

Federal Reserve Bank of Dallas July 1985

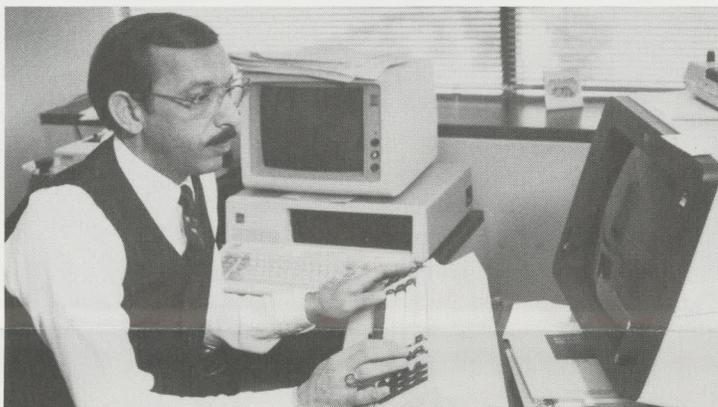
Dallas Program Enhances Communication

Three years ago the Federal Reserve Bank of Dallas set out to build an office automation network within the Eleventh District. Last month the Bank went beyond its original objective when the first messages were sent between the Dallas Fed and the Board of Governors in Washington, D.C. via an electronic mail system.

The system, known as DISOSS (an acronym for Distributed Office Systems), allows documents, messages and facsimile images to be transmitted between computer terminals. These enhanced communication facilities are far speedier than intraoffice mail or overnight courier. In addition, DISOSS provides traditional office automation capabilities such as the electronic filing, searching and retrieval of documents.

But most significant is the ability DISOSS offers individuals to manipulate documents. The terminals can function as word processors or as mainframe computer terminals, enabling the user to merge data from the mainframe computer with text developed at his desk. Further information created by one individual may be edited by another. Because data or text does not have to be rekeyed, the data analysis process is accelerated.

"Information can be communicated between individuals in an easily revisable form," said Ron Elswick, director of the Dallas Fed's Information Center. "That's important, especially when diverse groups concerned with legal and technical issues



Assistant Vice President Basil Asaro of Supervision and Regulations
His department is a heavy user of the computer network.

must provide input to the decision-making process."

To date, terminals have been installed in all departments of the Dallas head office. The Houston Branch is scheduled to be linked to the network in August, with the San Antonio Branch joining in September and the El Paso Branch in October.

"The network is now in place, and we're beginning to apply it on a pretty broad scale," Elswick said. "The bottom line is that management has made a total commitment to put the power of the computer into the hands of the people that need it."

