

Planned Enhancements Supporting Implementation of Payment System Risk Policy Revisions

I. Introduction

As the Federal Reserve prepares for the implementation of announced revisions to the payment system risk (PSR) policy, enhancements to pledging processes and collateral information are planned. These enhancements are intended to respond to public comments received on the revised PSR policy. The Federal Reserve used several sources of information, including follow-up to public comments, results from surveys related to accessing the discount window, and ad hoc feedback provided to Reserve Banks (RB) to determine what enhancements to pursue for the implementation of the PSR policy. Overall, the Federal Reserve received feedback that in order to support collateralized daylight overdrafts, depository institutions (DIs) will need faster pledging and withdrawing processes (in particular for securities), access to collateral information intraday, and new reports.

This document provides a high-level description of the current processes and time needed to pledge, revalue, and withdraw collateral for each pledging arrangement as well as descriptions of the planned enhancements that are intended to support faster collateral processing. The document also describes collateral information that will be available to support DIs in monitoring and assessing collateral levels against daylight overdraft activity. In each section, the document highlights enhancements that may have implications for DI systems.¹

This document will be updated periodically, and other supporting documents (such as technical specifications) will be made available as enhancements are finalized and more information becomes available.

¹ Appendix A contains a summary of the planned enhancements.

II. Collateral Processes

Multiple pledging arrangements are used to support the full range of assets that may be pledged to RBs. The location of the collateral will dictate which arrangement should be used. Collateral may reside in the Fedwire® Securities Service (FSS, formerly referenced as National Book Entry System (NBES)), at the Depository Trust Corporation (DTC), at a foreign depository, at a custodian, at the pledging DI via a Borrower-in-Custody arrangement, or at the RB.

Once assets are pledged as collateral, the RBs conduct ongoing eligibility reviews of these assets. If an asset is determined to no longer meet the Federal Reserve's eligibility requirements, its collateral value will be reduced to zero, and the pledging DI will be requested to withdraw the collateral. In addition, securities pledged as collateral are subject to daily repricing, and loans pledged as collateral are repriced at least monthly. The repricing of security collateral occurs during overnight processing, and currently, revised collateral values are effective by or before 8:00 a.m. ET each day.

As the Federal Reserve planned for the implementation of the revisions for the PSR policy, a review of current collateral processes identified opportunities to improve the efficiency and timing of pledging collateral. Generally the proposed improvements are specific to the various pledging arrangements. The following item is a general enhancement that applies to all pledging arrangements.

Planned Enhancement

The Federal Reserve will consolidate the pledging accounts used for discount window (U102) and PSR purposes (P102 and P103) into one account. Currently, the Federal Reserve segregates discount window and PSR collateral, and collateral is moved between the two accounts when a DI borrows from the discount window or needs to pledge collateral for PSR purposes. Repositioning collateral between these two accounts requires the collateral to be withdrawn from one account and then deposited in the other, which may take up to an hour, depending on the location of the collateral. Under the PSR policy revisions, discount window and PSR collateral both may be used to collateralize daylight overdrafts, making segregation no longer efficient. This enhancement will consolidate all collateral for Federal Reserve purposes and eliminate the need to administer separate pools of collateral. The Federal Reserve systems will determine total collateral value as well as encumbered and unencumbered collateral value throughout the operating day, providing maximum flexibility for DIs.² This enhancement will be implemented on the effective date of the PSR policy revisions. In preparation for this enhancement, local RB staff will work with DIs during the fourth quarter of 2010 to reposition collateral pledged for PSR purposes to the discount window account.

Impact to DI Systems: A DI that has collateral pledged for PSR purposes will be contacted by its Administrative Reserve Bank to assist in repositioning collateral pledged in the PSR account to

² Collateral pledged to a Reserve Bank securing an extension of credit is considered encumbered.

the discount window account. More-detailed information for DIs on repositioning collateral will be forthcoming.

