POLICY DEVELOPMENTS

"As-Of" Adjustments

Effective October 11, 1984, all Federal Reserve Banks will implement uniform policies in issuing and applying adjustments to reserve and clearing accounts held for depository institutions. Such adjustments are commonly called "as-of" adjustments and are made to correct the cumulative effect of errors made either by Reserve Banks or by depository institutions, or to compensate the Federal Reserve for float incurred. In addition to achieving more uniformity among Reserve Banks, implementing these policies is intended to minimize the effect of the adjustments on the overall availability of total reserves. The following lists "as-of" adjustment policies to be followed by all Reserve Banks.

General Provisions

In general, adjustments to correct for transaction-related errors will be made only when the original transaction amount is $10,000 or more. Where offsetting "as-of" adjustments are to be made to the accounts of two depository institutions, the adjustments ordinarily will be applied simultaneously.

Adjustments for Transaction Errors

Errors made by Reserve Banks — In addition to correcting the underlying error by making a debit or credit accounting entry, the Reserve Bank will also issue an "as-of" adjustment to correct the cumulative effect of the error. Such adjustments will be limited to covering a maximum period of 45 calendar days from the date of the error to the date the depository institution notifies the Reserve Bank. If, after notification, additional time is required to resolve the error, the amount of the "as-of" adjustment will be increased to cover this period.

Errors made by depository institutions — In cases where both depository institutions agree to accept offsetting adjustments in the same reserve maintenance period, "as-of" adjustments may be made to correct errors of record — for example, when a depository institution transfers funds to the wrong institution. "As-of" adjustments generally will not be made to correct errors of omission unless the circumstances involved are clearly exceptional. "As-of" adjustments will not be issued to reverse the effect of earlier "as-of" adjustments or to move excess reserves from one reserve period to another.

Adjustments for Data Reporting Errors

If correcting an error in the deposit record that a depository institution submits to the Federal Reserve changes the reserve balance requirements for that institution, the Reserve Bank may issue an "as-of" adjustment. These will be applied to future reserve maintenance periods so that the depository institution will have advance notice of the effect on its reserve position.

Holiday Variances Between Reserve Banks

In processing interdistrict cash letters, Federal Reserve System policy provides that an "as-of" adjustment be made to cover cash letter credits when the Reserve Bank serving the receiving depository institution is closed on a holiday that is not observed by the processing Reserve Bank. The "as-of" adjustment ordinarily will be applied to the depository institution's account in the current reserve maintenance period.

For further information on "as-of" adjustment policies for data reporting errors, contact Mary Wujek at (415) 974-3151. For further information on other aspects of the policies, please contact the Accounting Department officer at your local Federal Reserve office.
Marginal Reserve Requirement Adjustment to Earnings Credits

Effective October 25, 1984, all Federal Reserve Banks will implement changes to the procedures by which earnings credits are calculated on clearing balances. The changes will incorporate an adjustment for an imputed marginal reserve requirement of the Federal Reserve and for the marginal reserve requirement of each institution maintaining a clearing balance with the Federal Reserve. This adjustment is intended to make the earnings credits calculated for a depository institution on clearing balances held equivalent to the Federal Reserve to the return the institution would earn had it maintained those balances with a correspondent. Each respondent’s clearing balance will be reduced by its net interbank reserve requirement — the correspondent rate of 12 percent less the respondent marginal reserve requirement (0, 3 or 12 percent).

If you have any questions regarding these procedures, please contact the Accounting Department or the following Financial Services officer at your local Federal Reserve office: Martha Perry in San Francisco at (415) 974-2127; Mary Ellen Martin in Los Angeles at (213) 683-8318; Susan Robertson in Portland at (503) 221-5909; Andrea Wolcott in Salt Lake City at (801) 322-7927; William Ferensen in Seattle at (206) 442-2754.

Fed’s Role in Payments Mechanism and in Providing Bank Services

The Federal Reserve has approved the following two policy papers available through Corporate Services at (415) 974-2752.

The Federal Reserve in the Payment System presents the rationale for the Federal Reserve’s participation in the payments mechanism, describes the System’s procedures for evaluating Federal Reserve priced services, and states the System’s objectives, including cost-recovery, for the pricing of such services.

Standards Related to Priced Services Activities of the Federal Reserve Banks is concerned with System safeguards for avoiding any internal conflict of interest between the exercise of the Federal Reserve’s responsibilities for providing priced services to depository institutions and its other responsibilities in the fields of monetary policy, bank supervision and lending to depository institutions.

REGULATIONS AND OPERATIONS UPDATE

Regulations G,T,U

The Federal Reserve Board has adopted amendments to Regulations G, T, and U to automatically permit brokers and dealers to lend on over-the-counter securities designated for trading in the National Market System portion of NASDAQ in conformance with the Board’s margin requirements. The amendments are effective November 13, 1984. Copies of the Board’s notice is available from Corporate Services at (415) 974-2752. For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.

Reporting Differences in New Currency

The Bureau of Engraving and Printing has issued new procedures for considering differences in new currency transactions. These procedures, which change the section “Differences in New Currency” in Circular 9, affect both Federal Reserve Banks and depository institutions. For further information on the San Francisco Reserve Bank’s procedures in this area, please contact the Cash Services Department at your local Federal Reserve office.

FOR PUBLIC COMMENT

Reducing Payments Risk

The growth in the amount of funds transferred over large-dollar funds transfer networks has resulted in some banks having intraday net debit positions far in excess of their capital. If an institution should fail unexpectedly during the course of the day, and thus be unable to cover its position, the Federal Reserve and other network participants could suffer serious financial loss. Moreover, the failure could disrupt the smooth operation of the entire payments system.

The Federal Reserve has proposed several methods for reducing such payments risk and requested public comment by October 29, 1984 (Dockets R0515 and R0516). To ensure full understanding of the issues and the methods proposed for comment and to encourage careful review of the proposals, the Federal Reserve System and the American Bankers Association co-sponsored three seminars attended by about 400 representatives from all types of depository institutions in Los Angeles, San Francisco and Seattle on September 18, 19, and 20, respectively. Respondents, including those at the seminars, are urged to ascertain the impact of the proposals on their particular institutions and to comment in writing both to the Federal Reserve Board of Governors and to their trade associations which also will comment to the Board of Governors.