



FEDERAL RESERVE BANK
OF DALLAS

HELEN E. HOLCOMB
FIRST VICE PRESIDENT AND
CHIEF OPERATING OFFICER

DALLAS, TEXAS
75265-5906

April 18, 1997

Notice 97-39

TO: The Chief Operating Officer of
each financial institution in the
Eleventh Federal Reserve District

SUBJECT

**Cash Services
Federal Reserve System
Uniform Cash Access Policy**

DETAILS

On May 10, 1996, we notified you that the Board of Governors of the Federal Reserve System approved a new Uniform Cash Access Policy that will introduce greater uniformity among the Federal Reserve Banks in providing access (deposits and orders) to cash services. This policy will be effective on May 4, 1998.

Many Districts currently allow **all endpoints** of a depository institution access to free currency services, while others limit access based on dollar values and volume. The new System policy will allow each institution one order and one deposit free per week for up to **ten designated endpoints**. Beyond ten endpoints, Reserve Bank Offices will also provide free access to endpoints whose volumes exceed a specified volume level. A fee-based option will also be available for additional accesses. The preliminary estimate of the range of fees for additional service not meeting volume requirements for free access is twenty to thirty dollars per deposit or order.

If you have fewer than ten endpoints, or if you have consolidated your depositing and ordering so that ten or fewer endpoints use the Federal Reserve's cash services once each week, the System's Uniform Policy will have little or no impact on your operations. If your institution has more than ten endpoints directly using cash services, or if your endpoints receive service more than once each week, more significant changes may be needed so that you may continue to receive all of your currency accesses free of charge. By January 1, 1998, you will

For additional copies, bankers and others are encouraged to use one of the following toll-free numbers in contacting the Federal Reserve Bank of Dallas: Dallas Office (800) 333-4460; El Paso Branch *Intrastate* (800) 592-1631, *Interstate* (800) 351-1012; Houston Branch *Intrastate* (800) 392-4162, *Interstate* (800) 221-0363; San Antonio Branch *Intrastate* (800) 292-5810.

begin receiving monthly reports that will detail your present use of Federal Reserve currency services. These reports should help you determine the potential impact of the upcoming changes before they occur. We are also planning regional seminars to discuss the new policy and other cash-related issues. The date and location of these seminars will be announced shortly.

ENCLOSURES

A brief description of the new policy and a question-and-answer document are enclosed. A detailed description of the new Federal Reserve System policy, Board of Governors' Docket R-0922, can be found in Volume 61, Number 84 of the Federal Register, dated April 30, 1996, pp. 19062-19064.

MORE INFORMATION

For more information, please contact Don Curtis, (214) 922-6808, at the Dallas Office; Dieter Stanchos, (915) 521-8265, or Susanna A. Jimenez, (915) 521-8266, at the El Paso Office; Marilyn Snider, (713) 652-1521, or Adrayll Askew, (713) 652-1609, at the Houston Office; Richard Gutierrez, (210) 978-1401, or Mario Garcia, (210) 978-1300, at the San Antonio Office.

For additional copies of this Bank's notice, please contact the Public Affairs Department at (214) 922-5254.

Sincerely,

Helen E. Holcomb

DESCRIPTION OF THE FEDERAL RESERVE UNIFORM CASH ACCESS POLICY

On April 25, 1996, the Board of Governors of the Federal Reserve System approved a new Uniform Cash Access Policy that will introduce greater uniformity in the level of access to cash service across all Federal Reserve Districts. At present, there are inconsistencies in cash access levels among Federal Reserve Offices. For example, significant variations exist from one Federal Reserve Office to another in both the frequency of cash access afforded depository institutions (from unrestricted access to limited access based on dollar values and volumes) and the number of endpoints served per depository institution. Greater consistency in Federal Reserve policies and access levels will become increasingly important as a greater number of depository institutions have a presence in multiple Federal Reserve Districts.

