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**FEDERAL RESERVE BANK OF DALLAS**

Station K, Dallas, Texas 75222

Circular No. 84-116  
December 5, 1984

**TO:** All depository institutions in the Eleventh Federal Reserve District

**ATTENTION:** Chief Operations Officer

**SUBJECT:** Revised fee schedule for transfer of funds and automated clearinghouse (ACH) services

**DETAILS:** The Board of Governors of the Federal Reserve System has approved a reduction in the fee that Federal Reserve Banks charge depository institutions for originating or receiving a transfer of funds over the Fed's network. In addition, the Board issued a revised schedule of fees for ACH services.

**ATTACHMENTS:** Federal Reserve press release and two Federal Register documents

**MORE INFORMATION:** Jonnie Miller, Extension 6290; or Larry Ripley, Extension 6118

**ADDITIONAL COPIES:** Public Affairs Department, Extension 6289

# FEDERAL RESERVE press release



For immediate release

November 16, 1984

The Federal Reserve Board has approved a reduction in the fee the Federal Reserve Banks charge depository institutions for originating or receiving a transfer of funds over the Federal Reserve System's wire transfer of funds network and a revised schedule of fees for automated clearinghouse services.

The changes for wire transfer are effective December 27 as are most of the revisions in automated clearinghouse services.

The Board acted under the directives of the Monetary Control Act of 1980, which require the Federal Reserve to charge for its services to depositories.

The Board approved the following schedule of fees for wire transfers and for net settlement service, reducing the fee for basic wire transfers from 60 cents to 55 cents per transfer:

<u>Wire Transfer of Funds</u>		<u>Net Settlement</u> <sup>1/</sup>	
Basic Transfer Originated	\$0.55	Settlement Entry	\$1.30
Basic Transfer Received	\$0.55	Off-Line Settlement	\$8.00
Off-Line Origination	\$5.50	Telephone Advice	\$3.00
Telephone Advice	\$3.00		

The revised schedule of fees for automated clearinghouse services is intended to recover 80 percent of costs, compared to 60 percent in 1984.

In setting its revised fees for ACH services, the Board re-evaluated a number of aspects of ACH fees. These include the use of benefit based fees, the level of transaction fees, fees for delivery by other than electronic means and fee recovery of the costs of handling of ACH return items and notification of change.

<sup>1/</sup> In cases where net settlement arrangements result in higher operating costs than those incurred for standard arrangements, the Reserve Banks may establish higher fees.

Current fees for corporate trade payments will remain in effect.

The attached documents give further details concerning the revision of wire transfer fees and the ACH fee schedule approved by the Board.

The revised ACH fee schedule for 1985 follows:

<u>Transaction Fees</u>		<u>Fixed Fees</u>	
Origination:		Deposit Fees:	
Intra-ACH	1.0 cent	Tape Handling	\$3.00 per tape
Inter-ACH		File Processing	\$1.00 per file
Unsorted	1.8 cents		
Presorted	1.2 cents		
Night Time Surcharges:		Receiver Handling Fees:	
Debits	6.0 cents	Courier	\$3.00 per delivery
Next-Day Credits	3.0 cents	Messenger Pick-Up	\$1.25 per delivery
Receipt:		Telephone Advice:	
Intra-ACH	1.0 cent	Including Ten Pieces of Information	\$2.50
Inter-ACH	1.8 cents	Each Additional Piece of Information	\$0.05
New York	1.2 cents		
Paper Return Items and Notifications of Change	\$2.50		

Attachments

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Fee Schedule for Wire Transfers of Funds and Net Settlement Service.

SUMMARY: The Board of Governors of the Federal Reserve System ("Board") has approved a reduction in the basic fee for originating or receiving a wire transfer of funds from \$0.60 to \$0.55.

EFFECTIVE DATE: December 27, 1984.

FOR FURTHER INFORMATION CONTACT: Elliott C. McEntee, Associate Director (202/452-2231) or Florence M. Young, Manager, Electronic Payments Section, (202/452-3955) Division of Federal Reserve Bank Operations; Gilbert T. Schwartz, Associate General Counsel (202/452-3625) or Elaine M. Boutilier, Attorney (202/452-2418), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: Effective September 27, 1984, the fee for originating or receiving a wire transfer of funds was reduced \$0.05 to a new basic fee of \$0.60 per transfer. 49 Fed. Reg. 35866. At the same time, the Board approved assessing fixed monthly fees to all depository institutions having an electronic connection with the Federal Reserve for one or more priced services, beginning January 1985. 49 Fed. Reg. 36689.

