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SPRING 2003



Payments Quarterly

News and Views on Regional Financial Services

Fed Announces Check Restructuring Initiative

Recent studies have shown that consumers and businesses are increasing their use of more-efficient electronic payments as substitutes for paper checks—a trend the Federal Reserve has actively promoted. In response to this shift in payment preferences, the Federal Reserve is implementing a series of operational changes that will enable it to continue providing efficient, high-quality payments services to its customers nationwide.

In February, the Federal Reserve announced changes that will streamline its check operations structure by eliminating processing in some locations and increasing capacity in others, reducing staff and improving productivity. More information about how the Federal Reserve will restructure its operations, moving to 32 check-processing locations and to 12 check adjustment locations nationwide, can be found on the national Financial Services web site, www.frbervices.org. Although a detailed schedule of dates is not yet available, we expect to begin making these changes later this year and to finish implementation by the end of 2004.

These changes will give the Federal Reserve more flexibility in managing check operations as volumes decline, and they will allocate processing functions

more efficiently. The changes are consistent with previous efficiency-improving initiatives in areas such as FedACHSM and Fedwire[®] operations. We believe these decisions will position the Federal Reserve as a cost-effective provider of check services to financial institutions nationwide over the long term.

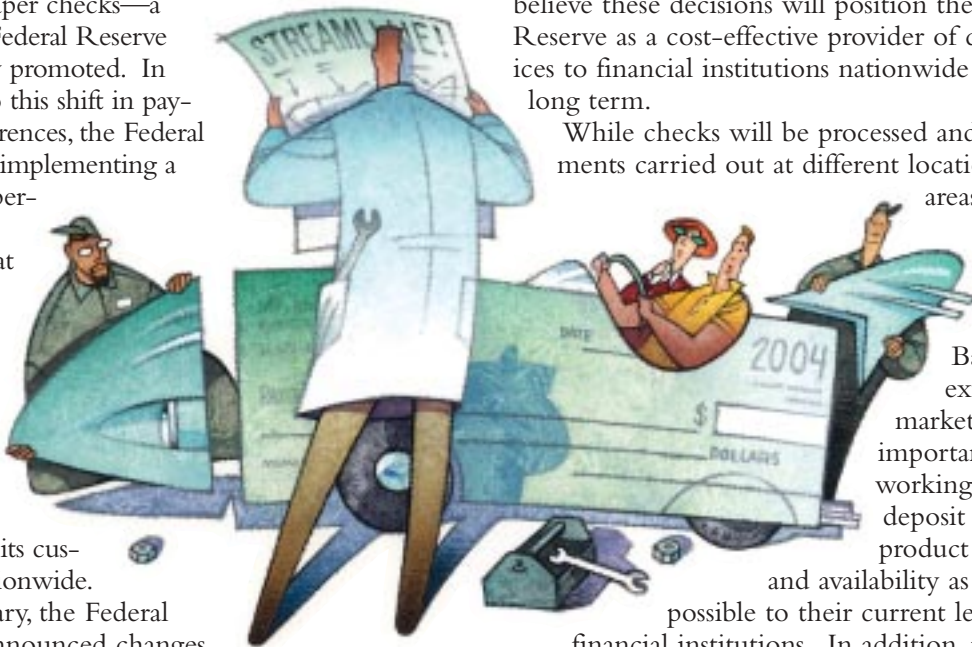
While checks will be processed and adjustments carried out at different locations in some

areas of the country, rest assured that Reserve Banks are not exiting any market. Most importantly, we are working to keep deposit deadlines, product offerings

and availability as close as possible to their current levels for financial institutions. In addition, new check imaging and check adjustments technology will enable Reserve Banks to maintain existing high-quality services and to introduce new services.

