



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

September 22, 1987

DALLAS, TEXAS 75222

Circular 87-69

TO: The Daylight Overdraft Coordinator
or the Chief Executive Officer of the
depository institution addressed, and
the Chief Executive Officer of the
bank holding company addressed

SUBJECT

**Implementation of recent changes in the Federal Reserve's Daylight
Overdraft Program--inter-affiliate Fedwire transfers and third-party initia-
tion of Fedwire transfers**

DETAILS

On July 30, the Federal Reserve Board adopted several changes in its
daylight overdraft policy. The text of these changes was provided to deposi-
tory institutions in our circular 87-54, August 4, 1987.

This circular gives additional details about two of those changes.

Inter-Affiliate Transfers

After June 30, 1988, a depository institution which is a subsidiary
of a holding company may not transfer funds over Fedwire to another subsidiary
of the same holding company, if such transfers create or contribute to day-
light overdrafts, unless its board of directors approves the practice and
sends a copy of its resolution to the Federal Reserve Bank. This rule applies
even if the sending institution remains within its net debit cap.

The attachment contains sample wording for such a resolution. It
should be provided no later than June 30, 1988, to: Mr. Paul T. Elzner, Day-
light Overdraft Analyst, Financial Planning and Control Department, Federal
Reserve Bank of Dallas, Station K, Dallas, Texas 75222.

For these approvals there is no option of substituting the board of
the parent holding company for that of the depository institution, though that
remains an option for self-assessments and de minimis caps.

Third-Party Initiation of Fedwire Transfers

The Federal Reserve Board has also decided to permit a depository institution or other entity to initiate Fedwire transfers from the Federal Reserve account of another depository institution, providing a number of safeguards are complied with.

This action will permit centralized Fedwire transfers for subsidiaries of a holding company.

The attachment to circular 87-54, at pages 31-33, outlines the conditions for such an arrangement, setting out the types of eligible institutions; the necessary contractual relationships and approvals; the requirements for monitoring, back-up, and audit; and the need for concurrence of supervisory agencies. Participants may also find it necessary to make substantial modifications to their software.

While several matters remain to be resolved, depository institutions and holding companies interested in exploring such an arrangement should contact one of the following individuals at our Dallas office for further information: Vice President Lyne H. Carter, telephone 214-651-6175; or Assistant Vice President Larry C. Ripley, telephone 214-651-6118.

Other Matters

Other recent changes in the Federal Reserve daylight overdraft policy include cap reductions and a \$50 million limit on book-entry securities transfers over Fedwire. Both of these changes will take effect January 14, 1988. Subsequent circulars will be sent with details on implementation.

ATTACHMENTS

The attachment contains sample wording for a board of directors' resolution approving inter-affiliate Fedwire transfers.

MORE INFORMATION

For further questions concerning inter-affiliate transfer resolutions, please contact Mr. Elzner at 214-698-4439 or a member of our Legal Department at 214-651-6228. For operational questions concerning inter-affiliate Fedwire transfers, or any questions concerning third-party initiation or centralization of Fedwire transfers, please contact Mr. Carter or Mr. Ripley, whose telephone numbers appear above.

For general questions about the daylight overdraft program, please contact 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

MODEL DIRECTORS' RESOLUTION

I hereby certify that the following resolutions were duly adopted at a meeting of the Board of Directors of the _____ (Official name of the institution) _____, duly authorized and existing under the laws of _____, which meeting was duly called and held on the _____ day of _____, 19____, and that those resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation, statutes or bylaws of the institution.

WHEREAS, the Federal Reserve Board has adopted a policy on reducing risks on large-dollar wire transfer systems which permits inter-affiliate Fedwire transfers resulting in daylight overdrafts, provided certain safeguards are observed;

RESOLVED that whenever, during the business day of the Federal Reserve Bank of Dallas ("Reserve Bank"), this institution ("Institution") fails to maintain a balance of funds in its account at the Reserve Bank sufficient to cover the amounts of transfer items, transfer requests, or other debits charged to that deposit account, the Institution shall be indebted to the Reserve Bank to the extent that the balance of such account is negative, and that the Institution is hereby authorized to incur such indebtedness.

RESOLVED that the Institution is authorized to extend credit during the day to _____ (insert name of affiliate) _____ by transferring to its account at the Federal Reserve Bank of _____ an amount no greater than the entire balance of funds in the Institution's account at the Reserve Bank plus the Institution's indebtedness to the Reserve Bank up to an amount equal to the sender net debit cap adopted by the Institution under the policy regarding risks on large-dollar payment systems adopted by the Board of Governors of the Federal Reserve System.

RESOLVED that these resolutions and all powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of their revocation shall have been given to and received by the Reserve Bank; and that a duly certified copy of these resolutions, with seal of this Institution attached be furnished to the Reserve Bank.

I, the undersigned Secretary of the Institution, do hereby certify that the foregoing resolutions are true and correct copies of resolutions of the Board of Directors of the Institution duly adopted in accordance with and as authorized by its charter and bylaws at a meeting of said board duly called and held on _____, 19____, at which meeting a quorum of all of the

directors was present and acting throughout, and that those resolutions have not been rescinded or modified and are now in full force and effect.

IN WITNESS WHEREOF, I have hereunto subscribed by name and affixed the seal of the Institution.

(Signature of Secretary to the Board of Directors)

(Stamp corporate seal in this space)

(Name of Depository Institution)

(Address)

(City, State and Zip)

(Name and Title of Daylight Overdraft Coordinator)

Mail to:
Paul T. Elzner
Daylight Overdraft Analyst
Financial Planning & Control Dept.
Federal Reserve Bank of Dallas
Station K
Dallas, Texas 75222