

Payments Quarterly

Winter 2000
News and Views
on Eighth District
Financial Services

Some District Fees Changing to Reflect National Standardization Efforts

Customers will soon realize the many benefits associated with the Federal Reserve System's Check Standardization efforts. Beginning Jan. 2, 2001, uniform product names, product definitions and billing codes will be implemented across the country. This standardization initiative will help alleviate confusion for financial institutions that conduct business in multiple Fed districts.

In addition, Eighth District customers will see changes to some of the Fed's priced service fees, also effective Jan. 2, 2001. Last month, all Eighth District financial institutions were notified of these changes. Detailed information about these pricing changes follows:

Local Check Services

Local pricing changes for 2001 were detailed in the November customer communication. A complete listing of all local 2001 Priced Service Fees—for all four offices—can be found on the St. Louis Fed's web site at www.stls.frb.org posted under the following categories:

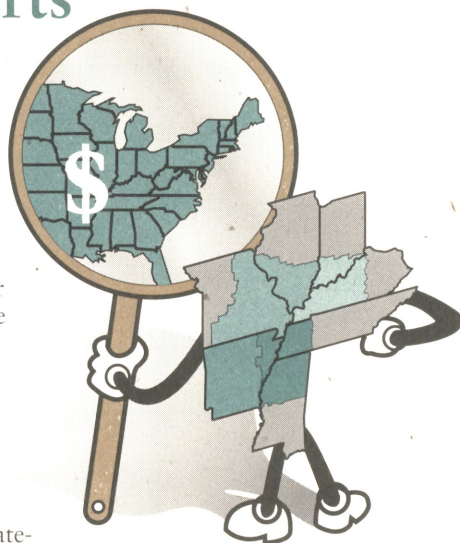
- Check Forward Collection Services
- Check Return Item Services
- Electronic Check Information / Presentment & Image Services

The format used for the web site's 2001 Priced Service Fees has changed and now contains additional

information. We have added Billing Code and Availability information, in addition to the Product name, Deadline, Cash Letter Fee and Per Item Fee. Because of the standardized product names and billing codes, the information on January billing statements will also look different than it has in the past.

Returns Reclear Billing Structure

Customers will also notice changes to the



Returns Reclear billing structure in 2001. Customers subscribing to this

continued on next page

Staffing Changes in Financial Services Division Announced

Several staffing changes have taken place at the Federal Reserve Bank of St. Louis and its branches. The following individuals all have years of experience with the Fed and bring a great deal of expertise to their respective areas.

Timothy C. Brown has been named vice president of Check Operations, replacing Paul Nunnally.

Brown will be responsible for all activities within the St. Louis check operation, which includes commercial, government and postal money order check processing, as well as adjustments. *Brown* also serves as the senior sponsor for the Eighth District's Check Modernization initiative and represents the District on the FRB System Check Operations Group.

He has been at the St. Louis Fed since 1994, serving in a variety of capacities in Check Operations. *Brown* began his career at the Federal Reserve Bank of Atlanta-New Orleans Branch in 1988 as a management analyst.

Robert E. Kellar Jr. has been promoted to assistant

continued on back page

continued from front page

service will now be charged a daily fixed fee and the appropriate per-item fee for all reviewed items. Currently, customers are charged a daily fee, which includes a specific number of items, and are charged a per-item fee for each item exceeding what was included in the daily fee.

Check Relay Fuel Surcharge

We have reviewed the fuel surcharge that we imposed earlier this year. Unfortunately, market conditions necessitate that we continue this program. Therefore, until further notice, the check relay fuel surcharge of 50 cents per cash letter will remain in effect.

National 2001 Fee Schedules

Complete product and fee schedule information for the following *nationally* provided services can be found on the Federal Reserve's Financial Services web site, www.frb-services.org:

- Accounting
- ACH
- Book-Entry Securities
- Cash
- Check
- Electronic Access
- Funds Transfer
- Net Settlement
- Treasury/Government

National Check Services

Across the Federal Reserve System, the Reserve Banks plan to adopt several operational and pricing strategies designed to improve the efficiency and quality of check services. Specifically, these strategies will improve the quality of return check deposits and reduce the risk associated with the check payments system.

