



Payments Quarterly

News and Views on Regional Financial Services

Preparing for the Future: Fed Answers Questions about Check Restructuring Plans

Early this year, the Federal Reserve Banks announced upcoming changes in their check operations, including a reduction in 13 check processing locations and a streamlining of check adjustment sites nationwide. Restructuring events are set to begin in the fourth quarter of this year and continue through the end of 2004. A working schedule was recently shared with Fed employees and financial institutions and is available on the Fed's national financial services web site, www.frbervices.org, under "Federal Reserve System Check Restructuring Changes." Here are the answers to a few questions that our customers are asking:

Q. What is the Federal Reserve's long-term strategy for staying in the check business?

A: Even as consumers and businesses shift their preferences from paper to electronic payment methods, the Fed remains committed to fulfilling our role as a national provider of check services. We are not exiting any market, and we will continue to deliver the same integrity, reliability and high level of service that our customers have come to expect.

Q. How will customer service levels be affected by the restructuring?

A: We hope there will be very little impact. In cities where check processing is being moved, we are working to maintain deposit times and availability as close to current service levels as possible. Many of the details are still being fine-tuned for the affected markets, but here is what we know for sure at this time:

- Drop-off points will be established in cities where checks will no longer be processed, and we will arrange transportation for cash letters from the drop-off point to the processing location.

- The Fed will provide credit for deposits that are delivered to the drop-off point before the published deadline, and we will assume float risk if receipt is delayed at the new processing location.

- Cash letters will be deposited just as they are today, even though they will be processed in a new location.

Q. How will the Reserve Banks keep customers informed?

A: Each step of the way, we will be communicating operational details about the restructuring with our customers. We have promised to notify all customers in affected markets at least 120 days before transitioning the processing of cash letters to an alternate processing location so that they can complete any necessary preparations. Our staff will be in regular contact with customers on issues such as transportation, deadlines, testing and accounting changes, and we will solicit their feedback. We will also post updates and related information to our financial services web site at www.frbervices.org.

Q. Whom can I contact for more information?

A: Contact your Federal Reserve account executive with any questions you have as the restructuring process unfolds through the end of this year and next. In addition, for the most up-to-date information, please visit www.frbervices.org. ■



Customers Give Feedback *on the Fed's Financial Services*

The Federal Reserve conducted a random national customer satisfaction survey in the fourth quarter of 2002 that explored customer perceptions of our products and services. The survey results identified strategic priorities for improving our products and services to better meet your needs.

According to the survey, you continue to see the Federal Reserve as a trustworthy, customer-focused national provider of payment services. Within our region, many significant improvements were seen. For instance, in the areas of forward check processing, returns and adjustments—all primary drivers of your loyalty—you said that you've seen major improvements.

While you also recognize improvements in accuracy, credit availability, range of collection options, notification for large dollar returns and timely resolution of discrepancies, you also expect increased performance in these areas.

Cash services also saw significant improvements in deposit and order packaging, deadlines for orders, and receiving accurate denominations. These areas affect your day-to-day operations, and you reported that you appreciate the progress we have made.

You told us that customer service and support are of utmost importance to you. The survey says that

you appreciate our service and continue to expect our representatives to be:

- able to resolve problems quickly and accurately,
- knowledgeable, professional and courteous, and
- committed to treating you like the valued customer that you are.

Going forward, our goal is to exceed your expectations in these day-to-day experiences.

Your account executive is key to managing your relationship with the Federal Reserve, and the region has seen improvements in the frequency of contacts between account executives and the institutions they serve. The sales and marketing partnership in the Fourth and Eighth districts has allowed us to better coordinate other Fed resources and to effectively manage this important relationship.

You told us that it's important for the Fed to continue to focus our efforts on developing and enhancing FedLine® for the Web applications to ensure that we offer flexible, yet secure, replacements for all DOS-based FedLine services. You said that other areas, such as Fedwire® Funds Services, FedACHSM and Fedwire Securities Services, also improved.

