

FEDERAL RESERVE BANK  
OF NEW YORK

[ Circular No. 9113 ]  
[ July 28, 1981 ]

SECURITIES AND NONCASH COLLECTION SERVICES

Fee Schedule, Effective October 1, 1981

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

The Board of Governors of the Federal Reserve System has adopted a fee schedule for securities and noncash collection services provided by the Federal Reserve Banks. The schedule will be implemented on October 1, 1981.

Printed on the following pages is the Board's press release and *Federal Register* notice regarding the fee schedule. Questions on this matter may be directed to Jorge A. Brathwaite, Assistant Vice President (Tel. No. 212-791-5818), or H. John Costalos, Manager, Securities Clearance Department (Tel. No. 212-791-5986).

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

July 20, 1981

The Federal Reserve Board has adopted a fee schedule, effective October 1, for securities and for noncash collection services provided by the Federal Reserve Banks.

The Board acted under the Monetary Control Act of 1980, which requires pricing of Federal Reserve services, and after review of comment received on proposals published in August 1980. The fee schedule has been revised to reflect 1981 costs, and a Private Sector Adjustment Factor (PSAF) of 16 percent, rather than the 12 percent PSAF proposed last year.

The specific schedule of fees is set forth in an attached table. Upon implementation of the fee schedule on October 1, 1981, the securities and noncash collection services will be available to all financial depository institutions.

## Safekeeping of securities

The fees for account maintenance in definitive (paper) securities safekeeping are based on the volume of securities held (not on par value, as proposed) and the account maintenance fee covers coupon clipping, conforming to practice in the private sector. These fees will be the same throughout a Federal Reserve District except for the Chicago District, where they will differ for the territories served by the head office and the Detroit Branch, reflecting costs at those offices. The San Francisco District's definitive securities safekeeping services will be limited to certain arrangements in accord with current practice.

## Book-entry security service

This service involves recording of ownership of securities by computer rather than by issuance of definitive paper securities to buyers. The Board adopted a standard national average fee schedule for all book-entry services: the

basic on-line transfer charge, account maintenance charges and the off-line transfer surcharge. The off-line transfer surcharge replaces the proposed District fee. The Federal Reserve Bank of New York will continue to employ a time-of-day fee schedule for security transfers originating in that District.

Purchase and sale of government securities and noncash collection services

Fees for the purchase and sale of government securities have been revised to reflect 1981 costs and the 16 percent PSAF.

A fee will be charged by the collecting bank for coupons clipped from securities held in safekeeping accounts and sent to another District Bank for collection.

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On average, the proposed 1981 fee schedule for Federal Reserve securities and noncash collection services is 12 percent higher than that proposed last August, a third of the increase being due to the 16 percent, rather than 12 percent, PSAF.

The Board's notice, explaining its fee schedule in detail, is attached.

## FEDERAL RESERVE SYSTEM

(Docket No. R-0324)

### FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Adoption of Fee Schedules for the Book-Entry and Definitive Securities Safekeeping services, the Securities Purchase and Sale Service, and the Noncash Collection Service.

SUMMARY: The Monetary Control Act of 1980 (Title I of Public Law 96-221) requires that fees be set for Federal Reserve Bank services. The Board has adopted a set of pricing principles for Federal Reserve Bank services and has established implementation dates on which fees for each of the services will become effective. The Board has now adopted fees for the securities and non-cash collection services.

EFFECTIVE DATE: October 1, 1981.

FOR FURTHER INFORMATION CONTACT: Lorin S. Meeder, Associate Director for Federal Reserve Bank Operations (202/452-2738); Earl G. Hamilton, Manager, Service Pricing (202/452-3879); Merphil S. Kondo, Senior Economist (202/452-3875); Florence M. Young, Manager, Fiscal Agency Review (202/452-3954); Gilbert T. Schwartz, Associate General Counsel (202/452-3625); Lee S. Adams, Senior Counsel (202/452-3623).

#### SUPPLEMENTARY INFORMATION:

##### Introduction

The Monetary Control Act of 1980 requires that fees be developed for Federal Reserve Bank services according to a set of pricing principles established by the Board. The Act provides that the Board shall begin putting into effect a schedule of fees not later than September 1, 1981, and that services covered by the fee schedule are to be made available to all depository institutions. The Board, in accordance with the requirements of the Act, published for comment proposed pricing principles and fee schedules for services on August 28, 1980 (45 FR 58689). The period for public comment expired on October 31, 1980. On December 30, 1980, after considering the more than 230 comments received from the public, the Board took a number of actions related to the pricing of Federal Reserve services, including adoption of revised pricing principles and scheduling of full access and pricing of the book-entry and definitive securities safekeeping, securities purchase and sale, and the noncash collection services for October 1981, stating that fee schedules for these services would be published in 1981 (46 FR 1338). The Board has now adopted fee schedules for securities and noncash collection services.

