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Payments Quarterly

News and Views on Regional Financial Services

Fed Prepares Pittsburgh Customers for Check Processing Move

The Pittsburgh Branch's check operations shift to Cleveland marks the first such Check Restructuring conversion for the Federal Reserve System. We want you to rest assured that, despite the changes, customers should still expect the same high-quality, efficient payment services from the Fed.

To prepare for the Nov. 1 transition, we have sent our customers a series of materials regarding deadlines, drop-off locations, changes to accounting and billing statements, and other operational details.

As of 5 p.m. Saturday, Nov. 1, customers in the Pittsburgh territory are requested to drop off their work at the following transit points:

Weekday Transit Point	Saturday/Sunday Transit Point
United Parcel Service	US Cargo
Pittsburgh International Airport	150 South 22nd St. Pittsburgh, PA 15203
Cargo #3, International Dr. Pittsburgh, PA 15231	

Customers may also deliver their items directly to the Cleveland office. The Federal Reserve will transport all work received at the Pittsburgh transit points to the Cleveland office for processing. Pitts-



burgh adjustments processing will also be handled in Cleveland as of Nov. 1.

The Pittsburgh-to-Cleveland conversion is the first in a series of Check Restructuring moves announced earlier this year. Currently, Little Rock's check operations are scheduled to shift to Memphis in July 2004, with Louisville's moving to Cincinnati the following month. In advance of those events, we will begin sending out regular mailings to our Little Rock and Louisville customers next spring.

Throughout all of the conversions, we remain committed to providing check-clearing services to all markets nationwide and will do everything possible to minimize the impact on customers. For more information, contact your account executive or visit www.frb-services.org/Retail/CheckInfrastructure.cfm. ■

Eighth District Announces Major Cash Restructuring Plan

In July, the Eighth District announced a major restructuring of the District's cash operations designed to save approximately \$3 million a year. Changes include closing cash operations and support services in the Little Rock and Louisville branches in late 2004.

"With revenues from check processing leaving our branches in Little Rock and Louisville, that leaves only cash processing to support those branches, including overhead functions like security, human resources and others," said LeGrande Rives, St. Louis Fed first vice president.

"That's not an efficient way to run things, so we need to make some changes."

These changes do not mean that the Fed is eliminating its presence in Little Rock and Louisville. A small staff will remain in each

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Check 21

Promises Greater Choices, Efficiency and Innovation

Although checks remain the most popular form of non-cash U.S. retail payments, it's no secret that the current check collection and return process is both costly and labor-intensive. Good news: Help is on the way.

Pending legislation known as The Check Clearing for the 21st Century Act, or Check 21, will offer an alternative to today's paper-based system by allowing financial institutions to take advantage of electronic check presentment and return capabilities.

To foster innovation and efficiency in the payments system, the Federal Reserve proposed legislation to Congress in December 2001 that would remove some legal impediments to check truncation. Two versions of the legislation were passed unanimously in June 2003, one by the House of Representatives and one by the Senate. Differences between the versions are expected to be resolved in conference, probably before the end of 2003. The provisions of Check 21 are expected to take effect 12 months after passage.

What is Check 21?

In its simplest terms, Check 21 will enable financial institutions to achieve many of the benefits of electronic check processing without mandating the receipt of checks in electronic form.

Under Check 21, financial institutions will be able to use digital images and electronic check information to create substitute checks, allowing them to collect and return checks more quickly. These substitute checks—not the check images themselves—will serve as the legal equivalent of the original check.

What benefits will Check 21 bring?

- **More choices.** By taking advantage of electronic check presentment and return capabilities, financial institutions can offer customers an alternative to today's paper-based system.
- **Increased efficiencies.** By re-engineering their infrastructure with electronics, financial institutions can expedite the collection or return of checks, streamline internal processes, reduce operating costs and realize greater efficiencies.
- **Greater innovation.** By providing innovative new services, financial institutions can broaden their deposit options or extend deposit cutoff hours.

How will the Fed respond?

The Federal Reserve will be ready with Check 21 products when the legislation goes into effect. The Reserve Banks also intend to introduce a new suite of services to offer customers more options than ever before:

Forward and return image cash letters.

Customers with image-enabled operations will be able to send image cash letters directly to the Fed. These items can be quickly sent to the paying bank or to the Fed for substitute check creation and physical presentment. Customers will also be able to send return image cash letters to the Fed, resulting in a more efficient process for return item pulls, return item qualification and cash letter creation.

