

FEDERAL LIBRARY
Federal Reserve Bank
of St. Louis

THE
FEDERAL
RESERVE
BANK of
ST. LOUIS

THE CHECK EXCHANGE

January 1993

News and Views
on Check Services

Presenting The Check Exchange...

We are pleased to bring you the first edition of *The Check Exchange!* This quarterly publication is designed to provide you and your staff with the latest information on check services. You may have been

familiar with *Check Shop Talk*, our former publication, which provided technical tips and "hands-on" information for

our check customers.

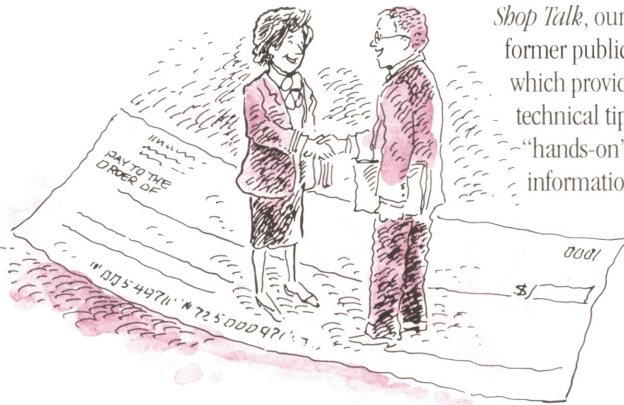
The check industry is undergoing rapid changes with the advancement of technology, new Fed service offerings and regulatory changes. We designed *The Check Exchange* to keep you up-to-date on these changes and to build on the success of *Check Shop Talk*.

Each issue of *The Check Exchange* will highlight check initiatives and changes that are likely to affect your operation. *The Check Exchange* will also feature regular columns, such as "The Electronic Connection," a Page 3 column that brings you the latest happenings in electronic check services and testimonials from current

electronic users.

Also on Page 3, "Checking In With ..." introduces our staff to you. To ensure that we continue to provide the technical information you need, Page 4 will feature "Shop Talk" — a forum to answer your questions on operational issues.

We hope *The Check Exchange* will prove to be a valuable resource for you. You can count on us to bring you the information you need to meet the challenges of the future.



Fed's Check-Posting, Same-Day Presentment Rules to Change

The Federal Reserve recently announced changes affecting check posting rules and same-day presentment of checks. The Fed adopted these changes to reduce payments system risk and improve the check collection process. Starting Oct. 14, 1993, institutions will be debited for checks as soon as one hour after presentment of the items, beginning at 10 a.m. CST. During the first quarter of this year, we will be contacting

institutions to verify presentment times. On the deposit side, institutions that take credit to a reserve or clearing account at the Fed will have two options for posting the check deposits: posting hourly based on a fractional schedule or posting once daily at a float-weighted time.

Recent changes to Regulation CC will require same-day settlement for checks presented by all private-sector institutions. Beginning

Jan. 3, 1994, checks presented by 8 a.m. at a location designated by the paying bank must be settled by close of Fedwire the same day.

Detailed information on these changes will be communicated to financial institutions throughout the year. In the meantime, if you have any questions, please call Customer Support at 1-800-333-0869, or locally at 444-8680.

1992: The Year In Review

The past year was an exciting one as we introduced several new products, enhanced others and looked for new ways to improve the quality of service we deliver to you. Our focus was to move Check to a more electronic environment and improve deposit deadlines whenever possible.

JANUARY

We introduced an **electronic fine sort** deposit option, which allows you to deposit fine sort cash letter information electronically via computer interface connection or PC diskette. Users of this service receive a 25-cent, per-package discount.

APRIL

Low-Dollar CheckKeeper™, which is a low-cost variation of our regular CheckKeeper safekeeping service, was introduced. Low-Dollar gives institutions a cost-efficient way to truncate specialty accounts, such as rebate checks. This service costs less than the regular CheckKeeper because we do not microfilm the items.

We also extended our **Preprocessed Other Fed** deadline to 8:30 p.m. The Preprocessed Other Fed option allows customers to deposit items drawn on institutions outside the St. Louis zone that are pre-qualified for high-speed processing. The cost is just 4.8 cents per item with a \$1.50 cash letter fee.