A. Fedwire® Securities Service (FSS)

Hours of Operation

Pledge: 8:30 a.m. ET – 7:00 p.m. ET or 30 minutes after the close of Fedwire

Withdrawal: 8:30 a.m. ET – 3:15 p.m. ET (1:30 p.m. ET for offline banks)

Pledge

DIs can initiate a pledge of securities held in FSS online using FedLine® or offline by contacting Wholesale Operations staff by phone. If the securities are held by a correspondent, the correspondent initiates the pledge. A DI enters a separate request for each security to be pledged. Once the request is submitted, it is processed in FSS and the security is deposited into the specified pledge account. Collateral value is then assigned.

Withdrawal

The DI submits a release request online using FedLine or offline by telephoning the Wholesale Operations staff. FSS places the request in pended status, and RB staff is notified of the pended request. RB staff reviews the securities to ensure they are available for release; staff ensures that the securities are not needed to secure outstanding extensions of credit from the discount window and/or for PSR purposes. Once the securities are determined to be available for release, RB staff approves each security individually in FSS. Both the RB and the DI receive notification that the security is released. The associated reduction in collateral value is reflected once the security is released.

Planned Enhancement

Federal Reserve applications will automatically function eligible withdrawal requests under certain conditions without RB staff intervention, reducing processing time for withdrawals. This enhancement will not be implemented until after the effective date of the PSR policy revisions.

Impact to DI Systems: The Federal Reserve does not expect that this enhancement will affect internal DI systems.

Revaluations

The U.S. government and government agencies provide paydown factors to FSS, which are used to revalue FSS securities. Updated values are reflected in FSS at the start of the FSS operating day.

Current Processing Time

Processing times are approximate and may vary based on volume and other constraints.

Pledge: Effective upon completion of transaction

Withdrawal: Effective between 15 minutes and one hour after withdrawal request received

Revaluation: Effective start of FSS operating day on the effective date for the revaluation

B. In-Transit Collateral

Currently, certain DIs may use in-transit collateral to secure additional daylight overdraft capacity beyond their net debit cap in support of their max cap. Only FSS-eligible securities may be used as in-transit collateral. The pledging of securities in-transit requires these institutions to keep records sufficient to demonstrate their continuing compliance with their obligations under the PSR policy. Participating institutions supply information to the RB, after the fact, that shows the aggregate value of in-transit collateral pledged to the RB at specified increments each day and the value of the daylight overdrafts as calculated by the institutions. In addition, at least twice a year, the RB performs an audit of these DIs' processes and records.

Planned Enhancements

In-transit collateral will be available for daylight overdraft purposes. DIs will be required to submit, at the end of each business day, detailed information on its holdings of end-of-minute in-transit FSS-eligible securities. Technical specifications for submitting this information have been developed. This enhancement will be implemented by the effective date of the PSR policy revisions.

Impact to DI Systems – Participating DIs will need to submit their holdings of end-of-minute in-transit FSS-eligible securities information at the end of each business day according to new technical specifications. DIs interested in a pledging in-transit collateral for PSR purposes should contact their local Reserve Bank staff for detailed information and technical specifications.³

C. Depository Trust Corporation (DTC)

Hours of Operation

Pledge: 8:00 a.m. ET – 3:00 p.m. ET

Withdrawal: 8:00 a.m. ET – 3:00 p.m. ET

³ Contact information for local Reserve Bank staff can be found at the Federal Reserve's Discount Window and Payment System Risk website: <http://www.frbdiscountwindow.org/map.cfm?hdrID=23&dtID=>

Planned Enhancement

The Federal Reserve will extend the end-of-day cutoff time for processing DTC collateral to 5:00 p.m. ET from the current 3:00 p.m. ET to facilitate late-day processing for depository institutions. In addition to remaining open until at least 5:00 p.m. ET daily, a District will remain open beyond 5:00 p.m. ET if a DI requests an extension from its Reserve Bank by 4:30 p.m. ET. The Federal Reserve will re-evaluate the 5:00 p.m. ET close time based on the volume of extension requests six months after the implementation of the PSR Policy revisions. This enhancement will be implemented on or before the PSR Policy implementation date. Extension instructions will be posted to the discount window and PSR website prior to implementation.

Impact to DI Systems: DIs should assess any possible internal system implications. The Federal Reserve does not expect that this enhancement will affect internal DI systems.