Image cash letter conversion. For customers not yet image-enabled, Reserve Banks will selectively create cash letters on their behalf to expedite clearing, reduce operating costs and extend processing windows. This will facilitate accelerated clearing of large-dollar items and improve deposit times.

Image cash letter delivery. Customers ready to accept image cash letters will be able to receive their Fed presentments earlier than they do today.

For more information about the Fed's Check 21 plans, or to discuss opportunities that could help your institution prepare for this legislation, contact your account executive. ■

Check 21 will be discussed in depth at the 2003 Payments Symposium on Nov. 19. See Page 6 for more details and to find out how to register for the symposium.

Sunset Date Announced for Converting DOS-based FedLine® Informational Services to FedLine for the Web

Since FedLine for the Web's release, the Federal Reserve Banks have shared information about the advantages of using it. In fact, as you've read through the past four issues of *Payments Quarterly*, you've undoubtedly noticed various articles on this very page describing the FedLine for the Web suite of products.

FedLine for the Web provides rapid, flexible and powerful web-based access to Federal Reserve Financial Services. It uses the power of the Internet to provide any or all of your staff with convenient same-time access, plus you control and customize usage to meet your business needs.

You may have already joined thousands of other customers across the System who have subscribed to this online suite of products since its launch last year. But if you continue to use DOS-based FedLine to access *informational* services—including Account Management Information, Cash Services, Check Services, FedACHSM Information Services and Service Charge Information—we want to encourage you to begin converting these services to FedLine for the Web as soon as possible.

It is our intent to discontinue support of all DOS-based FedLine *informational* services after March 31, 2004.

We realize that certain *transactional* services, including FedACH, Funds and Book-Entry, are only accessible via DOS-based FedLine at this time. You will need to continue to use DOS-based FedLine for these services. Therefore, the March 31, 2004, sunset date does not apply to these *transactional* services.

Once you take a look at all of the available FedLine for the Web services listed below, we think this will be an easy decision:

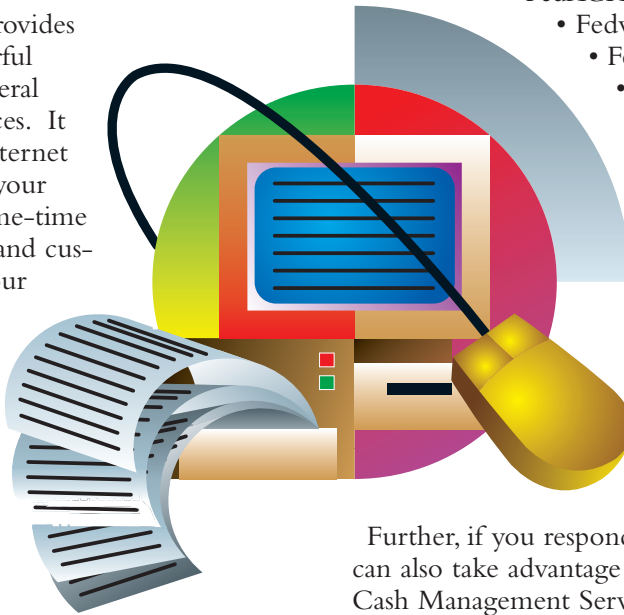
- Account Management Information
- Cash Services
- Check Services
- FedACH Information Services
- Fedwire® Funds Service
- Fedwire Securities Service
- National Settlement Service
- Savings Bonds
- Secure File Transport
- Service Charge Information

And to help make this an easy transition, the one-time setup fee of \$50 per subscriber will be waived for all new subscribers who sign up for FedLine for the Web now through March 31, 2004.

Further, if you respond before Nov. 15, you can also take advantage of the free trial month of Cash Management Services. (See Page 4 for more detailed information.)

We encourage you to begin this transition as soon as possible. Contact Bobbi Antoff at the St. Louis Fed at 1-800-333-0810, ext. 44-4774, or Dot Trame at the Cincinnati Fed at 1-800-432-1343, ext. 4369, to begin this transition process right away.

For more detailed information about the FedLine for the Web suite of products, visit www.frbsservices.org. ■



It is our intent to discontinue support of all DOS-based FedLine *informational* services after March 31, 2004.

St. Louis Paper Adjustments to Be Handled by Memphis

This is a reminder to St. Louis zone customers that, effective Oct. 1, all paper check adjustment cases are handled at the Memphis Branch. Paper check adjustment cases should either be mailed directly to the Branch or inserted with your cash letters.

The only exception is Postal Money Order (PMO) and government adjustment cases, which will continue to be processed in St. Louis.

