

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. **8912**]
September 4, 1980

PRICING OF FEDERAL RESERVE SERVICES

Pricing, Handling of Clearing Balances, and Reduction of Float

*To All Depository Institutions, and Others Concerned,
in the Second Federal Reserve District:*

The Board of Governors of the Federal Reserve System, as required by the Monetary Control Act of 1980, is requesting comment on a proposed schedule of fees for its services to financial institutions. The Board of Governors is also requesting comment on the principles underlying its proposed system of charges.

Printed on the following pages is the Board's press release and *Federal Register* notice regarding the proposal. Comments on the proposal must be submitted by October 31, 1980, and may be sent to Thomas C. Sloane, Senior Vice President and Senior Advisor, at this Bank.

Additional copies of this circular will be furnished upon request directed to our Circulars Division.

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE press release



For immediate release

August 28, 1980

The Federal Reserve Board today made public a proposed schedule of fees for its services to financial institutions, and the principles underlying the proposed system of charges.

The Board also:

--Proposed procedures for a depository institution to follow if it maintains low or zero required reserve balances with the Federal Reserve and it wishes to obtain services directly from the Federal Reserve.

--Proposed a series of steps designed to reduce Federal Reserve float^{1/} and a preliminary plan to price remaining float beginning in mid-1982.

The Board asked for comment by October 31, 1980.

The Board's proposals for pricing its services, and its proposals respecting clearing balances and float, were made in view of provisions of the Monetary Control Act. Under the Act the Board is required to publish for comment by September 1, 1980 a set of pricing principles and a proposed schedule of Federal Reserve fees, dealing with the following:

1. Transportation of currency and coin, and coin wrapping.
2. Check clearing and collection.
3. Wire transfer of funds.
4. The use of Federal Reserve automated clearing house facilities.
5. Net settlement of debits and credits affecting accounts held by the Federal Reserve.
6. Book entry, safekeeping and other services connected with the purchase or sale of government securities.
7. Noncash collection (the receipt, collection and crediting of accounts of depository institutions in connection with municipal and corporate securities).

^{1/} See page 7 for the definition of Federal Reserve float.

8. The cost to the Federal Reserve of float: the interest on items--generally, the dollar value of checks--credited by the Federal Reserve to one depository institution before being collected from another.

These requirements of the Monetary Control Act follow upon other provisions of the Act subjecting all financial institutions offering transactions accounts and nonpersonal time accounts to uniform Federal Reserve requirements, and requiring the Federal Reserve to provide nonmember depository institutions with the same services it provides to member banks.

The Board said that the proposals are meant to conform to two objectives made clear in the legislative history of the Act:

1. Congress was concerned with the amount of revenue that would be lost to the Treasury under the Act resulting from the lower reserve requirements the Act establishes. Pricing for Federal Reserve services is expected in part to offset that loss.
2. Congress regarded pricing for Federal Reserve services as a means of encouraging competition and efficiency in the provision of such services.

At the same time, the Board noted from the legislative history of the Act that Congress did not want to stimulate undesirable banking practices such as non-par payment for checks and circuitous routing of checks. Congress therefore charged the Board with adopting pricing principles that "give due regard to competitive factors and the provision of and adequate level of such services nationwide."

--PRICING--

The Board proposed to adopt the following principles required by the Monetary Control Act as the basis for Federal Reserve fees.^{1/}

1. All Federal Reserve Bank services covered by the fee schedule are to be priced explicitly.
2. Services covered by the fee schedule are to be available to nonmember depositories at the same prices charged to member banks, except that nonmembers may be subject to any other terms, such as clearing balances, that may apply to member banks.
3. Over the long run, the fees should be based on all direct and indirect costs actually incurred in providing the services, including:
 - Overhead, and
 - An allocation of imputed costs, taking into account the taxes that would have been paid and the return on capital that would have been required if the services were provided from the private sector (the Private Sector Adjustment),except that due regard shall be given to competitive factors and to the provision of an adequate level of such services nationwide.
4. Interest on float shall be charged at the current market rate for Federal funds.

In addition, the Board proposed to adopt the following further pricing principles, in view of the recognition in the Monetary Control Act and its legislative history of the importance of maintaining a Federal Reserve operational presence in the nation's payments mechanism by encouraging competition and providing for an adequate level of services nationwide.

5. Over the long run, the fee schedule should recover total costs for all priced services.

^{1/} The proposed schedule of fees for Federal Reserve services is shown in Appendix II of the attachment to this release.

6. The fee schedule should be structured so as to avoid disruptions in services and to facilitate an orderly transition to pricing.
7. Both the fee schedule and the level of services shall be administered flexibly so as to respond to changing market conditions and demands for the services.
8. Incentives may be provided to improve the efficiency and capacity of the payments system and to induce desirable longer-run changes in it.

The Board said that the Federal Reserve might consider eliminating some services if it is determined that a continued Federal Reserve presence is no longer cost effective or otherwise warranted.

The Board proposed to use the following price determinants:

- A mark-up of 12 percent as the Private Sector Adjustment to the Federal Reserve's cost of providing services. This adjustment would be reviewed annually.
- Prices will be based on long-run costs.
- Fees would be national for services that are uniform across the Federal Reserve System. These are generally capital intensive items, and would include wire transfer, automated clearinghouse services, net settlement and on-line securities transfer services.
- Where there are significant differences in costs among Federal Reserve Districts (or offices) differing District or office schedules would be used. Such prices would include coin wrapping, and securities and noncash collection at the District level and currency and coin shipping at the office level.

The Board proposed that the Reserve Banks be given the option of setting fees for check services on either a District or office basis.

The Board proposed that prices for services will be levied against the party originating a transaction or requesting a service. However, members of automated clearinghouse associations could have charges for ACH services made through their association.

The Board proposed the following schedule for implementing pricing:

<u>Service</u>	<u>Access to the service and pricing for it</u>
Wire Transfer	January 1981
Net settlement	January 1981
Check clearing and collection	April 1981
Automated clearinghouse	April 1981
Currency and coin	July 1981
Purchase, sale, safekeeping and transfer of securities	October 1981
Noncash collection	October 1981
Float	Phase I -- In progress Phase II -- September 1981 Phase III -- Mid-1982

--CLEARING BALANCES--

Under provisions of the Monetary Control Act many small depository institutions will maintain with the Federal Reserve zero or small required reserve balances. Many such institutions will satisfy their reserve requirements with their own vault cash; some will hold reserves through pass-through arrangements but may wish to obtain services directly; and during the 8-year phase-in, required reserve balances will slowly rise.

Should an institution with no or small reserve balances wish to obtain services directly from a Federal Reserve Bank, three alternatives are proposed:

Proposed Clearing Account Alternative

1. The local Federal Reserve Bank would establish the need for a clearing balance, and its size. The size would be set to minimize potential deficiencies. (See No. 4 below)

2. The size of the clearing balance will be fixed in advance of the period during which it will be maintained. It will be reviewed periodically, but will not be adjusted more frequently than monthly.

3. The maintenance period for clearing balances will be the same as the period during which required reserves must be maintained.

4. Balances held at the Federal Reserve will be allocated first to the required clearing balance and then to required reserves, if any. If the depository institution's total balance is deficient, it will be considered to be deficient first in required reserves. If remaining balances are not large enough to cover required clearing balances, the institution will be considered to have a deficiency in its clearing balance as well. If the total balance--clearing balance and reserve balance--actually maintained exceeds the total of required clearing balances and required reserves, the institution will be regarded as maintaining excess reserves.

5. Deficiencies in required clearing balances will be subject to the same penalty as reserve deficiencies.

The Board also proposed that required clearing balances receive an earnings credit equal to the weekly average of the 91-day Treasury bill rate. This earnings credit may only be used to offset the cost of Federal Reserve services. No interest will actually be paid to institutions maintaining required clearing balances. Federal Reserve Banks will implement clearing balance arrangements by January 1, 1981 or as soon as possible thereafter.

Proposed Reserve Account Alternative

Institutions may, with the prior authorization of all parties concerned, use the reserve account of another institution for the posting of entries arising from the use of Federal Reserve services.

Proposed Pass-Through Reserve Account Alternative

Institutions may, with the prior authorization of the pass-through correspondent and the local Reserve Bank, use the pass-through reserve balance for the purpose of posting entries arising from the use of Federal Reserve services. Institutions holding their reserves on a pass-through basis may also choose to use the clearing balance arrangements described above.

--FLOAT--

In the process of clearing checks (or transferable checklike instruments such as NOWs) the Federal Reserve may give credit for checks presented to it by a depository institution before it presents the checks to the depositories on which they were written. During the interval, which may be more than one day, Federal Reserve float has been created.

The Monetary Control Act calls upon the Federal Reserve to reduce and if possible eliminate the imputed cost (interest on the dollar amount of the float) of Federal Reserve float.

To accomplish this the Board proposed a three-phase effort:

Phase One: Improvements in System operations involving check clearing and collection. This phase, already started, includes improvement of the Federal Reserve's Interdistrict Transportation System for moving checks, which is expected to reduce float by as much as \$1 billion. Additional cost effective operational improvements, which may include special measures for faster collection of large dollar value checks, are being planned.

