

WINTER 2002



Payments Quarterly

News and Views on Eighth District Financial Services



Paper or Plastic? Electronic Service Fees Decrease; Paper-Based Fees Rise

The Federal Reserve's commitment to promoting electronic payments and services is paying off for customers with an overall 5 percent decline in 2003 fees for several of our biggest service lines—FedACHSM, Fedwire[®] Funds and Fedwire Securities. Other fee decreases are even larger:

- FedACH per-item receipt fee lowered 50 percent to \$0.0025, and origination fee for items in small files lowered 45 percent to \$0.0030.
- Fedwire Funds service origination and receipt fees lowered across all volume tiers. Fees for the largest volume tier lowered 33 percent to \$0.10.
- Fedwire Securities service fees for the online transfer of securities lowered nearly 40 percent to \$0.40.

In a continued effort to standardize products and fees across the Fed System, the Eighth District is introducing a number of additional price and product changes within Check services in 2003. Some of the changes include:

- Cash letter/package fees for most forward and return collection products will increase by \$1 (regular deposits) or \$2 (premium deposits).
- Within the Little Rock, Louisville and Memphis zones, most forward and return products will migrate to a tiered billing structure, which more accurately reflects our costs to collect deposited items.
- Within the payor bank arena, the daily fixed fee for MICR Presentment, MICR Presentment Plus and Truncation will increase to \$5. The Fed will also be implementing a standard pricing structure for controlled disbursement-related services, and several per-item fees will be adjusted.
- Fine sort recaps and rainbow sheets not submitted electronically will be subject to a \$2 per cash letter surcharge.

For more detailed information on these changes or for complete priced service fee schedules, visit www.frbstlouisfed.org. ■

Renovation of Cash Operations Nears Completion

Cash Operations at the St. Louis Bank is receiving a makeover. Beginning in August, a major renovation project began in Cash that should be complete in January 2003.

As part of the renovation, the high-speed currency processing machine and administration area will be moved closer to the

Bank's main vault. The renovation will also include a new viewing area for tours outside the secured cash area.

If you'd like to see our new area, call Shannon Fox at 1-800-333-0810, ext. 44-8560, to schedule a tour after the first of the year. And, if you haven't had an opportunity to visit

St. Louis' Check Operations since it was renovated in late 2001, you'll have a chance to see that area when you tour the Bank, as well. ■

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In the Rearview Mirror: Looking Back on 2002

Before you make your New Year's resolutions, do you look back to see how you did the year before? We do.

Our ongoing commitment to exemplary customer service means nothing unless you see results. Before we move on to new service initiatives for 2003, we thought we would recap a few of this year's improvements you may have noticed.

- **Improved web site** – In August, the Bank launched a new and improved web site, www.stlouisfed.org, that contains a lot of new content and two new categories, as well as easy and intuitive navigation. And, the URL is even easier to remember.

- **Easier access to forms** – Electronic cash letter and check adjustment forms became available online in August, eliminating the need for your institution to request forms from our stockroom.

- **More face time** – Through Back to School seminars, Check Adjustments workshops and Account Management 101 sessions, the Fed has invited you to come visit the Bank, meet the Fed staff members you interact with regularly and have your questions answered. Plus, we've shared a lot of information on the products and services that the Fed has to offer.

- **Automated fail tracking** – The Fedwire® Securities Service eliminated a cumbersome manual process for tracking and clearing adjustments from securities transaction counter-parties.

- **New services** – We introduced a number of new services on FedLine® for the Web, and we invited you to try them with no access fees in 2002.

- **Increased security** – In 2002, the Fed made a number of improvements to its security procedures, from more training for the Bank's protection officers to enhancements to building security. ■

Electronic Distribution Survey Gets Positive Response from Customers

The results are in, and more than 90 percent of the St. Louis Fed's electronic distribution (ED) subscribers who responded to a recent online survey say that the service is easy to use and that announcements are timely. Signing up for ED is easy, too, according to 89 percent of respondents.

Respondents were also given the chance to suggest improvements to the service. Some customers said that they'd like more research-related data available through ED, as well as access to certain forms and transaction services.

