

**FEDERAL RESERVE BANK  
OF NEW YORK**

*At. Circ. No. 8511*

February 2, 1979

**NEW BOOKLET DESCRIBING PRINCIPAL SERVICES OF THIS BANK**

*To the Chief Executive Officer of Each Member Bank  
in the Second Federal Reserve District:*

Enclosed is a new looseleaf booklet entitled "FRBNY SERVICES". The booklet describes, in non-technical terms, the principal services this Bank currently makes available to Second District member banks.

There is a limited supply of additional copies of "FRBNY SERVICES". If you would like to receive extra copies for your bank, please contact Franklin T. Love, Bank Relations Officer (Tel. No. 212-791-6070) or, at the Buffalo Branch, Robert J. McDonnell, Operations Officer (Tel. No. 716-849-5022). In the meantime, we plan to keep the booklet current by sending revised pages reflecting any changes that may occur in available services.

PAUL A. VOLCKER,  
*President.*

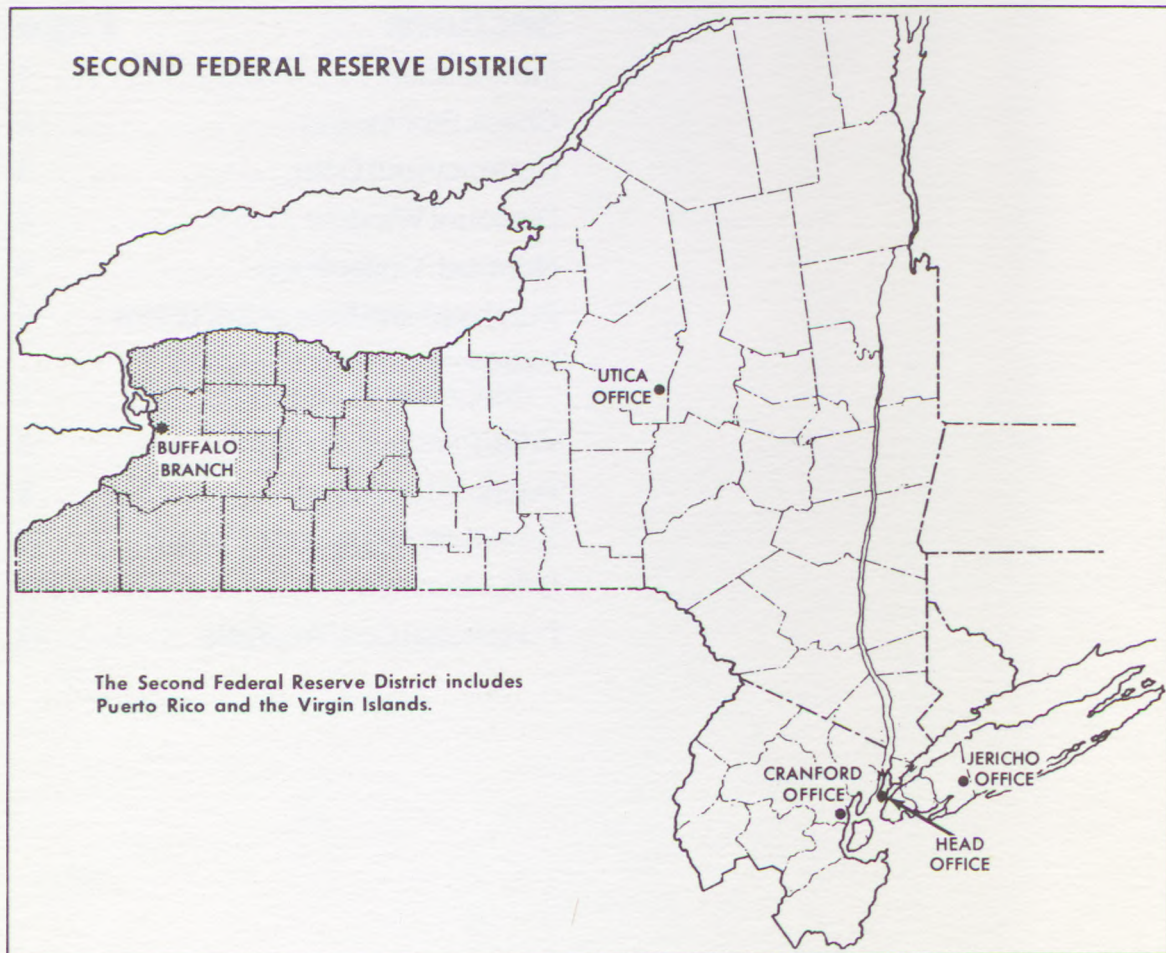
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# Second Federal Reserve District