Your time and feedback have helped us identify your concerns, which is crucial to our improvement process. We hope that you voice your opinions on an ongoing basis. The business relationship that we share with you is very important to us; so, keep talking—we're listening. ■

Fourth District's FedLine Customer Support Completes Its Move to the Minneapolis Fed

The final phase of the Federal Reserve Bank of Cleveland's consolidation of customer support for electronic access was completed in June 2003, when support for

DOS-based FedLine moved to the Minneapolis Fed. The phone numbers for the Customer Contact Center are 1-888-333-7010 or (612) 204-7010. For a complete list of

contact information for all of the District's consolidated customer support sites, visit www.clevelandfed.org/MARKET/fs-helpdesk.htm. ■

New and Improved: FedLine Enhancements Offer More Online Options

Springtime definitely hasn't been break time for the Fed. In April and May, we started offering enhancements on three key FedLine for the Web applications to give you more online service options. Existing FedLine for the Web users have probably noticed some of these changes and started enjoying the new functions. If you aren't a web customer yet, read on to learn how doing business with the Fed just got easier.

FedACH Services

Unfortunately, processing exception items is a necessary part of doing ACH business. To make this task quicker and easier, ACH receivers can now use FedLine for the Web to return ACH entries and to create notifications of change (NOCs) electronically.

Easy-to-navigate screens and drop-down lists automate these exception item tasks and help you get them done more quickly. Here's how it works: Simply select an item previously received, enter its return reason code or NOC code, obtain the item's reference number, and print or download a copy of the derived item for your files. The archive goes back 10 previous business days, and you can search by item trace number or dollar amount.

With this process, you avoid manually entering most transaction details. This is helpful when it comes to preventing data-entry errors. If you use DOS-based FedLine or FedPhoneSM to derive returns and NOCs, try it on FedLine for the Web and see just how easy it is.

Cash Services

If you already use FedLine for the Web cash services, you've probably seen some new features of the upgrade and how easy it is to conduct cash business with the Fed. Financial institutions now have greater ordering flexibility, can view ship dates on printed acknowledgements and save time setting up new branches. Take a closer look at the new features, described in greater detail below. If you don't already use FedLine for the Web cash services, there's no better time to start.

- **Advance order requests:** If you receive cash shipments more than once a week, you can now schedule your cash orders up to one week in advance. What a great way to take care of

business when you know your cash teller will be out of the office when it's time to place an order!

- **Acknowledgements that show cash availability:**

After you submit your cash order, you automatically receive an acknowledgement showing when your armored carrier can pick up your order from the Fed—a function not available on DOS-based FedLine. This acknowledgement gives your institution a written record of your order and acts as a physical reminder of when your shipment will be available for your armored carrier.

- **Enhanced edits:** Pop-up messages will alert you before you submit your cash order if you enter an amount inconsistent with the Fed's standard packaging increments.

- **Easy branch setup and maintenance:** If your institution has multiple branch offices, you will particularly like this new feature.

The steps previously required by the Fed to add new branches or endpoints are eliminated. We'll take care of that job for you by pulling your branch information from our back-end systems. Have a branch name change? No problem!

You can request the update online using our new request form.

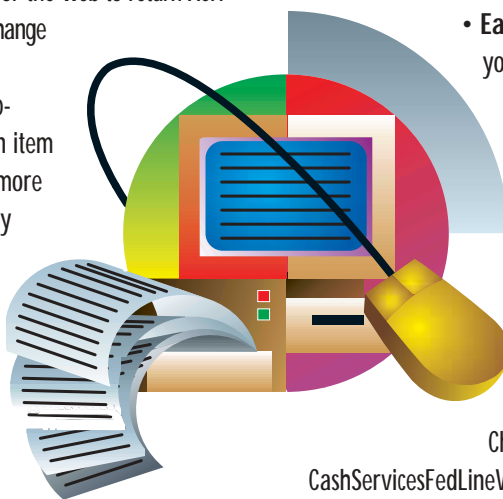
Check out www.frb services.org/Cash/pdf/CashServicesFedLineV5.pdf for more details and screen shots of these functions.

Accounting Services

FedLine for the Web customers will enjoy several enhancements to the accounting services suite. You'll find one of the biggest changes right on the service's home page—a link to view your daylight overdraft reports. Now you can see reports online, such as the Intra-Day Position Report, Two-Week Daylight Overdraft Monitoring Summary, charge statements and advices.

