FEDERAL RESERVE BANK OF DALLAS

Station K, Dallas, Texas 75222

Circular No. 84-121
December 14, 1984

TO: All depository institutions in the Eleventh Federal Reserve District

ATTENTION: Chief Executive Officer

SUBJECT: **Request for public comment on a revision to the fee schedule for the book-entry securities safekeeping service**

SUMMARY:

The Board of Governors of the Federal Reserve System is requesting public comment on a proposed 75 cent fee to cover the settlement costs associated with a securities transfer transaction.

DETAILS:

The Board of Governors of the Federal Reserve System has requested public comment on a revision to the fee schedule for the book-entry securities safekeeping service. The proposed revision is a result of a determination by the Department of the Treasury that the safekeeping and transfer of Treasury book-entry securities are performed by Federal Reserve Banks as fiscal agents on behalf of the Treasury.

Accordingly, the Treasury has proposed a fee schedule for the transfer of its book-entry securities and is requesting comment on the proposal by January 16, 1985. The proposal does not include any fees for account maintenance or for the processing of payments associated with a securities transfer. The proposed fee of 75 cents will cover payment settlement costs. This fee will be applied to all securities transfers involving U.S. Treasury issues.

After combining the proposed Treasury and Federal Reserve fees, the on-line transfer fee will be $2.25 instead of the current $3.00. In addition, the off-line fee will be lowered to $7.00 from the current $10.00 fee.

It is anticipated that the fees for Treasury book-entry securities transfers and the related funds settlement will be charged directly to reserve or clearing accounts on a daily basis, rather than as part of priced service billings. Since these proposed changes affect only U.S. Treasury securities, the existing pricing and billing arrangements will continue to apply to agency book-entry securities pending further review.

Interested parties are invited to submit comments to William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington D.C. 20551. Comments must be received by January 16, 1985, and should refer to Docket No. R-0534.

ATTACHMENTS: The Board's notice and the Treasury's proposal

MORE INFORMATION: Lynn Vick, (214) 651-6263 at the Head Office; Robert W. Schultz, (915) 544-4730 at the El Paso Branch; Andrew W. Hogwood, (713) 659-4433 at the Houston Branch; or Tony G. Valencia, (512) 224-2141 at the San Antonio Branch

ADDITIONAL COPIES: Public Affairs Department, Extension 6289

PRINTED IN THE FEDERAL REGISTER MONDAY, DECEMBER 3, 1984

Department of the Treasury

Fiscal Service

Agency: Department of the Treasury, Fiscal Service, Bureau of the Public Debt

Action: Notice of intent to establish a fee schedule for the transfer of U. S. Treasury book-entry securities held at Federal Reserve Banks.

Summary: The Department of the Treasury has determined that fees imposed for the transfer of book-entry Treasury securities between depository institutions maintaining accounts therefor at Federal Reserve Banks should be identified and collected as Treasury fees. This determination has resulted in the formulation of a proposed Treasury book-entry fee schedule, which is herein published for comment.

Effective Date: The fee schedule set out in this notice will be effective on March 28, 1985, subject to any changes the Department may deem appropriate as a result of comments received. Final notice of the adoption of the fee schedule will be provided no later than thirty (30) days prior to the above effective date.

Dates: Comments must be received on or before January 16, 1985.

Addresses: Comments should be directed to the Office of Financing, Bureau of the Public Debt, Room 310 Washington Building, Washington, D. C. 20239.

For further information contact: Carl M. Locken, Jr., Acting Assistant Commissioner (Financing), Bureau of the

Public Debt, Washington, D. C. 20239, telephone (202) 376-0319, or Anne M. Meister, Federal Reserve Liaison Officer, Bureau of the Public Debt, Washington, D. C. 20239, telephone (202) 376-0249.

Supplementary Information:

The Federal Reserve Banks are authorized, as fiscal agents of the United States, to maintain Treasury book-entry securities in accounts for depository institutions and to transfer such securities between accounts held at the same Bank, or at different Banks.

Until 1981, the Treasury charged a fee for the transfer of Treasury securities between Federal Reserve Banks. Since that time, the Federal Reserve System's schedule of fees for Securities Services has included charges for both the maintenance by Reserve Banks of book-entry accounts and for the transfer of securities between accounts.

As a result of a recent review, the Treasury has determined that:

1) Any fees charged in conjunction with book-entry activities performed on behalf of the Treasury by the Federal Reserve Banks should be clearly identified as Treasury fees;
2) The Treasury would continue to impose a fee on depository institutions for transfers of book-entry Treasury securities conducted by the Federal Reserve Banks, as fiscal agents of the United States, between accounts held at the same, or different, Federal Reserve Banks.

