



Payments Quarterly

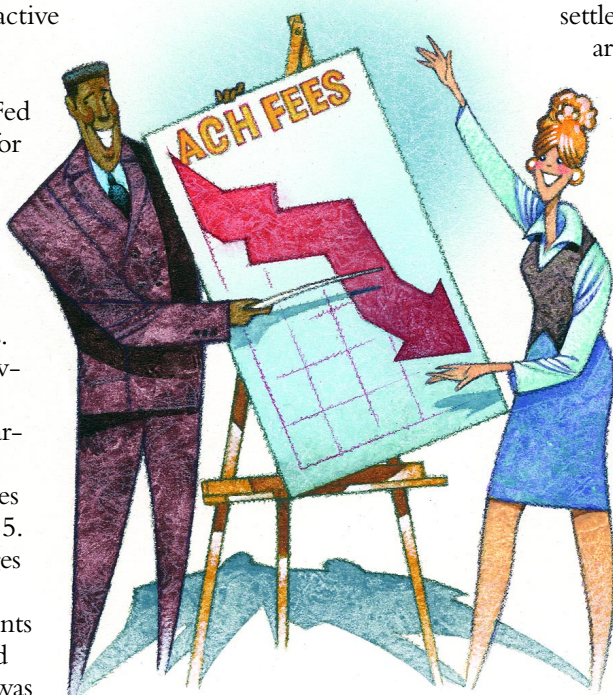
News and Views on Eighth District Financial Services

2002 Begins with ACH Rule Amendments and Lower Prices

It has already been an active year for Automated Clearing House (ACH) services. On Feb. 1, the Fed implemented lower fees for ACH items originated and received, as well as for all addenda records. The table below summarizes our latest ACH fee reductions.

And don't forget that several amendments to the National Automated Clearing House Association (NACHA) operating rules became effective March 15. Highlights of these changes are as follows:

- The new ARC (accounts receivable entry) Standard Entry Class (SEC) code was created to identify ACH debits that are created when consumer checks are received by corporate originators, either through a lockbox or drop box, and then converted into ACH payments. Previously, these types of truncated check-debit entries were originated as PPD (prearranged payment and deposit entry) items and governed by a short-term rule amendment that became effective in December 2000.
- An amendment modifies NACHA's *2002 ACH Rules* to facilitate the use of electronic agreements and electronic record



Service	Old Fee	New Fee*
Items originated in large files (2,500 items or more)	\$.0040	\$.0025
Items originated in small files (fewer than 2,500 items)	\$.0055	\$.0040
Items received	\$.0050	\$.0035
Addenda record	\$.0020	\$.0010

* effective Feb. 1, 2002

storage in conformance with the Electronic Signatures in Global and National Commerce Act (otherwise known as the E-Sign Act).

- An amendment removes the requirement that originators retain the original item (i.e., the check) to which an RCK (represented check entry) relates for a period of 90 days from the RCK entry's

settlement date. Now originators are obligated to destroy the check and retain a copy of the item for seven years from the RCK entry's settlement date.

- Several amendments involve return-reason codes. First, the grounds for why receiving depository financial institutions can return RCK entries have been extended. Refer to the expanded R51 and new R53 return-reason codes on page OR 97 of the *2002 ACH Rules*.

In addition, there are two new qualified reasons for returning POP (point-of-purchase) entries via the R10 return-reason code. Refer to page OR 94 of the *2002 ACH Rules*.

Finally, another amendment states that an ACH entry being returned using return-reason codes R01 (insufficient funds) and R09 (uncollected funds) can only be reinitiated two times. This last rule applies to all SEC codes except RCK.

For details on these rule enhancements, refer to pages R1-R30 of the *2002 ACH Rules* book. If you don't have the latest version, you can obtain one from NACHA at 1-800-487-9180 or online at www.nacha.org. ■

FedLine for the Web Can Fill Your Cash Order

Cash Services via FedLine® for the Web are now available. FedLine for the Web Cash Services provide customers who have Internet access the ability to:

- order cash and currency for multiple branches;
- enter deposit notifications; and
- order cash supplies via a single portal.

