

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 83-61  
May 11, 1983

ACH

INTERIM FEE SCHEDULE FOR  
CORPORATE TRADE PAYMENTS PILOT PROGRAM

TO ALL DEPOSITORY INSTITUTIONS IN THE  
ELEVENTH FEDERAL RESERVE DISTRICT:

The Federal Reserve Board has approved an interim fee schedule to be used in a pilot program for making corporate trade payments through automated clearing houses (ACHs). This pilot program is scheduled to begin in June 1983.

Attached is the text of the Board's press release and Federal Register notice regarding the pilot program.

Questions regarding this program should be directed to Robert L. Whitman, (214) 698-4357 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.

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

Sincerely yours,



William H. Wallace  
First Vice President

# FEDERAL RESERVE press release



For immediate release

May 3, 1983

The Federal Reserve Board has approved an interim fee schedule to be used in a pilot program for making corporate trade payments by electronic means through automated clearing houses (ACHs).

Currently, ACH payments are made chiefly in connection with consumer transactions deposits. A study carried out by the National Automated Clearing House Association indicated that corporations are interested in making trade payments through ACHs. The use of the ACH for corporate trade payments is scheduled to begin during June 1983, with a limited number of originators and recipients. It is anticipated that the pilot will be completed by the end of 1983 at which time the use of the ACH for corporate trade payments will be available to any company wishing to make use of the service.

The Board approved the following interim fee schedule for the pilot program, effective June 2, 1983:

## INTERIM FEE SCHEDULE

|   |      |   |      |
|---|------|---|------|
| Intra - ACH                               |      | New York Intra-ACH                        |      |
| Debits Originated                         | 4.5¢ | Debits Originated                         | 1.5¢ |
| Credits Received                          | 4.5¢ | Credits Received                          | 1.5¢ |
| Each Addenda Record<br>after the First 15 | 0.1¢ |   |      |
| Inter - ACH                               |      | New York Inter - ACH                      |      |
| Debits Originated                         | 7.5¢ | Debits Originated                         | 4.5¢ |
| Credits Received                          | 7.5¢ | Credits Received                          | 4.5¢ |
| Each Addenda Record<br>after the First 15 | 0.2¢ | Each Addenda Record<br>after the First 15 | 0.1¢ |

The Board's notice is attached.

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Attachment

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interim Fee Schedule for Automated Clearing House Service Corporate Trade Payments Pilot.

SUMMARY: The Board has approved the following interim fee schedule for the automated clearing house (ACH) corporate trade payments pilot:

INTERIM FEE SCHEDULE

|   |      |   |      |
|---|------|---|------|
| Intra-ACH                                 |      | New York Intra-ACH                        |      |
| Debits Originated                         | 4.5¢ | Debits Originated                         | 1.5¢ |
| Credits Received                          | 4.5¢ | Credits Received                          | 1.5¢ |
| Each Addenda Record<br>after the First 15 | 0.1¢ |   |      |
| Inter-ACH                                 |      | New York Inter-ACH                        |      |
| Debits Originated                         | 7.5¢ | Debits Originated                         | 4.5¢ |
| Credits Received                          | 7.5¢ | Credit Received                           | 4.5¢ |
| Each Addenda Record<br>after the First 15 | 0.2¢ | Each Addenda Record<br>after the First 15 | 0.1¢ |

EFFECTIVE DATE: June 2, 1983.

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; Daniel L. Rhoads, Attorney (202/452-3711), or Robert G. Ballen, Attorney, (202/452-3265), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: Since the inception of the ACH, it has primarily been oriented toward consumer payments, such as, salaries, insurance premiums, and mortgage payments. The ACH service is being modified to facilitate corporate trade payments as now permitted under the rules of the National Automated Clearing House Association. The use of the ACH for corporate trade payments will be implemented on a pilot basis. The pilot, scheduled to begin in June 1983, will initially be limited to ten participating corporate originators and 50 participating receivers. The number of maximum participating originators and receivers will gradually be expanded during the course of the pilot. It is expected that the program

will be fully phased-in by the end of 1983, at which time the use of the ACH for corporate trade payments will be available to any company that wishes to use the service.

The Board has adopted an interim fee schedule that will apply to this pilot program. This fee schedule will be reviewed when the program becomes fully operational.

The current ACH fee schedule assesses charges to the recipients of funds, that is, receivers of credits and originators of debits, because the recipients of funds realize greater benefits from the ACH than do payors.<sup>1/</sup> Based on available information, the benefits to originators and receivers of corporate trade payments appear to be comparable to current ACH applications. Therefore, the current method of assessing ACH fees will be applied to the corporate trade payments pilot.

