as-of" adjustment ordinarily will be applied to the depository institution's account in the current reserve maintenance period. However, when the holiday occurs on Monday, Tuesday, or Wednesday of the second week of the maintenance period, the "as-of" adjustment will be applied on the following Thursday--the first day of the next period. This policy is intended to avoid the impact such adjustments would otherwise have on the Federal Reserve's ability to manage overall reserve availability near the end of a reserve maintenance period.

Any questions you may have regarding the Federal Reserve's "as-of" adjustment policies should be referred to Robert Feil, extension 6690 or Evelyn Thomas, extension 6132.

Sincerely yours,

