

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS 75222

Circular No. 82-153
December 3, 1982

**ACH REVISED FEE SCHEDULE
AND CHANGES IN PROCEDURES
FOR ADMINISTERING CLEARING BALANCES**

**TO ALL FINANCIAL INSTITUTIONS IN THE
ELEVENTH FEDERAL RESERVE DISTRICT:**

On November 18, 1982, the Board of Governors of the Federal Reserve System approved a new fee schedule for the Automated Clearing House (ACH) service that will be effective December 30, 1982. Also announced changes in procedures for administering clearing balances.

The new fee schedule was developed in accordance with the Board's recent decision to phase-out the incentive pricing policy for the ACH service. Specifically, the prices approved by the Board are set to recover 40 percent of the current costs of providing commercial ACH services including the private sector adjustment factor. When ACH prices are reestablished in late 1983, they will be set to recover 60 percent of the total commercial costs; in late 1984, they will be set to recover 80 percent of total commercial costs; and in late 1985, they will be set to recover 100 percent of total commercial costs.

Structurally, the new fee schedule is the same as the current fee schedule; that is, fees are assessed to originators of commercial debit transactions and receivers of commercial credit transactions. In addition, the fee schedule continues to include an interregional price differential. Because receivers of ACH credit transactions realize greater benefits through operating cost savings and improved funds availability than originators of day cycle ACH debit transactions realize, receivers of credits will be assessed higher fees than originators of day cycle debits. Furthermore, because use of the night cycle provides originators later deposit deadlines and better turnaround times than day cycle operations, a surcharge will be imposed for night cycle operations. At this time, night cycle operations are generally restricted to cash concentration debit transactions. As additional experience is gained with night cycle operations, considerations will be given to removing this restriction.

The following fee schedule was approved for implementation on December 30, 1982:

Banks and others are encouraged to use the following incoming WATS numbers in contacting this Bank: 1-800-442-7140 (intrastate) and 1-800-527-9200 (interstate). For calls placed locally, please use 651 plus the extension referred to above.

DAY CYCLE

Intra - ACH

Debits Originated 2.0 Cents
Credits Received 4.0 Cents

New York Intra - ACH

Debits Originated 1.0 Cents
Credits Received 2.0 Cents

Inter - ACH

Debits Originated 3.5 Cents
Credits Received 5.5 Cents

New York Inter - ACH

Debits Originated 2.5 Cents
Credits Received 3.5 Cents

NIGHT CYCLE

Intra - and Inter - ACH

Debits Originated 5.0 Cents

New York Intra - and Inter - ACH

Debits Originated 5.0 Cents

The Board also approved two changes in procedures governing the establishment and maintenance of clearing balances. The changes, to be effective January 27, 1983 or as soon thereafter as possible, are:

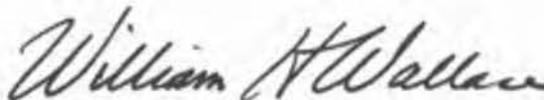
1. to permit any depository institution desiring a clearing balance to have one.
2. to revise the current carryover limit by providing penalty-free bonds on either side of the total required balance.

The Board's press release and Federal register material regarding these two topics is attached.

If you have any questions or comments about the new ACH fee schedule, please contact Mary M. Rosas, (214) 651-6336 or Thomas D. Holloway, (214) 651-6123 at the Head Office; Larry Wilson, (915) 544-4730 at the El Paso Branch; Vernon L. Bartee, (713) 659-4433 at the Houston Branch; and John A. Bullock, (512) 224-2141 at the San Antonio Branch. For questions on the clearing balance changes contact Larry M. Snell, (214) 651-6199 or Allan Y. Neale, (214) 651-6334.

Additional copies of this circular will be furnished upon request to the Department of Communications, Financial and Community Affairs, Extension 6289.

Sincerely,



William H. Wallace
First Vice President

FEDERAL RESERVE press release



For immediate release

November 22, 1982

The Federal Reserve Board today announced a revised fee schedule for its automated clearing house (ACH)^{1/} service and changes in the Federal Reserve's procedures for administering clearing balances.

