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Federal Reserve Bank  
of St. Louis

WINTER 2001



# Payments Quarterly

News and Views on Eighth District Financial Services

JAN 03 2002

## A Snapshot of the Retail Payments System: Research Results from the Federal Reserve

New data collected by the Federal Reserve System suggest that check writing in the United States is steadily giving way to electronic forms of payment as consumers, businesses and financial institutions seek more efficient and cost-effective ways to interact.

American consumers and businesses make 80 billion retail payments annually, nearly 50 billion by check and 30 billion by electronic methods, such as credit cards, debit cards and the Automated Clearing House (ACH), according to the first comprehensive study of the retail payments system in more than 20 years. Checks have declined from approximately 85 percent of non-cash payments since the last study in 1979 to about 60 percent today.

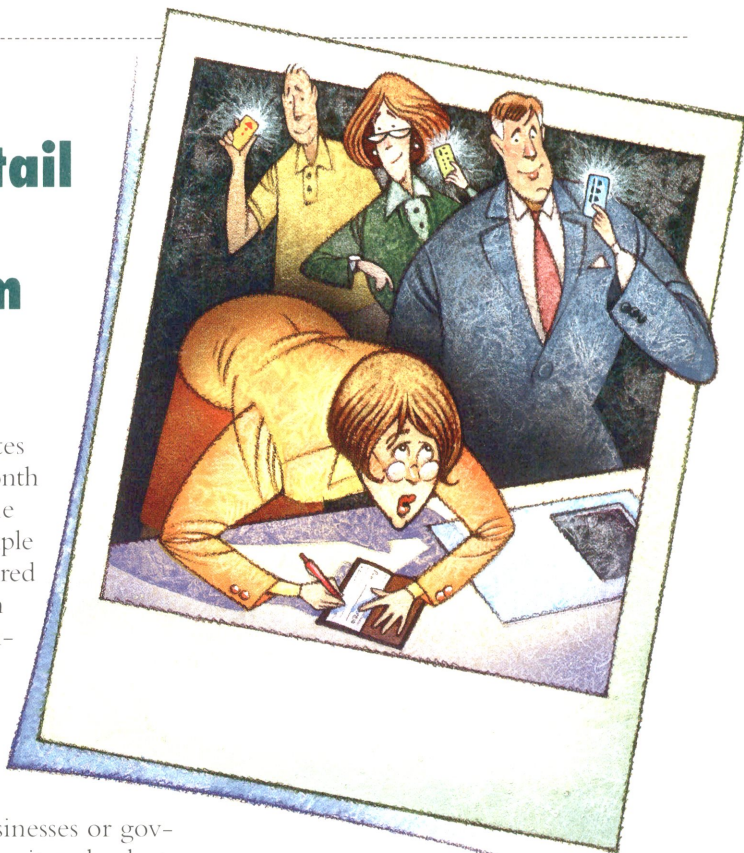
The data collection effort was commissioned by the Federal Reserve System and consisted of three main studies: the Depository Financial Institution (DFI) Check Study, the Check Sample Study and the Electronic Payment Instruments Study.

The DFI Check Study was designed to count the total number of checks processed in the

United States for a 12-month period. The Check Sample Study gathered information on the composition of the check market, particularly who (consumers, businesses or governments) writes checks to whom (consumers, businesses or governments) and for what reason (remittance, point-of-sale, income or casual payment). The Electronic Payment Instruments Study gathered data on the volume and value of electronic payments processed during 2000.

More than 1,300 financial institutions—including banks, thrifts and credit unions—and 89 electronic payment processors responded to the surveys, accounting for an overwhelming response rate of 55 percent.

“The Federal Reserve banks conducted the study to gain a better understanding of the dynamics of the retail payments system,” said Roger W. Ferguson Jr., vice chair-



man of the Federal Reserve Board. “We believe the results clearly paint a picture of a payments system in migration. The data show strong growth in electronic payments since the early 1980s and lower-than-expected check volumes.”

The Fed anticipates repeating the study every two to three years, which will provide first-hand information on changing behaviors and trends in the use of payment instruments.

