

FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. 9413]
[December 3, 1982]

Fee Schedule for Automated Clearing House Services

Procedures for Administering Clearing Balances

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

The Board of Governors of the Federal Reserve System has approved a new fee schedule, effective December 30, 1982, for automated clearing house (ACH) services and has changed its procedures for administering clearing balances. The new ACH fee schedule continues to include different prices for inter- and intra-office transactions. In addition, (a) receivers of ACH credit transactions will be assessed higher fees than originators of day-cycle debits, since receivers of credits realize greater benefits through operating-cost savings and improved funds availability, and (b) a surcharge will be imposed on originators of debits in night-cycle operations, because use of the night cycle provides originators with later deposit deadlines and better turnaround times than day-cycle operations.

The changes in clearing balance procedures permit any depository institution desiring a clearing balance to have one, and revise the carryover limit for clearing-balance and mixed accounts.

The following is quoted from the text of the Board's press statement on this matter:

ACH service fee schedule

The Monetary Control Act of 1980 requires that the Federal Reserve establish fee schedules for its automated clearing house (ACH) service and other Federal Reserve services, according to pricing principles established by the Board. The Board began charging for ACH services, based on pricing principles published earlier, in August 1981. In adopting the 1981 fee schedule for ACH services, the Board recognized that the ACH service was in the process of development and had not yet reached a mature level. In recognition of this fact, the Board established 1981 fees on the basis of what it regarded as a mature volume of ACH items, expected to be achieved in approximately five years, with the objective of promoting the continuing development of the ACH service in the public interest. The Board said it would review its ACH pricing policy annually.

In reviewing its ACH pricing policy in April 1982, the Board decided it was appropriate to continue providing a measure of such encouragement. However, to provide the private sector with information as to when full cost recovery pricing would begin, the Board decided on a schedule that calls for increasing ACH fees by 20 percent annually, permitting ACH fees to be set in 1985 to recover 100 percent of the costs incurred in providing commercial ACH services. The Board has therefore adopted the following schedule, which will be in effect in 1983, designed to recover 40 percent of the current costs of providing ACH services.

(OVER)

FEDERAL RESERVE BANK
OF NEW YORK
Day Cycle

Intra-ACH

Debits Originated 2.0¢
Credits Received 4.0¢

Inter-ACH

Debits Originated 3.5¢
Credits Received 5.5¢

New York Intra-ACH

Debits Originated 1.0¢
Credits Received 2.0¢

New York Inter-ACH

Debits Originated 2.5¢
Credits Received 3.5¢

Night Cycle Surcharge

Intra- and Inter-ACH

Debits Originated 5.0¢

New York Intra- and Inter-ACH

Debits Originated 5.0¢

The basic structure of the new ACH fee schedule is the same as the current fee schedule. But the new schedule also recognizes that benefits accrue to receivers of credits arising from reduced costs and from improved availability of funds that are not realized by originators of daytime debits. Consequently, the fees for receivers of ACH credits will be higher, in general, than for originators of ACH debits.

The attached notice sets forth the Board's action in greater detail. Any questions on the new ACH fee schedule may be sent to District Federal Reserve Banks.

Clearing balance procedures

To improve the flexibility of Reserve Banks in meeting the needs of institutions holding clearing balances with the Federal Reserve, the Board approved two changes in procedures governing the establishment and maintenance of clearing balances. Clearing balances are balances maintained with the Federal Reserve by a depository institution for settling funds transfers cleared through the Federal Reserve. These balances earn credits which institutions may use to pay for Federal Reserve services. The changes, to be effective January 27, 1983 or as soon thereafter as possible, are:

- (1) Permit *any* depository institution desiring a clearing balance to have one. Current procedures vary widely among Reserve Banks, with some Banks allowing clearing balances only for institutions that have zero or small reserve balances and other Banks allowing clearing balances for some larger banks as well.
- (2) For pure clearing balance and mixed accounts, *revise* the current carryover limit of 2 percent of the required clearing balance plus required reserves by providing *penalty-free bands* on either side of the total required balance equal to the greater of \$25,000 or 2 percent of the *required clearing balance*. Any institution holding a balance within these bands would receive earnings credits on the actual clearing balance held and would not incur penalties for deficiencies. The lower bound of the penalty-free band would be truncated at the point where the total maintained balance equals the required reserve balance. Thus, an institution could not use the penalty-free band on its clearing balance to lower its effective reserve requirement. Carryover would be allowed for amounts outside the penalty-free bands but within current carryover limits. Institutions with only a reserve balance would remain under current carryover rules.

The Board's clearing balance policy which these changes amend was published February 27, 1981.

Enclosed, for depository institutions, is the text of the Board's official notice regarding the ACH fee schedule. If you have any questions on the fee schedule, please call David S. Slackman, Manager, Electronic Payments Department (Tel. No. 212-791-8959) or Mark Harris of that Department (Tel. No. 212-791-6592).