Phase Two: This involves modification of Federal Reserve schedules for making funds available to institutions that have presented checks for clearance. The proposed modification of availability schedules would call for the use of "fractional

availability" to reduce float beyond what can be accomplished by operational improvements. Under the fractional availability system, if experience indicates, for example, that 97 percent of check clearings between two Reserve offices occur in one day and 3 percent in two days, 97 percent of the dollar amount presented by depositories clearing between these two offices would be credited the first day and 3 percent the second day. Thus, the 3 percent of the amount that regularly is not collected until the second day would be eliminated as float.

Phase Two would start in September 1981.

Phase Three: Float remaining after Phase One and Phase Two would be charged for explicitly. The charges would be computed at the prevailing Federal funds rate and would be reflected in the fees for all check collection services.

Such recovery of the imputed cost of float would start by mid-1982, and would be expected to eliminate any remaining cost of Federal Reserve float.

The Board's proposals with respect to pricing, the handling of clearing balances and reduction of float are described more fully in the attached Federal Register notice.

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(DOCKET NO. R-0324)

FEDERAL RESERVE BANK SERVICES

PROPOSED FEE SCHEDULES AND PRICING PRINCIPLES

AGENCY: Board of Governors of the Federal Reserve System

ACTION: Proposed Fee Schedules and Pricing Principles

SUMMARY: The Monetary Control Act of 1980 (Title I of Public Law 96-221) requires the Board to publish for comment a set of pricing principles and a proposed schedule of fees for Federal Reserve Bank services. Accordingly, the Board seeks comment on its proposed pricing principles, the methods employed for determining service fees, and the fee schedules.

DATE: Interested parties are invited to submit relevant data, views and other comments. Comments must be received by October 31, 1980.

ADDRESS: Comments, which should refer to Docket No. R-0324, should be addressed to Theodore E. Allison, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., Washington, D.C. 20551, or delivered to room B-2223 between 8:45 a.m. and 5:15 p.m. Comments received may be inspected in room B-1122 between 8:45 a.m. and 5:15 p.m., except as provided in section 261.6.(a) of the Board's Rules Regarding Availability of Information (12 CFR 261.6.(a)).

FOR FURTHER INFORMATION CONTACT: Lorin S. Meeder, Assistant Director for Federal Reserve Bank Operations (202/452-2738); Earl G. Hamilton, Senior Operations Analyst (202/452-3878); Benjamin Wolkowitz, Section Chief (202/452-2686); David B. Humphrey, Economist (202/452-2556); Myron L. Kwast, Economist (202/452-2686); Gilbert T. Schwartz, Assistant General Counsel (202/452-3625); Lee S. Adams, Senior Attorney (202/452-3623); Paul S. Pilecki, Attorney (202/452-3281).

SUPPLEMENTARY INFORMATION:

I. INTRODUCTION

The purpose of this announcement is to invite public comment on a proposed schedule of fees for Federal Reserve Bank services and the principles that underlie them. The Monetary Control Act of 1980 requires the Board of Governors of the Federal Reserve System to begin putting into effect a schedule of fees for services no later than September 1, 1981 and to make such services covered by the fee schedule available to all depository institutions. Accordingly, the Board seeks comment on its proposed pricing principles, the methods employed for determining service fees, and the proposed fee schedules. In preparing the pricing principles and fee schedules the Board has taken into account the objectives of fostering competition, improving the efficiency of the payments mechanism, and lowering costs of these services to society at large. At the same time, the Board is cognizant of, and concerned with, the continuing Federal Reserve responsibility and necessity for maintaining the integrity and reliability of the payments mechanism.

II. BACKGROUND

The Monetary Control Act (Title I of Public Law 96-221) requires the Board of Governors of the Federal Reserve System to publish for comment a set of pricing principles and a proposed schedule of fees for Federal Reserve Bank services not later than September 1, 1980. Federal Reserve Bank services to be priced are:

- (1) currency and coin transportation and coin wrapping;
- (2) check clearing and collection;
- (3) wire transfer of funds;
- (4) automated clearing house (ACH);
- (5) net settlement;
- (6) securities services;
- (7) noncash collection;
- (8) Federal Reserve float; and
- (9) any new services the Federal Reserve System offers.

The legislative history of the Act indicates that Congress had two objectives in establishing a requirement that the Federal Reserve price the services it provides. First, Congress was concerned with the amount of revenue

lost to the Treasury as a result of the reduction in the level of aggregate required reserves resulting from the implementation of the reserve requirement provisions of the Act. Pricing for Federal Reserve Bank services will generate revenue that will partially offset the revenue loss associated with reduced required reserves. Second, Congress believed pricing for Federal Reserve Bank services to be a means of encouraging competition in the provision of these services in order to assure that they are provided at the lowest aggregate cost to society as a whole. While intending to stimulate the efficiency of the payments system, Congress did not wish to precipitate the reemergence of undesirable banking practices such as non-par checking or circuitous routing of checks which the Federal Reserve System was designated to eliminate. Therefore, it required the Board to ensure an adequate level of services nationwide. Consequently, Congress charged the Board with adopting pricing principles that "give due regard to competitive factors and the provision of an adequate level of such services nationwide". This objective is clearly established in the pricing principles established by the Act.

III. PRICING PRINCIPLES

The Monetary Control Act sets forth the following principles upon which it requires the schedule of fees for services to be based:

1. All Federal Reserve Bank services covered by the fee schedule shall be priced explicitly.
2. All Federal Reserve Bank services covered by the fee schedule shall be available to nonmember depository institutions and such services shall be priced at the same fee schedule applicable to member banks, except that nonmembers shall be subject to any other terms, including a requirement of balances sufficient for clearing purposes, that the Board may determine are applicable to member banks.
3. Over the long run, fees shall be established on the basis of all direct and indirect costs actually incurred in providing the Federal Reserve services priced, including interest on items credited prior to actual collection, overhead, and an allocation of imputed costs which takes into account the taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm, except that the pricing principles shall give due regard to competitive factors and the provision of an adequate level of such services nationwide.
4. Interest on items credited prior to collection shall be charged at the current rate applicable in the market for Federal funds.

The Board believes that the Monetary Control Act and its legislative history recognize the importance of the Federal Reserve maintaining an operational presence in the nation's payments mechanism, providing an adequate level of service nationwide and encouraging competition. In the light of these considerations,

the Federal Reserve has developed additional pricing principles that build on those of the Act and provide further guidance as to the pricing policies and strategies the System proposes to follow.

5. The fee schedule shall, over the long run, be set to recover total costs for all priced services.
6. Fees shall be structured so as to avoid undesirable disruptions in service and to facilitate an orderly transition to a pricing environment.
7. The fee schedule, as well as service levels, shall be administered flexibly in response to changing market conditions and user demands.
8. Fee and service level incentives may be established to improve the efficiency and capacity of the present payments system and to induce desirable longer run changes in the payments mechanism.

The Federal Reserve believes that pricing and expanded access will have an impact on the types and the volumes of Federal Reserve Bank services provided. The System recognizes that its proposed fees may bring about a decrease in the volume of certain System services. Furthermore, the System may consider eliminating some services if it is determined that a continued Federal Reserve presence in providing these services is no longer cost effective or otherwise warranted. In determining the type and level of service to be added or discontinued, the Federal Reserve will be cognizant of its legislative responsibility for insuring that the nation maintains an efficient, sound, and competitive payments mechanism.

IV. PRICE DETERMINATION

The Monetary Control Act of 1980 requires that "over the long run fees shall be established on the basis of all direct and indirect costs actually incurred in providing Federal Reserve services priced". The proposed pricing structure is based on the Federal Reserve's cost accounting system which provides the basis for calculating the total cost of major services (e.g., checks, wire transfer). Reserve Banks have provided the necessary allocations of these total costs to the detailed service categories for services to be priced at the District or office levels.

A. Private Sector Adjustment

The Act also requires that a private sector adjustment be added to Federal Reserve costs to account for "taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm". A markup of 12 percent has been adopted and incorporated into the fee schedules presented later in this notice. This markup is discussed in further detail in Appendix I. The private sector adjustment factor will be reviewed annually.

B. Long run Versus Short run Costs

The Act provides for the establishment of fees based upon long run costs. If, after the introduction of the schedules of fees there are no substantial changes in the volume of services provided, current costs would approximate long run costs. However, should the volumes of priced services change substantially after the implementation of pricing, current costs would no longer represent long run costs, since Reserve Banks will require time to adjust their direct and overhead costs to the new volume levels. Consequently, until Reserve Banks have had time to adjust their overhead costs, initial prices will not be modified to reflect fully the changes in unit costs associated with large volume changes. This approach minimizes disruptive fluctuations in clearing patterns and is compatible with the requirement that prices be based on long run costs.