3) The fee for account maintenance heretofore imposed would be terminated.

As the proposed fee schedule shown below indicates, the Treasury plans to charge a fee to depository institutions for each on-line transfer originated, each off-line transfer originated, and each off-line transfer received. The fees will be established on a national basis, with no variance for the time of day a security is transferred. No fee shall be assessed for transfers to and from collateral accounts supporting borrowings from the Federal Reserve or Treasury deposits.

The Treasury fee relates only to the transfer of the securities. The Federal Reserve will assess an additional fee for the processing of payments associated with a securities transfer transaction where securities are transferred against payment. The Federal Reserve fee for handling such payments is set out in a separate notice being published by the Board of Governors of the Federal Reserve System. Treasury fees for securities transfers will be collected by the Federal Reserve Banks, as fiscal agents of the United States, for deposit to the Treasury.

The following is the proposed Treasury fee schedule for Treasury securities transfers:

FEE SCHEDULE

On-line transfers originated	$1.50 per transfer
Off-line transfers originated	$6.25 per transfer
Off-line transfers received	$6.25 per transfer

Carole Jones Dineen

Carole Jones Dineen,
Fiscal Assistant Secretary.

FEDERAL RESERVE SYSTEM

(Docket No. R-0534)

U.S. TREASURY BOOK-ENTRY SECURITIES SERVICE

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Request for comment.

SUMMARY: The Board of Governors is requesting public comment on a proposed fee for the funds settlement component of the secondary market book-entry transfer of U.S. Treasury securities.

DATE: Comments must be received by January 16, 1985.

ADDRESS: Comments, which should refer to Docket No. R-0534, 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: Gerald D. Manypenny, Manager (202/452-3954) or Brada W. Panther, Analyst (202/452-2831), 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, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUMMARY: The Federal Reserve's book-entry securities service provides for safekeeping and transfer of book-entry securities. Book-entry securities issued by the United States Treasury are the principal securities in the Federal Reserve's book-entry system. Prior to 1981, fees for Treasury book-entry securities services were established by the Department of the Treasury. However, with the implementation of pricing for Federal Reserve services under the Monetary Control Act of 1980 ("MCA"), the account maintenance and secondary market transfers of Treasury book-entry securities were regarded by the Federal Reserve as priced services under the MCA.

Based upon a review of the roles of the Federal Reserve and the Treasury in providing this service, the Treasury Department has concluded that the secondary market book-entry service provided by the Reserve Banks for U.S. Treasury securities should be regarded as a fiscal agency activity conducted on Treasury's behalf rather than as a priced service under the MCA. Consequently, the Treasury has determined that fees charged for the book-entry securities activity performed on behalf of the Treasury by Reserve Banks as fiscal agents will be established by the Treasury and collected by Reserve Banks on behalf of the Treasury. In this regard, by separate announcement the Treasury Department is requesting public comment on a proposed fee schedule for this activity. The Treasury's proposed fee schedule would contain

no charge for account maintenance but would impose fees of $1.50 for securities transfers originated on-line and $6.25 for securities transfers originated or received off-line.[1/]

A book-entry securities transfer message typically contains two elements, the securities transfer and the accompanying funds settlement and related accounting. The Federal Reserve and the Treasury have determined that the funds settlement element of a securities transfer message is not a fiscal agency activity performed by the Reserve Banks on behalf of the Treasury. Therefore, the fees proposed by the Treasury for this service do not include funds settlement.

Separation of the funds settlement activity from the securities transfer element may have a disruptive effect on the secondary market since the settlement may not take place at the same time the securities are transferred. Funds settlement is believed necessary to support secondary market activity in book-entry Treasury securities. Accordingly, the Board believes it appropriate to regard the funds settlement element as an activity incidental to the provision of the securities transfer fiscal agency service on behalf of the Treasury Department rather than as a priced service under the MCA.

1/ Current Federal Reserve fees provide for a monthly account maintenance fee of $15 plus $0.50 per issue in the account, and transfer fees of $3 for transfers originated on-line and $10 for transfers originated or received off-line.

The Board also believes that the Federal Reserve's costs of providing the funds settlement element should be recovered from users of the service. Consequently, the Board has determined to solicit public comment on a fee of $0.75 per book-entry securities transfer to recover these costs. This fee would cover the direct, support, overhead and float costs associated with this element and would be in addition to the fees announced by the Treasury. Since the funds settlement activity is incidental to the provision of a fiscal agency service, the fee does not take into account the private sector adjustment factor. Further, it is proposed that income from this fee would be regarded as a recovery of costs rather than as revenue.

By order of the Board of Governors of the Federal Reserve System, November 29, 1984.

(signed) James McAfee

James McAfee
Associate Secretary of the Board