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Payments Quarterly

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News and Views
on
Eighth District
Financial Services

Fed Expands Its Internet Page



Not only can you read *Payments Quarterly* on paper, but you can also find it on-line. In February, the

Federal Reserve Bank of St. Louis expanded its Internet home page to include its financial services publications. In

addition to *Payments Quarterly*, *Electronic Currents* and *Fed Extra* (the Fed's new operational bulletin) will be available on the Internet.

The Fed also added material on electronic payments to its Internet site. This page, titled Electronic Payments Primer, contains information for financial institutions, companies, nonprofit organizations and consumers on direct payment (electronic bill payment).

Facts and news on other forms of electronic payments, such as direct deposit, are expected to be added to the page as they become available.

The Fed's Internet address is <http://www.stls.frb.org>. For more information, call Cheryl McCarthy at (314) 444-8459 or toll-free at 1-800-333-0810, ext. 8459.

Welcome to *Payments Quarterly*, the new financial services newsletter from the Federal Reserve Bank of St. Louis.

Payments Quarterly will provide you with information on ACH, Cash, Check, Securities and Wire services at the St. Louis Fed and Branch offices.

For more information or if you would like us to send *Payments Quarterly* to others in your organization, contact Cheryl McCarthy at (314) 444-8459 or toll-free at 1-800-333-0810, ext. 8459.

Treasury Centralizes Commercial Tender Processing Sites

The Department of the Treasury has introduced a new initiative to further streamline the Treasury auction process by consolidating the receipt, review and processing of all commercial tenders at three Federal Reserve Banks nationwide. These Reserve Banks, called Review Sites, are the New York, Chicago and San Francisco Feds. By April 30, financial institutions in the Eighth District who submit tenders for Treasury marketable

securities must submit their tenders to San Francisco, the Eighth District's Review Site.

The delivery and payment process for awarded securities will not change. However, financial institutions that use the Treasury Auction function on Fedline will receive improved Fedline software — Automated Auction — to replace Treasury Auction. Paper and fax submitters will have to submit their tenders directly to San Francisco

instead of St. Louis by mailing or faxing the tenders. Tenders can be faxed to San Francisco at (415) 974-2152.

Stay tuned for more information on the consolidation, Fedline software upgrade and Automated Auction training. If you have any questions, please call Mary Sanders at (314) 444-8509 or toll-free at 1-800-333-0810, ext. 8509.

One Final Recap of Currency Redesign

On March 25, when the Fed begins distributing the redesigned \$100 notes to financial institutions, the most effective weapon yet against counterfeiters will be discharged. Eventually, the same changes will be incorporated in all currency at the rate of one denomination per year. Here is a quick review of those features in the currency that are unchanged, modified and new.

Unchanged

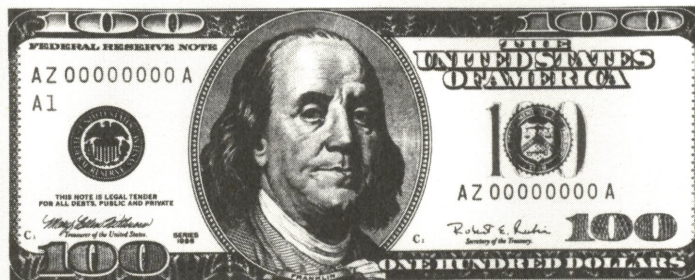
- Size of bills remains the same.
- Ink colors still are green and black.
- Bills still are printed on the same cotton and linen rag paper.

Modified

- Portraits and illustrations are slightly different.
- The polymer security thread is in a different location

in each denomination and will appear red under ultraviolet light.

- Microprinted words appear in the lower left corner of the note, as well as within the portrait (on the \$100 note, the words are on Benjamin Franklin's lapel). Because these words are so small, they will be hard to replicate on a printer.
- The serial numbers appear in the upper left and lower right corners of the bills. Also, an additional letter is added to the serial number.
- The same Federal Reserve seal — representing the entire Federal Reserve System and not an individual district — will now appear on every bill.



New

- A watermark depicting the portrait appears in the upper right corner and is visible from both sides when held up to a light.
- The portrait is off-center, providing room for the watermark and reducing wear and tear on the portrait.
- The addition of color-shifting ink means the number in the lower right corner looks green when viewed straight on, but appears black when viewed at an angle.

- Concentric fine lines printed behind both the portrait and the illustration on the back are difficult to replicate.