C. National, District, or Office Pricing

National fees are proposed for services which are uniform across the Federal Reserve System. These services are generally capital intensive services having very similar costs across Federal Reserve Districts. National fees are proposed for wire transfer, ACH, net settlement, and on-line securities transfer services. Separate fees for Federal Reserve Districts or offices are proposed for services where there are significant cost differences across Districts (or across separate offices within the District) and/or where the market for that service is local in scope. District or office pricing for these services should encourage competition and promote efficiency. District fees are proposed for coin wrapping, securities and noncash collection services while office fees are proposed for currency and coin shipping services. The Board proposes that Reserve Banks be given the option to set fees for check services on either a District or office basis.

D. Federal Reserve Float

Under the Monetary Control Act, the Federal Reserve is required to charge for any float remaining after the Federal Reserve has implemented actions to reduce the size of float. The Federal Reserve plans to implement the phased approach towards reducing and charging for float described below.

Phase I: Operational Improvements

Federal Reserve float will be reduced through operational improvements where such reduction can be cost justified, particularly in those instances when substantial float reductions can be achieved at moderate costs. The System has targeted a reduction in float on the order of 50% below current levels, and expects the costs for such improvements to increase the unit prices for checks that are shown in this announcement by approximately 10% or less. Improvements in the Interdistrict Transportation System are already under way and further improvements are scheduled. Opportunities to use the Federal Reserve communications system

or its automated clearing facilities to speed up the collection of large dollar items will be pursued as part of this effort. Implementation of other float reduction techniques in the Federal Reserve is under way and should continue throughout 1981.

Phase II: Changes in Availability Schedules

In September 1981, the System will implement changes in its availability schedule to achieve further reductions in Federal Reserve float. Fractional availability will be used to vary the availability schedule to reflect more accurately actual collection experience. For example, if experience indicates that 97% of check clearings between two Reserve offices occurs in one day, and 3% in two days, 97% of the funds will be passed on to the depositor on day one and 3% on day two. This method is similar to that used by correspondent commercial banks. On average, fractional availability is expected to result in not more than a 2%-4% change in current availability schedules for local items and 6%-10% for out-of-district items. Obviously the impact on any specific financial institution will depend on the nature of its cash letter deposit.

Phase III: Explicit Pricing

Subsequent to implementation of operational improvements and modifications to availability schedules, there may be a small amount of Federal Reserve float still remaining. Beginning by mid-1982, an explicit charge for this remaining float will be made at the Federal funds rate and incorporated into the price of the function creating the float. Specific details concerning the charging procedure will be announced prior to that date. Because residual float will be small, the impact on prices will also be small.

V. INCENTIVE PRICING

The Federal Reserve plans to use fee incentives to improve the efficiency and capacity of the payments system. To encourage the development of electronic funds transfer, the fee schedule proposed for ACH services reflects System costs in a mature volume environment. In the future, incentive pricing may be used to encourage smoother deposit flows at Federal Reserve offices and to facilitate more efficient utilization of labor and equipment. For example, to smooth check processing workflows, Reserve Banks might offer a discounted fee on checks deposited several hours before the established cut-off hour.

VI. IMPLEMENTATION OF ACCESS AND PRICING

The Monetary Control Act requires the Federal Reserve to make Federal Reserve Bank services available to nonmember depository institutions as services are priced. The following schedule has been established for the implementation of pricing and access.

<u>Service</u>	<u>Access and Pricing</u>
Wire Transfer of Funds	January 1981 ^{1/}
Net Settlement	January 1981
Check Clearing and Collection	April 1981
Automated Clearing House	April 1981
Currency and Coin transportation and coin wrapping	July 1981
Securities Services (purchase and sale, safekeeping and transfer)	October 1981
Noncash Collection	October 1981
Float	(see preceding discussion)

For all services, the charge will be levied against the party originating a transaction or requesting a specific service. However, depository institutions will be billed through their respective ACH associations for ACH services, unless alternatively, they make arrangements to have such charges assessed directly.

VII. DESCRIPTION OF SERVICES

A. Check Clearing and Collection Services (all checks except U.S. Treasury Checks and Postal Money Orders)

In the proposed schedule (see Table 1 of Appendix II) there is a single fee for receiving, sorting, reconciling and delivery. These fees do not include charges for special intraoffice deposit arrangements that individual Reserve Banks may establish.

The proposed per item fees include the costs associated with returns and adjustments. However, consideration is being given to the establishment of separate prices for return items. No charges will be made for postal money orders or U.S. Treasury checks deposited separately because such processing is conducted by the Federal Reserve as part of its fiscal agency responsibilities. When such items are not deposited separately they will be assessed the same fee as commercial checks deposited in mixed cash letters.

^{1/} In order to allow nonmember depository institutions to adjust their reserve balances, this service will be made available to institutions maintaining required reserve balances at the Federal Reserve on a limited non-priced basis beginning in November 1980.

The following check services are available:

1. Cash letters ^{1/} deposited directly at the processing Federal Reserve Office.

a. City

City checks are drawn on depository institutions located in the same city as the processing Federal Reserve office. City check services are available at 43 Federal Reserve offices. When deposited at the collecting Federal Reserve offices credit for city checks is immediate (i.e., funds are available on the same day if the checks are received prior to the established cut-off hour).

b. Regional Check Processing Center (RCPC)

RCPC checks are drawn on depository institutions located in areas designated as RCPC zones. ^{2/} RCPC checks drawn on depository institutions in RCPC zones are usually transported by courier from the collecting Federal Reserve offices for presentment. There are 44 Federal Reserve offices which offer RCPC check services. When deposited at the collecting Federal Reserve office, credit for RCPC checks is immediate (i.e., same business day) if the items are deposited by 12:01 a.m.

c. Country

Country checks are drawn on depository institutions located outside a city in which a Federal Reserve office is located and outside an RCPC zone. Country check services are available at 12 Federal Reserve offices. Credit for country checks is available one day after timely deposit at the processing Federal Reserve office.

d. Mixed

Mixed cash letters contain unsorted city, country and RCPC checks. These cash letters may also contain checks drawn on depository institutions in other Federal Reserve territories. Only depository

^{1/} A cash letter contains a listing of individual checks and the packaged checks.

^{2/} RCPC zones are designated areas within the territories of Federal Reserve offices, but outside Federal Reserve cities. In these zones the Federal Reserve is able to present checks for payment and collection on the same day.

institutions with less than 5,000 items to be collected each day are eligible to deposit mixed cash letters at their local Federal Reserve office. These services are available at 27 Federal Reserve offices. Credit for checks in mixed cash letters is normally available the day after deposit if the deposit is made before the city cut-off hour of the processing Federal Reserve office.

e. Other Fed

Other Fed cash letters contain checks drawn on depository institutions located in Federal Reserve territories other than the processing Federal Reserve territory. Prices for collecting these checks reflect the resources required to sort the checks at two Federal Reserve offices and to transport the items between these offices.

f. Non-Machineable

Non-machineable cash letters contain checks which were rejected from the reader-sorter equipment of a depositing financial institution, and those checks that are mutilated and cannot be computer processed. Fees for non-machineable checks reflect the additional manual handling required to process these exception items. Credit for non-machineable checks is generally deferred one day beyond normal availability for the same type check (e.g., credit for a city non-machineable check would be available the day after timely deposit at the processing Federal Reserve office).

g. Package Sort

Each package sort cash letter contains checks drawn on only one depository institution and is packaged for delivery to that institution. Reflecting the pre-sorting work done by depositing institutions Federal Reserve involvement is limited to presentment, settlement, adjustment and return. As a result, the proposed fee is lower than the fees for other categories of cash letters and later cut-off hours are applicable to package sort cash letters. Credit is passed according to the same availability schedule as for city, country, and RCPC items.

h. Group Sort

Each group sort cash letter contains checks of a specific type (city, RCPC or country) drawn on two or more depository institutions. Because the depositing institution has already done some sorting this Federal Reserve service requires less handling than a regular deposit. Therefore, the proposed fee is lower. Later cut-off hours are applicable to group sort cash letters and credit is passed to depositing institutions on the same schedule as for city, RCPC, and country items.

2. Cash letters sent to other Federal Reserve offices

a. Consolidated Shipments

Consolidated shipment cash letters consist of checks of a particular type (city, RCPC or country) drawn on depository institutions located in another Federal Reserve territory. Since the items are not processed by the local Federal Reserve office of first deposit, the proposed fee for these items reflects only the cost of transporting these checks between Federal Reserve offices and processing them at the collecting Federal Reserve office.

b. Direct Shipments

Direct shipment ("direct sends") cash letters are those for which transportation to the processing Federal Reserve office is arranged by the depositing institution. Proposed direct shipment fees are the same as local prices for the respective class of items (city, RCPC, and country) at the processing Federal Reserve office.

B. Automated Clearing House Services

ACH services are offered in all Federal Reserve Districts. Proposed fees for automated clearing house (ACH) service (see Table 2, Appendix II) reflect costs based on an expected mature volume and are applicable at all Federal Reserve operated clearing and settlement facilities. These proposed fees include receiving, sorting, reconciling, settling and delivery of both debit and credit ACH transactions. The proposed fee for the Federal Reserve Bank of New York reflects the provision of local ACH processing by the private sector with only settlement and transportation provided by the Federal Reserve.

1. Intra-ACH transactions

Intra-ACH transactions are payments received from local originating depository institutions for delivery to depository institutions located in the same ACH service area.

