

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. 9547  
September 7, 1983 ]

**INTERIM FEE SCHEDULE FOR NIGHTTIME ACH DEPOSITS**

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

The following statement was issued by the Board of Governors of the Federal Reserve System:

The Federal Reserve has announced a modification of its automated clearinghouse service to permit all types of automated clearinghouse transactions to be deposited at the nighttime deposit deadline.

In conjunction with this action, the Board approved an interim fee schedule for nighttime per item ACH deposits, effective October 6, 1983.

Since 1979, the use of the nighttime deposit deadline has been restricted to cash concentration debits. Cash concentration debits are used by businesses to draw down balances held at a number of depository institutions in order to accumulate funds for investments or other purposes at a primary institution.

The addition of a later deposit deadline for other types of transactions will provide originators of ACH payments with additional processing time as well as better funds availability for these deposits.

The interim fee schedule for the ACH nighttime deposit deadline is as follows:

*Per Item  
Surcharge to Originators*

Debits .....	5 cents
Next-day Settlement Credits .....	2 cents
Two-day Settlement Credits .....	0

Printed on the following pages is the text of the Board's official notice regarding the interim fee schedule. Questions may be directed to Andrew Heikaus, Manager, Electronic Payments Department (Tel. No. 212-791-5565) or Mark Harris of that Department (Tel. No. 212-791-6592).

ANTHONY M. SOLOMON,  
*President.*



## FEDERAL RESERVE SYSTEM

### FEE SCHEDULES FOR FEDERAL RESERVE BANK SERVICES

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Interim Fee Schedule for Automated Clearing House Night Cycle Deposits.

SUMMARY: The Board has approved an interim fee schedule for automated clearing house (ACH) night cycle transactions.

EFFECTIVE DATE: October 6, 1983.

FOR FURTHER INFORMATION CONTACT: Elliott C. McEntee, Associate 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 Elaine M. Boutilier, Attorney (202/452-2418) Legal Division, Board of Governors of the Federal Reserve System, Washington, D. C. 20551.

SUPPLEMENTARY INFORMATION: In 1979, the Federal Reserve enhanced its ACH services by adding a second, later deposit deadline restricted to cash concentration debits.<sup>1/</sup>

Before this change was implemented, only one deposit deadline was available to depository institutions. The addition of a later deposit deadline improved the ACH service because it provided originators of ACH cash concentration debits additional processing time as well as better availability than they were able to achieve with a single deposit deadline. The primary reason for imposing this restriction was due to concern about potential volume shifts from morning deposit deadlines to the nighttime deposit deadlines, which might have caused capacity constraints at some offices. During the last four years, however, the Reserve Banks have gained considerable experience with the ACH nighttime operation and sufficient capacity currently exists to handle anticipated volume levels.

The Federal Reserve has received requests to accept deposits of all types of ACH transactions at the nighttime deposit deadline because depository institutions believe the nighttime deposit deadline increases the flexibility of the

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<sup>1/</sup> Cash concentration debits are used by businesses to draw down balances held at a number of depository institutions in order to accumulate funds at a primary institution for investments or other purposes.



ACH. For example, hourly payrolls, unlike salary payments, may require last minute calculations to reflect an individual's actual work experience. The early morning deposit deadline for ACH credit transactions does not provide corporations sufficient time to determine hourly employees' pay. This modification of the night cycle will enable credit transactions to be deposited at the nighttime deposit deadline, allowing additional time for calculating hourly payrolls. Additionally, the night cycle can be used to accommodate payments that would normally be processed during the daytime but are delayed due to operating problems at originating depository institutions.

In opening the night cycle to all ACH transactions and in offering next-day availability for both debit and credit transactions, there may be an increase in the number of ACH payments delivered to country institutions after the actual settlement date due to the short processing time and long distances for delivery. However, institutions faced with this late delivery situation currently only receive about four percent of total ACH payments; it is unlikely that a large proportion of these payments will be converted to next-day settlement payments. Nevertheless, these institutions may face some problems in continuing to provide high quality service to their customers. Therefore, the Reserve Banks will expand their current ACH telephone advice services to country banks to include all debit and credit transactions processed during nighttime operations so that country institutions will be able to receive the transaction information that they need.

The current ACH fees were implemented on December 29, 1982, and were set to recover 40 percent of the total costs of providing commercial ACH services. A new ACH fee schedule based on a 60 percent recovery rate, as required under the Board's ACH incentive pricing policy, is currently being developed. Since expansion of the night cycle is desired by users of the ACH service as soon as possible, the new service will be made available on October 6, 1983, with an interim fee schedule based on the current 40 percent recovery rate. These interim fees will be in effect until the new ACH fees, based on a 60 per cent recovery rate, are implemented.

Presently, originators of cash concentration debits are assessed a surcharge of five cents per transaction for each debit deposited at the nighttime deposit deadline. This fee is based on the benefits realized by originators of cash concentration debits, including improved funds availability obtained by using the night cycle. Since opening the night cycle to all types of debit transactions will afford all originators of debit transactions benefits similar to those



realized by originators of cash concentration debits, the current five cents surcharge will apply to all debit transactions deposited at the nighttime deposit deadline.

The current ACH fee schedule assesses no fees to depository institutions that originate credit transactions because most of the benefits of the ACH service are realized by receivers of credit transactions. Originators of credit transactions for two-day settlement will not realize significant benefits from the additional processing time. Further, by initiating credits for two-day settlements, originators are taking steps to ensure that payments reach receiving institutions by the settlement date. In view of these factors, a surcharge for two-day credit transactions would not be appropriate. Originators of credits deposited for next-day availability, however, clearly benefit from the increased processing time this option offers them. Because originating institutions will be able to realize benefits that previously were unavailable to them, it is appropriate that a fee be charged for this new service. Since originators of credits are not able to realize benefits comparable to those realized by originators of debits, the Board has determined that a surcharge of two cents rather than five cents will be assessed to originators of credit transactions deposited for next-day settlement.

Depository institutions located in the Cleveland and Richmond Federal Reserve Districts are now able to deposit all ACH transactions at the nighttime deposit deadline. Further, the Federal Reserve Bank of Richmond currently does not offer a daytime ACH deposit deadline. Because of the difference, depository institutions located in these two Districts will need some time to adjust their operating schedule in order to use the daytime deposit deadline and to avoid nighttime surcharges where they are not cost effective. To avoid the inequity of requiring originators in the Cleveland and Richmond Districts to pay increased fees for a deposit deadline that is optional in other districts, all Reserve Districts will establish daytime deposit deadlines. Further, the Board has determined to grant a temporary waiver of the five cents debit surcharge for non-cash concentration debits in those two Districts to permit originators and depository institutions to make the necessary operational adjustments. The two cents surcharge on next-day settlement credits, however, is a new service for all Districts and no inequities will result from universal application. Consequently, this surcharge will not be waived for originators located in the Cleveland and Richmond Federal Reserve Districts.



Accordingly, the Board has determined that the interim fee schedule for the ACH night cycle, effective October 6, 1983, will be as follows:

Per Item  
Surcharge to Originators

Debits*	5¢
Next-day Settlement Credits	2¢
Two-day Settlement Credits	0

\*This surcharge will not be assessed for debits, other than cash concentration debits, originated by depository institutions located in the Cleveland and Richmond Federal Reserve Districts.

Any comments regarding the interim fee schedule should be forwarded to your local Federal Reserve office.

This interim fee schedule will remain in effect until the repricing of the ACH service.

By order of the Board of Governors of the Federal Reserve System, September 1, 1983.

(Signed) William W. Wiles

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William W. Wiles  
Secretary of the Board

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