If you have questions about the new currency features, contact Joe Elstner at (314) 444-8902 or toll-free at 1-800-333-0810, ext. 8902.

St. Louis Converts to Centralized ACH Software

On Feb. 2, the Federal Reserve Bank of St. Louis converted to the new centralized ACH software, Fed ACH. This centralized processing system will offer ACH users many new features, including the following online functions: access to the Composite Receiver File, output file and advice remake requests, item traces and file monitoring. ACH users will also have the option of continuous flow processing, and more versatility to route reports and output files to various locations.

You will have access to these features when all Reserve Banks complete their conversion to Fed ACH by the third quarter of 1996. These features will give you more control over where you access, process and settle your ACH transactions, as well as more flexible and timely access to important payment-related information.

Because Fed customers will have access to the same software after all districts are converted, service levels will be standard nationwide, and the Fed will be able to adapt more

quickly to industry changes and the need for new services.

For more information on Fed ACH, call Langston Scott at (314) 444-8461 or Karen Harper at (314) 444-8947 or toll-free at 1-800-333-0810, ext. 8461 and 8947, respectively.

Get a Free Taste of Electronic Check Services

The Federal Reserve Bank of St. Louis is offering financial institu-

check officers a no-cost, no-risk way of trying out our

Louis Fed. "We encourage our customers to receive their free

cost analysis and see how they can benefit by using one of our electronic check products."

For more information on the check services menu or to receive a free MICR Presentment cost analysis, call Frank Blacharczyk at (314) 444-8960 or toll-free at 1-800-

333-0810, ext. 8960, or contact your account executive.



tions in the St. Louis zone the opportunity to sample from some of its menu of electronic check services.

In February, the Fed sent these customers a listing of electronic check services in the form of a menu. This mailing to check operations officers also included an offer for a free MICR Presentment cost analysis. Upon receiving the cost analysis, the institution is eligible to sign up for two weeks of free trial MICR Presentment services, provided it is a new payor bank customer.

The following services are described in the menu: Informational (MICR Information), Electronic Presentment (MICR Presentment, MICR Presentment Plus and Truncation), Cash Management (Key Account Totals and Custom Pocket Sort) and Image (Image-Enhanced Corporate Services and Image Recurring Delivery).

"This special offer gives

MICR Presentment services," said Bill Leslie, vice president of Retail Operations at the St.

Throughout the St. Louis zone, financial institutions are enjoying the benefits of the Fed's many electronic check services. Here is what some customers are saying about:

MICR Information

"This service enables us to get memo posting done earlier in the day, which benefits our teller line and our customer service representatives. Before, it would be early afternoon before we had that done. It's a big improvement for us." *Patti Fitzsimmons, Electronic Data Processing manager, Jacksonville Savings Bank, Jacksonville, Ill.*

MICR Presentment

"We really like this service. We no longer have to run the checks through our proof machine and transmit them to

the mainframe like we used to. That saves a lot of wear and tear on the machine. Also, with MICR Presentment, the posting process is less time consuming. We receive the transmission by 9 a.m., which allows us to post it to our accounts earlier." *Shirley Ottenschnieder, cashier, First County Bank, New Baden, Ill.*

MICR Presentment Plus

"This service has eliminated a great deal of manual posting, and returns are much easier through Fedline. Also, MICR Presentment Plus has reduced our costs. Previously, our checks were intercepted by another processor and then a tape was sent to us. So, there was a day's delay plus the mailing expenses of sending tapes back and forth. Now, we get our checks electronically, and the Fed delivers our physi-

How Are We Doing?

An update of the Eighth District's quality measure goals

Measure: Timely Truncation and MICR Presentment Plus Retrievals and Inquiries

Our Goal: Time-critical retrievals or inquiries from Truncation or MICR Presentment Plus customers are completed within two hours of receipt of the request 100 percent of the time.

Current Performance: 100 percent. In fact, retrievals and inquiries are frequently completed *within 30 minutes* of receipt of the request.

cal items one day later."

Loren Compton, executive vice president, Nokomis Savings Bank, Nokomis, Ill.

Truncation

"We have found the Federal Reserve's truncation service to be very timely and easy to deal with. We receive the file first thing in the morning, and everything is processed the same day, so we don't deal with returning items from a previous day's file. If we ever need a copy of a truncated check, the Fed's representatives are more than willing to fax the item to us immediately." *Terri Addison, Information Systems manager, SIU Credit Union, Carbondale, Ill.*

ReserveNotes

TT&L Forms Reminder

In November 1995, the Federal Reserve Bank of St. Louis mailed all TT&L Depositaries new Financial Management Service forms 458 and 459.

