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YES!
It's the same
Payments Quarterly,
only better!
See back page.

SUMMER 2001

THE
FEDERAL
RESERVE
BANK OF
ST. LOUIS

Payments Quarterly

News and Views on Eighth District Financial Services

Check Adjustment SOPs Have Changed

The Federal Reserve's Check Adjustment units have updated their Standard Operating Procedures (SOPs). The new SOPs went into effect May 1.

The changes were implemented to improve our consistency in the receipt, research and resolution of adjustment requests. The revised SOPs include changes to the time frames for submitting adjustment requests to encourage timely reporting and prompt resolution of those requests. The new SOPs also improve consistency among Reserve Banks that handle adjustment cases and reduce unnecessary Documents To Follow (DTF).

Additionally, a \$15 adjustment request threshold became effective on June 1. As of this date, your Federal Reserve Check Adjustment unit is no longer accepting adjustment cases with a value of \$15 or less.

More information regarding changes to the SOPs can be found online in the May 2001 *Check Adjustments Quick Reference Guide* at www.frbstlouis.org/Checks/frChecks.cfm or by contacting your local account executive. ■

Eighth District Welcomes Treasury Relations Support Office

The Federal Reserve Bank of St. Louis has been selected to house and manage the Treasury Relations Support Office for the entire Federal Reserve System. The Federal Reserve's Financial Services Policy Committee announced the decision in late February.

The support office is responsible for managing the Federal Reserve System's relationship with the U.S. Treasury. Efforts will focus on overseeing the programs and initiatives that the Federal Reserve manages for the Treasury.

For example, staff will work with the Financial Management Service (FMS) on debt collection programs, government check and ACH processing, deposit reporting systems, tax collection and direct investments, as well as collateral maintenance/monitoring. They will also work closely with the Bureau of Public Debt (BPD) on efforts related to marketable securities and savings bonds.

"Obtaining this office allows the District to significantly increase its leadership in System activities," says Dave Sapenaro, senior vice president, Treasury and Customer Relations Division of the St. Louis Fed. "It could



not have happened without the hard work of many, many people throughout the District, both in developing our proposal and, more important, in achieving a strong track record on Treasury projects over the last several years. We should all feel proud of this accomplishment."

The mission of the support office is to improve the Federal Reserve System's support of the Treasury's strategic direction. As such, it will work with the Office of the Fiscal Assistant Secretary on policy and direction-setting initiatives for both BPD and FMS.

The Office is led by First Vice President LeGrande Rives, with Dave Sapenaro and Judie Courtney serving as function manager and deputy function manager, respectively. Transition efforts from the previous office, located at the Federal Reserve Bank of Philadelphia, are nearly complete. ■

District Consolidates After-Hours FedACH Customer Support

Effective June 1, FedACH nighttime customer support (from 5:15 p.m. to 7:30 a.m. CT) is being provided by the FedACH customer support staff at the Federal Reserve Bank of Minneapolis.

Consolidation of support services will provide excellent customer support while helping to contain FedACH costs. As always, you can call the FedACH customer support number for evening assistance with:

- pending or rejected files;
- emergency service-change database updates;
- input and output file transmission issues;
- customer service requests, such as file traces and file remakes; and
- extension requests.

Although the support location has changed, the phone number is the same. You should continue to call (314) 444-8712 or toll-free at 1-800-333-0861 (then press 3) day or night for FedACH support. We will automatically route your call to the appropriate person.

If you have questions about this change, contact Cheryl Whitworth at (314) 444-8612 or toll-free at 1-800-333-0861 (then press 3). ■

We're Communicating Even More Online!

Convenient. Accessible. Informative.

These are some of the descriptions we've come to associate with the Internet. And, that's how we want you to describe communications from the St. Louis Fed.

We recently posted all *FedExtra* announcements and letters mailed to financial institutions this year on our web site at www.stls.frb.org/banking/financial. If you take a look, we think you'll agree that these online communications are, indeed, convenient, accessible and informative.

