

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9433]
December 30, 1982

FEDERAL RESERVE SERVICES
— Program To Accelerate Check Collection
— Revised Fee Schedule for Cash Transportation
— Private Sector Adjustment Factor

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

Following is the text of a statement issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve Board has approved a program to accelerate the collection of checks by the Federal Reserve System.

The Board also:

(1) Approved a new revised schedule of fees for the transportation of currency and coin to depository institutions and

(2) Adopted a private sector adjustment factor (PSAF) of 16 percent as an element in the pricing of its services in 1983 (unchanged from the 1982 PSAF).

As adopted, the program for speeding up check collection includes a number of changes made in response to comment received on a proposal published in August. The main elements of the program as adopted are:

1. Reserve Banks will have checks available for presentment¹ (or dispatch) to paying institutions no later than 12:00 noon local time. The transition to later presentment will be accomplished in two steps: first, on February 24, 1983, presentment will be moved to 11:00 a.m.; and on May 2, 1983, it will be moved to 12:00 noon.

2. The later presentment policy program will be applied to RCPC and country paying institutions that receive a substantial dollar value of checks. Further, deposit deadlines for checks drawn on high dollar RCPC and country institutions will be extended beyond the deadlines that were originally published by the Reserve Banks. Generally, these deadlines will be comparable to the deadlines for checks drawn on city institutions.

3. Each Reserve office's later deposit deadlines will be made available to all depositors— intraterritory institutions, institutions that direct send to other Federal Reserve offices, and institutions using the Federal Reserve's ITS network.

Other elements of the program, and its implementation schedule, are set forth in the attached notice.

It is estimated that under this program at least \$3 billion of checks handled by the Federal Reserve will be cleared a day earlier.

The new collection program will be put into effect in stages from February 24 through July 1, 1983. The Reserve Banks will notify depository institutions, at a later time, of the details of the program.

¹ Presentment indicates the time that Reserve offices will present checks at clearinghouses or make them available for pick-up at the Reserve office. Where deliveries must be made to city institutions outside a clearinghouse, delivery will be made as close as possible to these hours.

(OVER)

In adopting the program, the Board said:

Implementation of the Reserve Banks' proposal to accelerate the collection of checks, with the modifications that have been made, should provide substantial benefits to depository institutions and to the public. The program will improve the availability of funds to depository institutions and permit them to make funds available more quickly to their customers. Additionally, this program should encourage the use of electronic payment systems, since it should result in reduced check collection float.

The Federal Reserve conducted a comprehensive review of the 557 comments received. Most of the comment supported the objectives of the proposal to accelerate the collection of checks. Support was received on the specifics of the program from 255 commentators, and 35 others approved the program in part.

The private sector adjustment factor (PSAF) of 16 percent adopted by the Board for inclusion in Federal Reserve pricing in 1983 assumes an average cost of capital during the year of 16.3 percent. Other factors in calculating the PSAF are the book value of related Federal Reserve assets and related financing expenses. Details of the calculation of the PSAF are available from the Reserve Banks or the Federal Reserve Board.

The fees for Federal Reserve cash transportation in 1983 will be higher than in 1982, but will not yet recover full costs, in order to provide institutions with a transition period before the Federal Reserve establishes a fee schedule that recovers full costs. Details of the new cash transportation services fees are set forth in the attached Board notice of its actions.

In connection with the new check collection program, this Bank will distribute check collection service and fee schedules for intraterritory deposits, and for direct-send and consolidated-shipment interterritory deposits, on or about January 17, 1983. These schedules will provide depository institutions in this District with the details on deposit deadlines, fees, and credit availability under the program approved by the Board of Governors to accelerate the collection of checks. Any questions on the check collection program may be directed, if you are in this Bank's Head Office territory, to James O. Aston, Vice President (Tel. No. 212-791-6334) or John F. Sobala, Assistant Vice President (Tel. No. 212-791-5997). In the Buffalo Branch territory, such questions should be directed to Peter D. Luce, Assistant Vice President (Tel. No. 716-849-5013) or Robert J. McDonnell, Operations Officer (Tel. No. 716-849-5022).

This District's fee schedules for currency and coin transportation, which will become effective on February 1, 1983, will be distributed to depository institutions on or about January 10, 1983. Questions relating to the fee ceilings adopted by the Board of Governors for this service should be directed, at our Head Office, to Joseph P. Botta, Assistant Vice President (Tel. No. 212-791-7928) or, at our Buffalo Branch, to Peter D. Luce, Assistant Vice President (Tel. No. 716-849-5013) or Harry A. Curth, Jr., Operations Officer (Tel. No. 716-849-5018).