2. Inter-ACH transactions

Inter-ACH transactions are payments received from a private sector ACH facility or from originating depository institutions in one ACH area for delivery to depository institutions in other ACH service areas.

C. Wire Transfer of Reserve Account Balances Service

Wire transfer services provide for the immediate movement of funds between any two depository institutions which maintain accounts with the Federal Reserve (see Table 3 in Appendix II for proposed fees).

Five levels of services are available: (1) on-line origination of a transfer without telephone advice (notification) to the receiver, (2) on-line origination of a transfer with telephone advice to the receiver, (3) off-line origination without telephone advice to the receiver, (4) off-line origination with telephone advice to the receiver and (5) off-line receiver requiring telephone advice of credit where none has been requested by the originator (see Table 3 of Appendix II for the proposed fees).

The most common wire transfer transaction is originated from an on-line terminal at a depository institution and processed through the Federal Reserve's automated communication facilities with immediate settlement and transmission of an advice to the receiving depository institution's on-line terminal facilities. Off-line origination of a transfer allows depository institutions without on-line facilities to initiate wire transfers by telephone request to a Federal Reserve office. Except for initiation by telephone, off-line wire transfers are processed in the same manner as on-line transactions. Telephone notification to an off-line receiver provides information concerning funds credited to their accounts earlier than would otherwise occur.

The originator will be charged for the wire transfer services including a fee for telephone advice to an off-line receiver if requested by the originator. If the receiver has instructed the Reserve Bank office to provide telephone advice when none has been requested by the originator, the off-line receiver will be charged for the telephone advice (see Table 3 of Appendix II for proposed fees).

D. Net Settlement Service

The net settlement service is the posting of debit and credit advices generated by a third party to accounts held on the books of the Federal Reserve. ^{1/} The third party is typically a provider of financial services to depository institutions (e.g., a private sector check clearing house, automated clearing house association, funds transfer system, etc.) who normally processes a large number of transactions among its member institutions. In addition to sorting, delivering or communicating data, the third-party maintains records of these transactions. At the end of a business day, the third party sums all transactions for each institution and delivers or transmits to the Federal

^{1/} Gross settlement, that is, the posting of debits and credits associated with the direct use of other Federal Reserve services, is not charged for separately since its cost is of necessity included in the fee for each service.

Reserve the entries to effect settlement among the participating institutions. Charges for the net settlement service will be calculated based on the number of entries in each settlement and will be levied against the third party ordering the settlement rather than against each institution participating in the settlement (see Table 4 of Appendix II for proposed fees).

E. Currency and Coin Transportation and Coin Wrapping Services

Transportation services for currency and coin are fully priced (see Table 5 and 6 in Appendix II for proposed fees). However, no private sector adjustment has been added since the cost of imputed capital and taxes is already included in the price the System pays private couriers to provide this service. Proposed fees reflect both a volume charge (per bundle of currency and/or bag of coin shipped) and a cost per stop.

Proposed transportation fees for currency and coin are based on existing armored carrier contracts and established usage patterns. The Reserve Banks may impose reasonable limitations on frequency of service, number of offices served and size of orders/deposits. To assure that the public serviced by institutions in more remote locations receive an adequate level of service, the proposed prices for transportation to depository institutions located in more remote areas (over-the-road endpoints) have a ceiling imposed for the per stop portion of the cash transportation charge. The proposed price to mail endpoints has the same ceiling. In the proposed pricing structure, the ceiling is set at \$32.

Depository institutions may pick up or deliver currency and coin free of charge at Reserve Bank docks, since the provision of coin and currency itself is a government service. However, Reserve Banks may impose reasonable restrictions on scheduling of pickups and deliveries when depository institutions arrange their own transportation.

Currency and coin processing (paying, receiving and verifying both coin and currency, and issuing, processing, canceling and destroying currency) are governmental functions and are not priced.

1. Currency and coin shipping service

The shipping service comprises mail shipments and armored carrier deliveries to and from endpoints within a Federal Reserve city, within suburban areas of the Reserve city, and beyond those areas to locations in more remote areas, referred to as "over-the-road" endpoints.

a. Mail shipment

Mail shipment service involves travel to and from the Post Office to pick up and deliver currency and coin. Actual postage, registered mail fees and insurance costs will be added to the proposed Reserve Bank fee for this service.

b. City endpoint

City endpoint transportation includes the shipment of currency and coin by armored carrier to and from depository institutions located within the same city as a Federal Reserve office.

c. Suburban endpoint

This service is similar to the city endpoint service except that it is available only to depository institutions located close to a Federal Reserve city (i.e., within a geographic area defined by a Federal Reserve office as suburban).

d. Over-the-road endpoint

This service is similar to city and suburban endpoint services but is available to depository institutions located beyond suburban endpoints. Over-the-road service areas are subdivided into zones based upon distance from a Federal Reserve office.

2. Coin Wrapping

Wrapping involves the packaging of coin into rolls, and boxing of rolls for shipment. Coin wrapping is available in four Reserve Bank Districts (see Table 7 in Appendix II for proposed fee for this service).

F. Securities Services

1. Safekeeping and securities transfer

Proposed prices for this service include charges for the establishment, maintenance, and servicing of both definitive and book-entry safekeeping accounts (see Table 8 of Appendix II for proposed prices). Also included are charges to cover deposits, withdrawals, electronic transfers of book-entry securities, and charges to cover account maintenance. ^{1/} The proposed account maintenance fee reflects the costs

^{1/} No fees will be imposed for: (1) holding, transferring or switching definitive or book-entry securities as collateral for Treasury tax and loan, other Treasury deposits, or borrowings from the Federal Reserve; (2) deposits of book-entry securities on original issues; and (3) payment of principal and interest on Government securities, including the withdrawal of matured book-entry securities. These services are provided by the Federal Reserve in its capacity as fiscal agent for the U.S. Treasury Department and compensation for such services is provided by the Treasury.

associated with storing securities, maintaining account instructions, reconciling accounts, notifying the depository of maturing securities, and providing periodic account statements.

a. Book-entry securities

This service includes the transfer of book-entry securities and the maintenance of a customer's account. A Federal Reserve office will electronically transfer book-entry securities from the custody account of one depository institution to the custody account of another depository institution located within the same or another Federal Reserve District. Additionally, a Federal Reserve office will electronically transfer book-entry securities between custody accounts of the same depository institution (account switch). All book-entry transfers may be performed on-line or off-line. This service also includes account maintenance (e.g., the maintenance of records reflecting book-entry holdings, account instructions, and periodic statements).

b. Definitive securities

This service includes the receipt or delivery of definitive securities by a Federal Reserve office at the direction of a depository institution and the processing of related payments. Also included are: (1) the transfer of securities between custody accounts at a Federal Reserve office; (2) the withdrawal of maturing securities from safekeeping and collateral accounts and the collection and crediting of principal on such securities; (3) detaching maturing coupons from definitive securities held at a Federal Reserve office and preparing them for delivery to the owner or to the appropriate paying agent; and (4) account maintenance, including storage of securities, maintenance of account instructions, account reconciliation, and periodic statements.

2. Purchase and sale of government securities

This service involves the execution of purchase and sale transactions of Treasury and U.S. Government agency securities at the request of a depository institution. It is proposed that fees will be charged for each transaction handled.

G. Noncash Collection Services

Noncash collection includes the receipt, collection, and crediting of accounts of depository institutions for deposits of matured municipal and corporate coupons, and called or matured municipal and corporate obligations. (See Table 8 of Appendix II for proposed prices.) The collection of and crediting for maturing coupons detached from definitive securities held in safekeeping on collateral accounts at a Federal Reserve office are also included in this service.

VIII. CLEARING BALANCES

The Monetary Control Act imposes Federal reserve requirements on all depository institutions with transaction accounts or non-personal time deposits. Nevertheless, a number of member and non-member depository institutions will maintain zero or negligible required reserve balances with the Federal Reserve because of the phase in provisions or because of the lower reserve ratios established by the Act. Such institutions will either have low required reserves and/or will be able to satisfy their reserve requirement either in large part or entirely with vault cash. These institutions may want direct access to some or all Federal Reserve services. However, their reserve balances held at Federal Reserve Banks may be considered inadequate for clearing purposes because they could generate an excessive incidence of daylight, and possible overnight, overdrafts. Consequently, the Board will provide two alternative methods whereby depository institutions maintaining zero or negligible required reserve balances with Federal Reserve Banks will still be able to receive Federal Reserve Bank services directly, in accordance with the access provisions of the Act.

The first method is for a depository institution with zero or low reserve balances to arrange with a correspondent institution or with its reserve pass-through correspondent to post all of its Federal Reserve credits and charges arising from its use of System services to the correspondent institution's or pass-through correspondent's Federal Reserve account. Such arrangements must comply with the requirements of the Federal Reserve Bank involved. The second method is for the depository institution with zero or low reserve balances, regardless of whether or not its reserves are held through a pass-through correspondent, to establish a clearing balance with its Reserve Bank to which Federal Reserve credits and charges may be posted. If the depository institution chooses the clearing balance method, it is proposed that the following procedures apply:

A. Clearing Balance Procedure

1. The need for and size of a clearing balance will be set by each Reserve Bank on a case-by-case basis. The size of the clearing balance will be set so as to minimize the expected incidence of daylight and possible overnight overdrafts.