Pledge

Straight - Through Processing

To pledge collateral held at DTC, a DI must reposition the assets held on DTC's books to the appropriate RB and purpose account. If the DI is a member or direct participant of DTC, it can reposition collateral by logging directly into DTC's Participant Terminal System (PTS)/Participant Browser Service (PBS). If a DI is not a participant, it needs to contact its securities intermediary or custodian and provide it with instructions for repositioning assets to the RB. The DTC PTS/PBS system contains specific screens for repositioning assets to the RB.⁴ Pledges can be made by entering a separate pledge request for each security or by using a file feed option that allows the input of multiple pledges through a file upload feature. DIs are not required to contact their RBs when repositioning collateral into or out of RB pledge accounts. Pledges into the RB accounts are effective within seconds on DTC books and then need to be communicated to the Federal Reserve, where collateral value is assigned.

Once an asset is moved into an RB pledge account on DTC's books, the RB receives it within seconds via the automated connection between DTC and the Federal Reserve's Collateral Management System (CMS). When CMS receives a deposit message from DTC, it will perform an eligibility review using data elements that have been provided by DTC and by the Federal Reserve's pricing vendor. If sufficient information is available to determine eligibility, CMS will deposit the item automatically within seconds of receiving the deposit message from DTC and will apply appropriate value.

Non-Straight-Through Processing

If CMS does not have sufficient information to run the eligibility tests or identifies a failed test, the deposit is sent to a pend queue for manual processing. When items are placed in the pend queue, an RB analyst is notified at 15-minute intervals until 15 minutes after the pledging cutoff time or until the pended item has been processed. The number of deposits that pend is a direct

⁴ The participant must enter a Pledgee Number corresponding to the pledging DI's RB and a Federal Reserve Purpose code indicating whether the collateral is pledged for Federal Reserve or Treasury programs.

function of the type of asset pledged and the complexity of the eligibility and valuation requirements.

When a deposit cannot be completed because of insufficient information, an RB analyst must attempt to obtain the missing information needed to complete the eligibility test. Once the information is obtained, a decision can be made to accept or reject the deposit. If the deposit is accepted, the appropriate value is applied within seconds. If the deposit is rejected, a message will be sent from the RB to DTC, and DTC will reverse the pledge on its books.

If information cannot be found the same day as the deposit, the deposit is either rejected or accepted without collateral value. If the deposit is accepted, no collateral value will be extended until the missing information is obtained and the eligibility review is completed.

When a deposit fails the eligibility test, an RB analyst will review the reason. If the RB analyst agrees that the asset is ineligible, the deposit will be rejected back to DTC, and DTC will reverse the pledge on its books. If the RB analyst determines that the asset is eligible, the analyst will override the failed test results and accept the deposit.

Implemented Enhancement

Federal Reserve systems increased the frequency of notifications to RB analysts to once every 5 minutes starting at 8:00 a.m. ET until 30 minutes after the pledging cutoff time. The more-frequent notifications have helped reduce the processing time of pledges that are not processed straight through. This enhancement became effective on May 11, 2009.

Impact to DI Systems: This enhancement did not affect internal DI systems.

Withdrawal

Similar to the process for a pledge, once a DI or its securities intermediary or custodian enters instructions to move an asset out of a RB pledge account in DTC, a notification is received in seconds by the RB. Unlike pledges, which only take a few seconds to become effective within DTC, withdrawals are effective only when DTC receives an approval back from the RB. Like pledges, withdrawals can be made by entering a separate withdrawal request for each security or by using a file-feed option that allows the input of multiple withdrawals through a file-upload feature. When a withdrawal message is received by the RB from DTC, the message goes directly to a withdrawal pend queue for manual processing. With the implementation of the enhancement on May 11, 2009, when items are placed in the pend queue, an RB analyst is notified at 5 minute intervals until 30 minutes after the withdrawal cutoff time or until the pending item has been processed. An RB analyst will review the withdrawal request to determine whether the collateral may be released. If the security is unencumbered, the RB analyst will approve the request and a withdrawal approval message is sent within seconds to DTC. If the security is encumbered, the RB analyst will reject the request. A withdrawal rejection message is sent within seconds to DTC, and DTC will not release the security.