The Second Federal Reserve District includes all of New York State, the twelve northern counties of New Jersey, Fairfield County in Connecticut and Puerto Rico and the Virgin Islands. All member banks are served

by the Head Office in New York City except banks located in the fourteen western counties of New York State which are served by the Reserve Bank's Buffalo Branch.

# Introduction

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This booklet provides a description of services offered by the Federal Reserve Bank of New York to member banks. The purpose of this plain language description of Fed services is to enable bankers to have, in one package, a handy summary of available services. The terms and conditions under which these services are offered are set forth in Federal Reserve and Treasury regulations and in our operating circulars, supplemented, in some cases, by written agreements with banks.

All members in the Second District, depending on location, have direct access to these services through either the Head Office or the Buffalo Branch. Check processing services are also provided at Cranford, New Jersey and Jericho and Utica, New York.

If you have questions about these services or other matters, please call the Bank Relations Office, (212) 791-6600 or your Special Representative at the Head Office or (716) 849-5085 at the Buffalo Branch.

# Check Processing

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The Federal Reserve System provides nationwide check collection facilities. Checks and other cash items that member banks deposit at the Federal Reserve Bank of New York are processed and presented for payment. Depositing banks are given immediate credit for most checks. On others, there is a wait of one or two business days.

Immediate credit availability will be given for the following items received at the Head Office in accordance with our schedules:

- checks drawn on banks in New York City and Northern New Jersey with routing symbols 0210, 0260, 2260, 0270 and 0280
- checks on the United States Treasury, postal money orders, and food coupons
- checks drawn on the Federal Reserve Bank of New York.

The New York Fed now operates five regional check processing centers (RCPCs) which provide overnight check clearance and settlement in immediately available funds for the

entire District (except Puerto Rico and the Virgin Islands). These RCPCs and the areas which they serve are:

1. Downstate New York RCPC, Jericho, L.I.: 7 downstate counties of New York
2. Long Island RCPC, Jericho, L.I.: Nassau and Suffolk counties
3. Northeastern New York RCPC, Utica, New York: 34 northeastern counties of New York
4. North Jersey RCPC, Cranford, New Jersey: 12 northern counties of New Jersey
5. Western New York RCPC, Buffalo, New York: 14 western counties of New York

The costs relating to the establishment and operation of these RCPCs are borne by the Federal Reserve Bank. Member banks receive immediate credit for cash letters deposited at each RCPC containing items drawn on banks in its service area. Items may also be deposited at the RCPCs for shipment to other offices of this Bank in the Head Office Territory.

In addition to the RCPC program, the Head Office conducts three special collection arrangements for member banks, one for checks drawn on banks located within New York City

which are not members of the New York Clearing House, another for checks drawn on certain banks in Northern New Jersey and a third for checks drawn on thrift institutions. The Head Office and the Buffalo Branch also participate in special arrangements as a member of the New York Clearing House Association and the Buffalo Clearing House Association, respectively. Member banks may deposit checks drawn on participants in these arrangements for immediate credit availability. This Bank presents these items to the participants each business day and makes the resulting accounting entries to their accounts or the accounts of their correspondents.

Direct consolidated shipments of checks are made daily to all other Reserve Banks and offices by the System's Interdistrict Transportation

System. Most of these shipments are made by air. The credit availability of deposits to member banks is accelerated by this operation.