2. In order to ensure that clearing balances do not interfere with the conduct of monetary policy, the size of the required clearing balance will be fixed in advance of the period during which that balance must be maintained. Required clearing balances may be adjusted on the first Thursday of each month to reflect changes in the level of transactions. Notice of such adjustments will be made two weeks prior to the change.

3. In order to minimize the potentially disruptive effects clearing balance requirements could have upon the conduct of monetary policy, the maintenance period for required

clearing balances will correspond to the maintenance period for required reserve balances. Each depository institution will have to maintain a required weekly average total balance--required clearing balances plus, if applicable, required reserve balances. At the end of each maintenance period any balances held with the System will first be allocated to the clearing balance requirement and the remainder will apply to the required reserve balance. Thus, if a depository institution holds an average total balance with the System during the maintenance period that is less than the required balance--required clearing balances plus required reserve balances--the depository institution will be considered to be deficient in reserves. If the deficiency in average total balances is greater than required reserves, the remaining shortfall will be considered deficient clearing balances. If the maintained total balance exceeds the required balance, the institution will be considered to be holding excess reserves. However, in the case where a depository institution elects to pass-through its required reserves and in addition maintains a required clearing balance directly with the Federal Reserve, the required clearing balance will be administered separately from the required reserve balance.

4. If a depository institution is deficient in required reserves it will be subject to a penalty [12CFR§204.7]. The same penalty will apply to a deficiency in required clearing balances, whether or not that institution must maintain any required reserve balances with the Federal Reserve. However, while reserve carry-over provisions will apply to required reserve balances, they will not apply to required clearing balances. In addition, Federal Reserve Banks will meet with depository institutions that demonstrate an inability to maintain required balances or that incur repeated penalties to discuss how to better manage required total balances.

B. Earnings Credits on Clearing Balances

1. The Monetary Control Act provides that Federal Reserve services should be provided on a competitive basis. Since fees for competitive services offered by commercial banks are often in the form of balances maintained by the users of the services the Board believes that, in order to fulfill the objective of providing services on a competitive basis, it is appropriate to permit fees for services to be offset by an earnings credit on required clearing balances just as is the practice of the private sector. Thus, Federal Reserve Banks will provide earnings on the lesser of required clearing balances or the actual clearing balances maintained. These credits can only be used to offset charges a depository institution incurs in its use of System services. Explicit interest will not be paid to depository institutions maintaining required clearing balances.

2. The earnings credit rate to be used by Reserve Banks is a weekly average of the 91-day Treasury Bill rate. This average will be computed based on U.S. Treasury auction averages and daily closing bid prices.

3. If during a given billing period the earnings credits granted a depository institution exceed the charges it incurs for the use of System services, the depository institution may carry-over the excess credits and apply them to its use of System services in subsequent months. A particular billing period's carryover may be maintained for up to 12 months. At the end of 12 months such credits expire. For example, excess credits earned in January that are unused during the following 12 months would expire the next January 31, while excess credits earned in February that are unused during the following 12 months would expire on the last day of the next February.

C. Implementation Dates for Clearing Balances

1. Federal Reserve Banks will implement clearing balances by January 1, 1981 or as soon thereafter as possible.

2. In those Districts in which Reserve Banks are unable to implement clearing balances by January 1, 1981, a depository institution with zero or low required reserve balances that wishes to receive System services directly will be limited to the first method previously discussed. Thus, affected depository institutions will need to arrange with a correspondent institution or other reserve pass-through correspondent to have all its Federal Reserve credits and charges posted to the correspondent institution's or pass-through correspondent's Federal Reserve Bank account. Once clearing balances become available, depository institutions may switch to the clearing balance procedure.

By order of the Board of Governors of the Federal Reserve System,
August 28, 1980.

(signed) Theodore E. Allison

Theodore E. Allison

[SEAL]

APPENDIX I

THE PRIVATE SECTOR ADJUSTMENT FACTOR

In accordance with the Monetary Control Act of 1980 the Federal Reserve is required to price its services to reflect its actual costs plus the financing and tax costs that a private sector supplier would incur. Since the System's cost accounting information does not include these private sector costs, it is necessary to derive an adjustment factor or markup to apply to the System's cost accounting data.

The first step in deriving the private sector adjustment requires a determination of the value (at historical cost) of the System's assets employed in the production of priced services. The value of assets used by the System to execute its central bank functions, supervisory and regulatory responsibilities, and duties as the Treasury's fiscal agent have been excluded. The asset base for priced services is shown in Table 1 and totals \$284.9 million.

The capital structure was assumed to approximate that of a private business firm solely providing payments function services: 53% debt (32% short-term, 21% long-term) and 47% equity. When the average debt, equity, and tax costs of a selected sample of large banks are applied to this capital structure, an average cost of capital of 13.1% is derived. This cost of capital was used to determine the 12% private sector adjustment factor, described in detail in Table 2.

TABLE 1

Assets Employed in the Production of Priced Services
(\$ millions, 1979)

Bank Premises, Net	\$409.3
Difference & Suspense Act., Net	134.3
Furniture & Equipment, Net	85.1
Other Real Estate	27.4
Deferred Charges	<u>3.4</u>
Total Assets	\$659.5

Assets of Priced Services: \$659.5 (.432) 1/ = \$284.9

1/ Those assets which could be explicitly identified as supporting a nonpriced service are not included in Table 1. Other assets which supported both priced and nonpriced services required different treatment. The cost of priced services (less shipping expenses) represented 43.2% of total System costs (less note issue and shipping expenses). This ratio is applied to the total asset base of \$659.5 million (which supports both priced and nonpriced services) to determine the value of assets allocable to the priced services alone. Shipping and note issue expenses represent "passed through" private sector or U.S. Treasury costs and are excluded from the ratio since little or no Federal Reserve assets are involved in their production.

TABLE 2

The Calculation of the Private Sector
Adjustment Factor 1/

(\$ millions; 1979 Factor annual data)

Asset Base	284.9
Capital Structure	
Short-term Debt (32%)	91.7
Long-term Debt (21%)	58.0
Equity (47%)	135.2
Financing Cost	
Short-term Debt (@ 6.91%)	6.3
Long-term Debt (@ 7.98%)	4.8
Equity (@ 19.5%: before taxes)	26.1
Total Assumed Financing and Tax Expenses	37.2
Cost of System Services to be Marked up	310.7
Private Sector Adjustment Factor $(37.2 \div 310.7)$ <u>2/</u>	12.0%

1/ The average interest cost of long-term debt at 12 large banks was 7.98% in 1979 while the average interest cost of short-term debt was 6.91%. The average after tax return on equity was 14.4% and, with an effective tax rate of 26%, yields a before tax equity return of 19.5%.

2/ The average cost of capital (before taxes) is 13.1%.

APPENDIX II

PROPOSED FEES

The following tables contain the proposed fees for Federal Reserve services.

TABLE 1

PROPOSED FEE SCHEDULE
COMMERCIAL CHECK SERVICES
(cents per item)

FEDERAL RESERVE OFFICE	CASH LETTERS DEPOSITED DIRECTLY AT PROCESSING F.R. OFFICE						CASH LETTER CONSOLIDATED WITH SHIPMENTS SENT FROM OTHER F.R. OFFICES TO PROCESSING F.R. OFFICE	
	City	Country RCPC & Mixed	Other Fed	Non- Machineable	Package Sort	Group Sort	City	Country & RCPC
BOSTON)								
LEWISTON)	1.4¢	1.7¢	3.8¢	4.2¢	0.5¢	1.6¢	1.8¢	2.1¢
WINDSOR LOCKS)								
NEW YORK	2.5	2.9	5.1	7.0	0.2	-	3.0	3.4
BUFFALO	1.5	1.7	3.9	3.9	0.6	-	1.9	2.1
JERICO	-	2.0	-	4.8	0.6	-	-	2.5
CRANFORD	-	2.2	-	4.5	0.6	-	-	2.7
UTICA	-	2.0	-	4.6	0.6	1.7	-	2.4
PHILADELPHIA	1.9	2.2	4.6	4.8	0.6	1.8	2.3	2.7
CLEVELAND)								
CINCINNATI)	0.9	1.9	3.4	3.7	0.5	-	1.3	2.3
PITTSBURGH)								
COLUMBUS)								
RICHMOND	1.6	1.9	4.0	4.1	0.6	-	2.0	2.4
BALTIMORE	1.6	1.8	4.1	3.8	0.6	-	2.0	2.2
CHARLOTTE	1.1	1.3	3.4	3.2	0.5	-	1.5	1.7
COLUMBIA	1.4	1.6	3.9	3.6	0.6	-	1.8	2.0
CHARLESTON	-	1.8	3.8	3.7	0.6	-	-	2.2
ATLANTA)								
BIRMINGHAM)								
JACKSONVILLE)	1.2	1.5	3.3	3.8	0.4	-	1.6	1.9
NASHVILLE)								
NEW ORLEANS)								
MIAMI)								
CHICAGO	1.9	2.5	4.3	4.1	0.5	-	2.4	2.9
DETROIT	1.2	1.8	4.5	5.5	0.4	-	1.6	2.3
DES MOINES	1.3	1.7	3.4	4.3	0.4	-	1.7	2.1
INDIANAPOLIS	1.2	1.2	3.5	3.4	0.4	-	1.6	1.6
MILWAUKEE	1.5	1.3	3.8	5.1	0.3	-	1.9	1.7
ST. LOUIS)								
LITTLE ROCK)	1.7	2.1	3.8	4.0	0.3	-	2.1	2.6
LOUISVILLE)								
MEMPHIS)								
MINNEAPOLIS)	1.4	1.9	4.4	4.8	0.5	1.4	1.9	2.4
HELENA)								
KANSAS CITY	1.7	2.4	3.9	4.0	0.5	1.0	2.1	2.8
DENVER	1.0	1.3	3.3	3.8	0.5	-	1.4	1.8
OKLAHOMA CITY	1.5	1.7	3.8	3.9	0.5	-	1.9	2.1
OMAHA	1.3	1.9	3.7	3.6	0.5	-	1.7	2.3
DALLAS)								
HOUSTON)	1.4	1.9	3.8	4.5	0.6	1.5	1.8	2.3
SAN ANTONIO)								
EL PASO)								
SAN FRANCISCO)								
LOS ANGELES)								
PORTLAND)	1.5	1.6	3.8	5.9	0.2	-	2.0	2.1
SALT LAKE CITY)								
SEATTLE)								