## 1981 Fee Schedule

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 the Federal Reserve services priced." The Act also requires that fees for Federal Reserve services take into account imputed taxes and financial costs that would have been incurred if the System services had been provided by a private firm. This markup is referred to as the private sector adjustment factor (PSAF).

The proposed fee schedules for Federal Reserve Bank securities and noncash collection services published by the Board in August 1980 were based on estimates of the full 1980 direct and indirect costs of providing these services plus a 12 percent PSAF. On December 30, 1980, the Board adopted a 16 percent PSAF for use in calculating 1981 prices.

The revised fee schedules for securities and noncash collection services will become effective October 1, 1981, at which time access to these services will be provided to all depository institutions. The fee schedules are based on the estimated full direct and indirect costs of providing these services in 1981 plus the 16 percent PSAF. On average, the fees for 1981 are approximately 12 percent higher than those published in 1980 based on 1980 estimated costs. About one-third of this increase results from the use of a higher PSAF. The remainder is due to cost increases and reallocations of costs derived from the improved cost accounting procedures for securities services implemented on January 1, 1981. However, the comparison is not straightforward because of the redefinition of the account maintenance fee in the definitive securities services, and the change in volume units for which such fees will be assessed.

The 1981 fee schedules were calculated by the Federal Reserve Banks using a methodology similar to that used to compute the fee schedule published by the Board in August 1980. The few changes made are described below. The same methodology was used for all Federal Reserve Districts and offices, and estimates were based on full costs, using the Federal Reserve's Planning and Control System (PACS). (The cost accounting principles and procedures used by the Reserve Banks are described in System accounting manuals available to the public.)

The fee structure for 1981 has been changed in some respects from that published in August 1980 to simplify the fee schedules and to allow them to conform more closely with current market practice. The amount of revenue projected is essentially the same as under the original fee structure, assuming the same volume of activity. The changes are summarized as follows:

### Book-Entry and Definitive Securities Safekeeping Services

1. National Book-Entry Securities Services Fees. National fees have been established for all book-entry services--the basic on-line transfer charge, the account maintenance charge, and the off-line transfer surcharge. The latter replaces the District off-line surcharge proposed in August. The Federal Reserve Bank of New York will continue time-of-day pricing of intradistrict on-line transfers and extend the practice to interdistrict transfers originating in that District, recovering the standard national fee on average.

The \$3.00 fee assessed currently on behalf of the U.S. Treasury and various Federal agencies for interdistrict transfers of book-entry securities will be discontinued when the fee schedule adopted by the Board becomes effective on October 1, 1981.

2. Definitive Securities Safekeeping Services Fees. All definitive securities safekeeping services will be priced at the District level except in the Chicago District, where they will be priced at the office level. In accord with its current practice, the San Francisco District's definitive securities services are limited to certain special collateral accounts. General safekeeping accounts are not provided in the San Francisco District.
3. Account Maintenance Fee for Definitive Securities. The fee for maintaining definitive securities safekeeping accounts will be based on number of receipts or issues held, and not on the par value held as originally proposed. (The Federal Reserve Banks of New York and Minneapolis will base their fees upon number of issues because of the filing systems used.) The separate fee for clipping coupons has been eliminated; however, the fee for collecting clipped coupons will continue to be charged under the noncash collection service fee schedule as a separate charge. The account maintenance fee is now calculated to recover the full costs of both maintenance and coupon clipping. While these changes result in the appearance of a lower fee for account maintenance than that proposed under the 1980 structure, the new fee is based on physical volume, rather than value held, and will be levied monthly on the Federal Reserve statement of service charges. Formerly, the account maintenance fee was expressed as an annual fee to be assessed quarterly. At the same time, fees for deposits, withdrawals, redemptions, and account switches are generally lower due to cost reallocations.

#### Purchase and Sale of Government Securities Service

The basic structure of fees for the purchase and sale of government securities remains unchanged; the fees have been increased to reflect 1981 cost estimates and the 16 percent private sector adjustment factor. It should be noted that the Atlanta District and the St. Louis District do not offer securities purchase and sale services.

