

INSIDE:

2 • Electronic Distribution replaces paper
• Get support from Minneapolis Fed

3 • FedLine for the Web Series: Part 1
• FedACH Information Services offered

4 • Reserve Notes
• Updated EFTPS handbook is here

5 • Quality of qualified returned checks improving

6 • Check adjustments workshops
• Back to School report card

AUTUMN 2002

Payments Quarterly

News and Views on Eighth District Financial Services

St. Louis Fed's Web Site Has a New Address and a Brand New Look and Feel

The Federal Reserve Bank of St. Louis has launched a redesigned web site, www.stlouisfed.org, that features easy and intuitive navigation, plus new content targeted to bankers, economists, educators, consumers and even job seekers.

In addition to a great new look, we've made substantial improvements to the site—restructuring our categories to make things easier to find—and we think our visitors will appreciate all of these changes, summarized below:

- **NEW!** News and Events: Lists all news releases, speeches, conferences and Bank-sponsored events. Also includes a Press Room with photos, biographies and media FAQs.
- **NEW!** Consumer Information: Contains helpful links to various publications on credit, interest rates, savings bonds, personal finance and other helpful topics.
- Financial Services: Contains a new and improved Customer Communications section, plus several new online cash letter forms, which you can find under the Check Operations section. (Paper forms are no longer available.)

- Banking Information: Includes several new topics, including regulations, supervision manuals, applications and notices, bank data and much more.

Other new features:

- Online registration: You can now register online for most Bank-sponsored events.
 - Job posting and résumé service: Look and apply online for jobs at the St. Louis Fed and its branches.
- When you have a moment, visit the new site, then tell us what you think. You can access an online survey form from our new home page at www.stlouisfed.org.

We have a new address and a brand new look and feel. Your visit is always welcome! ■



Don't miss cash letter and check adjustment forms online at www.stlouisfed.org/financial/check_ops/forward_collection.html

Are You Covered in a Cash Contingency Situation?

We are continuing efforts to gather contingency cash contact information from all Eighth District financial institutions. In the event of a crisis, this information is needed to ensure that our cash customers are well-informed and able to meet their customers' currency needs.

Please take an active role in ensuring that your institution has completed the questionnaire located at https://199.217.234.2/cash_form/. (**Note:** Make sure to add an "s" following "http" and an underscore following "cash.")

If you have questions, call your Cash contact at right:

Rich Harper (St. Louis)
(314) 444-8323

Faye Jones (Little Rock)
(501) 324-8250

Scott Jones (Louisville)
(502) 568-9222

Amanda Huddleston (Memphis)
(901) 579-2509

Eighth District Has Moved from Paper to Electronic Distribution

Since the inception of the St. Louis Fed's Electronic Distribution (ED) free e-mail alert service earlier this year, nearly a thousand subscribers have benefited from faster, easier electronic access to federal funds rates, discount rates, regulatory information, operating circulars, financial services, services directories, holiday schedules and press releases.

Don't miss receiving important information. The St. Louis Fed ceased paper mailings of routine letters and announcements Oct. 1. Customers who haven't yet subscribed are urged to do so — plus, there's no limit how many subscribers your institution can have.

Once you subscribe, you'll receive immediate notification delivered electronically to your in-box, and you'll have the ability to change your subscription at any time.

It's easy to subscribe to ED. Simply visit www.stlouisfed.org, and then click on the link found under the "E-mail Alerts" heading. If you have any questions, contact Tracie Mueller in Public Affairs at 1-800-333-0810, ext. 44-8810. ■

Another Way to Stay Informed

The Federal Reserve System also offers a nationwide e-mail alert notification service that informs you of updates to the national Financial Services web site, www.frb-services.org. Not to be confused with the Eighth District's ED service, this e-mail alert service is national in scope and available to all depository institutions across the country.

Once you subscribe, you will receive updates, service alerts and information on Financial Services offerings, all based upon your chosen subscription topics.

It's easy to subscribe — just visit www.frb-services.org and click on the "Email Alert" link found in the middle of the page. ■

Customer Support Moves to the Minneapolis Fed

Electronic Access Consolidation

As announced to all Eighth District chief operating officers in August, the final phase of the consolidation of customer support for Electronic Access was completed Oct. 1, when support for DOS FedLine® moved to the Minneapolis Fed. "This initiative further illustrates the Fed's long-term commitment to operational and cost efficiencies in electronic services," said W. LeGrande Rives, first vice president of the St. Louis Fed. Please note the new contact information shown at right and pass this on to other staff at your organization who may need it.

