

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **10315**]
November 1, 1989]

**MODIFICATION OF POLICY REGARDING OVERNIGHT OVERDRAFTS
IN DEPOSIT ACCOUNTS**

Effective January 2, 1990

*To All Depository Institutions in the Second Federal Reserve District,
and Others Holding Deposit Accounts with this Bank:*

To promote sound banking practices, assure equitable treatment of all account holders, and reduce payments system risks, it is the policy of the Federal Reserve System that reserve/clearing accounts should be maintained on a positive daily settlement basis. To assure adherence to this policy, Reserve Banks impose a monetary charge for the occurrence of overnight overdrafts.

Effective January 2, 1990, the System has revised certain elements of its overnight overdraft policy. The key elements are as follows:

- The monetary penalty for an overnight overdraft will continue to be calculated at a rate that is two percentage points above the effective Federal funds rate prevailing on the date the overdraft occurred, or 10 percent, whichever is greater; however, the minimum monetary charge per occurrence will be raised from \$50 to \$100.
- If an overdraft extends over a weekend or Bank holiday, the monetary charge normally would be assessed for only one day. However, this Bank, in its discretion, may impose a charge for each day the negative balance is outstanding.
- In the case of institutions incurring an excessive number of overdrafts, the monetary rate may be increased by one-half of a percentage point for each occurrence over six in a moving 12-month period. The first 12-month period began July 3, 1989, and the additional months will be phased in during 1990.

Questions regarding the overnight overdraft policy may be directed, at our Head Office, to Donald R. Anderson, Manager, Accounting Department (Tel. No. 212-720-5250) or, at our Buffalo Branch, to Gary S. Weintraub, Cashier (Tel. No. 716-849-5020).

E. GERALD CORRIGAN,
President.