

Payments Quarterly

Autumn 2000

News and Views
on Eighth District
Financial Services

SEP 26 2000

TIP & PATAX on the Way Is Your Institution Ready?

On Oct. 23, the Fed will introduce two new applications designed to enhance the Treasury Tax and Loan (TT&L) program: the Treasury Investment Program (TIP) and the Paper Tax System (PATAX). TIP and PATAX will improve the functionality of TT&L and give financial institutions more control over their TT&L accounts.

You can expect to see the following significant changes and enhancements after

the TIP and PATAX implementation:

- Debits and credits will post to Reserve accounts throughout the day as a result of TT&L transactions.
- Collateral pledged to TT&L accounts will be monitored throughout the day, rather than at the end of the day, to ensure that Treasury funds are always fully collateralized.



- A new application, TI, will be added to the FEDLINE® software terminal for TIP.
- A new national PATAX Voice Response System will replace the current

voice response system for entry of Advices of Credit (AOC).

continued on Page 2

Readers Share Their Opinions of Payments Quarterly

In the summer issue of *Payments Quarterly (PQ)*, we gave readers an opportunity to tell us what they thought of the publication by completing an enclosed survey. The following is a brief summary of their responses.

The survey began by asking which types of articles were most valuable to readers. An overwhelming majority of the survey respondents said that they were most interested in the features and updates on Fed products and services that *PQ* provides. Respondents also appreciated information on training opportunities and marketing resources offered

by the Fed and the regional payments associations.

When asked if the publication was timely, readable and sufficient in length, responses were favorable. *PQ* readers also told us that the amount of information on particular topics and the level of detail were adequate.

Many *PQ* readers receive other publications produced by the St. Louis Fed, particularly *Electronic Currents*, *Fed Extra* and *Central Banker*. Survey respondents reported little or no overlap in the contents of *PQ* and other Fed publications.

Our editors were also interested in determining

if the newsletter makes it into the hands of the individuals that need it most. We were pleased to learn that nearly half of the respondents shared each issue of *PQ* with other members of their organization.

We plan to use your feedback to guide the development of the newsletter. Look for a redesigned *Payments Quarterly* in early 2001. In the meantime, if you have questions or comments about the publication, call Debbie Keeton at (314) 444-8946.

FEDEDI Upgrade Boasts Several New Features

Last month, the Federal Reserve distributed new FEDEDI Version 3.0 software to financial institutions that translate special addenda records attached to ACH files. These records allow businesses and the federal government to exchange payments and payment-related information in a timely manner.

Version 3.0 contains a number of enhancements that will improve the ways that users process reports and control security settings. Some of the new features include several system processing preferences, improvements in the File Processing options and the Help System, a Marketing Information Report and three-additional access levels in Security Setup. The

new software is also written to include the ANSIX12 translation logic, NACHA 2000 rule changes and fixes for Version 1.0 problems.

The Fed has set a sunset date of Dec. 31, 2000, for the FEDEDI DOS product. Customers using FEDEDI DOS should consider upgrading to a Microsoft® Windows-supported product now to avoid the need to upgrade again later in the year. FEDEDI software runs on PCs using Windows 95®, Windows 98® and Windows NT® operating systems. This software is a stand-alone product and, therefore, does not integrate with FEDLINE for Windows.

The Fed asked financial institutions to upgrade to the Version 3.0 software by

Sept. 11. Customers who have not observed this deadline will no longer be able to import and process files. If you need assistance, or if you're not currently using FEDEDI software and would like a free copy, contact an Electronic Access Support representative at (314) 444-8711, or toll-free at 1-800-333-0861, then press "1" for Electronic Access Support.

continued from Page 1

- The TT&L Statement of Activity will be split into the PATAX Advice of Credit Processing Report and the TIP Activity Statement.
- All reports will be delivered electronically through either FEDLINE or FedMail (a fax delivery system); reports will no longer be delivered through the U.S. Postal Service or check courier.

These changes may affect several areas of your organization, including cash management, accounting, FEDLINE operations and the department that pledges collateral for your TT&L account.