JUNE

We reduced the **electronic check services** minimum daily fee to \$5 and the fine sort inclusion fee to 0.9 cents. (The fine sort inclusion fee has been further reduced to 0.7 cents for 1993.) Since the price reductions, more than 30 institutions have started realizing the benefits of our electronic check services.

JULY

The **Country Select Sort** service, which was designed primarily for out-of-zone depositors, was introduced. The service consists of two premium country group sorts, with a deposit deadline of 2:30 a.m. and a per-item fee of 2.7 cents.

We also updated and consolidated several of our cash letter forms, reducing the number of forms to 13 from 34.

AUGUST

Our Adjustments Unit began offering a **Check Adjustments Helpline**. With the new system, you will be assured of reaching an Adjustments representative every time you call.

SEPTEMBER

Saturday check processing was offered. Saturday deposits result in Monday morning availability on most Other Fed endpoints. The new deadlines are: Amount Encoding, 6:30 p.m.; Preprocessed Other Fed, 7:30 p.m.; Mixed and Other Fed, 8 p.m.; Return Item Mixed and Other Fed, 8 p.m.

We also added new amount encoding deadlines 90 minutes before each mixed deadline.

In addition, all Federal Reserve Banks began providing a common level of service for entry on **adjustment requests**. For most types of errors that are reported in a timely manner, entry will be provided the same day the request is received. Now you may use just one form to request adjustments from all 48 Reserve Bank offices. Initial discussions with customers have revealed that, although the new form requires more information, cases are resolved faster.

DECEMBER

All St. Louis zone check depositors were provided a **Check Reference Manual**. The manual contains concise, easy-to-understand, check processing information to facilitate depositing. As changes become necessary, we will send depositors the revised pages.

During the next few years, the check processing environment will undergo more significant changes. As in 1992, we will continue to provide you with innovative services to meet your changing check collection needs. If you would like further information on any of the above services or programs, please contact your account executive or Customer Support at 1-800-333-0869, or locally at 444-8680.

1993 Holiday Schedule

January 1
New Year's Day

January 18
Martin Luther King Jr.'s
Birthday

February 15
Presidents Day

May 31
Memorial Day

July 5
Independence Day

September 6
Labor Day

October 11
Columbus Day

November 11
Veterans Day

November 25
Thanksgiving Day

The Electronic CONNECTION

Adjustments Pilot Gets High Marks

As part of our overall commitment to improve the efficiency and quality of adjustments, the Federal Reserve System has developed a Fedline® application to handle the initiation and receipt of check adjustments. The St. Louis Fed was one of just two Reserve Banks selected as testing sites for the application; the other was San Francisco.

Three St. Louis zone institutions are participating in

the pilot: United Missouri Bank of St. Louis, Boatmen's National Bank of St. Louis and Boone County National Bank of Columbia, Mo.

During the first phase of the pilot, institutions initiated adjustment requests by entering data on a Fedline screen that resembles the paper Standard Adjustment Request form. Upon receipt of the request, we transmit an acknowledgement to the bank's Fedline connection. Institutions may also check the status of outstanding adjustments using an online inquiry feature. Once the adjustment case is closed, the

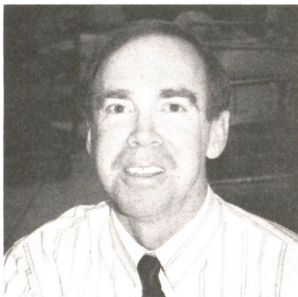
Fed transmits the response to the bank.

During the second phase of the pilot, we will be working to exchange adjustment requests between our pilot institutions and other Reserve Bank offices. This feature, once implemented, will allow institutions to send adjustment requests directly to all 48 Reserve Bank offices. "The development of an online adjustment program will improve the flow of adjustment entry information," says Gisela Rodgers, assistant supervisor at United Missouri Bank. "As far as we are concerned, standardizing the online

adjustment process throughout the Federal Reserve System will be a major benefit."

Based on feedback received from the pilot institutions, improvements are currently being made to the software. The Check Adjustment application is expected to be available to all Fedline customers sometime later this year.

Checking in with Tom Garcia



Tom Garcia

For the past 22 years, senior clerk Tom Garcia has worked the second shift processing checks for Federal Reserve Bank customers.

