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Press Release

February 28, 2008

Request for comment on proposed changes to Board's Payments System Risk policy

For immediate release

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The Federal Reserve Board on Thursday requested public comment on proposed changes to its Payments System Risk (PSR) policy that are intended to loosen intraday liquidity constraints and reduce operational risks in financial markets and the payments system. The Board is proposing a new strategy for providing intraday credit to depository institutions and would encourage these institutions to collateralize their daylight overdrafts.

The Board has spent several years reviewing long-term developments in intraday liquidity, operational risk, and risk management in financial markets and the payments system, including the increased use of daylight overdrafts at the Federal Reserve Banks and increased Fedwire funds transfers late in the day. The Board published a consultation paper on these issues in 2006 and received public comments. As a result of this review and the comments, the Board is proposing changes to the Federal Reserve's current strategy for providing intraday credit to the banking industry to help ease intraday liquidity constraints and reduce operational risk.

Specifically, the Board proposes to adopt a policy of supplying intraday balances to healthy depository institutions predominantly through *explicitly* collateralized daylight overdrafts. To avoid significantly disrupting the operation of the payments system and increasing the cost burden on a large number of institutions that incur small amounts of

daylight overdrafts, the Board would allow depository institutions to pledge collateral *voluntarily* to secure daylight overdrafts. The proposed policy would encourage the voluntary pledging of collateral to cover daylight overdrafts by providing collateralized daylight overdrafts at a zero fee and by raising the fee for uncollateralized daylight overdrafts to 50 basis points (annual rate) from the current 36 basis points. In developing this proposal, the Board has sought to minimize the effect of the proposed policy changes on institutions that use small amounts of daylight overdrafts by increasing substantially the biweekly fee waiver to \$150 from \$25. The proposed policy would also involve changes to other policy provisions, including adjusting net debit caps, streamlining procedures for the expansion of daylight overdraft capacity for certain foreign banking organizations, eliminating the current deductible for daylight overdraft fees, and increasing the penalty daylight overdraft fee for ineligible institutions to 150 basis points (annual rate) from the current 136 basis points. The Board expects that a revised PSR policy could be implemented approximately two years from the adoption of a final rule.

To assist depository institutions in assessing the impact of the proposed changes on their institution, the Board has developed a simple fee calculator that will allow institutions to estimate their daylight overdraft fees under the proposed policy. The fee calculator is located on the Board's website at <https://www.federalreserve.gov/apps/RPFCalc/>.

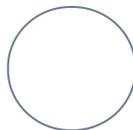
Comments are requested by June 4, 2008.

The Board's notice is attached. The Board also requested public comment today on a proposed change to the daylight overdraft posting rules under its PSR policy.

Federal Register Notice [411 KB PDF](#) | [TEXT](#)

[Payments System Risk Policy Fee Calculator](#)

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