To help institutions prepare for the implementation, the Fed distributed a booklet, "Your Guide to

TT&L Enhancements," during training sessions held earlier this year. Financial institutions have also received letters explaining specific changes to correspondent/respondent relationship reporting, same-day draw-downs, third-party processing and Collateral Monitoring for Public Funds (formerly referred to as Treasury Circular 176). It is important that your staff members review these materials and have a clear understanding of the TIP and PATAX enhancements before the Oct. 23 implementation date.

The Fed has established a centralized TT&L National Customer Service Area in St. Louis to provide customer support throughout the implementation process and beyond. If you have questions about the training materials or correspondence you received, or would like

additional information on the new applications, call 1-888-568-7343 or visit the Treasury/Government section of the Fed's Financial Services web site at www.frbsecurities.org.

Fed Develops New Check Products to Respond to Customer Needs

With more than 1,500 financial institutions in the Eighth District, the variations in check services are vast. Nevertheless, each of the four St. Louis Fed offices strives to provide individualized service. When current or potential customers request deposit alternatives, the Fed makes every effort to meet their needs, often developing customized products and services. The following new products and services will be available to Eighth District customers over the next month.

Branching Out

Effective Sept. 18, all District offices will offer an Extended Premium RCPC product. Currently, each office has a 3 a.m. Premium RCPC deposit deadline. The Extended Premium RCPC, with a 4 a.m. deadline, provides an additional hour to accommodate delays incurred by depositors. The cash letter fee for each office is \$5, while the per-item fees are tiered at \$0.054, \$0.057 and \$0.060.

Effective Sept. 18, the Memphis Office will implement two new five-pocket Other Fed Return Group Sorts. The first new sort will have a 7 p.m. deadline, a \$5 cash letter fee and an \$0.85 per-item fee. The second will have a 9 p.m. deadline, a \$5 cash letter fee and a \$0.68 per-item fee.

Effective Sept. 25, a Select High Dollar Group Sort (HDGS) product will be offered to customers in the Little Rock, Louisville and Memphis zones. This product is currently offered in the St. Louis zone with a cash letter fee of \$8, a per-item

fee of \$0.25 and a 12:01 a.m. deadline. This Sort will allow customers to consolidate HDGS sends into a single deposit with their local office, thereby reducing sorting requirements. It will also allow depositors who do not currently take advantage of the Fed's HDGS program to accelerate credit availability on select out-of-zone RCPC endpoints. The \$8 cash letter fee will be the same for all four zones. The per-item fees are \$0.23 for Little Rock, \$0.22 for Louisville and \$0.24 for Memphis. The deadlines are 11 p.m. for Little Rock, 2:30 a.m. for Louisville and 12:01 a.m. for Memphis.

Contact your local account executive for additional information on these new products. (Toll-free numbers are listed on the back page of *Payments Quarterly*.)

and a new 11 p.m. Monday-Thursday deadline will be established for all of these products. The 9:15 p.m. Monday-Thursday Consolidated deadline will be eliminated and a new 11:30 p.m. Monday-Thursday Consolidated deadline will be established for Dallas, Houston and San Antonio, as well as for RCPC and Country deposits. A 12:30 a.m. Monday-Thursday Consolidated deadline will be established for City and HDGS deposits.

For complete information on endpoints and availability, contact Kim Peters at (501) 324-8251.

