FEDERAL RESERVE BANK
OF NEW YORK

[Circular No. **10747**
December 13, 1994]

FEDERAL RESERVE PRICED SERVICES

1995 Fee Schedules and Private Sector Adjustment Factor (PSAF)

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

The Board of Governors of the Federal Reserve System has announced the adoption of 1995 fee schedules, and the Private Sector Adjustment Factor (PSAF), for services provided by the Federal Reserve Banks, effective January 3, 1995. Following is the text of the Board's announcement:

> The Federal Reserve Board has announced the 1995 fee schedules for services provided by the Federal Reserve Banks. The fees become effective January 3, 1995.
>
> The fee schedules apply to check, automated clearing house, funds transfer and net settlement, book-entry securities, noncash collection, and special cash services, and for electronic connections to the Federal Reserve. The 1995 fee schedules are available from the Reserve Banks.
>
> In 1995, total costs for priced services, including float, a portion of special project costs, and the private sector adjustment factor (PSAF), are projected to be $727.4 million. Total revenue is projected to be $763.4 million, resulting in net income of $36.0 million, compared with a targeted return on equity of $31.5 million.
>
> At the same time, the Board has approved the 1995 PSAF for Reserve Bank priced services of $94.7 million, a decrease of $8.9 million or 8.6 percent from the $103.6 million targeted in 1994.
>
> The PSAF is an allowance for the taxes that would have been paid and the return on capital that would have been earned had the Federal Reserve's priced services been provided by a private business firm.

Printed on the following pages is the text of the Board's official notice in this matter, as published in the *Federal Register.* Questions regarding our priced services may be directed to your Account Manager (Tel. No. 212-720-6600 at the Head Office; Tel. No. 716-849-5085 at the Buffalo Branch).

In addition, enclosed — for depository institutions and others who maintain sets of our operating circulars — are copies of this Bank's fee schedules for ACH, funds transfers, and electronic connections. Our fee schedules for check services will be sent to you shortly.

WILLIAM J. McDONOUGH,
President.

10747

[Docket No. R–0856]

Federal Reserve Bank Services

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Notice.

SUMMARY: The Board has approved a private sector adjustment factor (PSAF) for 1995 of $94.7 million, as well as 1995 fee schedules for Federal Reserve priced services. These actions were taken in accordance with the requirements of the Monetary Control Act of 1980, which requires that, over the long run, fees for Federal Reserve priced services be established on the basis of all direct and indirect costs, including the PSAF.

DATES: The PSAF and the fee schedules become effective January 3, 1995.

FOR FURTHER INFORMATION CONTACT: For questions regarding the private sector adjustment factor: Elizabeth Averill, Accounting Analyst (202/452–2303), or Gwendolyn Mitchell, Senior Accounting Analyst (202/452–3841), Division of Reserve Bank Operations and Payment Systems; for questions regarding fee schedules: Edith Collis, Financial Services Analyst, Check Payments (202/452–3638), Michele Braun, Senior Financial Services Analyst, Automated Clearing House (202/452–2819), Darrell Mak, Financial Services Analyst, Funds Transfer and Book-Entry Securities (202/452–3223), Ken Buckley, Manager, Information Technology (electronic connections) (202/452–3646), Michael Bermudez, Financial Services Analyst, Noncash Collection (202/452–2216), Ruth Robinson, Senior Financial Services Analyst, Cash (202/452–3944), Division of Reserve Bank Operations and Payment Systems; for the hearing impaired *only:* Telecommunication Device for the Deaf, Dorothea Thompson (202/452–3544).

Copies of the 1995 fee schedules for check, automated clearing house, funds transfer and net settlement, book-entry securities, noncash collection, special cash services, and electronic connections to the Federal Reserve are available from the Reserve Banks.

SUPPLEMENTARY INFORMATION:

Private Sector Adjustment Factor

The Board has approved a 1995 PSAF for Federal Reserve Bank priced services of $94.7 million. This amount represents a decrease of $8.9 million or 8.6 percent from the PSAF of $103.6 million targeted for 1994.

As required by the Monetary Control Act (MCA) (12 U.S.C. 248a), the Federal Reserve's fee schedule for priced services includes "taxes that would have been paid and the return on capital that would have been provided had the services been furnished by a private business firm." These imputed costs are based on data developed in part from a model comprised of the nation's 50 largest (in asset size) bank holding companies (BHCs).

The methodology first entails determining the value of Federal Reserve assets that will be used in producing priced services during the coming year. Short-term assets are assumed to be financed by short-term liabilities; long-term assets are assumed to be financed by a combination of long-term debt and equity derived from the BHC model. The mix of long-term debt and equity was modified slightly to ensure an imputed equity to asset ratio of 4 percent as required for adequately capitalized institutions under provisions of Regulation F (12 CFR 206).

Imputed capital costs are determined by applying related interest rates and rates of return on equity (ROE) derived from the bank holding company model. The rates drawn from the BHC model are based on consolidated financial data for the 50 largest BHCs in each of the last five years. Because short-term debt, by definition, matures within one year, only data for the most recent year are used for computing the short-term debt rate.

The PSAF comprises capital costs, imputed sales taxes, expenses of the Board of Governors related to priced services, and an imputed Federal Deposit Insurance Corporation (FDIC) insurance assessment on clearing balances held with the Federal Reserve to settle transactions.

Asset Base

The estimated value of Federal Reserve assets to be used in providing priced services in 1995 is reflected in Attachment Table A–1. Table A–2 shows that the assets assumed to be financed through debt and equity are projected to total $622.9 million. As shown in Table A–3, this represents a net decrease of $28.6 million or 4.4 percent from 1994. This decrease results primarily from lower priced asset base levels at the Reserve Banks and Federal Reserve Automation Services (FRAS).

Cost of Capital, Taxes, and Other Imputed Costs

Table A–3 shows the financing and tax rates, as well as the other required PSAF recoveries proposed for 1995, and compares the 1995 rates with the rates used for developing the PSAF for 1994. The pre-tax return on equity rate decreased from 12.7 percent in 1994 to 12.1 percent for 1995. The decrease is a result of 1993 BHC financial performance included in the 1995 BHC model, relative to the stronger 1988 BHC financial performance in the 1994 BHC model.

The decrease in the FDIC insurance assessment from $19.8 million in 1994 to $19.0 million in 1995, shown in Table A–3, is attributable to lower adjusted gross cash items in process of collection (CIPC) and lower clearing balances. The FDIC rate of $0.26 for every $100 in clearing balances remains unchanged from the rate used in the 1994 final PSAF.