Additional details on these studies are available on the Fed's national Financial Services web site, [www.frbstlouis.org](http://www.frbstlouis.org), by clicking on “Payments System Study Results.” ■

## Enterprise-Wide Adjustments Conversion Successfully Completed in Eighth District

The Memphis and Little Rock offices converted to the Enterprise-Wide Adjustments system in October, completing the Eighth District's conversion to a standard, centrally managed check adjustments system. The St. Louis and Louisville offices successfully converted to the system in April 2000. The system will be used at all Federal Reserve banks nationwide.

Once completed System-wide, the conversion will improve the effectiveness and efficiency of Fed operations. Customer service will be enhanced with a streamlined adjustments research and resolution process across all Federal Reserve offices. This will allow for more-consistent service and cross-district adjustments processing capabilities.

When Enterprise-Wide Adjustments is in place across the System, a Reserve Bank researcher will be able to single-handedly resolve an adjustment request without the delays of involving other Reserve offices that previously handled the check. This, coupled with our customers' ability to submit automated adjustment requests over FedLine<sup>®</sup>, will enable adjustment cases to be resolved much more quickly.

To take advantage of these efficiencies, contact your account executive to learn more about submitting and receiving adjustments electronically. ■

## Revised Check Adjustment Request Form Available Online

The Federal Reserve System increased the minimum check adjustment request level in July from \$1 to \$15. The change more closely aligned Reserve Bank and industry practices and more accurately reflects the actual cost of processing adjustment requests.

The standard check adjustment request form has been revised to reflect this System change. A copy of the new form was recently mailed to the check operations officers of all Eighth District financial institutions. The form can also be found on our District's web site at [www.stls.frb.org/banking/check/distck.html](http://www.stls.frb.org/banking/check/distck.html) or on the national Financial Services web site at [www.frb services.org/CheckAdjGuide/frCheckAdjGuide.cfm](http://www.frb services.org/CheckAdjGuide/frCheckAdjGuide.cfm).

In an effort to reduce costs associated with printing paper forms and because the form is no longer required in triplicate, the Federal Reserve Bank will no longer print copies of the check adjustment request form.

Financial institutions can continue to use the supply of forms they have on hand. The St. Louis Fed's four Check Adjustments departments will continue to fulfill requests for these forms until their supplies are depleted. When you run out of printed forms, you have several options to choose from:

- Complete and submit a photocopy of the check adjustment request form we sent to your institution, along with the necessary supporting documentation;
- Access the interactive form on our web site, complete it online, print it and submit it, along with the necessary supporting documentation; or
- Print the online form, complete it by hand and submit it, as described above.

If you would like to order from the Fed's existing supply of printed forms, or if you have any questions, contact one of the following Check Adjustments staff members:

St. Louis	Judy Nowlin	(314) 444-8727
Little Rock	Sherry Yeager	(501) 324-8360
Louisville	Annette Doherty	(502) 568-9233
Memphis	Gloria Oliver	(901) 579-2453

# Your Feedback Is Key—And We're Listening

The Federal Reserve System conducted a national customer satisfaction survey two years ago to seek feedback on our customer service and on attributes of the Federal Reserve's financial services. Your responses helped us identify specific areas for improvement related to check processing, billing statements, communication, ease of online access and the overall service provided by our staff. Based on your input, we continue to make changes and enhancements to increase the quality of our services throughout the System.

## Enhanced Web Site

To address improvement areas, such as communication and ease of online access, the System launched an enhanced national Financial Services web site, [www.frbervices.org](http://www.frbervices.org), to serve as a portal for both service information and transactions. With just a few mouse clicks, you can access FedLine for the Web applications that enable you to order cash and savings bonds. In addition, we are piloting a process for financial institutions to receive check information online—such as your MICR and Account Total files—derive return and retrieval requests, and send or receive check adjustments information.

