

Appendix B: Sample Letters and Resolutions

The sample letters and resolutions included in this appendix are intended for institutions to use as models in complying with the Federal Reserve's PSR policy.

The de minimis cap resolution should be used by those institutions that did not conduct a self-assessment but that require greater use of intraday credit than permitted under the exempt cap category. The self-assessment resolution is required for those institutions that have completed a self-assessment and intend to adopt an average, above average, or high cap category. The maximum daylight overdraft capacity resolution should be completed by institutions that have been approved by their Reserve Bank for collateralized daylight overdraft capacity above their net debit cap. These cap resolutions are discussed further in section II of this manual.

In the resolution that is adopted by the board of directors, the words or phrases that appear in parentheses in the following sample resolutions should be replaced with appropriate text. In some cases, the options available are listed. When completing the self-assessment resolution, note the blank spaces shown to the left of the four components of the self-assessment and the overall assessment rating. The appropriate values for these spaces are to be selected from the following options:

| <u>Assessment Component</u> | <u>Rating options</u> |
|--|--|
| Creditworthiness | Excellent Very good Adequate Below standard |
| Intraday funds management and control | Strong Satisfactory Unsatisfactory |
| Customer credit policies and controls | Strong Satisfactory Unsatisfactory |

| | |
|---|--|
| Operating controls and contingency procedures | Satisfactory Unsatisfactory |
| Overall assessment (Cap category) | High Above average Average Zero cap |

The rating assigned must be supported by information in an institution's self-assessment file. For valid combinations of the ratings and the overall assessment, consult section VI of this manual.

Model Resolution 1
De Minimis Cap

I hereby certify that the following resolution was duly adopted at a meeting of the (type of governing body/board of directors) of the (official name of institution) (the "Institution"), duly authorized and existing under the laws of (state/United States), which meeting was duly called and held on the ___ day of _____, 20__, and that those resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation, statutes, or bylaws of the Institution.

WHEREAS, the Board of Governors of the Federal Reserve System has announced a policy of reducing risks on payment systems that requires each depository institution that incurs daylight overdrafts in its Federal Reserve account to adopt a net debit cap category; and

WHEREAS, this Institution desires to comply with the Federal Reserve's policy; and

WHEREAS, the board of directors has this day met and considered the report submitted by management that addresses how the Institution plans to comply with the Federal Reserve's policy and that makes recommendations regarding a net debit cap category,

NOW, THEREFORE, be it resolved that the board of directors hereby adopts the *de minimis* cap as its net debit cap category.

RESOLVED, that these resolutions and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of their revocation shall have been given to and received by the Reserve Bank or for one year, whichever occurs earlier.

IN WITNESS HEREOF, I, the undersigned, (Cashier/Comptroller/Secretary) of the Institution, have hereunto subscribed my name.

(Signature of Secretary to the Board of Directors)

(Name of Depository Institution)

(Address)

(City, State, and Zip)

(Date)

(ABA Routing Number)

Model Resolution 2
Self-Assessment Cap

I hereby certify that the following resolution was duly adopted at a meeting of the (type of governing body/board of directors) of the (official name of institution) (the "Institution"), duly authorized and existing under the laws of (state/United States), which meeting was duly called and held on the ___ day of _____, 20__, and that those resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation, statutes, or bylaws of the Institution.

WHEREAS, the Board of Governors of the Federal Reserve System has announced a policy of reducing risks on payment systems that requires each depository institution that incurs daylight overdrafts in its Federal Reserve account to adopt a net debit cap category; and

WHEREAS, this Institution desires to comply with the Federal Reserve's policy; and

WHEREAS, the board of directors has this day met and considered the report submitted by management that assesses the Institution's creditworthiness, intraday funds management and controls, customer credit policies and controls, and operating controls and contingency procedures, in accordance with the Federal Reserve's guidelines, and that makes recommendations regarding self-assessment ratings, an overall self-assessment, and a net debit cap category,

NOW, THEREFORE, be it resolved that the board of directors hereby adopts the following self-assessment ratings and net debit cap category:

| | |
|---|-------|
| Creditworthiness | _____ |
| Intraday funds management and control | _____ |
| Customer credit policies and controls | _____ |
| Operating controls and contingency procedures | _____ |
| Overall assessment | _____ |

Daylight overdraft cap category (High, Above average, Average)

RESOLVED, that these resolutions and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of their revocation shall have been given to and received by the Reserve Bank or for one year, whichever occurs earlier.

IN WITNESS HEREOF, I, the undersigned, (Cashier/Comptroller/Secretary) of the Institution, have hereunto subscribed my name.

