

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-4
January 10, 1983

PROPOSED REVISION OF FEE SCHEDULE
FOR BOOK-ENTRY SECURITIES SERVICES

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

The Board of Governors has requested comment on a revised fee schedule for its book-entry securities services. Enclosed are copies of the Board's press release and the Federal Register document pertaining to this matter.

Comments, which are requested by February 13, 1983, should be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C., 20551. For further information, please contact Charles W. Bennett, Assistant Director, (202) 452-2738, or Gerald D. Manypenny, Manager, (202) 452-3954, Division of Federal Reserve Bank Operations.

Additional copies of this circular will be furnished upon request to the Public Affairs Department, Extension 6289.

Sincerely yours,



William H. Wallace
First Vice President

Enclosure

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.

FEDERAL RESERVE press release



For immediate release

December 23, 1982

The Federal Reserve Board today requested comment on a revised fee schedule for its book entry securities services (computer recording of government securities and related wire transfers).

The Board asked for comment by February 13, 1983.

The Board's notice, including the proposed revised fee schedule and explanation of the proposed revision, is attached.

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Attachment

FEDERAL RESERVE SYSTEM

(Docket No. R-0443)

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Request for comment.

SUMMARY: The Board of Governors is requesting public comment on a proposal to revise the fee structure for the Federal Reserve's book-entry securities service. The fee structure would be revised by adding a maintenance fee based on the number of issues held in an account.

DATE: Comments must be received by February 13, 1983.

ADDRESS: Comments, which should refer to Docket No. R-0443, may be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551, or delivered to Room B-2223 between 8:45 a.m. and 5:15 p.m. Comments received may be inspected at Room B-1122 between 8:45 a.m. and 5:15 p.m., except as provided in § 261.6(a) of the Board's Rules Regarding the Availability of Information, 12 C.F.R. § 261.6(a).

FOR FURTHER INFORMATION CONTACT: Charles W. Bennett, Assistant Director (202/452-2738) or Gerald D. Manypenny, Manager (202/452-3954), Division of Federal Reserve Bank Operations; or Gilbert T. Schwartz, Associate General Counsel (202/452-3625) or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 (Title I of P.L. 96-221) ("Act") requires that fees be developed for Federal Reserve Bank services according to a set of pricing principles established by the Board. The Board, in accordance with the requirements of the Act, and after notice and comment, adopted revised pricing principles and fee schedules for certain Federal Reserve services. 46 F.R. 1338 (January 6, 1981). Subsequently, the Board adopted a fee schedule for the book-entry securities service and other securities services on July 17, 1981, to be effective October 1, 1981. 46 F.R. 37972 (July 23, 1981). As required by the Act, the fee schedule adopted by the Board was designed to recover the full costs of providing the service, plus a private sector adjustment factor of

16 percent. The book-entry securities service fee structure provided for transaction fees for transfers originated on-line, originated or received off-line, and a monthly account maintenance fee.

Since the implementation of the fee schedule in 1981, the System has incurred a shortfall in the recovery of costs plus the private sector adjustment factor. The shortfall occurred because of a greater than expected shift from the use of the relatively more expensive off-line transfers to on-line transfers. Further, experience under the fee schedule during 1982 has demonstrated that the costs of maintaining a book-entry account are directly related to the number of issues held in that account. Accounts with a large number of issues are more costly to maintain than are accounts with only several issues.

The Board has therefore determined to request public comment on a proposed revision of the fee structure for the book-entry service. The fee structure would be revised to add a monthly fee for each issue held in an account. This per issue component would more accurately reflect the costs of maintaining a multiple issue account as well as recognize the benefits that accrue to such accountholders.

The individual fees for the components of the book-entry service also would be revised to recover the costs of providing the service, including the 16 percent private sector adjustment factor, based on estimated 1983 volume. The transaction fee for on-line originations would be increased from \$2 to \$3. Fees for off-line originations and receipts would be established at \$10. The Board believes this would more accurately reflect the cost of off-line transactions. The account maintenance fee would also be established at \$15 per account per month, with a \$.50 charge per month for each issue in an account.

The Federal Reserve Bank of New York would continue its "time of day" pricing for book-entry transfers. This procedure had been adopted to provide incentives to shift some transfers away from afternoon peak periods, thus avoiding difficulties related to operational capacity constraints. The fees for the New York Reserve Bank on-line transfer service will average about \$3 per transaction.

The proposed revised fee schedule and structure for the book-entry securities service is:

Component		Current 1982	Proposed 1983
*On-Line Transfers Originated	Per Transfer	\$2.00	\$ 3.00
Off-Line Transfers Originated	Per Transfer	8.50	10.00
Off-Line Transfers Received	Per Transfer	6.50	10.00
Account Maintenance	Per Account/ Per Month	6.00	15.00
Issues in Accounts Maintained	Per Issue/ Per Month	--	.50

*For all Federal Reserve Districts except New York. The fee schedule for on-line transfers originated through the Federal Reserve Bank of New York would be:

	Current 1982	Proposed 1983
Per transfer		
9:00 AM - 12:00 Noon	\$.50	\$1.00
12:01 PM - 2:00 PM	1.25	3.00
2:01 PM - Closing	4.50	5.00

The Board recognizes that the percentage increases in fees may be significant. However, increased fees are necessary to recover the costs of providing the service, including the private sector adjustment factor, as required under the Act. Further, although the percentage increases may be large, the Board does not believe that in terms of absolute dollar value the revised fee schedules should have any substantial effect on depository institutions utilizing the Federal Reserve's book-entry service.

Comment on the revised fee schedule is requested by February 13, 1983.

By order of the Board of Governors of the Federal Reserve System, December 22, 1982.

(signed) James McAfee

James McAfee
Associate Secretary of the Board

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