The Federal Reserve intends to continue as a leading provider of check services nationwide, and we look forward to your continued business. We will provide ongoing communication about our plans as implementation details are finalized over the next several months. And, information will be continually posted on the national Financial Services web site, www.frbervices.org, as it becomes available. In the meantime, if you have any questions or concerns, contact your account executive. ■

“FedACH” and “Fedwire” are either service marks or registered trademarks of the Federal Reserve Banks.



HEY, LOOK US OVER

We're Pleased to Introduce Two Redesigned Web Sites

Next time you're out surfing the web, visit the Cleveland Fed's and the national Financial Services' web sites. You'll quickly notice that both have recently been redesigned to include easy and intuitive navigation, new functions and a lot of new content.

www.clevelandfed.org

The Cleveland Fed's web site has better navigation and search functionality, along with enhanced features that make locating information more convenient for all visitors to the site. The Bank's URL has also changed, making it much easier to remember: www.clevelandfed.org.



New features include a prominent search function on every page and expanded primary navigation with "Quick Pick" links for bankers, financial institutions, job seekers and students. Better organized content helps visitors find the latest economic and financial data, research papers and Bank publications, news releases, Bank-sponsored conferences and events, background information about the Cleveland Fed and the Federal Reserve System, and consumer and financial services information.

The site also provides links to other Federal Reserve web sites, the Fed's Board of Governors, selected federal agencies and other sources of economic information. For example, the site links to the Fed's popular *Beige Book*, a district-by-district snapshot of regional economies, and to the Federal Open Market Committee's meeting minutes.

www.frbfinancialservices.org

The Federal Reserve has always worked to make its national Financial Services web site your one-

stop shop for information on the Fed's financial services and products. Now, the site has a new look and new features that will make it an even better tool for our customers:

- We used input from customers to streamline common tasks and develop more intuitive navigation. Now you will find the information you need more quickly.
- We have also made it easier for you to stay connected. The "Contact Us" link, accessible throughout the site, enables you to reach us with questions, comments and suggestions.
- You can also subscribe to our free e-mail alert service, which offers the latest in Federal Reserve financial services news and site updates.

We've worked hard to improve our web site, but now we need your feedback. Is it useful? Do you like the new look? Did you find what you came for? Let us know. Just click on the feedback button, and tell us what you think.

www.stlouisfed.org

Last August, the St. Louis Fed redesigned its web site and added new content, functions and navigation. All of the hard work certainly paid off, because the site was just named "Best Corporate Site" in a competition sponsored by the St. Louis chapter of the International Webmasters Association and the St. Louis Web Developers Organization. The site also earned second-place honors in the "Best Web Content" category. In their comments, the judges said that information was well-organized and logically arranged and that the use of color on the site made it very user-friendly. If you haven't had a chance to look it over, we invite you to do so today. ■



Free Direct Deposit/Direct Payment Materials Available

May 2003 has been designated as National Direct Deposit and Direct Payment Month. We encourage you to promote this month at your financial institution to help

heighten consumer awareness of the benefits of direct deposit and direct payment. A limited supply of free materials, including brochures, table tents and bookmarks, is available on a

first-come, first-served basis from the Federal Reserve Bank of St. Louis. They can be previewed and ordered online at www.stlouisfed.org. ■

LDRIN Service Now Available via FedLine for the Web

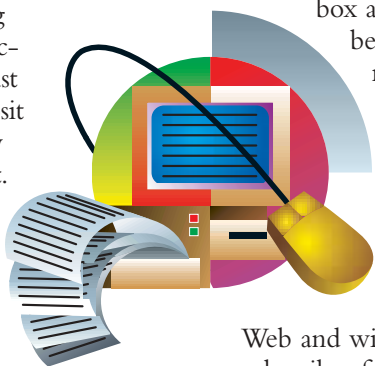
Late last year, a Large Dollar Return Item Notification (LDRIN) service was introduced to the suite of check services available via FedLine® for the Web. FedLine for the Web provides rapid, flexible and powerful web-based access to Federal Reserve financial services.