The Federal Reserve Bank of New York also participates in the Federal Recurring Payments Program. This program, which processes Government payments (Air Force payroll, Social Security, Railroad Retirement, Civil Service Retirement, etc.) by electronic means, reduces paper volume and is a generally more efficient means of making payments.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circulars #4, 5, 6 and 11.)*

# Currency and Coin

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Reserve Banks are the channels through which practically all cash moves into and out of circulation. Federal Reserve Notes make up over 99 percent of the total dollar amount of paper currency in general circulation in the United States today.

Currency and coin are received from and distributed to Second District member banks by armored carrier and by registered mail, or, in the case of coin, insured fourth class mail. As a service to members, the New York Reserve Bank absorbs the cost of

transporting regularly scheduled shipments to and from country member banks located outside New York City. The Bank also assumes the risk of loss on cash shipments received from and sent to country member banks by armored car services under contract with us, or by registered or insured fourth class mail.

Canadian currency and coin are accepted from member banks located outside New York City and the city of Buffalo for conversion into United States funds. The proceeds of the conversion are credited to the member bank's reserve account. Shipping costs on these foreign cash deposits are absorbed by the Federal Reserve Bank of New York.

*For additional details, refer to the Federal Reserve Bank of New York's operating circular #3.)*

# Discount Window

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An important benefit of membership is the privilege of borrowing funds from the Federal Reserve Bank at the discount window. The privilege is intended to help member banks meet a variety of unusual or unexpected circumstances.

The principal type of discount window credit is short-term adjustment credit, which is available to member banks experiencing unexpected decreases in deposits or increases in loans. With such discount window credit, these banks are afforded the time necessary to make their own internal adjustments in their assets and liabilities structure to meet the changed circumstances. Member banks may also appropriately look to the discount window for assistance when funds are not readily available in the money markets.

The Federal Reserve Act requires that all advances at the discount window be secured. Most discount window loans are secured by U.S.

Government obligations, agency issues guaranteed by the U.S. Government, and short-term customer notes. Such loans are made at the basic discount rate. Loans may also be secured by certain other forms of collateral, such as municipal securities and longer-term customer notes, but these loans carry a discount rate one-half of one percentage point higher than the basic rate. Smaller country and regional banks generally use U.S. Government and agency securities as collateral, while the larger money market banks primarily use customer notes. It has been the general practice at the New York Reserve Bank to limit maturities on discount window advances to two weeks for smaller banks, to the end of the reserve period for larger banks, and to overnight for the largest banks.

Since 1973, the Reserve Banks have also offered seasonal credit at the discount window to those banks with significant recurring variations in their loans or deposits for a month or more during the year. Banks with deposits of \$500 million or less may be eligible for the privilege. Banks serving agricultural or tourist areas or communities subject to municipal financing pressures have been the principal



users of seasonal credit. Since 1976, a bank borrowing under a seasonal line may be a net seller of Federal funds during the period of its borrowing as long as such sales are consistent with its past operating practices.

Once a borrowing resolution and continuing lending agreement are properly executed and on file at the Reserve Bank, an authorized officer of the member bank can telephone the Discount Division at the Head Office or, for those banks located in the Branch territory, the Buffalo Branch Collection, Loans and Fiscal Agency Division, to request discount window advances.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circulars #12 and 13.)*

# Noncash Collections

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Noncash collection provides a clearinghouse service to member banks through which bond and coupon payments are processed and appropriate accounting entries effected to member bank accounts. Additionally, certain wire services related to collection activities are available with fees ranging from no charge to \$1.50 per wire.

With the exception of coupons payable in New York City, all noncash items are handled on a collection basis (final payment). Noncash collection is a special service requiring individual handling of each item. Credit is passed when payment is received in actually and finally collected funds. Postage and insurance costs incurred in forwarding the collecting items to payees outside a Reserve City are charged to the member bank.