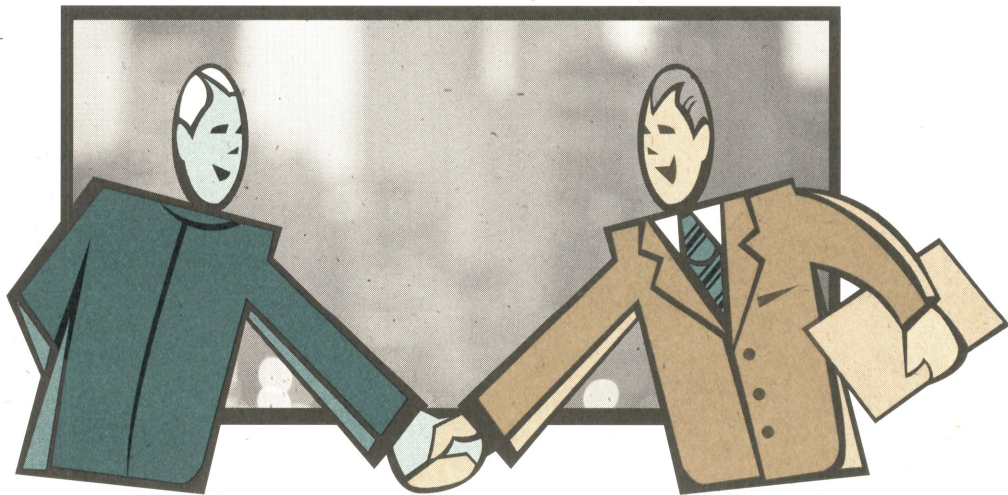
Check Standardization Efforts Underway

Check standardization efforts continue throughout the Federal Reserve System,

reviewed, classified, named and defined. Work continues on a review of billing codes. This project builds upon the Electronic Check Product (ECP) standards and definitions implemented in April 2000. These changes, scheduled for implementation in January 2001, will help alleviate confusion for financial institutions that conduct business in multiple Fed districts.

We're at Your Service

In an effort to further develop relationships with financial institutions in the Eighth District, the St. Louis Fed will continue to evaluate its products and services and develop offerings that meet its customers' needs. In other words, we're listening!



Little Rock Announces Deadline Changes

Effective Sept. 25, the Little Rock Office will change the deadlines for its Forward and Return Collection Mixed and Other Fed products. All early deadlines will be eliminated

with a focus on national and local products for Forward and Return Collection. A national work group was given the responsibility of establishing uniform product names, product definitions and billing codes. To date, the products have been

ReserveNotes

Don't Wait Another Year to Become an AAP

How can you help your organization gain a competitive advantage in the electronic payments industry? Consider becoming an Accredited ACH Professional (AAP). AAP accreditation, which is earned by passing a 120-question, multiple-choice exam, demonstrates a mastery of ACH rules, regulations, policies and procedures. All financial institutions offering electronic payment services should have at least one AAP on hand to provide ACH expertise and guidance to customers and other employees.

The exam will be administered nationwide on Oct. 17 and is offered in St. Louis, Little Rock, Louisville and Memphis. Register online at www.nacha.org/aap/aapreg.html or call NACHA at (703) 561-1100 for registration information. All registrants will receive a comprehensive handbook to help them study for the exam.

Attend ACH Training... on the Web

Boost your knowledge of ACH without even leaving the office! Mid-America Payment Exchange (MPX), along with 15 other regional payments associations, recently launched The Payments Academy On-Line, a self-paced, web-based train-

ing tool. The Payments Academy On-Line offers courses on multiple payment topics, including ACH rules and regulations, audits and rule compliance and risk management. The Payments Academy is always "open," so you can receive training on *your* schedule.

All 12 courses, plus the AAP exam preparation, will be available by year-end. At only \$50 per class, the Payments Academy On-Line is one of the most convenient and inexpensive instructional tools available. Check it out on MPX's web site at www.mpx.org. For more information, contact Samantha Miller-Akers at MPX at 1-800-500-0100.

Use of Cross-Border ACH Codes Expanded

The previous issue of *Payments Quarterly* introduced the two new standard entry class (SEC) codes for Canadian cross-border transactions that will take effect Sept. 15, 2000: CBR (corporate cross-border) and PBR (consumer cross-border). As originally approved, these two SEC codes were intended for credit transactions only. A new amendment, however, will apply the CBR and PBR codes to cross-border debit entries as well.

This amendment also modifies Article 10 of the

NACHA Operating Rules to add protections, warranties and technical specifications for exchanging cross-border entries. This information was previously provided in the *Cross-Border Payment Operating Rules* for international ACH payments, which no longer addresses domestic payment system issues.