In response to these and other suggestions, the Bank is looking for ways to improve and enhance the service. In the meantime, visit www.stlouisfed.org and click on "E-mail Alerts" to subscribe or learn more about this free service. ■

Are You a Documentation Fanatic?

When it comes to documentation for check adjustment cases, many financial institutions believe that more is better. The more information and documentation you provide to the Fed, the better your service is going to be, right? Only partly.

As we move closer to a paperless society, and with the Fed's implementation of the Documents to Follow (DTF) Archive, measures are being taken System-wide to reduce the amount of unnecessary documents the Fed receives. We're working to educate our member institutions about what documents should be included with adjustment requests. In short, quality—not quantity—will result in better service and quicker adjustments for your institution.

For those already using FedLine for the Web, the DTF Archive is available and can virtually eliminate the need for paperwork to be sent between institutions. Institutions still using the DOS-based FedLine should mail or fax only the required documents.

On Page 3, you'll find a list of investigation types that require supporting documentation. Information for all remaining investigation types can be put in the body of the adjustment request form.

During the next few months, reminders will be sent to institutions that still send excessive or unnecessary documentation. Any questions you might have concerning this subject can be directed to your local Federal Reserve Check Adjustments representative listed below:

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

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FedImage Services Is Here: Get the Picture!

The Federal Reserve introduced several enhancements to FedLine® for the Web this year. However, we saved one of the best services for last. As previewed in the summer 2002 issue of *Payments Quarterly*, the Eighth District has now added image services to the suite of FedLine for the Web check products.

Called FedImageSM Services, this new offering gives financial institutions a full array of image options designed to meet all types of banking needs. Whether you're looking to improve productivity, use image technology to reduce check-processing costs, or provide corporate and retail customers with better image-enhanced services, FedImage Services helps you develop a customized solution to meet your needs and those of your customers.

FedImage Services offers many alternatives for building your image strategy:

Check Image Capture – Captures digital images of your checks as they pass through our sorters. You can enhance the service you provide to your corporate customers and improve your own research and adjustments efficiency.

Image Archive – Stores your images in the Fed's national image archive for access and retrieval. You can choose from a range of duration options.

Image Retrieval Services – Provides the most comprehensive access and delivery options on the

market. You can select from scheduled or interactive queries through a secure Internet application interface or FedLine for the Web.

Image File Delivery – Offers customized delivery options, including FedLine for the Web, the Internet, e-mail, fax, bulk-image transmission or physical media (tape or CD-ROM). Images can be delivered to your institution or sent directly to a processing site. FedImage Services seamlessly supports your need to export images for statement rendering and processing.

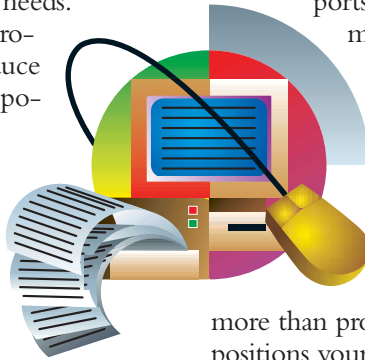
Regardless of which products you choose, FedImage Services is designed to be your total image management solution.SM Trends such as online banking and using electronics to support the truncation of paper checks are changing the payments landscape. Having imaging capabilities does

more than provide basic operational efficiencies—it positions your financial institution to remain competitive and provide the services your customers want.

We encourage you to make FedImage Services part of your business strategy. FedImage Services is currently available in Louisville, and work is underway for implementation in Little Rock, St. Louis and Memphis. To get started, contact your account executive. ■

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"FedImageSM" and "Your total image management solution" are service marks of the Federal Reserve Banks.