Questions regarding the private sector adjustment factor should be directed to Marcos T. Jones, Manager of our Pricing Administration Department (Tel. No. 212-791-8047).

Enclosed, for depository institutions in this District, is a copy of the Board's official notices regarding the check collection acceleration program and the transportation of currency and coin. The notices will be published in the *Federal Register*, and additional copies may be obtained from our Circulars Division (Tel. No. 212-791-5216).

ANTHONY M. SOLOMON,
President.

FEDERAL RESERVE SYSTEM

(Docket No. R-0414)

MODIFICATIONS TO FEDERAL RESERVE BANK CHECK COLLECTION SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Approval of proposal to modify Federal Reserve Bank check collection services.

SUMMARY: The Board of Governors has approved a proposal of the Federal Reserve Banks to modify their check collection services. The program will extend the times during which checks may be deposited at Federal Reserve offices and the times at which checks are presented to certain paying banks.

EFFECTIVE DATE: February 24, 1983. On that date, Reserve Banks will begin implementing new fee schedules, deposit deadlines, and funds availability schedules for check collection services. The program will be implemented over a five month period.

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), Daniel L. Rhoads, Attorney (202/452-3711), or Joseph R. Alexander, Attorney (202/452-2489), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUPPLEMENTARY INFORMATION: On August 4, 1982, the Board requested comment on a proposal by the Federal Reserve Banks to improve the speed and efficiency of the nation's payments mechanism by modifying the Federal Reserve System's check collection procedures. 47 F.R. 34190 (August 6, 1982). The proposal presented an integrated plan (1) to extend the deadlines for depositing checks for collection at Federal Reserve offices and (2) to extend the times at which Federal Reserve offices present checks to certain paying institutions. Under the proposal, Reserve Banks would accept checks three to five hours later from depository institutions using the Federal Reserve's Interdistrict Transportation System ("ITS"). As a result of extended deposit deadlines, depository institutions would have a longer time to process checks and receive improved funds availability for such checks.

Under the proposal, the earliest final presentment time for checks drawn on depository institutions located in Federal Reserve cities would be established at 12:00 noon local time. Later presentment might also be implemented for institutions located outside of Federal Reserve cities that receive a substantial dollar value of checks each day and where special arrangements are warranted. The

[Enc. Cir. No. 9433]

proposal also stated that Reserve Banks were considering development of special services, such as providing the MICR line data from checks on computer tape or providing account information and dollar totals to payors, in advance of the presentment of the checks where requested by the paying bank.

The Reserve Banks informed depository institutions of the proposed changes to the Reserve Bank's check clearing services in May and June, 1982. Subsequently, the Board determined that it would be desirable to request public comment to assist it in evaluating the Reserve Banks' proposal.

Shortly after the proposal was published for comment, to assist interested parties in evaluating the proposal, the Reserve Banks distributed the fee schedules and deposit deadlines that they planned to implement if the proposal were adopted. A comprehensive proposal for eliminating and pricing Federal Reserve float was published for public comment also. 47 F.R. 50342 (November 5, 1982).

A. Comments and Analysis. A total of 557 comments were received on the proposal. Most of the commenters supported the overall purpose of the proposal to accelerate the collection of checks. The specific proposal received general support from 255 commenters. Thirty-five commenters supported a portion of the proposal but expressed reservations about certain of its aspects. Two hundred sixty-seven commenters opposed the proposal.

Support for the proposal was received primarily from small- and medium-sized commercial banks, savings and loan associations, credit unions, consumers, and several trade associations representing these parties. In addition, 20 correspondent and city banks concurred with the proposal. These commenters believed that if the proposal were implemented it would speed up the collection of checks and would benefit most depository institutions and their customers. The types of improvements that were anticipated included: (1) increased collected deposit balances; (2) reduced levels of check clearing float; and (3) expedited returns of unpaid checks. Further, many depository institutions mentioned that they would benefit from the increased competition among providers of check collection services.

Objections to the proposal were raised primarily by banks located in Federal Reserve cities, larger correspondent banks located outside of Federal Reserve cities, small depository institutions that are dependent upon third-party processors, non-financial companies, and air couriers. The concerns expressed by these commenters generally fell into three broad categories--the operational ramifications of the proposal, the impact on competition among depository institutions, and the impact on competition between the Reserve Banks and correspondent banks.