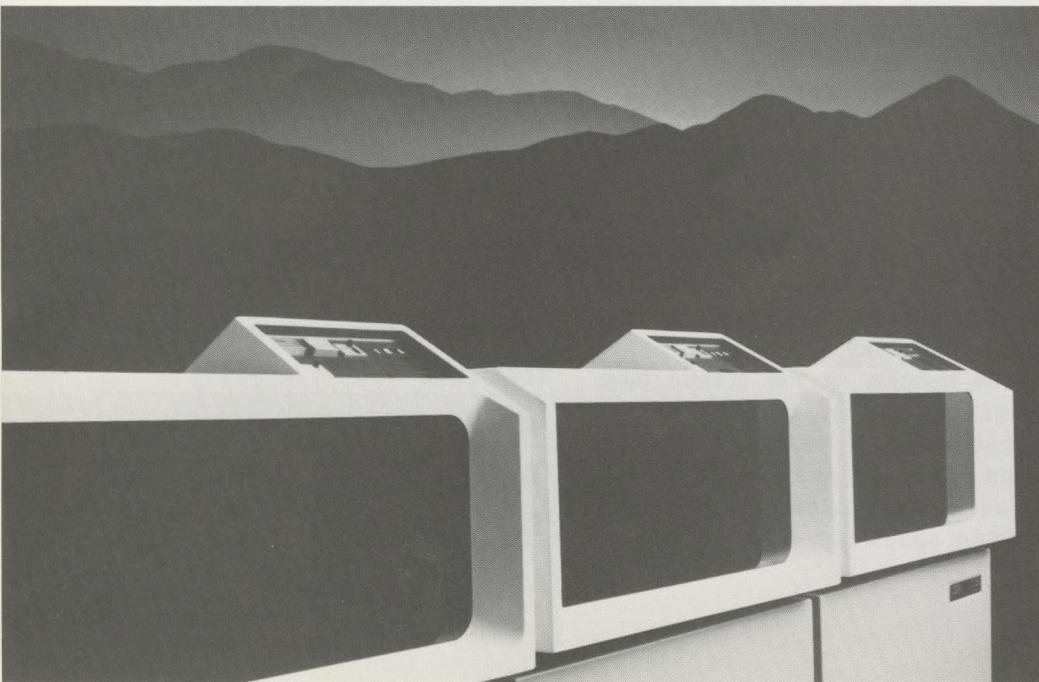
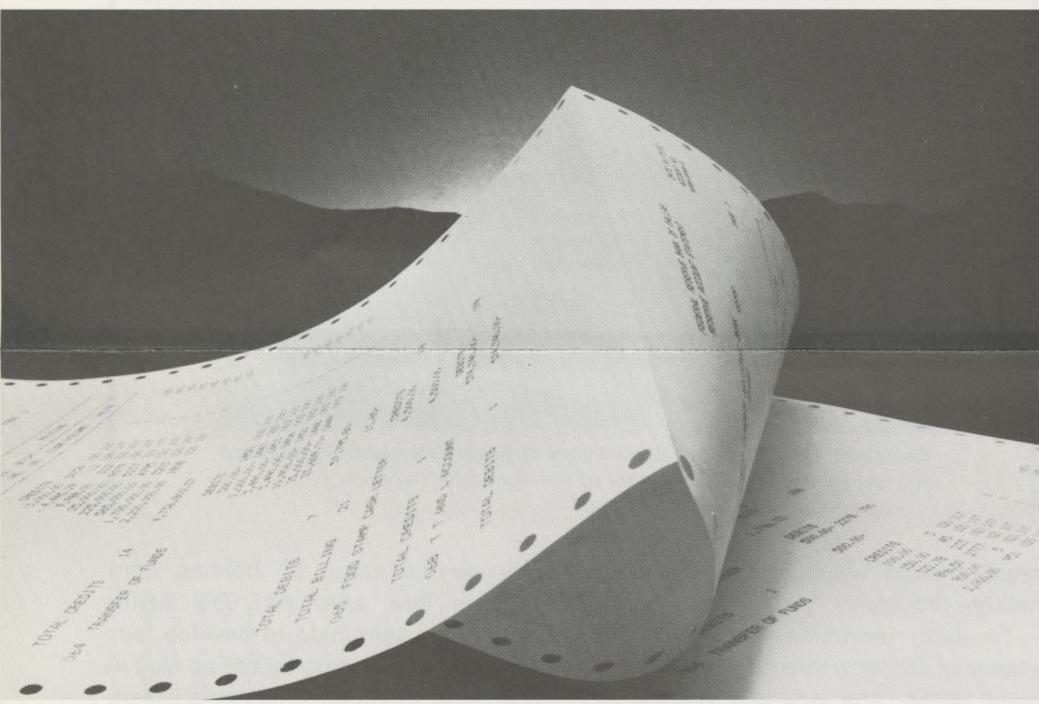
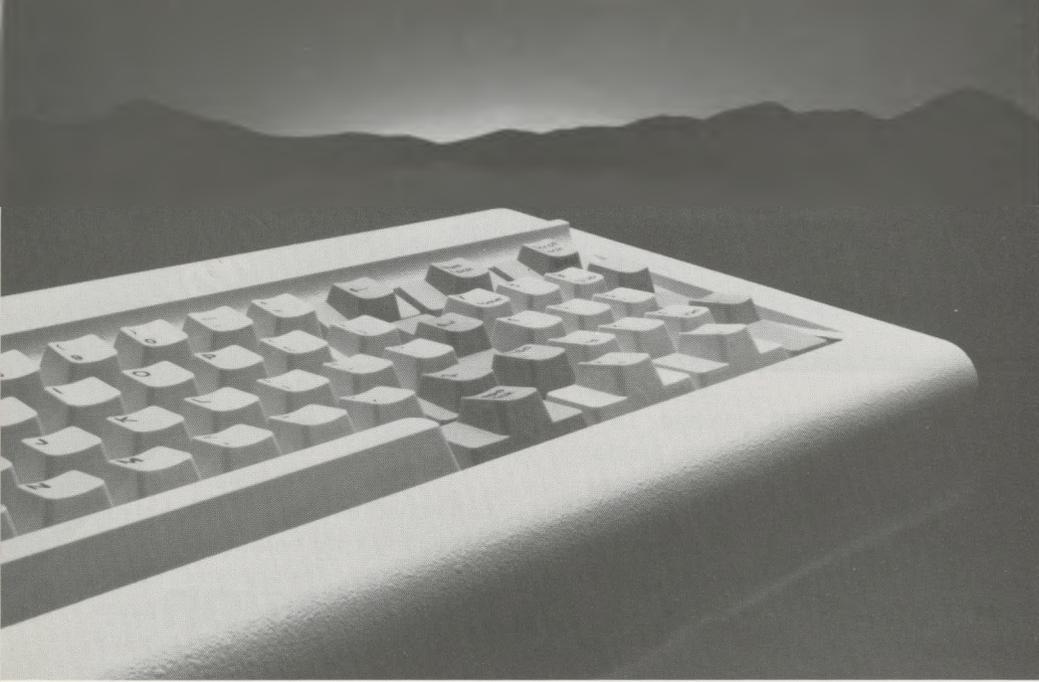
The benefits of the system have been particularly apparent in the Supervision and Regulations Department. Financial analysts, who each handled approximately 50 bank holding companies three years ago,