Questions on clearing balance procedures should be directed to John M. Eighmy, Assistant Vice President (Tel. No. 212-791-7766) or Kathleen A. O'Neil, Manager, Accounting Department (Tel. No. 212-791-7768).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: New Fee Schedule for the Automated Clearing House Service.

SUMMARY: The Monetary Control Act of 1980 (Title I of Pub.L. 96-221) requires that schedules of fees be established for Federal Reserve Bank services. On December 31, 1980, the Board adopted a fee structure for the automated clearing house service, effective August 1, 1981. The Federal Reserve has now adopted a new fee schedule for this service.

EFFECTIVE DATE: December 30, 1982.

FOR FURTHER INFORMATION CONTACT: Elliott C. McEntee, Assistant Director (202/452-2231), or Florence M. Young, Program Manager, (202/452-3955) Division of Federal Reserve Bank Operations; Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 ("Act") requires that fee schedules be developed for Federal Reserve Bank services based on pricing principles established by the Board. 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). On December 30, 1980, after considering the comments received from the public, the Board adopted revised pricing principles and a fee schedule for the automated clearing house ("ACH") service (46 FR 1338). The ACH fee schedule was effective August 1, 1981. In adopting the 1981 fee schedule for the ACH service, the Board recognized that the ACH service was in the process of development and had not yet reached a mature level. In recognition of this fact, the Board established 1981 fees on the basis of what it regarded as a mature volume of ACH items, which was expected to be achieved in approximately five years. The Board determined that establishing a fee schedule that promotes the continuing development of the ACH service was in the public interest. The Board also committed to review its ACH pricing policy annually.

The Board reviewed its policy of incentive pricing for the ACH service in April 1982 and determined that it was appropriate to continue providing a level of price support for the service. The Board believed that such support was necessary to avoid jeopardizing the future of this payment service. Further, the Board believed that an adequate volume is necessary in order to attract private sector

competition in this area. It was also recognized that the private sector would benefit from knowledge of when the Federal Reserve would begin full-cost pricing of the ACH service. Consequently, the Board determined to phase out its incentive pricing policy and establish a date for pricing the ACH service to recover the full costs of providing the service, including the private sector adjustment factor. To achieve a smooth transition, the Board determined that fees for the ACH service will be increased annually to recover an additional 20 percent of the costs of providing the service, plus private sector adjustment factor. Accordingly, the fee schedule established in 1982 would provide for recovery of 40 percent of the current costs of providing the service, including the private sector adjustment factor. The fee schedules to be adopted in 1983, 1984, and 1985 would provide for recovery of 60 percent, 80 percent and 100 percent, respectively, of commercial ACH costs, including private sector adjustment factor.

The structure of the new fee schedule for the ACH service will remain unchanged from the 1981 fee schedule. Fees will continue to be charged to the party originating an ACH debit and the party receiving an ACH credit. Additionally, the fee schedule continues to include an interregional price differential. No fees will be assessed receivers of direct deposit payments made under the Treasury Department's Federal Recurring Payments Program.

In general, receivers of ACH credits will pay a fee that is higher than that paid by originators of ACH debits. This recognizes the benefits accruing to receivers of credits through operating cost savings and improved funds availability that are not realized by originators of day cycle debits.

The 1981 fee schedule did not distinguish between fees paid by originators of cash concentration debits using the night cycle and those paid by originators of debits using the day cycle. In recognition of the substantial benefits that accrue to originators of cash concentration debits using the night cycle, the Board has decided to impose a surcharge for the night cycle operations. Cash concentration debits are generally time critical since concentration banks are not normally advised of deposits at regional depository institutions until late in the day. Further, because of the relatively high average value of cash concentration debits, the reliability of the ACH mechanism is of importance to originators of these debits. The night cycle also provides originators of cash concentration debits better deposit deadlines and better turnaround times than are provided by day cycle operations. As experience with the night cycle operations is gained, the operational necessity of restricting night cycle operations to cash concentration debits may be eliminated.

The new fee schedule for the Federal Reserve's ACH service is as follows:

Day Cycle

Intra-ACH		New York Intra-ACH	
Debits Originated	2.0¢	Debits Originated	1.0¢
Credits Received	4.0¢	Credits Received	2.0¢
Inter-ACH		New York Inter-ACH	
Debits Originated	3.5¢	Debits Originated	2.5¢
Credits Received	5.5¢	Credits Received	3.5¢

Night Cycle Surcharge

Intra- and Inter-ACH	
Debits Originated	5.0¢
New York Intra- and Inter-ACH	
Debits Originated	5.0¢

This fee schedule will be effective December 30, 1982. Any comments regarding the fee schedule should be forwarded to your local Federal Reserve office.

By order of the Board of Governors of the Federal Reserve System, November 19, 1982.

(signed) William W. Wiles

William W. Wiles
Secretary of the Board

[SEAL]