

Payments Quarterly

Spring 2001
News and Views
on Eighth District
Financial Services

JAN 04 2002

Financial Services and District Web Sites Undergo Construction

There's no doubt that the World Wide Web opened a vast doorway that allows for the exchange of information not possible just a few years ago. The Federal Reserve is taking heed. To provide interactive products and services to meet the needs of our customers, the Federal Reserve's national Financial Services web site has recently been redesigned, and the St. Louis Fed's web site is currently undergoing construction. Read on to learn more...

Financial Services Web Site

You will now notice a new look for the Federal Reserve's national Financial Services web site at

www.frbfinancialservices.org. The site has been revised to serve as the single portal for both service information and transaction capabilities for FedLine® for the Web applications. A number of enhancements have also been made to the portal, in response to customer input and feedback. See the enclosed brochure, designed like a laptop, which depicts the revised design of the Financial Services web site.

At www.frbfinancialservices.org, you can still access a wide variety of service information as you did before, plus, if you are an authorized user, you will soon be able to conduct transactions, such as ordering cash or savings bonds.

Note the green field on the left of the home page. All service areas listed at the top relate to "FedLine® Transactions;" all other service areas are listed below under "Service Information."

At the very bottom of the green field is the button, "We'd Like Your Feedback!" After you've had a chance to browse through the Financial Services site, please take



a moment to send us your comments online.

continued on next page

Start Planning Today for National Direct Deposit and Direct Payment Week

The Federal Reserve is again partnering with the U.S. Treasury, NACHA and the regional payments associations to recognize National Direct Deposit and Direct Payment Week. This year's promotion, May 14-18, is the third consecutive year for the nationwide event.

Set aside to draw special awareness to electronic payments, this week is an

ideal time for financial institutions to conduct their own campaigns and build on the momentum being created across the country. Taking part in this event is easy—and free!

Brighten your lobby and spur questions from customers visiting your institution with free Direct Deposit balloons from the U.S. Treasury, or counter tents from the Automated

Payments Partnership, a 13-state alliance that conducts educational campaigns to increase use of electronic payments. Take your promotion one step further and place fliers in customer statements using free inserts from the Partnership. To request materials from the Treasury, call (202) 874-6540.

continued on back page

New Services Directory and Auto Attendant Make Calling the Fed a Cinch!

We're All Ears!

Enclosed along with our new Services Directory inside this issue of Payments Quarterly are a couple of feedback cards. Please keep them handy and use them to send us your comments. Your feedback is valuable and will help us improve our level of customer service!

A new initiative is under way across the Eighth District and its focus is you—our customer! The staff of the St. Louis Federal Reserve Bank is working hard to increase the level of service provided to our customers. Two areas that we've been prioritizing include revising our Services Directory and adding an auto-attendant feature to our current phone system.

At Your Service

If you've had a chance to see the Fed's revised Services Directory, we're sure you'll agree that the new format makes it quick and easy to locate the numbers you need. If you haven't yet seen the new directory, one is enclosed with this issue of *Payments Quarterly*.

Some improvements we've made to the directory include:

- condensed size, fewer numbers—to direct you to the employee or area that best meets your needs;

- quick reference tool—to allow you to find divided reference sections and short descriptions easily;
- additional toll-free numbers—which provide you with no-cost methods to contact our offices when you're calling long-distance; and
- simplified format—to allow us to update and print the directory more frequently.

There are four separate versions of the new Services Directory, one for each of the offices in the Eighth District. If you would like to obtain additional copies, contact Tracie Mueller at (314) 444-8810 or call toll-free at 1-800-333-0810. You can also access the four versions of our Services Directory online at www.stls.frb.org.

May I Help You?

An auto-attendant feature was added to the Federal Reserve Bank of St. Louis' telephone system recently. The auto attendant—rather

than the Bank operator—will now answer incoming calls to the Fed's two main numbers: (314) 444-8444 and 1-800-333-0810. Plans are in the works to upgrade Little Rock's phone system later this year; Louisville and Memphis will be upgraded in 2002.

Now when you call the Fed, if you know the five-digit extension you want to reach, you can press "1" and then dial it directly. If you know the employee's name but not the extension, use the PhoneSpell feature by dialing "2" then the employee's last name, followed by first name, until recognized. A third option allows callers to dial "0" to contact the operator, who will connect you directly to the requested employee or department.