Net income on clearing balances for 1995 is projected to be $21.3 million, down from $25.4 million estimated for 1994. This decrease of $4.1 million is due to the decrease in excess clearing balance levels, partially offset by a wider spread between income, which is earned at the 90-day Treasury bill rate, and expense or interest, which is paid at the federal funds rate.

Capital Adequacy

As shown in Table A–4, the amount of capital imputed for the proposed 1995 PSAF totals 35.9 percent of risk-weighted assets, well in excess of the 8 percent capital guideline for state member banks and BHCs.

1995 Fee Schedules

Overview

Based on the Reserve Banks' estimates of costs, volumes, and revenues, the proposed 1995 fees for priced services are expected to yield net income of $36.0 million for the year, compared with a targeted ROE of $31.5 million. Thus, the Reserve Banks project that 100.6 percent of total expenses, including targeted ROE, will be recovered. In addition, during 1995, approximately $19.1 million of automation consolidation special project costs, including about $0.8 million that were deferred in prior years, will be recovered. Additional finance charges for 1995 on accumulated deferred special project balances will be $2.5 million, resulting in accumulated special project costs to be recovered in the future of $36.7 million.[1]

For the most part, 1995 fees approved by the Board do not include significant changes in the level or structure of fees for priced services. For the electronic payment services—funds transfer, book-entry securities, and the automated clearing house (ACH)—all operating costs and imputed expenses, including targeted ROE, are expected to be recovered. Some electronic connection fees will be raised to reflect the higher costs associated with the higher service levels available through the Fednet® communications network. The Board, however, has approved a modest reduction in the funds transfer fee.

The check service also is expected to achieve full cost recovery, including targeted ROE, in 1995. Although continued volume losses are anticipated due to depository institutions' growing use of direct presentments under the same-day settlement rule and continued consolidation of the banking industry, the Reserve Banks expect the decline in volume to be more moderate than it was in 1994. The Board was able to approve modest increases in fees because the Reserve Banks are taking aggressive steps to reduce costs. For example, the Reserve Banks are reducing staff and making greater use of automation to improve operating efficiency. In addition, the Reserve Banks are improving deposit deadlines, promoting electronic presentment and deposit products, and developing products using image technology.

The noncash collection service has faced rapidly declining volume levels since the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) was enacted. Due to significant volume losses, the Reserve Banks incurred an operating loss in 1993 and project operating losses in 1994 and 1995. The service should realize lower and more stable costs once all operations are consolidated at two sites in 1995.

In November 1993, when the Board considered the 1994 fee schedules, volume-based fees were approved for selected check products and the noncash collection service. The Board also has requested the staff to develop criteria for the use of volume-based fees.[2] Econometric studies of the cost structure of Federal Reserve payment services are being conducted to determine if criteria based on scale efficiency are relevant. Preliminary results indicate that the use of volume-based fees is not appropriate for paper-based check services. A similar study of the cost structure of the noncash collection service was deemed impractical because of the rapidly declining volume levels. Analysis of the cost structure of electronic payment products is in progress. The Board has approved:

(1) Eliminating the volume-based fees for paper check products, which were introduced by the Minneapolis Reserve Bank in 1994;

(2) Permitting the Richmond and Minneapolis Reserve Banks to retain the volume-based fees for the selected electronic check products that were approved by the Board until scale efficiency studies of electronic payment products are completed; and

(3) Retaining the present volume-based fees for the noncash collection service because they are enabling the Federal Reserve to maintain a stabilizing presence in the noncash collection market.

The Board expects the results of its econometric studies to be available during 1995.

Although the Reserve Banks acknowledge that their cost, volume, and revenue projections are somewhat uncertain due to the continuing changes in the interbank check collection market and the implementation of FRAS, as well as Fednet®, the Board believes that the Reserve Banks' proposed 1995 fee schedules are reasonable.

Discussion

The 1994 fees approved by the Board were expected to recover 98.2 percent of the costs of providing priced services, including imputed expenses, automation consolidation special project costs budgeted for recovery, and targeted ROE. Through September 1994, the System recovered 97.1 percent of total priced services expenses, including targeted ROE. The Reserve Banks now estimate that priced services revenues will yield net income of $2.5 million for the year, compared with a targeted ROE of $34.6 million. The recovery rate after targeted ROE is expected to be 96.0 percent. Approximately $8.8 million in automation consolidation special project costs will be recovered in 1994 and an additional $20.5 million will be financed and recovered later.

Although the Reserve Banks' current estimate of 1994 performance appears conservative, two significant factors contribute to the expected shortfall compared to the original plan. First, credits arising from accounting for pensions under FASB Statement 87 were revised downward by $21.3 million, pre-tax, from the estimate used to set fees. Final actuarial data became available following the adoption of 1994 fees that reflected (1) a lower discount rate used to value pension plan assets and (2) the costs of early retirement plans offered by the Reserve Banks during 1993 and 1994. If the actual pension credit had not changed from the estimate, the Reserve Banks' estimated full-year cost recovery would have been 97.8 percent, or 1.8 percentage points higher than now forecast. Estimated net income would have been $17.3 million, compared with the $20.2 million originally budgeted.

Second, the check service's volume loss due to the implementation of the same-day settlement regulation in January 1994 and the continuing consolidation of the banking industry has been greater than anticipated. The lower check volume levels account for most of the Reserve Banks' $12 million shortfall in revenues compared to the original projections.

[1] In 1981, the Board adopted a policy that permits the Reserve Banks to defer and finance development costs if the development costs would have a material effect on unit costs, provided a conservative time period is set for full cost recovery and a financing factor is applied to the deferred portion of development costs.

[2] For the notice approving the use of volume-based fees for certain check and noncash products, see 58 FR 60649, November 17, 1993. For the announcement of the 1994 PSAF and fee schedules, see 58 FR 60639, November 17, 1993.

In 1995, priced services expenses before special project costs are projected to decrease 5.7 percent compared with estimated 1994 levels. Approximately $18.3 million of current automation consolidation special project costs and $0.8 million of costs that were deferred and financed in prior years will be recovered, leaving $36.7 million of accumulated special project costs to be recovered in the future.

Total revenues in 1995 are projected to increase by 0.2 percent compared with 1994 revenues.[3] Based on the Reserve Banks' estimates of costs, volumes, and revenues, the proposed 1995 fees will yield net income of $36.0 million for the year, compared with a targeted return on equity of $31.5 million. These estimates result in a 100.6 percent recovery rate, including targeted ROE.

Table 1 summarizes the cost and revenue performance for priced services since 1989.