Last September, however, Tom's work schedule got a new twist when the St. Louis Check Department instituted Saturday check processing, which gives financial institutions access to their funds up to two days earlier than before.

The new service required new staffing, and that's where Tom stepped in. He, along with five other check processors, volunteered to work the Saturday shift in exchange for a 10-hour-a-day, four-day work week. Given the many cash awards that Tom had received

over the years for his productivity and efficiency, Bill Little, Check Dusk-To-Dawn Unit manager, quickly snatched up the offer.

For his part, Tom was happy to be selected for the new Saturday shift. His Saturday colleagues are a big plus. "There's nothing better than to be in a work environment where everyone contributes as a team," he says. Overall, Tom credits the enthusiasm he has for his job to the support provided by Bill Little and assistant manager, Jeff Hatfield.

In addition, Tom says he enjoys the wide variety of tasks he gets to perform in his job, including opening incoming items for processing,

dispatching the other Fed endpoints and overseeing activities in the computer room.

From a personal standpoint, the new schedule increases Tom's number of free days, giving him more time to spend traveling, which is a longstanding interest of his. To explore his Spanish heritage, Tom has visited Spain, where he still has family, 17 times. His favorite U.S. location is Las Vegas, which he has visited several times. In fact, the Las Vegas trip is almost a yearly excursion for him.

Tom's favorite hobby is collecting Lladros, a type of Spanish porcelain figurines.

Customers Lead the Way in Electronic Check Services

It's probably not news to you that the Federal Reserve System is continuing to improve the payments mechanism by moving check to a more electronic environment. In recent years, the St. Louis office has aggressively promoted the benefits of electronic check services. The cornerstone of this effort is electronic check presentment. In our MICR Plus™ or CheckKeeper™ services, the receipt of the MICR file,

uses our CheckKeeper service to safekeep all of their items. Each morning, SIU Credit Union receives its cash letter electronically over Fedline®. After posting the file, it notifies us of any return items or requests information on safekept items using a fax machine.

When we receive a request, we either return the item, supply the requested information or forward a photocopy of the item to SIU Credit Union.

accounts provided by the bank; the remaining physical items are delivered by courier that day.

After the file is posted, any requests for return items or information retrievals from the safekept accounts are forwarded to the Fed. As with all CheckKeeper customers, we microfilm the safekept items and destroy them after 90 days. Of course, photocopies may be requested for up to seven years.

Nokomis Savings and Loan, in Nokomis, Ill., takes advantage of electronic presentment, but still receives all of its checks using our MICR Plus service. Each morning, Nokomis receives its cash letter presentment electronically over Fedline, while we hold the physical items for three days.

After the MICR file is posted, Nokomis identifies return items and faxes information to us on the items they want to return. We then locate, qualify and prepare these items for return. During the retention period, the savings and loan asks that we sort the physical items by account number before we deliver them.

MICR Plus helps Nokomis Savings and Loan post its Fed cash letter earlier in the day and accelerates return item processing, while still allowing it to receive physical checks for enclosure in customer statements.

Whether you're a credit union, savings and loan or bank, our services are versatile to meet your specific needs. If you are interested in learning more about our CheckKeeper or MICR Plus services, please contact Customer Support at 1-800-333-0869, or locally at 444-8680.



rather than receipt of the physical items, constitutes legal presentment. As more institutions move to electronic presentment, we will accelerate check collection by improving availability and providing later deposit deadlines.

St. Louis zone institutions are now leading the way in using our electronic presentment services. Each institution has chosen the service and options that best meet its unique needs.

The SIU Credit Union in Carbondale, Ill., for example,

Information requests and photocopy retrievals are completed within 24 hours.

The Winona Savings Bank in Winona, Mo., isn't interested in safekeeping all of its accounts because most of its customers want to receive their checks in their monthly statements. The bank uses our CheckKeeper service for those customers who don't need their checks back.

Each morning, Winona receives its entire cash letter electronically over Fedline. We safekeep the items from the

ShopTalk

Answers to Your Questions

Q. The Fed recently updated several cash letter forms. Can I still use the old forms? How can I get the new ones?

A. The old cash letter forms are still valid, but we encourage you to begin using the new forms. Many institutions have chosen to discard the old forms and begin using the new ones immediately. To order new forms, submit a Check Forms Order Blank (8H-3033) to us, and we will provide you with a supply of the new forms. If you do not have an updated order blank, you may use the old one and simply check the old form number. We will send you the new forms, as well as an updated order blank.