TABLE 2

PROPOSED FEE SCHEDULE
AUTOMATED CLEARING HOUSE SERVICES
(cents per item)

Federal Reserve District	Intra-ACH Items	Inter-ACH Items
Boston	1.0¢	1.5¢
New York	0.3	1.2
Philadelphia	1.0	1.5
Cleveland	1.0	1.5
Richmond	1.0	1.5
Atlanta	1.0	1.5
Chicago	1.0	1.5
St. Louis	1.0	1.5
Minneapolis	1.0	1.5
Kansas City	1.0	1.5
Dallas	1.0	1.5
San Francisco	1.0	1.5

TABLE 3

PROPOSED FEE SCHEDULE
WIRE TRANSFER OF RESERVE ACCOUNT BALANCES SERVICE

	TELEPHONE ADVICE TO RECEIVER	
	NO	YES
ORIGINATOR ON-LINE	\$0.70	\$2.30
ORIGINATOR OFF-LINE	3.15	4.75
RECEIVER OFF-LINE	-	1.60

TABLE 4

PROPOSED FEE SCHEDULE
NET SETTLEMENT SERVICE

BASIC SETTLEMENT CHARGE PER ENTRY	\$0.70
SURCHARGES PER ENTRY:	
SETTLEMENT ORIGINATED OFF-LINE	2.45
TELEPHONE ADVICE REQUESTED	1.60

TABLE 5

PROPOSED FEE SCHEDULE
CURRENCY AND COIN SHIPPING SERVICE

FEDERAL RESERVE OFFICE	MAIL SHIPMENT ¹ (DELIVERY TO OR FROM POST OFFICE)	CITY ENDPOINT			SUBURBAN ENDPOINT		
		VOLUME SHIPPED		PER STOP (PICKUP AND/OR DELIVERY)	VOLUME SHIPPED		PER STOP (PICKUP AND/OR DELIVERY)
		PER BUNDLE OF CURRENCY	PER BAG OF COIN		PER BUNDLE OF CURRENCY	PER BAG OF COIN	
BOSTON	\$1.82	-	-	-	-	-	-
NEW YORK	1.82	-	-	-	-	-	-
BUFFALO	2.74	\$.20	\$.26	\$20.96	-	-	-
PHILADELPHIA	-	.10	.15	6.39	-	-	-
CLEVELAND	1.82	-	-	-	\$.40	\$.39	\$11.02
CINCINNATI	2.74	.10	.14	4.96	.40	.57	11.96
PITTSBURGH	1.82	.10	.14	1.00	-	-	-
RICHMOND	2.74	.20	.24	13.66	-	-	-
BALTIMORE	1.82	-	-	-	.60	.55	18.00
CHARLOTTE	2.74	.10	.23	6.65	-	-	-
ATLANTA	2.52	.20	.31	7.06	-	-	-
BIRMINGHAM	2.74	.20	.33	8.41	-	-	-
JACKSONVILLE	2.74	.10	.24	13.23	-	-	-
NASHVILLE	1.90	.10	.15	1.12	.20	.30	2.86
NEW ORLEANS	2.74	.20	.16	6.13	.30	.34	5.32
MIAMI	1.91	.20	.13	6.45	.60	.70	15.85
CHICAGO	2.74	.10	.13	9.86	.30	.34	6.34
DETROIT	2.74	.40	.62	20.80	-	-	-
ST. LOUIS	1.82	.10	.14	4.97	.60	.75	11.49
LITTLE ROCK	2.38	.10	.12	1.05	.10	.12	2.10
LOUISVILLE	1.82	.20	.28	6.42	-	-	-
MEMPHIS	1.82	.20	.14	2.19	-	-	-
MINNEAPOLIS	1.89	.20	.20	10.35	.40	.76	12.84
HELENA	1.82	.20	.33	5.45	-	-	-
KANSAS CITY	1.82	.10	.14	7.11	.20	.26	2.74
DENVER	1.82	.10	.14	3.22	.10	.14	4.01
OKLAHOMA CITY	2.06	.10	.16	1.95	.20	.33	2.80
OMAHA	2.13	.20	.20	5.67	-	-	-
DALLAS	1.82	.20	.12	1.88	.40	.40	10.57
HOUSTON	1.97	.10	.14	6.17	-	-	-
SAN ANTONIO	2.74	.10	.15	6.83	.10	.15	3.48
EL PASO	2.74	.10	.19	5.99	-	-	-
SAN FRANCISCO	2.74	.05	.14	10.08	.30	.50	2.67
LOS ANGELES	2.74	.20	.24	10.40	.30	.74	11.50
PORTLAND	1.82	.10	.16	12.56	-	-	-
SALT LAKE CITY	2.74	.10	.19	6.50	.60	.78	5.37
SEATTLE	2.74	.20	.19	18.64	.70	.78	22.00

^{1/} Cost of one-way trip to or from U.S. Post Office. Actual postage and insurance costs will be added.

TABLE 6

PROPOSED FEE SCHEDULE
CURRENCY AND COIN SHIPPING SERVICE

FEDERAL RESERVE OFFICE	VOLUME SHIPPED		OVER-THE-ROAD ENDPOINTS				
	PER BUNDLE OF CURRENCY	PER BAG OF COIN	PER STOP (PICKUP AND/OR DELIVERY)				
			ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5
BOSTON	\$.60	\$1.51	\$ 7.85	\$15.71	\$23.54	\$31.38	-
NEW YORK	.60	1.36	14.14	19.13	24.11	29.09	-
BUFFALO	.60	.90	12.00	13.39	14.80	16.19	\$17.59
PHILADELPHIA	.60	1.35	13.00	15.00	18.50	-	-
CLEVELAND	.60	.85	12.36	14.06	15.77	17.47	-
CINCINNATI	.60	.81	13.84	18.78	23.72	28.67	-
PITTSBURGH	.60	.93	8.86	13.78	18.70	23.62	-
RICHMOND	1.00	1.35	14.70	21.00	25.20	-	-
BALTIMORE	.60	1.28	25.30	27.50	29.70	-	-
CHARLOTTE	1.10	1.61	22.02	27.97	32.00	-	-
ATLANTA	.60	1.15	8.49	13.81	19.11	-	-
BIRMINGHAM	.70	1.02	7.40	13.57	19.75	-	-
JACKSONVILLE	.60	.69	9.35	11.81	14.27	16.73	-
ASHVILLE	.60	.88	9.24	15.02	20.79	-	-
NEW ORLEANS	.60	.73	2.14	4.28	6.41	8.55	-
MIAMI	-	-	-	-	-	-	-
CHICAGO	1.30	1.76	27.04	30.69	32.00	-	-
ST. LOUIS	.60	1.58	17.39	22.02	26.66	-	-
ST. LOUIS	1.40	1.93	26.52	31.80	32.00	-	-
LITTLE ROCK	2.00	2.27	28.60	31.50	32.00	-	-
SPRINGFIELD	1.90	2.65	27.50	31.80	32.00	-	-
MEMPHIS	1.20	1.63	25.64	31.80	32.00	-	-
MINNEAPOLIS	1.50	1.91	27.53	32.00	32.00	-	-
SEATTLE	2.10	2.39	26.61	27.62	32.00	32.00	32.00
KANSAS CITY	1.30	1.74	21.86	25.39	28.92	32.00	-
DENVER	.70	1.20	15.69	20.59	25.49	30.40	-
OKLAHOMA CITY	.70	.94	10.95	17.03	-	-	-
MAHARAJA	1.20	1.59	9.09	12.53	14.61	-	-
ALLAS	1.20	1.38	22.44	25.70	29.04	-	-
HOUSTON	.60	.82	13.57	17.81	22.06	26.30	-
SAN ANTONIO	1.30	1.77	15.38	17.71	20.04	22.38	24.70
EL PASO	1.70	1.95	27.25	31.50	32.00	-	-
SAN FRANCISCO	.60	1.00	10.84	19.77	-	-	-
LOS ANGELES	.70	1.24	10.16	16.48	-	-	-
PORTLAND	1.00	1.60	11.68	-	-	-	-
SALT LAKE CITY	1.30	1.62	11.22	-	-	-	-
SEATTLE	1.30	1.82	19.91	-	-	-	-