Some of the new features customers appreciate include the drill-down feature for summary deposit/order reports, the ability to track and confirm transactions, and real-time printable reports. They also enjoy the easy navigation and accessibility that FedLine for the Web offers. In addition, customers are pleased with the flexibility of cash ordering, because they can stage their cash orders at their convenience within a five-day window, rather than being restricted to a certain calendar date.

Customers who use Cash Services via FedLine for the Web can

feel secure in knowing the Federal Reserve uses the most sophisticated web security available to protect the integrity of our web services, while maintaining an environment that is intuitive and easy to use. FedLine for the Web resides on a secured web server and uses digital certificates to allow user access. All data is encrypted to prevent unauthorized access.

Getting started is easy. Simply go to www.frb services.org, then click on "Get Started with FedLine for the Web Transactions." The link takes you to an information page, with instructions on how to download and print the forms you'll need to begin using the application.

If you have any questions about FedLine for the Web Cash Services, please contact your account executive, or call Electronic Access Support at (314) 444-8711 or 1-800-333-0861, then press one. ■

FedLine is a registered trademark of the Federal Reserve Banks.

This is what several Eighth District customers have to say:

“I love it! FedLine for the Web is much faster and is very user friendly.” —Matt Rader, *The First National Bank of Odon, Odon, Ind.*

“The FedLine for the Web cash application is so simple to use. I use it weekly to order our cash and currency.” —Pam Wilson, *Banterra Bank, Marion, Ill.*

“Midwest Independent Bank is very pleased with the cash ordering module of FedLine for the Web. Orders for cash and coin can be facilitated in a very quick and user friendly manner using this mechanism.” —Sheila Noll, *Midwest Independent Bank, Jefferson City, Mo.*

“Accessing Cash Services over the web is so user friendly that we are in the process of centralizing cash ordering for more than 600 of our branches. It is our preferred mechanism for ordering cash, and to date, we've had no real problems with the application.” —Faye Bailey, *Union Planters, Memphis, Tenn.*

ECP and Check Credit Posting Times Change

The Federal Reserve Board has modified its daylight overdraft posting rules. Currently, the majority of debits associated with Electronic Check Presentment (ECP) transactions are posted to institutions' accounts at 11 a.m. local time. Starting April 2002, the posting time of ECP will move to later in the day, beginning at 1 p.m. local time.

Modifying the posting time for ECP transactions will remove the barrier posed by the earlier posting rules and may encourage institutions to use ECP services instead of physical presentment. It will also reduce or eliminate the daylight overdraft charge differential that was created when customers used ECP.

In addition, the Federal Reserve Board has recalculated posting times for check credits to better reflect Reserve banks' current presentment

schedule. Effective in April, Eighth District posting times for float-weighted check credits will occur between 15 and 45 minutes later, depending on work type and time zone. Posting time changes for fractional check credits will result in a greater percentage of these credits posting later in the day than they do currently. Account managers should be aware that later check credits might lead to increased daylight overdrafts unless some funding changes are made.

Detailed information was mailed to account holders about these posting changes in early March. If you have additional questions about these changes, contact Hillary Debenport at the St. Louis Fed at (314) 444-8488 or 1-800-333-0810, ext. 44-8488. For more information about the Fed's ECP services, contact your account executive. ■

Louisville Leads First Check Standardization Conversion in the District

Months of preparation will soon pay off. This spring, Louisville will be the first of four offices in the Eighth District to convert to Check Standardization. This conversion is a huge step for the District, and we anxiously await the start of our move to a new, more innovative check-processing platform.

Because most changes take place behind the scenes, the initial effects of Check Standardization will go unnoticed by our customers. None of the published Federal Reserve time frames will be affected, such as deposit deadlines, delivery schedules, presentment schedules or availability. In addition, you will not have to make any changes to your existing hardware. However, after your local Fed office converts, you will notice a few differences, summarized in the points below.

Advices: The print format of the Fed's mixed credit and autocharge advices will look slightly different.