We hope all of these changes will make it more convenient for you to contact the Fed. The next time you need to find a Fed phone number or place a call to the Fed, we think you'll find it a cinch!

continued from front page

You'll also notice several other key enhancements to this site, including:

- **E-Payments Routing Directory**—Determine Fedwire® participants' eligibility for Funds and Securities transfers and information about eligible FedACH participants listed on the Federal Reserve's Composite Receiver File (CRF). Each participant's name and telegraphic name, city and state, routing number and eligibility status can now be found online.
- **Product Code Dictionary (PCD)**—Enter a Fed billing

code, the service and the office providing the service—the PCD will show you all information associated with that billing code.

- **Clearing Balance Calculator (CBC)**—Calculate the estimated clearing balance required to generate earnings credits equal to the level of eligible Federal Reserve service charges for your institution. Both the PCD and CBC can be found under the Accounting button.

St. Louis Fed's Web Site

A work group within the St. Louis Fed is currently exploring how the St. Louis Fed's web site at

www.stls.frb.org should be remodeled. The group has been charged with developing a site that is professional, accurate and timely, yet fun and interactive.

Before they go much further, though, they'd like to gather input from district customers. A feedback form, posted on the home page at www.stls.frb.org, is designed to capture your thoughts about content, design, format, navigation and more.

We encourage you to surf our existing web site, then complete and submit the feedback form as soon as possible. We'll keep you posted on future web site developments.

Fed Seminars Help You Prepare for the Rollout of Two New FedLine Platforms

The Federal Reserve is preparing for the rollout of two new FedLine® platforms: FedLine for Windows NT® operating system and FedLine for the Web. These new platforms incorporate the use of the latest technology, along with the security and stability you have come to expect from FedLine. Higher-risk applications, such as Funds Transfer, Book Entry and ACH, will be accessed via the FedLine for Windows NT operating system. FedLine for the Web is an easy-to-use, fast and flexible platform for Cash, Savings Bonds and Check Services applications.

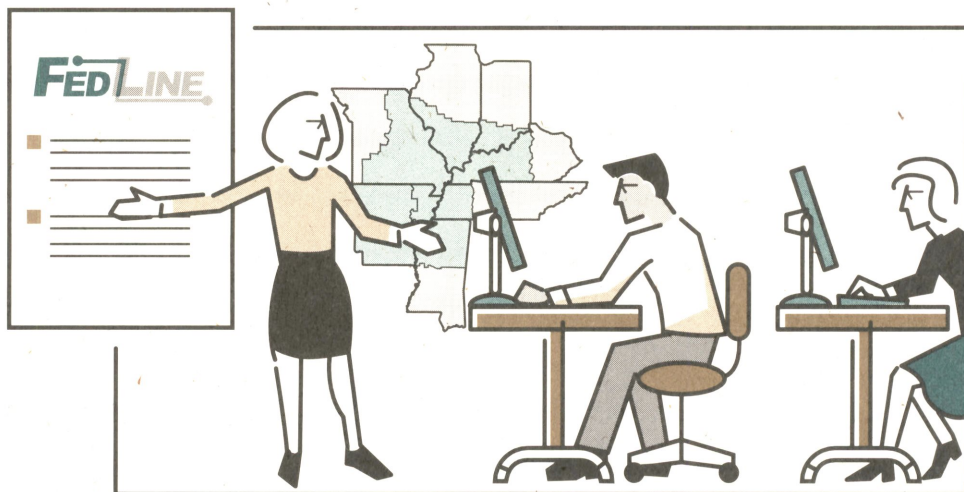
But before we launch these new platforms, two different seminars are being developed to equip you with all the information needed for a successful conversion. Both the planning and conversion seminars will be offered in all four District offices.

Planning Seminar

This full-day planning seminar will provide valuable information to help you make decisions about your conversion timeframe. In addition, you will leave knowing which services are offered on each platform so you can decide if you will need to convert to one or both of the platforms.

Attendees will also receive information about the resources needed for the conversion process. Specifically, institutions attending the FedLine for Windows NT portion will learn about the Computer Based Training (CBT) program, as well as the roles and responsibilities of FedLine administrators and FedLine users.

During the FedLine for the Web portion, we will



discuss Web security, review the certificate process and provide a demonstration of the products. Because FedLine for the Web is so accessible and easy to use, little or no additional training is required.

You will leave this busy day understanding what you will need to do to plan a successful conversion!

Conversion Seminar

Once you have completed your conversion plan and scheduled a conversion date with Electronic Access Support (EAS), you are ready to get started. You should attend the conversion seminar about two months prior to your FedLine for Windows NT conversion date.