Please note that several forms have been consolidated or eliminated. For detailed

instructions on completing the new forms, refer to the new Check Reference Manual or contact Frank Blacharczyk at (314) 444-8960.

Q. I received a cash letter from the Fed today that doesn't belong to my institution. What should I do?

A. If you receive a cash letter or bundles that do not belong to you, please call the Check Adjustments Helpline at 1-800-333-0810, extension 8455, or locally at 444-8455. When calling from a touch-tone phone, press "one" for Forward Checks, and you will be connected to an Adjustments representative who will assist you. We will make arrangements to get the work to the appropriate institution.

If your cash letter doesn't arrive on time, or if you're missing bundles, please also call the Check Adjustments Helpline. We will begin locating your cash letter or bundle immediately.

Q. Whom do I contact when I have questions about my EZ CLEAR savings bonds?

A. For assistance with EZ CLEAR savings bonds, please use the following telephone numbers:

- For inquiries on separately sorted EZ CLEAR cash letter credit availability, or EZ CLEAR savings bonds deposited in mixed deposits, contact our Adjustments Unit at 1-800-333-0810, extension 8455, or locally, at 444-8455. When you receive the Check

Adjustments Helpline, press "three" to speak with an Adjustments representative who will assist you.

- For information on the preparation of EZ CLEAR savings bonds for deposit at the Fed, or to order additional cash letter forms, contact our Postal Money Order Unit at 1-800-333-0810, extension 8497, or locally at 444-8497.

- For inquiries on EZ CLEAR adjustments deposited in separately sorted cash letters, contact the Central Processing Site's Adjustments Division in Pittsburgh at 1-800-541-5265 between 7:30 a.m. and 4:30 p.m. (EST).

WELCOMING...

Our New Check Depositors

First National Bank of Mulberry Grove, Ill.

Central Bank of Fairview Heights, Ill.

Citizens Community Bank of Mascoutah, Ill.

Tipton Latham Bank of Tipton, Mo.

Our New CheckKeeper™ Customers

SIU Credit Union of Carbondale, Ill.

Electro Savings Credit Union of St. Louis, Mo.

Our New MICR Plus™ Customer

Nokomis Savings and Loan of Nokomis, Ill.

Our New MICR Line Customers

First Collinsville Bank of Collinsville, Ill.

State Bank of Farina, Ill.

First National Bank of Mulberry Grove, Ill.

State Bank of St. Jacob, Ill.

North Adams State Bank of Ursa, Ill.

Farmers State Bank of Valmeyer, Ill.

First National Bank of Brownstown, Ill.

State Bank of Waterloo, Ill.

Carrollton Bank and Trust Company, Carrollton, Ill.

Enterprise Bank of Clayton, Mo.

Duchesne Bank of St. Peters, Mo.

Quad County State Bank of Viburnum, Mo.

Irondale Bank of Irondale, Mo.

Bank of Seligman, Seligman Mo.

Focus on Quality

Don't be surprised if the next time your telephone rings, it's the Federal Reserve

Bank looking for ways to improve our service to you. Initiated in December, the Adjustments Quality Survey is intended to give us immediate feedback on the quality of our check adjustments service, so that we can target areas for improvement, if necessary.

Each week, we telephone several customers who received adjustments from the Fed in the past 30 days. During a brief interview, respondents are asked questions on a variety of quality issues. General

questions about the level of service provided by our staff are asked. Additional topics for discussion include our new automated telephone system and our new Standard Adjustment Request form.

So, if we contact you to discuss the quality of our adjustment services, please take a few minutes to answer our questions. Your responses are valued and will enhance our level of service to you.

Are there others who should be reading this?

If you would like additional copies of *The Check Exchange*, please call Frank Blacharczyk at 1-800-333-0869 or locally at 444-8960.



Post Office Box 442
St. Louis, Missouri 63166

The Check Exchange is published quarterly by the Payments Department of the Federal Reserve Bank of St. Louis. Views expressed are not necessarily official opinions of the Federal Reserve System or the Federal Reserve Bank of St. Louis.