TABLE 1.—PRO FORMA COST AND REVENUE PERFORMANCE (a)

[In millions of dollars]

Year	Revenue (1)	Operating costs and imputed expenses (b) (2)	Special project costs recovered (3)	Total expense [2+3] (4)	Net income (ROE) [1–4] (5)	Target ROE (c) (6)	Recovery rate after target ROE (percent) [1/(4+6)] (7)	Special project costs deferred and financed (d) (8)
1989 (e)	718.6	692.1	4.6	696.7	21.9	32.9	98.5	0
1990	746.5	698.1	2.8	700.9	45.6	33.6	101.6	0
1991	750.2	710.0	1.6	711.6	38.6	32.5	100.8	0
1992	760.8	728.4	11.2	739.6	21.2	26.0	99.4	1.6
1993	774.5	721.3	27.1	748.4	26.1	24.8	100.2	12.5
1994 (Est)	762.0	750.7	8.8	759.5	2.5	34.6	96.0	34.9
1995 (Bud)	763.4	708.3	19.1	727.4	36.0	31.5	100.6	36.7

(a) Details may not sum to totals because of rounding. The revenues and expenses for 1989–93 include the definitive safekeeping service, which was discontinued in 1993. The table includes revised revenue and expense data for 1989–92.

(b) Imputed expenses include interest on debt, taxes, FDIC insurance, and the cost of float. Credits for prepaid pension costs under FASB 87 and the charges for post-retirement benefits in accordance with FASB 106 are included beginning in 1993.

(c) Targeted ROE has not been adjusted to reflect automation consolidation expenses deferred and financed. The Reserve Banks plan to recover these costs in the future.

(d) Totals are cumulative and include financing costs.

(e) Net income was less than targeted ROE during 1989 due to structural adjustments associated with implementing Regulation CC in 1988.

Check

Table 2 presents actual 1993, estimated 1994, and projected 1995 cost recovery performance for the check service.

TABLE 2.—PRO FORMA COST AND REVENUE PERFORMANCE

[In millions of dollars]

Year	Revenue (1)	Operating costs and imputed expenses (2)	Special project costs recovered (3)	Total expense [2+3] (4)	Net income (ROE) [1–4] (5)	Target ROE (6)	Recovery rate after target ROE (percent) [1/(4+6)] (7)	Special project costs deferred and financed (8)
1993	596.9	557.2	14.1	571.3	25.7	18.6	101.2	0.1
1994 (Est)	578.9	579.8	0	579.8	(0.9)	26.3	95.5	11.3
1995 (Bud)	579.1	550.0	5.0	555.0	24.0	24.0	100.0	12.0

1993 Performance

Revenues from the check service recovered 101.2 percent of total expenses in 1993, including image and automation consolidation special project costs and targeted ROE. The volume of checks collected decreased 0.1 percent from 1992 levels and return item volume decreased 1.3 percent.

1994 Performance

Through September 1994, the check service recovered 96.4 percent of total expenses, including targeted ROE but excluding automation consolidation special projects costs. The volume of checks collected decreased 12 percent from 1993 levels, reflecting a 4 percent decrease in processed volume and a 33 percent decrease in fine sort volume.

The Reserve Banks now project an operating loss of $0.9 million, compared with the $14.8 million return on equity budgeted for 1994. Although the Board believes that the Reserve Banks' current estimate of 1994 performance is conservative, several significant factors are contributing to the variation. First, the check service's share of the pre-tax reduction in pension credits increased expenses by $16.8 million, compared

[3] The revenue forecasts include net income on clearing balances (NICB) based on the methodology used in previous years. The Board requested public comment on a proposed change to the NICB methodology on August 16, 1994. The Board's staff is currently analyzing several issues raised by the proposal.

with the original budget estimate. Without this unexpected increase in expenses, the Reserve Banks would have been able to achieve the budgeted return on equity for the check service. Second, the Reserve Banks' volume losses due to the implementation of the same-day settlement regulation on January 3 and the continuing consolidation of the banking industry have been greater than anticipated. In particular, the Reserve Banks now project that total check volume for 1994 will decline by about 11 percent (processed check volume by 4 percent and fine sort volume by 31 percent) and that return item volume will decline by 5 percent. Originally, the Reserve Banks projected that total volume would decline 10 percent (2 percent for processed check volume and 33 percent for fine sort volume) and that return item volume would decline 2 percent. Third, severe weather during early 1994 contributed to higher than budgeted float costs.

1995 Issues

The changes occurring in the check environment that will continue to challenge the Reserve Banks include additional volume losses due to increasing direct presentments of checks by depository institutions, expansions of private check clearing arrangements, and further consolidation of the banking industry. Despite these changes, the Reserve Banks are committed to providing efficient, fairly priced check services to the nation's depository institutions.

To accomplish this objective, Reserve Banks are continuing to (1) reduce staff, (2) contain other costs, (3) control increases in fees, (4) improve deposit deadlines, and (5) emphasize the use of electronic presentment and deposit products, which increase the efficiency of the check collection process and can reduce its total costs. In addition, the Reserve Banks are beginning to use image technology in their commercial check operations. Image technology has the potential to increase the acceptance of check truncation and, over the long run, reduce the cost of clearing paper checks.

Total check service operating costs plus imputed expenses are projected to be about 5.1 percent below estimated 1994 expenses. The decline in total check collection volume is expected to moderate somewhat in 1995. Based on the Reserve Banks' projections, a decrease in total volume of 2.4 percent is anticipated, reflecting no change in processed volume, an 11.5 percent decrease in fine sort volume, and a 1.0 percent decrease in return item volume.

1995 Fees

Overall, the 1995 check fees approved by the Board will increase 1.2 percent on a weighted average basis, compared with 1994. For 1995, the Reserve Banks are continuing to adjust fees to reflect more accurately the fixed and variable costs of providing check services. Thus, cash-letter fees and fine sort package fees will increase 5.7 percent and 1.6 percent, respectively. Forward processed item fees will decrease 0.4 percent, on average, while fine sort item fees will increase 2.0 percent, on average. Of the 2,180 forward collection and fine sort fees, almost 68 percent will remain unchanged, 19 percent will increase, and 7 percent will decrease. Additionally, 2.6 percent of all fees represent new products, while 3.7 percent of the fees have been discontinued, due to the elimination of the last remaining blended fees associated with tiered pricing and the elimination of some deadlines.

Fees for return items are increasing 6.2 percent overall, reflecting increases in return cash-letter and package fees. Of the 1,494 return fees, 59 percent are unchanged, 36 percent increased, and 2 percent decreased. The fees for the Interdistrict Transportation System (ITS) are unchanged.

Table 3 highlights selected 1994 and 1995 check collection fees.

