

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 81-64

April 1, 1981

FEE SCHEDULE FOR COMMERCIAL CHECK  
CLEARING AND COLLECTION SERVICES

TO ALL DEPOSITORY INSTITUTIONS  
AND OTHERS CONCERNED IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:

The Board of Governors of the Federal Reserve System, as required by the Monetary Control Act of 1980, has approved a fee schedule for its commercial check clearing and collection services, effective August 1, 1981.

Printed on the following pages is the text of the Board's press release and Federal Register notice, including the fee schedule and descriptions of its check services.

Questions concerning the fee schedule or check services should be directed to Larry J. Reck, Vice President at this Bank, Ext. 6337; Robert W. Schultz, Assistant Vice President, El Paso Branch, (915) 544-4730; Vernon L. Bartee, Assistant Vice President, Houston Branch, (713) 659-4433; or Thomas H. Robertson, Assistant Vice President, San Antonio Branch, (512) 224-2141.

Sincerely yours,

William H. Wallace

First Vice President

# FEDERAL RESERVE press release



For immediate release

March 27, 1981

The Federal Reserve Board has approved a fee schedule for its commercial check clearing and collection services, effective August 1, 1981.

The Board acted in accordance with the Monetary Control Act of 1980, which requires the Federal Reserve to set fees for System services to depository institutions. The Board published a proposed schedule of fees for check services in August 1980 and adopted its fees for check services after consideration of comment received. The Board adopted pricing principles and a schedule of fees for other services last December. The fee schedule reflects estimated 1981 direct and indirect costs of providing check clearing and collection services to depository institutions, plus a 16 percent private sector adjustment factor.

Attached are the fee schedule and the Board's official notice of its action, including descriptions of its check services.

Attachments

## FEDERAL RESERVE SYSTEM

(DOCKET NO. R-0324)

### FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Adoption of Fee Schedules for Check Clearing and Collection Services.

SUMMARY: The Monetary Control Act of 1980 (Title I of Public Law 96-221) requires that fees be set for Federal Reserve Bank services. The Board previously adopted a set of pricing principles for Federal Reserve Bank services and has established implementation dates on which fees for each of the services will become effective. The Board has now adopted fees for commercial check clearing and collection services.

EFFECTIVE DATE: August 1, 1981.

FOR FURTHER INFORMATION CONTACT: Lorin S. Meeder, Assistant Director for Federal Reserve Bank Operations (202/452-2738); Morgan J. Hallmon, Program Manager (202/452-3877); Gilbert T. Schwartz, Associate General Counsel (202/452-3625); Lee S. Adams, Senior Counsel (202/452-3623); Daniel L. Rhoads, Attorney (202/452-3711).

SUPPLEMENTARY INFORMATION:

#### INTRODUCTION

The Monetary Control Act of 1980 requires that fees be developed for Federal Reserve Bank services according to a set of pricing principles established by the Board. The Act provides that the Board shall begin putting into effect a schedule of fees not later than September 1, 1981, and that services covered by the fee schedules are to be made available to all depository institutions. The Board, in accordance with the requirements of the Act, published for comment proposed pricing principles and fee schedules for services on August 28, 1980 (45 FR 58689). The period for public comment expired on October 31, 1980. On December 30, 1980, after considering the more than 230 comments received from the public, the Board took the following actions: adopted revised pricing principles; approved the fee schedules for the wire transfer and net settlement services to be effective January 29, 1981; approved a fee schedule for ACH services to be effective August 1, 1981; approved August 1, 1981 as the date when pricing of, and full access to, check clearing and collection services would begin; stated that a final fee schedule for check clearing and collection services would be published by March, 1981; scheduled full access to, and pricing of, the purchase, sale, safekeeping and transfer of securities services and the noncash collection services for October, 1981; and scheduled full access to, and pricing of, the currency and coin transportation and coin wrapping services for January, 1982 (46 FR 1338). The Board has now adopted a fee schedule for commercial check clearing and collection services.

### 1981 FEE SCHEDULE

The Monetary Control Act of 1980 requires that "over the long run, fees shall be established on the basis of all direct and indirect costs actually incurred in providing the Federal Reserve services priced...except that the pricing principles shall give due regard to competitive factors and the provision of an adequate level of such services nationwide." The Act also requires that fees for Federal Reserve services take into account "the taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm." This markup is referred to as the private sector adjustment factor (PSAF).