Previously, this information was available only through DOS-based FedLine. FedLine for the Web customers no longer have to hassle with using multiple channels to access accounting information and to monitor daylight overdraft activity.

You'll also notice additional search options available with the "Find Specific Entry(s)" feature in Account Management Information. You now have the choice to view either deferred or future items processed today. Selecting these search options enables you to view transactions that are processed on the current day but are available at a future date.



Savings Bond Training Requires Nominal Fee

In the spring issue, we reported incorrectly that a series of savings bond seminars would be offered free of charge. In fact, there is a nominal fee associated with the seminars. If you are interested in attending one of the remaining four summer seminars or those scheduled in the fall, contact Lisa Aquino at (816) 881-2991 or visit the Kansas City Federal Reserve's web site, www.kc.frb.org.

Two New State Quarters Honor Missouri, Arkansas

Both of the remaining commemorative state quarters to be released in 2003 represent states in the Eighth District. The Missouri quarter will be released in August, and the Arkansas quarter will be released in October. In late July and September, release dates at all four Eighth District offices will be posted at www.stlouisfed.org.

Don't Forget: Four File Outputs

Here is a final reminder that, effective Sept. 19, 2003, delivery of

FedACH output files will occur four times per day instead of once. To arrange for testing well in advance of this date, Fourth District customers should contact the FedACH support site in Atlanta at 1-866-234-5681. Eighth District customers should contact the FedACH support site in Minneapolis at 1-888-883-2180.

DTF Guidelines Now Online

The electronic exchange of documentation supporting adjustment requests, also known as Documents to Follow (DTFs), was implemented Nov. 18, 2002. FedLine for the Web check adjustments customers and Federal Reserve offices can now access adjustment messages and images of the supporting documents via a central archive.

DTFs are faxed, preceded by a special DTF cover sheet, into the archive at the time the adjustment is submitted. Accurate placement of required information on the DTF cover sheet is critical to ensure that the archive can read the information. A set of guidelines has been

posted at www.clevelandfed.org/MARKET/checkad.cfm and at www.stlouisfed.org/financial/check_ops/check_adj.html. Please follow the guidelines to ensure that your archived documents are complete and legible and to facilitate timely processing of your adjustments.

There's a Lot to Learn about Money

As a banker, you know that the best customer is an informed customer. The Federal Reserve's recently launched Personal Financial Education initiative is designed to provide guidance and information to the general public about basic financial matters. For more information on the initiative, visit www.federalreserveeducation.org/fined/index.cfm. You'll find a wide variety of resources on a broad range of financial topics—everything from direct deposit to international investments—for you and your customers. ■

FedImage Services The Numbers Say It All

Since the launch of FedImageSM Services last fall, usage of the service has dramatically increased, as the following numbers indicate. The Federal Reserve System has converted all 45 of its processing sites. There are now more than 2.1 billion images archived. In March 2003, 417 tapes were created totaling 2.4 million images, and 5,500 CDs were created with 40.5 million images. Also, a total of 1,700 transmissions were sent with 9.4 million images. To date, 68 customers are now live, and 230 candidates have been identified. Look for a more detailed article on FedImage Services and its many benefits to you in the autumn 2003 issue of *Payments Quarterly*. ■

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In addition, the statement of account "Other/Affiliate" list has been enhanced to include the list of affiliate ABAs identified in the account activity section. If applicable to your institution, you can view the daily statement of account for all affiliates identified in the account activity section.

Getting Started Is Easy

If you are an existing FedLine for the Web customer but haven't signed up for one or more of these services, simply update your subscriber credential and access control request form. New web customers must complete a new form. For more information, or if you need assistance signing up, contact your account executive or visit www.frbervices.org. ■

U.S. Treasury's Financial Management Service Helps Combat Check Fraud

The U.S. Treasury's Financial Management Service (FMS), concerned about check fraud involving U.S. Treasury checks, has added security features to Treasury-issued checks. In addition, FMS is working to educate financial institutions about these fraud deterrents.

Attempted check fraud surpassed \$4.3 billion in 2001, resulting in \$698 million in actual dollar losses to the banking industry, according to the American Bankers Association's Deposit Account Fraud Survey Report.