(1) Operational concerns. Commenters opposed to the proposal raised several operational concerns. Some commenters stated that later presentment of checks to city and selected RCPC and country institutions^{1/} would disrupt current internal processing schedules, necessitating additional staff and equipment, and make the calculation of reserve positions more difficult. A number of commenters also stated that later presentment would disrupt the cash management services provided to corporations and services provided to smaller depository institutions, such as demand deposit accounting and account balance reporting.

It is recognized that implementation of a policy to present or dispatch checks to paying institutions located in Federal Reserve cities later would be a departure from the practice of most Federal Reserve Banks to present checks within the time frames established by local clearinghouse associations. However, the Board does not believe that the later presentment times proposed by the Reserve Banks would represent a substantial change from current practice. First, the final presentment times established by a majority of clearinghouse associations located in Federal Reserve cities range from 10:00 a.m. to 11:30 a.m. local time, which are close to the proposed times. Second, the Reserve Bank's current practice of making earlier "courtesy" presentments would not change.

Studies also indicated that large correspondent banks make extensive use of direct presentment of "on us" checks.^{2/} An analysis of availability schedules for a sample of banks demonstrated that some correspondent banks have as many as 200 direct-send relationships with depository institutions throughout the country. Currently, deadlines for "on us" presentments are usually the close of the business day for "over-the counter" (teller) transactions, which is typically 4:00 p.m. Based on these findings, it appears that many depository institutions already have made, and are willing to make, operational adjustments in order to derive the benefits that can be realized by accelerating the collection of checks.

Only a few commenters submitted estimates of the impact of the proposal on their operating costs. It appears that their responses were based on the assumption that a large number of the checks presented to them would be received at 12:00 noon. Since the Reserve Banks would continue to make earlier courtesy presentments, such that only a small proportion of checks presented for payment will

^{1/} RCPC institutions are depository institutions located in areas designated as RCPC zones which are outside Federal Reserve office cities. Country institutions are depository institutions located outside Federal Reserve office cities and RCPC zones.

^{2/} "On us" checks refer to those checks drawn by customers on the paying institution.

be received by these institutions later, these estimates generally were not helpful in evaluating the effects of the proposal.

While reserve account charges for check presentments are an important element in the calculation of an institution's reserve position, the dollar value of the charges is only a small proportion (about 10 percent) of total reserve account charges. Therefore, effecting the charge somewhat later in the day to the institution's reserve account for checks presented to it should not pose a major problem. Additionally, depository institutions are able to adjust their reserve positions until 6:30 p.m., Eastern time, when the Fedwire closes.

The potential of the proposal to disrupt the provision of cash management services to corporate customers was also considered. After considering the comments on this issue, the Board determined that the program should not have any significant disruptive effect upon the provision of such services or on financial markets. To the extent that there is any effect, the Board believes that it would be temporary until the markets have had an opportunity to adjust. Further, the impact of later presentment will be minimized by the provision of special services for payor banks (such as providing MICR line data on computer tapes or providing balance information) that Reserve Banks are developing. These services and courtesy presentments should also help alleviate the impact of later presentment times on service bureaus and correspondent banks that may choose to modify their processing schedules. In addition, the 6:30 p.m. Fedwire cut-off time should provide institutions with ample time to sell or purchase funds.

(2) Competition among depository institutions. Some commenters also expressed concern that the proposal would disrupt current patterns of competition among different classes of depository institutions. Specifically, some commenters expressed their belief that later presentment to city institutions that provide corporate disbursement services could result in a competitive disadvantage to those institutions unless a similar change were made in the presentment times for RCPC and country institutions that may provide similar corporate services. Further, it was stated that later presentment to selected RCPC and country institutions that provide corporate disbursement services would result in a competitive advantage to other RCPC and country institutions in the same region.

The program has been modified to take these comments into account. In order to assure that non-city institutions do not obtain an unfair advantage, later presentment will be applied to RCPC and country paying institutions that receive a substantial dollar value of checks. Further, deposit deadlines for checks drawn on these institutions will be extended to times generally comparable to deadlines for checks drawn on city institutions. However, because of

the large geographic area and the large number of institutions in RCPC and country zones, it is not possible to treat all of these institutions in exactly the same manner. In order to assure that similarly situated RCPC and country institutions are treated comparably, if the volume of activity increases for specific institutions, they may also be included in this program.