The new policy was developed within the following framework: 1) the structure of cash services should include a common, base level of free access to achieve greater uniformity in Federal Reserve cash access levels; 2) the base level of free cash access should be consistent with a wholesale role for the Federal Reserve Banks; and 3) Federal Reserve Banks that choose to provide cash services exceeding the base level may do so for a fee, where demand and need exist.

The new Uniform Cash Access Policy will become effective on May 4, 1998. The important features of the new policy are listed below.

Number of Endpoints Eligible for Free Cash Access

- Each depository institution with a banking presence in a Federal Reserve Office territory can designate up to **ten endpoints** to receive free cash access (deposit and order) from the local Federal Reserve Office.
- In addition to the ten endpoints, free cash access will be provided to large endpoints where volumes meet a specified large volume threshold and the local Federal Reserve Office's denomination bundle standard is satisfied. Each Federal Reserve Office "high bundle threshold" is 50 bundles. In order for a depository institution to receive free access for more than ten endpoints, all endpoints should meet the high bundle threshold.
- Depository institutions must include the known large endpoints exceeding the high bundle threshold in the original ten designated endpoints to receive free access.

Frequency of Access

- Normal free access for each of the ten designated endpoints of the depository institution will be one deposit and one order per week.
- More frequent access than once per week will be available to the ten designated endpoints free of charge where volumes meet a twenty-bundle aggregate threshold *and* the local Federal Reserve Office's denomination bundle standard is satisfied.

Fee-Based Access

- Federal Reserve Banks may accommodate additional access where demand exists, subject to the constraints of the physical facilities at each Federal Reserve Office. If Federal Reserve Banks offer additional access to cash services, this access must be for a fee.
- Each Federal Reserve Bank will establish its fee for additional cash access. The fee for an additional access will recover the cost of access to the Federal Reserve only and will not include the costs of the central bank functions of the Federal Reserve's cash services, such as vault storage, processing, and destruction of currency.

The new policy does not change the packaging standards for currency orders or deposits, which are defined in our Operating Circular 5. Moreover, current rules on cross-shipping will continue under the new cash access policy. The new cash access policy will have provisions to accommodate bank mergers and acquisitions by offering a one-year window for compliance.

Federal Reserve Banks have already begun addressing the operational details of implementing this new policy and will be working closely with depository institutions to ensure a smooth transition on May 4, 1998.

A detailed description of the new Federal Reserve System policy, Board of Governors' Docket R-0922, can be found in Volume 61, Number 84 of *Federal Register*, dated April 25, 1996, pp. 19062-19064. If you have any questions regarding the new policy, please contact Don Curtis (214) 922-6808, at the Dallas Office; Dieter Stanchos, (915) 521-8265, or Susanna A. Jimenez, (915) 521-8266, at the El Paso Office; Marilyn Snider, (713) 652-1521, or Adrayll Askew, (713) 652-1609 at the Houston Office; Richard Gutierrez, (210) 978-1401, or Mario Garcia, (210) 978-1300, at the San Antonio Office.

UNIFORM CASH ACCESS POLICY (UCAP)

QUESTIONS AND ANSWERS

Free Access Issues:

- 1) Suppose your Institution orders 20 or more bundles to one of its ten designated endpoints during a particular week. It then orders less than 20 bundles during the same week.

A) Is only one order free or are both free? If only one order is free, which of the two orders is free?

B) Suppose the first order was 16 bundles and the second order was 20 or more bundles during the same week. Are both orders free accesses?

The UCAP does not state that the first access (deposit or order) is free, and that subsequent accesses should meet the volume threshold to qualify for free access. In the two examples above (A & B), both orders will be free. For each ten designated endpoints, the UCAP allows one free deposit and one free order weekly without any volume restrictions. Any additional accesses must meet the twenty bundle threshold to qualify as a free access.

- 2) In the interstate banking environment, will billing statements come from the primary District?

In delivering billing statements, there will be no change under the new interstate account structure. All billing charges will settle in one account held at one Reserve Bank. Billing charges for routing numbers used to process currency transactions will be broken out by subaccount. So that it can continue to get multiple billing deliveries, an institution can direct its statement to the local Reserve Bank of its subaccounts.