New reference tools were also added to the site, including the Product Code Dictionary (allowing you to research billing code definitions by service area and office) and the E-Payments Routing Directory (listing Fedwire® Funds Transfer, Fedwire Book-Entry Securities and FedACH™ participants). Additionally, the national site now provides access to numerous online manuals, reducing the amount of

paper you receive from the Fed—another service improvement you requested.

## Access to Information

The survey results also highlighted the importance of easy access to service-related information. Consequently, we are expanding the functionality of FedMail®. Most recently, we introduced the availability of tiered billing statements, detailed billing statements and statistical reports. In addition, we enhanced information delivery methods by offering both fax and e-mail options. With the e-mail option, statements can be delivered to multiple addresses as either text or html attachments.

## We're All Ears

Although we've responded to some of your requests, we know that improvement is still needed on various fronts. In light of this, Reserve banks are collaborating on new practices, processes and products intended to improve the quality and delivery of our services. In the meantime, we encourage you to keep the lines of communication open by sharing your insights about possible service improvements with your account executive or customer service representative. You can also use the "We're All Ears" feedback forms provided in past issues of *Payments Quarterly*.

As all of us with customers know, the key to meeting and exceeding customer expectations is to know who our customers are and what they want. We want you to know that we're listening to what you have to say! ■

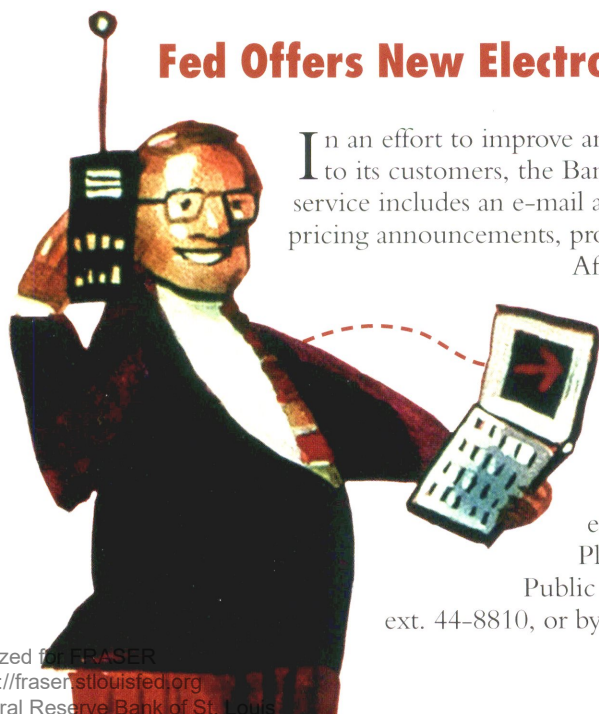
## Fed Offers New Electronic Distribution Service

In an effort to improve and streamline the flow of information from the St. Louis Fed to its customers, the Bank is introducing a new electronic distribution service. The service includes an e-mail alert to inform customers when certain mailings—including pricing announcements, product updates and operational changes—are available online.

After you've signed up for the mailings you'd like to receive electronically, you'll be notified as soon as those mailings are posted online. By Oct. 2002, we will cease paper mailings of all information we provide electronically through the distribution service.

Information that explains how to subscribe to this service will be mailed to all Eighth District financial institutions very soon. We've also enclosed an informational flier that explains the service in more detail.

Please direct any questions or comments to Tracie Mueller in Public Affairs in St. Louis at (314) 444-8810 or 1-800-333-0810, ext. 44-8810, or by e-mail at [emailalert@stls.frb.org](mailto:emailalert@stls.frb.org). ■



# Reserve Notes

## Web Updates

Visit our District's web site at [www.stls.frb.org](http://www.stls.frb.org) and click on the "Financial Services" button to view newly posted customer communications, 2002 priced fee schedules and 2002 check availability schedules. ■

## Check Clearing Service Goes Global

If you use the Eighth District's forward check collection services, you may take advantage of the Foreign Check Clearing Service provided by the Federal Reserve Bank of Richmond's Charlotte office. Checks drawn on depository institutions outside the 12 Federal Reserve Districts—in fact, in any country in the world—can now be forwarded to FRB Charlotte for collection. For more information, contact Kelly Beck at (704) 358-2363. ■

## Check Relay News

Check staff members at all four Eighth District Fed offices are packaging outgoing cash letters that are shipped via Check Relay in tamper-evident bags to ensure the integrity of packages.

