FEDERAL RESERVE BANK OF NEW YORK

[Circular No. **10348**
May 11, 1990]

FEDWIRE

— Uniform Operating Hours, Effective August 1, 1990

— Proposed Telephone Notification of Incoming Transfers Comment Invited by July 3, 1990

To All Depository Institutions in the Second Federal Reserve District, and Others Concerned:

The Board of Governors of the Federal Reserve System has announced (a) the establishment, effective August 1, 1990, of uniform operating hours for the Fedwire funds transfer and book-entry securities transfer services, and (b) a proposal (for comment by July 3) for telephone notification to off-line institutions of incoming Fedwire funds transfers, which would become effective January 1, 1991. Printed below are the texts of the Board's press statements:

Uniform operating hours

The Federal Reserve Board has announced establishment of uniform hours for the Fedwire funds transfer and book-entry securities transfer services.

The following changes, which become effective August 1, 1990, will:

- Establish a 6:00 p.m. Eastern Time uniform deadline for third-party funds transfers;
- Conform the book-entry securities service closing time in the Twelfth District with that in all other districts; and
- Establish an 8:30 a.m. Eastern Time uniform opening of the funds transfer and book-entry securities transfer services.

These changes are intended to promote competitive equity and increase the efficiency of the financial markets.

Telephone notification proposal

The Federal Reserve Board has issued for public comment a proposal that the Federal Reserve Banks notify by telephone all off-line depository institutions of the receipt of incoming Fedwire funds transfers.

Comment is requested by July 3, 1990.

The proposed service would apply to all third-party funds transfers and would also apply to settlement transfers if the receiving institution acts as a correspondent for a respondent institution.

Telephone notice of settlement transfers to a receiving institution that does not maintain accounts for respondent institutions would continue to be an optional service. The fee for this service currently consists of a $4 surcharge per transfer in addition to the basic transfer fee and is charged to the off-line receiving institution.

The proposed service would become effective January 1, 1991.

(OVER)

Printed on the following pages is the text of the Board's official notice of the telephone notification proposal, as published in the *Federal Register* of May 4. Comments thereon should be submitted by July 3, 1990 and may be sent to the Board as indicated in the notice, or to our Funds Transfer Department.

In addition, enclosed is a copy of the Board's official notice regarding the August 1 establishment of uniform Fedwire operating hours (which was also published in the May 4 *Federal Register*).

Questions on these matters may be directed to Carol W. Barrett, Vice President in our Electronic Payments Function (Tel. No. 212-720-6073).

E. GERALD CORRIGAN,
President.

[Docket R–0690]

Federal Reserve Bank Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Request for comment.

SUMMARY: The Board is requesting comment on a proposal that Reserve Banks notify telephonically all depository institutions that do not have an electronic connection to Fedwire ("off-line institutions") of the receipt of incoming Fedwire funds transfers. The service would apply to all third-party funds transfers and to settlement transfers if the receiving institution acts in a correspondent capacity for a respondent institution. Telephone notice of settlement transfers to a receiving institution that does not maintain accounts for respondent institutions would continue to be an optional service. The fee for this service currently consists of a $4.00 surcharge per transfer in addition to the basic transfer fee and is assessed to the off-line receiving institution. The Board believes that this change would facilitate the prompt crediting of beneficiaries and that notification of funds transfers received over Fedwire is consistent with the participants' expectation of Fedwire as a same-day payments system.

DATES: Comments must be submitted on or before July 3, 1990.

ADDRESSES: Comments, which should refer to Docket No. R–0690, may be mailed to the Board of Governors of the Federal Reserve System, 20th and C Streets NW., Washington, DC 20551, Attention: Mr. William W. Wiles, Secretary; or may be delivered to room B–2223 between 8:45 a.m. and 5 p.m. All comments received at the above address will be included in the public comments file, and may be inspected in room B–1122 between 9 a.m. and 5 p.m.

FOR FURTHER INFORMATION CONTACT: Louise L. Roseman, Assistant Director (202/452–3874) or Julius Oreska, Manager (202/452–3878), Division of Federal Reserve Bank Operations; for the hearing impaired *only:* Telecommunications Device for the Deaf, Earnestine Hill or Dorothea Thompson (202/452–3544).

