

**FEDERAL RESERVE BANK
OF NEW YORK**

[Circular No. 9768
December 7, 1984]

**Proposed Changes in Fees for
Book-Entry Transfer of U.S. Treasury Securities**

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

The Federal Reserve Bank of New York currently provides book-entry transfer and account maintenance services for U.S. Treasury securities as a priced service to the banking community. The service has been priced since 1981, under the provisions of the Monetary Control Act. However, as a result of a recent review, the United States Treasury has determined that the Reserve Banks provide these services for Treasury securities as fiscal agents of the United States.

Accordingly, the Treasury has proposed a fee schedule for the transfer of its book-entry securities and is requesting comment on the proposal by January 16, 1985. The Treasury's fee schedule will not include a fee for the processing of payment associated with a securities transfer transaction. The Federal Reserve is requesting comment by January 16, 1985 on a fee of \$.75 to cover the payment settlement costs. This fee will be applied to all securities transfers involving U.S. Treasury issues.

After combining the proposed Treasury and Federal Reserve fees, the on-line transfer fee for Treasury securities transfers only would be \$2.25 as opposed to the current time-of-day pricing, and the off-line fee would be \$7.00 as opposed to the current fee of \$10.00. The Treasury will not impose monthly account maintenance fees.

It is anticipated that the fees for Treasury book-entry securities transfers and the related funds settlement will be recovered by direct charges to reserve or clearing accounts on a daily basis, rather than as part of priced service billings. Since these proposed changes affect only U.S. Treasury securities, the existing pricing and billing arrangements will continue to apply to Agency book-entry securities pending further review.

Printed on the following pages is the text of the Federal Reserve and Treasury proposals as printed in the *Federal Register* of December 3, 1984. Comments should be submitted by January 16, 1985 and may be sent to the addresses indicated in the *Federal Register*. Copies of the comments may also be sent to Jorge Brathwaite, Vice President of this Bank.

ANTHONY M. SOLOMON,
President.

[Docket No. R-0534]

U.S. Treasury Book-Entry Securities Service: 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 proposed fee for the funds settlement component of the secondary market book-entry transfer of U.S. Treasury securities.

DATE: Comments must be received by January 16, 1985.

ADDRESS: Comments, which should refer to Docket No. R-0534, may be mailed to Mr. William W. Wiles, Secretary, Board of Governors of the Federal Reserve System, 20th Street and Constitution Avenue, N.W., 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 CFR 261.6(a).

FOR FURTHER INFORMATION CONTACT: Gerald D. Manypenny, Manager (202/452-3954) or Brada W. Panther, Analyst (202/452-2831), 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, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

SUMMARY: The Federal Reserve's book-entry securities service provides for safekeeping and transfer of book-entry securities. Book-entry securities issued by the United States Treasury are the principal securities in the Federal Reserve's book-entry system. Prior to 1981, fees for Treasury book-entry

securities services were established by the Department of the Treasury. However, with the implementation of pricing for Federal Reserve services under the Monetary Control Act of 1980 ("MCA"), the account maintenance and secondary market transfers of Treasury book-entry securities were regarded by the Federal Reserve as priced services under the MCA.

Based upon a review of the roles of the Federal Reserve and the Treasury in providing this service, the Treasury Department has concluded that the secondary market book-entry service provided by the Reserve Banks for U.S. Treasury securities should be regarded as a fiscal agency activity conducted on Treasury's behalf rather than as a priced service under the MCA. Consequently, the Treasury has determined that fees charged for the book-entry securities activity performed on behalf of the Treasury by Reserve Banks as fiscal agents will be established by the Treasury and collected by Reserve Banks on behalf of the Treasury. In this regard, by separate announcement the Treasury Department is requesting public comment on a proposed fee schedule for this activity. The Treasury's proposed fee schedule would contain no charge for account maintenance but would impose fees of \$1.50 for securities transfers originated on-line and \$6.25 for securities transfers originated or received off-line.¹

A book entry securities transfer message typically contains two elements, the securities transfer and the accompanying funds settlement and related accounting. The Federal Reserve

and the Treasury have determined that the funds settlement element of a securities transfer message is not a fiscal agency activity performed by the Reserve Banks on behalf of the Treasury. Therefore, the fees proposed by the Treasury for this service do not include funds settlement.

Separation of the funds settlement activity from the securities transfer element may have a disruptive effect on the secondary market since the settlement may not take place at the same time the securities are transferred. Funds settlement is believed necessary to support secondary market activity in book-entry Treasury securities. Accordingly, the Board believes it appropriate to regard the funds settlement element as an activity incidental to the provision of the securities transfer fiscal agency service on behalf of the Treasury Department rather than as a priced service under the MCA.