ACH service fee schedule:

The Monetary Control Act of 1980 requires that the Federal Reserve establish fee schedules for its automated clearing house (ACH) service and other Federal Reserve services, according to pricing principles established by the Board. The Board began charging for ACH services, based on pricing principles published earlier, in August 1981. In adopting the 1981 fee schedule for ACH services, the Board recognized that ACH service was in the process of development and had not yet reached a mature level. In recognition of this fact, the Board established 1981 fees on the basis of what it regarded as a mature volume of ACH items, expected to be achieved in approximately five years, with the objective of promoting the continuing development of the ACH service in the public interest. The Board said it would review its ACH pricing policy annually.

In reviewing its ACH pricing policy in April 1982, the Board decided it was appropriate to continue providing a measure of such encouragement. However, to provide the private sector with information as to when full cost recovery pricing would begin, the Board decided on a schedule that calls for increasing ACH fees by 20 percent annually, permitting ACH fees to be set in 1985 to recover 100 percent of the costs incurred in providing commercial ACH services. The Board has therefore

^{1/} A computer facility for sorting and settling electronically originated payments, instead of payments originated by checks.

adopted the following schedule, which will be in effect in 1983, designed to recover 40 percent of the current costs of providing ACH services.

Day Cycle

Intra-ACH		New York Intra-ACH	
Debits Originated	2.0¢	Debits Originated	1.0¢
Credits Received	4.0¢	Credits Received	2.0¢
Inter-ACH		New York Inter-ACH	
Debits Originated	3.5¢	Debits Originated	2.5¢
Credits Received	5.5¢	Credits Received	3.5¢

Night Cycle Surcharge

Intra- and Inter-ACH	
Debits Originated	5.0¢
New York Intra- and Inter-ACH	
Debits Originated	5.0¢

The basic structure of the new ACH fee schedule is the same as the current fee schedule. But the new schedule also recognizes that benefits accrue to receivers of credits arising from reduced costs and from improved availability of funds that are not realized by originators of daytime debits. Consequently, the fees for receivers of ACH credits will be higher, in general, than for originators of ACH debits.

The attached notice sets forth the Board's action in greater detail. Any comment on the new ACH fee schedule may be sent to District Federal Reserve Banks.

Clearing balance procedures:

To improve the flexibility of Reserve Banks in meeting the needs of institutions holding clearing balances with the Federal Reserve, the Board approved two changes in procedures governing the establishment and maintenance of

clearing balances. Clearing balances are balances maintained with the Federal Reserve by a depository institution for settling funds transfers cleared through the Federal Reserve. These balances earn credits which institutions may use to pay for Federal Reserve services. The changes, to be effective January 27, 1983 or as soon thereafter as possible, are:

- (1) Permit any depository institution desiring a clearing balance to have one. Current procedures vary widely among Reserve Banks, with some Banks allowing clearing balances only for institutions that have zero or small reserve balances and other Banks allowing clearing balances for some larger banks as well.
- (2) For pure clearing balance and mixed accounts, revise the current carryover limit of 2 percent of the required clearing balance plus required reserves by providing penalty-free bands on either side of the total required balance equal to the greater of \$25,000 or 2 percent of the required clearing balance. Any institution holding a balance within these bands would receive earnings credits on the actual clearing balance held and would not incur penalties for deficiencies. The lower bound of the penalty-free band would be truncated at the point where the total maintained balance equals the required reserve balance. Thus, an institution could not use the penalty-free band on its clearing balance to lower its effective reserve requirement. Carry-over would be allowed for amounts outside the penalty-free bands but within current carryover limits. Institutions with only a reserve balance would remain under current carryover rules.

The Board's clearing balance policy which these changes amend was published February 27, 1981.

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: New Fee Schedule for the Automated Clearing House Service.

SUMMARY: The Monetary Control Act of 1980 (Title I of Pub.L. 96-221) requires that schedules of fees be established for Federal Reserve Bank services. On December 31, 1980, the Board adopted a fee structure for the automated clearing house service, effective August 1, 1981. The Federal Reserve has now adopted a new fee schedule for this service.

EFFECTIVE DATE: December 30, 1982.

