Locust Street, St. Louis, Missouri 63102–2034:

1. *McIlroy Family Limited Partnership*, Bowling Green, Missouri; to become a bank holding company by acquiring 33.55 percent of the voting shares of Community State Bank of Bowling Green, Bowling Green, Missouri.

2. *Union Planters Corporation*, Memphis, Tennessee, and its wholly owned subsidiary, Union Planters Holding Corporation, Memphis, Tennessee; to acquire 100 percent of the voting shares of First & Farmers Bancshares, Inc., Somerset, Kentucky, and thereby indirectly acquire First & Farmers Bank of Somerset, Somerset, Kentucky, and Bank of Cumberland, Burkesville, Kentucky.

B. Federal Reserve Bank of Kansas City (D. Michael Manies, Assistant Vice President) 925 Grand Avenue, Kansas City, Missouri 64198–0001:

1. *Adbanc, Inc.*, Ogallala, Nebraska; to acquire 100 percent of the voting shares of Indianola Agency, Inc., Indianola, Nebraska; and thereby indirectly acquire Bank of Indianola, Indianola, Nebraska.

C. Federal Reserve Bank of Dallas (W. Arthur Tribble, Vice President) 2200 North Pearl Street, Dallas, Texas 75201–2272:

1. *Overton Financial Corporation*, Overton, Texas; and its wholly owned subsidiary, Overton Delaware Corporation, Dover, Delaware; to acquire an additional 0.95 percent, for a total of 33.07 percent of the voting shares of Longview Financial Corporation, Longview, Texas, and thereby indirectly acquire Longview Delaware Corp. Dover, Delaware, First State Bank, Van, Texas, and Longview Bank and Trust Company, Longview, Texas.

D. Federal Reserve Bank of San Francisco (Maria Villanueva, Manager of Analytical Support, Consumer Regulation Group) 101 Market Street, San Francisco, California 94105–1579:

1. *Western Acquisition Partners, L.P., and Western Acquisitions, L.L.C.*, both of Washington, DC; to acquire up to 100 percent of the voting shares of West Coast Bancorp, and thereby indirectly acquire Sunwest Bank, both of Tustin, California.

Board of Governors of the Federal Reserve System, December 8, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98–33040 Filed 12–11–98; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

Notice of Proposals To Engage in Permissible Nonbanking Activities or To Acquire Companies That Are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y, (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than December 28, 1998.

A. Federal Reserve Bank of New York (Betsy Buttrill White, Senior Vice President) 33 Liberty Street, New York, New York 10045–0001:

1. *The Bank of New York Company, Inc.*, New York, New York; to acquire BNY Capital Markets, Inc., New York, New York, and thereby engage in activities as a Specialist and Floor Broker on the Chicago Stock Exchange and the Philadelphia Stock Exchange as a result of the acquisition of certain business (long and short securities positions) of EVEREN Securities, Inc., Chicago, Illinois, pursuant to § 225.28(b)(7) of Regulation Y; *see The Bank of New York Company, Inc.*, 82 Fed. Res. Bull. 748 (1996) and 83 Fed. Res. Bull. 323 (1997), respectively. This activity will be conducted worldwide.

B. Federal Reserve Bank of Atlanta (Lois Berthaume, Vice President) 104 Marietta Street, N.W., Atlanta, Georgia 30303–2713:

1. *The Banc Corporation*, Birmingham, Alabama; to acquire Emerald Coast Bank, Panama City Beach, Florida, and thereby engage in operating a savings association, pursuant to § 225.28(b)(4)(ii) of Regulation Y.

C. Federal Reserve Bank of Richmond (A. Linwood Gill III, Assistant Vice President) 701 East Byrd Street, Richmond, Virginia 23261–4528:

1. *Centura Bank, Inc.* Rocky Mount, North Carolina; to acquire First Coastal Bankshares, Inc., Virginia Beach, Virginia, and thereby indirectly acquire First Coastal Bank, Virginia Beach, Virginia, and thereby engage in operating a savings loan association pursuant to 222.28(b)(4) of Regulation Y.

Board of Governors of the Federal Reserve System, December 8, 1998.

Robert deV. Frierson,

Associate Secretary of the Board.

[FR Doc. 98–33038 Filed 12–11–98; 8:45 am]

BILLING CODE 6210–01–P

FEDERAL RESERVE SYSTEM

[Docket R–1014]

Federal Reserve Bank Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board has decided to retain the current thirty-minute settlement period at the end of the Fedwire funds transfer operating day and not to implement restrictions on respondent bank transfers during the last fifteen minutes of the settlement period, from 6:15 p.m. to 6:30 p.m. eastern time.