The current ACH fee schedule assesses higher fees to receivers of ACH credit transactions than to originators of day cycle debit transactions. Additionally, originators of cash concentration debits are assessed a surcharge for these debits that are processed on the night cycle. The price differentials in the current fee schedule reflect the relative benefits realized by the participants in the ACH service. Because corporate trade payment processing has not begun, there currently is little information regarding the average dollar value of the payments or whether the average dollar value of credits and debits differs significantly. It is expected, however, that the average dollar value of credit and debit payments should not differ substantially. Further, the ability of corporations to negotiate trade terms, including payment dates, suggests that both receivers of credits and originators of debits should realize comparable improvements in funds availability. Therefore, the interim fee schedule for the pilot program will provide for the same fee to be charged to receivers of credits and originators of debits.

Unlike current ACH applications, corporate trade payments will be accompanied by records containing supporting documentation, such as, invoice identification, adjustment documentation, and discount information. Balancing the number of these addenda records and the payment information included on them to the payment record necessitates additional processing and will result in higher costs. As many as 4,990 addenda records may accompany a corporate trade payment.

It cannot be determined with precision how corporations will use the addenda record feature of the application. Assessing a separate fee for each addenda record would increase the difficulty for receiving corporations to evaluate the costs and benefits of participating in the ACH since they have no control over the number of invoices (addenda records) that the

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<sup>1/</sup>47 F.R. 53500 (November 26, 1982).

originators of the payments may choose to include with each payment. On the other hand, setting a single fee to recover the cost of processing all potential addenda records would be unfair to these users who may not need such capacity. Corporate representatives have indicated that, at least initially, the number of addenda records accompanying a payment should average 10 to 15. Therefore, until more experience is gained with the corporate trade payments application, the Board has determined that it would be appropriate to set a fee for the payment and 15 addenda records and to establish a separate fee for each additional addenda record.

The current ACH fees were set to recover 40 percent of the costs of providing commercial ACH services, including the private sector adjustment factor (PSAF). These prices were established in accordance with the ACH pricing policy that was adopted by the Board during April 1982. (Under this policy, the System will reduce the support provided to the ACH service by 20 percent each year so that ACH fees set in 1985 would be set to recover 100 percent of the costs of providing commercial ACH services, including the PSAF.) Similarly, the interim fee schedule for the pilot will be set on the same basis, that is, currently at the 40 percent recovery rate.

Since it appears that receivers of credits and originators of debits will realize comparable benefits from the corporate trade payments application, the interim intra-ACH fees applicable to the pilot will be based on the average of current intra-ACH prices. This average price is 3.0 cents per transaction for all Reserve Banks, except the New York Reserve Bank. The average price for New York intra-ACH payments is 1.5 cents per transaction, reflecting the fact that the New York Automated Clearing House Association (NYACH) processes all commercial ACH transactions in the New York District.

The interim intra-ACH fee for the pilot will also reflect the additional costs incurred in editing addenda records. It has been estimated that 40 percent of the cost, including the PSAF, of editing one addenda record at one Reserve office is 0.1 cent. Given the 15 addenda records per transaction base, this will result in a 1.5 cent increase in the basic transaction fee. This additional cost will be included in the intra-ACH fees for all Reserve Banks, except New York. For corporate trade payments, the current 1.5 cent interregional differential will be increased by 1.5 cent to reflect the cost of editing addenda records at the second Federal Reserve office.

The interim fee schedule for the ACH corporate trade payments pilot effective June 2, 1983 is as follows:

|                                |      |                                  |      |
|--------------------------------|------|----------------------------------|------|
| Intra-ACH                      |      | New York Intra-ACH <sup>2/</sup> |      |
| Debits Oriented <sup>1/</sup>  | 4.5¢ | Debits Originated                | 1.5¢ |
| Credits Received <sup>1/</sup> | 4.5¢ | Credit Received                  | 1.5¢ |
| Each Addenda Record            |      |                                  |      |
| After the First 15             | 0.1¢ |                                  |      |

|                                |      |                     |      |
|--------------------------------|------|---------------------|------|
| Inter-ACH                      |      | New York Inter-ACH  |      |
| Debit Originated <sup>1/</sup> | 7.5¢ | Debits Originated   | 4.5¢ |
| Credits Received <sup>1/</sup> | 7.5¢ | Credits Received    | 4.5¢ |
| Each Addenda Record            |      | Each Addenda Record |      |
| After the First 15             | 0.2¢ | After the First 15  | 0.1¢ |

By order of the Board of Governors of the Federal Reserve System,  
May 3, 1983.

(signed) James McAfee

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James McAfee  
Associate Secretary of the Board

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<sup>1/</sup> Fees reflect the costs associated with processing of ACH payment plus 15 addenda records.

<sup>2/</sup> New York intra-ACH fees do not reflect the costs associated with processing addenda records because ACH transactions are processed by NYACH.