The proposed fee schedule for Federal Reserve Bank commercial check collection services published by the Board in August, 1980 was based on estimates of the full direct and indirect costs during 1980 of providing these services, plus a 12 percent PSAF.

The revised fee schedule for commercial check services, which will become effective on August 1, 1981, when access to these services is opened to all depository institutions, is based on the estimated full direct and indirect costs of providing these services in 1981, plus a 16 percent PSAF, which was adopted by the Board on December 30, 1980 for use in calculating 1981 fee schedules. On average, for all services in all offices, the 1981 fees are 11 percent higher than those published for comment in August, 1980 due principally to the higher PSAF added to 1981 costs, operating costs increasing more rapidly than volume from 1980 to 1981, and the substantial increase in the surcharge for consolidated shipments (from 0.44 cent to 0.64 cent per item) which reflects the higher interoffice transportation costs associated with the System's float reduction effort. However, in the revised fee schedule, the private sector adjustment factor has not been applied to shipping costs because shipping services (interoffice air transportation and intraoffice ground courier deliveries to facilitate presentment) are provided under contract to the Federal Reserve from private companies whose prices include the cost of taxes and financing. Consequently, it would be inappropriate to impose an additional PSAF to such shipping costs.

The 1981 fee schedule was calculated by the Federal Reserve Banks using a methodology similar to that used to compute the fee schedule published by the Board in August, 1980. The methodology was standardized among Federal Reserve districts and offices and the derivation of full costs was based on the Federal Reserve's Planning and Control System (PACS). The cost accounting principles and procedures used by Reserve Banks are described in System accounting manuals available to the public.

The structure of the 1981 fee schedule differs from those published earlier in one respect: it shows a separate surcharge for consolidated shipments rather than a separate price for each consolidated shipment deposit type. To calculate the total fee for deposit by consolidated shipment the

surcharge is added to the fee for direct deposits at the collecting Federal Reserve office. Since the consolidated shipment service has been expanded from two to five deposit types, use of the surcharge simplifies the price schedule.

The 1981 fee structure may be regarded as an interim structure in two respects. First, while it covers the deposit types described in Appendix II, individual Federal Reserve offices may, in 1981, expand or repack-age these services within this structure in response to local demand to improve the efficiency of the payments mechanism. For example, the group sort deposit option may be offered by a greater number of Federal Reserve offices, or additional services may be offered that are combinations of existing services. (E.g., the group sort, consolidated shipment and package sort deposit options may be combined for certain high volume payor bank endpoints so that the Federal Reserve office of first deposit could fine sort the deposit for final presentment in other Federal Reserve office territories.) Second, as stated in the Board's December 30, 1980 notice, this fee structure may be changed in 1982 to price separately return items and to provide price incentives to encourage more efficient utilization of resources in the check clearing and collection service.

Finally, the Federal Reserve Banks, as announced in the Board's August 28, 1980 pricing proposal, are engaged in the three-phase effort to reduce and/or price float. The fee schedule for 1981 does, in fact, reflect the higher costs of operational improvements undertaken in 1981 to reduce float. Further recommendations will be presented to the Board in 1981.

The 1981 fee schedule for commercial check services is set forth in Appendix I. The services shown in the schedule are described in Appendix II.

By order of the Board of Governors of the Federal Reserve System,  
March 26, 1981.

(signed) James McAfee

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James McAfee  
Assistant Secretary of the Board

[SEAL]

APPENDIX I  
 FEE SCHEDULE FOR FEDERAL RESERVE COMMERCIAL CHECK SERVICES  
 (in cents per item)  
 Effective August 1, 1981