About LDRIN

LDRIN messages are sent by financial institutions that are returning an unpaid check for \$2,500 or more to the bank of first deposit. The message serves as an early warning that the check is being returned unpaid. Regulation CC section 229.33 states that the notice must be received by the bank of first deposit by 4 p.m. on the second business day after the banking day of presentment.

Benefits of Originating Messages via FedLine for the Web

- **Faster transmission.** FedLine for the Web leverages the power of the Internet to provide you with same-time access to your service information.
- **Ease of use.** The information you enter online is the same as the information you entered via DOS-based FedLine.
- **Archived messages.** Your messages are placed in an archive where you can view them for up to one year. A pick list shows you all of the messages you have sent.
- **Message status.** You can view the status of your messages, either confirming delivery or notifying you of a reject or error in transmission.
- **Ability to import or key in messages.** You can import or key in your messages and send them either one at a time or as a group.



- **Documentation.** Each sent message is time-stamped to document timely notification.

Benefits of Receiving Messages via FedLine for the Web

- **Viewing and printing functions.** You have the ability to view or print your messages one at a time.
- **Message alert.** An alert feature notifies you when you receive a new message.
- **Unviewed messages notification.** A pop-up box alerts you of new messages that have not been viewed when you access the received message screen.

Getting Started

FedLine for the Web is your gateway to check services, including LDRIN.

To get started, visit www.frb services.org and select "Sign Up for FedLine." If you already subscribe to FedLine for the

Web and wish to access this LDRIN service, use the subscriber form to modify your existing certificates.

Detailed fee information for FedLine for the Web and for the services accessible via the web is available online at www.frb services.org. If you have questions about the services offered on the web or would like to explore new services with the Federal Reserve, contact your account executive.

FedLine for the Web leverages today's technology to offer expanded services and features. Put the power of FedLine for the Web to work for you. The sooner you sign up, the sooner you'll have Federal Reserve financial services at your fingertips! ■

Fourth District Moves Forward with Electronic Access Consolidation

Driven by its long-term commitment to maintaining a high level of customer service, the Federal Reserve is further consolidating the customer support mechanisms for electronic access.

The Fourth District's cash services voice-response systems converted from Call4th to the FedPhoneSM system last year. FedLine for the Web was introduced and now supports several applications that were previously only available on DOS-based FedLine. Fourth

District customer support for both FedPhone and FedLine for the Web moved to the Minneapolis Fed at the end of 2002. The number to call is 1-888-333-7010.

The Minneapolis Fed has an expanded staff, including an experienced FedLine application team. Its commitment to service excellence will parallel the level of service our customers have grown to expect.

The final phase of the consolidation will occur this summer. This will include moving support for

DOS-based FedLine in late June and Computer Interface (CI) support throughout June. We will provide specific information via direct mailings as your consolidation dates approach. Until that time, DOS-based FedLine and CI support for Fourth District customers is still available by calling 1-800-228-3371. ■

"FedLine" and "FedPhone" are either registered trademarks or service marks of the Federal Reserve Banks.

ED E-mails Now Posted Online

For those of you who subscribe to the Eighth District's Electronic Distribution (ED) free e-mail alert service, please note that you can go online to obtain a complete listing of all financial services-related ED e-mails sent by the Federal Reserve Bank of St. Louis in 2002 and 2003. This new archive is available on the Bank's web site, www.stlouisfed.org, by selecting "Services for Financial Institutions" then "Customer Communications." A similar free e-mail alert service is currently under development for Fourth District customers. We'll keep you posted.

2003 Conferences and Industry Events

You can check out the Fourth and Eighth districts' schedule of 2003 conferences and industry events online by selecting "Services for Financial Institutions" and then "About Sales and Marketing." If you plan on attending any of these events, stop by the Federal Reserve's booth or look up our account executives, who will be in attendance at all of them.