Reserve Banks will begin explicit pricing for certain categories of return item exceptions that can be identified in Reserve Bank and customer processing operations. A surcharge on deposited commercial checks with a value of \$10 million or more is also planned.

These pricing strategies will be introduced during the second quarter of 2001 and are expected to encourage depositors to improve the quality of their return check deposits and explore alternative, more secure methods of making large-dollar payments.

More details regarding these items will be communicated at least 60 days before implementation.

Reserve Banks also plan to continue making strategic investments in check automation and electronic check technologies. These important investments reflect the Federal Reserve System's commitment to modernizing check services, and are expected to improve Reserve Bank operating efficiency and quality.

Electronic Services

As previously communicated, transaction fees will remain stable for the following Electronic Services: Fedwire® Funds Transfers, Book-Entry Securities, Automated Clearinghouse and National Net Settlements. Because of the additional costs of processing off-line transactions, the Book-Entry Securities off-line surcharge will increase from \$18 to \$25.

Electronic Connections

FedLine® and Computer Interface (CI) customers were informed that current fees for access to the Federal Reserve's FED-NET® network will remain unchanged in 2001, except for Multi-Drop connections. The Multi-Drop fee, which has not changed

since 1995, will increase from \$450 to \$500.

The migration of customers with Multi-Drop, Dedicated Leased and High Speed Leased connections to new Frame Relay network options—accompanied by new security and communication hardware—was initiated during the third quarter of 2000 and is scheduled for completion by mid-2002. Conversion to the new Frame Relay network will allow customers to benefit from significantly increased speed, functionality and security.

In most cases, fees for a Frame Relay connection will be lower than, or the same as, the 2001 fees for an electronic connection through FEDNET. Fees for Frame Relay connections will become effective on Jan. 2, 2001, or on the month following the conversion of a FEDNET customer to the Frame Relay network, whichever is later.

Accounting Services

To encourage electronic delivery of accounting information through our FedLine computer interface and our FedMail® delivery service, the fee for paper delivery of IAS Statement of Account will increase from \$75 to \$100. Fees for IAS Cash Management Services also will increase from \$75 to \$80.

Noncash Collection Service

The return item fee for municipal bond collections will increase from \$15 to \$20 for each item returned to the depositor as uncollected. All other noncash collection fees will remain at their current levels.

If you have any questions about 2001 priced services, please contact your local account executive.

New Billing Initiatives Implemented to Address Customer Concerns

In 1999 a national survey, conducted by Walker Information Inc., targeted a number of areas for potential improvement in the level of customer service provided by the Federal Reserve System. One specific area identified as needing improvement was the monthly billing process. In an effort to improve relationships with our customers, several initiatives are now under way to address these concerns.

Some improvements have come immediately, while others are more long-term. Our focus is a two-pronged effort. We will provide educational materials that will help customers and Reserve Bank staff better understand the information found in the billing statement. We are also developing a technical solution that will offer our customers not only flexibility in the amount of information received, but a tool to obtain and manipulate information that is relevant to their respective institutions.

Electronic Delivery

As we continue to enhance electronic delivery systems, the Federal Reserve Bank of St. Louis urges customers to consider one of the new delivery options for the monthly Summary Statement of Service Charges. Electronic delivery is free, convenient, safe, fast and dependable. The following briefly describes electronic statement delivery options available to you:

- FedLine® delivery in print display format provides the flexibility of receiving a copy of your statement. Statements are available for delivery after the close of business on the fifth business day of every month.

- FedMail® e-mail delivery provides all customers with another option for electronic statement delivery, without the requirement of a Fed-Line terminal. Statements are available for delivery on the morning of the sixth business day of every month.
- FedMail fax delivery provides customers with an electronic statement delivered through your fax machine. Statements are available for delivery on the morning of the sixth business day of every month.

To sign up for electronic delivery, contact Gary Auer at (314) 444-4623 or Lynn Neal at (314) 444-4296. Both Auer and Neal can be reached toll-free at 1-800-333-0810.