TYPES OF CASH LETTER DEPOSITS<sup>1</sup>

Sent To: Federal Reserve Office	Accepted only from institutions located in the territory served by the F.R. office		Accepted at the collecting F.R. office from institutions located in any F.R. office territory <sup>2</sup>				Non- Machineable <sup>3</sup>
	Mixed	Other Fed	City	Country or RCPC	Package Sort	Group Sort	
BOSTON LEWISTON WINDSOR LOCKS	1.81	4.29	1.60	1.81	0.42	1.65	5.54
NEW YORK BUFFALO JERICHO CRANFORD UTICA	2.87 1.66	5.30 3.99	2.74 1.51	2.87 1.66	0.47 0.79	-- 1.46	9.04 6.08
PHILADELPHIA	2.30	4.64	1.79	2.30	0.87	1.98	5.33
CLEVELAND CINCINNATI PITTSBURGH COLUMBUS	1.92	4.16	1.48	1.92	0.82	--	5.12
RICHMOND BALTIMORE CHARLOTTE COLUMBIA CHARLESTON	1.85 1.97 1.50 1.52 1.75	4.03 4.37 3.96 4.01 4.10	1.39 1.67 1.29 1.37 1.40	1.85 1.97 1.50 1.52 1.75	0.67 0.63 0.49 0.44 0.52	-- -- -- -- --	5.54 5.86 5.24 4.68 5.30
ATLANTA BIRMINGHAM JACKSONVILLE NASHVILLE NEW ORLEANS MIAMI	1.86	4.15	1.46	1.86	0.98	--	6.13
CHICAGO DETROIT DES MOINES INDIANAPOLIS MILWAUKEE	2.94 1.57 1.99 1.50 1.82	5.02 3.98 4.17 3.79 4.06	2.36 1.46 1.65 1.24 1.41	2.94 1.57 1.99 1.50 1.82	0.94 0.56 0.73 0.48 0.61	-- -- -- -- --	6.29 3.97 5.88 3.23 3.59
ST. LOUIS LITTLE ROCK LOUISVILLE MEMPHIS	2.51	4.54	2.06	2.51	0.78	--	5.09
MINNEAPOLIS HELENA	2.22	4.68	1.80	2.22	0.62	2.10	5.60
KANSAS CITY DENVER OKLAHOMA CITY OMAHA	2.80 1.63 1.90 1.76	4.67 3.97 4.11 4.06	2.12 1.24 1.52 1.27	2.80 1.63 1.90 1.76	0.45 0.72 0.67 0.46	0.89 -- -- --	7.55 7.98 6.94 6.26
DALLAS HOUSTON SAN ANTONIO EL PASO	2.22	4.64	1.74	2.22	0.80	1.64	7.19
SAN FRANCISCO LOS ANGELES PORTLAND SALT LAKE CITY SEATTLE	1.71	4.12	1.54	1.71	0.58	--	7.99
CONSOLIDATED SHIPMENT SURCHARGE PER ITEM FOR TRANSPORTATION FROM LOCAL F.R. OFFICE TO COLLECTING F.R. OFFICE			0.64	0.64	0.64	0.64	0.64

1. Depository institutions should consult with their local Federal Reserve office about the availability of check services at any F.R. office, since all services are not available at all offices.

2. Accepted by a F.R. office for presentment to depository institutions located within that F.R. office territory.

3. This fee applies to cash letters that cannot be computer processed by the Federal Reserve. It is not a surcharge. The availability schedule for non-machineable items is different from the availability schedule for comparable machineable items.

## APPENDIX II

### DESCRIPTION OF FEDERAL RESERVE CHECK CLEARING AND COLLECTION SERVICES

#### A. Service Descriptions<sup>1</sup>

All checks collected through the Federal Reserve must ultimately be presented for payment by the Federal Reserve office responsible for serving the territory in which the paying institution is located. Depository institutions generally have two options for depositing check cash letters<sup>2</sup> with Federal Reserve offices. First, all check cash letters may be deposited at the local Federal Reserve office (i.e., the Federal Reserve office whose territory<sup>3</sup> includes the depositing institution). Second, appropriately sorted cash letters may be deposited at the Federal Reserve office which serves the territory in which the paying institution is located. Not all services described below are available at all offices. An institution should consult with its local Federal Reserve office to ascertain the services available there.

Cash letters deposited at the local Federal Reserve office are referred to generally as intraterritory deposits, while cash letters deposited at other Federal Reserve offices are referred to as interterritory deposits. Interterritory deposits may be: (a) delivered to the local Federal Reserve office for shipping as "consolidated shipments" using transportation provided by the Federal Reserve, or (b) shipped as "direct shipments" to another Federal Reserve office using transportation provided for by the sending depository institution. In all instances, credit for cash letter deposits is posted to accounts held at the local Federal Reserve office of the depository institution even though these cash letters may have been deposited at another Federal Reserve office.