The report also suggests a shift toward targeting smaller community banks and mid-sized institutions for check fraud.

Check fraud prevention systems in place at financial institutions are credited with reducing actual dollar losses, but additional fraud prevention tactics are needed to minimize losses.

FMS has implemented a variety of security features on Treasury-issued checks to reduce fraud that results from alterations and counterfeiting. State-of-the-art safety and design features are manufactured into U.S. Treasury checks. The features include watermarks, microprinting, ultra-violet overprinting and bleeding ink. Awareness of these and other features can help your customer service representatives detect altered or counterfeited

U.S. Treasury checks and potentially reduce losses to your financial institution.

Customer service representatives can contact the FMS Questioned Documents Branch at (202) 874-7640 if they need further information about these security features.

FMS is also available to conduct seminars or briefings at banking conferences to educate representatives about these security features. If your representatives have analyzed a Treasury check and still have questions about its authenticity, they can contact the Federal Reserve Bank of Richmond at (804) 697-2605. ■

New Currency Coming This Fall

In a similar anti-counterfeiting effort, the Bureau of Engraving and Printing will introduce the Series-2004 (formerly known as NexGen) \$20 note later this year. The Series-2004 \$20 note will include new security enhancements to make it harder for counterfeiters to reproduce the new series note, as well as to make it easier for consumers to spot fakes. Familiar features retained from the 1996 Series notes include the following:

- red and blue fibers in the currency paper,
- ultraviolet security thread that glows green,
- watermark of the portrait image,
- microprinting and
- color-shifting ink.

New features added to the Series-2004 notes include the following:

- subtle use of color (other than the traditional black and green ink),
- a more pronounced and slightly larger portrait on the face of the note,
- different placement of the microprinting, and
- color-shifting ink that has been adjusted to improve the distinction between the two colors



when the note is slightly rotated.

The most dramatic change with the Series-2004 \$20 note is the addition of color for the first time. This feature is actually not a counterfeit deterrent, but a feature that will help consumers distinguish between notes of various denominations. As with the previous redesign, the Bureau of Engraving and Printing plans to launch an extensive public education campaign to teach consumers, retailers and financial institutions about the new notes. You can obtain the latest redesign information on the Bureau's web site at www.moneyfactory.com. ■

At Your Service

The Federal Reserve welcomes James E. Broughton as the new regional account executive for the Little Rock and Memphis offices of the Federal Reserve Bank of St. Louis.



Jim received a bachelor's degree in 1985 from Christian Brothers University in Memphis. He worked with his family's business, based in St. Petersburg, Fla., for 12 years before coming to work at the Memphis Branch in August 2002 as supervisor of the Cash Department.

While at his family business, Jim developed a diverse background in sales, marketing, public relations and management. Jim's vast experience will assist you in making good business decisions about the use and benefits of the Fed's products and services.

Jim is eager to meet the needs of financial institutions and their customers in an ever-changing financial services market, and he hopes to provide a level of customer service that exceeds expectations.

Jim has been traveling extensively to meet his customers. If you have any questions in the meantime, contact Jim at (901) 579-2436; 1-800-552-5132 (in Tennessee); or 1-800-238-5293 (outside Tennessee), ext. 2436. ■

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!

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-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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Nearly 800 Customers Exchange Ideas and Information

During April and May, nearly 800 customers attended the eight Fed Exchange seminars hosted by the Cleveland and St. Louis Feds. This new event was created for financial institutions to come together and learn about what's new and improved at the Federal Reserve.

At Fed Exchange, customers had the opportunity to meet with members of the Fed's regional sales team and operations staff. We discussed information ranging from FedLine for the Web to FedImage Services to account management to cash operations. We even threw in lunch.

Attendees said that they enjoyed the experience and look forward to more information-packed Fed Exchange seminars in the fall. Dates and locations for the eight fall Fed Exchange seminars are now being determined. All Fourth and Eighth district financial institutions will receive an invitation with additional details later this summer, and at that time you will be able to register online at www.clevelandfed.org and at www.stlouisfed.org.

We've added a photo album of spring Fed Exchange seminar photos on our web sites, www.clevelandfed.org and www.stlouisfed.org. Take a look at all of the smiling faces. ■