Investigation Types Requiring Supporting Documentation

Investigation Type	Required Attachment(s) ¹
Encoding Error (ENC)	One legible photocopy
Entry in Error (ERR)	Documentation necessary to substantiate claim of entry in error
Free Item (FREE) Not Our Item (NOI)	Original item (via mail or courier) and supporting documentation (via fax)
Non-Cash Item (NCH)	Original or legible photocopy of item
Late Return Claim (LC)	Original or legible photocopy of item and completed Claim of Late Return form
Late Return Disclaimer (LR)	Original or legible photocopy of item and completed Response to Claim of Late Return form
Photo in Lieu of Original (PIL) Forward Collection ²	One legible photocopy; back of the item must be stamped with a current endorsement and must also be indemnified
Photo in Lieu of Original (PIL) Return Item Collection ²	One legible photocopy marked with phrase "notice in lieu of return" and forward collection source information (if BOFD endorsement is illegible)
Photo and Original Paid (PAID)	One copy each of original item and photocopy charged

¹ Unless otherwise noted, photocopy requirements include images of both the front and back of the item(s) associated with the adjustment message. If photocopies are submitted for NCH, LC and LR investigation types (instead of original items), the original items should be retained, as they may be requested by the Reserve offices.

² The preferred method for submitting a Photo in Lieu of Original (PIL) is through the forward/return check collection process, rather than through adjustment channels. Please refer to the Quick Reference Guide at www.frbservices.org for additional information and deposit requirements.

FedACH Customer Contact Center Phone Number Correction

In the last issue of *Payments Quarterly* we listed an incorrect phone number for the FedACHSM help desk. The correct number is 1-888-883-2180. We apologize for any inconvenience this may have caused. ■

Fedwire Contingency Test Dates Scheduled

Each year, Reserve banks perform four weekend tests of the Fed's ability to recover Fedwire[®] Funds Transfer and Fedwire Securities after an outage. Testing dates have been announced for the next two years (see next column), and customer participation will be solicited. Customers who use Fedwire and CHIPS will be able to test their recovery capabilities of both of these functions on the same day.

You can find additional information at www.frb services.org, under

Fedwire Funds or Fedwire Securities, by clicking on "Fedwire Customer-Initiated Testing Opportunities."

2003	2004
March 8	Feb. 21
June 7	June 5
Sept. 13	Sept. 18
Nov. 1	Nov. 6

World's Most Valuable Coin

An uncirculated 1933 Double Eagle gold coin was sold in July for \$7.59 million—believed to be the most ever paid for a coin at auction. "It is now the most valuable coin in the world," said the director of the U.S. Mint, Henrietta Holsman Fore.

Double Eagles were first minted in 1850, with a face value of \$20. The Double Eagles that were minted in 1933 were not circulated because of President Roosevelt's decision to take the nation off the gold standard, and only a

few survived an order to melt down the coins.

Two Double Eagles were handed over to the Smithsonian Institution for safekeeping, while another coin was thought to have been smuggled out of the Mint and into the storied coin collection of Egypt's last monarch, King Farouk. The coin disappeared in the 1950s and resurfaced in 1996, when it was seized by the U.S. Secret Service.

Fore said a portion of the money from the sale of the rare coin went to the U.S. Treasury "to pay down the public debt and fund the war on terrorism." More information can be obtained online at www.usmint.gov, under "Press Releases." ■

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Guidelines for Depositing and Ordering Currency

Deposit quality is an ongoing concern for the Eighth District's Cash Operations. Operating Circular No. 2 is an important resource for bankers that explains how to properly deposit currency with local Federal Reserve offices. Here are some do's and don'ts to follow when depositing currency with the Fed:

Do's:

- Do ensure there are 100 notes per strap and 10 straps per bundle.
- Do secure the bundle using two heavy rubber bands.

Don'ts:

- Don't use paper clips on notes.
- Don't wrap rubber bands around notes in addition to the currency strap.
- Don't bundle together misfaced notes (notes that are not portrait-side up).

When you order currency, please plan for a three-business day process, as outlined at right. Please

note that this process does *not* change when there is a holiday. You should consider when the holiday occurs and adjust the day of your order accordingly.

- **First business day** – Customer places order before the 3 p.m. deadline.
- **Second business day** – Federal Reserve prepares order; debit occurs.
- **Third business day** – Carrier arrives at your office with the order.

Before you decide on an order day, it is a good idea to contact your armored carrier to verify the date it plans to visit your office.