(Signature of Secretary to the Board of Directors)

(Name of Depository Institution)

(Address)

(City, State, and Zip)

(Date)

(ABA Routing Number)

Model Resolution 3
Maximum Daylight Overdraft Capacity

I hereby certify that the following resolution was duly adopted at a meeting of the (Type of governing body/Board of directors) of the (Official name of institution) (the "Institution"), duly authorized and existing under the laws of (State/United States), which meeting was duly called and held on the ___ day of _____, 20__, and that those resolutions are now in full force and effect and are not in conflict with any provisions in the certificate of incorporation, statutes, or bylaws of the Institution.

WHEREAS, the Board of Governors of the Federal Reserve System has announced a policy of reducing risks on payment systems that requires each depository institution that incurs daylight overdrafts in its Federal Reserve account to adopt a net debit cap category, and, under certain conditions, allows a depository institution to pledge eligible collateral for the purposes of expanding intraday capacity beyond the net debit cap; and

WHEREAS, this Institution desires to comply with the Federal Reserve's policy and desires to expand its daylight overdraft capacity through the pledging of collateral; and

WHEREAS, the board of directors hereby has this day met and considered the report submitted by management that assesses the Institution's creditworthiness, intraday funds management and controls, customer credit policies and controls, and operating controls and contingency procedures, in accordance with the Federal Reserve's guidelines; recommends self-assessment ratings, an overall self-assessment, and a net debit cap category; and assesses the reasons and purposes for and recommends additional daylight overdraft capacity beyond the net debit cap level, subject to the approval of the Federal Reserve Bank of _____;

NOW, THEREFORE, be it resolved that the board of directors hereby adopts the following self-assessment ratings and net debit cap category:

- Creditworthiness _____
- Intraday funds management and control _____
- Customer credit policies and controls _____
- Operating controls and contingency procedures _____
- Overall assessment _____
- Daylight overdraft cap category (High, Above average, Average)

AND, be it further resolved that the Board of Directors authorizes a maximum daylight overdraft capacity limit of \$_____ and agrees that any daylight credit use beyond the net debit cap level and up to the maximum daylight overdraft capacity limit must be collateralized

and agrees to pledge collateral acceptable to the Federal Reserve Bank of _____ in form to support such increased usage.⁵⁰

RESOLVED, that these resolutions and all the powers and authorizations hereby granted or confirmed shall continue in full force and effect until written notice of their revocation shall have been given to and received by the Reserve Bank or for one year, whichever occurs earlier.

IN WITNESS HEREOF, I, the undersigned, (Cashier/Comptroller/Secretary) of the Institution, have hereunto subscribed my name.

(Signature of Secretary to the Board of Directors)

(Name of Depository Institution)

(Address)

(City, State, and Zip)

(Date)

(ABA Routing Number)

⁵⁰ The Reserve Banks may accept securities in transit on the Fedwire book-entry securities system as collateral to support an institution's maximum daylight overdraft capacity level. "Securities in transit" refers to book-entry securities transferred over the National Book-Entry System that have been purchased by a depository institution but not yet paid for and owned by the institution's customers. The pledging of securities in transit requires the institution to keep records sufficient to demonstrate its continuing compliance with its obligations under the PSR policy. The institution shall supply biweekly reports to the Reserve Bank showing the values, at specified intervals, for the loan value of the aggregate amount of collateral pledged, the aggregate amount of the extensions of credit, and the amount of the Fedwire securities overdraft as reflected on its books.

Model Letter 1
Nonbank and Industrial Bank Certification Letter

Section 225.52(b)(2) of Federal Reserve Regulation Y prohibits nonbank banks and industrial banks from incurring an overdraft on behalf of, or by, an affiliate at a Federal Reserve Bank except under certain conditions. An affiliate is any company that controls an institution, is controlled by an institution, or under common control with an institution.

Because (Official name of institution) does not currently have any accounts for affiliates, I hereby certify that any overdrafts incurred by our institution would not be in violation of section 225.52 of Regulation Y. I further certify that the Federal Reserve will be notified should the status regarding affiliate accounts change. This certification will be updated annually.

(Authorized Signature)

(Name)

(Title)

(Telephone Number)

Model Letter 2
Foreign Bank Family Cap Allocation Letter

(Address to daylight overdraft contact at
Administrative Reserve Bank)

This is to notify you that (Official name of institution) allocates a portion of its net debit cap of (U.S. dollar amount) to its branch(es) or agency(ies) in the Federal Reserve Districts listed below. No explicit allocation is made to the bank's office in this District, because it is our understanding that any part of our cap not allocated to offices in other Districts will automatically be allocated to our office in this District.

Federal Reserve District

Cap Allocation (US \$)

(Authorized Signature)

(Name)

(Title)

(Telephone Number)