SUPPLEMENTARY INFORMATION: The expectation of the parties to Fedwire third-party [1] and settlement transfers is that payments will be completed on the same day they are initiated. On-line receivers of Fedwire funds transfers are notified electronically of all transfers received. Because off-line receivers of Fedwire funds transfers do not have an electronic connection with the Federal Reserve, notification of incoming transfers to these institutions is not necessarily made on the day of the transfer. While off-line receivers receive credit from their Reserve Bank on the day transfers are received, the depository institutions are unable to credit the beneficiary on the payment date unless they are notified on the day of receipt. Thus, from the standpoint of the beneficiary, the transfer is not complete until notice of receipt is provided. Approximately forty-five percent of institutions using Fedwire currently receive funds transfers off-line, although off-line transfers account for less than one percent of total Fedwire volume.

The Federal Reserve currently offers two optional services by which Reserve Banks provide telephone notice to off-line receivers of incoming funds transfers on the day of the transfer. These services help to ensure timely notification of incoming funds for off-line institutions, in order that they may make the funds available to their customers on a timely basis and in order to receive timely information to manage their reserve positions. If the Reserve Bank does not provide telephone notice of a transfer to an off-line institution, notification of the incoming transfer accompanies the institution's daily account statement, which is delivered either by courier or mail. Courier delivery occurs on the next business day; mail delivery usually occurs one or more days after the transfer.

The service offered to off-line receiving institutions is the "standing order" service. Under this service, the off-line receiver pays a surcharge to be notified telephonically of each incoming funds transfer. The Reserve Bank usually provides notice within one hour of receipt of the transfer. The receiving institution is assessed a surcharge per transfer (currently $4.00) in addition to the basic transfer fee (currently $.50).

A second service, the "immediate advice" (type code 12) service, enables the sender of the funds transfer to request that the Reserve Bank notify telephonically the off-line receiving institution of the receipt of a particular funds transfer. The sending institution identifies those transfers for which telephone notice should be made by using a specific type code. The sending institution is assessed the surcharge per transfer for this service.

The Board is requesting comment on a proposal that Reserve Banks notify telephonically all depository institutions that do not have an electronic connection to Fedwire of the receipt of incoming Fedwire funds transfers. The service would apply to all third-party funds transfers and to settlement transfers if the receiving institution acts in a correspondent capacity for a respondent institution. Telephone notice of settlement transfers to a receiving institution that does not maintain an account for another institution would continue to be an optional service. The fee for this service currently consists of a $4.00 surcharge per transfer in addition to the basic transfer fee and is assessed to the off-line receiving institution.

The purpose of the proposed same-day notification of incoming funds transfers to receiving institutions is to promote efficiency in the payments system by providing timely information which permits prompt crediting of funds to the accounts of beneficiaries. The proposed pricing approach would assess the cost of providing this service to the party that decides to participate on Fedwire in an off-line mode.

Both the Expedited Funds Availability Act (12 U.S.C. 4001–4010) and the recently developed Article 4A to the Uniform Commercial Code [2] encourage prompt funds availability and timely notification to receiving institutions and the ultimate beneficiaries. Under section 4A–302 of Article 4A, a Reserve Bank would be required to execute funds transfers by means reasonably necessary to allow payment to the beneficiary on the payment date or as soon thereafter as is feasible. If a Reserve Bank executes a transfer in a manner that results in a delay in the payment to the beneficiary, the Reserve Bank would be liable for interest to either the originator or the beneficiary under section 4A–305(a) of Article 4A.

[1] The term "third-party" funds transfer applies to all regular funds transfers (type code 10) regardless of whether these transfers include third-party information. Transfers involving foreign accounts (type code 15) would also be subject to the telephone notice requirement.

[2] Article 4A was recently approved by the National Conference of Commissioners on Uniform State Laws and the American Law Institute. Utah, West Virginia, Colorado, and Virginia have adopted Article 4A, which will become effective in Utah on April 23, 1990, West Virginia on June 5, 1990, and in Virginia and Colorado on January 1, 1991. Article 4A has been introduced in the legislatures of at least seven other states: California, Kansas, Massachusetts, Minnesota, Nebraska, New York, and Oklahoma.

The comments to this section indicate that a bank that delays the execution of a transfer would generally back-value the credit to the beneficiary's bank to compensate for the delay. This is consistent with the current Reserve Bank practice of crediting an off-line receiving institution on the day of the transfer, even though the institution may not receive notice of the transfer until one or more days later. The off-line receiving institution that credits its beneficiary on a day following the transfer day should similarly be compensating its customer by paying interest for the amount of the delay. Notification to receiving banks on the transfer day would permit them to credit their customer's account on the payment day, and not have to pay compensation to their customers; this would be consistent with Article 4A's objective to ensure timely payment to the beneficiary.