- 3) How will your endpoints be defined?

Legitimate endpoints consist of the head office, branch offices, and any cash operation center(s) or vault(s).

- 4) Can I receive free FR office cash access to ten endpoints under the new policy, even though I may currently have less than ten endpoints?

No. The UCAP states that each institution can receive free cash access for up to ten endpoints. For example, if your institution has only three endpoints in an FR office territory, only three endpoints can receive free access. Institutions with more than ten legitimate endpoints can receive free access to ten endpoints. A Bank Holding Company, with multiple separately-chartered institutions, cannot transfer any unused free access from one institution to another institution. Similarly, institutions requiring access to less than ten endpoints cannot sell or transfer their unused free access to another institution.

- 5) Can my institution receive free cash access for additional endpoints beyond the designated ten?

Yes, under certain conditions. Under its role as a "wholesale" supplier of currency, the FR office will provide free cash access to endpoints beyond ten, provided these additional endpoints meet the local FR office's large volume (high bundle) threshold and satisfy the local denomination bundle standard.

- 6) Can I designate ten small-volume endpoints to receive free cash access and then expect free access service to endpoints beyond the designated ten because these additional endpoints meet the large volume (high bundle) threshold?

No. The UCAP requires that institutions include all large volume locations in their designated ten free access endpoints. The intent of the UCAP is that if an institution receives free access to more than ten endpoints, all designated endpoints must satisfy the large volume test.

- 7) Once I designate the ten endpoints for free access, can I make changes to them?

An institution may require changes to the designated ten endpoints due to various, valid business reasons, such as seasonality, special events, or new or closed branches. At least one month advance notice is expected from you when you request a change in the designated ten endpoints.

- 8) Are there any exceptions to the one deposit and one order per week rule for free access?

Yes. Any of the ten designated endpoints may receive more frequent access than once per week (order or deposit) if volumes equal or exceed a 20 bundle aggregate threshold and satisfy the local FR office's denomination bundle standard.

- 9) If a designated free endpoint does not use one of its free accesses (deposit or order) in any given week, may that endpoint accumulate accesses for use later?

No. You cannot transfer missed access opportunities from one week to another week.

- 10) If a respondent bank uses a correspondent bank for its Reserve Account entries, which institution is receiving the cash access service from the FR office?

The flow of accounting charges/credits is not relevant to the UCAP. The Cash Department records will reflect the respondent bank as the transaction originator, which is the receiver of the access.

- 11) Are registered mail shipments, deposits or orders, considered cash service accesses?

Yes. Deposits and orders sent registered mail are considered cash accesses. Even if the basic access is free, any registered mail surcharge levied by the local FR office will apply. In determining access charges, large registered mail orders and/or deposits that are split into two or more orders or deposits for insurance reasons will be considered one order or one deposit.

- 12) What day is considered the access day?

The access [order or deposit] day is the day the currency shipment leaves from or is received onto the FR office dock.

- 13) The UCAP states that there would be a one year adjustment period to accommodate bank mergers and acquisitions. When does this one year period begin?

For one year after the official date of the merger or acquisition (when the merged institutions are officially operating as one), the merged institutions can receive the same level of free access as they received at the time of the merger. After one year, FR offices will treat the legally merged institutions as one entity under the UCAP. In some cases, the merged institution, at some point, may reduce its access to FR office cash services earlier than one year.

- 14) Will there be any change to the current cross-shipping rules under the UCAP?

No. The UCAP and the cross-shipping rule are mutually exclusive. FR offices will continue to enforce the cross-shipment policy, unless waived explicitly to accommodate events such as the introduction of new currency.

- 15) Does the UCAP affect the coin and food coupon services offered by the cash department?

No. The announced policy pertains only to currency deposit and order services provided by FR offices. Deposits of contaminated currency are not subject to access charges.

- 16) Will I be able to offset any cash access-related charges with earnings credits that have accrued under my clearing balance?

No. Much like Account Information Services and certain computer terminal fees, cash access fees cannot be offset by earnings credits.