This seminar will focus on the step-by-step conversion process and provide you with information on the new security features built around FedLine. We also will provide information about the order and set-up process for the FedLine PC. Following this seminar, you will be able to put your conversion plan into action.

Frequently Asked Questions

Since so many of you have questions about these two new platforms, we are listing the answers to your frequently asked questions:

Q: Can I use several PCs to access FedLine for the Web?

A: Yes. This is one of the distinct advantages of FedLine for the Web. Multiple PCs can be designated to access FedLine for the Web, allowing users to remain at their own desks when they access specific applications.

Q: Can I use the same PC for FedLine for Windows NT and FedLine for the Web?

A: No. Due to the security architecture built into the FedLine software, a PC running FedLine for Windows NT may not connect to the Internet.

Q: Do I need to attend both the planning seminar and the conversion seminar?

A: The Federal Reserve is offering two different seminars so our customers have all the information they need to prepare for conversion. We understand that some institutions may not be able to send representatives to both seminars; therefore, attending the planning seminar is recommended, but optional. However, institutions planning to convert to FedLine for Windows NT will need to attend the conversion seminar.

If you have further questions, please contact EAS at (314) 444-8711 or call toll-free at 1-800-333-0861, then press 1 for EAS. Watch your mailbox for details about the seminars and other information to help you succeed with your conversion plan!

ReserveNotes

NACHA's 2001 ACH Rules Available

Does your financial institution have the latest version of the ACH rules book? NACHA's blue *2001 ACH Rules* is available, replacing last year's bright yellow book. All ACH participants are strongly encouraged to obtain the most recent copy so they have information on 2001 rule changes and their operational impact, as well as any required software modifications.

Two of the three 2001 amendments went into effect March 16. The Internet-Initiated Entries amendment created the new WEB Standard Entry Class code to identify consumer ACH debit transactions initiated over the Internet. In addition, NACHA shortened the time frame for corrected returns.

To order a book and read more about these changes, contact your regional payments association or visit NACHA's web site at www.nacha.org and click on "Publications."

Memphis Group Sort Deadline Changes

The Memphis office has extended the RCPC Group Sorts A, B and C deadlines from 3 a.m. to 3:15 a.m., and the RCPC Premium Group Sorts A, B and C deadlines from 3:30 a.m. to 3:45 a.m. For more information, contact Susan Bivens at (901) 579-2405.

Are Your Documents Mailed to Proper Destinations?

This is a reminder that U.S. Treasury Coupons, U.S. Treasury Bearer and Registered Securities, Municipal Bonds and Municipal Coupons should *not* be mailed to the Federal Reserve Bank of St. Louis or its offices. Instead, these items should be mailed to the designated institutions listed below.

U.S. Treasury Coupons:

Federal Reserve Bank
of Dallas
Coupons Processing
P. O. Box 660656
Dallas, TX 75266-0656
(214) 922-6593

U.S. Treasury Bearer and Registered Securities:

Bureau of the Public Debt
Definitive Processing Group
P. O. Box 426
Parkersburg, WV
26106-0426
(304) 480-7936

Municipal Bonds:

Federal Reserve Bank
of Jacksonville
Non-Cash Collection
P. O. Box 44003
Jacksonville, FL 32231
(904) 632-1170

Municipal Coupons:

Federal Reserve Bank
of Jacksonville
Non-Cash Collection
P. O. Box 2419
Jacksonville, FL
32232-2419
(904) 632-1170

Adjustments Tip

To help ensure the smooth processing of your check adjustments, please be sure to include the correct case type as you complete the Fed's adjustment form. The four case types are: PMO (Postal Money Orders), FWD (Forward item), RTN (Return item) and GOV (Government item).

PATAX Voice Response System

FedLine users—If your system is down, do you have a backup method to transact TT&L business? Consider the Fed's National PATAX Voice Response System (VRS), an interactive system that enables your financial institution to submit TT&L Advances of Credit (AOC) to the Fed using a Touch-Tone™ phone.

TT&L Retainers and/or Investors can also use the PATAX VRS to get information about future Treasury "A" and "B" calls not yet generated.

There is no monthly access fee for using the PATAX VRS, nor any transaction fee associated with sending an AOC. What's more, there's no equipment to buy. Don't delay! Call a PATAX VRS customer support representative at 1-800-333-0871 to order your sign-up kit today.