FedACH Output Files

This is a reminder that, effective Sept. 19, 2003, distribution of FedACHSM output files will occur four times per day instead of once. After Sept. 19, files will be distributed at 6 a.m., 1 p.m., 4 p.m. and 10 p.m. A letter with additional details can be found online at www.stlouisfed.org/financial/assets/pdf/cust_comm/2002/ach1125.pdf, and you can expect additional information in the near future.

2003 NACHA Rule Changes

The National Automated Clearing House Association (NACHA) implemented 12 rule changes on March 14. These rules apply to all ACH participants and include a

system of national fines. To purchase your copy of the *2003 ACH Rules: A Complete Guide to Rules and Regulations Governing the ACH Network*, visit www.nacha.org. You can visit www.achrulesonline.org for additional information. This site is intended to be a convenient online reference tool for users of the ACH network. You must have a print copy of the *2003 ACH Rules* to access this site, along with a login user name and password.

Identity Theft

To help consumers protect themselves, the Boston Federal Reserve has published a booklet that describes the dangers posed by identity thieves, precautions that consumers can take to safeguard their personal information and what consumers can do if they discover that they've fallen victim to identity thieves. You can help your customers avoid identity theft. To print or order copies of the booklet, visit www.bos.frb.org and select "Consumer Information."

Sign Up to Receive Cash Holiday Schedule E-mails

If you work in your institution's cash department, sign up now to receive advance holiday district announcements via e-mail. Once you've signed up, you will receive holiday announcements several weeks before an upcoming legal banking holiday with cash ordering details for each Federal Reserve district. Simply visit the national Financial Services web site, www.frbsservices.org, then select "Email Alerts." Choose "Subscribe to the Email Alert Notification Service," then fill in your information, making sure to select the "Cash" topic. To finish, click "Subscribe." You can also obtain cash ordering information for each district online at www.frbsservices.org/Cash/frCash.cfm.

Plastic Bags to Be Used for Currency Deposits

To address security and safety concerns, effective June 1, 2003, the Federal Reserve will require that all bags used for cash deposits be clear plastic and designed for one-time use.

The actual bag requirements were distributed to customers in a letter that can be found online at www.stlouisfed.org by selecting "Services for Financial Institutions," then "Customer Communications" and then "2003 letters." Operating Circular 2, which pertains to cash services, will be updated by year-end to reflect these new requirements.

Order Your Cash and Coin on Time

Fourth and Eighth District cash customers have three options when placing currency and coin orders: FedLine[®] for the Web, DOS-based FedLine or FedPhoneSM. Don't forget the ordering time frames set by your Federal Reserve cash office (listed in the chart below) so that there will be no disruption to your cash operations.

Fourth District

Cleveland	Noon ET
Cincinnati	Noon ET
Pittsburgh	Noon ET

Eighth District

St. Louis	3 p.m. CST
Little Rock	3 p.m. CST
Louisville	4 p.m. ET
Memphis	3 p.m. CST

"FedACH," "FedPhone" and "FedLine" are either service marks or registered trademarks of the Federal Reserve Banks.

Savings Bonds Training

Throughout 2003, the Federal Reserve System will offer free savings bonds seminars to financial institutions. These skill-boosting seminars are designed to cover essential topics such as purchase, redemption, reissue and exchange transactions.

The seminars will provide financial institutions with up-to-date information and resources that will produce solid answers to customer questions. The ultimate goal is to help financial institutions achieve the level of exceptional service related to savings bonds that customers expect from their financial service providers.

