



FEDERAL RESERVE BANK
OF DALLAS

ROBERT D. McTEER, JR.
PRESIDENT
AND CHIEF EXECUTIVE OFFICER

March 8, 1991

DALLAS, TEXAS 75222

Notice 91-17

TO: The Chief Executive Officer of each
member bank and others concerned in
the Eleventh Federal Reserve District

SUBJECT

Postponement of the Implementation of a
New \$10 Monthly Automated Clearinghouse
Participation Fee

DETAILS

The Federal Reserve Board has postponed the implementation of a new \$10 monthly automated clearinghouse (ACH) participation fee that had previously been scheduled to take effect on April 1, 1991. The Board also has modified the manner in which the fee will be applied during 1991.

These actions are being taken to address concerns raised by some institutions that they would not be able to act on a sufficiently timely basis to avoid paying multiple participation fees beginning in April 1991.

The new participation fee will become effective on July 1, 1991. During the remainder of 1991, it will apply only with respect to participant records that have commercial ACH volume in a given month.

ATTACHMENT

A copy of the Board's notice (Federal Reserve System Docket No. R-0710) is attached.

MORE INFORMATION

For further information, please contact Johnny Johnson at (214) 651-6641. For additional copies of this notice, please contact the Public Affairs Department at (214) 651-6289.

Sincerely yours,

A handwritten signature in cursive script that reads 'Robert D. McTeer, Jr.' is positioned below the 'Sincerely yours,' text.

Federal Reserve System
[Docket No. R-0710]
Federal Reserve Fees for Automated Clearing House Service
Modifications to the ACH Participation Fee

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Modification to the ACH fee schedule.

SUMMARY: The Board is delaying the implementation of a new \$10 monthly ACH participation fee that had previously been scheduled to take effect on April 1, 1991 and is modifying the manner in which the fee will be applied during 1991. These actions are being taken to address concerns raised by some institutions that they would not be able to act on a sufficiently timely basis to avoid paying multiple participation fees beginning in April 1991. The new participation fee will become effective on July 1, 1991, and during the remainder of 1991 will apply only with respect to participant records that have commercial ACH volume in a given month.

EFFECTIVE DATE: The ACH participation fee becomes effective July 1, 1991.

FOR FURTHER INFORMATION CONTACT: Louise L. Roseman, Assistant Director (202/452-3874), Gayle Brett, Manager (202/452-2934), or Scott Knudson, Senior Financial Services Analyst (202/452-3959), Division of Reserve Bank Operations and Payment Systems; for the hearing impaired only: Telecommunications Device for the Deaf, Dorothea Thompson (202/452-3544).

SUPPLEMENTARY INFORMATION:

On October 31, 1990, the Board approved the introduction of a monthly participation fee for the automated clearing house (ACH) service. [55 FR 46720, November 6, 1990] Under the new fee structure, the Reserve Banks would assess a monthly fee of \$10 for each commercial ACH participant (represented by a routing number on the ACH Customer Information File (CIF)), beginning on April 1, 1991.¹ This fixed monthly fee is designed to recover costs that are influenced by the number of participants rather than by volume. These costs include accounting-related costs, such as billing and settlement, the costs of providing statistical reports, and the costs of maintaining routing numbers on the CIF.

Since the announcement of the new fee, several depository institutions and ACH associations have raised concerns about the ability of many institutions to reduce the number of routing numbers before the April 1 effective date in order to avoid paying multiple participation fees. These difficulties are related to the apparent time it takes for the commercial ACH notification of change (NOC) process to reroute ACH payments to a different routing number and the need to monitor routing numbers for payment activity for a number of months to ensure that they are indeed dormant. A number of depository institutions have a large number of routing numbers on

¹Also effective April 1, the Board approved a decrease in the interdistrict per item transaction fee and an increase in the fees for processing return items.

the ACH CIF; many of these numbers are inactive or support only minimal volume.

The Reserve Banks have made information available to depository institutions on the routing numbers included on the CIF together with the recent volume associated with each routing number. Even though some institutions have begun efforts to reduce the number of routing numbers by sending NOCs to originators of payments, these institutions have indicated that payments may continue to be sent to these routing numbers for some time. Some depository institutions have indicated reluctance to eliminate these routing numbers even after taking action to reroute payments because they cannot be assured that the originator has complied with NOC instructions until the next payment cycle has been completed. Due to the infrequent nature of some payments, this process may be quite lengthy.

In order to address these concerns, the Board is delaying the implementation of the participation fee until July 1, 1991. The July 1 implementation date will provide depository institutions that have multiple routing numbers on the CIF additional time to migrate commercial ACH transactions to a fewer number of routing numbers, if they so choose. The Board is also modifying the manner in which the fee will be applied during 1991. The Reserve Banks will assess the participation fee only for those routing numbers that have commercial ACH volume in a given month. This policy will be effective until January 1, 1992, at which time the Federal Reserve Banks will begin assessing the monthly fee for all routing numbers

maintained on the CIF that are eligible to receive commercial ACH items, regardless of volume levels. These actions will allow depository institutions to maintain inactive routing numbers on the CIF until January 1, 1992 without being assessed the participation fee with respect to these inactive numbers, so that they can ensure that payment activity has ceased prior to deleting them.

Other ACH fee changes that were approved by the Board in October 1990 that decreased the interdistrict per item transaction fee and increased fees for processing return items will be implemented April 1, 1991, as planned.

The Federal Reserve continues to believe that the elimination of inactive routing numbers will improve overall ACH processing efficiency by reducing the cost of maintaining the CIF, by eliminating many accounting and billing statements, and by reducing statistical processing and reporting. By modifying the manner in which the participation fee is applied until January 1, 1992, the Board intends to provide depository institutions with the ability to manage the elimination of inactive routing numbers more effectively and maintain the incentives for depository institutions to act promptly in their efforts to identify and eliminate unnecessary routing numbers.

These modifications will not materially affect the cost recovery for the ACH service. The Board anticipates that projected revenue from the participation fee will be reduced by approximately \$430,000 due to the delay in its implementation and the modification to the manner in which it is applied, which would lower the

projected 1991 ACH cost recovery by 0.8 percent to 98.0 percent. This revenue reduction may be offset, at least in part, by unbudgeted revenue generated by a larger number of NOCs as depository institutions attempt to eliminate volume on routing numbers that currently receive little ACH volume. Also, it appears that further cost reductions can be achieved through the anticipated deferral of some budgeted expenses related to the development of new ACH software. Therefore, the Board estimates that 1991 ACH cost recovery, assuming the delay in the implementation of the participation fee, will be substantially similar to the 98.8 percent target previously approved by the Board.

By order of the Board of Governors of the Federal Reserve System, February 13, 1991.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board