TABLE 3.—PRICE RANGES

Products	1994 price ranges	1995 price ranges
Items:	(per item)	(per item)
Forward processed:		
City	$0.003 to 0.049	$0.003 to 0.049
RCPC	$0.005 to 0.077	$0.003 to 0.069
Fine Sort:		
City	$0.002 to 0.012	$0.002 to 0.012
RCPC	$0.002 to 0.012	$0.002 to 0.017
Qualified return items:		
City	$0.100 to 0.530	$0.100 to 0.740
RCPC	$0.120 to 0.600	$0.120 to 1.040
Raw return items:		
City	$0.580 to 1.680	$0.580 to 2.180
RCPC	$0.800 to 1.680	$0.800 to 2.180
Cash Letters:	(per cash letter)	(per cash letter)
Forward processed	$1.50 to 7.50	$1.50 to 8.00
Forward fine-sort package	$3.00 to 11.00	$2.50 to 11.00
Return items: raw and qualified	$1.50 to 7.50	$1.50 to 8.00

In 1994, the Minneapolis Office introduced "option" prices for its Other Fed and city fine sort products.[4] The Minneapolis and Richmond Reserve Banks also adopted option pricing for some electronic payor bank services. The Board has determined that there is no empirical justification to support the use of option pricing for paper check products. As a result, the Minneapolis Office will eliminate its option prices for Other Fed and city fine sort products. Further analysis of the cost structure for electronic products is in progress. At this time, the Board will permit the Richmond and Minneapolis Banks to continue using the option prices adopted for electronic check products in 1994.

Payor bank service revenue is estimated to have grown approximately 16 percent in 1994 and is expected to expand at the same pace in 1995. In 1995, Reserve Banks will continue to encourage the use of basic electronic check presentment products by setting

[4] Under option pricing, depositors have a choice of paying a relatively low cash-letter fee and a relatively high per-item fee, or a relatively high cash-letter fee and a relatively low per-item fee

fees for those products at lower levels than fees for electronic information products. In addition, several Federal Reserve offices will be offering electronic cash-letter (ECL) deposit products, which reduce Reserve Bank processing costs by reducing the number of rejects, adjustments, and other exceptions. To encourage the use of ECL deposit products, Federal Reserve offices will offer either lower per-item fees or later deposit deadlines to depositors than they offer for deposits that are not accompanied by electronic data.

The Reserve Banks project that 1995 revenues will recover 100.0 percent of expenses, including targeted ROE and $5.0 million in automation consolidation special project costs. Approximately $0.2 million of automation consolidation special project costs that were deferred and financed in prior years will be recovered, leaving $12.0 million of accumulated special project costs to be recovered in the future.

Automated Clearing House (ACH)

Table 4 presents the actual 1993, estimated 1994, and projected 1995 cost recovery performance for the commercial ACH service.

TABLE 4.—PRO FORMA COST AND REVENUE PERFORMANCE

[In millions of dollars]

Year	Revenue (1)	Operating costs and imputed expenses (2)	Special project costs recovered (3)	Total expense [2+3] (4)	Net income (ROE) [1–4] (5)	Target ROE (6)	Recovery rate after target ROE (percent) [1/(4+6)] (7)	Special project costs deferred and financed (8)
1993	60.1	62.2	0.0	62.2	(2.1)	2.5	92.9	10.9
1994 (Est)	65.2	66.0	0.0	66.0	(0.8)	3.4	94.0	19.6
1995 (Bud)	70.3	63.9	3.4	67.3	3.1	3.1	100.0	21.8

1993 Performance

Revenues from the ACH service recovered 92.9 percent of total expenses, including targeted ROE, during 1993. The principal factors contributing to the revenue shortfall were (1) higher than planned costs for the development of new ACH processing software to operate in the consolidated automation environment and (2) lower than expected non-automated revenues. Overall, commercial volume increased by 16.4 percent over the 1992 volume level.

1994 Performance

Through September 1994, revenues from the ACH service recovered 97.4 percent of total expenses, including targeted ROE, compared with a targeted recovery rate of 96.9 percent for the year. Due to the planned underrecovery, all $7.6 million of automation consolidation special project costs are being deferred and financed. Year-to-date commercial volume increased 16.9 percent, compared to the same period in 1993.

For 1994, the Reserve Banks now forecast that revenues will recover 94.0 percent of commercial ACH costs, based on estimated volume growth of 14.5 percent for the year. While the Reserve Banks' current estimate may be conservative, the following factors contribute to the Reserve Banks' projected variation from plan:

(1) The ACH service's $1.9 million share of the pre-tax reduction in pension credits;

(2) Faster-than-planned conversion of paper returns and notifications of change (NOCs) to electronic alternatives; and

(3) Lower revenues due to shifting commercial volume from the premium exchange to an earlier exchange, which was made possible by the addition of two ACH processing cycles beginning October 1, 1993.

1995 Issues

The slower, 12.9 percent, rate of increase in commercial ACH transaction volume projected for 1995 reflects anticipated, increased competition from private-sector ACH operators and continued consolidation in the banking industry, which creates more "on-us" transfers. While the volume of commercial ACH transactions has been growing at a decreasing rate, dropping from 24 percent in 1990 to 17 percent for the first nine months of 1994, it is likely that the Reserve Banks' forecast for 1995 understates the potential growth rate.

The Reserve Banks' cost control programs are expected to result in a 3 percent reduction in operating expenses. During 1995, the Reserve Banks will test the new ACH application software developed over the last several years and begin to implement it. Although all Reserve Banks expect to make the transition to the new processing software by year-end 1995, the precise schedule of that transition remains uncertain. Delays in the implementation schedule may cause costs to vary significantly from budget.

1995 Fees

The Board has approved only one change to the current ACH fees for 1995, an increase in the fee for processing government paper NOCs from $5.00 to $10.00, the current fee for commercial paper NOCs.[5] The higher fee better reflects the cost of providing this manual service and would provide an additional incentive for depository institutions to migrate to a more fully electronic ACH processing environment.

Based on the approved fee schedule, the Reserve Banks forecast that the commercial ACH service will recover 100.0 percent of costs, including targeted ROE and $3.4 million of the current year's automation consolidation special project costs. The remaining $0.6 million of current year automation consolidation special project costs and the charges that were incurred and deferred in prior years will continue to be deferred for recovery in future years.

Funds Transfer and Net Settlement

Table 5 presents the actual 1993, estimated 1994, and budgeted 1995 cost recovery performance for the funds transfer and net settlement service.

[5] On October 26, 1994, the Department of the Treasury agreed that the Federal Reserve Banks may assess a fee of $10.00 for government paper NOCs beginning in 1995.

