

Discount Window Operations

1. For the following discount window operational processes, what operational frictions or inefficiencies exist? Are there any specific actions that could be taken by the Federal Reserve to address those issues?

- a. Submitting legal documents to a Reserve Bank. *Yes, this could be made easier.*
- b. Pledging or withdrawing securities as collateral. *Yes, this process is unnecessarily difficult and time consuming. Even transferring securities between accounts at FRB (i.e. from BTFP to Discount Window) is very time consuming. I've experienced this several times when I had to transfer securities between the accounts. The representatives require to go through and read each cusip number and value, after which they call the bank back to confirm the transfer with another bank employee, going through the same process again. In comparison, when I'm transferring from our safekeeping agent to FRB, I use a user name and password, plus a multifactor authentication to process the transfer, a very easy and user friendly process.*
- c. Pledging or withdrawing loans as collateral. *We don't have any loans currently pledged at FRB.*
- d. Requesting discount window advances and receiving proceeds. *This is relatively easy since it is via phone call, but I think having a portal where a bank can execute an advance would be more efficient.*
- e. Repaying discount window advances before their full maturity. *Same, relatively easy since these are done via phone call, but perhaps not the most efficient way of doing it.*
- f. Using the Discount Window Direct online portal. *I am not familiar with the portal at all, only executed via phone call. If there is a portal, I'm not aware of it. With FHLB we have a designated account representative that reaches out to inquire about our needs and to inform us of any new products that become available.*

2. Are there operational frictions or inefficiencies in the processes mentioned above that are particularly acute or pressing for FHLB members? What specific improvements could be made with respect to depository institutions that are members of an FHLB? *Not really, the member portal at FHLB is very user friendly designed to eliminate friction and improve efficiency. Communication with member banks flows easy and their reps are available to discuss needs or questions we might have.*

3. Are there operational frictions or inefficiencies in the processes mentioned above that are particularly acute or pressing for smaller depository institutions or depository institutions

that use correspondents to interact with the Federal Reserve? What specific improvements could be made with respect to these institutions? I can only speak as it relates to our bank, it would be nice to have term borrowings available from the Discount Window, similar to the BTFP 1 month, 2 months, 3 months, 1 year, 2 year, etc.). Bringing back the BTFP (Bank Term Funding Program), this program was very good, very helpful, and easy to use.

Intraday Credit Operations

4. Are there operational or communications-related frictions associated with accessing intraday credit (i.e., daylight overdrafts)? For example:

- a. Knowledge about the availability of intraday credit.
- b. Timing of credits and debits impacting the account balance, including discount window loans and repayments. – Yes, being able to see the running balance that includes all debits and credits any time during the day.
- c. Processes for establishing an uncollateralized intraday credit limit or “net debit cap.” I think this might be referring to the De Minimis cap; we already have this established. This requires an annual board resolution. If there are no changes in the Bank’s ratings and capital ratios, and the bank qualifies for this, might be helpful to not have to get this resolution done on an annual basis.
- d. Voluntary collateralization of daylight overdrafts.
- e. Processes for requesting additional collateralized intraday credit capacity or a “max cap.”
- f. Reporting of intraday credit usage and/or fees. Yes, that would be helpful.
- g. Expectation to effectively manage accounts to avoid breaches of intraday credit limits. –Yes, if a bank has collateral pledged at FRB Discount Window, FRB should be able to just advance against that to cover an end of day overdraft without having to reach out to the Bank to execute.
- h. Expectation to avoid overnight overdrafts. Absolutely, this functionality is available at correspondent banks as well for regular bank customers. Our correspondent bank will automatically process an advance on our line of credit if we end the day in an overdraft position to cover it.

5. Are there intraday credit frictions and issues in the items mentioned above that are particularly acute or pressing for smaller depository institutions? Again, I can only speak for our institution, but if adequate collateral has been pledged and available credit has been determined, there should be no additional friction on advancing on that available credit. The biggest issue arises if a FRB representative sees a potential end of day overdraft and needs to call the Bank to

get authorization to advance and can't reach an authorized employee to process. This actually happened to us, creating a lot of problems that could have been easily avoided since we have about \$100 million in securities pledged at FRB.

Information on Discount Window and Intraday Credit Operations

6. Are there improvements that could be made to Federal Reserve communications practices about discount window and intraday credit operations? For example:

- a. Provision of operational information and guidance to depository institutions via the Reserve Banks' discount window and payment system risk website (<https://www.frbdiscountwindow.org>). So, yes, for example from this link you provided that actual log on to the Discount Window is 3 more clicks away.
- b. Provision of operational information and guidance to depository institutions on a bilateral basis from an institution's lending Reserve Bank.
- c. Provision of information to the general public via the Board's website (<https://www.federalreserve.gov/monetarypolicy/discountrate.htm>; https://www.federalreserve.gov/paymentsystems/psr_about.htm).

Other

7. Are there other changes that the Federal Reserve could make to improve the operational efficiency of the discount window and intraday credit? Yes, there is always room for improvement. The BTFP was a very helpful program for banks, bringing it back would be great.

8. What operational aspects of accessing Federal Reserve discount window and intraday credit programs are most costly or burdensome for depository institutions, both in terms of direct expenses and staff hours? Anytime, we need staff to execute or review information that can be done in an automated way (i.e. via email or text notifications) we are not efficient. If I need credit intraday, and I have collateral pledged at the DW, I would prefer FRB to execute an advance if needed instead of relying on an employee signing on and looking to see if there are enough funds available and then having to follow up with a call or another sign on to execute an advance.