When you visit this URL, click on the link "Eighth District Customer Communications." You'll see **FedExtras** at the top of the page categorized chronologically under these headings:

- ACH/Electronic Payments Announcements
- Check Operations Announcements
- Treasury Announcements

As you scroll down the page, you'll see **LETTERS** categorized chronologically under these headings:

- ACH/Electronic Payments Letters
- Check Operations Letters
- Financial Services Letters

When you click on an underlined title, the actual text of the *FedExtra* or letter will appear, followed by any attachments. If the attachment is a brochure, for instance, and cannot be posted online, a URL is listed so you can access the information directly from the appropriate web site.

You might want to bookmark the URL of our online publications as well. You'll find past issues of *Payments Quarterly*, *Central Banker*, *Regional Economist* and our other newsletters at www.stls.frb.org/publications/index.html.

Now, putting your finger on communications from the Fed is just a point and click away! ■

Treasury Offers New TT&L Investment Option

Dynamic Investments, a new Treasury Investment Program (TIP) option available to TT&L depositories, will debut on July 2.

Financial institutions that accept TT&L funds as Same-Day Direct Investments will be able to receive additional Treasury funds through Dynamic Investments in their TIP main accounts. These funds, when available from the Treasury, will begin posting to Dynamic Investments participants' accounts daily at 11:10 a.m. CT, and then hourly throughout the day until 4:10 p.m. CT. As a funds management tool, each participating financial institution may choose an hourly cutoff time for receiving Dynamic Investments.

For more information regarding this new investment option, contact the national TT&L Customer Service Center at 1-888-568-7343. ■



We're Still Listening!

In the last issue of *Payments Quarterly*, we included a couple of "We're All Ears" feedback cards. We asked your opinion about two things: whether you found our new Services Directory to be helpful and about your overall impression of our customer service.

Of those who returned the card, 100 percent found the directory to be helpful, and here's what you told us about our customer service.

In the categories *product knowledge* and *responsiveness to problems*, 50 percent stated you were very satisfied, while 50 percent stated you were satisfied. In the category *courtesy* and *professionalism*, 60 percent stated you were very satisfied, while 40 percent were satisfied.

We're pleased with these results and appreciate those who took the time to let us know how you feel. But we want you to know that we're still listening and would like more input from you. We want to know not only what we're doing right, but also what we need to work on. The next time you contact the Fed, please take a minute to fill out a feedback card and send it to us.

If you need more feedback cards, your local account executive would be happy to send you a supply. See the Fed contact listing on the back page of this newsletter. ■

ACH Finality Now in Effect

ACH Settlement Day Finality officially began June 25. As reported in the spring *Payments Quarterly*, this policy change makes credit for ACH credit originations final when posted to financial institution accounts at 8:30 a.m. ET on settlement date rather than 8:30 a.m. ET the business day following settlement.

To read more about ACH Settlement Day Finality, a guide is available at www.frb services.org. Select "FedACH" under "Service Information" and then click on "Operations and Processing." ■

ACH Web Site Streamlined

The next time you visit the FedACH page on the national Financial Services web site, you will notice information is easier to find. New material has been added, and existing information reorganized to streamline the site and enhance its functionality.

You can now find information on the Federal Reserve's ACH products under the "FedACH Services" link, while "Operations and Processing" leads to the Participation Agreement, Fed deposit schedule and new E-Payments Routing Directory.

We encourage you to visit the site often and read the latest news on government electronic payments, ACH rules and regulations and Direct Deposit/Payment promotional materials. The page also connects with other useful web sites containing ACH information, such as NACHA and the U.S. Treasury. See for yourself! Visit www.frb services.org and click "FedACH." ■

Counterfeit Warning!

Be on the lookout for a new variety of counterfeit \$20 bills being passed around the St. Louis Zone.

These counterfeit 1985, old series \$20 Federal Reserve Notes contain the same identifiers. The counterfeiter is using various serial numbers, and the Federal Reserve has detected repeats of the serial numbers.

Some characteristics to watch for include:

- On the front of the bill—within the green Treasury Seal—the word "Treasury" is misspelled as "Treasor."
- On the front of the bill, in the left-hand corner, the quadrant number is "H3."
- On the front of the bill, in the right-hand corner, the face plate number is "H41."
- On the back of the bill, in the right-hand corner, the back plate number is "394."