For more information on the rules governing cross-border ACH transactions, contact your regional ACH association or NACHA at (703) 561-1100.

Stronger Passwords Mean Tighter Security

Effective Oct. 16, the Fed will require that all connections into its systems use a new password configuration. All passwords must have eight characters that combine two or more character types: alphabetic (A-Z), numeric (0-9) or special characters (@, \$, #). These changes will provide a greater measure of security for both the Fed and its customers.

A test environment remains available through Oct. 14 to validate password changes before the new requirements are implemented. Contact Marva Butler at (314) 444-8952 or toll-free at 1-800-333-0861 to arrange test times.

Calendar

Lenders' Forum

Arkansas lenders are invited to learn about community and economic development opportunities in their area. To attend, call Tiffany Guynes at (501) 324-8280.

Sept. 26—9 a.m. to 10:30 a.m.
Nov. 30—9 a.m. to 11 a.m.

Little Rock Branch

MBA's 2000 Bank Leadership Conference

Mid-level managers can sharpen their leadership and management skills at this informative conference.

Oct. 18-20

Marriott's Tan-Tar-A Resort, Osage Beach, Mo.

Mid-America Payments Conference 2000

Learn about the future of the payments system and the latest payments-related products and services. To register, call (816) 474-5630.

Oct. 24-26

Kansas City Marriott Downtown

Holiday Reception

Celebrate the holidays at a reception hosted by Business Development. Look for an invitation later this fall.

Dec. 14—5:30 p.m. to 7:30 p.m.

St. Louis Fed

Coming Soon: Cash Ordering Online

Today, Eighth District financial institutions place orders for currency and coin via Edith or the MS-DOS® version of FEDLINE. Plans are currently underway, however, to enable financial institutions to order currency and coin using the Internet.

The four St. Louis Fed offices are involved in a

System-wide pilot program that enables financial institutions to order currency, coin and some supplies over the Internet using FEDLINE for the Web (FLWEB). Several banks have been placing orders online for the past few months. Later in the year, FLWEB will be offered to financial institutions throughout the Eighth District.

FLWEB is a new way for customers to access the Federal Reserve electronically. It is simple to use, easy to access and has few special hardware requirements. FLWEB runs on most desktop computers, once a secure connection has been established with the Fed. All you need is browser software and an Internet connection.

The Fed has developed this new method for ordering currency and coin to meet the needs of a changing marketplace and to ensure easy, secure access to Fed payments and information services. If you have questions about the application, contact Louis Smith at the St. Louis Fed at 1-800-333-0861.

PRODUCT REVIEW

Explicit Float Offers 100 Percent Availability of Funds

Last fall, the St. Louis Fed began offering an Explicit Float Pricing Option, which allows an institution to receive immediate credit for its entire deposit, rather than calculated credit. As a result, the institution has full use of its funds on the day its deposits are processed. There is no need to track multiple settlement entries.

Many Eighth District financial institutions have taken advantage of the Explicit Float Pricing Option and are already familiar with its benefits:

- Full credit for your total cash letter amount the same day it is processed;
- Simplified bookkeeping—a single entry records your entire deposit;
- Access to all your funds for investment; and
- Deposits credited to your Fed or correspondent account.

“It’s great,” says Jennifer Poston of Munford Union Bank, in Munford, Tenn. “Explicit Float has helped us invest and manage funds. Balancing has also been a lot easier. In the past, we had to add and track multiple credit entries.”

“The Explicit Float service has been very beneficial to First State Bank,” says David Estes, president and CEO of First State Bank in Lonoke, Ark. “It has simplified the process of reconciling and setting our daily position. I am very pleased that the St. Louis Fed continues to develop services for community banks that help hold the line on costs and increase productivity and efficiency.”

Eligibility and Deadlines

Any Eighth District financial institution that deposits a Forward and Return Mixed and Other Fed cash letter is eligible for the service. All deposits, which would include Mixed, Unsorted Other Fed, Other Fed Group Sort and Nationwide City Sort, must be received by the following final deadlines:

St. Louis - 11:45 p.m.
Little Rock - 11 p.m.
Louisville - 1:30 a.m.
Memphis - 11 p.m.