TABLE 7
PROPOSED FEE SCHEDULE
COIN WRAPPING SERVICE

FEDERAL RESERVE DISTRICT	CENTS PER ROLL
BOSTON	2.8¢
CLEVELAND	2.8
ST. LOUIS	3.5
KANSAS CITY	2.8

TABLE 8

PROPOSED FEE SCHEDULE
SECURITIES SAFEKEEPING AND NONCASH COLLECTION SERVICES

FEDERAL RESERVE DISTRICT	BOOK-ENTRY SECURITIES			DEFINITIVE SECURITIES				PURCHASE AND SALE PER MARKET TRANSACTION	COUPON OR BOND COLLECTION	
	SECURITIES BASIC PRICE PER TRANSFER	TRANSFER OFF-LINE SURCHARGE PER TRANS.**	ACCOUNT MAINTENANCE PER ACCOUNT***	DEPOSIT WITHDRAWAL REDEMPTION PER TRANS.*	ACCOUNT SWITCH PER TRANS.	COUPON CLIPPING PER ISSUE	ACCOUNT MAINTENANCE PER MILLION \$ PAR AMOUNT***		PER ENVELOPE OR BOND PROCESSED*	PER \$1,000 COUPON VALUE SHIPPED
BOSTON	\$1.80	7.00	\$60.00	\$38.00	\$13.50	\$9.50	\$67.00	\$15.00	\$2.20	\$1.00
NEW YORK	1.80	6.75	60.00	33.50	12.50	9.25	34.00	22.50	1.40	1.00
PHILADELPHIA	1.80	4.50	60.00	29.00	10.00	4.50	34.00	15.50	2.20	1.00
CLEVELAND	1.80	5.50	60.00	29.00	12.50	4.50	45.00	21.75	2.20	1.00
RICHMOND	1.80	7.00	60.00	37.00	12.50	7.25	63.00	22.50	2.00	1.00
ATLANTA	1.80	5.50	60.00	35.00	11.25	7.25	63.00	18.50	2.00	1.00
CHICAGO	1.80	4.50	60.00	33.50	12.50	9.25	34.00	12.25	1.40	1.00
ST. LOUIS	1.80	6.75	60.00	19.00	11.25	5.00	45.00	--	1.60	1.00
MINNEAPOLIS	1.80	4.75	60.00	19.00	11.75	5.25	45.00	9.50	1.80	1.00
KANSAS CITY	1.80	4.00	60.00	19.00	10.00	4.25	34.00	16.75	1.80	1.00
DALLAS	1.80	5.25	60.00	19.00	10.00	4.50	34.00	16.75	2.00	1.00
SAN FRANCISCO	1.80	5.25	60.00	--	--	--	--	--	1.70	1.00

* For bonds, add out-of-pocket shipping expenses, insurance fees and fees assessed by other Federal Reserve Banks if any.

** Assessed for off-line origination and off-line receipt.

*** Per annum assessed on a quarterly basis.

FEDERAL RESERVE BANK OF NEW YORK

*Supplement to Tables 5 and 6 of Appendix II of Federal Register Notice
Entitled Federal Reserve Bank Services—Proposed Fee Schedules and Pricing Principles
(Docket No. R-0324)*

Municipalities Provided Currency and Coin Shipping Service

HEAD OFFICE

Municipalities Included in Zone 1

New York

Albertson	Freeport	Mt. Ivy	Sea Cliff
Ardsey	Garden City	Mt. Kisco	Seaford
Armonk	Garnerville	Mt. Vernon	Scarsdale
Arverne	Glen Cove	New City	Shrub Oak
Baldwin	Goldens Bridge	New Hyde Park	Sloatsburg
Baldwin Place	Great Neck	New Rochelle	Somers
Bardonia	Greenville	North Merrick	Sparkill
Bedford Hills	Harrison	North Tarrytown	Spring Valley
Bedford Village	Hartsdale	North Valley Stream	South Hempstead
Blauvelt	Hastings on Hudson	Nyack	Stewart Manor
Brewster	Haverstraw	Oceanside	Tallman
Briarcliff Manor	Hawthorne	Orangeburg	Tappan
Bronxville	Hewlett	Ossining	Tarrytown
Carle Place	Inwood	Ozone Park	Thornwood
Carmel	Irvington	Pearl River	Tuckahoe
Cedarhurst	Island Park	Peekskill	Uniondale
Chappaqua	Jeffersonville	Pelham Manor	Valhalla
Croton on Hudson	Katonah	Piermont	Valley Cottage
Cross River	Larchmont	Pleasantville	Valley Stream
Dobbs Ferry	Lawrence	Pomona	Vista
Eastchester	Long Beach	Port Chester	Westbury
East Rockaway	Lynbrook	Pound Ridge	West Haverstraw
East White Plains	Mahopac	Putnam Valley	West Hempstead
Elmont	Malverne	Queens Village	West Nyack
Elmsford	Manhasset	Richmond Hill	White Plains
Far Rockaway	Mamaroneck	Rockville Centre	Williston Park
Floral Park	Merrick	Roosevelt	Yonkers
Flushing	Mineola	Roslyn	Yorktown Heights
Forest Hills	Mohegan Lake	Roslyn Heights	
Franklin Square	Monsey	Rye	

New Jersey

Allendale	Cranbury	Fair Haven	Hillside
Bayonne	Cranford	Fairview	Holmdel
Belleville	Cresskill	Fords	Ho Ho Kus
Bergenfield	Dayton	Fort Lee	Howell Twp.
Berkeley Heights	Denville	Florham Park	Irvington
Bernardsville	Dover	Franklin Lakes	Iselin
Bloomfield	Dumont	Freehold	Jersey City
Bloomingtondale	East Hanover	Garfield	Kendall Park
Bound Brook	East Newark	Garwood	Kenilworth
Bogota	East Orange	Gladstone	Lake Hiawatha
Boonton	East Rutherford	Glen Ridge	Laurence Harbor
Carteret	Eatontown	Glen Rock	Leonia
Caldwell	Edgewater	Guttenberg	Lincoln Park
Carlstadt	Edison	Hackensack	Linden
Cedar Grove	Elizabeth	Haledon	Little Falls
Chatham	Elmwood Park	Harrington Park	Little Ferry
Chester	Emerson	Harrison	Livingston
Clark	Englewood Cliffs	Haworth	Lodi
Clifton	Englewood	Hawthorne	Lincroft
Closter	Englishtown	Hasbrouck Heights	Lyndenhurst
Colts Neck	Fairfield	Highland Park	Madison
Colonia	Fair Lawn	Hillsdale	Manalapan

HEAD OFFICE (Continued)

New Jersey Zone 1 (Continued)

Manville	North Plainfield	Red Bank	Teaneck
Mahwah	Northvale	Ridgefield	Tenafly
Maplewood	Oakland	Ridgefield Park	Totowa Boro.
Marlboro	Old Bridge	Ridgewood	Totowa
Metuchen	Old Bridge Twp.	River Edge	Union
Middlesex	Oradell	Riverdale	Union City
Middletown	Orange	River Vale	Verona
Midland Park	Palisades Park	Rochelle Park	Waldwick
Millburn	Paramus	Rockaway	Wallington
Millington	Park Ridge	Roselle	Warren
Moonachie	Parsippany	Rutherford	Washington Twp.
Montclair	Passaic	Saddle Brook	Wayne
Montvale	Paterson	Saddle River	Weehawken
Morris Plains	Perth Amboy	Sayreville	West Caldwell
Morristown	Pine Brook	Scotch Plains	Westfield
Mt. Freedom	Piscataway	Secaucus	West New York
Mountain View	Plainfield	Short Hills	West Orange
Newark	Plainsboro	South Amboy	West Paterson
New Brunswick	Pluckemin	South Bound Brook	Westwood
New Milford	Pompton Lakes	South Hackensack	Wharton
New Vernon	Port Reading	South Orange	Whippany
Nutley	Prospect Park	Spotswood	Woodcliff Lake
North Arlington	Rahway	Springfield	Woodbridge
North Bergen	Ramsey	Stirling	Wyckoff
North Haledon	Randolph Twp.	Summit	

Municipalities Included in Zone 2

Connecticut

Bridgeport
Byram
Cos Cob
Danbury
Darien
Fairfield

Greenwich
Shelton
South Norwalk
Stamford
Stratford
Westport

New Jersey

Asbury Park
Atlantic Highlands
Avon by the Sea
Belford
Belmar
Brielle
Hazlet
Keansburg
Keyport
Little Silver
Long Branch