Electronic data files: Mixed credit and debit autocharge advice data files received over FedLine® will have a different file format. This change will have the most impact on financial institutions that use advice files to load data for posting.

Payor bank services: Financial institutions that use the Fed's payor bank services will see minor changes to some fields in our standard output file (SOP IV.8), including the batch header record, item detail record, bundle total record and file control record. Some fields will be populated by new data, and other less commonly used fields will be utilized differently. Most significant fields, however, will remain the same.

Forward and return cash letters: You have the potential to receive more than one forward and return cash letter per day. In addition, if a financial institution deposits a fine sort (package) cash letter drawn on your routing number, you will receive a separate fine sort cash letter.



(Two identical copies of the cash letter will be printed on one page, folded in half.) Finally, if your cash letter from the Fed currently consists of a commingled cash letter recap with an individual cash letter for each routing number, you will see some changes. Instead of receiving the individual cash letters, you will receive one cash letter for the endpoint routing number and a commingled recap.

Check transactions on account statements: You will receive an autocharge for each cash letter presented to your institution. This will require tracking and clearing additional entries from your statements.

As your Fed office's conversion draws near, you will receive more details about the cutover. In the meantime, we encourage you to become familiar with these changes by visiting the Check Standardization web site, www.stls.frb.org/banking/financial.html, to see what some of the new print outputs and data file formats will look like.

If you have questions, please contact your account executive. You also can obtain project status updates throughout the month of your office's conversion by calling 1-866-433-3227.

Service Changes Temporarily on Hold

Because we must lock down our software after testing is complete, the District will implement a "freeze period" on changes to check services. During the freeze period, we ask that you not make any changes related to settlement arrangements, presentment locations, advice delivery or payor bank services (additions, deletions and changes), except in an emergency.

Freeze periods are staggered across the District and will be confirmed closer to your office's cutover date. In general, the freeze begins between four to seven weeks before each office's conversion, lasts several weeks through the conversion and continues four additional weeks after conversion is complete. ■

Migration to Fedwire Enhances Attractiveness of Ginnie Mae Securities

This quarter, the Government National Mortgage Association (Ginnie Mae) started clearing and settling its securities on the Fedwire® Book-Entry Securities system. This conversion to Fedwire from the Depository Trust & Clearing Corp. means that customers who use custodians for Ginnie Mae securities can move such holdings into their Fedwire securities accounts.

In conjunction with the Ginnie Mae conversion, the Fed is enhancing Fedwire functionality by automating adjustment payments among participants, including fail tracking, interim accounting and repo tracking. These features, which were previously handled outside of Fedwire, eliminate a cumbersome manual process for tracking and clearing adjustments from securities transaction counter-parties. Automated adjustments for these features will be incorporated into the Fedwire system for Ginnie Mae and other mortgage-backed securities already settling on Fedwire. A surcharge will be assessed by the third quarter for each new feature.

A nationwide toll-free number, 1-800-390-2788, has been established to respond to inquiries related to claim adjustments, claim notifications, and principal and interest payments. The Fed

is not changing current principal and interest processing or making changes to the transfer component of the Computer Interface Protocol Specifications.

More details on this initiative can be found at www.frb services.org/Book-Entry/frBook-Entry.cfm. ■

District Dialogue Dates Set for 2002

The Federal Reserve Bank of St. Louis hosts District Dialogues each year to serve as an information exchange between the Fed and senior officers of Eighth District financial institutions. These meetings allow Fed speakers to discuss current banking and economic issues and provide our guests an opportunity to ask questions and offer comments on timely issues.

