

**FEDERAL RESERVE BANK  
OF NEW YORK**

[ Circular No. **9760** ]  
November 26, 1984 ]

**Proposed Two-Tier Fee Schedule for Check Collection**

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

The Board of Governors of the Federal Reserve System has issued for comment a proposal to assess different fees for certain checks deposited with the Reserve Banks for collection depending upon whether they are destined for high or low unit-cost endpoints. (This proposal would initially be implemented in the Kansas City and Minneapolis Federal Reserve Districts.)

Printed on the reverse side of this circular is the text of the Board's notice, reprinted from the *Federal Register* of November 8, 1984. Comments on the two-tier proposal must be received by January 11, 1985 and may be sent to James O. Aston, Vice President, Check Processing Function.

ANTHONY M. SOLOMON,  
*President.*

(OVER)

**FEDERAL RESERVE SYSTEM**

[Docket No. R-0532]

**Fees for Federal Reserve Bank Check Collection; Request for Comment**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Request for comment.

**SUMMARY:** The Board of Governors is requesting public comment on a proposal to assess different fees for certain checks deposited with the Reserve Banks for collection depending upon whether they are destined for high or low unit cost endpoints.

**DATE:** Comments must be received by January 11, 1985.

**ADDRESS:** Comments, which should refer to Docket No. R-0532, may be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, NW., 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 at Room B-1122 between 8:45 a.m. and 5:15 p.m., except as provided in § 261.6(a) of the Board's Rules Regarding the Availability of Information, 12 C.F.R. § 261.6(a).

**FOR FURTHER INFORMATION CONTACT:** Elliott C. McEntee, Associate Director (202/452-2231), or William S. Brown, Manager (202/452-3760), Division of Federal Reserve Bank Operations; Gilbert T. Schwartz, Associate General Counsel (202/452-3625), or Robert G. Ballen, Attorney (202/452-3265), Legal Division, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**SUPPLEMENTARY INFORMATION:** Under the current fee structure, Reserve Banks assess the same fee for all checks drawn on institutions within the same availability zone. For example, the fees imposed on the depositor are the same

so long as the checks to be collected are drawn on institutions located in the same RCPC zone.

The Reserve Banks have been studying the feasibility of two-tiered pricing, that is, assessing a different fee depending upon whether the check is sent to a high or low unit cost endpoint. Unit costs generally are higher for items destined for low volume endpoints because transportation and fixed processing costs, which do not vary with volume, are spread across fewer items. Low unit costs endpoints are typically: (1) Large institutions or (2) smaller institutions that have their checks delivered to bank or nonbank processors that either receive relatively large volumes of checks or are located close to the Federal Reserve. Operational improvements are being implemented that would enable Reserve Banks to charge different fees for checks drawn on institutions located in the same zone without requiring depositing institutions to perform additional sorting. To assist commenters in evaluating the proposal, the fees that two Reserve Banks would charge depending upon whether the check is sent to high low unit cost endpoint are attached.

The Board believes two-tiered pricing has the potential for improving the efficiency of the check collection system

by enabling Federal Reserve fees to reflect more closely the cost of clearing checks, based upon the actual mix of checks deposited. In this regard, two-tiered pricing could enable institutions depositing checks for collection to determine better the lowest cost method of collecting a particular check. In addition, it is anticipated that two-tiered pricing should not have any significant operational effects on depository institutions nor result in any significant increase in Federal Reserve volume.

The impact of this proposal on small entities has been considered in accordance with the Regulatory Flexibility Act (Pub. L. 96-354; 5 U.S.C. § 603). As indicated above, the proposal could result in a reduction in cost for small depository institutions to the extent that they are collecting banks by enabling them to determine better the lowest cost method of collection. Moreover, the proposal should not adversely impact the operations of such depository institutions. Finally, the proposal imposes no new reporting or recordkeeping requirements on depository institutions.

By order of the Board of Governors,  
November 2, 1984.

**William W. Wiles,**  
*Secretary of the Board.*

**SAMPLE TWO-TIERED PRICES**

	Item prices for processed volume (RCPC)		Item prices for processed volume (country)	Item prices for fine sort (RCPC)	Item prices for fine sort (country)
	Regular	Premium			
Kansas City:					
Low unit cost.....	( <sup>1</sup> )	( <sup>1</sup> )	2.5	( <sup>1</sup> )	1.2
High unit cost.....	( <sup>1</sup> )	( <sup>1</sup> )	3.5	( <sup>1</sup> )	2.0
Minneapolis:					
Low unit cost.....	2.1	3.6	( <sup>1</sup> )	0.7	( <sup>1</sup> )
High unit cost.....	3.0	4.4	( <sup>1</sup> )	1.4	( <sup>1</sup> )

<sup>1</sup> Two-tiered pricing not applicable.

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