FOR FURTHER INFORMATION CONTACT: Elliott C. McEntee, Assistant Director (202/452-2231), or Florence M. Young, Program Manager, (202/452-3955) Division of Federal Reserve Bank Operations; Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 ("Act") requires that fee schedules be developed for Federal Reserve Bank services based on pricing principles established by the Board. 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). On December 30, 1980, after considering the comments received from the public, the Board adopted revised pricing principles and a fee schedule for the automated clearing house ("ACH") service (46 FR 1338). The ACH fee schedule was effective August 1, 1981. In adopting the 1981 fee schedule for the ACH service, the Board recognized that the ACH service was in the process of development and had not yet reached a mature level. In recognition of this fact, the Board established 1981 fees on the basis of what it regarded as a mature volume of ACH items, which was expected to be achieved in approximately five years. The Board determined that establishing a fee schedule that promotes the continuing development of the ACH service was in the public interest. The Board also committed to review its ACH pricing policy annually.

The Board reviewed its policy of incentive pricing for the ACH service in April 1982 and determined that it was appropriate to continue providing a level of price support for the service. The Board believed that such support was necessary to avoid jeopardizing the future of this payment service. Further, the Board believed that an adequate volume is necessary in order to attract private sector

competition in this area. It was also recognized that the private sector would benefit from knowledge of when the Federal Reserve would begin full-cost pricing of the ACH service. Consequently, the Board determined to phase out its incentive pricing policy and establish a date for pricing the ACH service to recover the full costs of providing the service, including the private sector adjustment factor. To achieve a smooth transition, the Board determined that fees for the ACH service will be increased annually to recover an additional 20 percent of the costs of providing the service, plus private sector adjustment factor. Accordingly, the fee schedule established in 1982 would provide for recovery of 40 percent of the current costs of providing the service, including the private sector adjustment factor. The fee schedules to be adopted in 1983, 1984, and 1985 would provide for recovery of 60 percent, 80 percent and 100 percent, respectively, of commercial ACH costs, including private sector adjustment factor.

The structure of the new fee schedule for the ACH service will remain unchanged from the 1981 fee schedule. Fees will continue to be charged to the party originating an ACH debit and the party receiving an ACH credit. Additionally, the fee schedule continues to include an interregional price differential. No fees will be assessed receivers of direct deposit payments made under the Treasury Department's Federal Recurring Payments Program.

In general, receivers of ACH credits will pay a fee that is higher than that paid by originators of ACH debits. This recognizes the benefits accruing to receivers of credits through operating cost savings and improved funds availability that are not realized by originators of day cycle debits.

The 1981 fee schedule did not distinguish between fees paid by originators of cash concentration debits using the night cycle and those paid by originators of debits using the day cycle. In recognition of the substantial benefits that accrue to originators of cash concentration debits using the night cycle, the Board has decided to impose a surcharge for the night cycle operations. Cash concentration debits are generally time critical since concentration banks are not normally advised of deposits at regional depository institutions until late in the day. Further, because of the relatively high average value of cash concentration debits, the reliability of the ACH mechanism is of importance to originators of these debits. The night cycle also provides originators of cash concentration debits better deposit deadlines and better turnaround times than are provided by day cycle operations. As experience with the night cycle operations is gained, the operational necessity of restricting night cycle operations to cash concentration debits may be eliminated.

The new fee schedule for the Federal Reserve's ACH service is as follows:

Day Cycle

Intra-ACH		New York Intra-ACH	
Debits Originated	2.0¢	Debits Originated	1.0¢
Credits Received	4.0¢	Credits Received	2.0¢
Inter-ACH		New York Inter-ACH	
Debits Originated	3.5¢	Debits Originated	2.5¢
Credits Received	5.5¢	Credits Received	3.5¢

Night Cycle Surcharge

Intra- and Inter-ACH	
Debits Originated	5.0¢
New York Intra- and Inter-ACH	
Debits Originated	5.0¢

This fee schedule will be effective December 30, 1982. Any comments regarding the fee schedule should be forwarded to your local Federal Reserve office.

By order of the Board of Governors of the Federal Reserve System, November 19, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]