

# Federal Reserve Notes

Federal Reserve Bank of San Francisco • December 1984

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## POLICY DEVELOPMENTS

### Discount Rate Lowered

On November 21, 1984, the Federal Reserve Board approved the reduction in the discount rate from 9 percent to 8½ percent requested by the Reserve Banks. The discount rate is the rate charged depository institutions for borrowings from Federal Reserve Banks.

In making its decision, the Board considered that the M1 and M2 monetary aggregates were in the lower part of their target ranges, that the pace of business expansion had moderated, that producer and commodity prices in recent months had remained relatively stable, that wages and costs were following a restrained trend, and that the dollar continued to be strong in the foreign exchanges.

### Shortfalls and Surpluses from Federal Reserve Priced Services

The Federal Reserve Board has issued a policy statement on "Surpluses and Shortfalls that Arise from the Provision of Federal Reserve Priced Services". In sum, the policy states that Reserve Bank fees for Federal Reserve services will be established to generate sufficient revenue to cover the anticipated costs of providing services to depository institutions for the current **calendar year**, rather than to offset prior years' surpluses and shortfalls.

Copies of the Board's Policy Statement are available from Corporate Services at (415) 974-2752.

## REGULATIONS AND OPERATIONS UPDATE

### Automated Processing of ACH Paper Return Items

Beginning **February 7, 1985**, all ACH paper return items and notifications of change deposited with the Federal Reserve will be converted to an automated form at the Federal Reserve office of first deposit. This improvement should almost totally eliminate the return of paper items to originating depository institutions and speed the availability of paper return items.

In conjunction with the change, the deposit closing time for paper items will be 0300 (PST). Settlement for **all** items, both intra- and interregional, received by this time will be processed on the same day. All paper return items received after this closing time will be settled on the next banking day.

Effective **July 1, 1985**, originating institutions will no longer be allowed to receive return items and notifications of change in paper form when all other ACH payments are delivered to them in machine-readable form. Also, a fee of \$2.50 will be assessed to the returning institution for each commercial paper return item and notification of change deposited with the Federal Reserve.

These changes are intended to contribute to the continued evolution of the ACH toward a fully electronic payments mechanism. For details, please contact the Financial Services Officer at the Federal Reserve Branch serving your territory.

### Permitted Uses of Fedwire

Circular 3, **Wire Transfers of Funds**, has been amended to clarify that a Reserve Bank has no responsibility for completing a transfer in a timely manner if delay is due to impeding uses of the communication link by the receiving depository institution.

In addition, language in the San Francisco Reserve Bank's current FedLine, OnLine, and Computer Interface Agreements that restrains depository institutions from using rented equipment "for any application offered by a source other than the FRB that is also available from the FRB via telecommunication" has been deleted.

For further information, please contact the Financial Services Officer at the Federal Reserve Branch serving your territory.

## REGULATIONS AND OPERATIONS UPDATE (continued)

### **Regulations G,T & U List of Marginable OTC Stocks**

A revised list of over-the-counter (OTC) stocks subject to its margin regulations has been published by the Federal Reserve Board and took effect **November 13, 1984**.

For the first time, the list includes all securities qualified for trading in the National Market System portion of NASDAQ as well as other over-the-counter securities designated by the Board. The Board will publish its OTC list on a quarterly basis.

For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.

## FOR PUBLIC COMMENT

### **Definitive Securities Safekeeping and Non-Cash Collection Services Fees**

The Federal Reserve Board has requested public comment by **December 28, 1984**, on changes in the structure of fees charged for Federal Reserve Banks' definitive securities safekeeping and non-cash collection services:

**Definitive Securities Safekeeping:** (1) Introduction of a re-registration fee (to recover the cost of sending a registered security to a transfer agent for re-registration) and (2) an additional fee for maintaining coupon-bearing securities. Since the San Francisco Reserve Bank does not offer any definitive securities safekeeping services except under certain collateral arrangements, these fees would not be implemented in the Twelfth District.

**Non-Cash Collection:** (1) Introduction of a fee charged the depositor for any coupon deposit that is returned as uncollectible; (2) the option for a Reserve Bank to adopt a mixed deposit program, which allows a depository institution to deposit all of its coupons in one mixed deposit; and (3) the option for a Reserve Bank to charge a higher fee to recover the additional costs of collecting non-cash items payable at country endpoints. The Twelfth District would charge the depositor a \$10 fee for each coupon deposit returned as uncollectible, but presently has no plans for making use of the two proposed options.

Copies of the Board's notice are available from Corporate Services at (415) 974-2752. For further information, please contact David Kerr at (415) 974-2345.

### **Two-Tier Pricing for Checks**

The Board is requesting public comment by **January 11, 1985**, on a proposal to assess different fees for certain checks deposited with Reserve Banks for collection. The difference in fees would depend upon whether the checks are destined for high- or low-volume endpoints. Unit costs generally are higher for items destined for low-volume endpoints because transportation and fixed processing costs, which do not vary with volume, are spread across fewer items. Under the current fee structure, Reserve Banks assess the same fee for all checks drawn on institutions within the same availability zone.

Copies of the Board's notice are available from Corporate Services at (415) 974-2752. For further information, please contact Anne Wright in Checks Services at (415) 974-3291.

### **Regulation Z Truth-in-Lending**

The Federal Reserve Board is asking for public comment by **January 30, 1985**, on proposed changes to the official staff commentary on Regulation Z — Truth-in-Lending. The proposed changes pertain to questions that have arisen about the regulation, including new interpretations and changes to existing interpretations.

The Board's notice is available from Corporate Services at (415) 974-2752. For further information, please contact David Vandre in Consumer Affairs at (415) 974-2965.