Planned Enhancement

Federal Reserve systems will automatically review the withdrawal request, determine whether the collateral is encumbered, and function eligible withdrawal requests without RB staff intervention. The Federal Reserve intends to implement this enhancement on or before the date the revised PSR policy goes into effect.

Impact to DI Systems: The Federal Reserve does not expect that this enhancement will affect internal DI systems.

Revaluation

Revaluation of securities pledged though DTC occurs during overnight processing; currently, revised collateral values are effective by 8:00 a.m. ET. Paydown factors are applied to the securities based on their effective date.

Current Processing Time

Processing times are approximate and may vary based on volume and other constraints.

Pledge:

- | | |
|----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Straight-through processing: | Effective within minutes of receiving message from DTC |
| Non-straight-through processing: | Effective between 10 minutes and several hours after receiving message from DTC. If accepted, collateral value is assigned within seconds; if rejected, DTC will reverse the pledge on its books within minutes. Note: If a deposit was accepted with no collateral value, it may take several days to make a final determination and provide collateral value. |

Withdrawal: Effective up to 30 minutes after receiving message from DTC⁵

Revaluation: Effective opening of business on the effective date for the revaluation factor

⁵Prior to the enhancement implemented on May 11, 2009, withdrawal requests would have taken up to one hour. The May 11, 2009, enhancement cuts the required processing time in half.

D. Foreign Depositories – Clearstream and Euroclear

Each RB may enter into a custodian arrangement with Clearstream and Euroclear as necessary to hold foreign-issued or foreign-denominated securities.

i. Clearstream (FRB NY only at this time)

Hours of Operation

Pledge: A pledging file is received from Clearstream once a day, no later than 1:30 p.m. ET

Withdrawal: DI requests must be received by Clearstream prior to 12:00 p.m. ET for same-day release

Pledge

Clearstream deposit procedures should be followed. Clearstream will screen the proposed collateral against eligibility criteria pre-determined by the Federal Reserve. Clearstream sends the RB the current day's activity in a file format that can be loaded into the Federal Reserve's CMS once a day. No pre-notification by the DIs to the RB is necessary.

Withdrawal

Withdrawal requests must be submitted through Clearstream. For same-day release, Clearstream must be contacted prior to 12:00 p.m. ET. Clearstream will contact the RB once a day to request authorization for the release. All withdrawal requests must be quoted in US dollars.

Revaluation

Revaluation of securities is performed by Clearstream and is provided to the RB via the daily deposit file, which is received no later than 1:30 p.m. ET.

Current Processing Time

Processing times are approximate and may vary based on volume and other constraints.

The RB receives a file once a day from Clearstream and may require up to one hour to review and process the file. Once the file is processed, collateral values are applied to the associated DI's account in CMS.

Planned Enhancement

The Federal Reserve does not have enhancements currently planned for this pledging arrangement.

ii. Euroclear (FRB Boston and NY at this time)

Hours of Operation

Pledge: A pledging file is received from Euroclear once a day, no later than 1:30 p.m. ET

Withdrawal: DI requests must be received by the RB by 9:00 a.m. ET for same-day release

Pledge

Euroclear deposit procedures should be followed. Euroclear will screen the proposed pledge collateral against eligibility criteria pre-determined by the Federal Reserve. Euroclear sends the RB the current day's activity in a file format that can be loaded into the Federal Reserve's CMS once a day. No pre-notification by a DI to the RB is necessary.

An alternative manual deposit process may be used for Euroclear. The DI must submit to the RB for approval a list of the securities it intends to pledge. Once approved, the DI and the RB agree upon a settlement date and each party enters matching instructions into Euroclear's EUCLID terminal. Once the RB's Euroclear's account is settled, the U.S.-denominated securities are manually deposited in CMS.

Withdrawal

Withdrawal instructions must be submitted to the RB for approval and submitted to Euroclear. An RB analyst will review the withdrawal request to determine if it is unencumbered. If the withdrawal is unencumbered, the analyst must enter the details about the specific withdrawal on the EUCLID terminal to create a SWIFT approval message that Euroclear will match to the request from the DI.