We would also like to dispel a rumor circulating in the financial services industry that suggests that the Federal Aviation Administration (FAA) intends to prohibit the use of cardboard boxes for check shipments. The Fed has checked into this rumor with FAA and air-cargo industry officials and determined it to be groundless. ■

## Japan Now Accepts Indemnified Photocopies of Money Orders

The U.S. Postal Service has announced that Japan will now accept indemnified copies of Japanese international money orders, in lieu of originals lost in transit.

For additional information, contact Helm Kurtz at (314) 444-8474 or 1-800-333-0810, ext. 44-8474. ■

## 2002 State Quarters

These states will be represented in 2002 as part of the U.S. Mint's 50 State Quarters™ Program:

Tennessee	January
Ohio	March
Louisiana	May
Indiana	August
Mississippi	October

The Eighth Federal Reserve District serves financial institutions in western Tennessee, southern Indiana and northern Mississippi. You may want to stock up on these quarters because demand should be high. For more information about the designs of these quarters and the selection process, visit the U.S. Mint's web site at [www.usmint.gov](http://www.usmint.gov). ■

## How Well Do You Know Your Money?

As consumers, we all handle money frequently, but just how well do we notice the details? Here are some interesting questions. See how many you get right.

1. Which statesmen appear on the front of the \$1, \$2 and \$5 bills?
2. How many denominations of paper currency are there?
3. Who appears on the front of the \$1,000 bill?
4. In what year did the Bureau of Engraving and Printing print its first bills?
5. Which three presidents appear on the front of both paper and coin currency?
6. The White House appears on the back of which bill? What about the Capitol?
7. What slogan appears on all U.S. currency?
8. Which government agency is responsible for tracking down counterfeit currency?
9. How many ways are there to make change for a dollar?

**Answers:** 1. George Washington, Thomas Jefferson and Abraham Lincoln, respectively; 2. Seven are now printed: \$1, \$2, \$5, \$10, \$20, \$50 and \$100; 3. Grover Cleveland, our 22nd and 24th president; 4. 1862; 5. Abraham Lincoln, Thomas Jefferson and George Washington; 6. \$20; \$50; 7. "In God We Trust"; 8. The U.S. Secret Service; 9. 293

# 2002 Priced Service Fees Announced

The Federal Reserve System has announced changes to its priced service fees for 2002, which will become effective on Jan. 2. Here is an overview of the changes:

### Electronic Services

Fees across all electronic services will decrease by 5 percent because of lower 2002 prices for Fedwire Funds Transfer and Book-Entry Securities services. Prices for FedACH services, which were changed in October 2001, will remain at their current levels.

Price reductions in electronic services reflect the continued efficiencies the Federal Reserve has gained from consolidation of processing and support facilities. Since 1996, prices for all electronic payment services have declined by more than 53 percent.

### Check Services

During the past several years, Reserve banks have focused on standardizing forward collection, return item and electronic check services. These efforts continue, and, for 2002, price ranges for most paper check services will become increasingly uniform across the System. On average, 2002 check service fees will increase. Eighth District customers can obtain specific information about 2002 check fees on the District's web site, [www.stls.frb.org](http://www.stls.frb.org), by clicking on the "Financial Services" button.

Reserve Banks continue to make strategic investments in check automation and electronic check technologies. Although these investments are

reflected, in part, in the increased 2002 check prices, they represent the Federal Reserve System's commitment to modernizing check services and are ultimately expected to improve Reserve Bank operating efficiency. District offices will begin migrating to both the standard check processing platform and the Image Services System platform in 2002.

### Electronic Connections

For FedLine and Computer Interface customers, current fees for access to the Federal Reserve's FEDNET® network (dial, leased line and frame relay) will remain unchanged in 2002.