Further, Regulation CC (12 CFR part 229) reguires that depository institutions make the proceeds of funds transfers available to their customers on the business day following the day the depository institution receives the transfer. Section 229.10(b) of Regulation CC defines receipt of an electronic payment as occurring when the bank receives both payment in finally collected funds and the payment instructions. Same-day notification of funds transfers would be consistent with the purpose of the Expedited Funds Availability Act to ensure prompt availability of funds.

The Board believes that off-line receiving institutions should be assessed the fee for telephone notice because their customers benefit from the more timely crediting of their account. Moreover, the decision not to establish an on-line connection with the Reserve Bank is within the control of the off-line receiving institutions, not the senders. The decision to participate in Fedwire off-line directly affects the institution's ability to receive prompt notification. In the current environment, however, the sending institution must often incur the cost of the telephone notice service to ensure that the receiving institution receives timely notification. Thus, if the proposal is adopted, the type code 12 immediate advice service, in which the sending bank instructs the Reserve Bank to notify the receiving bank, would no longer be necessary.

The Reserve Banks would attempt to notify off-line receiving institutions by telephone on the day the transfer is received, and would impose the surcharge on all transfers for which it attempted to provide notice. In addition, a depository institution would be responsible for notifying the Reserve Bank if it maintains an account for another depository institution and thus would be subject to required telephone notice of settlement (type code 16) transfers. If the depository institution does not maintain an account for another institution, all incoming transfers would be for its account, not that of a beneficiary, and notice would not be required. An off-line institution would not be notified of incoming settlement transfers unless it indicated to the Reserve Bank that it maintained an account for another institution or it requested the optional standing order service for settlement transfers.

The Board expects some institutions subject to the telephone notice surcharge will reassess whether the off-line service continues to best meet their needs and the needs of their customers. Some off-line institutions may find it more efficient to establish electronic connections with the Reserve Bank rather than be assessed the surcharge for each transfer received. The Board estimates that several hundred off-line institutions currently can justify the cost of installing a Fedline terminal.[3] In addition, the Reserve Banks are exploring lower cost electronic alternatives for providing funds transfer notification to low-volume institutions.

Competitive impact analysis. The Board recently formalized its procedures for assessing the competitive impact of changes that have a substantial effect on payments system participants.[4] The Board believes that this proposal will have no adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services. Specifically, the Board believes this action would have no effect on the operations of the Clearing House Interbank Payments System (CHIPS), because this system does not serve low-volume institutions and all CHIPS participants are on-line to that system. Correspondent institutions provide access to Fedwire to a number of small off-line institutions, and this proposal does not affect the correspondents' relationship with their respondent institutions.

By order of the Board of Governors of the Federal Reserve System, April 30, 1990.

William W. Wiles,

Secretary of the Board.

[FR Doc. 90-10379 Filed 5-3-90; 8:45 am]

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[3] Fedline refers to software provided by the Federal Reserve Banks and used by depository institutions with small and medium transfer volumes to access Federal Reserve services.

[4] These procedures are described in the Board's policy statement titled "The Federal Reserve in the Payments System" (55 FR 31646, March 29, 1990).

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FEDWIRE OPERATING HOURS

Effective August 1, 1990

[Enc. Cir. No. 10348]

FEDERAL RESERVE SYSTEM

[Docket R-0676]

Federal Reserve Bank Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Final Action.

SUMMARY: The Board is adopting the following changes to the Fedwire operating schedule, effective August 1, 1990, to: (1) Establish a 6 p.m.[1] uniform deadline for third-party funds transfers; (2) conform the book-entry securities service closing time in the Twelfth District with that in all other districts; and (3) establish an 8:30 a.m. uniform opening of the funds and book-entry securities transfer services. Uniform operating hours will promote competitive equity and increase the efficiency of financial markets.

EFFECTIVE DATE: August 1, 1990.

FOR FURTHER INFORMATION: For information regarding Fedwire funds transfer operating hours, contact Bruce J. Summers, Associate Director (202/452–2231), Louise L. Roseman, Assistant Director (202/452–3874), or Tina Slater, Senior Financial Services Analyst (202/452–2539), Division of Federal Reserve Bank Operations. For information regarding Fedwire book-entry securities transfer operating hours, contact Bruce J. Summers, Associate Director (202/452–2231), Gerald D. Manypenny, Manager (202/452–3954), or Felicia Cataldo (202/452–2223) Financial Services Analyst, Division of Federal Reserve Bank Operations. For the hearing impaired *only*: Telecommunications Device for the Deaf, Earnestine Hill or Dorothea Thompson (202/452–3544).