Table 5.—Pro Forma Cost and Revenue Performance

[In millions of dollars]

Year	Revenue (1)	Operating costs and imputed expenses (2)	Special project costs recovered (3)	Total expense [2+3] (4)	Net income (ROE) [1–4] (5)	Target ROE (6)	Recovery rate after target ROE (percent) [1/(4+6)] (7)	Special project costs deferred and financed (8)
1993	90.2	74.2	11.2	85.4	4.8	2.9	102.2	0.6
1994 (Est)	92.1	80.2	7.1	87.3	4.8	3.8	101.1	2.2
1995 (Bud)	89.2	71.2	9.7	80.9	8.2	3.4	105.8	0.0

1993 Performance

Revenues from the funds transfer service recovered 102.2 percent of total expenses, including targeted ROE. Funds transfer volume increased 2.0 percent over 1992 levels.

1994 Performance

Through September 1994, revenues from the funds transfer service recovered 101.8 percent of total expenses, including targeted ROE, compared with a targeted recovery rate of 100.0 percent for the year. During the same period, funds transfer volume increased 4.6 percent over the 1993 volume level.

The Reserve Banks estimate that, in 1994, the funds transfer and net settlement service will recover 101.1 percent after targeted ROE and automation consolidation special project costs that the service had planned to recover, based on estimated transaction volume growth of 4.8 percent for the year. Revenue is 6.5 percent higher than budgeted, primarily because anticipated volume reductions as a result of daylight overdraft pricing did not materialize. Total costs are estimated to be 6.1 percent over budget, due to (1) higher-than-anticipated data processing costs, offset partially by lower data communications costs and (2) the funds transfer services' $2.0 million share of the pre-tax reduction in pension credits.

1995 Issues

The Reserve Banks estimate that funds transfer origination volume will increase 2.8 percent over 1994 levels. Without price changes, the Reserve Banks project that revenues would recover 109.4 percent of expenses, including all current year and deferred automation consolidation special project costs.

1995 Fees

The Board reduced the funds transfer fee to $0.50 from the current $0.53. After this reduction, the service is expected to recover 105.8 percent of its costs, after paying all current year and deferred charges for the automation consolidation special project. Uncertainties remain in the cost projections for 1995, however, because of the continued implementation of the centralized funds transfer application software.

Book-entry Securities[6]

Table 6 presents the actual 1993, estimated 1994, and budgeted 1995 cost recovery performance for the book-entry securities service.

TABLE 6.—PRO FORMA COST AND REVENUE PERFORMANCE

[In millions of dollars]

Year	Revenue (1)	Operating costs and imputed expenses (2)	Special project costs recovered (3)	Total expense [2+3] (4)	Net income (ROE) [1–4] (5)	Target ROE (6)	Recovery rate after target ROE (percent) [1/(4+6)] (7)	Special project costs deferred and financed (8)
1993	14.4	12.2	1.8	14.0	0.4	0.4	100.0	0.8
1994 (Est)	15.5	13.9	1.7	15.6	0.0	0.7	95.5	1.5
1995 (Bud)	15.7	14.0	1.0	15.0	0.7	0.7	100.1	2.6

1993 Performance

Revenues from the book-entry securities service recovered 100.0 percent of total expenses, including targeted ROE in 1993. The volume of government agency securities transfers increased 10.4 percent over the 1992 volume level.

1994 Performance

Through September 1994, revenues from the book-entry securities service recovered 99.1 percent of total expenses plus targeted ROE, compared with a targeted recovery rate of 100.3 percent for the year. During the same period, book-entry securities transfer volume increased 5.9 percent compared with the 1993 level.

The Reserve Banks' staff now expects the book-entry securities service to recover 95.5 percent of total expenses after targeted ROE, based on approximately the same transaction volume as in 1993. The estimated recovery rate is lower than originally projected due to two factors. First, securities transfer volume declined unexpectedly. The increase in mortgage interest rates during 1994 has resulted

[6] Includes Purchase and Sale activity beginning in 1994.

in less refinancing activity and, as a result, fewer mortgages are available to issue additional mortgage-backed security. Higher interest rates have caused securities firms to reconsider investments in existing mortgage-backed securities, resulting in less trading activity. Second, expenses are higher than planned, due to the reduction in pension credits and higher-than-anticipated data processing costs.

1995 Issues

The Reserve Banks believe that mortgage-backed securities volume will stabilize by year-end 1994 and increase modestly in 1995 from the reduced 1994 volume level. This conservative volume increase is reflected in the 3.1 percent volume growth rate forecast for 1995.

1995 Fees

The Board has approved retaining the current fees for the book-entry security service, based on the Reserve Banks' forecast that they will produce sufficient revenue to recover 100.1 percent of costs, including targeted ROE and $1.0 million in automation consolidation special project costs. The remaining $1.0 million of current year automation consolidation special project costs and the charges that were incurred and deferred in prior years will continue to be deferred for recovery in future years.

Electronic Connections

The Federal Reserve charges fees for electronic connections to depository institutions for accessing priced services. The costs and revenues associated with electronic access are allocated to the various priced services based on the relative number of endpoints that access each service.

Electronic connection fees have not increased since 1989, with the exception of the 1991 $100 increase in the monthly dedicated leased-line fee. In light of the increasing costs due to the implementation of Fednet®, the Board has approved increased fees for three types of electronic connections in 1995. The fees for four other types of connections would remain unchanged. Specifically, the Board raised the following fees: 1) receive and send dial connections from $65 to $75; 2) multi-drop leased-line connections from $300 to $450; and 3) dedicated leased-line connections from $700 to $750. Monthly electronic connection fees for receive-only dial, high-speed dial, high-speed 19.2 kbps leased-line, and high-speed 56 kbps leased-line will remain at $30, $350, $850, and $1,000, respectively.

In 1994, the Federal Reserve Board established standard fees for dedicated high-speed 56 kbps and 19.2 kbps connections and high-speed dial 56 kbps connections. In response to requests from several depository institutions that Reserve Banks support connections at speeds higher than 56 kbps for transmission of large data files, the Board has approved standard connection fees for two new categories of high-speed connections; $1,800 and $2,000 per month for high-speed leased connections of 128 kbps and 256 kbps, respectively. These new high-speed connection categories require more expensive signalling, encryption, and circuit components than the 56 kbps and 19.2 kbps connections.