This change will not affect the adjustment service you receive from the Federal Reserve.

Adjustment entries will continue to appear on your accounting statement as originating from St. Louis, and service questions should still be directed to the St. Louis Check Front Office at 1-866-433-3227.

Additional information can be found online at www.stlouised.org, under "Services for Financial Institutions," then "Customer Communications." Select "Check Operations" under "2003 FedExtra Announcements." ■

Cash Management Reports Now Available via AMI

As part of our continuing effort to provide timely account information, a new suite of Cash Management Services is now available to Fourth and Eighth District customers.

The new offerings—enhanced Cash Management reports and two new products that provide valuable intra-day detailed account information—allow for more control and better management of your daily Federal Reserve account balances.

In addition, these tools can help you to:

- streamline internal processes and methods to manage real-time account information,
- confirm expectations with other business units,
- forecast investment and borrowing needs,

- capture historical data for tracking trends and swings in account balances, and

- estimate intra-day and end-of-day account balances.

Enhancements to existing Cash Management reports, now referred to as the Cash Management Basic option, are available through Account Management Information (AMI) via FedLine for the Web. There is no change to the current fee structure for our existing reports.

The two new products are Cash Management Plus (available exclusively through AMI) and the Intra-Day Account File, which requires a computer interface connection. Cash Management Plus is an expansion of the Cash Management Basic service and offers a download feature for individual service activity

or all activity (excluding Fedwire Funds and Book-Entry Securities). The Intra-Day Account File is available three times daily via computer interface and contains accounting transactions that will be posted to your account at the end of the day.

If you sign up for either the Cash Management Basic or Cash Management Plus option by Nov. 15, you will receive the first full month of service free. Visit www.frbsservices.org and select "Fee Schedules" for complete pricing information. Contact your account executive to learn more about this new suite of Cash Management Services and how you can take advantage of this free trial offer. ■

Changes to Check Adjustment Forms

Recently, the Claim of Late Return form and the Late Return Disclaimer form were updated to reflect a change in procedure for submitting a claim of late return.

Effective immediately, you no longer need to attach the physical return item when submitting these types of claims. Instead, you should submit a photocopy of the returned item or, if you are a FedLine for the Web customer, you can fax a copy to the Documents to Follow Archive at 1-866-333-6633. When submitting a claim of late return, you

should keep a copy of the claim, as well as the original returned item for your files, and include a contact name and phone number on the form.

Both of these updated forms are available at www.frbsservices.org. First select "Products and Services" then "Check Adjustments Products" under "Retail Services." Then select "Claim of Late Return" or "Late Return Disclaimer." Contact one of the Fourth or Eighth District Check Operations offices (see Page 6) for more information. ■

ACH Network Pilots Tool for Universal Electronic Bill Distribution

The Federal Reserve and members of NACHA's Council for Electronic Billing and Payment are sponsoring a pilot program in which companies will deliver billing information electronically using the Automated Clearing House (ACH) network.

The Electronic Billing Information Delivery Service (EBIDS) pilot, set for this fall, is expected to serve as a model for the universal electronic distribution of consumer bills to all financial institutions that use the ACH network.

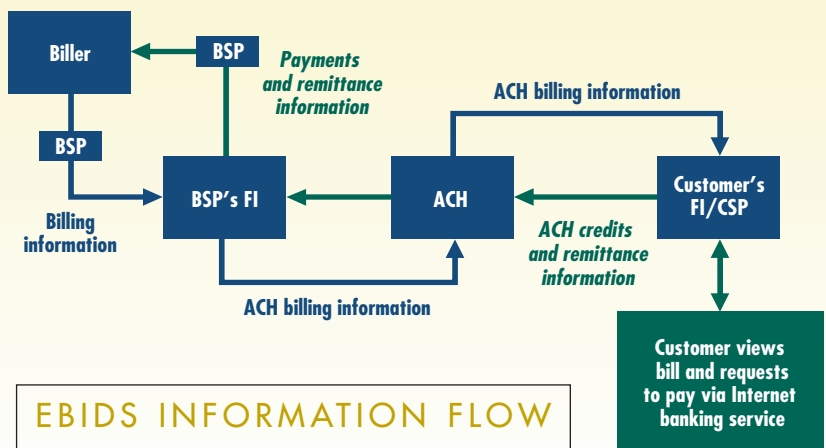
With EBIDS, a billing company creates a zero-dollar ACH transaction containing the summary of a consumer's bill. The biller delivers the transaction to the ACH network through its corporate bank. The consumer's financial institution receives the bill and presents the information at its Internet banking web site. The consumer logs on to the web site, views the bill and authorizes payment. The consumer's financial institution originates an ACH credit along with the remittance information. (See EBIDS flow diagram at right.)