Coupons payable in New York City are processed on a cash basis (time schedule). This cash collection service provides for bulk handling with provisional credit on a fixed time schedule.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circular #8.)*

# Purchase and Sale of Securities

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The New York Reserve Bank provides smaller member banks located outside of New York City facilities for purchasing and selling, primarily for the bank's own account, U.S. Treasury and Federal Agency securities in the open market. This service is limited to banks that do not have ready access to the securities markets and do not make frequent or large transactions.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circular #14.)*

# Safekeeping, Handling and Shipment of Securities

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The New York Reserve Bank offers member banks located outside of the central financial district of New York City free safekeeping facilities for physical securities and commercial paper owned outright. For those member banks with an office in the central financial district, it will accept and hold in safekeeping only physical securities pledged for specific purposes. The New York Reserve Bank will cut and collect coupons, and collect maturing securities and commercial paper. Member banks are charged for out-of-pocket expenses, such as ship-

ping, postage and insurance charges on certain outgoing shipments. No charge is made for collecting maturing coupons detached from securities held in safekeeping.

In addition, the New York Reserve Bank will hold on a book-entry basis, without charge, Treasury or eligible Federal agency securities deposited by any member bank that are its own property or held by it on account for its customers. Interest and principal amounts on these book-entry holdings will be credited automatically to the member banks' reserve accounts as they become payable, with the exception that book-entry securities maintained for collateral-pledge purposes may be held beyond the maturity date if substitution is not made in a timely manner.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circulars #14 and 21.)*

# Wire Transfers of Funds

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The Federal Reserve Communications System, popularly known as the Fed Wire, is a computerized communications network. The System, which has automated switching facilities located in Culpepper, Virginia, speeds payments by providing member banks with a means of electronically transferring funds around the country.

A number of Second District member banks are directly linked to the New York Reserve Bank's computer (the District Switch); this enables those banks to transfer funds directly to other member banks in this District or in other Districts in the country. In addition, member banks not directly linked to the New York Reserve Bank's

computer may also use the network by communicating transfer requests to the Head Office or Buffalo Branch of this Bank by telephone.

Member banks may transfer balances of \$1,000 or over to other member banks nationwide without charge. Transfers may contain instructions to the receiving bank to make payments to a third party, providing the instructions do not exceed four 80-character lines. While these transfers will be paid only to member banks, third party instructions enable member banks to make transfers to or from accounts of any bank, individual, firm or corporation.

Telephone requests for transfers may be made to us "collect". On request, immediate credit advices are given without charge by telephone or telegraph to member banks receiving credits for transfers.

*(For additional details, refer to the Federal Reserve Bank of New York's operating circular #10.)*

# Public Information

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The New York Reserve Bank's Public Information Department will send Second District member banks up to 100 copies each of a wide variety of publications without charge. Additional free copies are available for educational purposes. These publications include booklets dealing with various aspects of the Federal Reserve's functions and responsibilities. They are intended for use by bankers, business people, students and the general public. Also, single copies of a select number of publications from other Federal Reserve Banks and the Board of Governors are available.

Three audio-visual educational kits about monetary policy, check clearing and international trade, aimed at high school and junior college level audiences, are available at nominal cost.

Further, the Bank can sometimes provide speakers for meetings on subjects related to the Federal Reserve.

Many of the above services are also available from the Bank Relations and Public Information staff at the Buffalo Branch.

# Technical Assistance Surveys

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On request, the Technical Assistance Division at the Head Office will conduct, cost free, an operational survey for any Second District member bank.

Operational surveys are conducted by Technical Representatives trained in commercial bank operations, systems and procedures. On request, a representative will visit a member bank and discuss specific operational problems with the appropriate officers or other personnel. A survey of one or more operating areas will then be scheduled for a mutually convenient time.

Surveys usually require about three to five days to complete. About half of that time is spent questioning clerical and supervisory personnel to determine the bank's procedures. The remainder is devoted to studying workflow, volume, use of equipment and other operational aspects.

At the conclusion of the survey, a presentation is made to the appropriate bank officials to discuss the results of the survey and any suggested modifications in operations. A written report is also forwarded to the bank as soon as possible. The Technical Assistance Division is staffed to survey the following types of

operations (two or three closely related surveys can be conducted simultaneously):

## **Teller Operations**

Emphasis is placed on efficient customer services through simplification of teller window procedures leading, at some banks, to improved internal controls and reduced cash differences.