Account Management Guide

The Account Management Guide (AMG) has been enhanced to include annotated copies of the Billing Summary Statement of Service Charges, the Detail Statement of Service Charges and the Tiered Statement. It can be found on the Financial Services web site at www.frb-services.org. From there, choose "Accounting" from the list of services, then select "Customer Reference Guides" from the list of options at the bottom of the Accounting page. The AMG is available in PDF format.

Brochure

A brochure entitled "How to Read Your Federal Reserve Summary Statement of Service Charges" has

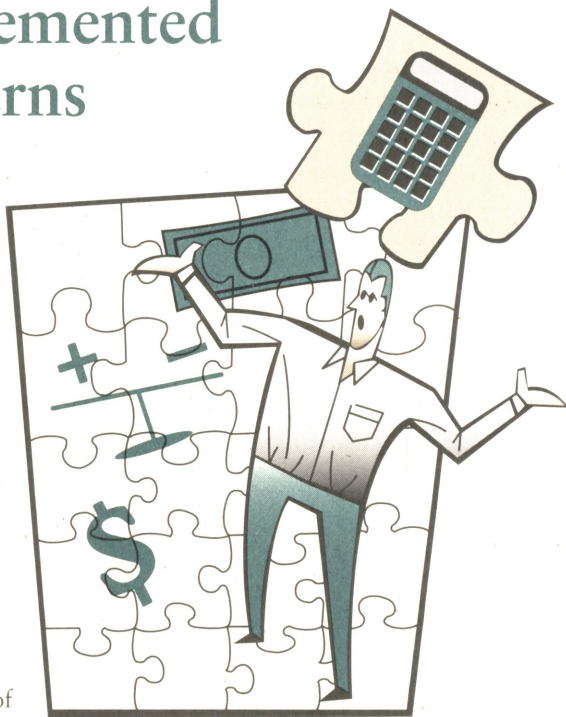
been designed as a tool for a customer with a question regarding a particular field of the billing statement. Each section is marked to allow the customer easy access to a particular portion of the statement.

As in the AMG, the brochure contains an annotated summary statement. It also contains a high-level overview of the billing process. A copy of this brochure will be mailed to all billing customers by year-end.

Product Code Dictionary

The billing application uses product codes to identify specific services that a customer receives from the Federal Reserve. At this time, there are more than 3,400 product codes identifying the services provided to our customers. The descriptions that accompany these product codes on the billing statement are sometimes confusing, especially for those customers receiving services across multiple districts.

To provide an up-to-date, easy-to-use alternative, Billing is developing a Product Code Dictionary (PCD) that is expected to be complete for use with your January 2001 statement. The PCD is a repository of all product codes and their associated information



that will be loaded on the Financial Services web site. A "Clearing Balance Calculator" will also become available at the same time the PCD is introduced.

Data Access System (DASy)

Also under development is the Data Access System, currently known as DASy. DASy is a web-based product that will provide customers with the ability to receive their statements with "drill down" capabilities. It will also allow customers to print single or multiple pages, or their entire statements, in PDF format. DASy is expected to be rolled out as a pilot program in the third quarter of 2001, with implementation available to customers at the beginning of 2002.

For additional information about any of these billing initiatives, contact your local account executive.

FinancialPage



Check Modernization Initiative in Full Swing

Building on our tradition of excellence in customer service quality, the Federal Reserve System is making an important investment in the future of check services. We have established a Check Modernization initiative that will fundamentally redesign our infrastructure for providing both paper and electronic check services over the next three years.

Why Now?

Industry changes and technological advances are challenging us to retool our check-processing environment so that we can respond quickly to changing market needs and remain efficient and competitive. The Check Modernization initiative is designed to improve the overall quality and uniformity of check services to all of our customers. The new infrastructure will improve Reserve Bank operating efficiency, facilitate the move to electronic payments and speed the roll-out of new products.

Specifically, Check Modernization involves standardizing and re-engineering our check-related activities through four key projects:

- The Enterprise-Wide Adjustments (EWA) project will move check adjustments to a streamlined common platform with shared data across Federal Reserve Banks, eventually linking to a national image archive.