The Board also believes that the Federal Reserve's costs of providing the funds settlement element should be recovered from users of the service. Consequently, the Board has determined to sollicit public comment on a fee of \$0.75 per book-entry securities transfer to recover these costs. This fee would cover the direct, support, overhead and float costs associated with this element and would be in addition to the fees announced by the Treasury. Since the funds settlement activity is incidental to the provision of a fiscal agency service, the fee does not take into account the private sector adjustment factor. Further, it is proposed that income from this fee would be regarded as a recovery of costs rather than as revenue.

By order of the Board of Governors of the Federal Reserve System, November 29, 1984.

James McAfee,

Associate Secretary of the Board.

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¹ Current Federal Reserve fees provide for a monthly account maintenance fee of \$15 plus \$0.50 per issue in the account, and transfer fees of \$3 for transfers originated on-line and \$10 for transfers originated or received off-line.

Fiscal Service

Intent to Establish a Fee Schedule for the Transfer of U.S. Treasury Book-Entry Securities Held at Federal Reserve Banks

AGENCY: Department of the Treasury, Fiscal Service, Bureau of the Public Debt.

ACTION: Fee schedule.

SUMMARY: The Department of the Treasury has determined that fees imposed for the transfer of book-entry Treasury securities between depository institutions maintaining accounts therefor at Federal Reserve Banks should be identified and collected as Treasury fees. This determination has resulted in the formation of a proposed Treasury book-entry fee schedule, which is herein published for comment.

EFFECTIVE DATE: The fee schedule set out in this notice will be effective on March 28, 1985, subject to any changes the Department may deem appropriate as a result of comments received. Final notice of the adoption of the fee schedule will be provided no later than thirty (30) days prior to the above effective date.

DATES: Comments must be received on or before January 16, 1985.

ADDRESSES: Comments should be directed to the Office of Financing, Bureau of the Public Debt, Room 310 Washington Building, Washington, D.C. 20239.

FOR FURTHER INFORMATION CONTACT: Carl M. Locken, Jr., Acting Assistant

Commissioner (Financing), Bureau of the Public Debt, Washington, D.C. 20239, telephone (202) 376-0319, or.

Anne M. Meister, Federal Reserve Liaison Officer, Bureau of the Public Debt, Washington, D.C. 20239, telephone (202) 376-0249.

SUPPLEMENTARY INFORMATION: The Federal Reserve Banks are authorized, as fiscal agents of the United States, to maintain Treasury book-entry securities in accounts for depository institutions and to transfer such securities between accounts held at the same Bank, or at different Banks.

Until 1981, the Treasury charged a fee for the transfer of Treasury securities between Federal Reserve Banks. Since that time, the Federal Reserve System's schedule of fees for Securities Services has included charges for both the maintenance by Reserve Banks of book-entry accounts and for the transfer of securities between accounts.

As a result of a recent review, the Treasury has determined that:

(1) Any fees charged in conjunction with book-entry activities performed on behalf of the Treasury by the Federal Reserve Banks should be clearly identified as Treasury fees;

(2) The Treasury would continue to impose a fee on depository institutions for transfers of book-entry Treasury securities conducted by the Federal Reserve Banks, as fiscal agents of the United States, between accounts held at the same, or different, Federal Reserve Banks.

(3) The fee for account maintenance

heretofore imposed would be terminated.

As the proposed fee schedule shown below indicates, the Treasury plans to charge a fee to depository institutions for each on-line transfer originated, each off-line transfer originated, and each off-line transfer received. The fee will be established on a national basis, with no variance for the time of day a security is transferred. No fee shall be assessed for transfers to and from collateral accounts supporting borrowings from the Federal Reserve or Treasury deposits.

The Treasury fee relates only to the transfer of the securities. The Federal Reserve will assess an additional fee for the processing of payments associated with a securities transfer transaction where securities are transferred against payment. The Federal Reserve fee for handling such payments is set out in a separate notice being published by the Board of Governors of the Federal Reserve System. Treasury fees for securities transfers will be collected by the Federal Reserve Banks, as fiscal agents of the United States, for deposit to the Treasury.

The following is the proposed Treasury fee schedule for Treasury securities transfers:

Fee Schedule

On-line transfers originated, \$1.50 per transfer

Off-line transfers originated, \$6.25 per transfer

Off-line transfers received, \$6.25 per transfer

Carole Jones Dineen,
Fiscal Assistant Secretary.

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