EBIDS strengthens the link between bill presentment and online banking payments through the existing ACH infra-

structure. Consumers' financial institutions will be able to offer enhanced Internet banking and bill payment services with more electronic bills presented on their web sites. The privacy of consumers' financial information is retained because payments are made through their financial institution rather than through a biller's web site.

Financial institutions, billers and other organizations that

are interested in participating in the pilot can obtain pilot documentation on NACHA's web site at <http://cebnp.nacha.org/publicdocs/publicdocs.html>. Pilot participants will be required to be council members and to sign a pilot agreement with NACHA. If you have questions or would like additional information, contact Terri Bialowas at (216) 579-3125 or Mike Taipale at (216) 579-2062. ■



Eighth District Announces Major Cash Restructuring Plan

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city to maintain contact with local banks, organizations and officials. Each branch will continue to have its own board of directors, which plays an important role in gathering regional economic information. In addition, the branches will expand their community outreach, economic education and community development activities.

Most importantly for cash customers, the changes should have little to no impact on cash services. The St. Louis Bank will contract with local armored carriers so that customers can pick up and drop off cash shipments as usual.

More information about the cash restructuring has been posted online at www.stlouisfed.org,

and we will continue to keep you informed in *Payments Quarterly* as more details are announced.

Please note that no changes to cash operations are being made in the Fourth District. ■

Fall Fed Exchange Seminar Series a Success

The months of September and October were filled with a whirlwind of activity as the Cleveland and St. Louis Feds hosted eight Fed Exchange seminars. Staff from hundreds of financial institutions joined members of the Fed's regional sales team and operations staff to discuss a variety of topics, including FedLine for the Web, Check 21 and business continuity planning.



If you attended a Fed Exchange seminar and have any comments to share, or if you have topics you would like to see on the 2004 agenda, contact Sandy Runyon in Cleveland at (216) 579-2158 or Debbie Boren in St. Louis at (314) 444-8946. ■

Payments in a Changing World— Are You Ready for the Future?

Bankers don't need a crystal ball to predict the future of the payments system. Instead, key executive officers from Fourth and Eighth District financial institutions should plan to attend the 2003 Payments Symposium, hosted by the Cleveland and St. Louis Federal Reserve Banks.



It will be held on Nov. 18-19 in Nashville, Tenn., at the Opryland Resort and Convention Center. This fabulous location provides state-of-the-art conference facilities in a tropical garden setting. Plus, Opryland will be decked out for the holidays.

The symposium will feature a keynote speech by Denny Carreker, chairman and CEO of Carreker Corp., titled, "Can Existing Payment Mechanisms Meet Future Needs?" You will also hear from payments industry experts and Federal Reserve officials on timely topics, including:

- what bankers can expect beyond the decline of the check;
- new clearing alternatives, their impact on the banking industry and new business opportunities;
- changing practices of revenue generation in the banking industry;
- the impact of Check 21 on your institution; and
- fraud in the payments system.

You can register online at www.clevelandfed.org or www.stlouisfed.org, or you can contact Margie Saulka at (314) 444-8684. ■

FedContacts

Here's a list of numbers that will come in handy if you have questions or comments about the Fed's products and services. Feel free to give us a call!

NEW SERVICE AND PRODUCT INQUIRIES

Phone: 1-888-333-2538
Fax: (314) 444-4654

CHECK OPERATIONS

CINCINNATI
1-877-214-7233

CLEVELAND
1-800-929-2435

COLUMBUS
1-800-333-2439

LITTLE ROCK
(501) 324-8340

LOUISVILLE
(502) 568-9253

MEMPHIS
(901) 579-2450

PITTSBURGH
1-877-417-7771

ST. LOUIS
1-866-433-3227

ELECTRONIC ACCESS (FEDLINE FOR THE WEB AND DOS-BASED FEDLINE)

Phone: 1-888-333-7010
Fax: 1-866-281-1060

FEDACH

FOURTH DISTRICT
Phone: 1-866-234-5681
Fax: (404) 498-7907

EIGHTH DISTRICT
Phone: 1-888-883-2180
Fax: (612) 204-5575

FUNDS TRANSFER AND BOOK-ENTRY SECURITIES

Phone: 1-800-327-0147
Fax: (617) 973-5918 or 3619

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