We have already completed more than half of the EWA project implementations across the System.

- The Check Standardization project will install a standard, centrally managed item-processing platform at the Federal Reserve's 45 check processing sites.
- The Image Services System project will establish a standard check-imaging platform with a national image archive and enhanced research and retrieval capabilities.
- The Check Electronic Access and Delivery project will convert existing FedLine/DOS check services to FedLine for the Web and will eventually offer enhanced online check services.

How Will I Be Affected?

Because of the magnitude of the Check Modernization initiative, and to ensure continued service quality to all of our customers, the Federal Reserve has carefully planned a phased implementation of these four projects. We have developed a unique implementation schedule for each Reserve office, with the entire initiative scheduled for completion by the end of 2003. We will keep you apprised of further details as conversion activities draw nearer here in the Eighth District.

Although we expect these implementations to have a

minimal impact on your current operations, please rest assured that we will provide you with ample notice of the cutover schedule and inform you of any operational changes that require preparation on the part of your financial institution. We will also notify you of any necessary testing and training, and will coordinate these activities with you.

In the meantime, should you have any questions about Check Modernization, please contact your local account executive.

ReserveNotes

Adjustments 101

The Memphis office, for the third consecutive year, is hosting an Adjustments Workshop on Feb. 13 and 14. Each half-day session covers all aspects of check adjustments, from completing request forms to understanding how cases are researched and resolved. This year, particular attention will be focused on Adjustments on FedLine® and the benefits this application provides. Further information will be sent to Memphis zone customers early next year.

Bundle Up

If a bundle of checks—not drawn on your financial institution—is received with your cash letter, please return the entire bundle immediately to the Federal Reserve Bank, along with the detail tape listing.

If you inadvertently process the items in your office, you will need to submit an adjustment requesting to be charged for the bundle. The request should be functioned under the error type EBDL (extra bundle) and should include information about the bundle items, such as a copy of the original tape listing or photos and/or descriptions of a few of the items in the bundle.

Memphis Deadline Extended

The Memphis office has extended the Forward and Return Collection Mixed and Other Fed Saturday deposit deadlines from 4 p.m. to 12:01 a.m.

For a complete list of products that are affected, or if you have any questions, please contact Susan Bivens at (901) 579-2405.

Correction to Explicit Float Article

The Autumn 2000 issue of *Payments Quarterly* featured an article entitled, "Explicit Float Offers 100 Percent Availability of Funds." The article stated, "Any Eighth District financial institution that deposits a Forward and Return Mixed and Other Fed cash letter is eligible for the service." However, the Little Rock office currently offers Explicit Float on Forward deposits only; it is not offered on Returns. We apologize for any confusion this may have caused.

Holiday Schedule

All District offices will treat the holidays—Monday, Dec. 25 and Monday, Jan. 1—as standard Monday holidays and will not cease weekend processing.

Kick Off 2001 with Direct Deposit, Direct Payment Promotions

As you usher in the new year, make a resolution to increase Direct Deposit and Direct Payment awareness! Our research shows that nearly 90 percent of consumers look to financial institutions for reliable information on these two payment options, so we encourage you to tout the convenience, reliability and security of using Direct Deposit and Direct Payment. Remind your customers that electronic payments save them time and money—two areas in which people fall short after a busy holiday season!

To assist your marketing efforts, free materials are available while supplies last. We'll even pay shipping! To see what is available, visit the Automated Payments Partnership's web site, www.appartnership.org, and click on "Free Marketing Materials." Check out samples of each item and place your order online while you shop! Here's a sneak peak:

- marketing guides
- statement inserts
- consumer guides
- table/counter tents
- video tapes
- posters

NACHA to Allow ACH Debits Via Internet

NACHA is keeping financial institutions on their toes! The September ACH rule amendments are barely three months old, and the industry is already gearing up for next year's changes. One of the most significant is the amendment enabling consumers to pay for goods or services over the Internet by authorizing ACH debits to their accounts. Starting March 16, financial institutions can use the new WEB SEC code to classify these special transactions.