FedPhone Conversion

The Fed's Cash Services voice response system converted from EDITH to FedPhoneSM on Aug. 19.

Copies of the letters we mailed communicating these changes are located on the Bank's web site under Customer Communications at www.stlouisfed.org/financial/Communications/default.html.

If you need assistance with FedPhone or your password, call the help desk at the Minneapolis Fed at 1-888-333-7010. ■

"FedLine" is a registered trademark of the Federal Reserve Banks.
"FedPhone" is a service mark of the Federal Reserve Banks.

Electronic Access Support Contact List

FedLine for the Web; DOS-based FedLine; Computer Interface Connections

Phone: 1-888-333-7010; (612) 204-7010
Fax: 1-866-281-1060
E-mail: HelpDesk.CSSD@mpls.frb.org
Address: Customer Relations Department
Federal Reserve Bank of Minneapolis
90 Hennepin Ave.
Minneapolis, MN 55480-0291

FedACH

Phone: 1-888-333-2180; (612) 204-5555
Fax: (612) 204-5575

Funds Transfer and Book Entry Securities

Phone: 1-800-327-0147; (617) 973-3769;
(617) 973-3213
Fax: (617) 973-5918; (617) 973-3619

U.S. Savings Bonds

Phone: 1-800-333-2919

TT&L National Customer Service Area

Phone: 1-888-568-7343

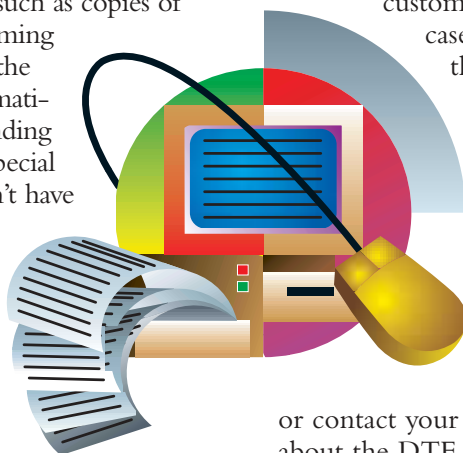
Spotlight on the DTF Archive

Later this year, financial institutions can try out the Documents to Follow (DTF) Archive, a new service offered on FedLine® for the Web that streamlines the check adjustment process.

The DTF Archive is an electronic database that contains images of material needed to support your institution's check adjustment cases, such as copies of checks, live items and forms claiming late return. Once scanned into the archive, this information is automatically matched with its corresponding adjustment case by means of a special cover sheet. Web customers don't have to prepare this cover sheet because it will automatically be generated out of the FedLine for the Web application.

This enhancement comes on the heels of implementing the Enterprise-Wide Adjustments system, a software platform that streamlines adjustment research and resolution at the Fed. Making it possible for financial institutions to transmit additional documentation via the web was the final step in making the check adjustment process electronic from start to finish. Not only is the potential for lost documents significantly reduced, but cases can also be resolved more quickly.

The process is more complex for financial institutions that use DOS-based FedLine or submit adjustment requests on paper. Until these customers start using FedLine for the Web, archive cover sheets must be manually prepared, which takes more time and increases the risk of data-entry errors.



In addition, these institutions aren't able to take advantage of the new archive functionality that gives FedLine for the Web customers access to a 12-month history of their adjustment activity, including advices, acknowledgements and check images. Access to this information helps when customers are researching adjustment cases—no more tedious phone calls to the Fed asking for copies of old, lost or misplaced documents!

If you haven't yet signed up for FedLine for the Web services, we encourage you to explore the new platform so that you can take advantage of this latest development in the check adjustment process. Check out the "Get Started with FedLine for the Web" link at www.frbservices.org

or contact your account executive. To learn more about the DTF Archive and how it can enhance your operation, be sure to attend one of the check adjustments workshops this November. (See page six for dates.)

The DTF Archive is just one of the value-added services FedLine for the Web offers over the DOS-based platform. Many bankers are already taking advantage of other functions available exclusively on the web platform, such as Account Management Information (AMI) and Service Charge Information (SCI).

This article is the first in a *Payments Quarterly* series highlighting unique FedLine for the Web services, so stay tuned! ■

FedACH Information Services Available

FedACHSM Information Services is available via FedLine for the Web. This new service, the first of our ACH services to be delivered to you over the Internet, is part of a growing list of services available through FedLine for the Web. Five broad categories of FedACH information are available to you, including: settlement information; file, batch and item information; and customer profile information. This will help you track, research and account

for your institution's FedACH activity, whether you are originating or receiving payments.