Please complete and return these forms, along with related excerpts of your board's minutes, before Dec. 31, 1996. Forms and excerpts should be mailed to the Federal Reserve Bank of St. Louis; TT&L Department; P. O. Box 14915; St. Louis, MO 63178. If you have any questions, call Mary Sanders at (314) 444-8509 or Diana Wylie at (314) 444-8511 or toll-free

at 1-800-333-0810, ext. 8509 and 8511, respectively.

New Truncation Options Available

Effective April 22, the Federal Reserve Bank of St. Louis will offer two new "on-us" options for truncation customers. With option one, we will microfilm your "on-us" items, store your checks for 90 days and then destroy them. With option two, we will simply store your "on-us" checks for 90 days and then destroy them. Both options require a \$5 minimum daily fee and per-item fees of \$.006

for option one and \$.003 for option two.

If you have substantial over-the-counter and direct presentment volume, these new services will reduce your overall truncation costs with the Fed. For more information, contact Frank Blacharczyk at (314) 444-8960 or toll-free at 1-800-333-0810, ext. 8960.

Time to Review Security Lists

When did you last review your Security Transfer Authorization list? The Fed suggests you update this list at least once a

year to make sure it includes only the names of people at your financial institution who can provide deposit or withdrawal instructions for security transfers. If you have any questions about your organization's list, call Anne Hoerner at (314) 444-8537 or Gloria Jordan at (314) 444-8952 or toll-free at 1-800-333-0810, ext. 8537 and 8952, respectively.

Use Direct Deposit: Remain Competitive

Increasingly, consumers expect more than just traditional banking services, and financial institutions must provide these services if they want to satisfy their customers and remain competitive.

One easy way for you to remain competitive in the industry is to use, offer and promote direct deposit, an electronic payment method in which funds are automatically deposited in a customer's account using the Automated Clearing House (ACH) network. Common uses of direct deposit include: salary payments, Social Security benefits, pensions, income from investments, travel expense settlements and educational reimbursements. By offering direct deposit, you will:

Retain current customers and attract new ones:

Various industry studies show that once customers establish electronic ties with you, they are more likely to maintain a long account relationship.

Reduce processing costs:

Decreasing the number of paper payments will significantly lower your processing costs and eliminate the need for additional staff and reader/sorter equipment.

Gain a competitive advantage in the industry:

Responding to consumer preferences and providing valuable financial services will set you apart and put you one step ahead of your competitors.

Increase your financial services portfolio:

Offering direct

deposit allows you to broaden the range of products and services for your customers.

Your customers benefit from direct deposit by knowing their money will always be in their account on time. Customers won't have to travel to the bank to deposit their checks, which is especially convenient if they are ill or on vacation. In addition, direct deposit eliminates the problem of lost, stolen or misplaced checks.

Direct deposit isn't just limited to your customers. Utilizing direct deposit at your financial institution will encourage your employees to use the service and promote it to your customers.

After a successful marketing campaign last year on direct

payment, the Federal Reserve System is joining forces with the National Automated Clearing House Association and the Social Security Administration to educate financial institutions, companies and consumers on direct deposit. Through this initiative, the Fed will move closer to meeting its ongoing goal of increasing the efficiency of the U.S. payments system.

For more information, contact your account executive. For information on originating ACH, contact Langston Scott at (314) 444-8461 or toll-free at 1-800-333-0810, ext. 8461.

Branching Out

Little Rock Introduces Check Image Services

The Little Rock Branch has become image-conscious. On March 1, it began offering check image services to customers, joining the St. Louis Fed, which debuted its image services earlier this year.

To educate financial institutions on the benefits of check imaging, the Little Rock Branch hosted a seminar on Feb. 22 that included an overview of the Branch's image services and demonstrations from five vendors on how their products can be used for archival, research and statement producing functions. Representatives from 43 financial institutions participated in the seminar.

The universal sentiment among seminar participants was that check imaging can offer significant improvements over traditional check processing and provide major benefits for you and your customers, enabling you to:

- **Improve internal check processing capabilities:**

Producing image statements, selectively viewing signatures, and sorting images electronically instead of fine sorting them with a reader/sorter are some image features that enhance your operations.

- **Reduce paper handling:**

Check images are digitized in an electronic image database on your computer, eliminating the need for you to process, file or store checks.