SUPPLEMENTARY INFORMATION: In October, 1989, the Board issued for comment proposals to establish uniform Fedwire operating hours (54 FR 41681, October 11, 1989). The proposals were intended to promote competitive equity and increase the efficiency of financial markets. Included were proposals to: (1) Establish a uniform deadline for all third-party funds transfers, (2) segment the settlement period for the funds transfer service, (3) close the book-entry securities transfer service in the Twelfth District consistent with the rest of the nation, and (4) establish a uniform opening time for the funds transfer and book-entry securities transfer services.

Uniform Third-Party Funds Transfer Deadline.[2] The current Fedwire operating schedule establishes a 5 p.m. deadline for all interdistrict third-party funds transfers; however, the schedule allows districts the flexibility to establish later deadlines for intradistrict third-party funds transfers. Under this schedule, five districts allow depository institutions to send intradistrict third-party transfers after 5 p.m. (until 5:30 p.m. in one district and until 6 p.m. in four districts). This situation creates competitive inequities for depository institutions in other districts, especially since the New York money market is closed to other districts at 5 p.m. but is open to New York institutions until 6 p.m. In addition, West Coast depository institutions view the current 5 p.m. interdistrict deadline as restrictive since it occurs relatively early in the West Coast business day; a later interdistrict third-party deadline would be more consistent with the business day in the Pacific time zone.

The Board proposed to eliminate the distinction between interdistrict and intradistrict third-party funds transfers by establishing a uniform 6 p.m. deadline for all third-party funds transfers. Under the proposal, the third-party funds transfer deadline would initially be extended to 5:45 p.m. for the eight districts that currently observe a 5 or 5:30 p.m. intradistrict deadline. The proposal indicated that a Systemwide 6 p.m. third-party deadline would be established after a six-month transition, barring adverse experience such as undesirable congestion of funds transfers late in the day which might lead to an increase in Fedwire extensions.

Overall, the commenters strongly supported a uniform third-party funds transfer deadline, indicating that it would eliminate the competitive advantage enjoyed by institutions in those districts that maintain later intradistrict deadlines. Several commenters also said that a uniform deadline would improve the efficiency of operations by eliminating those institutions' need to prioritize interdistrict transfers ahead of intradistrict transfers. Of those commenters that specified a preferred uniform third-party deadline, the majority favored 6 p.m.

On the issue of phasing-in the third-party funds transfer deadline, the commenters were divided as to the benefits of moving within a six-month period from a 5:45 p.m. to a 6 p.m. third-party deadline. Many commenters believed that a 5:45 p.m. transition time would not give an accurate picture of likely changes in funds transfer traffic patterns, because institutions in districts that currently have a 6 p.m. intradistrict deadline would continue to prioritize interdistrict transfers until a uniform third-party deadline were fully implemented.

Some commenters (generally from districts that currently provide a 60- to 90-minute settlement period) expressed concern that a 30-minute settlement period, from the 6 p.m. third-party deadline to the 6:30 p.m. Fedwire close, would not provide adequate time to manage their reserve positions and settle their accounts and could result in increased volatility in the federal funds market during this period. In analyzing these concerns, the Board reviewed the current message volume in each district during the settlement period. Data indicate that the volume of settlement transfers processed during this period, including volume in those districts that provide a 90-minute settlement period, is relatively low. Most depository institutions send their settlement transfers earlier in the day, rather than waiting until the end of the day when interest rates are more volatile. Therefore, while market volatility may in fact increase in the final 30 minutes, the Board believes that the net impact on most depository institutions would be minimal. Further, depository institutions in four districts (New York, Philadelphia, Cleveland, and San Francisco) have operated successfully for some time with a 30-minute settlement period. The Board therefore believes that moving directly to a 6 p.m. third-party deadline should not pose appreciable risk to depository institutions' ability to settle in an orderly and timely fashion.

The Board carefully considered commenters' concerns that a 6 p.m. third-party funds transfer deadline would cause institutions to initiate transfers later in the day, particularly in

[1] All times referenced in this notice are Eastern Time.