FedLine for the Web subscribers who use the new service have access to other participating institutions' profile information. This new source of ACH participant information means that you no longer need to move between applications or call us for participant information, such as phone numbers.

FedACH Information Services offers you enhanced functional-

ity, expanded services and new features.

To learn more, visit the national Financial Services web site, www.frbservices.org, click on "Get Started with FedLine for the Web" and then follow the instructions for registration and set-up. You can also contact your account executive to learn more. ■

"FedLine" is a registered trademark of the Federal Reserve Banks.

"FedACH" is a service mark of the Federal Reserve Banks.

LDRIN Is Coming

Another new service, Large Dollar Return Item Notification (LDRIN) will be added to FedLine® for the Web Check Services later this year. Currently, LDRIN is available on DOS-based FedLine. LDRIN messages serve as an early warning that checks (\$2,500 or more) are being returned unpaid. ■

FedACH File Edit Change

A change to FedACH edit procedures, which was effective in July, aligned the stale date and duplicate file parameters. Now, the stale date edit checks for file creation dates that are older than four days. Previously, the stale date edit looked for files that were more than five days old.

The duplicate file edit will continue to check for files transmitted to FedACH within the previous four processing days.

When a file pends as a result of failing either the stale date or duplicate file edits, a FedACH staff member contacts the depositing customer or its agent

for instructions about the disposition of the pended file. Occurrences of files caught in the gap between stale dated and duplicate file edits have been rare. By changing FedACH edit procedures, future occurrences can be avoided altogether.

Questions about FedACH edit procedures or this edit change should be directed to the ACH Operations Support staff at 1-888-333-2180. ■

Net Settlement Gets New Name

In August, the Fed's Net Settlement Service was renamed the National Settlement Service. The new name more accurately reflects the function of the service, which supports multilateral settlement of financial obligations, whether or not the obligations are netted. There has been no change to the service itself, which continues to provide a fully automated real-time national settlement facility with immediate payment finality.

Also in August, Reserve banks began offering settlement agents web-based inquiry access into

the National Settlement Service. For the first time, agents can now directly monitor their own settlement activity. There will be no change to the process for submitting settlement files to the Reserve banks.

For more information, visit www.frbsservices.org, or contact the National Settlement Service at 1-800-758-9403. ■

50 States Quarter™ Program

This month, the last of the 2002 commemorative state quarters, Mississippi, is scheduled to be released. Next year will be another busy year for Cash Operations, with three of the seven states in the Eighth District being commemorated. The 2003 release schedule is:

January	Illinois
March	Alabama
May	Maine
August	Missouri
October	Arkansas

Visit www.usmint.gov, or call 1-800-USA-MINT for more information. ■

Updated EFTPS Handbook Available

An updated version of the Financial Institution Handbook for EFTPS (the Electronic Federal Tax Payment System) is available online at www.fms.treas.gov/eftps/eftps handbook.pdf. It supersedes the August 2000 handbook.

The updated version contains information summarizing the key reporting and payment mechanisms available through EFTPS for business taxpayers. It has been primarily revised to reflect the new EFTPS payment option, EFTPS-Online.

Additionally, the Financial Institution Guidelines for Making Same-Day Federal Tax Payments in EFTPS booklet has been updated to

reflect the changes listed here and is also available online at <http://www.frbsservices.org/treasury/pdf/Sameday.pdf>.

If you have any questions, contact your regional EFTPS helpline below:

North (St. Louis)

Bank One 1-800-945-7900

South (Memphis, Little Rock and Louisville)

Bank of America 1-800-605-9876

"FedLine" is a registered trademark of the Federal Reserve Banks.

System Initiatives Underway to “Clean Up” Return Checks

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.

In June 2001, the Federal Reserve implemented several payments system quality improvement initiatives designed to correct industry-wide problems related to the quality of qualified returned checks. Here is an update on these quality improvement initiatives.

Number of Improperly Qualified Return Items Decreases

One area of focus concentrated on reducing the number of improperly qualified return items, which was estimated to be 2 to 4 percent of all return items. As a result, the Fed has seen the number of improperly qualified checks decline to less than 0.6 percent of QRCs deposited with Reserve banks, a significant payments system improvement.

Task Force Formed to Improve Process

The Fed recognizes that the ability to qualify a return item correctly depends, in large part, on the quality of the Bank of First Deposit (BOFD) indorsement. A task force was formed to determine the extent of the indorsement problem and to recommend procedures for improving the overall return item process.