Close on the heels of this change is the new TEL SEC code, an amendment allowing one-time authorizations over the telephone for debits to consumer accounts. This transaction is in the pilot stage and becomes effective Sept. 14, 2001.

Watch for training seminars on these changes and others coming next year.

Upcoming SFE Training Sessions

The 2001 Southern Financial Exchange (SFE) training schedule is enclosed in this issue of *Payments Quarterly*. For more information on these classes, visit its web site at www.sfe.org.

More State Quarters Coming

Next month, the 50 State Quarters™ Program will enter its third year, as the state quarter for New York is issued by the United States Mint. The program, which will continue through 2008, honors the individual

50 states and promotes their unique histories and geographies. The quarters featured in 2001 will become available to financial institutions in the months shown.

For more information on the program, or the month

2001 State Quarter	Estimated Issue Date
New York	January
North Carolina	March
Rhode Island	June
Vermont	August
Kentucky	November

your state quarter will be minted, visit the U.S. Mint's web site at

www.usmint.gov or call 1-800-USA-MINT.

Several Forms Now Available Online

ACH Agreement

A renowned benefit of offering ACH services is cutting down on all the paper! Yet getting started is anything but electronic. The process just got a little easier. The primary start-up requirement for ACH processing through the Federal Reserve—the ACH Participation Agreement—is now available online at www.stls.frb.org/banking/financial.

All financial institutions must complete this document and send it to the Fed before originating or receiving ACH items. While we can't accept the form electronically, you can print it out without waiting for the Fed to mail or fax you a blank copy. An added bonus—instructions for filling out the form are online, too!

Adjustment Form

The adjustment form can now be found in PDF format on the Fed's web site at www.stls.frb.org/banking/check/distck.html. Once you access this form, you can complete it online, then print it out and return it along with your

supporting documentation for resolution. To ensure your adjustments are processed without delay, avoid making the common errors listed below:

- Paid cases are marked as an "ERR" or "DUP" entry
- Insufficient documentation is sent in—check the Quick Reference Guide
- Mis-sorted items mistakenly come in on an adjustment form, rather than a mis-sorted form
- Form is not appropriately marked as "Forward," "Return," "PMO" or "Gov't"
- Form is not filled out completely—information is missing
- Encoding errors come in with only one copy when two copies are required
- Copies of the back of checks are not sent in with form
- ABA number is missing from correspondence
- The Fed's reference number is not included on correspondence

- The Fed is not notified when an adjustment is sent in error

Cash Letter Form

In the event you run out of cash letter forms, we have posted a generic version on our web site at www.stls.frb.org/banking/check/distck.html. You can complete this form online as well, then print it out and submit it with your cash letter. Following are some tips to help you complete your cash letter form accurately:

- Be sure to include the item count of your deposit. If work is separated from the cash letter, the Fed can reconstruct your deposit with better accuracy.
- Make sure handwritten numbers are clear and legible to prevent errors in crediting.
- The cleaner the work, the fewer the rejects. Be sure to remove staples and use carrier documents for mutilated items.

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 4

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.

Payments Quarterly is also available on the St. Louis Fed's web site at www.stls.frb.org/publications/pq

continued from front page

vice president in charge of Product Development. He is responsible for pricing and product management for the Eighth District.

Kellar served 12 years in Check Operations and Business Development at the Federal Reserve Bank of Atlanta-Miami Branch.

Bill Little has been promoted to assistant vice president. He is responsible for Check Processing and Payments Support at the Little Rock Branch. Little also serves as the

District's representative on the System's Check Users Group. For the past year he has served as an operations officer in Little Rock and has almost 32 years of experience within the Federal Reserve System.

Gerard Mattingly, recently named assistant vice president, has direct responsibility for the Louisville Branch Check Services operations. He has worked at the Louisville office for 22 years, most recently as an operations officer for the past year.

John M. Mitchell, assistant vice president, now has responsibility for the accounts formerly served by Andrea Eddy. He will oversee the sales, customer service and marketing functions for the District. Mitchell served as an account manager for 10 years at the Federal Reserve Bank of Kansas City.

FEDERAL
RESERVE



FINANCIAL
SERVICES