Treasury's Check Reclamation Program

Just a reminder that payments for Treasury Reclamations must now be directed to the Federal Reserve Bank of Richmond. Online institutions can authorize payment via FedLine® using the Check Adjustment application. Submit authorization for payment to 0510-5051-7 "Treas Ck Recon Div"—it's at the bottom of the dropdown list. Payment can still be made by cashier's check to:

FRB Richmond
Check Services Department
Treasury CORE
Operations B-level
P.O. Box 85111
Richmond, VA 23285

For questions about the Reclamation program, call the Treasury's Check Operations Help Desk at (804) 697-2605. For general FedLine questions, call the FedLine Help Desk at 1-800-333-0861.

MBA Conference

Our account executives will be exhibiting at the Missouri Bankers Association's Annual Conference on June 6-7 at Tan-Tar-A Resort in Osage Beach, Mo. Stop by our booth to learn more about the many benefits of using the Fed's products and services.

New Policy Makes ACH Payments Final Upon Settlement

On June 25 the Fed will implement ACH Settlement Day Finality, a policy change that will make credit for ACH credit originations final when posted to financial institution accounts at 8:30 a.m. Eastern Time (ET)

on settlement date rather than 8:30 a.m. ET the business day *following* settlement date.

This change reduces interbank settlement risk and implements the same risk-control measure used

by the Fedwire® and Net Settlement services.

One immediate change, starting April 2, is a new "PRFNDACH" line on the Account Balance Monitoring System screen on FedLine®. This line will remain blank

until Settlement Day Finality becomes effective in June.

For more information, see the *ACH Settlement Day Finality Guide*, or call Cheryl McCarthy at (314) 444-8459 or toll-free at 1-800-333-0810.

PRODUCT REVIEW

Fed Seeks to Improve the Quality of Return Items

The Qualified Return Check (QRC) process was initiated in October 1988 in response to Regulation CC, which implemented the Expedited Funds Availability Act. This process converts unqualified return items into items that can be automatically processed, sorted and cleared in a manner consistent with forward collection items.

One of the Fed's major goals is to improve the efficiency and effectiveness of the payments system and to reduce risks to payments system participants.

Late last year, the Federal Reserve System announced its intention to implement several pricing strategies designed to achieve this goal. A letter was mailed recently to all Eighth District check customers announcing that, effective June 1, 2001, Reserve Banks will implement the following fees in addition to regular forward and return item processing fees:

Not-Our-Item (NOI) \$10 Surcharge

A misqualified return item deposited in a qualified return cash letter and then presented by a Reserve Bank to that institution will be charged a fee for each misqualified item. The bank that improperly qualified the item will be assessed the surcharge, not the bank submitting the NOI request.

No "2" in Position 44 \$10 Surcharge

Reg. CC requires that the paying or returning bank fully encode the MICR line of the Qualified Returned Check (QRC) with the dollar amount of the item, the routing number of the bank of first deposit (BOFD) and the digit "2" in position 44 indicating the item is a QRC—rather than a forward item. Items lacking a present and readable "2" in position 44 require exception handling to assure the items are in fact

return items and not forward items being processed in error.

FRB as Bank of First Deposit \$10 Surcharge

Returning banks often qualify return items inappropriately by encoding an FRB as the BOFD. Regulation CC requires that if the BOFD cannot be determined, the item should be deposited in a new cash letter.

Invalid Routing Transit Number \$10 Surcharge

Return items deposited in qualified return cash letters, that are qualified to nonexistent routing transit numbers, will be charged a fee for each misqualified item.

Check Digit Failure Exceptions \$10 Surcharge

Return items deposited in qualified return cash letters, that do not pass check digit verifications, will also be charged a fee for each misqualified item.

In addition, effective July 1, 2001, Reserve Banks will implement the following fee:

Large-Dollar-Value Checks \$50 Surcharge

Financial institutions depositing forward and return checks exceeding \$10 million will be charged \$50 to cover the cost of special handling that the large-dollar checks require. Most of these checks are walked through the processing stream to ensure timely handling.

Through the joint cooperation of payments system participants, the quality of return items can be greatly improved, thereby reducing processing delays and financial losses.

For more information about the guidelines for depositing qualified return items, please refer to the Federal Reserve Operating Circular No. 3. If you have questions about these processing fees, please contact your account executive.

Proper BOFD Endorsement

A clear, legible and undisturbed BOFD endorsement is the key to an efficient return item process.

**→123456789←
Bank Name
Location
Date**

NOTE: The Depository Bank must endorse using dark purple or black ink. The use of dark purple ink is encouraged.

