finality and implementing URTM for only a subset of those payments. One of the Board's primary concerns with implementing URTM for only a subset of payments, for example for Fedwire funds transfers and NSS transactions, is whether this would create an incentive for liquidity constrained depository institutions to move payments from Fedwire and NSS to the ACH to avoid the real-time monitor. Another concern is whether implementing URTM for only a subset of payments creates a competitive advantage for the Federal Reserve's ACH service.[18] To assess better the effect of such policy changes, the Board requests comment on all aspects of URTM. The Board also requests comment on the following questions:

1. What would be the benefits and drawbacks of URTM?

2. If the Federal Reserve were to implement URTM, should it do so for all payments with settlement-day finality? If not, which payments should the Federal Reserve include under URTM?[19] [20]

3. If the Federal Reserve implemented URTM for only Fedwire funds transfers and NSS transactions, would this action increase risk of large-dollar payments moving from Fedwire or NSS to the ACH?[21] Would this provide the Federal Reserve with a competitive advantage in providing ACH services?

4. What are the most significant benefits and drawbacks of implementing URTM for only Fedwire funds transfers and NSS transactions initially and continuing to evaluate moving other payments to URTM as the Federal Reserve and the industry gain more experience with URTM?

5. What disruptions in the government-securities market, if any, could occur if the Federal Reserve were to implement URTM for Fedwire book-entry securities transfers?

6. What disruptions in settlement arrangements, if any, could occur if the Federal Reserve were to implement URTM for NSS transactions?

7. Would URTM lead to significantly greater payment delays, or would there be little effect?

III. Request for Comment

The Board requests comment on all aspects of the potential policy options outlined above, and on the benefits and drawbacks of implementing these options together or separately.

IV. Competitive Impact Analysis

The Board has established procedures for assessing the competitive impact of rule or policy changes that have a substantial impact on payments system participants.[22] Under these procedures, the Board will assess whether a change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services due to differing legal powers or constraints, or due to a dominant market position of the Federal Reserve deriving from such differences. If no reasonable modifications would mitigate the adverse competitive effects, the Board will determine whether the anticipated benefits are significant enough to proceed with the change despite the adverse effects.

The Board does not believe that the policy options outlined above would have a direct and material impact on the ability of other service providers to compete effectively with the Reserve Banks' payments services. The Board believes that two of the daylight credit policies outlined above, lowering single-day net debit caps and universal real-time monitoring, are generally more restrictive than the current policies. The Board plans to evaluate further whether implementing URTM for only a subset of payments creates a competitive advantage for the Federal Reserve's financial services. More restrictive Federal Reserve credit policies, however, could encourage some depository institutions to seek other payment service providers, thereby encouraging competition with the Reserve Banks. While the two-tiered pricing regime is generally more consistent with private-sector practices, the policy cannot be viewed as being more restrictive or liberal until a more definitive set of fees is recommended.

V. Paperwork Reduction Act

In accordance with the Paperwork Reduction Act of 1995 (44 U.S.C. ch. 3506; 5 CFR 1320 Appendix A.1), the Board has reviewed the policy statement under the authority delegated to the Board by the Office of Management and Budget. No collections of information pursuant to the Paperwork Reduction Act are contained in the policy statement.

By order of the Board of Governors of the Federal Reserve System, May 30, 2001.

Jennifer J. Johnson,

Secretary of the Board.

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[18] Competitive issues might be raised if the Reserve Banks were to monitor in real time all Fedwire funds transfers and NSS transactions but not all ACH credit transactions. Private-sector ACH operators that use the Federal Reserve's Fedwire-based or enhanced net settlement service might have some participants that experience rejected settlement payments under URTM while most Federal Reserve ACH credit transactions would not be subject to real-time monitoring. Depository institutions that are concerned about settlement disruptions through private-sector ACH operators might find the Federal Reserve's ACH service more attractive; however, these institutions might find that certain benefits from using private-sector ACH services sufficiently offset concerns about settlement disruptions. In addition, under any monitoring environment, depository institutions meeting certain risk parameters would be required to prefund their Federal Reserve ACH credit transactions. For those institutions, the Federal Reserve's ACH service might not be more attractive than private-sector ACH services.

[19] To analyze more fully the potential for payment disruptions, Board staff developed a simulation of URTM for Fedwire funds transfers, book-entry securities transfers, and NSS transactions. The URTM simulation for Fedwire funds, book-entry securities, and NSS activity showed that under current net debit cap levels, ABMS would delay approximately 40 payments out of almost 500,000 per day. In addition, the average value of a delayed payment was about $3.2 million and the average delay was around an hour. Using the two-week average net debit cap levels, the simulation showed that ABMS would delay approximately 50 payments out of almost 500,000 per day and the average value of a delayed payment was about $11.4 million with an average delay of about an hour.

[20] While the URTM simulation did not demonstrate significant NSS transaction delays, the Board notes that given the nature of the net settlement service, the delay of any payment into a net settlement arrangement would hold up settlement for the entire arrangement.

[21] Under any monitoring environment, depository institutions meeting certain risk parameters would be required to prefund ACH credit transactions.

[22] These procedures are described in the Board's policy statement ''The Federal Reserve in the Payments System,'' as revised in March 1990. (55 FR 11648, March 29, 1990).

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

Sunshine Act Meeting

TIME AND DATE: 10:00 a.m. (EDT), June 11, 2001.

PLACE: 4th Floor, Conference Room 4506, 1250 H Street, N.W., Washington, D.C.

STATUS: Open.

MATTERS TO BE CONSIDERED:

1. Approval of the minutes of the May 14, 2001, Board member meeting.

2. Thrift Savings Plan activity report by the Executive Director.

CONTACT PERSON FOR MORE INFORMATION: Thomas J. Trabucco, Director, Office of External Affairs, (202) 942–1640.

Elizabeth S. Woodruff,

Secretary to the Board, Federal Retirement Thrift Investment Board.

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