POLICY DEVELOPMENTS

Discount Rate Lowered to 7½%

On May 21, 1985, the basic discount rate was lowered from 8 percent to 7½ percent. This rate applies to short-term and seasonal advances. For further information about the San Francisco Reserve Bank’s rates of interest, call the Credit Unit at (415) 974-2265.

Reducing Risk in Large-Dollar Wire Transfer Systems

On May 24, 1985, the Federal Reserve Board issued a statement of its policy, to take effect March 27, 1986, to control and reduce the risks to depository institutions participating in large-dollar wire transfer systems. The policy calls on private networks and depository institutions to reduce their own credit risks. It also depends, in part, on the role of the Federal Reserve and other financial institution regulators in examining, monitoring, and counseling institutions.

The Board encourages each depository institution that incurs daylight overdrafts on Fedwire or that participates on private large-dollar wire networks to adopt voluntarily, by December 31, 1985, a cross-system sender net debit cap (a sender net debit cap that applies across all wire transfer systems as a total) following the guidelines that the Board established.

The Board’s policy also states that no large-dollar payment network will be eligible for Federal Reserve net settlement services unless it:

1) requires each participant to establish a maximum net amount it is willing to receive from any sender (bilateral net credit limit);
2) establishes a maximum ceiling on the amount of intra-day credit a sender may incur (sender net debit cap) reasonably designed to reduce the risks to participants on that network;
3) develops and implements a system that will reject or hold any payment that would exceed either bilateral net credit limits or the network’s sender net debit cap; and
4) agree to provide transactions data to its Reserve Bank on request.

Copies of the Board’s statement are available from Corporate Services at (415) 974-2752. For further information, please call Sharon Reisdorf in Accounting at (415) 974-2688.

Federal Reserve ACH Service

The San Francisco Reserve Bank issued a statement to depository institutions in the San Francisco zone clarifying several issues related to ACH service and the Federal Reserve’s role as an ACH provider. The key points of that statement follow:

1) Membership — A depository institution need not belong to an association to participate in ACH.
2) Receipt of Items — If an institution elects to join an ACH Association and use its processor, the institution will receive items from both that ACH and the Federal Reserve’s ACH (those items originated by all other originators nationally). Alternatively, the institution may request the Federal Reserve to send all items destined for that institution to the private sector processor for consolidation. In that case, the private ACH fees would be added to those of the Fed for all items (except those being exchanged between Association members, both of whom have elected to use the Association’s processor).
3) Pricing — The Federal Reserve Banks establish prices for services annually, effective the beginning of each year. In addition, the Reserve Banks can analyze and compare the cost to a depository institution of using the Federal Reserve ACH services versus an alternative.
4) Future of Federal Reserve ACH — The Federal Reserve has been providing ACH services to depository institutions for the past 17 years and remains committed to enhancing and expanding the services as technological advances are made and needs are expressed.

For further information, please call John Hoover in District Financial Services at (415) 974-2120.
REGULATIONS AND OPERATIONS UPDATE

Calendar Month Billing Cycle
Effective August 1, 1985, the Federal Reserve Bank of San Francisco will begin a new billing cycle based on the calendar month. The revised billing cycle will end on the last business day of each calendar month. The current billing cycle is based on a reserve week cycle and consists of either four or five weeks. For further information, please contact:

Rick Miller  San Francisco  (415) 974-2697
Earl Hartzler  Los Angeles  (213) 683-8500
Cheryl Bassett  Portland  (503) 294-3854
Chris Matesen  Salt Lake City  (801) 322-7867
Bruce Lyman  Seattle  (206) 442-0797

Check Collection Fees Reduced
On June 27, 1985, mid-year reductions in check collection fees for interterritory depositors at a number of Federal Reserve offices took effect. Some deposit deadlines also changed on July 1, 1985. For the Twelfth District, the following changes were made:

• All interterritory and fine sort cash letter fees were reduced by one dollar for all five offices
• Fine sort item fees for City endpoints at our Portland, Salt Lake City, and Seattle offices have been reduced from 0.8 cents to 0.6 cents
• To improve availability, the City fine sort deposit deadlines at our San Francisco and Los Angeles offices have been moved from 9 a.m. to 10 a.m.

For more information, please contact the Payments Services officer in the Federal Reserve office serving your institution.

Cash Transportation Prices Revised
Armored carrier agreements for the San Francisco zone provide for a price increase in the second year. As a result, new cash transportation fees took effect June 27, 1985. For further information, please contact John Wong, Cash Services, at (415) 974-2449.

FOR PUBLIC COMMENT

Large-Dollar Wire Transfer Systems
In addition to issuing its statement regarding the reduction and control of risk arising from large-dollar wire transfer systems, the Federal Reserve Board requested comment on three items:

Comment by August 15, 1985:
• the treatment of Fedwire overdrafts resulting from transfer of book-entry securities (Docket R-0515A)

Comment by September 30, 1985:
• automated clearing house issues (Docket R-0515B)
• net settlement issues (Docket R-0515C)

Copies of the Board’s requests for comment are available from Corporate Services at (415) 974-2752. For further information, please contact Sharon Reisdorf in Accounting at (415) 974-2688.

Nominations to Consumer Advisory Council
The Federal Reserve Board is requesting nominations for eleven appointments to its Consumer Advisory Council by August 9, 1985. The qualified individuals will replace members whose terms expire on December 31, 1985.

The Consumer Advisory Council was established by Congress in 1976 to advise the Board on the exercise of its duties under the Consumer Credit Protection Act and on other consumer-related matters. The Council meets three times each year.

Nominations should be submitted in writing to Dolores S. Smith, Assistant Director, Division of Consumer and Community Affairs, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. They should include the name, address, and telephone number of the nominee. In addition, information on the nominee’s past and present positions held, special knowledge, interests or experience related to consumer credit or other consumer financial services should be included.