For more information, contact Jill Dorries at 1-800-333-0810, ext. 44-8818. The schedule through July 2002 is as follows:

April 3	Memphis, Tenn.
April 4	Jackson, Tenn.
July 16	Bowling Green, Ky.
July 17	Louisville, Ky. ■

Food Coupons Now Processed in Memphis

Because of declining food coupon volume, food-coupon processing for depository institutions in the Louisville zone is

being transferred to our Memphis office. Effective April 1, food coupon deposits should be sent, via registered mail, directly to:

FRB—St. Louis
Memphis Branch
Department FC
P.O. Box 407
Memphis, TN 38101-0407

For more information, contact Scott Jones in Louisville at (502) 568-9222 or William Kersh in Memphis at (901) 579-2505. ■

Fedwire Operations Status Now Available on the Web

The events of Sept. 11 have reinforced the need for real-time communications related to the functioning of the payments system. To meet this need, the Federal Reserve has launched the Fedwire Operations Status page that is accessible from the national Financial Services web site, www.frb services.org. This page provides real-time operational status for Funds Transfer, Book-Entry Securities and National Net Settlement services.

The Federal Reserve is committed to providing you with the information you need to keep your own operation running smoothly. Log on to www.frb services.org now to begin using this new option. ■

Fedwire is a registered trademark of the Federal Reserve Banks.

DOS FedLine Training Is Back by Popular Demand

In response to customer inquiries, Electronic Access Support (EAS) has scheduled DOS FedLine® training for new users and Local Security Administrators (LSA). Classes will be held April 16-18 in Memphis and May 14-16 in St. Louis.

DOS FedLine training sessions are conducted over three business days. A half-day is devoted to LSA training, and the remaining two and a half days focus

on application training. Two people may attend from each registered financial institution. Special training sessions for Check Adjustments, Book-Entry Securities and ACH Origination are offered on an as-needed basis.

For pricing and registration information, please contact EAS at (314) 444-8711 or 1-800-333-0861, then press 1. ■

Wal-Mart Takes Check Truncation Service Cross-Country

“Always low prices. Always.” With this motto, Wal-Mart explains both its cost-consciousness and its focus on the customer. Now, Wal-Mart is one of the nation’s first large retailers to pioneer a safe and easy payment alternative for customers.

Called the Electronic Check Acceptance (ECA[®]) service, this payment option converts the paper checks that Wal-Mart customers write at the check-out counter into standard ACH items. To offer the service, Wal-Mart partnered with TeleCheck, which operates ECA under the National Automated Clearing House Association’s (NACHA) point-of-purchase (POP) rules that became effective in September 2000 and govern electronic checks at the point of sale.

Behind the scenes, Wal-Mart uses the POP Standard Entry Class code to initiate one-time debits to consumer accounts. To ensure that the process complies with NACHA regulations, Wal-Mart requires consumers to sign a printed receipt authorizing the transaction, similar to the process used when paying with a credit card. A copy of the authorization form is subsequently returned to the customer, along with the voided check.

Wal-Mart first started piloting its check truncation service in 1998 at fewer than a dozen stores. Since then, ECA has been expanded to 15 states and is now offered at roughly 200 stores, including locations in the Eighth District states of Arkansas, Indiana, Missouri and Tennessee. The service takes between 60 to 90 days to implement and requires minor programming modifications to Wal-Mart’s existing point-of-sale equipment.

Although the start-up process is now refined, it wasn’t always this easy. Before July 2000, ECA was a stand-alone process that had to run through both Wal-Mart’s and TeleCheck’s point-of-sale equipment, which slowed down the checkout process. The integrated solution now in use helps the transaction run more smoothly and makes it possible for Wal-Mart to offer the service at more locations across the country.

In fact, the greater challenge of offering the ECA service is not the technological aspect, but, rather, consumer awareness. According to Michael Cook, assistant treasurer and director of financial operations at Wal-Mart, the key to a successful check truncation service is educating consumers. “We’re finding that many of our customers have heard inaccurate information regarding electronic check truncation; so we spend significant effort dispelling these rumors and setting the facts straight,” says Cook.

To help with educational efforts, Wal-Mart and TeleCheck conduct a public information campaign whenever they roll out ECA in a new community. And, not only does Wal-Mart offer special in-store training for all employees, but both organizations send a joint letter and informational packet to all financial institutions in the community describing the new service and asking for assistance in educating their institution’s staff and customers about the ECA process. “Front-line employees at banks are critically important,” explains Cook. “These are the people who will undoubtedly receive inquiries regarding the process, and it’s our goal to ensure they can answer with confidence.”

