

indicated or the offices of the Board of Governors not later than March 5, 2004.

A. Federal Reserve Bank of Dallas
(W. Arthur Tribble, Vice President) 2200 North Pearl Street, Dallas, Texas 75201-2272;

1. *Tradition Bancshares, Inc.*, Houston, Texas; to acquire up to 100 percent of the voting shares of Katy Bank, N.A., Katy, Texas.

Board of Governors of the Federal Reserve System, February 4, 2004.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 04-2772 Filed 2-9-04; 8:45 am]

BILLING CODE 6210-01-S

FEDERAL RESERVE SYSTEM

Federal Open Market Committee; Domestic Policy Directive of December 9, 2003

In accordance with § 271.25 of its rules regarding availability of information (12 CFR part 271), there is set forth below the domestic policy directive issued by the Federal Open Market Committee at its meeting held on December 9, 2003.¹

The Federal Open Market Committee seeks monetary and financial conditions that will foster price stability and promote sustainable growth in output. To further its long-run objectives, the Committee in the immediate future seeks conditions in reserve markets consistent with maintaining the federal funds rate at an average of around 1 percent.

By order of the Federal Open Market Committee, February 3, 2004.

Vincent R. Reinhart,

Secretary, Federal Open Market Committee.

[FR Doc. E4-239 Filed 2-9-04; 8:45 am]

BILLING CODE 6210-01-S

FEDERAL RESERVE SYSTEM

[Docket No. OP-1182]

Policy Statement on Payments System Risk

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice and request for comment.

SUMMARY: The Board is giving notice that it intends to adopt two changes to

¹ Copies of the Minutes of the Federal Open Market Committee meeting on December 9, 2003, which includes the domestic policy directive issued at the meeting, are available upon request to the Board of Governors of the Federal Reserve System, Washington, DC 20551. The minutes are published in the Federal Reserve Bulletin and in the Board's annual report.

its Policy Statement on Payments System Risk (PSR policy). First, the Board intends to modify the daylight overdraft measurement rules ("posting rules") for interest and redemption payments on securities issued by entities for which the Reserve Banks act as fiscal agents but whose securities are not obligations of, or guaranteed by, the United States—that is, securities issued by government-sponsored enterprises (GSEs) and certain international organizations. The planned modification would revise the Board's PSR policy to specify that the Reserve Banks will release interest and redemption payments on the Fedwire®-eligible securities issued by a GSE or international organization only when the issuer's Federal Reserve account contains funds equal to or in excess of the amount of the interest and redemption payments to be made.¹ The Board requests comment on how best to implement this policy change in order to promote a smooth market adjustment.

Second, the Board intends to align the PSR policy's treatment of the general corporate account activity (activity other than interest and redemption payments) of GSEs and certain international organizations with the treatment of account activity of other account holders that do not have regular access to the Federal Reserve's discount window. Such treatment includes strongly discouraging daylight overdrafts and applying a penalty fee to daylight overdrafts that nonetheless result from these entities' general corporate payment activity.

DATES: Comments must be received by April 16, 2004.

ADDRESSES: Comments should refer to Docket No. OP-1182 and may be mailed to Jennifer J. Johnson, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., Washington, DC 20551. Please consider submitting your comments through the Board's Web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm, by e-mail to regs.comments@federalreserve.gov, or by fax to the Office of the Secretary at 202/452-3819 or 202/452-3102. Rules proposed by the Board and other federal agencies may also be viewed and commented on at www.regulations.gov.

All public comments are available from the Board's Web site at www.federalreserve.gov/generalinfo/foia/ProposedRegs.cfm as submitted, except as necessary for technical reasons. Accordingly, your comments will not be edited to remove any

¹ Fedwire is a registered servicemark of the Federal Reserve Banks.

identifying or contact information. Public comments may also be viewed electronically or in paper in Room MP-500 of the Board's Martin Building (20th and C Streets, NW.) between 9 a.m. and 5 p.m. on weekdays.

FOR FURTHER INFORMATION CONTACT: Paul Bettge, Associate Director (202/452-3174), Stacy Coleman, Manager (202/452-2934), or Connie Horsley, Senior Financial Services Analyst (202/452-5239), Division of Reserve Bank Operations and Payment Systems; for the hearing impaired only: Telecommunications Device for the Deaf, Dorothea Thompson (202/452-3544).

SUPPLEMENTARY INFORMATION:

I. Background

A. Foundation of the PSR Policy

In 1985, the Board adopted a policy to reduce the risks that payment systems present to the Federal Reserve Banks, to the banking system, and to other sectors of the economy (50 FR 21120, May 22, 1985). An integral component of this PSR policy is managing the Federal Reserve's direct credit risk by controlling institutions' use of Federal Reserve intraday credit, commonly referred to as "daylight credit" or "daylight overdrafts." A daylight overdraft occurs when an account holder's Federal Reserve account is in a negative position during the business day. The PSR policy requires all depository institutions incurring daylight overdrafts in their Federal Reserve accounts to establish a maximum limit, or net debit cap, on those overdrafts. In addition, a Reserve Bank may apply other risk controls to an account holder's payment activity if the account holder incurs daylight overdrafts in violation of the PSR policy or if the Reserve Bank believes that the account holder poses credit risk in excess of what the Reserve Bank determines to be prudent. Under these circumstances, a Reserve Bank may place real-time controls on the account holder's payment activity, so as to reject requested payments, or require the account holder to pledge collateral to cover its daylight overdrafts as a means of deterring further the use of Federal Reserve daylight credit.²

Under the PSR policy, an institution's eligibility to access daylight credit is

² The Reserve Banks have the ability to monitor an entity's account for certain payment types in real time and reject those payments that would create, or increase, a daylight overdraft in the entity's account. These payment types include Fedwire funds transfers, National Settlement Service transactions, and certain automated clearing house transactions.