Current Processing Time

Processing times are approximate and may vary based on volume and other constraints.

The RB receives a file once a day from Euroclear and may require up to one hour to review and process the file. Once the file is processed, collateral values are applied to the associated DI's account in CMS.

Planned Enhancement

The Federal Reserve does not have enhancements planned currently for this pledging arrangement.

E. Custodians, Borrower-In-Custody Arrangements, and FRS Custody

Depository institutions may use a borrower-in-custody (BIC) arrangement to pledge loan collateral. When a DI uses a BIC arrangement to pledge collateral, the DI retains control of all the assets pledged to the RB. Some depository institutions use custodians to hold and service loan portfolios. Custodians may be banks or nonbanks. If an institution is not eligible to pledge loans through a custodian or hold them on its own premises, loans may still be pledged by delivering the loan documentation to the RB.

Hours of Operation

Pledge: Local RB business hours

Withdrawal: Local RB business hours

Pledge

Prior to being pledged as loan collateral, the loans must have been reviewed by the RB staff and determined to be eligible. This eligibility review also includes determining under which arrangement the loans can be pledged. Once the custodian or BIC arrangement has been approved and the RB analyst has determined the assets are eligible, a cover letter and initial collateral schedule or equivalent documentation listing current outstanding amounts for the loans, along with other pertinent information, is submitted to the RB by the DI. RB staff can then deposit the loans into the Federal Reserve's CMS.

Withdrawal

The DI submits a written release request to the RB through either an e-mail from an authorized individual at the DI or a letter signed by an authorized individual. The RB analyst determines if the loans may be released. If it is determined that loans are unencumbered, RB staff withdraws the collateral in CMS and informs the DI that the loan collateral has been released.

Revaluations

The DI sends an updated cover letter along with a current listing of the collateral, including updated outstanding value, past due status, and other eligibility information. This report is typically sent to the RB monthly but may be more frequent depending on the RB's guidelines.

Current Processing Time

Processing times are approximate and may vary based on volume and other constraints.

Pledge: Within one business day after receipt of the cover letter and schedule of collateral

Withdrawal: Within one business day after receipt of the withdrawal request

Revaluation: Within one business day after receipt of the cover letter and schedule of collateral

Planned Enhancement

The Federal Reserve does not have enhancements currently planned for this pledging arrangement.

III. Balance, Collateral, and other information⁶

A. Balance Information

DIs currently use Account Management Information (AMI), FedLine Advantage®, and FedLine Direct® to view and receive daylight overdraft balances, available funds balances, and collateralized capacity.

Planned Enhancements

DIs will have the ability to view their collateralized and uncollateralized daylight overdraft positions and their aggregate collateral information in AMI, FedLine Advantage, and FedLine Direct after these enhancements are implemented. The Federal Reserve intends to implement these enhancements on or before the date the revised PSR policy goes into effect.

The balance information will contain the following new fields:

- *Collateral available for daylight overdraft purposes:* Collateral pledged to an RB that is not securing an extension of credit (including a discount window loan)⁷
- *Collateralized daylight overdraft balance:* The portion of the DI's daylight overdraft balance not in excess of the Federal Reserve (FR) collateral available for daylight overdraft purposes
- *Uncollateralized daylight overdraft balance:* The portion of the DI's daylight overdraft balance that exceeds FR collateral available for daylight overdraft purposes

In addition, the existing “collateral totals” field will be renamed “collateralized capacity.”⁸ All other fields will remain the same.

This screen will display a timestamp for each field indicating the most-recent update. If a field does not have a timestamp, the field may be a composite of multiple pieces of information, which may have different timestamps.⁹

Impact to DI Systems: DIs that use FedLine Direct will need to change internal systems to receive new and modified fields. The Wholesale Product Office (WPO) distributed an updated version of the *Fedwire® Application Interface Manual (FAIM)* to certain customers in December 2009. The WPO sent the revised FAIM to FedLine Direct (FLD) and FedLine Advantage (FLA) customers that use the import/export feature in the FLA FedPayments® Manager Funds application because they are the customers that would be making coding changes necessary to accommodate the enhancements.¹⁰

⁶ Content details may change as requirements are finalized.