What drove Wal-Mart to pursue this innovative payment method and become an industry leader in electronic check truncation? In a nutshell, efficiency. While ECA won’t completely eliminate trips to the bank for Wal-Mart stores, the process cuts back on the number of times a consumer check must be handled, from the cashier to the customer service manager to the cash office. As statistics show, merchant costs go up and the odds for check fraud increase the more times a check is handled. ECA reduces these risks.

Apparently, Wal-Mart isn’t the only one happy with the process. Customer acceptance is strong and is expected to grow as consumers become increasingly familiar with the process. In a consumer survey conducted by TeleCheck, 94 percent surveyed said the process would not affect their shopping habits. This is an encouraging trend for Wal-Mart, financial institutions and the future of electronic payments.

Wal-Mart’s experience will undoubtedly pave the way for dozens of other retailers interested in offering point-of-sale check truncation. We encourage you to talk with your merchant customers about offering this service as an additional payment option. This is an excellent opportunity to strengthen business relationships with your customers and to continue fostering electronic payments.

If you’re interested in obtaining more information, contact your account executive, regional payments association or visit the NACHA web site at www.nacha.org and choose Electronic Check Council, then Resources. ■



Two New Faces Serving the Louisville Zone

Andy Lueckenhoff (left) and Paul Drennan



Two members of the Fed's Financial Services sales team, Paul Drennan and Andy Lueckenhoff, now have responsibility for serving financial institutions in the Federal Reserve Bank of St. Louis' Louisville zone. Ralph Ising, who served as account executive in the Louisville zone since September 1998, has been promoted and transferred to Check Operations at the Louisville branch.

Paul Drennan will call upon the financial institutions in the eastern part of the Louisville territory, while Andy Lueckenhoff will visit financial institutions in the western part of the territory and will continue to serve his customers in Illinois.

Paul has been an account executive with the Federal Reserve Bank for nearly three years. Before joining the Fed, he was in sales and management for several trucking companies for 18 years. Don't let the absence of financial services experience fool you. Paul was selected "Newcomer of the Year" at the Federal Reserve System's national Business Development conference last year.

"I am very happy to have made this career move," Paul says. "The Fed is a great place to work. I've had a lot to learn, and even though it's been a great challenge, it has also been very exciting and enjoyable. I am a big proponent of customer service. Financial insti-

tutions have many options to choose from when it comes to financial services. Great customer service is what separates the Federal Reserve from our competition."

Andy, senior account executive, has been with the Fed for over 20 years, serving in a variety of positions. He started in the Check Department, then held management positions in Wire, ACH and Reserve Accounting before becoming an account executive in May 1982. His years of experience should prove invaluable to

customers as they face decisions about the use and benefits of the Fed's products and services. Customers will find Andy to be a valuable resource when responding to their business needs and concerns.

"I'm looking forward to meeting new people in Indiana and Kentucky and discussing their Fed relationship. It's exciting and rewarding to talk to financial institutions and look for ways they can save money or improve their operations," said Andy.

Paul and Andy are both in the process of calling their financial institutions to schedule visits. If you need to contact them in the meantime, Paul can be reached at (513) 455-4371 or 1-800-432-1343, ext. 4371 and Andy can be reached at (314) 444-8647 or 1-800-333-0810, ext. 44-8647. ■

“Great customer service is what separates the Federal Reserve from our competition.”

Treasury Check Processing Sites Consolidated

During the second quarter of 2002, Treasury check processing will be consolidated from eight processing sites into four. The Federal Reserve Bank of St. Louis has been chosen as one of these sites, along with the Federal Reserve banks of Atlanta, Philadelphia and Richmond.

The selection of these four sites as the processors of Treasury check volume was based on certain criteria, including low processing costs and

quick turnaround time. Information from the first six months of 2001 was used to rank the sites, and the St. Louis office was No. 1 out of the group. Now, St. Louis is leading the consolidation project.

The consolidation was made possible by the decreasing volume of Treasury checks seen in recent years. It comes on the heels of an initial consolidation in 1997, when 12 processing sites merged into eight. ■

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

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