



FEDERAL RESERVE BANK
OF DALLAS

WILLIAM H. WALLACE
FIRST VICE PRESIDENT
AND CHIEF OPERATING OFFICER

DALLAS, TEXAS 75222

January 8, 1988

Circular 88-3

TO: The Daylight Overdraft Coordinator
or the Chief Executive Officer of
the financial institution addressed

SUBJECT

**Implementation of recent changes in the Federal Reserve's daylight
overdraft program -- reduction of sender net debit caps**

DETAILS

On July 30, 1987, the Federal Reserve Board adopted several changes in its daylight overdraft policy, one of which concerned the reduction of sender net debit caps. The text of these changes was provided to financial institutions in our Circular 87-54, dated August 4, 1987. This circular gives additional details about the upcoming cap reductions.

Reduction of Sender Net Debit Caps

The current levels of sender net debit caps will be reduced by 25 percent in two stages. An initial 15 percent reduction will become effective January 14, 1988. The remaining reduction to a level 25 percent lower than the original caps will become effective May 19, 1988.

The cap levels, set as multiples of adjusted primary capital, will be as follows:

January 14, 1988 through May 18, 1988

Net Debit Cap

<u>Cap Class</u>	<u>Two-Week Avg.</u>	<u>Plus</u>	<u>Single-Day Avg.</u>
High	1.70		2.55
Above Avg.	1.275		2.125
Avg.	0.85		1.275
No Cap	0.0		0.0

For additional copies of any circular please contact the Public Affairs Department at (214) 651-6289. Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank (800) 442-7140 (intrastate) and (800) 527-9200 (interstate).

May 19, 1988 and After

Net Debit Cap

<u>Cap Class</u>	<u>Two-Week Avg.</u>	<u>Plus</u>	<u>Single-Day Avg.</u>
High	1.50		2.25
Above Avg.	1.125		1.875
Avg.	0.75		1.125
No Cap	0.0		0.0

An institution is expected to avoid incurring daylight overdrafts that, on average over a two-week period, exceed the two-week average cap, and, on any day, exceed the single-day cap. Since an institution establishes a cap category (i.e., high, above average, average) based on a self-evaluation, it will not be necessary to resubmit a board resolution in light of the cap reductions. The cap reductions do not affect de minimis caps.

Other Matters

Other recent changes in the Federal Reserve's daylight overdraft policy include a \$50 million maximum transaction size limitation that will be imposed on the par value of book-entry securities transfers over Fedwire. Exceptions to the new policy include transactions where Reserve Banks act as fiscal agents, e.g., the delivery of new issues, redemptions, requests to change the form of a security, or to move a security to or from a pledged account on a Reserve Bank's books. This change will take effect January 14, 1988. For more information, please contact one of the following individuals:

Dallas and El Paso	Tyrone Gholson	(214) 651-6263
Houston	Luke E. Richards	(713) 659-4433
San Antonio	Tony G. Valencia	(512) 224-2141

MORE INFORMATION

For further questions concerning cap reductions, please contact Assistant Vice President John R. Phillips at (214) 651-6265, Robert G. Feil, Manager, at (214) 651-6690, or Paul T. Elzner, Daylight Overdraft Analyst, 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,

William H. Waller