Manasquan
Monmouth Beach
Neptune
Port Monmouth
Rumson
Sea Girt
Spring Lake
South Belmar
Tinton Falls
Union Beach
West Belmar

Municipalities Included in Zone 3

New York

Amityville
Babylon
Bayport
Bay Shore
Bayville
Bellmore
Bellport
Bethpage
Bohemia
Brentwood
Bridgehampton
Centereach
Center Moriches
Central Islip
Cold Spring Harbor
Commack
Copiague
Coram
Deer Park
Dix Hills
East Farmingdale
East Hampton
East Hills
East Islip
East Meadow
East Northport
East Setauket

Eastport
East Quogue
Farmingdale
Farmingville
Fort Salonga
Glen Head
Greenlawn
Greenport
Greenvale
Halesite
Hampton Bays
Hauppauge
Hicksville
Holbrook
Holtsville
Huntington
Huntington Station
Islip
Islip Terrace
Jericho
Kings Park
Lake Grove
Lake Ronkonkoma
Levittown
Lindenhurst
Locust Valley
Massapequa

Massapequa Park
Mastic
Mastic Beach
Medford
Melville
Middle Island
Miller Place
Montauk
Nesconset
New Cassel
North Babylon
North Bellmore
North Lindenhurst
North Massapequa
North Patchogue
Northport
Oakdale
Old Bethpage
Oyster Bay
Patchogue
Plainedge
Plainview
Port Jefferson
Riverhead
Rocky Point
Ronkonkoma
Sag Harbor

Selden
Setauket
Shirley
Smithtown
Sound Beach
South Farmingdale
South Hampton
Southold
South Huntington
South Setauket
Sparrow Bush
Stony Brook
Syosset
Terryville
Upton
Wading River
Wantagh
West Babylon
West Bay Shore
Westhampton Beach
West Islip
West Sayville
West Smithtown
Woodbury
Wyandanch

HEAD OFFICE (Continued)
Municipalities Included in Zone 3 (Continued)

New Jersey

Alpha	Clinton	Hopatcong	Raritan
Andover	Flanders	Lake Hopatcong	Rocky Hill
Andover Twp.	Flemington	Lambertville	Somerville
Baptistown	Franklin	Landing	Sparta
Belvedere	Frankford Twp.	Lebanon	Stillwater
Belle Mead	Frenchtown	Montague	Succasunna
Blairstown	Fredon Twp.	Mt. Olive Twp.	Sussex
Bloomsburg	Glen Gardner	Milford	Tranquility
Broadway	Hackettstown	Netcong	Vernon
Branchville	Harmony	Newton	Washington
Bridgewater	Hamburg	Oxford	White House Station
Budd Lake	High Bridge	Phillipsburg	Whitehouse
Byram Twp.	Hillsborough Twp.	Pittstown	
Califon	Hope	Port Jervis	

Municipalities Included in Zone 4

New York

Albany	Dover Plains	Lake George	Rensselaer
Altamont	Eldred	Lake Luzerne	Rhinebeck
Amsterdam	Ellenville	Latham	Rock Hill
Amenia	Elnora	Liberty	Roscoe
Argyle	Elsmere	Livingston Manor	Rotterdam
Arthursburg	Fishkill	Malta	Salem
Athens	Florida	Maybrook	Saratoga Springs
Averill Park	Fonda	Mechanicville	Saugerties
Ballston Lake	Fort Ann	Menands	Schenectady
Ballston Spa	Fort Edward	Middleburg	Schoharie
Beacon	Fort Plain	Middletown	Schuylerville
Bolton Landing	Fultonville	Millbrook	Scotia
Broadalbin	Germantown	Millerton	Sharon Springs
Burnt Hills	Galway	Milton	Shokan
Cairo	Glens Falls	Modena	South Fallsburg
Callicoon	Glenville	Monroe	So. Glens Falls
Cambridge	Gloversville	Montgomery	Stony Point
Canajoharie	Goshen	Monticello	St. Johnsville
Castleton	Grahamsville	Narrowsburg	Tannersville
Catskill	Granville	Nassau	Troy
Central Valley	Greenwood	Newburgh	Tuxedo Park
Chatham	Greenwich	New Paltz	Unionville
Cherry Valley	Green Island	New Windsor	Vails Gate
Chester	Half Moon	Otisville	Walden
Cobleskill	Harriman	Philmont	Wallkill
Cohoes	Highland	Pawling	Wappingers Falls
Cold Spring	Hoosick Falls	Pine Bush	Warrensburg
Colonie	Hopewell Jct.	Pine Island	Waterford
Copake	Hudson	Pine Plains	Watervliet
Corinth	Hudson Falls	Pleasant Valley	Windham
Cornwall-on-Hudson	Hyde Park	Poughkeepsie	Whitehall
Cornwall	Jeffersonville	Port Ewen	Woodstock
Coxsackie	Johnstown	Queensbury	West Hurley
Delmar	Kinderhook	Ravena	
Duanesburg	Kingston	Red Hook	

BUFFALO TERRITORY

Municipalities Included in Zone 1

Albion	Derby	Lewiston	Ransomville
Alden	East Aurora	Lockport	Sanborn/Cambria
Amherst	Eden	Lyndonville	Spencerport
Angola	Elba	Medina	Springville
Attica	Elma	Middleport	Tonawanda
Barker	Evans Mills	Newfane	Town of Hamburg
Batavia	Getzville	Niagara Falls	Town of Niagara
Brockport	Grand Island	North Boston	Wanakah
Churchville	Hamburg	North Collins	Wheatfield
Clarence	Hilton	North Tonawanda	Williamsville
Corfu	Holley	Oakfield	Wilson
Depew	Lancaster	Orchard Park	Youngstown

BUFFALO TERRITORY (Continued)

Municipalities Included in Zone 2

Aurora	Gates	Macedon	Scottsville
Auburn	Geneva	Marion	Seneca Falls
Avon	Greece	Newark	Shortsville
Brighton	Henrietta	Ontario	Union Springs
Caledonia	Holcomb	Palmyra	Sodus
Canandaigua	Honeoye Falls	Penfield	Victor
Clifton Springs	Irondequoit	Phelps	Waterloo
Chili Center	Lima	Pittsford	Webster
East Rochester	Lyons	Rochester	Williamson

Municipalities Included in Zone 3

Addison	Cohocton	Hammondsport	Prattsburg
Alfred	Corning	Holland	Rushford
Allegany	Cuba	Honeoye	Salamanca
Andover	Dansville	Jamestown	Sherman
Arcade	Delevan	Lakewood	Silver Creek
Arkport/Hornell	Dunkirk	Livonia	Silver Springs
Atlanta	Ellicottville	Mayville	South Corning
Avoca	Falconer	Mount Morris	South Dayton
Bath	Forestville	Naples	Wayland
Belmont	Fredonia	Nunda	Wellsville
Bolivar	Geneseo	Olean	West Ellicott
Brocton	Gowanda	Painted Post	Westfield
Canisteo	Greenwood	Perry	Whitesville
Cattaraugus	Groveland	Portville	Yorkshire
Clymen			

Municipalities Included in Zone 4

Brewerton	Constantia	Manlius	Red Creek
Camillus	DeWitt	Minoa	Savannah
Canastota	Fair Haven	North Rose	Sherrill
Cato	Fayetteville	Oneida	Solvay
Central Square	Fulton	Oswego	Syracuse
Cicero (Clay)	Hannibal	Phoenix	Vernon
Clyde	Liverpool	Port Byron	Wolcott

Municipalities Included in Zone 5

Adams	Edwards	Lyons Falls	Philadelphia
Afton	Elmira	Madrid	Poland
Alexandria Bay	Endicott	Maine	Port Leyden
Appalachin	Endwell	Malone	Potsdam
Antwerp	Evans Mills	Massena	Pulaski
Bainbridge	Fort Covington	Marathon	Redwood
Barneveld	Frankfort	Mexico	Richfield Springs
Binghamton	Gouverneur	Middleville	Rome
Black River	Greene	Mohawk	Rushville
Booneville	Groton	Montour Falls	Sauquoit
Camp Drum	Hamilton	Moravia	Sherburne
Candor	Hammond	Morris	Sidney
Canton	Hartwick	Newark Valley	South Otselic
Carthage	Herkimer	New Berlin	Southport
Cayuga Heights	Hermon	Newfield	Spencer
Cincinnatus	Heuvelton	New Hartford	Theresa
Clayton	Holland Patent	Nichols	Tully
Clinton	Homer	Norfolk	Unadilla
Cooperstown	Ilion	Norwich	Utica
Copenhagen	Interflaken	Norwood	Vestal
Cortland	Ithaca	Odessa	Waddington
Croghan	Johnson City	Ogdensburg	Watertown
Dexter	LaFargeville	Oneonta	Waterville
Dolgeville	Lansing	Oriskany Falls	Watkins Glen
Dundee	Little Falls	Ovid	Waverly
Dryden	Lisbon	Owego	West Winfield
Earlville	Locke	Oxford	Winthrop
Edmeston	Lowville	Penn Yan	