When the reduction in the basic fee was approved, it was stated that if the Reserve Banks' estimates continued to show a net surplus for this service, the Board would consider a further reduction in the basic fee for originating or receiving a wire transfer of funds.

Based on the Reserve Banks' current estimates for the full year 1984, total costs, including the private sector adjustment factor ("PSAF"), are expected to be \$57.1 million, and revenues are anticipated to be \$62.4 million, resulting in a net revenue surplus of \$5.3 million. The volume of basic funds transfers originated is expected to amount to 41.1 million. Accordingly, the Board has approved a reduction in the basic fee for originating or receiving a wire transfer of funds. All other elements of the current fee schedule remain unchanged.

The Reserve Banks' 1985 projections indicate that total costs, including the PSAF, will amount to \$62.8 million. Based on the transaction fee of \$0.55 and on income that will be allocated to the funds transfer and net settlement service from fixed monthly electronic connection fees, 1985 revenues are expected to amount to \$63.0 million, resulting in a net revenue surplus of \$200,000.

Accordingly, the Board has approved the following fee schedule for the wire transfer of funds and net settlement service:

<u>Wire Transfer of Funds</u>		<u>Net Settlement</u> <sup>1/</sup>	
Basic Transfer Originated	\$0.55	Settlement Entry	\$1.30
Basic Transfer Received	\$0.55	Off-Line Settlement	\$8.00
Off-Line Origination	\$5.50	Telephone Advice	\$3.00
Telephone Advice	\$3.00		

By order of the Board of Governors of the Federal Reserve System, November 15, 1984.

(signed) James McAfee

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James McAfee  
Associate Secretary of the Board

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<sup>1/</sup> In cases where net settlement arrangements result in higher operating costs than those incurred for standard arrangements, the Reserve Banks may establish higher fees.

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Fee Schedule for the Automated Clearing House Service.

SUMMARY: The Board of Governors of the Federal Reserve System ("Board"), has approved a revised fee schedule for the Reserve Bank automated clearing house ("ACH") service.

EFFECTIVE DATES: All transaction fees will be implemented on December 27, 1984, except the fee for handling paper ACH return items and notifications of change, which will become effective on January 31, 1985. All fixed fees will be implemented on December 27, 1984.

FOR FURTHER INFORMATION CONTACT: Elliott C. McEntee, Associate Director (202/452-2231) or Florence M. Young, Manager, Electronic Payments Section (202/452-3955), Division of Federal Reserve Bank Operations; Gilbert T. Schwartz, Associate General Counsel (202/452-3625) or Elaine M. Boutilier, Attorney (202/452-2418), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: On March 29, 1984, the Reserve Banks implemented new fees for the ACH service that were set to recover 60 percent of the total costs in accordance with the incentive pricing policy adopted by the Board in April 1982. 49 Fed. Reg. 6564. In accordance with this policy, the revised ACH fees are set to recover 80 percent of the costs of providing commercial ACH services. This incentive pricing

policy was established in order to encourage growth in the ACH service, generally. It is believed appropriate to continue the incentive pricing policy through 1985 in order to avoid disruption among users of Federal Reserve ACH services. At the same time, several aspects of the ACH fee schedule have been re-evaluated. These aspects include: (1) the use of benefits-based fees; (2) the level of transaction fees; (3) the level of fees for non-electronic deliveries; and (4) the practice of recovering the costs associated with handling ACH return items and notifications of change through transaction fees.

Benefits-Based Fees -- The ACH service is used to process two types of transactions--credit transactions and debit transactions. Because the institutions receiving funds, that is, the receivers of credits and the originators of debits, receive the funds earlier through the ACH than they would if a paper check were used, the previous ACH fee schedule assessed higher fees to these ACH participants. This pricing policy was intended to encourage use of the ACH.