Calculations

The daily fee for Explicit Float consists of the float charge reduced by 10 percent, multiplied by the New York Fed Funds rate. This amount is then divided by 360.

$$\frac{(\text{Aggregate Float Dollars} \times .90) \times \text{Fed Funds Rate}}{360}$$

Note that there is a two-day lag in the Fed Funds rate. For example, deposits processed on Wednesday use Monday’s rate. Fed Funds rates can be found at www.ny.frb.org/pihome/statistics/dlyrates.

Billing

Each day, the float charge is calculated and fed to the billing system. Charges appear on the customer’s billing statement under service area 1508, product code 19530. Monthly earnings credits may be used to pay for Explicit Float fees, the same way many financial institutions pay for other Fed services.

Although you will receive a single credit on your Fed accounting statement, you will still be able to track deferred dollars. The Fed will continue to provide a mixed advice containing a complete breakdown of your cash letter deposits.

Apply Today

If you would like to simplify bookkeeping, expedite investing, improve your balance sheet and increase your bottom line, contact your local account executive about Explicit Float today.

Explicit Float Example					
Bank ABC deposits a \$1 million Mixed cash letter as follows:					
	Dollars	Float Days	Aggregate Float	Chargeable Float*	Explicit Fee**
Immediate	\$700,000	0	\$0	\$0	\$0
One-Day	\$175,000	1	\$175,000	\$157,500	\$21.88
Two-Day	\$125,000	2	\$250,000	\$225,000	\$31.25
Total Billed:					\$53.13

* Chargeable Float is the Aggregate Float amount less 10 percent.

** A Fed Funds rate of 5 percent was used in this calculation.

Ellison Brings Experience to Customer Consultant Role

During his 11-year tenure at the Little Rock Branch, Randy Ellison has already worked with many Arkansas financial institutions. Now, in his new role as customer consultant in the Business Development Department, he plans to build on those business relationships and cultivate new relationships within the District.

Randy brings a wealth of knowledge and experience to his new role. He spent his first seven years in the Branch's Support Services Department and the next four years in its Check Department. Randy's wide range of knowledge, which includes management experience, will serve as an asset as he works to resolve customers' problems and meet any requests they might have.

When asked about her experience working with Randy, Karen McKinley of Simmons First National Bank in Little Rock said, "Randy has been great to



Randy Ellison

work with. He stopped by one day to show us a better way to package our Fed cash letter deposits. Since we made the changes he suggested, we haven't had any problems. Randy was great!"

Just what does Randy have to say about the role he plays as a customer consultant? "The Fed has always been viewed as an institution of public trust. I intend to do everything I can to maintain that trust by ensuring that our customers receive

prompt, professional service," he explained.

Randy is currently working on a bachelor's degree in Business Administration from Arkansas State University in Beebe. After high school graduation, Randy served in the Air Force for four years.

If you have any questions or customer service issues, don't hesitate to contact Randy for assistance at (501) 324-8268.

A Phone Call Away

If you have questions or comments, let us pay for the call. Our toll-free phone numbers and customer consultants are:

St. Louis Office
1-800-333-0810
Bobbi Antoff
(314) 444-4259

Little Rock Office
(in Arkansas)
1-800-482-9463
(outside Arkansas)
1-800-332-0813
Randy Ellison
(501) 324-8268

Louisville Office
(in Kentucky)
1-800-292-3596
(outside Kentucky)
1-800-626-4507
Butch White
(502) 568-9224

Memphis Office
(in Tennessee)
1-800-552-5132
(outside Tennessee)
1-800-238-5293
Chandra Hester
(901) 579-2435

Volume 5, Number 3

Payments Quarterly is published quarterly by the Financial Services Office of the Federal Reserve Bank of St. Louis. If you would like to obtain additional copies or want others at your organization to receive *Payments Quarterly*, contact Debbie Keeton at (314) 444-8946.

FEDERAL
RESERVE



FINANCIAL
SERVICES



www.stls.frb.org

Carol Thaxton Library #9