## **Proof-Transit**

While most banks are machine-equipped, optimal benefits of mechanization are rarely realized. The representative will seek to eliminate duplication, encourage a centralized machine proof where practical, and recommend methods of realizing various additional equipment benefits by changing machine pocket alignment.

## **Bookkeeping**

A review of this operation covers the flow of work from the proof through filing checks and statement mailings. When computer processing is used, special attention is given to the input and output procedures and documents.

## **Installment Loan**

Recommendations for improving this operation are designed to take advantage of repetitive repayment schedules and fixed dollar payments, to simplify posting of payments. Often a rearrangement of ledgers is suggested so that information (past due, loan type, etc.) can easily be determined.

## **Note Cage and Loan Department**

Demand and time loan operations do not fully lend themselves to routine, but review of the loan cage function often leads to simpler yet effective processing methods. The representative will first determine loan volume, equipment limitations, record keeping practices, and forms used, then recommend ways to process loan transactions and record keeping with maximum accuracy and minimum effort. Loan accrual accounting methods are usually included in this survey.

## **Audit and Control**

The representative will review the audit program and related internal controls. In banks without an internal auditor, a simplified audit program may be established and internal controls strengthened.

## **Accruals**

A representative will recommend ways to install an accrual accounting system to satisfy regulatory or internal reporting requirements. Emphasis is placed on simplicity and the relative importance of each accrual established.

## **Credit File Review**

A representative will set up sample credit files and instruct bank personnel in the techniques of maintaining and using the files. The representative will also assist in training personnel in the procedures for gathering and recording financial information. The Federal Reserve Bank of New York distributes the simplified farm and commercial credit files designed by the New York State Bankers Association.

## **Automation**

A representative will review several of the pros and cons involved in converting a manual operation to a computer operation. Emphasis will be placed on some of the important changes automation will require elsewhere in the bank. Account numbering, volume of activity, contractual arrangements, and time schedules will be discussed as well as on-premise or off-premise options.

## **Other Technical Assistance Surveys**

Among other areas which can be reviewed are:

- Account Coding
- Branch Operations
- Reserve Requirements
- Check Clearing
- General Ledger



# Other Surveys

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Other areas of the New York Reserve Bank's Head Office will also provide member banks with assistance. Areas covered include:

## **Trust Department Income and Expense Survey**

In cooperation with the Trust Division of the New York State Bankers Association, the Bank Examination Department makes an annual survey of trust department income and expense. Participating banks furnish the survey data and the results, together with ratios for individual participants, are sent to all participating institutions. The latter are also furnished with income and expense data for the trust departments of four comparable, but unidentified, banks, so management can compare results.

## **Survey of Trust Department and Electronic Data Processing Operations**

On request, members of our Bank Examination Department will conduct surveys of district member banks' trust department and electronic data processing operations. These surveys, which aim at increasing member bank operating efficiency, are independent of the examination process. At the conclusion of each survey the results are presented both orally and in writing.

## **Officers' Salaries Survey**

On request, the Bank Analysis Department surveys officers' salaries and directors' fees in comparable banks for second district member banks.

## **Operating Ratios**

The Banking Studies Department prepares an annual study of Second District member bank operating ratios, including the principal items of income, expense, losses, and net earnings. This report provides management with a tool to analyze an individual bank's operating performance and comparing it with the average results for banks of similar size and character.

# Functional Cost Analysis

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All member banks are eligible to participate in the Functional Cost Analysis (FCA) program. Each participating bank submits calendar year financial information plus certain activity figures and income and expense allocations. A detailed report comparing year to year results, costs, etc., plus a comparison with several other banks is returned to the participant. Two meetings a year are held and individual visits to banks can be arranged. A representative of the Technical Assistance Division of the Bank Relations Office is available to assist new participants in gathering the information required and in interpreting the results of the bank's report.