FOR FURTHER INFORMATION CONTACT: Louise Roseman, Associate Director (202/452-2789), Jeff Stehm, Manager (202/452–2217), or Gina Sellitto, Financial Services Analyst (202/728-5848), Division of Reserve Bank Operations and Payment Systems. For the hearing impaired *only*: Telecommunications Device for the Deaf (TDD), Diane Jenkins (202/452–3749).

SUPPLEMENTARY INFORMATION:

I. Background

In October 1989, the Board requested comment on a proposal to segment the last half hour of the Fedwire funds transfer operating day, from 6:00 p.m. to 6:30 p.m. eastern time (all times stated are eastern time), into two settlement periods (54 FR 41681, October 11, 1989). The first fifteen minutes would be reserved for any bank-to-bank funds transfers, including transfers sent or received by depository institutions on behalf of respondent bank customers. The second fifteen minutes would be reserved for transfers sent or received by

depository institutions for their own accounts. At that time, the Board did not adopt a segmented settlement period because of the concerns expressed by commenters and the lack of strong industry support (55 FR 18755, May 4, 1990). The Board, however, indicated that it would monitor developments with regard to reserve account management and determine whether segmenting the settlement period should be reconsidered at a later date.

In response to the Board's request for comment on a return to a system of lagged reserve requirements (62 FR 60671, November 10, 1997), the New York Clearing House Association (NYCHA) pointed out that several developments since 1990 make the banks' task of managing their reserve positions more difficult. These developments include (1) a significant reduction in reserve balances resulting from reductions in reserve requirements in 1990 and 1992 and the use of retail sweep accounts starting in 1994, and (2) a reduction in the pool of available buyers of federal funds due to consolidation in the banking industry.

In light of these developments, NYCHA noted that correspondents cannot know their reserve positions with certainty until Fedwire has closed because respondent banks are able to use the entire Fedwire settlement period from 6:00 p.m. to 6:30 p.m. to move funds into and out of accounts at their correspondent banks.[1] The unexpected receipt of funds for a respondent bank very late in the day could result in the correspondent bank having more reserves than planned, which may be difficult to invest late in the day without a significant rate concession. Likewise, a late-in-the-day request to pay out funds on behalf of a respondent bank may result in a reserve shortfall at the correspondent bank that may be difficult and costly for the correspondent to fund.

NYCHA also argues that unanticipated excess or deficit reserve positions create uncertainty and volatility in the federal funds rate. It believes that a segmented Fedwire funds transfer settlement period would allow each bank to calculate its reserve position with greater accuracy and facilitate a more efficient and orderly interbank funding market. NYCHA, therefore, requested that the Board reconsider a two-part settlement period, in which the last fifteen minutes of the Fedwire funds transfer operating day, from 6:15 p.m. to 6:30 p.m., are reserved exclusively for transfers sent by and received for a bank's own account.

The Board's decision on lagged reserves (63 FR 15069, March 30, 1998) indicated that it would continue to review the idea of a segmented settlement period and other ideas for reducing volatility in the federal funds market. As part of this review, the Board requested comment in June 1998 on the costs, benefits, and desirability of a segmented Fedwire settlement period (63 FR 31777, June 10, 1998). In its request for comment, the Board raised questions regarding (1) the potential benefits, costs, and drawbacks of restrictions on respondent transfers during the last fifteen minutes of the Fedwire operating day, including the effects on reserve account management, federal funds rate volatility, and respondent payment services, and (2) implementation alternatives and other operational considerations.

II. Summary of Comments

The Board received twenty-seven responses to its request for comment. About three-quarters of the commenters were commercial banks or bank holding companies. The number of commenters by type of organization were as follows:

Clearing House Associations	2
Commercial Banking Organizations	20
Consumer Payment System	1
Credit Union	1
Federal Reserve Banks	2
Trade Association	1
Total public comments	27

Twelve commenters supported the Board's adoption of a Fedwire segmented settlement period, including Bank of America, Bank of New York, Citibank, N.A., First Bank of San Luis Obispo, MBNA America Bank, N.A., NationsBank Corporation, NYCHA, The Peoples State Bank of Clyde, PFF Bank & Trust, Republic National Bank of New York, State Bank of Southern Utah, and Winnsboro State Bank & Trust Company. Ten commenters opposed the proposal, including Bank Boston, N.A., Bankers Clearing House, The Federal Reserve Bank of Atlanta, The Federal Reserve Bank of Richmond, Firstar Bank Milwaukee, N.A., First Chicago NBD Corporation, First Maryland Bancorp, State Street Bank and Trust, UMB Bank, and Wachovia Corporation. Five commenters neither supported nor opposed a Fedwire segmented settlement period but offered comments on certain aspects of the proposal, including Alcoa Tenn Federal Credit Union, Canyon Creek National Bank, Independent Bankers Association of America, Mellon Bank, N.A., and Visa U.S.A., Inc.