The task force identified two major causes of indorsement problems—missing or illegible indorsements and indorsements in the wrong position. The task force also identified a list of financial institutions whose indorsements are defective, and Reserve banks will be working with these financial institutions to improve indorsement quality. We expect to see improvements over the next six months.

Surcharge Waived for 10 Percent of Rejects

The Federal Reserve recognizes that return item processing is a paper-based system, and rejects are an inherent part of the process. To accommodate variations in read rates on different types of sorters, the

Federal Reserve is waiving the \$10 surcharge charged to a financial institution for 10 percent of its items that have been rejected for a missing or unreadable “2” in position 44. There will be no waiver for other types of return exceptions.

The decision to set the waiver threshold at 10 percent was based on analyses of return-exception volumes and billing adjustments. On average, fewer than three in 1,000 qualified return checks reject for a missing or unreadable “2” in position 44. However, the billing charges for approximately 10 percent of the items reviewed by the Federal Reserve for a missing or unreadable “2” are subsequently reversed.

Ongoing Improvement Efforts

The Federal Reserve views poor deposit quality as a detriment to the payments system and remains committed to encouraging customers to improve the quality of return item deposits. The Fed will continue to monitor these quality improvement initiatives and make further adjustments as necessary to improve the payments system.

We encourage you to review the indorsement practices at your institution and those of your depositors to ensure that the practices consistently adhere to the mandatory indorsement standards established in Regulation CC.

For more information on these initiatives, contact your account executive or refer to additional articles on this topic found in the summer 2001 and the spring 2001 issues of *Payments Quarterly*. ■

Effective Sept. 21, the Federal Reserve began waiving the \$10 surcharge charged to a financial institution for 10 percent of its items that have been rejected for a missing or unreadable “2” in position 44.

Check Adjustments Workshops Coming "Changing the Future of Check Adjustments"

Adjustments staff at Eighth District financial institutions will have an opportunity to see first-hand demonstrations of the Fed's new FedLine® for the Web Check Adjustments Services, plus its new DTF Archive application at upcoming check adjustments workshops. In addition, all of their standard operating procedures questions will be answered. Two sessions, at 8:30 a.m. and at 1 p.m., will be held at the St. Louis Fed and its branches as follows:

DATE	LOCATION	CONTACT	PHONE
Nov. 6	Little Rock	Lindsey Martin	(501) 324-8340
	Memphis	Gloria Oliver	(901) 579-2453
	St. Louis	Judy Nowlin	(314) 444-8727
Nov. 7	Louisville	Annette Doherty	(502) 568-9233

Invitations have been mailed to all Eighth District financial institutions and information is available on the St. Louis Fed's web site, www.stlouisfed.org. Register today! ■

Back to School Seminars Given an A++

In September, the Eighth District hosted its annual Back to School seminars at each of its four offices. More than 250 bankers attended the sessions to learn more about FedLine for the Web, payments system initiatives and customer communications. A guest speaker from the U.S. Treasury also spoke on the Electronic Federal Tax Payment System (EFTPS).

Here is some of the feedback received from the "report cards" completed by the attendees:

"This seminar is very well organized and kept on schedule and I would like to say that everyone from the Fed makes you feel welcome and willing to help."

"I think it is very informative and gives you a chance to visit with your peers and exchange ideas or views on different topics."

"Great, entertaining, informative seminar."

"Everything that was presented was very informative and will be useful."

"Excellent. First Class."

"I have learned so much. I really enjoyed the day."



Make sure you sign up to attend in 2003!

"FedLine" is a registered trademark of the Federal Reserve Banks.

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) 444-8647
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

PAUL DRENNAN
(Eastern Zone)
(513) 455-4371
1-800-432-1343

ANDY LUECKENHOFF
(Western Zone)
(314) 444-8647
1-800-333-0810

MEMPHIS OFFICE

SUSAN BIVENS
(901) 579-2405
(in Tennessee) 1-800-552-5132
(outside Tennessee) 1-800-238-5293

Volume 7, Number 3

Payments Quarterly is published quarterly by the Financial Services Division of the Federal Reserve Bank of St. Louis. If you would like additional copies or back issues, or would like to subscribe, contact Debbie Keeton at (314) 444-8946 or 1-800-333-0810, ext. 44-8946, or go to www.stlouisfed.org and click on the "Publications" button and look under *Payments Quarterly*.

FEDERAL
RESERVE



FINANCIAL
SERVICES