

DATE: August 26, 2002

SUBJECT: Policy Statement on Payments System Risk
Potential Longer-Term Policy Direction (Docket No. R-1111)

HIGHLIGHTS: The Federal Reserve Board has announced its decision not to pursue in the foreseeable future the following policy options as part of a potential longer-term direction for the Board's payments system risk policy (PSR policy):

1. lowering self-assessed net debit caps and eliminating two-week average caps; and,
2. rejecting all payments with settlement-day finality that would cause an institution to exceed its daylight overdraft capacity level.

The Board will, however, continue analyzing the benefits and drawbacks of a two-tiered pricing regime for daylight overdrafts in which institutions that pledge collateral to the Reserve Banks would pay a lower fee on their collateralized daylight overdrafts than on their uncollateralized daylight overdrafts.

The Board is now focusing on the potential longer-term direction for the PSR policy.

DOCUMENT LOCATION: The August 20, 2002 press release/notice is available under the Board of Governors' web site:

<http://www.federalreserve.gov/boarddocs/press/bcreg/2002/>

FURTHER INFORMATION: Hillary Debenport, Assistant Vice President
(314) 444-8488 (or 1-800-333-0810, ext. 44-8488),
Statistics and Payment Risk Management Department