The offering of services on FedLine for the Web began in 2001, and additional progress toward use of that channel will continue in 2002. At this time, there are no access or set-up fees associated with the web channel.

### Accounting Services

To more accurately reflect the cost of providing accounting services, 2002 fee increases will be implemented for paper delivery of the IAS Statement of Account Activity and for IAS cash management services.

### Noncash Collection Service

All 2002 noncash collection fees will remain at their current levels.

If you have any questions about these priced service fees, please contact your account executive. ■

## Include Testing on Your New Year's To-Do List

As the days get shorter, so does the time before the first Eighth District office converts to Check Standardization. We need your help! As mentioned in a letter to District check operations officers earlier this year, testing is critical to the success of this project. If your institution sends or receives electronic check files from the Fed, it is very important to test those capabilities and to ensure all processes will run smoothly after conversion.

District testing starts in late January; so, sign up now to reserve

a time that is convenient for you. We strongly encourage you to take advantage of this opportunity to help prevent any surprises during cutover. Visit [www.stls.frb.org/banking/standard.html](http://www.stls.frb.org/banking/standard.html) to view test schedules or to sign up online. At the site, you can also see what changes Check Standardization will bring next year, including some different file formats and print outputs.

If you need a copy of the test scheduling form, contact Margie Saulka at (314) 444-8684 or 1-800-333-0810, ext. 44-8684.

For testing-related questions, please contact the Standardization test coordinator in your zone:

### St. Louis

Dana Brune (314) 444-8473

### Little Rock

Randy Ellison (501) 324-8268

### Louisville

Jeanne Gay (502) 568-9253

### Memphis

Gerry Tomlin (901) 579-2457 ■

# Happy Holidays

The staff of the Federal Reserve Bank of St. Louis wishes you and yours a joyous holiday season and a happy new year!

## FedContacts

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

**ANDY LUECKENHOFF**  
(Illinois customers)  
(314) 444-8642  
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**  
(901) 579-2405  
(in Tennessee) 1-800-552-5132  
(outside Tennessee) 1-800-238-5293

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## Looking Ahead: Fed Will Have Single MICR Format in 2005

The Federal Reserve System announced in October that it will adopt a single standard for magnetic ink character recognition (MICR) detail on checks by mid-2005.

Check writers don't pay much attention to this string of odd numbers along the bottom of their checks, but financial institutions rely on this information to credit, sort and pay billions of checks written annually by businesses and consumers.

The Fed currently supports about 70 different formats across its 45 processing sites. A standard format will help reduce the cost and complexity of the nation's paper-based payments system and move essential check information more efficiently. The Fed's adoption of a single standard for MICR detail transmission will conform to the ANSI ASC X9.37 format. Watch *Payments Quarterly* for more information about MICR standardization to come. ■

## MPX Conference Focuses on Future Trends in the Ever-Changing ACH Network

Members of the St. Louis Fed's Business Development department attended the annual Mid-America Payment Exchange (MPX) conference last month at the Adam's Mark Hotel. This year's conference, "A Payments Odyssey," gave participants the opportunity to explore current issues and future trends in the ACH network.

St. Louis Fed employees, along with staff members from the Kansas City and Chicago Reserve banks, staffed a booth in the conference's exhibit hall to provide information on FedACH and Fed-sponsored Direct Deposit/Direct Payment campaigns.

On Nov. 7, the St. Louis Fed also hosted a reception at the Bank that was attended by more than 125 conference participants. St. Louis Fed President Bill Poole and MPX President and CEO Ann-Marie Bartels welcomed the guests and commended the group on its efforts to promote electronic payments.

MPX is a not-for-profit regional association that serves as a resource for more than 2,000 Midwestern financial institutions and corporate

members in the areas of payments systems, the ACH network, financial electronic data interchange, Internet commerce and emerging electronic payment applications. ■



Kim Peters (far right), account executive in our Little Rock zone, entertains guests.



Bank President Bill Poole (second from right) and Ann-Marie Bartels (third from left) welcome guests to the St. Louis Fed.