⁷ Collateral available for daylight overdraft purposes does not necessarily reflect the amount of collateral available for new lending or withdrawal.

⁸ This field will be renamed but will continue to reflect the lesser of a DI's max cap or collateral available for daylight overdraft purposes.

⁹ For example, the collateralized daylight overdraft balance field is a composite of the daylight overdraft balance and collateral available for daylight overdraft purposes fields, which have different timestamps based on their last individual updates. As a result, these fields contain data estimates.

¹⁰ The WPO sent the FAIM to the End User Authorization Contacts (EUAC) at these banks. The WPO does not post this document on a public website or send via regular e-mail because the WPO considers it a sensitive document. To obtain the most-recent version of the FAIM through a secure channel, contact the WPO's Customer Contact Center or check with your EUAC.

B. Collateral Information

DIs currently receive via e-mail a statement of collateral holdings that is generated at the end of the business day and may be received at intervals determined by the DI (such as daily or weekly). This report lists a DI's collateral holdings at the CUSIP level as of the previous business day. After the implementation of the revised PSR policy, DIs will continue to receive these statements and will have the option of accessing real-time collateral information through AMI.

Planned Enhancements

DIs will have access to a series of screens under a new collateral section in AMI.¹¹ Through this new service offering, DIs will be able to view and download aggregate and CUSIP-level collateral activity information on an intraday basis and download ex post reports on CUSIP-level holdings and transactions. The Federal Reserve intends to implement this enhancement on or before the date the revised PSR policy goes into effect.

AMI will offer the following new collateral section:

Collateral Totals and Summary of Current Day Collateral Activity

DIs will be able to view intraday their aggregate collateral value pledged for FR purposes and pledged for Treasury purposes.¹² The collateral pledged for FR purposes will reflect all collateral pledged to the RB for PSR and discount window purposes and will include both encumbered and unencumbered collateral. Collateral available for daylight overdraft purposes will be available intraday with balance information.

DIs will also be able to view the collateral value of intraday increases (including deposits, account transfers, and revaluations) and decreases (including withdrawals, account transfers, and revaluations) to their collateral positions rolled up by asset type (securities or loans).¹³

This screen will display a timestamp and will be downloadable into a format compatible with Microsoft Excel® spreadsheet software.

Detailed Activity of Collateral for FR Purposes

This screen will show collateral activity from the beginning of the current day. Activity will be displayed chronologically by a time stamp and include the transaction type, identifier (such as the CUSIP for securities), maturity date, interest rate, original par, current outstanding balance, and collateral value for each transaction. DIs will be able to view their opening balance and, on each row, a cumulative ending balance that reflects the change in collateral as a result of each transaction. This screen will display a timestamp and will be downloadable into a format compatible with Microsoft Excel spreadsheet software.

¹¹ The series of collateral screens will be available only in AMI and will not be accessible through any other channel.

¹² The collateral value field reflects the net lendable value of collateral.

¹³ The majority of revaluations occur overnight in the Federal Reserve's Collateral Management System. Only those revaluations that occur outside of the overnight time frame (after 8:00 a.m. ET) will be displayed on this screen.

Ex Post Collateral Reports

DIs will have the ability to access daily reports in AMI, specifically a “Statement of Collateral Holdings” and a “Summary Transaction Listing” report.

The statement of holdings will be similar to the report DIs receive today via e-mail and will list the DI’s collateral holdings at the CUSIP level. This report will include the advice number, identifier category and description, maturity date, interest rate, location, original par amount, current outstanding balance, and collateral value. There will be summary information at the bottom of the report that includes the account code totals and depositor totals.

After 5:30 p.m. ET, institutions may access a preliminary statement showing the institution’s collateral holdings as of approximately 5:30 p.m. ET that day. When all collateral activities have been completed for the day, institutions will have access to a final version of this statement, which will be available the next morning. Institutions will also have access to previous days’ reports on request. The statements will be available in a format compatible with Microsoft Excel spreadsheet software.