This description of services is not intended as a comprehensive guide on how to use Federal Reserve check collection services. Any depository institution desiring to use Federal Reserve services is urged to consult first with its local Federal Reserve office. A depository institution that has a small number of checks daily for collection may need to become familiar only with the mixed cash letter service offered by its local Federal Reserve office. Any institution wishing to perform some preliminary work such as sorting or interoffice shipping will have to become familiar with all of the services shown in the fee schedule.

1. Excludes Federal Reserve processing of U.S. Treasury checks and postal money orders deposited separately.

2. A cash letter contains a listing of individual checks and the packaged checks.

3. A depositing institution unfamiliar with Federal Reserve territories should contact any Federal Reserve office to determine the name and address of its local Federal Reserve office.

The following types of cash letter deposit services are available:

1. Cash letters accepted only from institutions located within the local Federal Reserve office territory.

The fees for the services described below can be found on the fee schedule by reading across the row of fees listed for each local Federal Reserve office.

a. Mixed

Mixed cash letters contain unsorted checks that can be any mixture of city, country, and RCPC checks. These cash letters may also contain checks drawn on depository institutions in other Federal Reserve territories and U.S. Treasury checks and postal money orders. Each Federal Reserve office has established a maximum number of items (checks or other cash items) which may be included in mixed cash letters.<sup>1</sup> Only depository institutions with cash letter deposits, which on average do not exceed this maximum number of checks, are eligible to deposit mixed cash letters. Credit for checks in mixed cash letters is based on availability as calculated by the local Federal Reserve office.

b. Other Fed

"Other Fed" cash letters contain checks drawn on depository institutions located in Federal Reserve territories other than the local Federal Reserve territory. Prices for collecting these checks reflect the resources required to sort each check at two Federal Reserve offices and to transport the items between these offices. "Other Fed" cash letters may be deposited only at the local Federal Reserve office.

2. Cash letters accepted from institutions located in any Federal Reserve territory.

The fees for check cash letter deposits are determined according to the fees for check processing at the collecting Federal Reserve office, and can be found on the fee schedule by (1) location of the office and (2) type of cash letter deposit. For example, items drawn on designated city area institutions within the Boston office territory are "Boston city items", are identified by routing symbols<sup>2</sup> 0110 or

1. An institution desiring to use this service should consult with its local Federal Reserve office for additional information.

2. A routing symbol is defined as the first four digits of the routing transit number. For a listing of routing symbol assignments by deposit type within Federal Reserve territories, depository institutions should contact their local Federal Reserve office for a copy of the booklet entitled "Check Collection, Federal Reserve System." For a detailed discussion of routing numbers, depository institutions should consult the Rand McNally publication entitled "Key to Routing Numbers."



2110, and the fee for such items is 1.60 cents per item. In contrast, items drawn on institutions located in the Indianapolis office RCPC zone are "Indianapolis RCPC items", are identified by routing symbols 0749 or 2749, and the fee for such items is 1.50 cents per item. Consolidated shipments are subject to an additional .64 cent per item transportation fee.

a. City

City cash letters contain only checks drawn on depository institutions located within the collecting Federal Reserve office territory assigned city routing symbols. These institutions are generally located in an area which has been designated as the city check clearing zone by the collecting Federal Reserve office. When deposited at the collecting Federal Reserve office, credit for city cash letters is immediate (i.e., funds are available on the same day if the cash letter is received prior to the cut-off hour established by the collecting Federal Reserve office.

b. Regional Check Processing Center (RCPC)

RCPC cash letters contain only checks that are drawn on depository institutions in the collecting Federal Reserve office territory that are located in areas designated as RCPC zones<sup>1</sup> and assigned RCPC routing symbols. RCPC checks drawn on depository institutions in RCPC zones are usually transported by courier from the collecting Federal Reserve office for presentment. When deposited at the collecting Federal Reserve office, credit for RCPC cash letters is immediate (i.e., same business day) if the cash letters are deposited by 12:01 a.m.

c. Country

Country cash letters contain only checks that are drawn on depository institutions located in the collecting Federal Reserve office territory that are assigned country routing symbols. These institutions are located outside the designated city area of the collecting Federal Reserve office and are also outside any RCPC zone. Credit for country cash letters is available one day after timely deposit at the collecting Federal Reserve office.