(3) Competition between Reserve Banks and depository institutions. The third major concern raised by commenters was that the Federal Reserve was competing unfairly with other providers of payments services. Several commenters stated that the proposal to extend deposit deadlines for institutions using Federal Reserve transportation without similar extensions for institutions using their own transportation would enhance the Federal Reserve's competitive position vis-a-vis the private sector and result in volume shifts to the Federal Reserve. It was also stated that the proposed prices would provide the Reserve Banks an unfair competitive advantage because processing fees would not recover total costs, the interdistrict transportation surcharge would not fully recover costs, and the cost of Federal Reserve float would not be included in the fees. Some commenters also stated that the Reserve Banks' proposed fee schedules favored smaller depository institutions and, therefore, discriminated against larger institutions.

Further analysis of the proposed different deposit deadlines for ITS users and direct sending institutions indicated the potential for temporary disruptions in check clearing patterns. To avoid this problem, the program has been modified to provide later deposit deadlines to all depositors--intraterritory institutions, institutions that direct send to other Federal Reserve offices, and institutions using the Federal Reserve's ITS network.

The fee schedules that the Reserve Banks proposed for implementation in conjunction with the changes in the System's check collection services were designed to recover total operating costs plus the private sector adjustment factor ("PSAF"). A review of the proposed prices indicates, that they fairly reflect the cost of providing the services. The schedule of fees to be implemented in 1983 by the Reserve Banks will recover the total costs of providing the check collection services, including the 16 percent PSAF.

The proposed ITS surcharge was designed to recover the costs of transporting checks on the network based on estimated mature volume levels. The surcharge has been modified to assure that all costs of transporting checks on the network, based on estimated 1983 volume are recovered.

As previously indicated, the Board has requested comment on proposals to reduce and price for float. It is anticipated that the proposals will be reviewed by the Board in late January.

(4) Other issues. A number of commenters expressed concern that the Federal Reserve had a competitive advantage over the private sector because of its role as both competitor and regulator. Commenters cited the ability of Reserve Banks to avoid payment of presentment fees, to obtain payment from paying institutions by the close of business on the day of presentment in the form of immediately available funds, and to vary the check collection rules of the Uniform Commercial Code. The Board has carefully evaluated these comments. The Board believes that the program does not represent an exercise of regulatory authority and does not result in a competitive advantage for Reserve Banks. The move to later presentment represents the exercise of the same rights that all presenting banks possess under the Uniform Commercial Code. With regard to the issue of presentment fees, the Federal Reserve Act (12 U.S.C. § 342) prohibits the imposition of such fees on Reserve Banks. In any event, there is a question as to whether a paying bank is performing a service for which a fee may be assessed when it pays checks drawn on it in the ordinary course of business. In addition, the Board does not believe that the ability to charge an institution's account at the Reserve Bank represents a significant advantage since correspondent relationships between depository institutions may also provide for such arrangements.

Several commenters also suggested that the manner in which the proposal was being implemented did not comply with the procedural requirements of the Administrative Procedure Act or the due process guarantees of the Constitution. These commenters expressed the view that the request for comment did not provide enough time or information to enable interested parties to comment on the proposal in a meaningful way. Some commenters also suggested that the Board should conduct formal hearings before an administrative law judge before making its decision on the proposal. After a review of applicable law, the Board has concluded that the notice and comment procedures adopted by the Board were sufficient to inform interested parties of the scope and nature of the proposal and that, under current law, a formal hearing before an administrative law judge is not required.

B. Board Action. After review of the comments the Board has determined to approve the following program to accelerate the collection of checks by Reserve Banks.

1. Reserve Banks will have checks available for presentment^{3/} (or dispatch) to paying institutions no later than 12:00 noon local time. The transition to later presentment will be accomplished in two steps. On February 24, 1983, presentment will be moved to 11:00 a.m.; on May 2, 1983, it will be moved to 12:00 noon.

^{3/} Presentment indicates the time that Federal Reserve offices will present checks at clearinghouses or make them available for pick up at the Reserve office. Where deliveries must be made to city institutions outside a clearinghouse, delivery will be made as close as possible to these hours.