now service about 85 holding companies. The analysts use office automation terminals to develop, edit and route documents faster, as well as to analyze financial statements. Assistant Vice President Basil Asaro noted that, while the volume of holding company inspection reports has roughly doubled, the number of word processing personnel required to handle the inspection report workload has been reduced.

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Communication, cont.

"Providing a computer terminal for each individual is cost effective if he uses only one or two of the available facilities," said Bill Dusek, vice president of Management Information Systems. "When an individual begins to use three or four of the available tools, the productivity improvements are tremendous."

Benefits of the program extend beyond obvious productivity increases. An improvement in the quality of the output, for example, is an important yet intangible benefit. According to Elswick, the system allows users to blend their own creativity and abilities with powerful computer-based tools.

Office automation is one facet of a full end-user computing support and training program begun at the Dallas Fed in 1982. Two other support groups help individuals utilize mainframe and micro-computers to enhance data analysis. The Information Center supports mainframe-based data analysis and has, to date, helped develop over 600 application programs. The Executive Information Systems group provides micro-computer-based decision support.

Interfaces permit information to be exchanged among the various systems, whether mainframe, mini- or micro-computer-based. The decision-maker can select data from the mainframe computer, download it to a micro-computer for local analysis, merge his findings with the data into a single document and transmit that document to any other individual on the network.

The Bank's initial objective in implementing the office automation program was to employ the power of the computer to handle the growing workload associated with the rapidly changing financial community in the District. In 1984 this goal was expanded, and in June a link was opened between the Supervision and Regulations Department and the Federal Reserve Board. This summer the link will be opened to other departments in both Dallas and Washington, D.C.

Board Sets Risk Reduction Policy

Having analyzed public comment, the Federal Reserve Board has formulated a policy to control and reduce the risks to depository institutions from their participation in large-dollar wire transfer systems.

Wire transfer systems allow financial institutions to send and receive funds for their own account and the accounts of their customers. The largest such system is operated by the Federal Reserve and is known as Fedwire. Debits and credits are effected through an institution's accounts at its regional Federal Reserve office.

The new policy, which becomes effective on March 27, 1986, initially calls on private networks and depository institutions to reduce their own credit risks voluntarily. It also depends, in part, on the role of the Federal Reserve and other financial institution regulators in examining, monitoring and counseling institutions.

Large-dollar networks are an integral part of the payments and clearing mechanism. Current data indicate that total daylight overdrafts average \$110 billion to \$120 billion per day. A daylight overdraft occurs when an in-

stitution has sent more funds over Fedwire than the balance in its reserve or clearing account—or has sent more funds over a private wire network than it has received.

Because a failure of a participant to settle its net position on a private large-dollar network could cause substantial disruption in financial markets, one of the Board's major objectives in establishing its policy is to reduce the possibility of a settlement failure. This would be accomplished primarily through a reduction in the volume of daylight overdrafts and by encouraging institutions to exercise better control over the exposures that remain.