Given the mix of views expressed in the comments and the lack of an industry consensus, Board staff invited the commenters to participate in a discussion of the proposal in October 1998. The purpose of this discussion was to clarify the views and concerns of the commenters regarding late-day transfers and reserve account management. Although the discussion helped to clarify commenters' views, no new information was received that provided a compelling case for a segmented settlement period.

A. Effects of Late-Day Transfers on Correspondent Banks

Depository institutions hold balances at the Federal Reserve to meet reserve and clearing balance requirements and to facilitate their payment transactions. In the past, reserve and clearing balance requirements resulted in total required balances that were usually above the level needed for payment purposes. That is, the level of total required balances in relation to payment demands generally provided sufficient protection against overnight overdrafts in depository institutions' Federal Reserve accounts. In this environment, payment-related demand generally and late-day transfers more specifically did not usually have a significant influence on the overall demand for balances at the Federal Reserve and end-of-day reserve management requirements.

Regulatory reductions in reserve requirements and financial innovations such as retail sweep accounts have lowered required reserve balances during the 1990s. Although depository institutions have responded to lower required reserves by holding additional required clearing balances, the total required balances held by depository institutions at the Federal Reserve have dropped to historically low levels. In an environment of low required balances, payment-related demand for balances more frequently appears to exceed the demand for balances to meet total balance requirements. Payment-related demand is difficult to measure and to predict.[2] Consequently, uncertain

[1] NYCHA members have indicated that their concerns relate primarily to late-in-the-day transfers on behalf of foreign respondent banks and that transfers on behalf of domestic respondent banks are generally not performed after 6:15 p.m.

[2] Cheryl L. Edwards, ''Open Market Operations in the 1990s,'' *Federal Reserve Bulletin*, vol. 83 (November 1997), pp. 859–874; Gordon H. Sellon, Jr. and Stuart E. Weiner, ''Monetary Policy Without Reserve Requirements: Analytical Issues,'' Federal Reserve Bank of Kansas City, *Economic Review* (Fourth Quarter 1996), pp. 5–24; James A. Clouse and Douglas W. Elmendorf, ''Declining Required Reserves and the Volatility of the Federal Funds Rate,'' Working Paper (Board of Governors of the Federal Reserve System, June 1997); and Craig

Continued

payment-related demand coupled with low total required balances may lead to greater volatility in the federal funds rate, both during the day and across days.

On the other hand, the extent of the effect of declining required balances on the volatility of the funds rate is not clear. For example, the volatility of the funds rate since 1996 has not risen significantly (at least until recent weeks) despite declining total required balances and increasing payment flows. This result may be due, in part, to improvements by depository institutions in their information systems and their use of real-time balance information from the Federal Reserve to manage their Federal Reserve balances more closely during the day. In addition, the Federal Reserve, through its open market operations, has responded to days of heightened payment flows by supplying reserves more generously on those days.

Although volatility has not increased significantly, commenters noted that the late-day rate in the federal funds market can be quite volatile. First Chicago NBD Corporation (FCN), for example, pointed out that the federal funds market after 6:15 p.m. is not very efficient and indicated that unexpected late-day funding needs could cause large changes in the federal funds rate.

Other commenters noted that a sizable portion of federal funds transactions occur late in the day. They cited the Board's May 1998 Senior Financial Officer Survey, which indicated that on a typical day 16 percent of federal funds transactions are arranged and 18.3 percent of federal funds purchases are delivered after 6:00 p.m. On days characterized by especially volatile payment flows, these figures increase to 17 percent and 20.6 percent respectively. The survey also indicated that the shift toward later federal funds transactions might, in part, reflect the combined effects of low required reserve account balances and payment system risk policies such as daylight overdraft caps and charges for daylight overdraft credit. Some commenters supported this finding by indicating that foreign respondents draw down on their intraday credit lines with their U.S. correspondents early in the morning in order to provide intraday funding of their Federal Reserve accounts and avoid daylight overdraft charges or cap breaches. These funds are returned to the correspondent late in the day, potentially complicating the correspondent's ability to manage its reserve account position.

