

Federal Reserve Notes

Federal Reserve Bank of San Francisco • October 1985

Serving Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Utah, & Washington

NEW SERVICE

FedLine and On-Line Equipment Purchase Option

The Federal Reserve Bank of San Francisco is offering a purchase option to all FedLine and on-line customers who have leased equipment from the Bank for a minimum of twelve months. The purchase price for a complete configuration (system unit, monitor, printer and cables) will range from \$950 to \$2454, with the actual price depending on the number of lease payments made to date. This new offer took effect September 9, 1985 for FedLine customers and September 11, 1985 for on-line customers.

Purchase contracts should be signed and returned to the local Financial Services Officer by **December 1, 1985**. Depository institutions that choose to continue leasing FedLine equipment are asked to sign a new long-term lease agreement that will cover a period starting from the original leasing date and that will be thirty-six months in length. On-line customers not choosing the purchase option may continue with their current month-to-month leasing arrangement without signing a new lease. For further information, please contact the local Financial Services Officer.

INFORMATION ON REPOS

The Federal Reserve System has embarked on a public education program designed to provide information about managing the risks involved in participating in the repurchase agreement market. A free package of information materials may be obtained by writing to "Repo Education Program", Public Information Department, Federal Reserve Bank of San Francisco, P.O. Box 7702, San Francisco, CA 94120.

Educational materials also will be made available at a half-day public seminar on repurchase agreements to be held in San Francisco on October 31, 1985. Invitations to the seminar have been sent to the chief financial officers of depository institutions, county and municipal governments, and school districts in California. Others interested in attending the seminar should write to the above address.

REGULATIONS AND OPERATIONS UPDATE

Collection of Cash Items — Notice of Nonpayment

As noted previously, the Federal Reserve Board has amended Regulation J to improve the system of notification of nonpayment of large-dollar return items (checks of \$2500 or more).

Effective **October 1, 1985**, a depository institution on which a large-dollar check is drawn is required to notify the institution of first deposit within a specified time limit that the check is being returned. Circular 1, "Collection of Cash Items," has been revised to reflect these changes.

Because of the new notification requirements, the Federal Reserve encourages all institutions to review their check endorsement procedures to ensure that endorsements are legible and in compliance with ANSI standards, including use of **only** current and complete (9-digit) routing numbers.

Copies of the revised Circular 1 and/or an information brochure titled "Return Item Notification: Information About the New Requirement," are available from Corporate Services at (415) 974-2752. For further information, please contact the Payments Services officer serving you. For more information about check endorsement standards, contact ANSI, 1430 Broadway, New York, NY 10018 or (212) 354-3473.

REGULATIONS AND OPERATIONS UPDATE (continued)

FFIEC Uniform Examination Report

The Federal Financial Institutions Examination Council (FFIEC) has adopted a uniform examination report to be used by the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency. The Council set September 1, 1985 as the implementation date for the new report. The report consists of two parts: 1) a mandatory "core" consisting of six schedules, and 2) an appendix of optional supporting schedules.

Copies of the uniform examination report may be obtained from the Federal Financial Institutions Examination Council, 1776 G Street, N.W., Suite 701, Washington, D.C. 20006.

FOR PUBLIC COMMENT

Regulation K — International Banking Operations

The Federal Reserve Board has requested comment by **October 28, 1985** on proposed changes to Regulation K that would prohibit all lending to affiliates by Edge Corporations that are not subsidiaries of U.S.-insured banks. The Board is requesting comment on the effect of the proposal on the operations of existing Edge Corporations and whether any exceptions or exemptions are appropriate to the prohibition of affiliate lending. The proposed changes are designed to preserve the safety and soundness of Edge Corporations and would result in more equitable treatment of all owners of Edge Corporations.

Copies of the notice are available from Corporate Services at (415) 974-2752. For further information, please contact Rodney Reid in Supervision, Regulation, and Credit at (415) 974-2266.

AUTOMATED CLEARINGHOUSE UPDATE

New Software

The Federal Reserve has developed a new automated clearinghouse processing software package and is installing it systemwide. The new software package will better enable the Federal Reserve to handle growing numbers of ACH transactions and serve as the base for future service enhancements and processing capabilities.

Notification of Change Form

The Federal Reserve Bank of San Francisco, with cooperation from NACHA, has revised the ACH paper Notification of Change (NOC) form for use starting August 30, 1985. These revisions provide originating depository institutions with improved payment correction data. They also provide originators with the transaction type, accommodate use of the NACHA-approved change codes, and include formatted corrected data fields. Receiving institutions will use this same form to notify originators of changes or corrections to the payment data.

Net Settlement

Beginning **December 5, 1985**, automated clearinghouses must provide the Federal Reserve with specific information about transactions in order to receive Reserve Bank net settlement services. Each ACH must provide the following data for each settling participant:

- gross credits from the origination of debit transactions
- gross debits from the receipt of debit transactions
- gross debits from the origination of credit transactions
- gross credits from the receipt of credit transactions

ACHs may report this information once each week or with daily settlement entries submitted to the Federal Reserve.

In addition, the Board determined that all ACH transactions will be posted to the Board's daylight overdraft monitoring position at the opening of business on the settlement date.

The Board's notice is available from Corporate Services at (415) 974-2752. For further information, please contact Sharon Reisdorf in Accounting at (415) 974-2688.