2. The later presentment policy program will be applied to RCPC and country paying institutions that receive a substantial dollar value of checks. Further, deposit deadlines for checks drawn on high dollar RCPC and country institutions will be extended beyond the deadlines that were originally published by the Reserve Banks. Generally, these deadlines will be comparable to the deadlines for checks drawn on city institutions.
3. Each Reserve office's later deposit deadlines will be made available to all depositors--intraterritory institutions, institutions that direct send to other Federal Reserve offices, and institutions using the Federal Reserve's ITS network.
4. The revised fee schedules, like those published in August, will be designed to recover the full costs of the check collection service plus the 16 percent private sector adjustment factor. The ITS surcharge will be set to recover the full costs of transporting checks over the network, based on 1983 volume estimates.
5. In order to provide depository institutions and their customers with adequate lead time, the program will be implemented in 1983 as follows:
 - Jan. 17 Reserve Banks announce new prices, deposit deadlines, and funds availability schedules for check services.
 - Jan. 31 Recommendations will be presented to the Board on the float reduction/pricing program.
 - Feb. 24 Reserve Banks implement new deposit deadlines and new prices for check services, and move the time for presentation of checks drawn on city institutions to 11:00 a.m.
 - May 2 Reserve Banks move presentment for checks drawn on city institutions to 12:00 noon.
 - July 1 Reserve Banks implement new deposit deadlines for checks drawn on certain non-city institutions and implement the later presentment times for these institutions.

The Board has carefully reviewed the impact of the program on depository institutions. The Board believes that smaller institutions will benefit substantially from the program in the form of better funds availability. Larger institutions will also benefit from better funds availability and the payor bank services to be offered by the

Reserve Banks. The Board has determined that the program will accelerate the collection of checks and represent a more efficient utilization of resources, thereby enhancing the efficiency of the nation's payments mechanism.

By order of the Board of Governors of the Federal Reserve System, December 27, 1982.

(signed) James McAfee

James McAfee
Associate Secretary of the Board

[SEAL]

FEDERAL RESERVE SYSTEM

FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: 1983 Fee Schedule for Coin and Currency Transportation.

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 October 30, 1981, the Board adopted a schedule of fees for the coin and currency transportation service, effective January 28, 1982. The Federal Reserve has now adopted a new fee schedule for this service.

EFFECTIVE DATE: January 27, 1983.

FOR FURTHER INFORMATION CONTACT: Lorin S. Meeder, Associate Director (202/452-2738), Steven O. App, Manager (202/452-2705), or Robert B. Kaiman, Senior Operations Analyst (202/452-2219), Division of Federal Reserve Bank Operations; or Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Daniel L. Rhoads, Attorney (202/452-3711), Legal Division.

SUPPLEMENTARY INFORMATION: The Monetary Control Act of 1980 requires that fee schedules be developed for Federal Reserve Bank services based on pricing principles established by the Board. On December 30, 1980, the Board, after notice and public comment, adopted revised pricing principles, implementation dates on which fee schedules for each service will become effective, and fee schedules for several services. 46 F.R. 1338 (January 6, 1981). Subsequently, the Board adopted a policy for access to cash processing services and a fee schedule for coin and currency transportation, effective January 28, 1982. 46 F.R. 55151 (November 6, 1981).

The fee structure adopted by the Board for the armored carrier service for 1982 generally contained two elements: a volume (per bag) charge and a per stop charge. The volume charge of \$0.50 per bag of currency or coin was intended to simplify the fee schedule and provide for more appropriate allocation of costs between high volume and low volume endpoints. The per stop charge was based on zones serviced by each Federal Reserve office and varied between offices since armored carrier costs are not simply a function of distance but also reflect the frequency of stops along a route and the extent of competition in the areas serviced. In some instances, fees included charges based on mileage or value. Reserve Banks were also given the flexibility to establish other fees in some circumstances, such as negotiated fees for high volume customers.

In adopting the fee schedule for this service, the Board was concerned that immediate imposition of the full costs of cash transportation could have a significant impact on depository institutions, particularly those smaller institutions located in remote areas where transportation charges would be very high. The Board therefore determined that it was appropriate to adopt a temporary fee ceiling of \$75 on the per-stop element of the charge as necessary to assure the provision of an adequate level of cash transportation nationwide.

With regard to coin and currency shipped by registered mail, Reserve Banks normally limited the use of registered mail shipments to those endpoints where armored carrier service is unavailable or where other special circumstances prevail. Where registered mail is used, the Board determined that it would be appropriate to impose a fee ceiling of \$37.50 per shipment for one-way delivery either to or from a Reserve Bank, consistent with the ceiling on armored carrier per-stop charges.

The Board also determined to maintain the fee ceilings for no more than two years (1982 and 1983), and committed to review the appropriateness of the fee ceilings for armored carrier per stop charges and registered mail shipments in 1983 at which time the fee ceilings could be adjusted. By the end of the two year period, fees for cash transportation would be set to recover all costs of armored carrier service as required under the MCA, within the 48 contiguous states. For endpoints using registered mail, charges will be based on actual Reserve Bank expenses incurred for postage and full insurance, and would recover the full costs incurred.