[2] The "third-party" deadline applies to all regular funds transfers (type code 10) and all funds transfers with immediate advice (type code 12), regardless of whether these transfers include third-party information. Settlement transactions (type code 16) are transfers to adjust a reserve position, or to make or to adjust for net settlement transactions. Type code 16 messages can be originated at any time during Fedwire operating hours; however, after the third-party deadline, settlement transactions may not contain third-party information unless the third-party information relates to a respondent subject to reserve requirements (whether or not such respondent actually maintains reserves) or to a participant in the Clearing House Interbank Payments System (CHIPS).

light of the Board's recent proposals to reduce further payments system risk. Several commenters indicated, however, that uniform operating hours are a prerequisite to implementing daylight overdraft pricing, because uniform hours would facilitate the efficient movement of funds and would provide a standard basis for calculating overdraft charges. Commenters also believed that funds transfer volume would shift later in the day if daylight overdrafts were priced. Although it has not yet taken action on these payments system risk proposals, the Board believes that by introducing a uniform 6 p.m. third-party deadline now, rather than later, depository institutions would have time to gain experience with new, uniform hours and be able to adjust better to any volume shifts that this change might create.

Since any extension to the new funds transfer third-party deadline would likely cause an extension to the final funds transfer closing time due to the shorter settlement period, some commenters suggested that the Federal Reserve Banks should extend the third-party deadline only under very restrictive circumstances. The Federal Reserve believes it is important to minimize the frequency of Fedwire extensions, and will continue to scrutinize extension requests to ensure that extensions are granted only in appropriate circumstances.

After considering the issues raised by commenters, the Board has adopted a uniform third-party deadline of 6 p.m. for both interdistrict and intradistrict third-party funds transfers, without first moving to the 5:45 p.m. transition time.[3] A transition period would not provide an accurate measure of the effect of the final proposed closing time because institutions would continue to need to prioritize interdistrict traffic until a uniform third-party deadline was in place. In addition, the experience of institutions in the four districts that currently observe an intradistrict third-party deadline of 6 p.m. suggests that institutions can successfully manage their reserve positions within a 30-minute settlement period. Moving directly to a 6 p.m. third-party deadline also would establish uniformity more quickly and would preclude the need for depository institutions to change their operations and notify their customers twice within a six-month period.

Most commenters indicated that 60-days notice would provide sufficient time to implement a new third-party funds transfer deadline. The Board has provided, however, 90-days notice to facilitate an orderly conversion directly to a 6 p.m. third-party deadline.

Segmented-Settlement Period. The Board proposed restricting the last 15 minutes of the 30-minute settlement period to transfers sent to a receiving institution for its own account (and not for the account of a respondent institution), to facilitate a more orderly settlement of end-of-day reserve positions, especially in connection with a later interdistrict third-party transfer deadline. Overall, commenters were divided as to the benefits of this proposal. Several commenters indicated that there were no significant benefits to a segmented settlement period and that restricting receipt of transfers by affiliates and respondents in the last 15 minutes would further impede their ability to settle their accounts. Other commenters believed that a segmented settlement period would unnecessarily complicate the processing of funds transfers because new edit criteria and type codes would be needed to monitor respondent settlement activity, requiring changes to programs and operating procedures for both depository institutions and Reserve Banks.

Commenters supporting this proposal noted that, in contrast to transfers sent or received on its own behalf, a correspondent bank may not be able to predict accurately transfers involving its respondent accounts, thereby complicating its reserve account management. Since respondent institutions are generally sellers of federal funds, rather than buyers, they typically send, rather than receive, settlement transfers. To control the timing of settlement transfers sent on behalf of respondent institutions, correspondent institutions can establish an internal deadline for respondents that is earlier than the Fedwire deadline.

The Board has not adopted a segmented settlement period, due to the lack of strong industry support for this change and due to the specific concerns expressed by some commenters. Reserve Banks will monitor closely the implications of the revised operating hours on reserve account management, so that the Board can determine whether segmenting the settlement period should be reconsidered at a later date.

Book-Entry Securities Closing Time. Currently, the book-entry securities transfer service is scheduled to close nationwide at 2:30 p.m. for both interdistrict and intradistrict transfers, at 2:45 p.m. for dealer turnaround, and at 3 p.m. for reversal transactions.[4] The Twelfth District, however, remains open for intradistrict securities transfers until 5:30 pm., with a 6 p.m. closing time for intradistrict reversals. The Board proposed to conform the Twelfth District book-entry securities transfer service closing time with the closing time observed in other districts and sought comment on whether the current Twelfth District deadlines led to competitive inequities for institutions in other districts.

