



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

August 31, 1987

DALLAS, TEXAS 75222

Circular 87-60

TO: The Daylight Overdraft Coordinator
or the Chief Executive Officer of
the Depository Institution Addressed

SUBJECT

**Implementation of recent changes in the Federal Reserve's daylight
overdraft program--De Minimis Caps**

DETAILS

On July 30, the Federal Reserve Board adopted several changes in its daylight overdraft policy, one of which concerned de minimis caps. The text of these changes was provided to depository institutions in our Circular 87-54, August 4, 1987. This circular gives additional details about implementing de minimis caps.

De Minimis Caps

A de minimis cap equal to the lesser of 20 percent of adjusted primary capital or \$500,000 is now available. A de minimis cap does not require self-evaluation. It must, however, be approved by the depository institution's board of directors, or the board of a parent holding company, and the approval must be renewed annually. Attachment A contains a summary of de minimis caps and a comparison with positive sender net debit caps.

A depository institution may place itself under a de minimis cap by sending a copy of a board resolution to that effect to:

Mr. Paul T. Elzner
Daylight Overdraft Analyst
Financial Planning and Control Department
Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222

The deadline for submitting such resolutions is December 3, 1987. Attachment B contains sample wording for such a resolution.

An alternative method during the initial transition period is to send Mr. Elzner a letter requesting the de minimis cap. This should be received before December 3, 1987; if this is done, the resolution confirming that action may then be provided to Mr. Elzner no later than March 31, 1988.

A depository institution which has a zero cap because it has not filed a self-evaluation or because its self-evaluation does not qualify it for a positive cap must notify us of its decision to request a de minimis cap no later than December 3, 1987. If it does not do so and continues to incur daylight overdrafts, action will be taken to prevent subsequent daylight overdrafts on Fedwire.

The de minimis cap is not suitable for an institution which incurs overdrafts greater than permitted by the de minimis cap, even if it does so only occasionally, or one which incurs frequent daylight overdrafts of any size.

Other Matters

Circulars will follow with similar implementing information on other recent changes to the daylight overdraft policy. These will include inter-affiliate Fedwire transfers, third-party initiation of Fedwire transfers, the \$50 million limit on book-entry securities transfers over Fedwire, and cap reductions.

ATTACHMENTS

Attachment A contains a summary of the de minimis cap and a comparison with positive sender net debit caps. Attachment B contains sample wording for a board of directors resolution approving the use of daylight credit up to the level of the de minimis cap.

MORE INFORMATION

For further information about de minimis caps, or about the self-evaluation process and submitting or updating positive sender net debit caps, please contact Assistant Vice President John R. Phillips at 214-651-6265, Mr. Robert G. Feil, Manager, at 214-651-6690, or Mr. Elzner at 214-698-4439.

For general questions about the daylight overdraft program, please contact any of the above individuals or Senior Vice President George C. Cochran, III, 214-651-6257, Senior Vice President James L. Stull, 214-698-4286, Vice President Robert D. Hankins, 214-651-6120, or Vice President Larry M. Snell, 214-651-6199.

Sincerely yours,



ATTACHMENT A

SUMMARY AND COMPARISON - DE MINIMIS AND POSITIVE CAPS

I. De minimis cap

- Available for institutions that incur small and infrequent daylight overdrafts.
- Exempts institutions from performing self-evaluation.
- Requires board of directors' approval on an annual basis.
- Allows institutions to incur daylight overdrafts up to the lesser of 20 percent of adjusted primary capital or \$500,000.
- Must be submitted by December 3, 1987. (Institutions may submit a letter to request the de minimis cap by the above deadline, which must then be followed by a board of directors' resolution no later than March 31, 1988.)

II. Positive Cap

- Available for institutions that incur daylight overdrafts larger than permitted by the de minimis cap, even if only occasionally, or for institutions that incur daylight overdrafts on a regular basis regardless of size.
- Requires the institution to perform a self-evaluation which yields at least an average rating.
- Self-evaluation worksheets can be found in the Payments System Risk Manual beginning on page B-163.
- Requires board of directors' resolution to be submitted on an annual basis.