Federal Reserve to Implement Changes to Payment System Risk Policy in Early 2011

The Federal Reserve Board announced on June 28, 2010 that it will implement changes to its Payment System Risk (PSR) policy in early 2011. A specific implementation date will be announced at least 90 days in advance. In December 2008, the Board adopted revisions to the policy and said that the Federal Reserve would implement these changes between late 2010 and early 2011.

The revised PSR policy explicitly recognizes the role of the central bank in providing intraday credit to healthy depository institutions predominantly through collateralized daylight overdrafts. The policy encourages institutions to pledge collateral to cover daylight overdrafts by providing collateralized daylight overdrafts at a zero fee and by raising the fee for uncollateralized daylight overdrafts to 50 basis points (annual rate).

In anticipation of depository institutions’ changing needs for collateral management under the revised policy, the Federal Reserve, in collaboration with the industry, assessed and identified opportunities to improve System operational systems. The Reserve Banks have been implementing enhancements to their operational systems and processes that will improve the efficiency and effectiveness of pledging, withdrawing, and monitoring collateral. Many of these operational improvements will be available to institutions on or before the implementation date of the PSR policy changes.

Additional Information

All circulars and documents are available on the Internet through the Federal Reserve Bank of San Francisco’s website, at http://www.frbsf.org/banking/letters.

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