If someone attempts to pass one of the described notes in your presence, please obtain as much information as possible about the individual(s), then pass this information along to your local police department and the U.S. Secret Service at (314) 539-2238.

If you detect any of these notes—or any other suspected counterfeit notes—after you've already accepted them, the notes should be submitted directly to the U.S. Secret Service, not the Federal Reserve. The Secret Service will provide you with the necessary forms for submitting counterfeits. ■

Calendar

"NEW LINKS TO THE FED" FEDLINE PLANNING SEMINARS

If you plan to convert to the new FedLine® platforms in 2002, autumn sessions have been scheduled to assist you in determining which platform(s) you need for the applications you use. Reminders will be mailed to customers who have already registered or told us they plan on converting next year. If you have not heard about these seminars and would like to register or need more information, please call Jean Morisseau-Kuni at (314) 444-8536 or Karen Hood at (314) 444-8648, or call either toll-free at 1-800-333-0861 (then press 1).

| ST. LOUIS | LITTLE ROCK |
|------------|-------------|
| Oct. 30 | Nov. 13 |
| Oct. 31 | Nov. 14 |
| Nov. 1 | Nov. 15 |
| LOUISVILLE | MEMPHIS |
| Nov. 6 | Nov. 26 |
| Nov. 7 | Nov. 27 |
| Nov. 8 | |

Fed Seeks to Improve the Quality of Return Items:

What You'll Notice on Your Billing Statements

The purpose of the Federal Reserve's Quality of Return Items initiative is to improve the efficiency and effectiveness of the payments system and to reduce risks to payments system participants. The spring issue of *Payments Quarterly* outlined the various surcharges that are now being assessed for certain improperly qualified return items. The focus of this article is to help clarify the changes you'll see on your upcoming billing statements.

Return Items

To prepare you for the upcoming billing changes, your local Federal Reserve office has been inserting sample reports in your cash letters that detail which exceptions were found in your deposits. The reports are broken down by exception types and include detailed cash letter information, including cash letter totals, bundle totals and the items before and after each exception. The billing service areas and product codes are also reflected on the reports.

If you send deposits directly to other Federal Reserve Banks, you should have received reports from those offices as well. The reports should look identical, except for the footer, which indicates the Reserve Bank that generated the report. Billing for exception pricing began June 1. Therefore, the

billing statement you receive in early July will include line items for the four return-related exception types. The billing statement will reflect a line item charge by exception type. You may want to cross-reference your billing statement with your customer reports to validate the information.

Large-Dollar-Value Checks

Starting July 2, financial institutions that deposit a forward or return check that exceeds \$10 million will be charged \$50 to cover the cost of special handling that this type of check requires. The primary difference between the large-dollar exception type and the exception types mentioned above is that both forward and return checks are included.

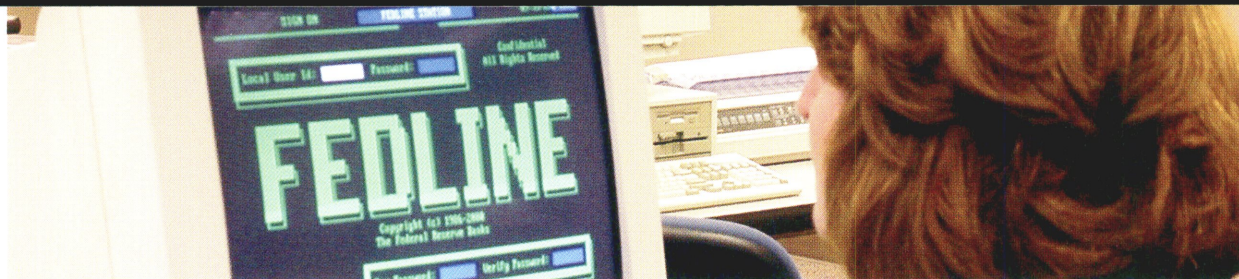
Reports similar to those described above were sent during April and May to customers who had items meeting the large-dollar criteria. This information was included on the same sample report, along with the other exception types.