The Board has now decided to continue a fee ceiling on cash transportation during 1983. However, the Board believes that the ceiling should be adjusted so that depository institutions bear a greater portion of the cost of transportation. The continuation of a ceiling will provide a smooth transition to full cost recovery pricing of the transportation service anticipated in 1984. The Board has also determined to extend the flexibility of Reserve Banks to structure fees more responsive to prevailing armored carrier industry practice and geographical considerations.

Experience with priced cash transportation over the past year (the first year of pricing this service) has indicated that retaining the bag charge will create difficulty in achieving a cost/revenue match for this service since revenue is subject to shifts in the public's demand for coin and currency. Further, it is difficult to translate an armored carrier's fixed monthly billing into a formula that effectively permits revenue recovery on a transaction basis. The Board has therefore determined to permit Reserve Banks the option of utilizing a bag charge in conjunction with a stop charge. The bag

charge may not, however, exceed \$2 per bag if a Reserve Bank elects to continue use of this element in the fee structure.

The Board has also determined to adjust the fee ceilings adopted in 1982. Fee ceilings for 1983 may be as low as \$100, provided a Reserve Bank's aggregate price support costs do not exceed projected levels for 1983. Cash transportation prices would be directly related to the full cost of transportation, including administrative costs and the private sector adjustment factor, and to market conditions and industry practices. Operationally, this means that prices would be established route by route, stop by stop, geographic zone by zone, or by frequency of service (e.g., daily, weekly, biweekly, or monthly) in order to reflect the distance and time expense necessary to equitably allocate actual cost of cash transportation to user depository institutions. Reserve Banks using common carriers would continue to pass through the published tariffs to customers.

The 1983 fee ceilings for registered mail shipments of currency and coin will be equal to the ceiling for armored carrier stop charges. When 1982 ceilings were established, they were set at one-half the ceiling for armored carrier stop charges in recognition of the fact that armored carriers provided both pick-up and delivery at each stop. Experience over the past year has indicated, however that most registered mail shipments have been one-way trips and not the round trips anticipated when the registered mail ceiling price was set at one-half of the armored carrier stop ceiling price. Cash is shipped out or is deposited, but seldom both on a turn-around basis. By setting the 1982 ceiling at one-half of the armored carrier ceiling to compensate for the round trip capability of each armored carrier run, the use of registered mail was made more attractive.

The Board recognizes, however, that full imposition of the registered mail ceiling on each shipment leg may increase costs for small, remote institutions that do in fact use registered mail to send and receive cash on an essentially turn around schedule. Therefore, the registered mail ceiling will be applied as follows. If a depository institution both deposits and receives cash within a Monday through Friday calendar week, this activity will be treated like an armored carrier round trip for pricing purposes. That is, the institution will not be required to pay the fee ceiling twice (once for the incoming and once for the outgoing leg). This circumstance would be analogous to instances where users of armored carrier transportation would pay only a single stop charge even if they choose to both receive and send cash on a single armored carrier round trip. If, however, a registered mail user either sends or receives cash more than once during the Monday to Friday period, or has more than one round trip during that period, the fee ceiling would apply only to the first round trip or to the first trip of multiple one way trips going in the same direction in that period. Neither the second round trip

nor the second outgoing or incoming shipments would be subject to the fee ceiling.

The Board is aware that the reduction in the price supports for cash transportation may result in increased costs for small institutions remotely located from a Federal Reserve office. However, such action is necessary at this time to provide for a transition to full cost pricing of the transportation service in 1984. To mitigate this burden, Reserve Banks are considering a uniform accounting procedure for the crediting and debiting of institutions for cash shipments, regardless of who provides the transportation. This procedure would decrease the inventory costs associated with cash transportation incurred by small institutions. Further, Reserve Banks have, where possible, renegotiated multi-year carrier contracts and taken other actions to reduce cash transportation costs and keep prices for the service as reasonable as possible. In addition, studies have been initiated to determine if cash depot and cash terminal arrangements should be utilized as a means to reduce transportation costs and provide an adequate level of services. Reserve Banks will also continue exploring a variety of other methods of reducing transportation costs to high-cost locations.

The 1983 fee schedules for cash transportation and detailed information will be made available by the Federal Reserve Banks.

By order of the Board of Governors of the Federal Reserve System, December 22, 1982.

(signed) James McAfee

James McAfee
Associate Secretary of the Board

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