

December 17, 2003

Effective January 8, 2004, the Federal Reserve System will implement the following changes to its as-of adjustment policy to reduce the uncertainty associated with as-of adjustment processing and to facilitate the management of reserve levels by depository institutions and the Federal Reserve System's Open Market Desk.

- The default application maintenance period for transaction-based as-of adjustments (as-of adjustments associated with accounting transactions, such as check clearing) is being changed from the maintenance period in which an error is corrected to the **next** maintenance period—that is, the as-of adjustments generally will be applied to the maintenance period following the correction of an error. On a case-by-case basis, a Reserve Bank will consider an institution's request for application to another maintenance period only if its reserve position is significantly affected.
- Offsetting debit and credit as-of adjustments with aggregate values of \$100 million or more that result from depository institution-caused errors in processing, such as encoding errors, must be applied to the same maintenance period. If the institutions involved cannot agree on which maintenance period to apply the as-of adjustments, the Federal Reserve will not issue either of the as-of adjustments.
- As-of adjustments will be considered following a major malfunction of an institution's automated systems only in situations involving multiple counterparties whose reserve positions were significantly affected.

If you require additional information, please contact Tammie Stumpf of the reserves administration area at 1-800-333-0810, extension 44-8565 or Hillary Debenport, Assistant Vice President, at extension 44-8488.