Finally, the Board has approved two new standard connection options to support contingency testing by depository institutions that use dedicated leased-line connections for their production traffic. A dedicated dial test connection will provide additional dial connection equipment to address the needs of those institutions that conduct their contingency testing simultaneously with their production work. A shared dial test connection will address the needs of institutions that test only during off-hours and will provide a necessary subset of dial connection components. These new contingency connection options will be lower cost alternatives to depository institutions than a second dedicated leased-line connection. For these test options, a usage guideline of 120 hours per year will be established. Institutions that exceed this guideline will be asked to establish a dedicated leased-line connection for testing purposes and pay the standard connection fee. The monthly fees for the dedicated and shared contingency testing options are $250 and $150, respectively.

Noncash Collection

Table 7 summarizes actual 1993, estimated 1994, and projected 1995 cost recovery performance for the noncash collection service.

TABLE 7.—PRO FORMA COST AND REVENUE PERFORMANCE

[In millions of dollars]

Year	Revenue 1	Operating costs and imputed expenses 2	Special project costs recovered 3	Total expense [2+3] 4	Net income (ROE) [1–4] 5	Target ROE 6	Recovery rate after target ROE (percent) [1/(4+6)] 7	Special project costs deferred and financed 8
1993	5.0	5.7	0.0	5.7	(0.7)	0.2	84.4	0.2
1994 (Est)	4.1	4.9	0.0	4.9	(0.8)	0.2	79.1	0.2
1995 (Bud)	3.9	4.0	0.0	4.0	(0.2)	0.2	91.6	0.3

1993 Performance

Revenues from the noncash collection service recovered 84.4 percent of total expenses, including targeted ROE, in 1993. The principal factor contributing to the revenue shortfall was a 38 percent decline in transaction volume caused, in part, by increased called bond activity.

1994 Performance

Through September 1994, the noncash collection service recovered 85.4 percent of total expenses including targeted ROE, compared with a targeted recovery rate of 85.5 percent for the year. During the same period, noncash collection volume decreased 40.1 percent, compared with the 1993 level.

The three Reserve Banks providing noncash collection services now project a recovery rate of 79.1 percent. Although anticipated volume losses are expected to be more moderate, 37.8 percent, through the end of the year due to gaining a new customer, the costs associated with consolidating operations and the $0.2 million reduction in the noncash service's share of the pension credits are expected to reduce the service's recovery rate compared with year-to-date performance.

1995 Issues

Since the mid 1980s, the noncash collection service has faced rapidly declining volume levels. Following enactment of TEFRA, many bearer municipal securities were "immobilized," or converted to book-entry form, thus eliminating interest coupons. To improve the System's ability to recover costs in a declining market, the Reserve Banks reduced the number of noncash processing sites from four to three in 1994 and will complete the planned consolidation to two sites in 1995. Because of remaining transition costs in New York and the consolidation of Chicago's noncash operation during 1995, the Reserve Banks do not expect to recover costs fully during 1995.

In 1994, the Reserve Banks implemented a new volume-based fee structure with fixed cash-letter and per-envelope fees. The levels of cash-letter and per-envelope fees were based on the number of coupon envelopes contained in the cash letters.[7] The use of a fee structure that includes fixed and variable fees more accurately reflects the structure of costs the Reserve Banks incur in providing noncash collection services than the fee structure that was in place before 1994, which relied solely on variable fees. A detailed study of the cost structure of the noncash collection services, which would be needed to justify the use of volume-based fees, was deemed impractical because of the rapidly declining volume levels. Volume-based fees, however, have been well received by depositors. In addition, they provide incentives for larger institutions to increase the size of their deposits and moderate the impact of the fixed costs of the service for smaller institutions. As a result, the use of volume-based fees permits the Federal Reserve to maintain a presence in the noncash collection business and adds a measure of stability as other service providers continue to withdraw.

1995 Fees

For 1995, the Board has approved a reduction in the return item fees to $15.00 from $20.00 in Cleveland and from $25.00 in Jacksonville and Chicago. The proposed national fee more accurately reflects the costs of return processing at the regional processing sites and is consistent with fees charged by other service providers. All other fees were retained for 1995.

The Reserve Banks forecast the number of noncash coupon envelopes processed to increase 21.5 percent, primarily as a result of new deposits attracted by the lower and uniform return item fee. The proposed 1995 fee schedule is expected to enable the noncash collection service to recover 91.6 percent of its costs, including targeted ROE. Once the consolidation of noncash services is completed, the Reserve Banks' staff believes that the service will be able to reverse the continuing operating losses and to achieve low and stable operating costs.

Cash Services

Cash services that are priced by the Federal Reserve Banks include cash transportation, coin wrapping, nonstandard packaging of currency orders and deposits, and nonstandard frequency of access to cash services.

Data on priced cash services are being included to provide a complete view of Reserve Bank priced service performance. Cash transportation fee changes do not require Board approval. The Board, however, is notified when changes occur. The fees for the other priced cash services have been approved by the Director of the Division of Reserve Bank Operations and Payment Systems under delegated authority.

Table 8 presents actual 1993, estimated 1994, and projected 1995 cost recovery performance for the priced cash services.

TABLE 8.—PRO FORMA COST AND REVENUE PERFORMANCE

[In millions of dollars]

Year	Revenue	Operating costs and imputed expenses	Special project costs recovered	Total expense [2+3]	Net income (ROE) [1–4]	Target ROE	Recovery rate after target ROE (percent) [1/(4+6)]	Special project costs deferred and financed
	1	2	3	4	5	6	7	8
1993	6.4	6.3	0.0	6.3	0.1	0.1	100.2	0.0
1994 (Est)	6.2	6.0	0.0	6.0	0.2	0.1	101.7	0.0
1995 (Bud)	5.3	5.1	0.0	5.1	0.1	0.1	100.7	0.0

The Reserve Banks expect that revenues will recover all costs for cash services, including targeted ROE. Projected revenue for 1995 is less than for 1994 because the number of Reserve Banks that provide priced armored carrier transportation services has declined.

The 1995 fees for wrapped coin, nonstandard packaging, and nonstandard access are shown in Attachment VIII. Fees for other cash transportation services and registered mail fees can be obtained by contacting the individual Federal Reserve offices.

Competitive Impact Analysis

All operational and legal changes considered by the Board that have a substantial effect on payment system participants are subject to the competitive impact analysis described in the March 1990 policy statement "The Federal Reserve in the Payments System." In this analysis, the Board assesses whether the proposed change would have a direct and material adverse effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar service due to differing legal powers or constraints or due to a dominant market position of the Federal Reserve deriving from such legal differences.