Those who supported the proposal argued that the benefits of a segmented settlement period for Fedwire outweighed any negative effects. The benefits cited by commenters included a more orderly settlement of reserve positions, reduced uncertainty in the management of reserve positions, and reduced volatility in the federal funds rate. UMB Bank and Wachovia, which both opposed the proposal, agreed that a segmented settlement period would facilitate reserve account management for most banks with active respondent customers. Mellon Bank, which was neutral on the proposal, indicated that large money center institutions with respondent customers that make late-day transfers would benefit from a Fedwire segmented settlement period. The commenters, however, did not quantify the frequency with which late-day respondent transfers occur, the cost of late-day reserve account management difficulties, or the number of depository institutions likely to be affected by any restrictions on late-day transfers.

With regard to operational issues related to implementation of a segmented settlement period, comments were also mixed. Of the supporters, four preferred the use of as-of adjustments, two preferred operational changes to Fedwire, and the remaining six institutions did not express a particular view.[3] In addition, of the institutions that either opposed the proposal or were neutral, one institution said, if adopted, the proposal should be implemented using as-of adjustments and three institutions preferred operational changes to Fedwire. Supporters of as-of adjustments indicated that their use would provide flexibility to permit payments that do not disadvantage the receiving bank to be accommodated at the discretion of the receiving bank. Commenters opposing the use of as-of adjustments, however, indicated that their use would result in the proposal being implemented unevenly, would not provide a sufficient deterrent to late-day transfers, and would be difficult to enforce. They further indicated that the as-of process does not eliminate the uncertainty of late-day payments because as-of adjustments are granted only after the fact and are neither automatically given nor necessarily beneficial.

Supporters of operational changes to Fedwire believed that such changes would be the most effective means of restricting respondent transfers. Although several other commenters agreed with the effectiveness of this approach, they did not support potentially costly operational changes to Fedwire and the internal systems of a large number of banks to accommodate the concerns of a limited number of money center banks. Commenters were also concerned about implementing any operational changes to Fedwire at a time when depository institutions are preparing for the century date change.

B. Effects on Respondents and Private Clearing Arrangements

Responses varied on the effects of late-day transfer restrictions on respondent institutions. In most cases, the commenters who supported the proposal believed that transfer restrictions on respondents would not significantly impede liquidity management, while the commenters who opposed the proposal believed that restrictions could hamper respondents' ability to manage their reserve positions.

NYCHA indicated that a significant portion of the activity that has caused difficulty for its members is attributable to respondents that maintain their own Federal Reserve accounts as well as accounts at correspondents. According to NYCHA, there is very little late-day transfer activity by banks that maintain reserve balances through pass-through correspondents. The Independent Bankers Association of America (IBAA) indicated that community banks typically execute their Fedwire funds transfers and their investment and reserve account management decisions much earlier than 6:00 p.m. Two other commenters said that their internal cut-off times for processing respondent customer transfers are prior to the close of the Fedwire funds transfer operating day.

In contrast, other commenters argued that late-day transfer restrictions could hamper respondents' ability to manage their reserve positions, especially if their current reserve management practices include late-day federal funds transactions with respondent banks or because respondents fund their balances at other banks through late-day transfers. These commenters preferred to have greater flexibility for moving funds late in the day. Firstar and Bank Boston said that they regularly send and

Furfine, ''Interbank Payments and the Daily Federal Funds Rate,'' Working Paper (Board of Governors of the Federal Reserve System, August 1998).

[3] A Fedwire segmented settlement period could be implemented by allowing the receiving institution the option to reverse an improperly sent transfer on the same day. If this was not possible prior to the final close of Fedwire, then on the following day the receiving bank could request that the Federal Reserve function an as-of adjustment to its reserve position and the reserve position of the sending bank. Under another approach, the Fedwire funds transfer system might be modified to incorporate a new type code and/or new edit criteria to detect and reject transfers sent on behalf of respondents after 6:15 p.m.

receive funds transfers on behalf of their respondent customers between 6:15 and 6:30 p.m. and that they believe the cost of implementation and the inconvenience to their respondent bank customers of a segmented settlement period outweigh the reserve management benefits. Mellon Bank also indicated that because respondent banks would have to meet an earlier funding deadline than would depository institutions that are direct Federal Reserve account holders, respondents would not be able to participate fully in the federal funds market, presumably making the market more illiquid and potentially more volatile.