The billing statement you receive in early August will reflect large-dollar charges if you deposited any items meeting the \$10 million threshold.

The Federal Reserve System expects that this initiative will compel financial institutions' customers to use electronic methods when making payments that exceed \$10 million.

Please contact your local account executive if you have any questions regarding our Quality of Return Items initiative. ■

| NEW BILLING STATEMENT LINE ITEMS | | | |
|----------------------------------|--------------|--------------|-----------|
| Return Item | Service Area | Billing Code | Surcharge |
| Not-Our-Item (NOI) | n/a | 30990 | \$10 |
| No "2" in Position 44 | n/a | 30997 | \$10 |
| FRB as BOFD | n/a | 30992 | \$10 |
| Invalid RTN | n/a | 30995 | \$10 |
| Check Digit Failure Exceptions | n/a | 30995 | \$10 |
| Large Dollar—Forward | 1501 | 15999 | \$50 |
| Large Dollar—Return | 3001 | 30999 | \$50 |



Ginnie Mae Securities Move to Fedwire

Last year, the Government National Mortgage Association (Ginnie Mae) announced plans to have its securities clear and settle on the Fedwire® Book-Entry Securities system and to automate payment adjustments among participants. This move is designed to enhance the attractiveness and liquidity of Ginnie Mae securities within the United States and abroad.

The Federal Reserve has developed a conversion plan, together with The Bond Market Association, Ginnie Mae and the Depository Trust & Clearing Corp. (DTCC). The plan, which is available online at www.frb services.org (search “ginnie mae”), includes the following:

- Implementation Timeline for the Migration of Ginnie Mae Securities Settlement
- Consultative Paper: New Feature for Fedwire Book-Entry Securities Service
- Clearing Memo # 219, Fail Tracking
- Clearing Memo # 220, Interim Accounting
- Clearing Memo # 221, Repo Tracking
- Rollout and Conversion Schedule

The first document includes information on the sequence and timing of Ginnie Mae securities movement from the DTCC to Reserve Banks. DTCC participants will move their Ginnie Mae securities either directly to Fedwire securities accounts or, in the case of nonbanks, to their clearing banks for deposit to Fedwire securities accounts. Once a Ginnie Mae security is transferred to the Fedwire system, all Fedwire participants can move their holdings of that security to their respective Fedwire securities accounts.

The consultative paper describes the new feature being added to the Fedwire Book-Entry Securities Service and seeks your comments on the functionality and design of the feature, as well as on the operational aspects of automated adjustment payments among participants.

The next three documents are clearing memoranda describing operational changes that implement the new service feature. Examples of how the new feature will work are included in each memorandum. Computer interface protocol specifications for new reports related to fail tracking, interim accounting and repo tracking have been sent under separate cover to your bank’s technical staff.

The rollout and conversion schedule lists the dates and deliverables associated with this plan.

A set of Frequently Asked Questions (FAQs) can be found at www.frb services.org. Take a look at the outlined box below for some sample FAQs you might be wondering about.

Questions and comments on any aspect of these plans can be sent to fedwire.securities@ny.frb.org, or you can contact Cheryl Whitworth at the St. Louis Fed at (314) 444-8612 or toll-free at 1-800-333-0861 (then press 3). ■

SAMPLE FAQs

Q: What will be the fees for Ginnie Mae securities?

A: Transfer fees and monthly maintenance fees will be the same as for other agency securities.

Q: How will CUSIP information, related to the holdings to be converted, be made available to depositories?

A: The Ginnie Mae CUSIP information will only be available to a Fedwire customer requesting a copy of our CUSIP directory, which will be transmitted via bulkdata. The Federal Reserve will not broadcast this information. All new issues, after the conversion, will be announced via the current broadcast message.

Q: Our bank owns various Ginnie Mae securities, which we purchased in the secondary market, that are held at other custodians. In connection with the Ginnie Mae move to Fedwire, will we be able to transfer those securities to our Fed account?