#### Noncash Collection Services

The fees for noncash collection services have been updated to reflect 1981 cost estimates and the 16 percent private sector adjustment factor. In the case of coupons clipped from securities held in safekeeping and shipped to another Reserve District for collection, full costs for the collection service will be recovered by charging the fee of the collecting Reserve Bank.

Currently, a Systemwide coupon shipping fee of \$1 per \$1,000 value is charged. With the implementation of pricing, this fee will be established at the District level and will differ from \$1 at those Reserve Banks where use of the \$1 fee will result in significant over- or under-recovery of actual costs.

The 1981 fee schedules for securities and noncash collection services are set forth in Appendix I. Appendix II contains a description of all priced Federal Reserve securities and noncash collection services, and an identification of nonpriced services.

By order of the Board of Governors of the Federal Reserve System,  
July 17, 1981.

(signed) William W. Wiles

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William W. Wiles  
Secretary of the Board

[SEAL]

APPENDIX I  
 FEE SCHEDULE  
 BOOK-ENTRY SECURITIES SERVICES  
 Effective October 1, 1981

Security Transfers:

Originated On-Line	per transaction	\$2.00*
Originated Off-Line	per transaction	8.50**
Received Off-Line	per transaction	6.50
Account Maintenance	per account per month	6.00

\* Fees at the Federal Reserve Bank of New York will vary by time of day as follows:

<u>Time of Day</u>	<u>Originated On-Line</u>
9:00 a.m. - 12:00 noon	\$0.50
12:01 p.m. - 2:00 p.m.	1.25
2:01 p.m. - close	4.50

\*\* Composed of the on-line origination fee of \$2.00 plus the \$6.50 off-line surcharge.

NOTE: The \$3.00 fee currently assessed by the Federal Reserve Banks on behalf of the Treasury and various Federal agencies for interdistrict transfers of securities will be discontinued effective October 1, 1981.



FEE SCHEDULE  
 DEFINITIVE SECURITIES SAFEKEEPING,  
 PURCHASE AND SALE, AND NONCASH COLLECTION SERVICES  
 Effective October 1, 1981

FEDERAL RESERVE DISTRICT	DEFINITIVE SECURITIES SAFEKEEPING			PURCHASE OR SALE  per trans- action ***	NONCASH COLLECTION (Coupon, Bond or Noncash Item)	
	DEPOSIT, WITHDRAWAL OR REDEMPTION per trans.*	ACCOUNT SWITCH per trans.	ACCOUNT MAINTENANCE per receipt per month**		per envelope or item processed*	per \$1,000 coupon value shipped
Boston	\$12.50	\$12.50	\$2.65	\$12.00	\$1.80	\$1.00
New York	35.50	13.50	5.35	23.00	1.40	1.00
Philadelphia	15.00	10.00	2.50	17.00	2.90	1.00
Cleveland	11.00	11.00	2.00	27.00	2.85	1.00
Richmond	20.00	12.50	1.50	27.00	2.00	1.00
Atlanta	20.00	10.00	2.50	-	1.40	1.00
Chicago	15.00	10.00	3.20	17.50	2.50	1.30
Detroit	11.00	10.00	1.75	17.50	2.50	1.30
St. Louis	16.00	16.00	1.45	-	2.80	.50
Minneapolis	13.50	11.50	1.70	5.50	2.25	.60
Kansas City	15.00	6.50	1.35	10.50	3.20	1.00
Dallas	12.00	5.00	1.40	26.50	2.25	1.00
San Francisco	-	-	-	22.00	6.85	1.00

\* For bonds as well as other noncash items, add shipping expenses, insurance fees and fees assessed by other Federal Reserve Banks, if any.

\*\* In the New York and Minneapolis Districts, the fee shown is per issue per month.

\*\*\* Plus brokers' fees, if any.

## APPENDIX II

### DESCRIPTION OF FEDERAL RESERVE SECURITIES SERVICES

#### SERVICE DESCRIPTIONS

The securities services offered to depository institutions by the Federal Reserve fall into three categories: book-entry and definitive securities safekeeping services; purchase and sale of government securities; and noncash collection services.