In establishing its policy, the Board made it clear that, while it may be impractical to expect the total elimination of intra-day credit, the Board expects to see, over time, a reduction in both the total volume of daylight overdrafts and the number of institutions with a pattern of substantial reliance on such credit. After reviewing the initial impact of the new policy, the Board may adopt additional guidelines to reduce further the volume and in-

cidence of daylight overdrafts and other use of intra-day credit.

The Board is encouraging each depository institution that incurs daylight overdrafts on Fedwire or participates in private large-dollar wire networks voluntarily to adopt by Dec. 31, 1985, a cross-system sender net debit cap following the guidelines that the Board has established. A sender net debit cap is a ceiling on a sender's aggregate net debit position across all wire transfer systems—in other words, a limit on the value of all "sends" in excess of the value of all "receives".

The policy also states that no large-dollar payment network will be eligible for Federal Reserve net settlement services unless it satisfies certain additional conditions.

The Federal Reserve System is in the process of developing materials that will assist financial institutions in complying with the new policy, and the Dallas Fed has announced that it will hold educational meetings for the depository institutions most likely to be affected. Details on these meetings will be provided to the institutions concerned at a later date.

Savings Bond Booklet Now Available

The latest market-based rate for Series EE U.S. Savings Bonds was set at 9.49 percent for May 1 through Oct. 31. The interest rate is reset every six months and represents 85 percent of the average return on outstanding five-year Treasury securities.

An explanation of the variable interest rate system is contained in "U.S. Savings Bonds," a new full-color brochure now available from the Dallas Fed. The 28-page booklet is a handy reference to both Series EE and Series HH Savings Bonds and features high-quality reproductions of historical U.S. bond poster art.

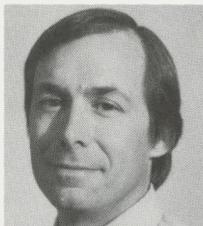
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Future interest rates cannot be predicted. For information purposes only, past market-based rates calculated by the Treasury Department have been:

Through April 30, 1983	11.09%
May 1, 1983—Oct. 31, 1983	8.64%
Nov. 1, 1983—April 30, 1984	9.38%
May 1, 1984—Oct. 31, 1984	9.95%
Nov. 1, 1984—April 30, 1985	10.94%
May 1, 1985—Oct. 31, 1985	9.49%

Dallas Fed Hosts Agriculture Meeting

Members of the Federal Reserve System's Committee for Agriculture and Rural Development met May 30 for its annual spring meeting— **Smith** hosted this year by the Dallas Fed.



The Committee for Agriculture and Rural Development, one of several committees which evolved from the System Research Advisory Committee, analyzes movements in the agricultural economy, according to Hilary Smith, Dallas Fed economist and spring meeting coordinator.

Topics discussed this year included the rationale behind government market intervention in agriculture, prospective farm legislation, agricultural trade issues and the current farm financial crisis.

"Agriculture is in transition. The export-led boom of the 1970's has faded. New conditions, such as higher interest rates and higher exchange rates, have put pressure on all farm and ranch operators," Smith said. "More questions are being asked about the proper role of government in agriculture."

At present, the committee's interests include (1) farm legislation, enacted in four-year cycles, and due to expire this year, (2) exports of agricultural commodities which "over the last four years have tailed off considerably" according to Smith and (3) the farm financial situation, which has an economic and social impact on farmers as well as lending institutions.

Members of the 1985-1986 Committee on Agriculture and Rural Development include: Gary L. Benjamin, chairman, Chicago; Carl J. Palash, New York; Gerald Carlino, Philadelphia; Raymond E. Owens III, Richmond; Gene Sullivan, Atlanta; Michael T. Belongia, St. Louis; Richard M. Todd,

Minneapolis; Marvin Duncan, Kansas City; Carolyn Sherwood-Cal, San Francisco; Hilary Smith, Dallas, and John Rosine, secretary and Emanuel Melichar, representatives from the Board.

Smith has been an economist with the Dallas Fed since October 1982. His field of concentration is primarily agricultural economics, but he also has interests in natural resource and environmental issues. He received a bachelor's degree in mechanical engineering from Virginia Polytechnic Institute and State University, a bachelor's degree in economics from American University, a master's degree in economics from Georgetown University and a doctorate degree in economics from Iowa State University. He is a member of the American Economic Association and the American, Southern and Western Associations of Agricultural Economics. He is a frequent contributor to *Agricultural Highlights*, a sister publication to the *Roundup*.

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