The Board believes that the recommended price and service level changes would not have a substantial effect on payments system participants and would not have a direct and material effect on the ability of other service providers to compete effectively with the Federal Reserve in providing similar services. The 1995 fees approved by the Board result in a projected return on equity that meets the target return on equity based on the 50 bank holding company model. The Board believes that the recommended fees for the

[7] Small deposits were assessed relatively low cash-letter and high per-envelope fees, while larger deposits were charged higher cash-letter but lower per-envelope fees.

noncash collection services are consistent with the approach that would be used by a private-sector firm, which would absorb the results of structural changes through its retained earnings account. Therefore, the Board does not believe that approval of the proposed fees would have an adverse effect on the ability of other service providers to compete with the Reserve Banks.

ATTACHMENTS—TABLE A-1.—COMPARISON OF PRO FORMA BALANCE SHEETS FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars—average for year]

	1995	1994
Short-term assets:		
Imputed reserve requirement on clearing balances	$619.8	$593.6
Investment in marketable securities	5,577.9	5,342.3
Receivables [1]	62.8	64.3
Materials and supplies [1]	5.7	5.5
Suspense & Difference [1]	0.1	0.0
Prepaid expenses [1]	16.1	16.1
Items in process of collection	2,592.5	3,198.9
Total short-term assets	8,874.9	9,220.7
Long-term assets:		
Premises [1 2]	412.1	350.5
Furniture and equipment [1]	113.4	183.1
Leasehold improvements and long-term prepayments [1]	12.6	32.1
Capital leases [1]	3.8	0.6
Total long-term assets	541.9	566.3
Total assets	9,416.8	9,787.0
Short-term liabilities:		
Clearing balances and balances arising from early credit of uncollected items	6,197.7	5,935.9
Deferred credit items	2,592.5	3,198.9
Short-term debt [3]	84.7	85.9
Total short-term liabilities	8,874.9	9,220.7
Long-term liabilities:		
Obligations under capital leases	3.8	0.6
Long-term debt [3]	161.6	174.1
Total long-term liabilities	165.4	174.7
Total liabilities	9,040.3	9,395.4
Equity [3]	376.5	391.5
Total liabilities and equity	9,416.8	9,787.0

Note: Details may not add to totals due to rounding.
[1] Financed through PSAF; other assets are self-financing.
[2] Includes allocations of Board of Governors' assets to priced services of $0.4 million for 1995 and $0.4 million for 1994.
[3] Imputed figures represent the source of financing for certain priced services assets.

TABLE A-2.—DERIVATION OF THE 1995 PSAF

[Millions of dollars]

A. Assets to be Financed: [1]		
Short-term	$84.7	
Long-term [2]	538.2	$622.9
B. Weighted Average Cost:		
1. Capital Structure: [3]		
Short-term Debt	15.4%	
Long-term Debt	25.4%	
Equity	59.2%	
2. Financing Rates/Costs: [3]		
Short-term Debt	3.5%	
Long-term Debt	8.2%	
Pre-tax Equity	12.1%	
3. Elements of Capital Costs:		
Short-term Debt	84.7	× 3.5% = 3.0
Long-term Debt	161.6	× 8.2% = 13.2
Equity	376.5	× 12.1% = 45.6
		61.7

TABLE A–2.—DERIVATION OF THE 1995 PSAF—Continued

[Millions of dollars]

C. Other Required PSAF Recoveries:		
Sales Taxes	11.3	
Federal Deposit Insurance Assessment	19.0	
Board of Governors Expenses	2.7	33.0
D. Total PSAF Recoveries		94.7
As a percent of capital		15.3%
As a percent of expenses[5]		15.7%

[1] Priced service asset base is based on the direct determination of assets method.
[2] Consists of total long-term assets, including the priced portion of FRAS assets, less capital leases, which are self financing.
[3] All short-term assets are assumed to be financed by short-term debt. Of the total long-term assets, 31 percent are assumed to be financed by long-term debt and 69 percent by equity.
[4] The pre-tax rate of return on equity is based on the average after-tax rate of return on equity, adjusted by the effective tax rate to yield the pre-tax rate of return on equity for each bank holding company for each year. These data are then averaged over five years to yield the pre-tax return on equity for use in the PSAF.
[5] Systemwide 1995 budgeted priced service expenses less shipping are $608.5 million.

TABLE A–3. COMPARISON BETWEEN 1995 AND 1994 PSAF COMPONENTS

	1995	1994
A. Assets to be Financed (millions of dollars):		
Short-term	$84.7	$85.9
Long-term	538.2	565.5
Total	622.9	651.5
B. Cost of Capital:		
Short-term Debt Rate	3.5%	4.3%
Long-term Debt Rate	8.2%	8.7%
Pre-tax Return on Equity	12.1%	12.7%
Weighted Average Long-term Cost of Capital	10.9%	11.5%
C. Tax Rate	31.0%	30.4%
D. Capital Structure:		
Short-term Debt	15.4%	15.6%
Long-term Debt	25.4%	26.0%
Equity	59.2%	58.4%
E. Other Required PSAF Recoveries (millions of dollars):		
Sales Taxes	11.3	12.5
Federal Deposit Insurance Assessment	19.0	19.8
Board of Governors Expenses	2.7	2.7
F. Total PSAF:		
Required Recovery	94.7	103.6
As Percent of Capital	15.2%	15.9%
As Percent of Expenses	15.7%	17.0%

TABLE A–4.—COMPUTATION OF CAPITAL ADEQUACY FOR FEDERAL RESERVE PRICED SERVICES

[Millions of dollars]

	Assets	Risk weight	Weight assets
Imputed reserve requirement on clearing balances	$619.8	0.0	$0.0
Investment in marketable securities	5,577.9	0.0	0.0
Receivables	62.8	0.2	12.6
Materials and supplies	5.7	1.0	5.7
Suspense and Difference	0.1	0.2	0.0
Prepaid expenses	16.1	1.0	16.1
items in process of collection	2,592.5	0.2	518.5
Premises	410.6	1.0	410.6
Furniture and equipment	113.5	1.0	113.5
Leases and long-term prepayments	14.1	1.0	14.1
Total	9,413.2	....	1,091.1
Imputed Equity for 1995	376.5		
Capital to Risk-Weighted Assets	34.5%		
Capital to Total Assets	4.0%		

By order of the Board of Governors of the Federal Reserve System, November 21, 1994.

William W. Wiles,

Secretary of the Board.

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FEDERAL RESERVE BANK OF NEW YORK

Appendix 2 to
Operating Circular No. 10
Revised effective January 3, 1995

ACH TIME AND FEE SCHEDULES

TIME SCHEDULE

Cutoff Hours

This time schedule shows the closing hours for receipt by us from an ACH of presorted ACH formatted files containing debit and/or credit items of various classes.