Account maintenance fees for book-entry and definitive safekeeping services cover establishing, maintaining, and servicing safekeeping accounts for depository institutions. Separate fees will be imposed for each transaction affecting safekeeping account balances, such as deposits, withdrawals, account switches, and wire transfers of book-entry securities. However, no fees will be imposed for: (1) establishing, maintaining, and servicing collateral accounts for borrowings from the Federal Reserve or for Treasury deposits, such as Treasury tax and loan accounts (see Treasury Department Circulars No. 92 and No. 176.); (2) the handling of transactions affecting the balances of these collateral accounts;<sup>1/</sup> (3) the deposit of book-entry securities on original issue; (4) the conversion of definitive securities to book-entry form or the conversion of book-entry holdings to definitive securities (other than wire-related fees); and (5) the payment of principal and interest on U.S. Government and Federal agency securities, including the withdrawal of matured book-entry securities. These services are provided by the Federal Reserve either in its capacity as Fiscal Agent of the United States where reimbursement is provided by the Treasury Department or other Federal agencies, or in its capacity as a central bank lender, under the provisions of Regulation A.

When the fees in the attached schedule are implemented on October 1, 1981, the \$3.00 fee for interdistrict security transfers that the Federal Reserve Banks now collect on behalf of the Department of the Treasury and various Federal agencies will be discontinued.

The fees for the purchase or sale of government securities cover the Federal Reserve Banks' costs for receiving requests from depository institutions and placing purchase or sale orders for Treasury and Federal agency securities in the secondary market. Fees assessed by dealers and brokers for executing transactions, if any, will also be recovered from users of this service.

<sup>1/</sup> There is no charge for withdrawal of a matured security from a collateral account, but a charge will be imposed for collection of securities other than those issued by the U.S. Treasury or various Federal agencies.

The fees for noncash collection services include receiving, collecting, and crediting the accounts of depository institutions for deposits of items eligible for collection through the Federal Reserve, such as municipal coupons and bonds (including coupons clipped from securities held in safekeeping). See Part C of this appendix for a listing of eligible items. In general, deposits should be shipped directly to the Federal Reserve office that services the territory in which the paying agent is located. Credit for deposits will be posted to accounts maintained at the local Federal Reserve office of the depository institution even though deposits may have been received at another Federal Reserve office.

A. BOOK-ENTRY AND DEFINITIVE SECURITIES SAFEKEEPING SERVICES

1. Book-Entry Safekeeping Services

A depository institution may establish several types of book-entry safekeeping accounts (e.g., a general account, an investment account, a trust account, or a dealer account) with its local Federal Reserve office. To determine the specific types of accounts available, depository institutions should contact their local Federal Reserve office. Account maintenance fees will be assessed for custody and collateral accounts; fees will also be assessed for processing security transfers affecting those accounts. No fees, however, will be assessed for the maintenance of or activity in collateral accounts supporting borrowings from the Federal Reserve or Treasury deposits.

a. Security Transfer: Originated On-line

On-line security transfers are wire transfers of book-entry securities originated by a depository institution that has direct access to its book-entry accounts held at a Federal Reserve office. A depository institution may: (1) transfer book-entry securities held in one of its custody or collateral accounts to another one of its custody or collateral accounts (account switches); and (2) transfer book-entry securities held in one of its custody or collateral accounts to a custody account of another depository institution located within the same Federal Reserve District (intradistrict transfer) or another Federal Reserve District (interdistrict transfer). These transfers may be sent against payment, with the funds being credited to the sending institution's reserve account.

b. Security Transfer: Originated Off-line

Off-line security transfers are wire transfers of book-entry securities transmitted by Federal Reserve personnel acting on authenticated requests received from depository institutions. At the request of depository institutions, Federal Reserve personnel will: (1) transfer book-entry securities between custody or collateral accounts of the same depository institution (account switch); and (2) transfer book-entry securities from a custody or collateral account of one depository institution to a custody or collateral account of another financial institution located within the same Federal Reserve District (intradistrict transfer) or another Federal Reserve District (interdistrict transfer), against payment if so authorized. The off-line surcharge only will be imposed for off-line transfers and account switches that do not require the use of the Federal Reserve Communications System.

c. Security Transfer: Received Off-line

Security transfers received off-line include intra and interdistrict security transfers destined for depository institutions that have not established on-line communications links with the Federal Reserve. Acting upon authenticated instructions submitted by the receiving depository institution, Federal Reserve personnel will deposit book-entry securities to the custody or collateral account of the depository institution, against payment if so authorized.

d. Account Maintenance

Book-entry safekeeping account maintenance fees reflect the costs associated with establishing accounts, maintaining account instructions, maintaining records reflecting book-entry holdings, reconciling accounts, notifying account holders of maturing securities in collateral accounts, and providing periodic statements of account holdings. Except for collateral accounts supporting borrowings from the Federal Reserve or Treasury deposits, a separate monthly fee will be assessed for each custody and collateral account maintained for a depository institution.