CHECK FRONT

CHECK BACK

TIP and PATAX FAQs

It's hard to believe that two of the Fed's applications, Treasury Investment Program (TIP) and Paper Tax System (PATAX), have been in place for nearly six months. Since the October 2000 implementation, we've tracked the questions that financial institutions have asked most often. Here are the answers:

Q: How do financial institutions deposit or withdraw securities for TT&L?

A: If a financial institution uses FedLine® for the National Book Entry System (NBES), the request can be keyed in using this method. If a financial institution does not use FedLine, it needs to contact the off-line processing center at the Federal Reserve Bank of Boston. If a financial institution is withdrawing or depositing Definitive Securities, it needs to call the Fed's Little Rock office and speak with Becky Roark at (501) 324-8285 or Christy Vail at (501) 324-8214. Both can be reached toll-free at 1-800-482-9463 in Arkansas or at 1-800-332-0813 outside Arkansas.

Q: My financial institution incorrectly entered an Advice of Credit (AOC)

amount. Should we enter another AOC for the difference?

A: No. Do not enter a separate AOC for the difference. Instead, call the TT&L National Customer Service Area at 1-888-568-7343 for assistance.

Q: My financial institution requested an adjustment for an AOC a few days ago. Why haven't we received it yet?

A: Once the adjustment request is received, it is forwarded to the Internal Revenue Service (IRS) by the TT&L National Customer Service Area. It may take up to 20 business days for the IRS to provide authorization for the adjustment to be processed.

Q: PATAX won't accept my AOC. Why not?

A: In conjunction with the TIP and PATAX implementation, a new national cut-off time of 5 p.m. ET was established. If your financial institution is attempting to enter an AOC for Federal Tax Deposit (FTD) coupons received that same business day, it cannot be entered until 5:30 p.m. ET. Proce-

dures state that an AOC must be keyed in the next business day after receiving the FTD.

If you need assistance with future transactions, please contact:

TT&L National Customer Service Area

1-888-568-7343
8 a.m. ET to 6 p.m. ET
FAX 1-866-707-6574 or
1-866-707-6575

PATAX National Voice Response System

Access: 1-888-633-2737
5 p.m. ET Sunday to 4 a.m. ET Saturday
Support: 1-800-333-0871
5 p.m. ET Sunday to 4 a.m. ET Saturday

continued from front page

Partnership materials can be ordered online at www.appartnership.org.

National Direct Deposit and Direct Payment Week is also a perfect time for one-on-one discussions with your business customers who offer greater potential for using and offering electronic payments. Do you serve any schools, churches, newspapers, local radio stations or cultural organizations? Even small businesses are good candidates. Take

this opportunity to show how your ACH services can enhance their business.

When pitching this promotion to nonprofit organizations, enjoy an added bonus—the Partnership has a cover letter and educational materials you can use when approaching these organizations. (These materials are available on the Partnership web site, too.) Even more ideas for how you and your business customers can promote electronic payments this May—or

any time—can be found at www.directdeposit.org.

We hope you will join thousands of financial institutions nationwide in this educational push. If you want more information on how you can get more involved with National Direct Deposit and Direct Payment Week, call Cheryl McCarthy at (314) 444-8459 or toll-free at 1-800-333-0810. You may also call your regional payments association.

A Phone Call Away

If you have questions or comments, give us a call. Our account executives and their direct lines are listed below, along with their toll-free numbers:

St. Louis Office

1-800-333-0810
Pam Hake
(Missouri customers)
(314) 444-8319

Andy Lueckenhoff
(Illinois customers)
(314) 444-8647

Little Rock Office

(in Arkansas)
1-800-482-9463
(outside Arkansas)
1-800-332-0813

Kim Peters
(501) 324-8251

Louisville Office

(in Kentucky)
1-800-292-3596
(outside Kentucky)
1-800-626-4507

Ralph Ising
(502) 568-9290

Memphis Office

(in Tennessee)
1-800-552-5132
(outside Tennessee)
1-800-238-5293
Susan Bivens
(901) 579-2405

Volume 6, Number 1

Payments Quarterly is published quarterly by the Financial Services Division 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, or subscribe online at www.stls.frb.org. Just click on the Financial Services button and look under *Payments Quarterly*. *Payments Quarterly* is also available on the St. Louis Fed's web site at www.stls.frb.org/publications/pq.

FEDERAL
RESERVE



FINANCIAL
SERVICES