<sup>1</sup> RCPC zones are designated areas within the territories of Federal Reserve offices, but outside Federal Reserve cities. In these zones the Federal Reserve is able to present checks for payment and collection on the same day they are deposited at the local Federal Reserve office.

d. Package Sort

Each package sort cash letter contains checks drawn only on a single institution located within the collecting Federal Reserve office territory and is packaged for delivery to that institution. Reflecting the sorting work done by the depositing institution, Federal Reserve involvement is limited to presentment, settlement, adjustments and returns. As a result, the fee for package sorts is lower than the fees for all other categories of cash letters at the collecting Federal Reserve and later cut-off hours are applicable to package sort cash letters. Credit is passed by the local Federal Reserve office according to the same availability schedule for the type of items contained in the package sort cash letter (e.g., city, country, or RCPC).

e. Group Sort

Each group sort cash letter contains checks of a specific type (e.g., city, RCPC, or country) drawn on two or more depository institutions that are designated by the collecting Federal Reserve office. Because the depositing institution has already done some sorting, this service requires less handling by the Federal Reserve than some other deposit types and the fee reflects this difference. Later cut-off hours are applicable to group sort cash letters and credit is passed to depositing institutions by the local Federal Reserve office according to the schedule for the type of items in the cash letter--city, RCPC, and country items.

3. Interterritory cash letters sent to other Federal Reserve offices.

Before an attempt is made to use interterritory cash letter deposit services an institution must obtain prior authorization from its local Federal Reserve office to assure accurate and timely handling. After obtaining prior authorization, depositing institutions may send cash letters to the appropriate Federal Reserve office other than the local Federal Reserve office. The purpose of this method of deposit is to improve availability, generally. Such interterritory deposits of cash letters must be destined for the collecting Federal Reserve office; that is, the office responsible for presenting the items in the cash letters to the payor institutions within its territory.

Depositing institutions should consult with their local Federal Reserve office about the availability of each cash letter service at other Federal Reserve offices.

There are two ways in which transportation of interterritory deposits can be arranged: consolidated shipments and direct shipments. Descriptions of these arrangements are outlined on the following page:

a. Consolidated Shipments

Consolidated shipment cash letters are delivered to the local Federal Reserve office for shipment to the collecting Federal Reserve office. Since the items are not processed by the local Federal Reserve office, the total fee for these items is the sum of: (a) a surcharge for consolidated shipments to recover the cost of transporting these checks between Federal Reserve offices, and (b) the appropriate item fee at the collecting Federal Reserve office. Cash letters eligible for consolidated shipment are: city, RCPC, country, non-machineable, package sort, and group sort. Credit for these deposits is given by the local Federal Reserve office according to availability schedules for consolidated shipments.

b. Direct Shipments

Direct shipment ("direct sends") cash letters are those for which transportation to the collecting Federal Reserve office is arranged by the depositing institution. Fees for direct shipment cash letter deposits are the same as fees to be charged to local depository institutions for the respective class of items at the collecting Federal Reserve office. Cash letters eligible for direct shipment are: city, RCPC, country, non-machineable, package sort, and group sort. Credit for these deposits is given by the local Federal Reserve office based on availability schedules for direct shipments.

4. Non-machineable cash letter deposits.

Non-machineable cash letters contain checks which were rejected from the reader-sorter equipment of a depositing financial institution, as well as those checks that are mutilated or cannot be computer processed. Fees for non-machineable checks reflect the additional manual handling required to process these exception items. Credit for non-machineable checks is generally deferred one day beyond normal availability for the same type check (e.g., credit for a city non-machineable check would be available the day after timely deposit at the collecting Federal Reserve office).

B. Fee Schedules

Each fee in the check service fee schedule covers receiving, sorting, reconciling and delivery. These fees do not include charges for special intraoffice deposit arrangements that individual Reserve Banks may establish.

The per item fees include the costs associated with returns and adjustments. However, consideration is being given to the establishment of separate prices for return items. No charges will be made for postal money orders or U.S. Treasury checks deposited separately because such processing is conducted by the Federal Reserve as part of its fiscal agency responsibilities. When such items are not deposited separately, they will be assessed the same fee as commercial checks deposited in mixed cash letters.

The term "collecting Federal Reserve office," as used in the fee schedule, refers to the Federal Reserve office responsible for presenting cash letters to the institutions within its territory. Thus, the local Federal Reserve office would be the collecting Federal Reserve office if the institution on which the checks are drawn is located within the same Federal Reserve territory as the depositing institution.