- **Conduct more efficient and faster research:**

Retrieving check copies from your electronic image database takes only minutes, replacing the time-consuming task of sorting through microfilm, microfiche or a storage room.

- **Lower postage, processing and handling costs:**

You can reduce these costs by 10 to 30 percent.

- **Remain competitive:**

Retain current customers and attract new ones by providing innovative and convenient products.

- **Expand your service offerings:**

You can offer your corporate customers additional check services, such as providing them their checks on CD-ROM or 8mm tape. This allows them to store more information in

less space and access check data or images quickly from their computer.

Little Rock's image package includes two primary services: Total Image Capture and Select Image Capture. With Total Image Capture, the Fed captures images of all checks presented to you by us, and, if desired, all checks presented to you by other sources. With Select Image Capture, the Fed captures images of a selected portion of your items based on your predefined parameters, such as account numbers or dollar amounts.

"Using our services will allow financial institutions to enjoy the benefits of check imaging without having to upgrade or replace existing check capture equipment and related software," said Robert Hopkins, vice president and manager of the Little Rock Branch.

Little Rock has been testing

software with various vendors to ensure functionality of the services. "One financial institution is already lined up for a pilot of our image services, and we are seeking other interested institutions to participate in pilots also," Hopkins said.

The Fed can provide you with a list of vendors who will assist you in evaluating your image equipment and software requirements, along with names of other financial institutions that use image services. If you would like more details on Little Rock's check imaging services, call Danny Wilson at (501) 324-8216 or toll-free at 1-800-482-9463, ext. 216.

Memphis Prepares for Launch

On June 1, exactly three months after Little Rock introduced check imaging, the Memphis Branch will unveil its image services. Memphis will offer both Total Image Capture and Select Image Capture.

Memphis is looking for financial institutions or data processors that are interested in being a pilot for each of its image service offerings. If you would like to participate in the pilot program, receive a check imaging service cost analysis or arrange for testing with an image processing vendor, please call Travis Smith at (901) 579-2405 or toll-free at 1-800-552-5132 from Tennessee or 1-800-238-5293 from Arkansas and Mississippi.

Q&A

What You Need to Know About EFTPS

As you may be aware, the U.S. Department of the Treasury is attempting to modernize the federal tax payment system by introducing the Electronic Federal Tax Payment System (EFTPS), an application that enables corporate taxpayers to report and pay federal taxes electronically through the Federal Reserve's Automated Clearing House (ACH) network. As the fiscal agent for the Treasury, the Federal Reserve System is actively involved in educating financial institutions about the features of this new system.

To help prepare you for questions your corporate customers may have about this new system, following is a list of common concerns likely to surface.

Who processes EFTPS payments?

Two Treasury Financial Agents (TFAs) — First

National Bank of Chicago and NationsBank. You can call the Fed to find out which institution is your TFA.

How do corporate taxpayers make electronic payments through EFTPS?

After completing the enrollment process, corporate taxpayers should contact either their financial institution or TFA to originate the ACH transactions.

When do corporations have to start paying taxes through EFTPS?

EFTPS will gradually replace the paper-based system over a five-year period, allowing the IRS to eventually collect about 90 percent of all corporate taxes electronically by Jan. 1, 1999.

How do corporate taxpayers enroll in EFTPS?

The corporate taxpayer has to complete and submit an enrollment form to the IRS at least

six weeks before the first payment date. Taxpayers who choose to use the ACH credit option must have their financial institution originate a prenotification entry. The enrollment process is complete when the taxpayer receives notification and instructions for making payments.

If other questions develop, whom can I contact?

For additional information on EFTPS, contact Nancy Klages at (314) 444-8707 or Kathy Stogner at (314) 444-8987 or toll-free at 1-800-333-0810, ext. 8707 and 8987, respectively.

If corporate taxpayers need additional information, they can call one of the following helplines: IRS TAXLINK at 1-800-829-5469 or TFA TAX-LINE at 1-800-288-3690.

Calendar

Wire and SHARE Customer Testing Dates:

March 23
March 30
April 20
May 11
June 1
June 15
June 22

For more information, call Dwana Davis at (314) 444-8973 or Anne Hoerner at (314) 444-8537 or toll-free at 1-800-333-0810, ext. 8973 or 8537, respectively.

Cash Workshop

April 24 — Little Rock, Ark.

For more information, call Theresa Carroll at 1-800-482-9463, ext. 287.



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