Please assist us by reviewing the currency deposit requirements outlined in Operating Circular No. 2, which can be found on the national Financial Services web site, www.frb services.org, under "Industry Topics." You can also contact your local Cash Operations representative below with any remaining questions you have:

St. Louis	Rich Harper	(314) 444-8323
Little Rock	Faye Jones	(501) 324-8250
Louisville	Scott Jones	(502) 568-9222
Memphis	Amanda Huddleston	(901) 579-2509

Treasury Offers New Trace Request Program: Tele-TRACE

Resolving claims of nonreceipt of payment has never been faster or easier, thanks to an enhanced trace request program called Tele-TRACE. Tele-TRACE helps resolve claims more efficiently and quickly by using a telephone call, instead of paper forms, to track claims.

A claim of nonreceipt of payment generally starts when a payee notifies the paying federal agency (for example, the Social Security Administration) that he or she did not receive an automated clearinghouse (ACH) payment. The agency then notifies the U.S. Treasury's Financial Management Service (FMS), which contacts the payee's financial institution.

In the past, trace request forms were mailed to financial institutions. With Tele-TRACE, phone calls are made to the institutions by FMS representatives, which result in more efficient and timely resolution of claims. By using the Tele-TRACE program, claims are often resolved within 48 hours, as compared to an average of 15 days with the traditional paper process. This not only improves the level of customer service provided by federal agencies, FMS and the financial institutions, it also saves time and money.

Bank of America is just one institution that has benefited from Tele-TRACE. "The phone calls are ideal," says Mike Root, assistant vice president of Overdraft Services Reclamations at Bank of America. "We save time because we are not receiving, opening and handling the paper. The FMS offices call with an ABA and account number, and, provided it's not more than 45 days old, we can easily look it up on our system."

Francie Abbott, claims supervisor of FMS, agrees with Root. "This is a much better method," she

says. "Under the old method, we would send out the paperwork, and the financial institutions would have up to 30 days to respond. Tele-TRACE provides a more direct resolution and more immediate results. The payees have been very pleased with the program, too, because they receive a call back from a real person. Tele-TRACE is really making us more productive."

According to FMS, additional types of ACH payments and other federal agencies may be converted to the Tele-TRACE program in the future. When that occurs, financial institutions can expect to receive more Tele-TRACE calls and fewer paper requests. In the meantime, financial institutions should continue to respond to all FMS trace requests as they are normally handled.

For more information about Tele-TRACE, refer to the sources listed below:

- Access the FMS' guide to Federal ACH payments and collections (the *Green Book*) at www.fms.treas.gov under "Publications" (Pages 3-10).
- Contact FMS representatives Francie Abbott in Kansas City at (816) 414-2185 or Barbara Douglas in Philadelphia at (215) 516-8141.

If you have questions regarding Federal Reserve FedACHSM services, please contact your account executive. ■

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Check Adjustments Workshops Are Huge Success

Nearly 550 Eighth District bankers attended the Check Adjustments workshops last month at each of the Fed's four offices to see demonstrations of check adjustments via FedLine[®] for the Web, as well as to hear about all the benefits that the Fed's new DTF Archive has to offer. Here's what District bankers had to say about the workshops on their evaluations:

"Web site is quick and efficient."

"Lots of information packed into workshop. Keep them going!"

"Very useful information. I would recommend to everyone!"

"The instructors were great in answering questions."

"Outstanding and very helpful."

"Enjoyed tremendously."

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Little Rock's New Customer Service Star

Lindsey Martin has been named the new customer service contact for the Little Rock Branch, replacing Randy Ellison. She has been at the Bank for four years in various areas of the Check Department.

While a student, Lindsey worked part time at the Fed in Payments Support, performing a variety of administrative functions. Upon graduation from the University of Central Arkansas in 2001, Martin was promoted to management ana-



lyst in Check Adjustments. She will continue in that capacity, as

well as take on her new role as the Bank's customer service contact.

Martin possesses the knowledge and experience to tackle all of your business needs and concerns. Feel free to call her directly at (501) 324-8340 the next time you need assistance. As always, you can also contact Lit-

tle Rock's account executive, Kim Peters, at (501) 324-8251. Both Peters and Martin can be reached at 1-800-482-9463. ■

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
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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

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