Because of the trend towards the use of private sector ACH processing, under the benefits-based fee structure, cross-subsidies would occur among depository institutions using Federal Reserve services and privately operated ACHs. For example, if a user of the Federal Reserve's ACH service originates a credit transaction destined for a privately operated ACH, the originator would be charged 1.0 cent and the



privately operated ACH would be charged 3.0 cents under the current fee schedule. For this reason, the Board believes that continued use of benefits-based fees is inappropriate, and has determined that the same transaction fees will be assessed to originators and receivers of ACH transactions.

Level of ACH Transaction Fees -- The revised fee schedule includes a reduction in inter-ACH fees of approximately 0.2 cent for the originator and the receiver to reflect more accurately the cost of providing this element of the ACH service.

Non-Electronic Delivery Fee -- The non-electronic delivery fees are intended to recover the costs of generating magnetic tapes, diskettes and paper listings containing ACH transactions, preparing them for delivery and delivering them to messengers or via ground transportation. The processing necessary to generate physical output and to prepare it for delivery is a time consuming, labor intensive activity. In addition, ground transportation is costly. The current fees of \$0.75 for messenger pick-up and \$1.75 for ground delivery are not recovering the costs that the Reserve Banks incur in making non-electronic deliveries. Therefore, the non-electronic delivery fees will be increased to \$1.25 for each messenger pick-up and to \$3.00 for each delivery to institutions using Federal Reserve transportation.

ACH Return Items and Notifications of Change -- The costs of processing return items and notifications of

change<sup>1/</sup> are currently recovered through basic transaction fees. About 96 percent of return items and notifications of change are deposited with the Federal Reserve in paper form. As a result, return item processing tends to be an extremely labor intensive and costly operation and constitutes a disproportionately high share of ACH operating costs. Assessing the full costs of return item processing to institutions returning transactions would result in the costs of the ACH service being assessed to users more equitably. In addition, the efficiency of the ACH mechanism can be improved by assessing a fee for return item processing to encourage depository institutions to deposit automated return items. Therefore, the Board has approved a fee of \$2.50 for handling paper ACH return items and notifications of change. The Reserve Banks plan to begin converting ACH return items and notifications of change to automated form on January 31, 1985, and the fee for handling these items will be implemented on that date.

While it may be desirable to assess a fee for automated return items and notifications of change, it is not now possible because of operating considerations. The Reserve Banks will be implementing new ACH software and have discontinued making modifications to the current ACH software. The current software does not provide the capability to assess

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<sup>1/</sup> Notifications of change are used by receiving institutions to advise originators of recurring transactions about changes in such elements as customers' names and account numbers.

a fee for automated return items and notifications of change. However, when the new ACH software is implemented the Board will review the possibility of assessing a fee for automated return items and notifications of change.

Cost, Volume, and Revenue Projections -- At the 80 percent recovery rate, Reserve Bank commercial ACH costs, including the PSAF and float, are projected to amount to \$18.0 million for 1985. Revenues are estimated at \$18.4 million, resulting in a net revenue surplus of approximately \$400,000.

Accordingly, the Board has approved the following fee schedule for the Federal Reserve's ACH service:

Transaction Fees

Origination:

Intra-ACH	1.0¢
Inter-ACH	
Unsorted	1.8¢
Presorted	1.2¢

Night Time Surcharges:

Debits	6.0¢
Next-Day Credits	3.0¢

Receipt:

Intra-ACH	1.0¢
Inter-ACH	1.8¢
New York	1.2¢

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Paper Return Items and Notifications of Change	\$2.50
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Fixed Fees

Deposit Fees:

Tape Handling	\$3.00 per tape
File Processing	\$1.00 per file

Receiver Handling Fees:

Courier	\$3.00 per delivery
Messenger Pick-Up	\$1.25 per delivery

Telephone Advice:

Including Ten Pieces of Information	\$2.50
Each Additional Piece of Information	\$0.05

The current fees for corporate trade payments will remain in effect. Also, institutions having an electronic connection with the Federal Reserve will be assessed monthly fees as approved earlier by the Board. 49 Fed. Reg. 36689.

By order of the Board of Governors of the Federal Reserve System, November 15, 1984.

(signed) James McAfee

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James McAfee  
Associate Secretary of the Board