In addition to these concerns, the Bankers Clearing House indicated that late-day transfer restrictions may create logistical and competitive problems for some West Coast clearing services. In particular, if a private clearing organization's settlement service has a limited ability to move final funds late in the day, it may not be able to compete effectively with similar Federal Reserve services. Similarly, Visa U.S.A., Inc. expressed concern that the VisaNet ACH settlement arrangement might be affected adversely if respondent transfers were limited during the last fifteen minutes of the Fedwire funds transfer operating day. Several of the VisaNet ACH settlement participants settle on behalf of respondent depository institutions.

III. Conclusion

The Board has decided not to adopt a Fedwire segmented settlement period. Although a segmented settlement period might provide an additional tool for reducing uncertainty in payment flows by some banks, the operations of other entities would be restricted. It is not clear that such an approach would significantly reduce uncertainty and volatility for the market as a whole. For example, respondent banks might react to late-day transfer restrictions by advancing the timing of their funds transfers to just prior to their Fedwire cutoff time. The possible effect of advancing the timing of respondent transfers might be an increase in market volatility during this earlier period, albeit possibly to a level somewhat less than that currently experienced very late in the day. Even if a segmented settlement period did not shift volatility earlier, it would likely result in a reduction of volatility only during the last fifteen minutes of the Fedwire operating day. A significant reduction in overall volatility as a result of a segmented settlement period, therefore, seems unlikely.

Moreover, only a limited number of institutions have indicated difficulties in managing their Federal Reserve positions because of late-day respondent transfers. To a large extent, these difficulties are a result of the businesses in which correspondent banks have chosen to engage, such as intraday credit lines and late-day respondent transfer processing. In the Board's view, affected correspondent banks should weigh the benefits of providing late-day payment services to their respondent customers against any reserve management difficulties that the provision of such services may cause. If a correspondent determines that late-day transfers are causing excessive reserve management difficulties, the Board believes that the correspondent can take steps on its own to mitigate these problems. Individual banks, for example, can impose internal cut-off times for sending and receiving respondent transfers that are earlier than the Fedwire deadlines.[4] Establishing earlier cut-off times for outgoing respondent transfers will prevent late-day, unanticipated funds outflows from a correspondent's Federal Reserve account. Likewise, earlier cut-off times for incoming respondent transfers, although incapable of preventing the inflow of funds from respondent banks, should encourage respondent banks to process their Fedwire payments earlier because transfers received after a correspondent's cut-off time can be credited to the respondent's account as of the next banking day. Many banks currently impose such internal cut-off times for processing customer wire transfers. Some banks, however, were concerned that if they were to impose earlier internal cut-off times for respondent transfers, they may lose these customers to other institutions that did not impose such deadlines. These banks indicated that the only uniform way to control late-day respondent transfers without creating competitive issues among correspondent banks was to impose Federal Reserve restrictions on respondent banks. The Board does not believe that such competitive issues warrant the imposition by the Federal Reserve of respondent transfer restrictions.

Finally, implementation of a segmented settlement period would involve potentially costly operational changes to Fedwire or the use of as-of adjustments to correct improperly sent transfers. Operational changes would not only affect the Federal Reserve, but also the internal systems of a large number of banks. Likewise, as-of adjustments would involve time-consuming exception processing and augment uncertainty in reserve projections.

IV. Analysis of Competitive Effects

The Board has established procedures for assessing the competitive effects of rule or policy changes that have a substantial impact on payment system participants.[5] 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 because of differing legal powers or constraints or because of a dominant market position of the Federal Reserve deriving from such differences. The Board's decision not to adopt a Fedwire segmented settlement period will not adversely affect the ability of other service providers to compete with the Federal Reserve in the provision of large-value electronic funds transfer services.

By order of the Board of Governors of the Federal Reserve System, December 8, 1998.

Jennifer J. Johnson,

Secretary of the Board.

[FR Doc. 98–33048 Filed 12–11–98; 8:45 am]

BILLING CODE 6210–01–P

[4] State law allows depository institutions to establish fixed cut-off times for the processing of payment orders. Uniform Commercial Code (UCC) Article 4A Section 106(a) states that a receiving bank may fix a cut-off time or times on a funds-transfer business day for the receipt and processing of payment orders. Different cut-off times may apply to different senders or categories of payment orders. If a payment order is received after the appropriate cut-off time on a funds transfer business day, the receiving bank may treat the payment order as received at the opening of the next funds transfer business day.

[5] 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).

GENERAL SERVICES ADMINISTRATION

Federal Supply Service, Office of Transportation and Property Management, Property Management Division; Revision and Stocking Change of SF 123A, Transfer Order Surplus Personal Property (Continuation Sheet)

AGENCY: General Services Administration.

ACTION: Notice.

SUMMARY: The General Services Administration/Federal Supply Service, Office of Transportation and Property Management, Property Management