The Summary Transaction Listing report includes a DI’s collateral transactions grouped by transaction type (such as deposit, withdrawal, and revaluation). This report will include the advice number, from account, transaction account, identifier and description, maturity date, transaction amount, current value, and collateral value. There will be summary information at the bottom of the report that includes the total number of transactions and the sums of transaction amount, current value, and collateral value.

After 5:30 p.m. ET, institutions may access a preliminary report showing the institution’s collateral transactions as of approximately 5:30 p.m. ET that day. When all collateral activities have been completed for the day, institutions will have access to a final version of this report, which will be available the next morning. Institutions will also have access to prior days’ reports on request. The report will be available in a PDF format as well as a format compatible with Microsoft Excel spreadsheet software.

Impact to DI Systems: DIs will need access to AMI to be able to view and download this information. AMI users at DIs that currently have access to real-time balance and risk attribute information will also have access to this collateral information once the revised policy is implemented. Depending on how they use this data, DIs may need to make changes to their internal systems or may need to add AMI users within their institution.

C. Daylight Overdraft and Charge Information

DIs currently receive several reports displaying daylight overdraft and charge information from AMI and FedLine Direct.¹⁴

Planned Enhancements

The reports that DIs receive today will be enhanced to include applicable collateral information and to reflect the changes to the PSR policy. These reports will have new, modified, and deleted fields.¹⁵ Fields will remain unchanged unless specifically noted. The Federal Reserve intends to implement this enhancement on or before the date the revised PSR policy goes into effect.

Daylight Overdraft Monitoring Summary report

The “daylight overdraft monitoring summary” report shows a listing of peak daylight overdrafts (if any) for each day by reserve maintenance period (RMP). This report will be enhanced to include the average daily peak overdraft amount for the RMP, collateral available for daylight overdraft purposes, and the uncollateralized daylight overdraft amount. The report will no longer display the two-week average overdraft amount, excess over two-week average cap, or the two-week average utilization ratio. At the end of each RMP, DIs will be able to download the report in PDF form from AMI or receive the information electronically through FedLine Direct.

Advice of Daylight Overdraft Charges report

The “Advice of Daylight Overdraft Charges” report lists charges assessed to a DI’s account for daylight overdrafts for the next billing period and will be enhanced to display average unencumbered collateral and an average uncollateralized daylight overdraft field. The value of deductible field will be removed. This report combines the current preliminary, final, and adjusted charges reports. At the end of each day, DIs will be able to download the report in a PDF format from AMI or receive the information electronically through FedLine Direct.

Intra-Day Position report

The “Intra-Day Position” report displays a DI’s Federal Reserve account balance at one-minute intervals throughout the day. The report will be enhanced to display the maximum daylight overdraft capacity for the DI and will include information throughout the day on total daylight overdrafts, collateral available for daylight overdraft purposes, uncollateralized daylight overdraft amounts, total daily fee, and fee to date for the RMP. The Fedwire balance, adjusted funds balance, two-week cap, book entry balance, and collateral fields will be removed. At the end of each day, DIs will be able to download the report in a PDF format from AMI or receive the information electronically through FedLine Direct.

¹⁴ A small number of DIs also use Connect Direct to receive information electronically.

¹⁵ DIs using Connect Direct will continue to receive this information through that channel.

Impact to DI Systems: DIs that use FedLine Direct will need to change internal systems to receive new and modified fields. Technical specifications to support these changes are forthcoming.

In addition to the enhancements to current reports, DIs will have access to two new daily reports, the “Daily Transaction End-of-Minute Detail” and the “Daylight Overdraft History” reports.

Daily Transaction End-of-Minute Detail report

The “Daily Transaction End-of-Minute Detail” is a new report available to DIs that displays detail transactions and resultant end-of-minute balances. This report will show the DI’s opening balance and on each row will include transaction information such as the transaction amount, transaction code, end-of-minute balance, uncollateralized daylight overdraft amount, and collateral available for daylight overdraft purposes (unencumbered collateral). At the end of each day, DIs will be able to download the report in PDF form from AMI or receive the information electronically through FedLine Direct.