2. Definitive Safekeeping Services

A depository institution may establish several types of definitive safekeeping accounts (e.g., a free or unpledged account, a Treasury tax and loan collateral account, a discount collateral account, or in some Districts a public

monies collateral account) with its local Federal Reserve office. To determine the specific types of accounts available, depository institutions should contact their local Federal Reserve office. It should be noted that the San Francisco District's services are limited to certain special collateral accounts.

Account maintenance fees will be imposed for custody and collateral definitive securities accounts; fees will also be assessed for processing transactions affecting those accounts. No fees will be assessed for the maintenance of or deposit and withdrawal activity in collateral accounts supporting borrowings from the Federal Reserve or Treasury deposits. Fees will be imposed, however, for the collection of maturing securities other than U.S. Government securities held in these accounts.

a. Deposits, Withdrawals, and Redemptions

Deposits, withdrawals, and redemptions of definitive securities are processed at the direction of depository institutions. Acting upon authenticated instructions, Federal Reserve personnel will: (1) accept deposits to custody or collateral accounts and process the related payments; (2) withdraw securities from custody or collateral accounts, effect deliveries, and process the related payments; and (3) withdraw maturing securities from custody or collateral accounts, present them to the paying agent, collect the principal, and credit depository institutions' reserve or clearing accounts. Fees for processing deposits and withdrawals are based on the number of transactions processed without regard to the number of pieces involved. Fees for processing redemptions will include the transaction fees of the Reserve Bank holding the securities as well as the non-cash collection fees of the collecting Reserve Bank. Shipping expenses and insurance fees incurred in delivering security withdrawals and redemptions will also be recovered from depository institutions.

b. Account Switches

Account switches are transfers of definitive securities among the custody accounts of the same depository institution. Account switches will be processed by Federal Reserve personnel on the basis of authenticated instructions received from depository institutions. Fees for processing account switches are based on the number of transactions processed without regard to the number of pieces involved.

c. Account Maintenance

Definitive safekeeping account maintenance fees reflect the costs associated with establishing accounts, maintaining account instructions, storing securities, maintaining records reflecting security holdings, reconciling accounts, detaching maturing coupons from securities and preparing them for delivery to the appropriate paying agent, notifying depositing institutions of maturing securities, and providing periodic statements of account holdings.

A monthly fee will be assessed per account based on the number of receipts held in that account for each depository institution.<sup>2/</sup> It should be noted that the fees associated with shipping and collecting maturing coupons will be assessed separately under the noncash collection service.

B. PURCHASE AND SALE OF GOVERNMENT SECURITIES

The purchase and sale service includes the receipt of instructions from depository institutions and the placing of orders to purchase or sell Treasury or Government agency securities through brokers or dealers. A fee will be charged for each transaction processed. Fees assessed by brokers or dealers, if any, will be recovered from users of this service. It should be noted that this service is not available in the Atlanta and the St. Louis Federal Reserve Districts.

C. NONCASH COLLECTION

The noncash collection service includes receiving, collecting, and crediting reserve or clearing accounts of depository institutions for eligible items. Federal Reserve offices accept the following items for collection: maturing or matured municipal coupons; called, maturing, or matured municipal securities; bankers' acceptances; bills of lading; drafts; checks with documents attached; and other checks that cannot be handled as cash items. The collection of and crediting for maturing coupons detached from definitive securities held in custody and collateral accounts at a Federal Reserve office are also included in this service. Maturing and matured municipal coupons are processed on a cash basis; that is, depositors are credited on the basis of a time schedule in much the same way that depositors are credited for checks deposited at the Federal Reserve for collection. Credit availability schedules (that is, the specific time frames in which depositors will be credited) are available from any Federal Reserve office. All other noncash collection items are credited to the depositor's account only after payment

<sup>2/</sup> The Federal Reserve Bank of New York and Minneapolis have based their fees on the number of issues held in an account.

has been collected. A fee will be assessed for each item (e.g., envelope or security) included in a deposit. In addition, fees for shipping collection items will be charged to users of this service. Fees for shipment of coupon envelopes will be assessed on a fixed rate per thousand dollars of value. Fees for shipment of bonds and other noncash items will generally be assessed on an out-of-pocket recovery basis.

In general, deposits should be shipped directly to the Federal Reserve office that services the territory in which the paying agent is located. If such items are deposited with the local Reserve office, handling and shipping fees or expenses will be assessed by both the depositing and the collecting office. The fee for collection of coupons detached from securities held in a custody or collateral account at any Federal Reserve office will be the fee set by the collecting Federal Reserve office.