

# Federal Reserve Notes

Federal Reserve Bank of San Francisco • April 1984

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## FED REPORTS ON PRICED SERVICES

The Federal Reserve Board has issued a report summarizing developments in the priced services areas for 1983. The report, which is expected to be issued annually, provides detailed financial results. A financial statement consisting of the Fed's priced service balance sheet and income statement will be issued quarterly.

Copies of the Board's report are available from our Corporate Services Department at (415) 974-2752.

## PRIVATE SECTOR ADJUSTMENT FACTOR REVISED

The Fed approved revisions to its procedure for calculating the Private Sector Adjustment Factor (PSAF) — an allowance for the taxes that would have been provided had the Federal Reserve's priced services been furnished by a private sector firm.

The revisions for 1984 include:

- Expansion of the sample used to calculate the PSAF from the 12 to the 25 largest bank holding companies. Those BHCs with the highest and lowest return on equity in the sample will be excluded.
- Employment of the direct determination methodology for establishing the asset base used for computing the PSAF.
- Recovery of estimated sales taxes that would have been paid were the Fed subject to such taxes.
- Use of a tax rate based on the ratio of current federal, state and local income taxes to total taxable income of the bank holding companies included in the sample.

For copies of the revisions, call our Corporate Services Department at (415) 974-2752.

## REDUCING RISK IN LARGE-DOLLAR WIRE TRANSFER SYSTEMS

Two actions were taken by the Federal Reserve Board in its continuing effort to reduce risks involved in the electronic movement of billions of dollars a day.

First, the Board requested public comment by July 27, 1984 on three methods of reducing risks:

- Sender net debit caps — maximum ceilings on the aggregate net debit position that an individual sending depository institution could incur during that day.
- Bilateral net credit limits — the maximum amount each receiving depository institution is willing to receive from any sender.
- Finality of payments — the receiving depository institution guarantees that it will promptly provide the beneficiaries of funds transfers with irrevocable credit for funds transfers.

Second, the Board issued a policy statement aimed at ensuring that institutions do not use Fedwire to avoid Federal Reserve or private sector risk reduction policies. The Board lifted a current moratorium on private network access to Federal Reserve net settlement facilities over the Fedwire, but established certain interim conditions for eligibility for such access:

- 1) All participants must set bilateral net credit limits.
- 2) Each network must adopt a sender cap of 50 percent of capital for each participant, applied to transfers sent over that network.
- 3) Each network must agree to provide the Fed with transactions data.

The statement also set forth enforcement measures, including:

- 1) Ex post monitoring of Fedwire transactions to detect patterns that indicate inappropriate use of the Federal Reserve network.
- 2) Counseling of institutions observed using Fedwire to avoid risk reduction measures.
- 3) Removal of institutions from direct on-line access to Fedwire if they repeatedly abuse use of the wire, or barring of an offending institution from use of the Federal Reserve network.

Both the Board's policy statement and its request for comment are available from our Corporate Services Department at (415) 974-2752.

## NEW SERVICES

### STATUS DISPLAY FOR FUNDS TRANSFER

On-line and FedLine funds transfer customers gained access to the time status of the Federal Reserve Funds Transfer system on April 23, 1984. They have since been able to determine immediately whether the system status is open, closed, or extended for types 10, 12 and 15 and inter- and intra-district wires plus type 16 bank settlement wires.

For further information regarding this enhancement, please contact Susan Andrews in the Funds Transfer Department at (415) 974-2317.

## REGULATORS ADDRESS DELAYED AVAILABILITY ISSUE

The issue of delayed availability of funds — that has resulted in legislation in California and New York, and proposed legislation in the U.S. Congress — was addressed in a joint statement by federal regulators of commercial banks, savings banks and savings and loan associations. The Federal Home Loan Bank Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Federal Reserve Board have requested that financial institutions voluntarily ameliorate the problem of delayed availability of funds.

Their specific suggestions include a review of policies with the objective of reducing delays in a manner consistent with prudent business practices, disclosing funds availability policies to customers, and refraining from imposing delays across the board, especially delays on Social Security and other government checks deposited in established accounts.

The agencies stated that they hoped the problem will be handled by voluntary action, but added that they will be monitoring the effectiveness of such action and conducting consumer surveys. They will consider further action if necessary. Copies of the statement are available from Corporate Services at (415) 974-2752. For further information, please contact our Law Department at (415) 974-2256.

## REGULATIONS AND OPERATIONS UPDATE

**Regulation K — International Banking Operations:** In February and April, the Federal Reserve Board adopted some new rules to implement several sections of the International Lending Supervision Act of 1983. Two of the rules require banking organizations to maintain special reserves and authorize the Board to require submission of quarterly reports on the foreign lending of banking institutions, including publication of material country exposure. The first took effect December 31, 1983; the second, March 31, 1984.

A second set of rules established uniform requirements for accounting for fees on international loans. They apply to state chartered banks that are members of the Federal Reserve System and to bank holding companies and Edge and Agreement corporations engaged in banking; and are effective June 30, 1984, except for those dealing with restructured international loans which were effective April 10, 1984.

The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation adopted similar rules with regard to national banks and insured non-member banks, respectively.

**Regulation T — Credit by Brokers and Dealers:** The effective date for compliance with Regulation T, which was completely revised May 16, 1983, has been deferred to June 30, 1984.

For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.

**Regulation Z — Truth in Lending:** The Federal Reserve Board has made public an update to the official staff commentary on Regulation Z. For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965. Copies of the commentary are available from Corporate Services at (415) 974-2752.

**New Off-Line Transfer Fees:** The Board of Governors approved a new fee schedule for the off-line funds transfer and net settlement service, effective March 1, 1984. This new schedule is shown below and represents the first change in funds transfer prices since April 29, 1982:

### Wire Transfer of Funds

Off-Line Origination	\$5.50
Telephone Advice	\$3.00

### New Settlement

Off-Line Settlement	\$8.00
Telephone Advice	\$3.00

## FOR PUBLIC COMMENT

**Regulation Y — Bank Holding Company Regulation:** The Board asked for public comment by May 2 on expanding the list of permissible activities for bank holding companies. Activities being considered include: commodity trading advisory services, check guaranty services, consumer financial counselling, armored car services, tax planning and tax preparation, and operating a collection agency and credit bureau. Two activities already on the permissible list may be expanded: property appraisals and future commission merchant advice. The Board also is proposing to define the permissible insurance activities that are permitted under the Garn-St Germain Depository Institutions Act of 1982.

**Reducing Risk in Large-Dollar Wire Transfers:** The Federal Reserve Board requested public comment by July 27, 1984 on a variety of measures for reducing risk in the operation of large-dollar wire transfer systems. Refer to related article in this issue.

The Federal Register notice, with details of these proposed activities, is available from our Corporate Services Department at (415) 974-2752. For further information, please contact Bob Johnston in Supervision, Regulation and Credit at (415) 974-2352.