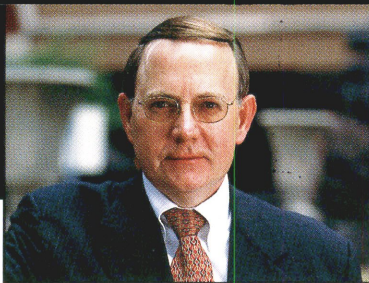
A: Yes, after the conversion from DTCC to the Federal Reserve, you can instruct your custodian to move securities to your Fed account.

Q: Will the Federal Reserve distribute a tentative schedule of events for conversion weekends? In particular, will there be a “Go/No Go” decision at some predefined critical juncture on those weekends?

A: Yes, more information regarding the schedule for conversion weekends will be made available on the Financial Services Internet site.

Q: Will the Federal Reserve allow conversion of Ginnie Mae securities from book-entry to physical and vice versa?

A: Yes, all requests are subject to a 3 p.m. ET cutoff and the process will be explained in a future clearing memo.



Meet Don Baldwin

St. Louis' Newest Account Executive

FedContacts

The year was 1968. Don Baldwin was fresh out of Rockhurst College when he began his long banking career at National Stockyards National Bank in National City, Ill., directly across the river from St. Louis. He prepared corporate tax returns for the bank, managed the bank's audit function and handled securities transactions for clients.

As the years rolled by, Don continued his education and increased his level of expertise. He watched National Stockyards National Bank begin its long journey of mergers—first changing to Boatmen's, then to NationsBank and finally to Bank of America in 1997.

In 2000, Don retired from Bank of America as vice president and Midwest correspondent banking manager. In April 2001, not one to sit idle for long, Don brought his wealth of banking knowledge and experience to the Federal Reserve Bank of St. Louis as senior account executive responsible for institutions located in Missouri.

Don's 32 years of correspondent banking experience provide him with the necessary knowledge to assist you in making good business decisions on the use and benefits of Fed products. Don will be a valuable resource when responding to your operational questions as well.

"I am anxious to meet with bankers, many of whom I consider old friends, and work with them to provide new opportunities for both their financial institutions, their customers and the Fed."

Don Baldwin—senior account executive, St. Louis Fed

When asked what he is most looking forward to in this new venture, Don replied, "I am anxious to meet with bankers, many of whom I consider old friends, and work with them to provide new opportunities for both their financial institutions, their customers and the Fed."

To schedule a visit with Don, please contact him directly at (314) 444-7344 or toll-free at 1-800-333-0810, ext. 47344. ■

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

DON BALDWIN
(Missouri customers)
(314) 444-7344
1-800-333-0810

ANDREW KENNEDY
(Illinois customers)
(314) 444-8647
1-800-333-0810

LITTLE ROCK OFFICE

KIM PETERS
(501) 324-8251
(in Arkansas) 1-800-482-9463
(outside Arkansas) 1-800-332-0813

LOUISVILLE OFFICE

RALPH ISING
(502) 568-9290
(in Kentucky) 1-800-292-3596
(outside Kentucky) 1-800-626-4507

MEMPHIS OFFICE

SUSAN BIVENS
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Take a Look at Us Now!

Payments Quarterly has a new look! We think you'll agree it now has a brighter, fresher feel since we introduced four-color artwork, larger type, wider columns and a different paper stock. Other improvements include an index on the front cover and an updated masthead.

These changes make *Payments Quarterly* look good, but so far, they're all cosmetic. What about content changes? Are there regular columns you would like to see in this newsletter? Would you be willing to share tips or success stories with the other readers? Would you like to be a roving reporter? Let us know what you want to see. E-mail Debbie Keeton at debbie.l.keeton@stls.frb.org or call her with your suggestions at (314) 444-8946 or toll-free at 1-800-333-0810, ext. 48946.

This redesign effort is part of the Fed's continuing effort to deliver the information you want and need in a quality manner. We hope you'll enjoy the new look!

As always, an archive of *Payments Quarterly* is available online. And now, new readers can even subscribe online to receive this publication. Check it out on the District's Financial Services homepage at www.stls.frb.org/banking/financial.html. ■