Closing Times[1]

	Exchange 1	*Exchange 2*	*Exchange 3*	*Exchange 4*
Interregional: Presort	10:00 a.m.	1:00 p.m.	7:00 p.m.	2:00 a.m.

[1] Closing times represent the end of the deposit window. Files must be completely received (e.g., data transmission fully concluded) by the closing time. Sending institutions using data transmission, especially those having large and/or variable volumes of deposits, should coordinate the beginning of their transmission within the window to ensure completion by the closing time. Presort deposits of 500,000 items or more per exchange must be received one-half hour earlier than the indicated deadline. Times listed are Eastern Time.

Effective Date Windows

Items (other than returns, NOCs and NACS[2] items) should specify an effective date within the following effective date windows, computed from our processing date.

Class	*Effective Date Window*
Credit Items	One (1) or Two (2) Banking Days
Debit Items	One (1) Banking Day Only

Items with an effective date later than the effective date window will be returned to the sender.

2 National Association for Check Safekeeping.

[Enc. Cir. No. 10747]

Settlement Dates

If an effective date is not specified, or if an item specifies an effective date the same as or earlier than our processing date, the settlement date is the banking day following our processing date. The settlement date for return items and NACS items is the banking day of processing (day cycle) or the next banking day (night cycle).

If an item specifies a settlement date that is a standard Reserve Bank holiday, the settlement date is the next banking day for us.

If an item specifies a settlement date that is not a banking day for the sending institution or the receiving institution, settlement is effected, with respect to that party, as follows:

ACH Debit Items:

Sending Institution Closed: Credit sending institution's account on settlement date.

Receiving Institution Closed: Debit receiving institution's account on settlement date or receiving institution may choose next day debit with "as of" adjustment or explicit charge for float.

ACH Credit Items:

Sending Institution Closed: Debit sending institution's account on settlement date.

Receiving Institution Closed: Credit receiving institution's account on settlement date.

The receiving institution is not considered to receive an item made available to it on the day it is closed until its next banking day for purposes of determining the deadline for return.

Banking Days

Our banking days include all days except the following standard holidays that are observed by Reserve Banks:[3]

All Saturdays,
All Sundays,
New Year's Day (January 1),
Martin Luther King's Birthday (third Monday in January),
Washington's Birthday (third Monday in February),
Memorial Day (last Monday in May),
Independence Day (July 4),
Labor Day (first Monday in September),
Columbus Day (second Monday in October),
Veterans Day (November 11),
Thanksgiving Day (fourth Thursday in November), and
Christmas Day (December 25).

If January 1, July 4, November 11, or December 25 fall on a Sunday, the next following Monday is a standard Reserve Bank holiday.

Settlement Statement Time Schedule

The following schedule shows the cutoff hours for receipt by us of settlement statements from local ACH associations:

Type of Settlement	*Receipt Deadline (Day of Settlement)*
Day Cycle	8:00 a.m.
Night Cycle	8:00 a.m.
Supplemental	4:30 p.m.
Truncation	4:30 p.m.

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3 The New Orleans Branch of the Federal Reserve Bank of Atlanta closes on Mardi Gras.

FEE SCHEDULES

Transaction Fees[4]

Origination:	
Interregional presorted deposits[5]	1.2¢
Interregional addenda record	0.2¢
Premium exchange fee[6]	1.0¢
Receipt:	
Interregional items	1.2¢
Interregional addenda record	0.2¢
Return item surcharge	4.0¢

Fixed Fees

Account servicing fee	$20.00 per month
Input file fee	$ 1.75 per file
Discrete Delivery fee	$10.00 per file
Return Item/Notification of Change (NOC) Fees:	
Converted Government NOC[7]	$10.00
Voice Response-Originated Government NOC	$ 2.00[8]

4 The following Automated Clearing House transactions will be billed as regular items: Corporate Trade Payments (CTP), Corporate Trade Exchange (CTX), Depository Institution Automated Returns (RET), Depository Institution Automated Notification of Changes (COR), and Prenotifications.

5 Presorted deposits consist of files of interregional transactions presorted by receiving Federal Reserve Office.

6 A premium exchange fee will be assessed on all value debits, non-value debits, and credits originated in the fourth exchange.

7 These returns and NOCs are received by the Reserve Banks primarily in paper form.

8 The fee includes the transaction fee and the return item surcharge (for returns only) in addition to the conversion or voice response fee.

* * *

Effect of this Appendix on previous Appendix

This Appendix supersedes Appendix 2, revised effective January 3, 1994, to Operating Circular No. 10.

WILLIAM J. McDONOUGH,
President.

FEDERAL RESERVE BANK
OF NEW YORK

Appendix E to
Operating Circular No. 8

Revised effective January 3, 1995

WIRE TRANSFERS OF FUNDS

Fee Schedule

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

This Bank's schedule of charges for wire transfers of funds is as follows:

Wire Transfers of Funds and Other Messages

A. Originator:

Basic charge per message	$0.50
Surcharge:	
Off-line origination	$10.00

B. Receiver:

Basic charge per message	$0.50
Surcharge:	
Telephone advice to receiver	$10.00

Effect of this Appendix on previous Appendix

This Appendix supersedes Appendix E, revised effective January 3, 1994, to Operating Circular No. 8.

WILLIAM J. MCDONOUGH,
President.

[Enc. Cir. No. 10747]

FEDERAL RESERVE BANK OF NEW YORK

Appendix B to
Operating Circular No. 5

Effective January 3, 1995

ELECTRONIC ACCESS FEE SCHEDULE

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

Monthly Connection Fees

Dial-up line (FLASH-LIGHT: up to 9.6 kbps)	$ 30
Dial-up line (FEDLINE: up to 14.4 kbps)	$ 75
High Speed Dial-up line (up to 56 kbps)	$ 350
Multi-drop Leased line (up to 9.6 kbps)	$ 450
Dedicated Leased line (up to 9.6 kbps)	$ 750
High Speed Leased line (up to 19.2 kbps)	$ 850
High Speed Leased line (up to 56 kbps)	$1,000
High Speed Leased line (up to 128 kbps)	$1,800
High Speed Leased line (up to 256 kbps)	$2,000

Other Fees for On-line Connections

Basic installation	$ 300
Basic installation (FLASH-LIGHT)	$ 100
Hardware compatibility testing	$2,500
Software compatibility testing	up to $8,000
Retraining	$ 150

Effect of this Appendix on previous Appendix

This Appendix supersedes Appendix B, effective January 3, 1994, to Operating Circular No. 5.

WILLIAM J. MCDONOUGH,
President.

[Enc. Cir. No. 10747]