The seminar locations and dates for financial institutions located in the Fourth and Eighth districts are listed below. To enroll, call:

Fourth District

Denise France (412) 261-7900,
ext. 1011

Eighth District

Donna Kuhn (816) 881-2178

Little Rock, Ark.	April 7
Springdale, Ark.	April 8
Cincinnati, Ohio	April 8
Dayton, Ohio	April 9
Lexington, Ky.	April 22

Springfield, Mo.	April 24
Wheeling, W.Va.	May 6
Louisville, Ky.	May 13
New Castle, Pa.	May 20
Lancaster, Ohio	June 10
Columbus, Ohio	June 11
Akron, Ohio	Aug. 13
Cleveland, Ohio	Aug. 14
Erie, Pa.	Sept. 9
Pittsburgh, Pa.	Oct. 7

For more information, visit the national Financial Services web site at www.frbsservices.org. ■

Change in Threshold for As-of Adjustments

In an effort to provide operational benefits to financial institutions, the Federal Reserve has changed the criteria used for automatically issuing transaction-based *as-of* reserve adjustments.

The new criteria reduce the communication time and the effort that accompanies the internal processing of each *as-of* adjustment. And, monitoring and reconciling reserve positions is less complex. Finally, these changes address the operational costs to all parties associated with processing *as-of* adjustments for smaller dollar transactions.

Reserve Banks now use a combination of two factors to determine whether a transaction-based *as-of* adjustment is automatically issued: the dollar value of the base transaction must be \$25,000 or more **and** the aggregate amount (base transaction multiplied by the number of days outstanding) must be \$250,000 or more. If desired, financial institutions can

request *as-of* adjustments for amounts less than the established minimum thresholds on a case-by-case basis.

If you have questions or need additional information, please contact us:

Fourth District

Cleveland, Ohio	1-800-929-2435
Cincinnati, Ohio	1-877-214-7233
Pittsburgh, Pa.	1-877-417-7771
Columbus, Ohio	1-800-333-2439

Eighth District

St. Louis, Mo.	1-866-433-3227
Little Rock, Ark.	(501) 324-8271
Louisville, Ky.	(502) 568-9257
Memphis, Tenn.	(901) 579-2525



Fourth District Readers—Welcome to PQ

In February, you received a special edition of *Payments Quarterly* that detailed the new regional service team partnership between the Fourth and Eighth districts, which resulted in a new regional Sales and Marketing department. Now, you've received your first quarterly issue. Welcome!

If there are others at your institution who would like to receive this publication, they can subscribe online from either the Fourth District's web site, www.clevelandfed.org, or the Eighth District's web site, www.stlouisfed.org, by selecting "Publications."

We'd love to receive any comments or suggestions you might have; so, please pass them along to your account executive. ■

Who's Who in Sales and Marketing?

The contact list at right includes the numbers of Fourth and Eighth district support help desks for a variety of service areas. For a complete list of regional Sales and Marketing staff members, select "Services for Financial Institutions" on both districts' web sites. ■

If You Enjoyed the **User Group Meetings** or the **Back to School Seminars**... Look What We Have in Store for You at



By now, all Fourth and Eighth district institutions should have received an invitation to attend the new regional spring seminar series, Fed Exchange. This event combines the best features from the Fourth District's User Group meetings and the Eighth District's Back to School seminars and offers customers a new forum for information exchange with the Fed.

Fed Exchange will be held from 8:30 a.m. to 3 p.m., as scheduled below:

April 8	Pittsburgh, Pa.	Four Points Sheraton
April 8	St. Louis, Mo.	Holiday Inn South
May 6	Memphis, Tenn.	Holiday Inn Select
May 8	Columbus, Ohio	Columbus Marriott North
May 13	Cleveland, Ohio	Holiday Inn Cleveland South
May 15	Little Rock, Ark.	Embassy Suites
May 21	Louisville, Ky.	Executive Inn West
May 22	Lexington, Ky.	Marriott's Griffin Gate Resort

If you would like more information about Fed Exchange, contact Cleveland's Sandy Runyon at (216) 579-2158 or St. Louis' Debbie Boren at (314) 444-8946. ■

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!

SERVICE AND NEW PRODUCT INQUIRIES

Phone: (314) 444-4773
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*)

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

* For DOS-based FedLine support, Fourth District customers should call 1-800-228-3371 or (216) 579-2003.

FEDACHSM

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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