Commenters generally did not believe that the later Twelfth District deadlines have an adverse competitive effect on institutions in other districts. While commenters recognized that time zone differences shorten the effective business day for West Coast institutions, the majority of commenters, including the Twelfth District commercial bank commenters that addressed this proposal, supported a uniform national closing time. Several Twelfth District commenters indicated that the uniform closing of the book-entry service nationwide would improve the efficiency of a national service and be essential in an environment in which the Federal Reserve priced daylight overdrafts. Based on its analysis of the comments, the Board has established book-entry securities transfer closing times in the Twelfth District that conform to those of the other districts.

In the context of this proposal, some commenters suggested that the Federal Reserve adopt a later book-entry closing time Systemwide because the Reserve Banks routinely extend the scheduled closing times to accommodate peak afternoon securities transfer volume. The Board will study the broader issue of book-entry closing times in light of evolving secondary market practices and other Federal Reserve initiatives.

Uniform Opening Times. Under the current operating schedule, Reserve Banks exercise flexibility in setting the opening times for the funds and book-entry securities transfer services. The funds transfer operating schedule currently provides that each district open for processing no later than 9 a.m.; eight districts regularly begin funds transfer operations as early as 8:00 a.m. The opening times for the Federal Reserve's book-entry securities transfer

[3] The deadline for off-line funds transfer requests would be 5:30 p.m., to allow for completion of processing by the 6 p.m. deadline.

[4] To allow for completion of processing, Reserve Banks generally establish earlier deadlines for off-line book-entry securities transfer requests

service are even more disparate, ranging from 7:45 a.m. to 11 a.m. The Board proposed the adoption of uniform opening times for the funds transfer and book-entry securities transfer services, and requested comment on whether both services should open at 8:30 a.m., or whether the book-entry securities transfer service opening time should be later than that for the funds transfer service.

The Board had adopted a uniform 8:30 a.m. opening time for both the funds and securities transfer services.[5] Most commenters stated that these national services should have uniform operating hours. Further, a uniform operating schedule is consistent with the goal of providing a consistent level of service nationwide, and would facilitate a more efficient national federal funds market. If the Board were to adopt its recent proposal to price daylight overdrafts, uniform opening times would be necessary. It should be noted that adoption of uniform operating hours does not preclude Reserve Banks from opening the Fedwire service earlier on a discretionary basis in order to facilitate special market needs for the transfer of funds or securities.

On the question of whether the book-entry securities transfer service should open at the same time as, or later than, the funds transfer service, several commenters indicated that if the Federal Reserve were to price daylight overdrafts, the funds transfer service should open earlier than the book-entry securities transfer service so that depository institutions could arrange for covering funds prior to receiving securities. Although the proposal included a discussion of why it may be preferable to open the funds transfer service earlier, the majority of commenters that addressed this question supported the same opening time for the funds and book-entry securities transfer services. Comments supporting the same opening time for both services included virtually all comments from money center banks and institutions clearing securities for primary dealers, as well as the majority of comments from regional banks, that addressed this issue.

The continuing evolution of the payments system and financial markets may lead to further changes to operating hours, such as earlier in the day opening of Fedwire, currently under review by Board and Reserve Bank staff. The Board believes that adoption of uniform operating hours would be an important step towards facilitating such changes.

Competitive Impact Analysis. The Board recently formalized its procedures for assessing the competitive impact of changes that have a substantial effect on payments system participants.[6] Under these procedures, the Board will assess whether the proposed change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services due to differing legal powers or constraints or due to a dominant market position of the Federal Reserve deriving from such legal differences.

The Board believes that the actions taken in this notice do not have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services. Other funds and securities transfer systems determine their operating hours. Indeed, the CHIPS opening time is currently earlier than the newly adopted Fedwire opening time. In addition, the adoption of the 6 pm. third-party funds transfer closing time takes into account the need of CHIPS participants to transfer funds over Fedwire after the closing time of CHIPS. Therefore, the Board believes that the adoption of these uniform operating hours would not adversely affect the participants in other systems, such as CHIPS. Moreover, one of the primary objectives of adoption of these uniform operating hours proposal is to promote competitive equity among institutions that provide funds and book-entry securities transfer services via Fedwire to the public.

By order of the Board of Governors of the Federal Reserve System, April 30, 1990.

William W. Wiles,

Secretary of the Board.

[FR Doc. 90–10378 Filed 5–3–90; 8:45 am]

BILLING CODE 6210–01–M

[5] Reserve Banks may establish later opening times for off-line funds and book-entry securities transfer requests.

[6] These procedures are described in the Board's policy statement titled "The Federal Reserve in the Payments System," which was revised in March 1990 (55 FR 11648; March 29, 1990).