Impact to DI Systems: DIs using FedLine Direct will need to modify systems to accept this new report. Technical specifications to support these changes are forthcoming.

Daylight Overdraft History report

The “Daylight Overdraft History” is a new report available to DIs that displays a DI’s daylight overdraft history for multiple maintenance periods. This report will show the DI’s peak overdraft by maintenance period end date, its number of days over the net debit cap, and its capacity utilization ratio. In addition, the report will display the maintenance period charge amount and the unencumbered collateral value. At the end of each day, DIs will be able to download the report in PDF form from AMI or receive the information electronically through FedLine Direct.

Impact to DI Systems: DIs using FedLine Direct will need to modify systems to accept this new report. Technical specifications to support these changes are forthcoming.

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“Excel” is a registered trademark of Microsoft Corporation.

Appendix A

Summary of Planned Enhancements

1. Consolidate pledging accounts for discount window and PSR
 - a. Benefit – DIs will gain processing efficiencies by eliminating the need to reposition collateral between discount window and PSR pledge accounts; provides DIs maximum flexibility by allowing collateral to be used where it is needed without having to initiate a transfer
 - b. Impact to DI Systems – A DI that has collateral pledged for PSR purposes will be contacted by its Administrative Reserve Bank to assist in repositioning collateral pledged in the PSR account to the discount window account
 - c. When – By effective date of PSR policy revision
2. Automate approval of withdrawal request of FSS collateral
 - a. Benefit – Minimizes RB staff intervention reducing processing time to complete withdrawal requests
 - b. Impact to DI Systems – DIs should assess any possible internal system implications; The Federal Reserve does not expect that this enhancement will affect internal DI systems
 - c. When – After effective date of PSR policy revision
3. In-transit collateral available for daylight overdraft purposes
 - a. Benefit – Zero price for collateralized daylight overdrafts
 - b. Impact to DI Systems – Participating DIs will need to submit end-of-minute in-transit FSS-eligible securities information at the end of each business day according to new technical specifications
 - c. When – By effective date of PSR policy revision
4. Extend end-of-day cutoff time for DTC collateral
 - a. Benefit – Adds flexibility for DIs by providing a longer window for DTC collateral processing
 - b. Impact to DI Systems – DIs should assess any possible internal system implications; The Federal Reserve does not expect that this enhancement will affect internal DI systems
 - c. When – By effective date of PSR policy revision
5. Increase frequency of notification of pending DTC collateral pledges to RB staff to every five minutes
 - a. Benefit – Reduces processing time for non-straight-through DTC pledges
 - b. Impact to DI Systems – This enhancement did not affect internal DI systems

- c. When – Implemented May 11, 2009 (also includes withdrawal requests until item 6 below deployed)
6. Automate approval of withdrawal requests of DTC collateral
 - a. Benefit – Minimizes RB staff intervention, reducing processing time to complete withdrawal requests
 - b. Impact to DI Systems – The Federal Reserve does not expect that this enhancement will affect internal DI systems
 - c. When – By effective date of PSR policy revision
7. Enhance collateral and balance information
 - a. Benefit – Enables DI to manage intraday its level of collateralized and uncollateralized daylight overdrafts by providing collateral information
 - b. Impact to DI – The enhanced collateral and balance information will be available in AMI, FedLine Advantage, and FedLine Direct. For FedLine Direct, DIs will need to change internal systems to receive new and modified fields.
 - c. When – By effective date of PSR policy revision
8. New collateral services via AMI to allow DIs to view intraday collateral activity and download ex post reports
 - a. Benefit – Facilitates DI recordkeeping and management of collateral; enables DIs to view and download intraday collateral balances and activity in AMI; provides ex post reports available in AMI
 - b. Impact to DI – DIs will need access to AMI and may need to make changes to their internal systems, depending on how they use this data
 - c. When – By effective date of PSR policy revision
9. Updated daylight overdraft reports available via AMI and FedLine Direct
 - a. Benefit – Facilitates DI recordkeeping and management of fees, daylight overdrafts, and collateral positions
 - b. Impact to DI – DIs using FedLine Direct will need to modify systems to accept new fields in reports
 - c. When – By effective date of PSR policy revision